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Treasurer-Tax Collector



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**ENDORSED FILED**

AUG 25 2016

SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SUTTER  
CLERK OF THE COURT  
By JACKIE LASWELL Deputy

July 5, 2016

Honorable Brian R. Aronson, Presiding Judge  
Superior Court of California  
County of Sutter County

RE: Response to the 2015-2016 Grand Jury Final Report, Chevron Solar Energy Savings Project.

To begin I would like to thank and commend the members of the Grand Jury for their service to the citizens of Sutter County. It is through the hard work and time sacrificed by the members that provides oversight of the many and unique operations of the county, which in turn strengthen the county.

As required by California Penal Code §933(c) and §933.05, following is the Treasurer-Tax Collector's response to the Chevron Solar Energy Savings Project.

**Findings**

**Finding F1:** The BOS signed an agreement with Chevron ES to construct energy producing and energy saving devices on and within Sutter County facilities. Financing for the project was provided by PNC Equipment Financing, LLC in the form of a Master Lease-Purchase agreement spreading the repayment over fifteen years.

**Response:** The Office of the Treasurer-Tax Collector agrees with the finding.

**Finding F2:** The Master Lease-Purchase agreement stated that repayment would be considered to be Rent Payments under the lease. These payments would constitute an annual expense for the County.

**Response:** The Office of the Treasurer-Tax Collector agrees with the finding in that each payment represents principle and interest, an expense, of the capitalized lease agreement.

**Finding F3:** The Rent Payments are a part of the annual budget for the respective departments of the County, instead of project funds. By defining the payments as rent, it removed it from the Auditor-Controller's jurisdiction and independent oversight.

**Response:** The Office of the Treasurer-Tax Collector disagrees with this finding. The Auditor-Controller is responsible for the oversight of the County's accounting functions including oversight of the County's budget.

**Finding F4:** The largest photovoltaic array is projected to produce over half of the total power produced by all ten solar units. The site for this large array was the Sutter County Airport. However, the Federal Aviation Administration (FAA) advised the County that an extensive delay would be incurred while a site

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study was to be conducted to determine if there were any safety issues regarding the airport operations. This required an alternate site be selected.

**Response:** Finding F4 is not within the purview of the Office of the Treasurer-Tax Collector. The determination of facilities and land use falls under the purview of the General Services Department along with the CAO and County Counsel offices.

**Finding F5:** The second largest photovoltaic array is projected to product 16% of the total power. Its site at Mental Health also proved to be problematic with no alternative site yet to be determined.

**Response:** The Office of the Treasurer-Tax Collector partially disagrees with the finding. The photovoltaic array site at the Mental Health location was requested to be relocated or redesigned by the Building Committee, which is attempting to preserve the site for a possible future building site. The planned array was to be built on the ground. The committee believes and has requested that other options be investigated such as placing the array or a portion thereof on the roof of the Mental Health building and or covered parking structures.

**Finding F6:** In the rush to complete the Chevron Project, incomplete research resulted in the selection of "problem" sites for two thirds of the total projected energy production resulting in extensive delays and added expense to the County.

**Response:** The Office of the Treasurer-Tax Collector agrees with this finding. Had time been provided to fully research all possible sites for their pros and cons along with cost benefit, changes to the project would have been mitigated prior to the start of construction.

**Finding F7** The BOS approved the CAO and the Assistant CAO sole access to the \$9.1 million escrow account to disburse funds for the Chevron Project. This was later amended by giving the Treasurer-Tax Collector and the Auditor-Controller sole access to the account.

**Response:** The Office of the Treasurer-Tax Collector agrees with the finding. Through a corroborative process involving the Office of the Auditor-Controller, Office of the Treasurer-Tax Collector, Office of the Assessor, members of the CAO office and a member of the Board of Supervisors the US Bank Escrow account was transfer to the control of the Treasurer-Tax Collector and with the Auditor-Controller providing checks and balance (internal controls) between the approval process and the release of funds.

**Recommendations**

**Recommendation R1:** Any future projects shall take advantage of all the resources available to the BOS. The Auditor-Controller shall be included. He was elected by the people of the County to act as an independent agent to prevent the opportunity for improprieties or the appearance of such improprieties.

**Response R1:** The recommendation has not yet been implemented. Solutions to implement this recommendation are currently in draft form and are expected to be brought before the Board of Supervisors for approval by September 2016.

**Recommendation R2:** Any future projects involving County funds shall always name the Treasurer-Tax Collector as the sole agent of the County to handle these funds. He was elected by the people to handle this responsibility and it is inconceivable that, in the original escrow agreement, he was excluded.

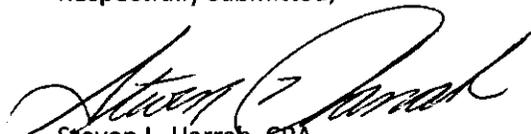
**Response R2:** This recommendation has been implemented by way of California Government Code.

**Recommendation R3:** In the future, adequate time for thorough research shall be allowed to avoid such expensive delays, as this project has experienced, costing the County hundreds of thousands of taxpayer dollars. (See lease payment schedule Attachment A)

**Response R3:** This recommendation has not yet been implemented. Currently through corroboration between department heads, both elected and appointed, processes and committees are being developed to bring the knowledge and talents of all to the table in developing future long-term projects. One such committee that has been formed and that is currently in place is the Building Committee.

This concludes the Office of the Treasurer-Tax Collector's response to the findings and recommendations of the 2015-2016 Grand Jury, Chevron Solar Energy Savings Project final report.

Respectfully submitted;

  
Steven L. Harrah, CPA  
Treasurer-Tax Collector

cc: Sutter County Board of Supervisors  
Curt Coed, Interim County Administrative Officer