



August 8, 2018

TO: Board Members  
FROM: John Gray, Chairman  
SUBJECT: Draft Responses to 2017-18 Grand Jury Report & Strategic Planning Session

### **2017-18 Grand Jury Report**

Each year the Grand Jury issues a report providing findings and recommendations on a wide array of local government operations. This year, the Grand Jury included a section in their report related to the TCEDA. Exhibit 1 is a copy of the section of the Grand Jury Report that pertains to the TCEDA.

The TCEDA will have until late September 2018 to complete and submit its responses to those findings and recommendations requested by the Grand Jury. To ensure the TCEDA is able to meet this deadline, I have taken the liberty to ask staff to prepare a first cut draft of potential responses to facilitate our discussion this evening. The proposed responses are provided as Exhibit 2. Any direction given at this meeting will help staff prepare final draft comments for consideration by the Board at our regular meeting in September.

There is one Recommendation that the Grand Jury specifically asked the City Council and Board of Supervisors to respond to but not the TCDEA. That is Recommendation (#2) which for ease of access is provided as Exhibit 3. The TCEDA should certainly at least discuss this recommendation as it serves as a catalyst for action on a number of concerns raised by the Grand Jury.

### **Strategic Planning Session**

The Board also wanted to be able to discuss this year's strategic planning session in conjunction with the Grand Jury Report as the report and related responses will undoubtedly take up a large segment of that time. The Board could discuss topics, timing and potential facilitation and provide initial feedback/direction to staff.

### **Recommendation**

Provide staff direction on development of final draft comments on the 2017-18 Grand Jury Report and on this year's strategic planning session as the Board deems appropriate.

# EXHIBIT 1

2017/18 Grand Jury Report on TCEDA

# Tuolumne County Economic Development Authority

## Summary

The Tuolumne County Economic Development Authority (TCEDA) is a small public agency with a wide field of activity. It was created to 1) be an advocate for and to assist businesses with their issues within Tuolumne County and the City of Sonora and 2) to market the City and County as good places to do business to companies outside to the City and County. TCEDA was formed as a Joint Powers Authority of the City and County to facilitate the City and County working together more efficiently and effectively. The Grand Jury's investigative efforts focused on three primary topics including **general assistance to businesses, management oversight** of the agency, and overall **strategy and direction** for the agency.

The Grand Jury's review of business assistance identified a broad set of interactions between TCEDA and other agencies in the areas of job training, housing, loan funding, planning, zoning and permitting, and referral to other Federal/State/Local entities that provide small business training and development resources. Multiple interviews with active businesses identified satisfaction with the assistance provided by TCEDA. This applied to small and large existing businesses attempting to expand as well as start-up businesses. A few departments or agencies see TCEDA as interfering with normal processes.

The Grand Jury's review of management oversight identified a number of problems related to budgetary control, terms for the Chief Executive Officer (CEO) contract, and board personnel evaluation processes. A structural issue of concern relates to balancing the need for public openness with private industry needs for confidentiality. Another concern relates to the structure of the TCEDA as a Joint Powers Agency that has established its own rules of governance

which, in some cases, do not reflect best practices of either the City or County. Finally, our review identified a general lack of objective and concrete performance metrics or performance reporting.

The Grand Jury's review of strategy and direction focused on the recently adopted *5 Year Work Plan* for the agency. The agency is currently refocusing much of its effort towards the attraction of external businesses to the City and County. There are weaknesses in the range of support mechanisms available to attract new businesses to the City and County such as the lack of business ready properties and recent reduction of State and Federal funding of revolving loan funds.

### Glossary

<b>Biomass</b>	Organic matter used as a fuel, especially in a power station for the generation of electricity
<b>Bricks &amp; Mortar</b>	A traditional business that operates in a building, when compared to one that operates over the internet
<b>Business Plan</b>	A document setting out an organization's future objectives and strategies for achieving them
<b>CEO</b>	Chief Executive Officer
<b>EPCTC</b>	Economic Prosperity Council of Tuolumne County
<b>Family Wage</b>	A family wage is a wage that is sufficient to raise a family
<b>IT</b>	Information Technology, including hardware, software, communications, data storage, and security
<b>JPA</b>	Joint Powers Authority
<b>Living Wage</b>	A wage that is high enough to maintain a minimum standard of living for a single individual
<b>Management Audit</b>	An independent examination and appraisal of the efficiency and effectiveness of management and organization
<b>Marketing Plan</b>	A document outlining an organization's

	marketing strategy and tactics
<b>Metrics</b>	Quantifiable measures organizations use to track, monitor and assess the success or failure of various processes
<b>Pro Bono</b>	Providing professional advice without compensation
<b>TCEDA</b>	Tuolumne County Economic Development Authority
<b>The Brown Act</b>	The Brown Act (California Government Code, section 54950, et seq.) guarantees the public's right to attend and participate in meetings of local legislative bodies. The Brown Act was enacted in response to mounting public concerns over informal, undisclosed meetings held by local elected officials. The Act has been interpreted to apply to email communication as well.

## **Background**

In the fall of 2017, the Grand Jury became aware of citizen concerns regarding the transparency and efficacy of the Tuolumne County Economic Development Authority. Concerns focused on TCEDA's budget, management transparency, and return on investment.

The Grand Jury chose to investigate TCEDA based on several persistent and important local issues: Tuolumne County's ongoing budgetary challenges, lack of tax revenue, and limited family wage opportunities. In addition, TCEDA had not been evaluated by a Grand Jury since its creation as a City/County Joint Powers Authority in 2009.

Following an initial inquiry, which included both a preliminary review of public documents, and observation of public TCEDA board meetings, the Grand Jury voted to proceed with a full investigation.

## Methodology

### Documents

The Grand Jury reviewed the following documents:

- TCEDA Joint Powers Contract and Agreement Summary Sheet
- TCEDA Website (TCEDA.net)
- Governments Working Together - A Citizens Guide to Joint Powers Agreements  
(<http://sgf.senate.ca.gov/sites/sgf.senate.ca.gov/files/GWTFinalversion2.pdf>)
- TCEDA JPA Contract and Agreement Summary Sheet)
- TCEDA Financial Policy
- TCEDA Travel and Business Expense Policy
- Structure of Tuolumne County Small Business Revolving Loan Committee
- TCEDA CEO Reports to the Board for 2017
- TCEDA Guide to Business Grants
- TCEDA Guide to Business Incentives
- TCEDA Executive Director (CEO) Job Description
- Monthly TCEDA Board of Director meetings, minutes, and agendas
- TCEDA's 5-Year Work Plan
- The City of Sonora, and Tuolumne County General Plans
  - City of Sonora General Plan, Chapter 10 Economics
  - Tuolumne County General Plan, Economic Development Section
- 2017 CEO Expense Reports
- 2017 CEO Calendar
- 2017 CEO Timecards (sampling)
- TCEDA Board Agenda and Minutes for 2017/18

- TCEDA Request for Proposals Downtown Outreach Consulting Services
- TCEDA Approved Financial Policies
- 2015 Guidelines for Business Assistance Program funded by Tuolumne County with Community Development Block Grants
- 2013 Tuolumne County Revolving Loan Fund Loan Advisory Board Meeting Agenda
- 2012 Tuolumne County Small Business Loan Fund Summary
- TCEDA Statement of Net Position for Fiscal Years Ended 2015, 2016, and 2017
- Tuolumne County Living Wage Calculation (<http://livingwage.mit.edu/counties/06109>)
- Sampling of 2018 Union Democrat Fictitious Business Licenses
- IRS Form 990 Tax Return of Organization Exempt from Income Tax
- TCEDA CEO Slides on Projected New Jobs, Percentage of Jobs by Wage, and Estimated Capital Investment
- June 20, 2017 Union Democrat article, County budget turmoil: state mandates, federal cuts, rising debt
- July 17, 2017 Union Democrat, Letters to the editor, Innovation Lab

### **Site Tours**

The Grand Jury visited businesses and attended TCEDA board meetings.

### **Interviews**

During this investigation, the Grand Jury interviewed 23 people including TCEDA Board members and staff, senior City, County and Federal agency managers, and established as well as new local businesses in the City and County.

## **Discussion**

### **TCEDA Background**

In September, 2009, the County of Tuolumne and the City of Sonora signed a Joint Powers Agreement (JPA) to create the Tuolumne County Economic Development Authority. According to Title I, Division 7, Chapter 5 (commencing with Section 6500) of the Government Code of the State of California, “a Joint Powers Agreement may be made between multiple government agencies in order to combine their powers and resources to work on common problems and more efficiently and effectively deliver services.”

The TCEDA JPA was specifically created to address mutual economic concerns facing the City of Sonora and the County of Tuolumne as a whole. Specific concerns mentioned in the original contract include:

1. Business and employment opportunities for its residents
2. The income needed to create, expand, and sustain essential services provided by both private business and local government

Additional values included creating a healthy economy “that respects and that acknowledges the value of and utilizes the community's history, heritage and natural resources.”

The original JPA agreement mandated that TCEDA address seven areas:

1. Business retention and expansion
2. Business attraction
3. Business assistance programs
4. Identification of appropriate locations for and creation of shovel ready commercial and industrial properties including but not limited to adaptive reuse



5. Support the creation, expansion and rehabilitation of public infrastructure needed to support and sustain local business and industry (e.g. road, water, power, sewer, telecommunications, etc.)
6. Assist with educational and training opportunities tailored to equip and support the community's workforce
7. Pursuit of funding sources to facilitate all of the above.

Further, the original contract specifies that the goals, policies and implementation programs of TCEDA "shall be generally consistent with those contained in the Economic Development Element of the Tuolumne County General Plan and Economics Element of the City of Sonora General Plan."

### **TCEDA Governing Board and Functioning**

The Governing Board of TCEDA consists of seven members:

- 2 Tuolumne County Supervisors selected by the Board of Supervisors.
- 2 City of Sonora Council members selected by the Sonora City Council.
- 3 At-Large members appointed by the City and County members of the Governing Board. At-large board members include representation from Mother Lode Job Training, a community nonprofit, and a local attorney.

The Chambers of Commerce, Columbia College, and community safety-net service providers are not currently represented on the Board.

City and County appointed Board members must vacate their board seats upon ceasing to hold their public office. The Grand Jury was not able to find or verify any further guidelines regarding length of service or term limits for TCEDA Governing Board members. Other

than reimbursement for travel and incidental expenses, Board members serve in a voluntary capacity.

As a JPA, TCEDA is required to hold monthly meetings and is bound by the Ralph M. Brown Act (beginning with Section 54950 of the Government Code of the State of California). The board is required to have an appointed Chairman, Vice-Chairman, and Secretary.

Tuolumne County officials serve in mandated financial and legal positions. The County Treasurer-Tax Collector is designated as the Treasurer for the TCEDA board. Likewise, the Clerk/Auditor is the County Auditor-Controller, accountable for all funds and reporting of all receipts and disbursements. County Counsel serves as Legal Advisor.

### **TCEDA Budget and Funding**

The County and City share the funding for TCEDA. The County covered 77% and the City of Sonora was responsible for 23% (per agreed formula). During this investigation the TCEDA reviewed and adopted the budget for the 2018/19 fiscal year in the amount of \$460,732. (see Appendix A for budget details.)

TCEDA is also expected to pursue additional funding sources. Funds are to be used for "ordinary administrative and operating expenses", "payment of fees and costs incurred ... for any economic development services, programs or projects implemented."

TCEDA is required to keep accurate and detailed financial accounts for all budget categories. Account books are open for public inspection at all times. The Auditor-Controller audits these books annually.

#### **TCEDA Budget Categories (2018-2019)**

Employee Costs	\$330,729
Operation Costs	\$116,584
Contingency (Board direction)	\$ 13,419

## **CEO Compensation**

The TCEDA CEO has been working under contract for the TCEDA JPA since its inception with an initial contract dated March 11, 2009. The CEO is currently compensated under the terms of Tuolumne County's Executive/Confidential Compensation Plan. Current compensation as of June 24, 2018 includes:

- \$163,634 base annual salary
- Other Employment Benefits per the Compensation Plan ([https://www.tuolumnecounty.ca.gov/DocumentCenter/View/519/Executive\\_Confidential\\_MOU\\_](https://www.tuolumnecounty.ca.gov/DocumentCenter/View/519/Executive_Confidential_MOU_))
- \$500 per month car allowance
- \$200 per month Information Technology (Phone+) allowance
- A severance pay provision (1 month salary per each year worked, up to a maximum of 6 months, if terminated by the Board prior to completion of the contract period)
- **Vacation Time** - During the last three years (2015, 2016, 2017), the TCEDA's CEO used a cumulative total of 120 hours of vacation time and cashed out a total of 720 hours of vacation time. In addition, beginning on September 11, 2017 through October 9, 2017, the CEO's calendar shows him to be in England, which he lists as comp time and remote working. Of that time, four days are listed as vacation.

## **Current TCEDA Location, Staffing, and Operations**

During the course of this investigation, the TCEDA physical location was located at 99 North Washington Street, Sonoma, California. TCEDA maintains a digital presence through its website: <http://www.tceda.net/>.

The TCEDA Governing Board did not change during the course of our investigation. TCEDA employees included a salaried Chief Executive Officer (CEO) and an hourly Administrative Assistant. The

CEO works under contract to the JPA (not an employee of either the City or County). Mid-way into our investigation, the following two staff changes were made:

- The TCEDA Administrative Assistant resigned and was not replaced (pending approval of the new budget).
- TCEDA also contracted with a part-time, project-specific consultant.

### **Business Assistance Performance**

The Grand Jury surveyed public leaders and private business owners on what they thought the primary role of TCEDA to be. Responses were:

- Assure a business friendly environment in the City and County
- Be an advocate for business needs
- Help businesses solve problems with government departments
- Help businesses distinguish between and connect with available support resources

The Grand Jury interviewed a number of large and small businesses as to the issues most important to conduct, maintain, or expand their business operations in Tuolumne County. Frequently mentioned issues were:

- Zoning and Permitting Processes
- Lack of Affordable housing
- Training Programs for Employee Skills
- Financial Assistance Programs for Business
- Availability of Business-Ready Properties
- Business Assistance

Local businesses describe TCEDA as having accomplished the following:

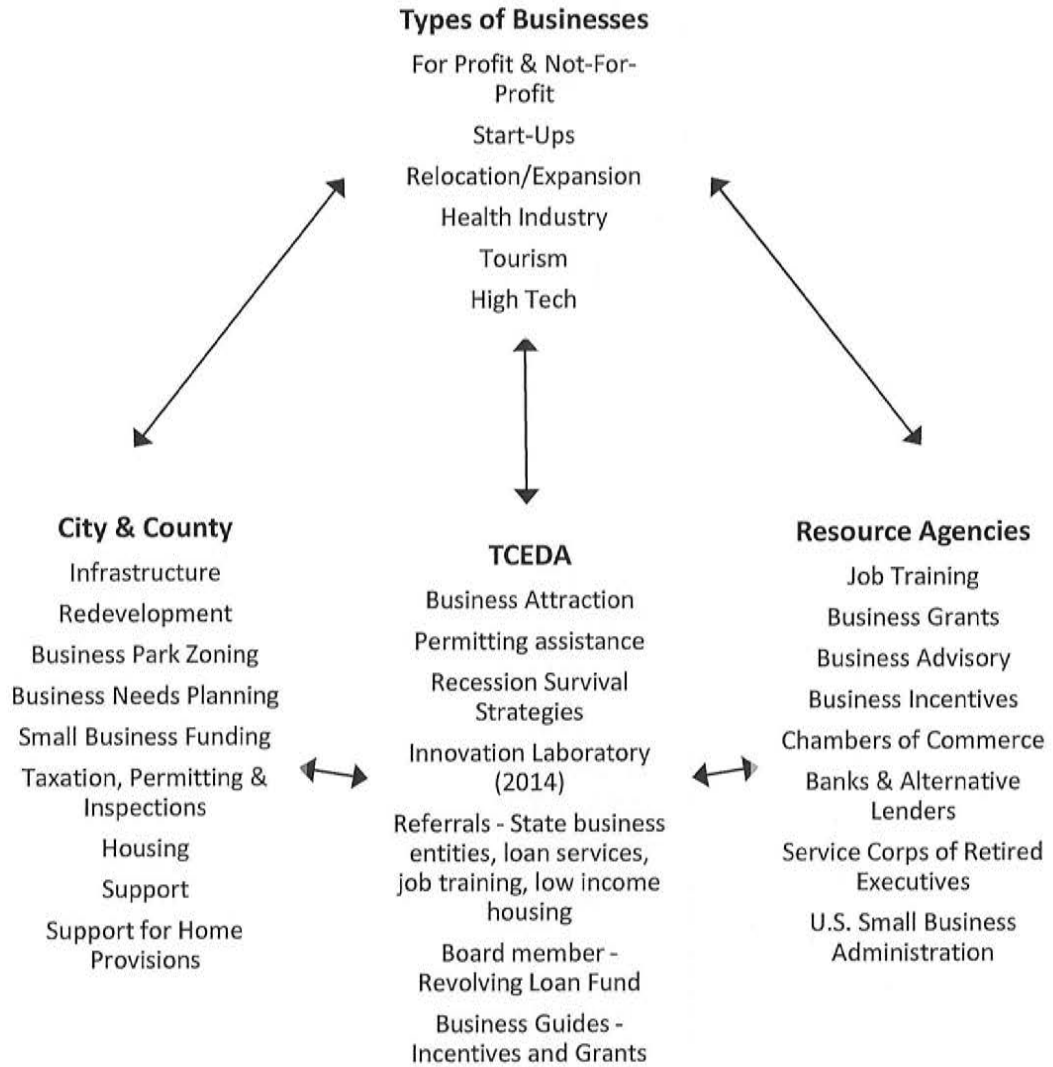
- Built and maintained relationships with multiple state and local resource agencies
- Built and maintained lines of communication with relevant City and County departments
- Maintained strong support from the TCEDA Board
- Maintained strong support between TCEDA Board and City and County hierarchies

### **City, County and TCEDA Roles**

Economic development is a very broad field with many interconnected entities and roles. As the Grand Jury collected information and conducted interviews, it was evident that, while the TCEDA, as a JPA, plays an important role, it does not control all aspects of economic development. See Figure 1 below.

Both redevelopment and Loan Funding have been greatly reduced due to past legal actions on redevelopment and reduced funding from state and federal programs. The Grand Jury did not observe progress on the development of a commercial zoning district or pursuit of a business/industrial park either by City or County.

Figure 1: Economic Roles in Tuolumne County



## **Business Assistance Procedures**

The Grand Jury interviewed several businesses with regard to the support provided by TCEDA. Most responses were specific to their individual business situations. While some businesses favorably mentioned services such as assistance with regulations and red tape, other businesses were unaware of TCEDA or of what help they could receive.

The Grand Jury learned that there were other services provided directly by TCEDA (such as expediting planning, permitting, and inspection processes) as well as a range of services available either directly to businesses or by referral from TCEDA staff and Board. A comprehensive guide (or matrix of services) available directly from TCEDA or by local or State/Federal funded agencies (such as the Incentives and Grants Guide) does not exist.

TCEDA has been in operation for over eight years. The Grand Jury experienced a very informal agency with few standard operating processes or best practice procedures. There is no database of businesses served, issues addressed, or reflections on lessons learned. During the course of this investigation, the Grand Jury was informed that a new database software system was being implemented in the Fall of 2017. TCEDA was not able to provide the Grand Jury with a comprehensive list of all past or current businesses served, nor a list of all businesses in the pipeline of development and/or assistance.

## **Authority, Operation, and Oversight**

The efficiency and transparency of the TCEDA were of particular interest to the Grand Jury. As such, we investigated several key areas of TCEDA management processes and procedures. Specifically, we looked at expense reporting and financial auditing, the nature of and degree to which the managing board provided oversight, and applicable organizational goals and metrics.

## Expense Documentation & Audits

As specified by the original JPA agreement, the Tuolumne County Auditor is tasked with conducting a yearly financial audit as well as reviewing monthly operational, travel, and TCEDA client related expenses. The latter category includes employee travel costs, meal and alcohol allowances, hotel, and incidental costs related to the stated purposes of TCEDA.

Our investigation found that TCEDA, as a JPA, has created a unique set of policies in its reporting practices, as compared to its founding partners, Tuolumne County and the City of Sonora. In contrast to the best practices, check and balance processes utilized in City, County, State and Federal travel and expense reporting policies, we discovered several noteworthy differences in TCEDA travel and expense reporting procedures:

- The CEO authorizes his own travel without Board input.
- The CEO is not required to submit expense reports to the Board for approval. The CEO approves his own expense reports.
- The CEO is allowed to approve exceptions to TCEDA travel and entertainment expense policy, including his own.
- The CEO is allowed to expense alcohol for entertainment purposes, which is unique as compared to other government agencies.
- The CEO does not identify to anyone the specific persons (or number of persons participating) or organizations being entertained (primarily meals), nor the purpose of the meeting.
- The CEO's 2017 expense report identified persons being entertained with TCEDA funds, only as *Clients*, *Prospects*, or



*Partners*. These labels were used inconsistently. The CEO's contract states that all entertaining is to be with *Clients*. The Grand Jury interpreted this term to mean current or prospective business owners.

- A conservative comparison of calendared appointments with expense reports indicates that 53% (86 of 162) of entertainment meal expenses were spent on TCEDA Board members (excluding the City Mayor), County Supervisors, and Managers.
- An interviewee indicated that he paid for his own meals. This could apply to others but there is no documentation of this nor any procedure to track whether or not this was actually deducted from the bill. Furthermore, review of the bill seems to indicate more than one person being entertained.

### **Public/Private Information Balance and the Brown Act**

The TCEDA is a public agency utilizing public funding and must be compliant with the Brown Act and conduct of public business in the spirit of public openness. However, many of the TCEDA external interactions are with private businesses who consider their business dealings to be a private and confidential matter. Based on a review of the minutes, there appears to be a conflict between the business that is being conducted by TCEDA and the Brown Act. This may be a Brown Act violation because interactions with and assistance provided to businesses are not being discussed at public TCEDA meetings.

When asked by the Grand Jury for a comprehensive list of businesses and information on assistance provided by TCEDA, the Grand Jury was told by TCEDA that no such information exists. During interviews with Board members, the Grand Jury was told that such

information *does* exist. However, nobody ever produced the requested information to the Grand Jury.

The Grand Jury found no process that allows independent audit by oversight entities such as the TCEDA Board, City and County attorneys, Courts (including The Grand Jury), and other appointed auditors.

The CEO keeps TCEDA records on a computer purchased and supported with TCEDA funds. Only the CEO has complete access to all files.

### **Board Relationships**

Many TCEDA Board members and the TCEDA CEO serve on overlapping non-profit and JPA boards. The following Board relationships and entities were noted:

#### **Economic Prosperity Council of Tuolumne County (EPCTC)**

The TCEDA Board and CEO also sit as the respective Board of Directors and Director for the EPCTC, a tax-exempt corporation which receives private donations and grants primarily used for training. A TCEDA at-large board member provides pro bono legal services for the EPCTC.

#### **Health Lit Now**

TCEDA at-large board members currently serve as President and Legal Counsel for the organization. The TCEDA CEO is the Treasurer. Health Lit Now has received funding from the EPCTC. Health Lit Now is a tax-exempt corporation providing education on healthcare industry careers in the school systems of Tuolumne and Calaveras Counties.

#### **Tuolumne County Revolving Loan Fund**

The TCEDA CEO is a board member for the Tuolumne County Small Business Revolving Loan Fund. The Revolving Loan

Fund uses federal and state funding to assist start-up or expanding small businesses.

### **Mother Lode Workforce Development Board**

A TCEDA at-large Board member is Executive Director of the Mother Lode Workforce Development Board, a public board receiving federal, state, and private funding for workforce development in Amador, Calaveras, Mariposa, and Tuolumne Counties.

### **TCEDA Mission and Strategy**

TCEDA strategies are based on their original JPA Agreement and their current *Five Year Work Plan* (“Plan”) (See Appendix B). The Grand Jury evaluated the Plan and found concerns related to the following Action Items:

#### **Action Item A Measurable Outcome:**

*“Ongoing visits are made with existing businesses and assistance is provided. A minimum of 250 client visits will be conducted.”*

1. The TCEDA has hired a consultant for an initial six-month period to visit 20 existing businesses to identify companies with the capability to expand, meet living wage criteria, and willing to participate. Consultant cost for the six months is \$26,962.00.

Based on the figures provided in the TCEDA Plan, the Grand Jury interprets that the five-year business expansion effort requires continued utilization of the recently retained consultant beyond the initial six-month contract. If so, over the course of five years, this is an expenditure of approximately \$270,000.

2. Action Item A of the Plan stresses attracting companies that can provide Living Wage jobs. The Family Wage in Tuolumne County, as defined by the Living Wage Calculator ([livingwage.mit.edu/counties/06109](http://livingwage.mit.edu/counties/06109)), varies from \$25 to \$40

per hour, depending on family size and number of full and part time wage earners.

The calculator also identifies the current wages earned by a range of jobs in the County. It indicates that most of the people earning a Family Wage are either highly educated, professional, or highly trained.

The Grand Jury found that TCEDA's presentation slide on wages for anticipated new jobs is incorrect, showing an average of \$20.85/hour. (See Appendix C) A calculation check shows TCEDA's average living wage forecast to actually be \$16.39/hour. This is substantially less than the lower end of a living/family wage for Tuolumne County, as defined by the Living Wage Calculator (See point 2 above). This is not in-line with the nationally recognized MIT Living Wage calculations for Tuolumne County.

3. The Plan fails to identify any measurable Family Wage salary criteria expected of companies receiving TCEDA assistance. (See Appendix C)

**Action Item B Measurable Outcome:**

*"A minimum of 500 "out of county" businesses are contacted, market to and/or visited."*

1. This goal is not supported by analysis of target businesses or needed TCEDA resources. There is no plan to work with businesses that are directly interested in working in Tuolumne county. This Measureable Outcome does not specify how this will be documented or evaluated.
2. The expected cost of this effort over 5 years, the expected return (increased tax revenue) over time to the County, and the

breakeven payback period for this TCEDA investment are not specified or defined.

3. Recent presentations by TCEDA have forecast \$356 million in capital investment and 1836 new jobs. Despite two requests, TCEDA provided the Grand Jury with no time frame or backup. When asked for clarification of these numbers, TCEDA was not able to cite independent industry sources. (See Appendix C)

**Action Item C Measurable Outcome:**

*“New businesses are encouraged to start up in Tuolumne (County). Visits will be conducted with any known new start-ups.”*

1. “Encourage” is not a measurable outcome. There are no data demonstrating recent successful efforts.

**Action Item D Measurable Outcome:**

*“An established and ongoing relationship is maintained with housing and workforce partners.”*

1. The Measurable Outcome is vague and not measurable.

**Action Item E Measurable Outcome:**

*“Areas of focus are researched, prioritized and studied. At least two studies are conducted and discussed by TCEDA Board. With future action plans implemented.”*

1. The Grand Jury repeatedly inquired about the content or focus of the proposed two studies. Despite areas of focus identified in the Plan (Appendix B), multiple interviewees indicated no clear areas of intended focus for the studies other than a possible survey of business owners. No standard research strategies or best industry practices were found for determining the most effective research design and topic.

## **Business and Marketing Plans**

TCEDA is a City and County investment to promote business and job growth together or separately in each jurisdiction. TCEDA is intended to operate on business principles creating a return on investment for the City and County.

Current planning documents do not reflect best practices for a standard business or marketing plan. If standard business and marketing plan topics were applied to TCEDA, documents would include the following (**current deficiencies are bolded**):

### **Business Plan:**

- Definition of TCEDA Mission and Business Goals
- Internal Market Analysis (**not formalized**)
- Organization and Management Processes
- **Support/Controls (Checks and Balances)**
- **Definition of Services to be and not to be provided**
- Funding Requirements
- **Financial Goals**
- **Projections**
- Reporting

### **Marketing Plan:**

- Objectives
- **External Market Analysis and Definition**
- **Analysis of Strengths, Weaknesses, Opportunities, and Threats**
- **Setting of Specific Short and Long Term Prospect Goals with Resource and Financial Requirements**
- **Interim (Quarterly) Reporting on Action and Programs**
- **Annual Reevaluation**

## **Findings**

- F1. Businesses have an inconsistent awareness of the existence of TCEDA and the services it offers.
- F2. TCEDA's refusal to disclose the specific nature of its activities or the identities of business clients does not allow for independent oversight or auditing and may impact Brown Act compliance.
- F3. TCEDA does not follow best practices for public agencies with regard to transparency in the use of public funds.
- F4. TCEDA Board fails to provide effective operational oversight and does not verify or monitor the accuracy of information presented to the public.
- F5. TCEDA lacks both internal and public transparency regarding the appropriateness of budget expenditures.
- F6. TCEDA policy on entertaining "Clients" is loosely interpreted beyond the original intent of the CEO contract.
- F7. TCEDA lacks sufficient metrics and procedures to evaluate its effectiveness.
- F8. TCEDA Board and Staff serve on multiple boards and appear to be in conflict of interest.
- F9. The CEO's vacation policy allows for both abnormally low use of vacation time and abnormally high cashing out of vacation time.

## **Recommendations**

- R1. TCEDA develop a Business Support Guide (similar to the Incentives and Grants guides) that indicates business support services offered by TCEDA and other local, state, and federal resources. (F1)

R2. The County Auditor retain an independent firm to perform a Management Audit of TCEDA operating policies and practices. The Board of Supervisors and the City Council of Sonora fund the County Auditor in retaining an independent firm. (F2, F3, F4, F5, F7)

The audit will include:

- a. Best practice for comparable agencies with specific recommendations on implementing a check and balance system for pre-approval and post-approval of travel and entertainment.
- b. A set of minimum disclosure requirements that includes the purpose of each meeting/trip/meal, specific entertainment participants and their organizations, who accepted a meal.
- c. Performance metrics and management reporting.
- d. Identification of a process for specific independent review and approval of exceptions to policies.
- e. Policies in regard to TCEDA interactions and disclosures with private businesses.
- f. Policies regarding meals and alcohol.
- g. Identifying whether the CEO is correctly identifying work time on time cards

R3. TCEDA Board consider and implement recommendations that result from the Management Audit. (F2, F3, F4, F5, F7)

R4. TCEDA to obtain Certification by the California Joint Powers Association. (F3)

R5. County Counsel review possible conflicts of interest for TCEDA Board members serving in various capacities on multiple boards. (F8)

R6. TCEDA Board develop, describe and approve a formal policy specifically defining "Clients" and acceptable entertainment of Clients, as well as defining a policy of acceptable entertaining



of Board members and other officials of the City and County.  
(F6)

- R7. TCEDA Board establish a maximum amount of accrual of vacation time for the CEO per fiscal year. (F9)

## Responses

Pursuant to Penal Code §914.1, the following response is *required* within 60 days:

- The Tuolumne County Auditor: **R2**
- The City Council of Sonora: **R2**
- The Tuolumne County Board of Supervisors: **R2**

Pursuant to Penal Code §933c, the following response is *required* within 90 days:

- TCEDA Governing Board: **R1, R3, R4, R5, R6, R7**
- Tuolumne County Counsel: **R5**

Responses are to be submitted to the Presiding Judge of the Tuolumne County Superior Court in accordance with the provisions of Penal Code §933c.

Reports issued by the grand jury do not identify the individuals who have been interviewed. Penal Code section 929 requires that reports of the grand jury not contain the name of any person or facts leading to the identity of any person who provides information to the grand jury
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## EXHIBIT 2

Proposed TCEDA responses to  
Grand Jury Report

August XX, 2018

Judge of Superior Court  
Honorable Kate Powell Segerstrom  
Tuolumne County Superior Court  
60 North Washington Street  
Sonora, CA 95370

Re: Response to Grand Jury Report – **Tuolumne County Economic  
Development Authority**

Dear Judge Powell-Segerstrom:

The following is offered in response to the 2017-18 Grand Jury Report as it pertains to the Tuolumne County Economic Development Authority.

**Grand Jury Findings**

**F1. Businesses have an inconsistent awareness of the existence of TCEDA and the services it offers.**

**Response:** Agree. The TCEDA is currently staffed with one professional position (TCEDA Director) and one clerical/support staff position. While the services of the TCEDA are available to all existing businesses, the TCEDA Director alone does not have the capacity to establish personal contact and relationships with every business in Tuolumne County as well as conduct business attraction activities. Given this capacity challenge, the TCEDA Board periodically reviews and provides direction to the TCEDA Director on: 1) how much time to spend on business retention and expansion versus attraction activities; 2) the business types to focus on (e.g. larger industrial and retail businesses versus smaller businesses); and 3) how much time to spend on regional partnerships (e.g. Central Sierra Economic Development District). In an attempt to still provide services as broadly as possible, the TCEDA: 1) maintains a website that offers helpful information and links to a variety of services available through the TCEDA and other partner agencies; and 2) recently contracted out for services to provide one-on-one consulting and business outreach to business owners in downtowns of both incorporated and unincorporated communities throughout Tuolumne County (see Attachment A). This agreement allowed for an initial term of 7 months with the option to extend same for 3 additional 1 year periods. The cost of these services was \$10,000 for the initial term and each full year thereafter for a total potential cost of \$40,000.

**F2. TCEDA's refusal to disclose the specific nature of its activities or the identities of business clients does not allow for independent oversight or auditing and may impact Brown Act compliance.**

**Response:** The Brown Act, Government Code section 54950 et seq., governs meetings conducted by local legislative bodies, including the TCEDA Board. The purpose of the Brown Act is to ensure that all of the deliberative processes of the TCEDA Board, including discussion, debate and the acquisition of information, is open and available for public scrutiny. A "meeting" is defined as "any congregation of a majority of the members of a legislative body at the same time and location to hear, discuss, deliberate or take action on any item that is within the subject matter jurisdiction of the legislative body." (Government Code Section 54952.2(a).) The Brown Act does not apply to the TCEDA Executive Director or other staff.

TCEDA staff can meet individually with the TCEDA Board members in order to answer questions or provide information regarding any matter that is within the subject matter jurisdiction of the TCEDA, as long as the staff member does not communicate to any Board member the comments or position of any other Board member. (Government Code Section 54952.2(b)(2).) The TCEDA Executive Director takes great care to ensure his interactions with individual TCEDA Board members does not inadvertently facilitate a meeting in violation of the Brown Act and the Grand Jury's report does not appear to suggest any such violation.

Through the approval of the 5-Year Work Plan and other directives adopted during agendaized meetings, the TCEDA Board has delegated authority to the TCEDA Executive Director to implement the programs of the TCEDA. The Brown Act does not require the TCEDA Board to approve every action of the TCEDA Executive Director taken under that delegated authority. Neither does the Brown Act require the discussion of the TCEDA's day-to-day operations at a TCEDA Board meeting. The TCEDA Executive Director provides a verbal report of his activities at each TCEDA Board meeting during the Executive Director Report. Should the TCEDA Board desire to have the Executive Director Report in written format, the Board can so direct.

Additionally, the portion of this finding regarding disclosure of the specific nature of the TCEDA activities or the identities of business clients relates to issues involved in the Perkins v. Cope/TCEDA lawsuit. Given the lawsuit is pending, it would be inappropriate to comment in any detail regarding this finding other than to disagree with it. However, as it relates to disclosure of activities and business identities, the TCEDA has done its best to balance the need to protect sensitive client data along with the public's right under the Public Records Act to have access to certain related records. The TCEDA has always sought to comply with the law as it understood the law and once the lawsuit is resolved, the TCEDA will be free to respond in more detail to this finding.

**F3. TCEDA does not follow best practices for public agencies with regard to transparency in the use of public funds.**

**Response:** *[Suggest seeking clarification from the Grand Jury on what they are specifically referring to in this finding so the TCEDA's response is on point.]*

**F4. TCEDA Board fails to provide effective operational oversight and does not verify or monitor the accuracy of information presented to the public.**

**Response:** *[Suggest seeking clarification from the Grand Jury on what they are specifically referring to in this finding so the TCEDA's response is on point.]*

**F5. TCEDA lacks both internal and public transparency regarding the appropriateness of budget expenditures.**

**Response:** *[Suggest seeking clarification from the Grand Jury on what they are specifically referring to in this finding so the TCEDA's response is on point.]*

**F6. TCEDA policy on entertaining "Clients" is loosely interpreted beyond the original intent of the Executive Director contract.**

**Response:** Agree. The TCEDA Board fully agrees that it can and should better define terms its uses such as partners, prospects and clients so it is clear to all when establishing goals and reporting on same. It should be clarified, however, that these terms are not mentioned in the Executive Director's contract and the term "client" is referenced in a TCEDA Travel and Business Expense Policy.

**F7. TCEDA lacks sufficient metrics and procedures to evaluate its effectiveness.**

**Response:** Partially agree. The TCEDA currently adopts 5-Year Work Plans with measurable outcomes for the first year of each plan, receives progress reports from the TCEDA Director during each regular TCEDA meeting and receives and approves an Annual Report that summarizes the results from the year's activities. Attachment B is a copy of the 2017-2022 TCEDA 5-Year Work Plan and Attachment C is a copy of the March 2018 Annual Report. This general process was cited as a "model practice" for other economic development organizations by the California Association of Local Economic Development (CALED) in the April 2011 CALED publication entitled "Growing Thriving Rural Economic Development Corporations". Having said that, the TCEDA Board acknowledges that was 7 years ago when the organization was in its infancy, the TCEDA has evolved since then and improvements could be made in this process (goals and measures).

**F8. TCEDA Board and Staff serve on multiple boards and appear to be in conflict of interest.**

**Response:** Partially agree. The TCEDA board agrees that TCEDA Board members and staff serve on multiple boards and there could be a perception of a conflict of interest. However, the Government Code specifically exempts some conflicts of interest for board members who are appointed to a Joint Powers Authority (JPA) Board because they are on the board of one of the governmental bodies that is a party to the JPA. Thus, for the Board of Supervisor members and the City Council members, there is no conflict of interest under the law and they are authorized to serve in both capacities. As to the at-large Board members of the JPA and staff, the TCEDA Board will work with County Counsel to review all potential conflicts of interest. Should a true conflict of interest be

identified, it will immediately be rectified. The TCEDA board finds it important to note that individuals serving on these boards do so in a volunteer capacity. Unfortunately, there are not enough volunteers to serve on all the boards identified in the Grand Jury report and as a result a few committed individuals serve on numerous boards. The TCEDA Board recommends one simply look at the vacancies on the numerous County boards, commissions, committees, etc. which demonstrates the fact more volunteers are needed to serve in these volunteer capacities.

**F9. The Executive Director's vacation policy allows for both abnormally low use of vacation time and abnormally high cashing out of vacation time.**

**Response:** Partially disagree. The Executive Director's vacation policy is set forth in the County of Tuolumne Executive & Confidential Compensation Plan pursuant to the employment contract between the TCEDA and the Executive Director. The leave accrual cash out policy allows members to cash out up to 200 hours of leave per fiscal year so long as the member has at least 80 hours remaining in leave accruals. Further, leave may be cashed out in-excess of 200 hours in extraordinary circumstances and with prior approval. Extraordinary circumstances include things such as medical expense issues and housing related issues. The TCEDA board and the Executive Director complied with the vacation policy regarding cashing out leave accruals as prior approval for the cash out in-excess of 200 hours was sought and given.

Additionally, the Executive Director is considered an exempt employee under Fair Labor Standards Act. Therefore, the Executive Director is paid a salary and does not receive overtime for any work performed over 40 hours in a week. Exempt employees are expected to work as long necessary to complete a task, which often includes working evenings and weekends, sometimes even holidays and while on vacation to complete a task or respond to work-related matters. Given the TCEDA has at the most 2 employees at a time, the Executive Director frequently works significantly more than 40 hours per week. The TCEDA board and the Executive Director understand confusion was created when the Grand Jury reviewed the Executive Director's calendar noting that when he was out of the office from September 11, 2017, through October 9, 2017, he listed 4 vacation days and the remaining days as comp time or remote working. The TCEDA and the Executive Director acknowledge listing comp time on the Executive Director calendar was an inadvertent error, which will not occur in the future. The TCEDA board verifies the Executive Director worked during his time out of office as members often received communications from the Executive Director during that time, and the Executive Director completed the additional tasks:

- On a daily basis corresponded via email with: "prospect" clients (including homebuilders and extreme sports companies), current "business retention and expansion" clients and staff to provide guidance as requested or necessary (i.e. InnovationLab issues and resolutions, etc.).
- Worked with local commercial real estate agent to find prospects for their retail and office locations. Developed and provided a list of possible prospects.
- Corresponded with individuals connected with "Made by the Bay" Manufacturing Innovators and California Workforce Association that he met at conferences recently attended.

- Corresponded with County CAO's office on meeting follow-up tasks.
- Developed, approved and paid for a Bay Area Marketing Campaign to recruit businesses and Sonora Chamber of Commerce ad campaign to capture business owners who are vacationing to Tuolumne County.
- Corresponded with prospect interested in the former mine site owned by the county, as well as communicated with county staff to supply information.
- Developed and submitted a "Letter of Support" for a Sierra Railroad DOT grant application. Worked with other partners to submit letters of support from their organizations.
- Finalized a 3-D Printer donation to Groveland/Don Pedro.
- Assisted Workability Program Director with testimonial for future funding.
- Corresponded with Workplace Sonora organizers on ways to partner with TCEDA and InnovationLab.
- Created October 2017 Board Agenda, reviewed September 2017 Minutes and generated electronic board meeting packets for both TCEDA and EPCTC meetings.
- Drafted Downtown Outreach Consulting Services RFP and sought final county counsel approval.
- Worked with subcontractor to update TCEDA Main Booklet and Incentives guide.
- Set the upcoming 2018 TCEDA and EPCTC meeting schedules.
- Booked appointments to regional economic development meetings.
- Submitted county vouchers via staff.
- Submitted credit card statements and reports.
- Resolved an Internet connectivity issue on October 2nd at the TCEDA offices that had the office shut down.
- Website partial rebuild and software updates for website.
- Update CBIG Incentives website with current information.
- Responded (discussion and research) to City Council Members questions from a member of the public.

To the extent the policy needs to be modified to provide clear direction to the Executive Director as to when/if he should work during vacation such action will be taken.

### **Grand Jury Recommendations**

**R1. TCEDA develop a Business Support Guide (similar to the Incentives and Grants guides) that indicates business support services offered by TCEDA and other local, state, and federal resources. (F1)**

**Response:** Implemented. The TCEDA produced its first Business Guide in 2012 with funding support from the Sonora Area Foundation. It was last revised in 2016 (see Attachment D) in partnership with SCORE. The Business Guide lists several local, state and federal resources with links to their related websites. In acknowledgment of the Grand Jury's comments, the TCEDA will endeavor to include brief summaries of the various services available through each organization in addition to that inferred in the formatting of the Guide and provision of website links.

**R3. TCEDA Board consider and implement recommendations that result from the Management Audit. (F2, F3, F4, F5, F7)**

**Response:** It has not yet been implemented due to the fact a Management Audit has not yet been commissioned and completed. Once the issues raised have been studied and specific recommendations made, the TCEDA will discuss each and take action within specific timelines as deemed appropriate.

**R4. TCEDA to obtain Certification by the California Joint Powers Association. (F3)**

**Response:** It will not be implemented because it is not warranted. The City of Sonora and County of Tuolumne are members of several JPAs which do not seek or maintain this certification. Obtaining such a certification requires a fee (approximately \$2,000) and annual audit that would be in addition to those already performed in conjunction with the Tuolumne County Auditor's Office. Such an independent audit could cost as much as \$10,000 per year. This seems to be an unnecessary and partially duplicative process that would require additional staff time and money during a time of scarce resources.

**R5. County Counsel review possible conflicts of interest for TCEDA Board members serving in various capacities on multiple boards. (F8)**

**Response:** It has not been implemented but is in process with some meetings already scheduled. The TCEDA Board will work with County Counsel to review any potential conflicts of interest and should any exist, such conflicts will be immediately addressed and rectified. This process will be completed by the end of December 2018.

**R6. TCEDA Board develop, describe and approve a formal policy specifically defining "Clients" and acceptable entertainment of Clients, as well as defining a policy of acceptable entertaining of Board members and other officials of the City and County. (F6)**

**Response:** It has not yet been implemented but will be by the end of December 2018.

**R7. TCEDA Board establish a maximum amount of accrual of vacation time for the Executive Director per fiscal year. (F9)**

**Response:** It has been implemented in that accrual caps are already established in Section 13, Subsection B of the County of Tuolumne Executive & Confidential Compensation Plan pursuant to the employment contract between the TCEDA and the Executive Director.

Thank you for the opportunity to respond to the above findings and recommendations. Please feel free to contact me should you have any questions regarding same.

Sincerely,



# ATTACHMENT A

Agreement For One-On-One Consulting  
and Business Outreach

## AGREEMENT FOR ONE-ON-ONE CONSULTING AND BUSINESS OUTREACH

THIS AGREEMENT ("Agreement") is made and entered into this 1<sup>st</sup> day of December 2017, by and between Tuolumne County Economic Development Authority ("TCEDA") and the Stanislaus Business Alliance, Inc., a California nonprofit corporation dba Valley Sierra Small Business Development Corporation, ("Contractor"), pursuant to the following terms and conditions.

### WITNESSETH:

#### 1. TERM

The term of this Agreement shall commence on December 1, 2017 and terminate on June 30, 2018 unless extended as provided by this Agreement. This Agreement may be extended for up to three (3) one-year periods by written amendment signed by both parties.

#### 2. SERVICES

Contractor shall perform one-on-one professional business consulting and outreach services for a minimum of 150 hours as described in the "Scope of Work" and the Contractor's proposal dated October 26, 2017, both of which are attached hereto as Exhibit A and incorporated herein by reference. Contractor shall provide all staffing and materials necessary to perform the Scope of Work.

#### 3. COMPENSATION

Contractor shall be compensated for services performed based on Option #2 as detailed in Exhibit A in an amount not to exceed \$10,000. TCEDA shall pay Contractor within thirty (30) days of receipt of an approved invoice.

#### 4. INSURANCE

- A. The Contractor shall provide at its own expense and maintain at all times the following insurance with insurance companies licensed in the State of California and shall provide evidence of such insurance to the TCEDA as may be required by the Risk Manager of the TCEDA. The Contractor's insurance policy(ies) shall be placed with insurer(s) with acceptable Best's rating of A:VII or with approval of the Risk Manager. The Contractor shall provide notice to the Risk Manager of the TCEDA by registered mail, return receipt requested, thirty (30) days prior to cancellation or material change for all of the following stated insurance policies:
  - i. Workers' Compensation Coverage – Workers' Compensation Insurance and Employer's Liability Insurance for employees in accordance with the laws of the State of California (including requiring any authorized subcontractor to obtain such insurance for its employees).
  - ii. General Liability Coverage - Commercial general liability insurance with a minimum liability limit per occurrence of one million dollars (\$1,000,000) for

bodily injury and one hundred thousand dollars (\$100,000) for property damage. If a commercial general liability insurance form or other form with general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this Agreement or the general aggregate limit shall be at least twice the required occurrence limit. Coverage shall be included for premises, operations and broad form contractual.

- iii. Automobile Liability insurance with a minimum limit of liability per occurrence of \$1,000,000 for bodily injury and \$100,000 for property damage. This insurance shall cover for bodily injury and property damage, owned, hired and non-owned vehicles.
- B. Policy Endorsements: Each general liability and automobile liability insurance policy shall be endorsed with the following specific provisions:
- i. The TCEDA, its elected or appointed officers, officials, employees, agents and volunteers are to be covered as additional insureds ("TCEDA additional insureds").
  - ii. This policy shall be considered, and include a provision it is, primary as respects the TCEDA additional insureds, and shall not include any special limitations to coverage provided to the TCEDA additional insureds. Any insurance maintained by the TCEDA, including any self-insured retention the TCEDA may have, shall be considered excess insurance only and shall not contribute with it.
  - iii. This insurance shall act for each insured and additional insured as though a separate policy had been written for each, except with respect to the limits of liability of the insuring company.
  - iv. The insurer waives all rights of subrogation against the TCEDA additional insureds.
  - v. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the TCEDA additional insureds.
- C. Deductibles and Self-Insured Retentions: Any deductibles or self-insured retentions must be declared to and approved by the Risk Manager. At the TCEDA's option, Contractor shall demonstrate financial capability for payment of such deductibles or self-insured retentions.
- D. Unsatisfactory Policies: If at any time any of the policies or endorsements be unsatisfactory as to form or substance, or if an issuing company shall be unsatisfactory, to the Risk Manager, a new policy or endorsement shall be promptly obtained and evidence submitted to the Risk Manager for approval.
- E. Failure to Comply: Upon failure to comply with any of these insurance requirements, this Agreement may be forthwith declared suspended or terminated. Failure to obtain and/or maintain any required insurance shall not relieve any liability under this

Agreement, nor shall the insurance requirements be construed to conflict with or otherwise limit the indemnification obligations.

#### **5. HOLD HARMLESS/INDEMNIFICATION**

Contractor shall indemnify, defend, save, protect and hold harmless TCEDA, its elected and appointed officials, officers, employees, agents and volunteers (collectively, "TCEDA") from any and all demands, losses, claims, costs, suits, liabilities and expenses for any damage, injury or death (collectively, "Liability") arising directly or indirectly from or connected with the services provided hereunder which is caused, or claimed or alleged to be caused, in whole or in part, by the negligence or willful misconduct of Contractor, its officers, employees, agents, contractors, consultants, or any person under its direction or control and shall make good to and reimburse TCEDA for any expenditures, including reasonable attorney's fees, the TCEDA may make by reason of such matters and, if requested by TCEDA, shall defend any such suits at the sole cost and expense of Contractor. Contractor's obligations under this section shall exist regardless of concurrent negligence or willful misconduct on the part of the TCEDA or any other person; provided, however, that Contractor shall not be required to indemnify TCEDA for the proportion of Liability a court determines is attributable to the negligence or willful misconduct of the TCEDA.

If such indemnification becomes necessary, the TCEDA Counsel shall have the absolute right and discretion to approve or disapprove of any and all counsel employed to defend the TCEDA. This indemnification clause shall survive the termination or expiration of this Agreement.

#### **6. INDEPENDENT CONTRACTOR**

It is understood that Contractor, in the performance of the services agreed to be performed, shall act as and be an independent contractor and shall not act as an agent or employee of the TCEDA. Contractor shall obtain no rights to retirement benefits or other benefits which accrue to TCEDA's employees, and Contractor hereby expressly waives any claim it may have to any such rights. All employees, agents, contractors, subcontractors hired or retained by the Contractor are performing in that capacity for and on behalf of the Contractor and not the TCEDA. The TCEDA shall not be obligated in any way to pay any wage claims or other claims made against the Contractor by any such employee, agent, contractor or subcontractor, or any other person resulting from the performance of this Agreement.

#### **7. ASSIGNMENT**

This Agreement is for the professional services of the Contractor and it shall not assign, subcontract or sublet any part of this Agreement without the express prior written consent of TCEDA. Any assignment without the express prior written consent of the TCEDA is VOID.

## 8. NOTICE

Any and all notices, reports or other communications to be given to TCEDA or Contractor shall be given to the persons representing the respective parties at the following addresses:

### **CONTRACTOR:**

Kurtis Clark, Director  
Valley Sierra SBDC  
1020 10<sup>th</sup> Street, Suite 102  
Modesto, CA 95354  
Phone: (209) 422-6416  
FAX: (209) 567-4955

### **TCEDA:**

Larry Cope  
TCEDA  
99 N Washington Street  
Sonora, CA 95370  
Phone: (209) 989-4058  
FAX: (209) 213-5508

## 9. COMPLIANCE

Contractor shall comply with all federal, state and local laws, codes, ordinance and regulations applicable to Contractor's performance under this Agreement, including, but not limited to, laws related to prevailing wages. Specifically, Contractor shall not engage in unlawful employment discrimination, including, but not limited to, discrimination based upon a person's race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, gender, citizenship or sexual orientation, as prohibited by state or federal law.

## 10. PUBLIC RECORDS ACT

Contractor is aware that this Agreement and any documents provided to the TCEDA may be subject to the California Public Records Act and may be disclosed to members of the public upon request. It is the responsibility of the Contractor to clearly identify information in those documents that it considers to be confidential under the California Public Records Act. To the extent that the TCEDA agrees with that designation, such information will be held in confidence whenever possible. All other information will be considered public.

## 11. ENTIRE AGREEMENT AND MODIFICATION

This Agreement contains the entire agreement of the parties relating to the subject matter of this Agreement and supersedes all prior agreements and representations with respect to the subject matter hereof. This Agreement may only be modified by a written amendment hereto, executed by both parties; however, matters concerning the scope of services which do not affect the agreed price may be modified by mutual written consent of the Contractor and the CEO of TCEDA. If there are exhibits attached hereto, and a conflict exists between the terms of this Agreement and any exhibit, the terms of this Agreement shall control.

## 12. ENFORCEABILITY AND SEVERABILITY

The invalidity or enforceability of any term or provisions of this Agreement shall not, unless otherwise specified, affect the validity or enforceability of any other term or provision, which shall remain in full force and effect.

### **13. TERMINATION AND RIGHTS UPON TERMINATION**

A. This Agreement may be terminated upon mutual written consent of the parties, or as a remedy available at law or in equity. In the event of the termination of this Agreement, Contractor shall immediately be paid all fees earned as of the effective date of termination.

B. Either party may terminate this Agreement for convenience upon fifteen (15) calendar days' written notice to the other party. Upon termination for convenience, Contractor shall be entitled to compensation for services performed acceptably up to the effective date of termination, as set forth in Exhibit A.

C. Should Contractor default in the performance of this Agreement or materially breach any of its provisions, TCEDA, at its option, may terminate this Agreement by giving written notification to Contractor. The termination date shall be the effective date of the notice. For the purposes of this subsection, default or material breach of this Agreement shall include, but not be limited to, any of the following: failure to perform required services in a timely manner, willful destruction of TCEDA property, dishonesty, or theft.

### **14. NO WAIVER**

The failure to exercise any right to enforce any remedy contained in this Agreement shall not operate as to be construed to be a waiver or relinquishment of the exercise of such right or remedy, or of any other right or remedy herein contained.

### **15. DISPUTES**

Should it become necessary for a party to this Agreement to enforce any of the provisions hereof, the prevailing party in any claim or action shall be entitled to reimbursement for all expenses so incurred, including reasonable attorney's fees.

It is agreed by the parties hereto that unless otherwise expressly waived by them, any action brought to enforce any of the provisions hereof or for declaratory relief hereunder shall be filed and remain in a court of competent jurisdiction in the County of Tuolumne, State of California.

### **16. CAPTIONS**

The captions of this Agreement are for convenience in reference only and the words contained therein shall in no way be held to explain, modify, amplify or aid in the interpretation, construction or meaning of the provisions of this Agreement.

### **17. NUMBER AND GENDER**

In this Agreement, the neutral gender includes the feminine and masculine, the singular includes the plural, and the word "person" includes corporations, partnerships, firms or associations, wherever the context so requires.

**18. MANDATORY AND PERMISSIVE**

“Shall” is mandatory. “May” is permissive.

**19. SUCCESSORS AND ASSIGNS**

All representations, covenants and warranties specifically set forth in this Agreement, by or on behalf of, or for the benefit of any or all of the parties hereto, shall be binding upon and inure to the benefit of such party, its successors and assigns.

**20. COUNTERPARTS**

This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

**21. OTHER DOCUMENTS**

The parties agree that they shall cooperate in good faith to accomplish the object of this Agreement and, to that end, agree to execute and deliver such other and further instruments and documents as may be necessary and convenient to the fulfillment of these purposes.

**22. CONTROLLING LAW**

The validity, interpretation and performance of this Agreement shall be controlled by and construed under the laws of the State of California.

**23. AUTHORITY**

Each party and each party’s signatory warrant and represent that each has full authority and capacity to enter into this Agreement in accordance with all requirements of law. The parties also warrant that any signed amendment or modification to the agreement shall comply with all requirements of law, including capacity and authority to amend or modify the Agreement.

**24. NEGOTIATED AGREEMENT**

This Agreement has been arrived at through negotiation between the parties. Neither party is to be deemed the party which prepared this Agreement within the meaning of California Civil Code section 1654. Each party represents and warrants that in executing this Agreement it does so with full knowledge of the rights and duties it may have with respect to the other party. Each party also warrants and represents that it has received independent legal advice from its attorney with respect to the matters set forth in this Agreement and the rights and duties arising out of this Agreement, or that such party willingly foregoes any such consultation.

**25. NO RELIANCE ON REPRESENTATIONS**

Each party warrants and represents that it is not relying and has not relied upon any representation or statement made by the other party with respect to the facts involved or its rights or duties. Each party understands and agrees that the facts relevant, or believed to be relevant to

this Agreement, have been independently verified. Each party further understands that it is responsible for verifying the representations of law or fact provided by the other party.

**26. WARRANTY**

TCEDA has relied upon the professional ability and training of Contractor as a material inducement to enter into this Agreement. Contractor hereby warrants that all work shall be performed in accordance with generally accepted professional practices and standards as well as the requirements of applicable federal, state and local laws, it being understood that acceptance of Contractor's work by TCEDA shall not operate as a waiver or release.

**27. FUNDING AVAILABILITY**

It is mutually agreed that if the TCEDA budget of the current fiscal year and/or any subsequent fiscal years covered under this Agreement does not appropriate sufficient funds for this Agreement, this Agreement shall be of no further force and effect. In this event, the TCEDA shall have no liability to pay any funds whatsoever to Contractor or to furnish any other considerations under this Agreement and Contractor shall not be obligated to perform any provisions of this Agreement. Contractor's assumption of risk of possible non-appropriation is part of the consideration for this Agreement. TCEDA budget decisions are subject to the discretion of its board.

If funding for any fiscal year is reduced or deleted by the TCEDA budget for purposes of this Agreement, the TCEDA shall have the option to either cancel this Agreement with no liability occurring to the TCEDA, or offer an Agreement amendment to Contractor to reflect the reduced amount.

*[signatures follow on next page]*



IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.


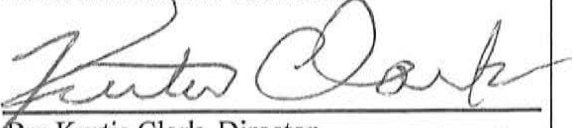
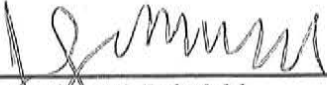
TCEDA  By: Larry Cope Chief Executive Officer	VALLEY SIERRA SMALL BUSINESS DEVELOPMENT CENTER  By: Kurtis Clark, Director 12-15-17
APPROVED AS TO LEGAL FORM:  By: Carlyn M. Drivdahl Deputy County Counsel	

Exhibit A  
SCOPE OF WORK

- Contractor will be responsible for ongoing interaction with business owners located in downtowns of both incorporated and unincorporated communities throughout Tuolumne County.
- Contractor will be responsible for providing small business advice to business owners located in downtowns of both incorporated and unincorporated communities throughout Tuolumne County.
- Contractor will refer small business owners to the appropriate business assistance programs in Tuolumne County. These include but are not limited to: Valley-Sierra SBDC, Tuolumne County SCORE, TCEDA, County of Tuolumne and/or City of Sonora.
- Contractor will be responsible for meeting with TCEDA's staff monthly to provide updates and insight on business conditions in all downtowns, number of businesses visited, assistance provided, referrals given and provide a business tracking report (considering business confidentiality).
- Contractor will be responsible for notifying TCEDA staff of businesses that need additional assistance above and beyond the needs outlined in this Agreement. Contractor will also keep the TCEDA's staff informed of any businesses going through difficulty (such as, but not limited to, immediate closure and/or layoffs) immediately upon their knowledge, so that the TCEDA staff can assess the situation and provide further assistance if needed or warranted.
- Contractor will be responsible for reviewing and providing recommendations for updates/changes to existing business guides.
  - *Review of TCEDA/SCORE's Business Assistance Guide*
  - *Review of TCEDA's Business Incentive and Business Grant Guide.*

# ATTACHMENT B

Five Year Work Plan  
2017-2022



# Five Year Work Plan

TCEDA | 2017 -2022

## Mission Statement

Promote a diverse and growing economy by pursuing business retention, expansion and attraction that enhances quality of life in Tuolumne County.

## Purpose Statement

The TCEDA is vested with the power to effectively implement, coordinate and administer general economic development programs within the County of Tuolumne, State of California, including the City of Sonora, in accordance with local, state and federal laws. General economic development programs shall include, but are not limited to: 1) business retention and expansion; 2) business attraction; 3) business assistance programs; 4) identification of appropriate locations for and creation of "shovel ready" commercial and industrial properties including but not limited to adaptive reuse; 5) support the creation, expansion and rehabilitation of public infrastructure needed to support and sustain local business and industry (e.g. roads, water, power, sewer, telecommunications, etc.); 6) assist with educational and training opportunities tailored to equip and support the community's workforce; and 7) pursuit of funding sources to facilitate all of the above. In carrying out its general mission of economic development, the goals, policies and implementation programs of the TCEDA shall be generally consistent with those contained in the Economic Development Element of the Tuolumne County General Plan and Economics Element of the City of Sonora General Plan.

## Action Item - A

- Manage a business retention and expansion program focused on companies with the growth potential of five or more jobs.

Facilitate job creation by working with existing businesses to expand or relocate their facilities within our county. Help by assisting them in accessing capital, training personnel and expanding their markets. Focus will be on companies that pay a family wage.

**Measurable Outcome:** Ongoing visits are made with existing businesses and assistance is provided. A minimum of two hundred and fifty client visits will be conducted.

## Action Item - B

- Manage a comprehensive business attraction and recruitment program.

Use new and existing techniques to recruit businesses for Tuolumne County. Attend industry meetings, networking events, trade shows and conduct in-person company visits focusing on companies that can benefit from our three main attractions (natural surroundings, available natural resources, growing healthcare needs). Dedicate a majority of the time on companies that hire at least twenty employees and that pay a family wage.

**Measurable Outcome:** Minimum of five hundred "out of county" businesses are contacted, marketed to and/or visited.

## Action Item - C

- Provide start up assistance to local businesses.

Facilitate job creation by working with start up businesses within our county. Help by assisting them in developing their business skills, accessing capital, training personnel and expanding their markets. Focus will be on companies that pay a family wage.

**Measurable Outcome:** New businesses are encouraged to start up in Tuolumne County. Visits will be conducted with any known new start ups.

## Action Item - D

- Encourage workforce development and workforce housing.

Work closely with workforce partners to form innovative partnerships to assist our businesses in hiring and/or training employees and providing a pathway for local youth to establish careers in the community. Additionally, work diligently on training of residents for future career fields that are expected to expand. Help local planners, builders, real estate firms, non-profits and other interested partners expand the availability of workforce housing.

**Measurable Outcome:** An established and ongoing relationship is maintained with housing and workforce partners.

## Action Item - E

- Long term research and planning is conducted to find additional growth opportunities for Tuolumne County.

Research and/or hire researchers to review possible avenues of growth for Tuolumne County.

- Health Care, with a focus on senior care and research and development
- Forestry bio-mass to “product” research and development
- Water conservation and associated research and development
- Changes in retail from “brick and mortar” to online and delivery services
- Changing downtowns and what can be done to keep them vital.

**Measurable Outcome:** Areas of focus are researched, prioritized and studied; at least two studies are conducted and discussed by TCEDA Board, with future action plans implemented.



## Board of Directors

John Gray, TCEDA Chairman  
Tuolumne County Board of Supervisor, District #4

George Segarini, TCEDA Vice-Chair  
City Council Member, City of Sonora

Sherri Brennan, TCEDA Public Board Member  
Tuolumne County Board of Supervisor, District #1

Connie Williams, TCEDA Public Board Member  
Mayor, City of Sonora

Jim Gianelli, TCEDA At-Large Board Member  
Gianelli & Polley Professional Law Corporation, Attorney

Barry Hillman, TCEDA At-Large Board Member  
President, HealthLitNow

Dave Thoeny, TCEDA At-Large Board Member  
Executive Director, Motherlode Job Training Centers

# TCEDA

99 North Washington Street  
Sonora, California 95370

209-989-4058  
[www.tceda.net](http://www.tceda.net)

# ATTACHMENT C

Annual Report

March 2018

# Tuolumne County Economic Development Authority

## Annual Report

March 2018



*Promoting a diverse and growing economy by pursuing business retention, expansion, and attraction that enhances quality of life in Tuolumne County.*



## Connecting with Our Businesses

**Action Item A:** Manage a business retention and expansion program focused on companies with the growth potential of five or more jobs.

Facilitate job creation by working with existing businesses to expand or relocate their facilities within our county. Help by assisting them in accessing capital, training personnel and expanding their markets. Focus will be on companies that pay a family wage.

**Measurable Outcome:** Ongoing visits are made with existing businesses and assistance is provided. A minimum of 250 client visits will be conducted.

**Results:** Over 120 businesses were contacted and/or visited over the past year. Over 1,758 interactions and client visits were recorded with existing companies.

Examples of the types of companies are as follows: Sierra Pacific Industries, Sandvik, MMI Sonora, Kinematic Automation, MicroTronics, American Wood Fibers, Reverb, Evergreen Lodge/Rush Creek, Black Oak Casino Resort, banks, media, real estate and internet companies.



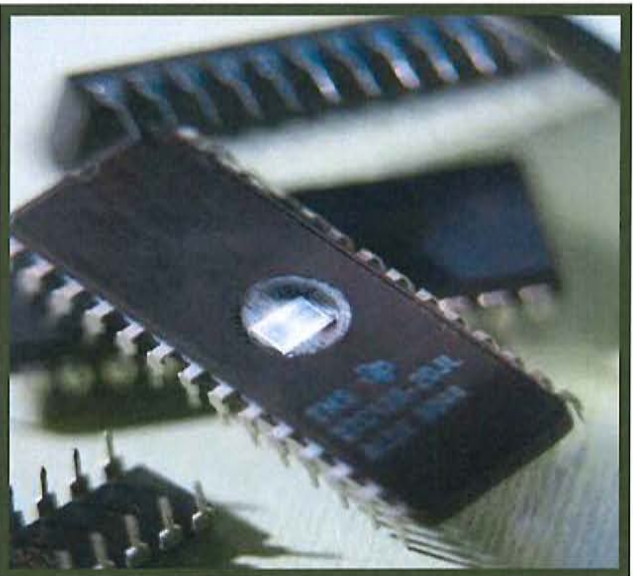
## Attracting New Businesses

**Action Item B:** Manage a comprehensive business attraction and recruitment program.

Use new and existing techniques to recruit businesses for Tuolumne County.

Attend industry meetings, networking events, trade shows and conduct in-person company visits focusing on companies that can benefit from our three main attractions (natural surroundings, available natural resources, growing healthcare needs).

Dedicate a majority of the time on companies that hire at least 20 employees and that pay a family wage.





**Measurable Outcome:** Minimum of 500 “out of county” businesses are contacted, marketed to and/or visited.

**Results:** Over 3,100 “out of county” businesses were contacted, marketed to and/or visited.

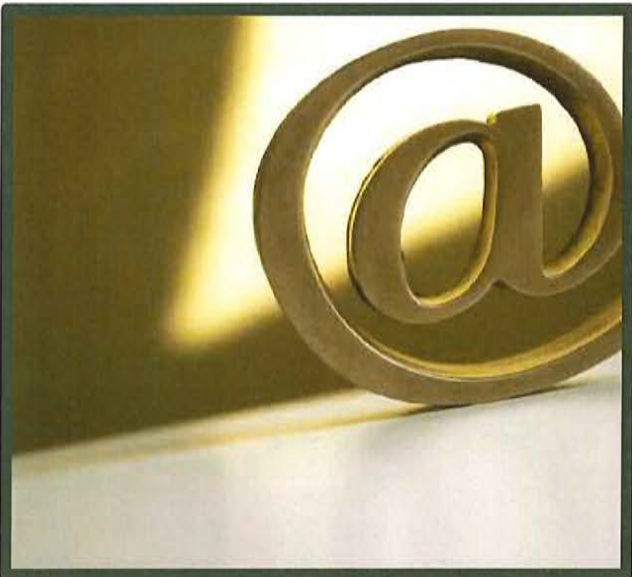
TCEDA staff attended, prospected and/or participated in the following events:

- BIOMEDevice – MDM
- RECon - Global Retail Real Estate Convention
- Made in the Bay Area: Manufacturing Innovators Event
- Society3 Pitch Events (10-12 events per year)
- PitchForce - San Francisco Pitch Event

Networked with hundreds of companies at various venues such as:

- Galvanize
- The Vault
- RocketSpace
- Parisoma
- TechCode – Mountain View
- Google Launchpad

Researched, prospected and then visited several dozen Bay Area companies to recruit to Tuolumne County.

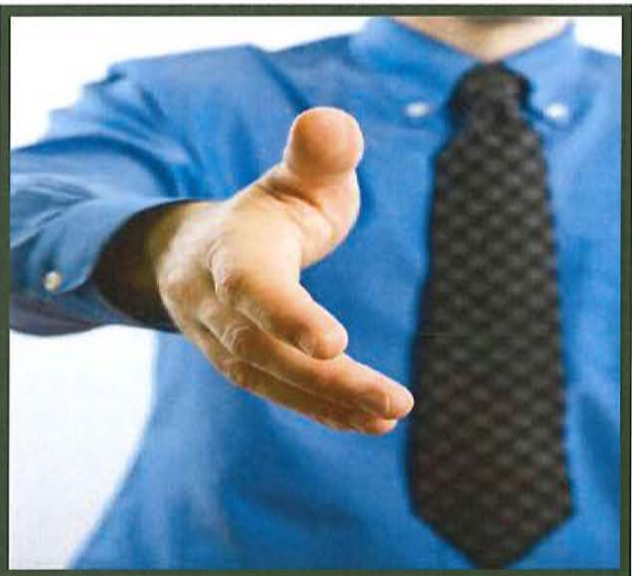


## Business Assistance

**Action Item C:** Provide start up assistance to local businesses.

Facilitate job creation by working with startup businesses within our county. Help by assisting them in developing their business skills, accessing capital, training personnel and expanding their markets. Focus will be on companies that pay a family wage.

**Measurable Outcome:** New businesses are encouraged to start up in Tuolumne County. Visits will be conducted with any known new startups.





**Results:** Through partners and TCEDA staff over 38 small startups were assisted in accessing capital, developing their business skills, training their employees and expanding their markets.

The TCEDA also partnered with the Valley Sierra Small Business Development Center, Tuolumne County SCORE chapter, City of Sonora, Rural County Representatives of California, USDA Rural Development and Central Sierra Economic Development District to bring training and small business counseling to our local small businesses.

## Workforce Housing and Training

**Action Item D:** Encourage workforce development and workforce housing.

Work closely with workforce partners to form innovative partnerships to assist our businesses in hiring and/or training employees and providing a pathway for local youth to establish careers in the community.

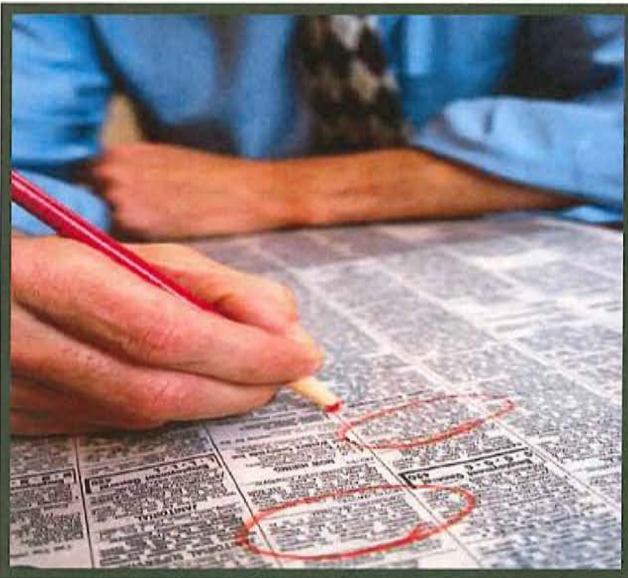
Additionally, work diligently on training of residents for future career fields that are expected to expand.

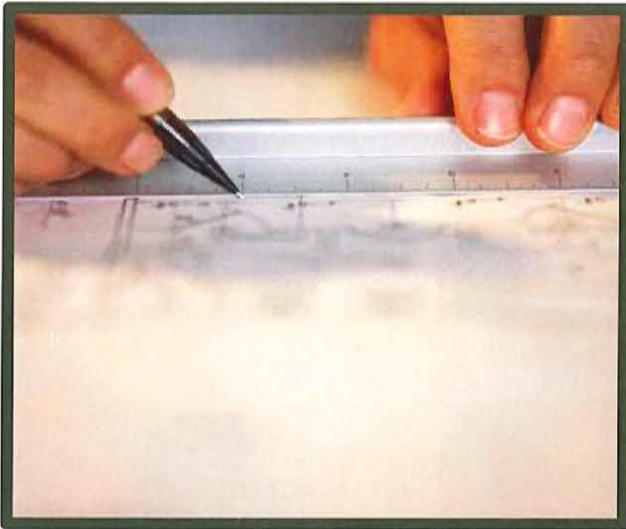
Help local planners, builders, real estate firms, non-profits and other interested partners expand the availability of workforce housing.

**Measurable Outcome:** An established and ongoing relationship is maintained with housing and workforce partners.

**Results:** The TCEDA continues to work closely with workforce partners such as Mother Lode Job Training (MLJT), Columbia College and the Employment Training Panel.

Together with Tuolumne County's Community Resource Agency, Tuolumne County Board of Realtors, Tuolumne County Business Council and other partners the TCEDA is working to find opportunities to build affordable and workforce housing in Tuolumne County. In 2018 the TCEDA will hold a "housing conference" to bring interested parties together and spur interest in bringing housing to Tuolumne County.





## Long Term Strategies

**Action Item E:** Long term research and planning is conducted to find additional growth opportunities for Tuolumne County.

- Research and/or hire researchers to review possible avenues of growth for Tuolumne County.
- Health Care, with a focus on senior care and research and development.
- Forestry bio-mass to “product” research and development.
- Water conservation and associated research and development.
- Changes in retail from “brick and mortar” to online and delivery services.
- Changing downtowns and what can be done to keep them vital.

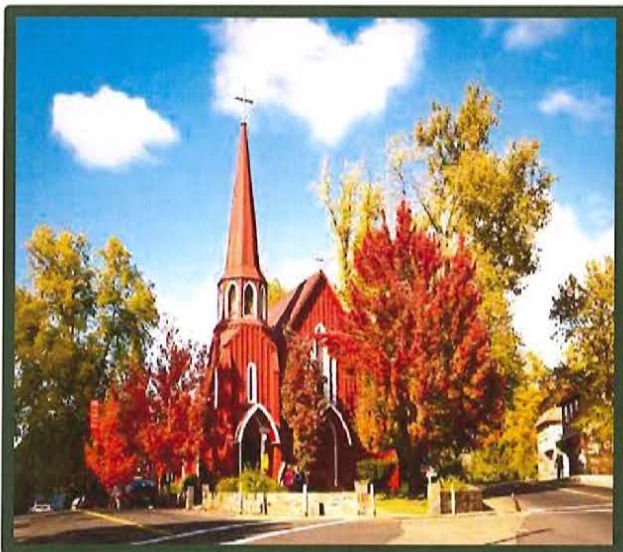


**Measurable Outcome:** Areas of focus are researched, prioritized and studied; at least two studies are conducted and discussed by TCEDA Board, with future action plans implemented.

**Results:** The TCEDA is entering into its fourth year of partnership with UC Merced and their Capstone program. The last three years of Capstone programs have focused on alternative uses for woody biomass that overly abundant in our local forests.

Multiple solutions have been provided and away commercialization possibilities.

The TCEDA staff continues to study how downtowns are changing and what can be done to keep them vital. In addition to research and attending conferences like the California Main Street Conference the TCEDA has partnered with the Valley Sierra Small Business Development Center to conduct outreach to all small businesses in every downtown in Tuolumne County. This program was approved and started in 2017 and the first results of the outreach should appear late in 2018.





Tuolumne County Economic Development Authority

99 North Washington Street  
Sonora, California 95370

209-989-4058

[www.tceda.net](http://www.tceda.net)

# ATTACHMENT D

## The Business Guide



# The Business Guide

A GUIDE TO STARTING AND OPERATING  
A SUCCESSFUL SMALL BUSINESS

This guide is made possible through the partnership of

**TCEDA**  
**TUOLUMNE COUNTY**  
Economic Development Authority

99 North Washington  
Sonora, CA 95370  
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Tuolumne County  
**SCORE** 

FOR THE LIFE OF YOUR BUSINESS

222 South Shepherd Street  
Sonora, CA 95370  
(209) 532-4316  
[score@mlode.com](mailto:score@mlode.com)  
[www.tuolumnecounty.score.org](http://www.tuolumnecounty.score.org)

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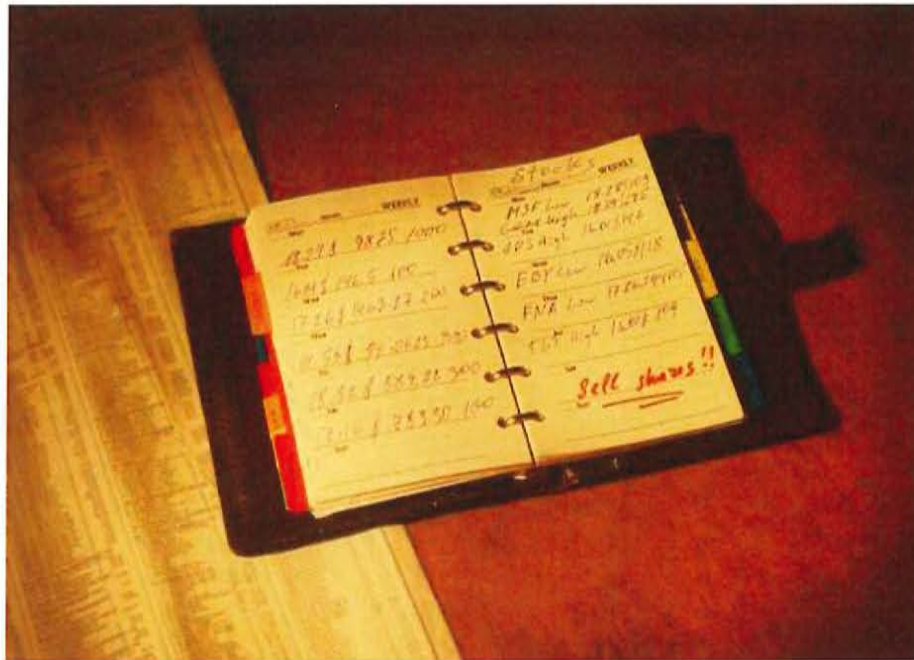
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### APPENDICES

Appendix A: Small Business Self-Assessment

Appendix B: Tuolumne County’s Home Business Summary of Planning Regulations

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## Introduction

### STARTING and OPERATING a SUCCESSFUL SMALL BUSINESS

Many people, at one time or another, have had visions of owning or operating a small business. Entrepreneurs often long for the independence of being their own boss and making a success in the market place by utilizing their special skills. Yet, it is well documented that upwards of 50% of all new businesses discontinue operations within the first two years and only 20% survive beyond five years. If you are considering launching a new business and this statistic does not cause you concern then consider how you would respond in the following scenario.

A friend comes up to you and asks to borrow \$25,000. He says he promises to pay you \$50,000 in two years, but there is a 50% chance he will never pay you anything. Would you lend him the money?

Now consider that you are asking yourself for the loan in order to go into business...would you give yourself the money if there was a 50% chance that the business would fail and you will never get any of your money back?

This guidebook is aimed at educating prospective business owners and budding entrepreneurs with the intention of increasing their chances for success. However, many factors ultimately determine the success or failure of any business venture. This guidebook or any material, regardless of the source, cannot guarantee business success. It is offered as information only and as such does not constitute any actual or implied assurance of business success.

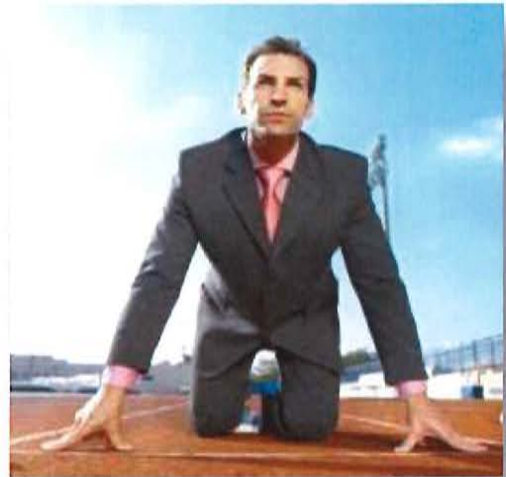
## 1. GETTING STARTED: Licenses, Permits and Regulations

**Overview** – This guidebook is directed specifically at persons operating or planning to operate a business within Tuolumne County in the State of California. Most of the information is general in nature and applicable to most types of businesses within California and even the U.S.

Most cities and counties have planning and business licensing departments. If you are in an unincorporated area, the county controls most of your business requirements. Typically, the county continues to control health and food permits, hazardous waste regulations and pollution control issues. Check for details on requirements that apply whether you are remodeling an existing location or starting up a new business. If your business is located inside the city limits you need to check with your city's business and community development departments before you begin operating your business. Respective contacts are below:

City of Sonora - Community Development Office  
94 North Washington Street  
Sonora, CA 95370  
(209) 532-3508  
[www.sonoraca.com](http://www.sonoraca.com)

County of Tuolumne - Community Resources Agency  
*Mailing Address:*            *Physical Address:*  
2 South Green Street    A.N. Francisco Bldg, Fl 3 & 4  
Sonora, CA 95370        48 W. Yaney Ave., Sonora, CA 95370  
  
(209) 533-5633  
[www.tuolumnecounty.ca.gov](http://www.tuolumnecounty.ca.gov)



**Business Licenses and Permits** - All regular business permits are controlled at the county or city levels. Remember, if your business is located within the city limits, contact the business permit and licensing section of the City of Sonora. If you are locating your business in an unincorporated area of a county, check with Tuolumne County's Community Resources Agency. **In Tuolumne County, only businesses located within the City limits of Sonora require a business license at this time.**

Many professional occupations, such as accountants, cosmeticians, optometrists, realtors, contractors, and businesses such as automotive sales and repair, beer, wine, and liquor sales, pest control, real estate appraisers, to name a few, require additional state licensing. Contact the [State of California Department of Consumer Affairs](http://www.sos.ca.gov) or the [Contractor's State Licensing Board](http://www.cslb.ca.gov) ([www.cslb.ca.gov](http://www.cslb.ca.gov)) to find out what licensing board governs your profession. For California businesses most of this information is now available at the state's web-site [www.ca.gov](http://www.ca.gov). A great location to help guide you through the permitting and licensing process is [www.calgold.ca.gov](http://www.calgold.ca.gov)

**Fictitious Name Statement** - If you operate a business under any name other than your own, you must file a fictitious name statement. This is also referred to as a DBA (doing business as...). This statement must be filed with the Tuolumne County Clerk's office. There is a small application fee, and it must be paid when the statement is filed.



Within 30 days of filing for the fictitious business name, you must run a "Fictitious Business Name Statement" in a local newspaper with a general circulation in your market area. The statement must run "weekly" for 4 consecutive weeks. At the end of the 4 weeks, the newspaper will issue a "Proof of Publication" certificate that must be returned to the Tuolumne County Clerk within 30 days.

**Seller's Permits** - All businesses involved in the sale or rental of tangible personal property must register with the California State Board of Equalization for a seller's permit, resale license or "wholesalers" license. A security deposit may be required and can be done by; 1) Non-interest bearing cash deposit, 2) Bond, or 3) Bank or savings and loan certificate of deposit. This permit will provide you with a registered resale number that you are required to use when conducting business. Permits must be posted where they are clearly visible. To obtain more information on the seller's permit, resale license or wholesale license, contact the California State Board of Equalization or visit their web-site [www.boe.ca.gov](http://www.boe.ca.gov) where you can register for a permit/license on line. To date there is no cost for these permits.

**Other Permits** - The City and County are responsible for public safety, and some permits may be required for your new business. Before you begin to remodel a building or even rearrange attached signs, etc., be sure to contact the Building Department and find out what permits are needed and the cost and proper procedures for the work. Check with appropriate local government agencies to learn about other permit requirements. *(See Section 1. Getting Started: Licenses, Permits and Regulations)*

**Health and Food Permit** - If you sell or handle food, a permit from [Environmental Health Services](#) (aka your local Health Department) is necessary. These regulations are extensive and precise. Make sure you talk to all agencies regarding your requirements. Ask a health inspector to do a "walk through" with you and advise you of potential code violations in the facility. California health and safety laws prohibit you from selling ANY food prepared in your home.



**Construction Zoning** - Your business must meet local zoning requirements and any construction must conform to local building codes. Building permits are required for new construction as well as structural building improvements. If you are seeking a location for your business, thoroughly investigate zoning ordinances to be sure your choice is zoned for your business activity. Don't just rely on the landlord or a Realtor; also contact the City or County Planning Department for advice.

**Zoning and Home Business Requirements** - Before signing a lease or beginning business you should verify that the location complies with all zoning regulations. Building and Planning Departments monitor compliance. Request a copy of the restrictions and allowances for that location. You may have to apply for a zoning permit known as a "conditional use" permit to allow for special uses. Ask the Planning Department what information they need; approximate costs, estimate time and the likelihood your special use will be approved. Ask if you are required to attend City Council/Board of Supervisors or Planning Committee meetings. You may need an occupancy permit before opening your business location to the public.

**Sign Ordinance** – Most cities and counties have two concerns with signs: general appearance and public safety. Most government entities require sign permits and building permits whenever you install, move or remove signs. In most case, you must pay a sign permit and a building permit fee. Business signs must be approved by the Building or Planning Departments. Number and size of each sign often depend on your store frontage and the particular location of your business. Find out the requirements before you spend any money to purchase a sign. Home-based businesses are usually not allowed to have any business signage.

Basic information the Planning Department needs:

Number of signs      Size of each sign      Placement of signs      Design and color choices

Get a copy of the sign permit application so you know what documentation to provide. Applications require the building owner's approval, plans & specifications, color and material description. This is needed before you make the sign and submit the application. When the permit is approved, ask the Building or Permits Department if you must have a building permit to install the sign.

**Federal Identification Number** - All businesses with employees are required to obtain a Federal Identification Number from the IRS. Usually, a sole proprietorship without employees can use a social security number as identification until employees are hired. Partnerships must also obtain an identification number. If the partnership has no employees, it should be indicated on the form that the number is for identification purposes only, not to meet quarterly and yearly payroll reporting requirements. If you receive a Federal Employee Identification Number, the IRS may send you quarterly and year-end tax forms. These must be filled out and returned, even if you have no employees. In accordance with IRS regulations you are liable for federal withholding taxes, F.U.T.A (Federal Unemployment Tax Act), and F.I.C.A (Federal Insurance Contribution Act) if you have any employees. The IRS will provide kits for small businesses, information on how to estimate tax payments and complete tax forms, in addition to the Federal Identification Number form (#55-4). *IRS Hotline 1.800.829.1040*



**State Employer Tax Identification Number** - If you have employees, or plan to have employees, contact the Employment Development Department and file an application for a state employer tax ID number. This number will identify your business in all future tax dealings related to employees. Contact your local office of the Employment Development Department for more information. The EDD has an excellent “New Employers Startup Guide” available from its website, [www.edd.ca.gov](http://www.edd.ca.gov)

**Self-Employment Tax** - This federal tax is designed to provide you with social security coverage if you are self-employed. Self-Employment Tax is substituted for the social security tax and is approximately twice the amount that is normally withheld from an employee's pay check. For more information contact your personal tax preparer or the IRS.

**Regulations** - There are numerous local, state and federal regulations governing business activities. Many businesses have regulatory requirements other businesses do not have. It is important you know the local city, county, and state regulatory requirements for your business

**Health and Safety Requirements** - You must operate your business in compliance with OSHA (Occupational Safety & Health Act) job safety regulations. All businesses with employees must develop and maintain a safety manual. Contact Cal-OSHA Consulting Services for information on compliance with OSHA safety requirements for employers.

**Worker's Compensation Insurance** - Workers' compensation provides benefits to employees who are injured or become ill during the course of or due to employment. In California, **every employer** is required to carry insurance to cover the cost of occupational injuries and illnesses. This insurance requirement is mandatory even if you have only one part-time employee. Companies based out-of-state with employees hired in California must also have California approved workers' compensation insurance. Worker's compensation insurance can be obtained through any number of national underwriters doing business in California or through State Compensation Insurance Fund. "State Fund" is a self-supporting, non-profit enterprise that provides workers' compensation insurance to many California employers. Contact a local insurance broker specializing in Worker's Comp policies to determine the most appropriate options for your business.



**Wage, Hour and Child Labor Laws** - If you hire employees, you will mostly likely have to meet the requirements of Federal [Fair Labor Standards Act](#) and the CA [Fair Employment and Housing Act](#) otherwise known as the "Labor Codes". Contact the California Department of Industrial Relations for information about compliance to laws prohibiting discrimination in employment based on sex, age, color, national origin, religion or physical and mental disabilities. When you have even one employee you must display in a prominent place all mandated employment postings/notices required under both Federal and State law.

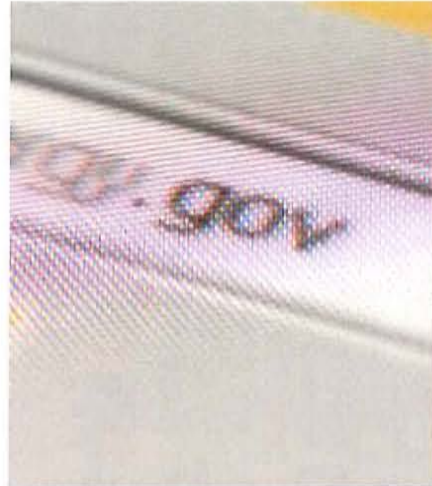
**Insurance** - There are numerous types of insurance coverage your business may need depending on the nature of your business. A few types of insurance are:

- |                       |  |
|-----------------------|--|
| Liability             | Basic Fire insurance                             |
| Extended Coverage     | Vandalism & Malicious Mischief Coverage          |
| Theft Coverage        | Automotive Insurance                             |
| Product Liability     | Business Interruption Insurance                  |
| Worker's Compensation | Professional Liability or "Errors and Omissions" |

Contact a local insurance broker who is knowledgeable about business insurance to determine your specific needs.

**Summary of Agencies** - You may need approval from:

- City/County Building or Permit Department for building, electrical and plumbing modifications
- Local Sanitary Sewer District, especially if your food operation will discard large amounts of grease and other materials
- Police/Sheriff Department
- County Fire Marshall or City Fire Department
- Health Department
- Regional Air Quality Board
- State Regulatory Department(s) (when appropriate)



One excellent source listing potential regulatory agencies for your specific type of business is the Calgold web-site @ [www.calgold.ca.gov](http://www.calgold.ca.gov)

**Checklist for New Business:**

Using a checklist helps to assure that each facet of your business start-up is completed. The order of completion for each checklist item varies by business. Follow the order that is required by law or works best for you. Do not spend money on any item until you need too.

- \_\_\_\_\_ Determine the business activity most suitable for your skills and location.
- \_\_\_\_\_ Develop a Business Plan. *(See Section 2)*
- \_\_\_\_\_ Check local zoning laws and land use ordinances that might apply to your business.
- \_\_\_\_\_ Choose the legal structure your business will take. *(See Section 3)*
- \_\_\_\_\_ Determine whether your business requires a state or federal permit or license to operate.
- \_\_\_\_\_ Contact your local insurance broker to discuss and obtain the type of commercial insurance you will need.
- \_\_\_\_\_ Locate the services of an accountant, banker, insurance broker and lawyer (as appropriate).
- \_\_\_\_\_ Apply for a Federal Identification Number.
- \_\_\_\_\_ Employers: make sure that you have Worker's Comp coverage and complete all employer requirements before employees perform any work.
- \_\_\_\_\_ Obtain a local business license.
- \_\_\_\_\_ File and publish a fictitious business name statement with the County Clerk and local newspaper.
- \_\_\_\_\_ Opening a business checking account separate from your personal account.
- \_\_\_\_\_ Apply for a sales and use sellers permit if you plan to sell or rent tangible personal property.
- \_\_\_\_\_ Apply for a State Employer Tax I.D. Number (if you plan to have employees). *(See section 4)*
- \_\_\_\_\_ Obtain forms from the IRS and California State Franchise Tax Board for income tax reporting.



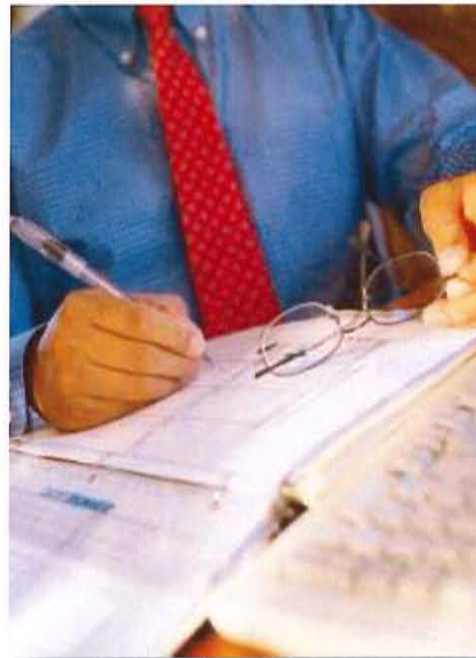
## 2. Writing Your Business Plan

*“The Merchant who fails to plan...plans to fail” -- Benjamin Franklin --*

The first step you should take once you decided to go forward with your business idea is to write a business plan. Your plan should outline who you are, who your customers are or will be, your product/service line, marketing strategy, resources needed to start and operate the business, and financial outcome projections.

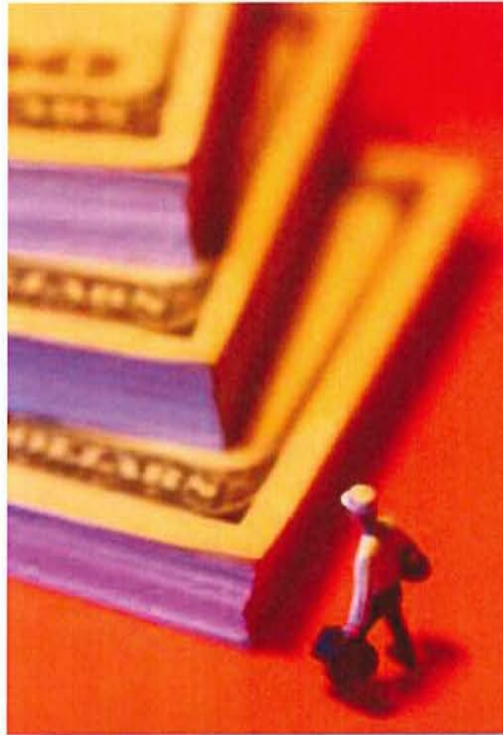
This business plan is a necessary tool when communicating your concepts to financial institutions if you are requesting to borrow money. It supplies the lender with a brief business history, insight into your business practices and goals, as well as a look at your strategy for the future financial success of your business. Perhaps most importantly, it should explain the business skills and management experience of the owners. Banks today are very reluctant to lend to persons without business management experience.

**Preparing Your Business Plan** - Developing a business plan is the most important thing you do before going into business. For a startup, the business plan is an assessment tool. As you work your way through all the points of the plan, you will have to continually reaffirm the viability of your business idea. As you grow, it will help you keep track of details you can no longer keep in your head.



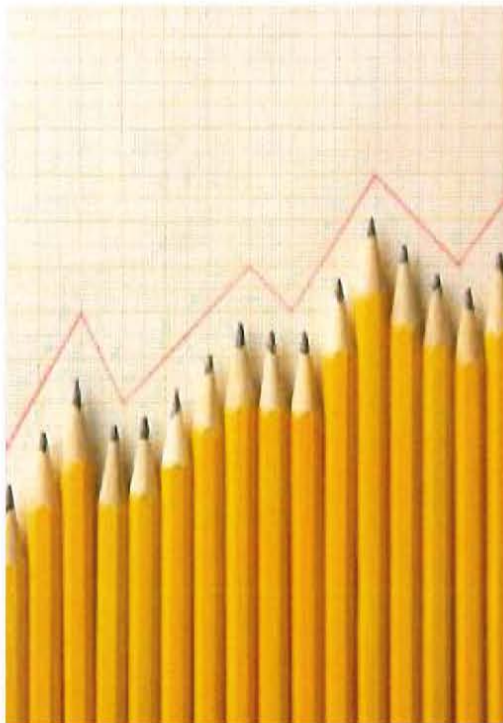
- **Blueprint or Road Map** - A thoroughly researched and well thought-out business plan will clarify your goals, focus your energy and resources, give direction to your work and gauge your progress.
- **Tool for Raising Capital** - A good business plan is essential if you plan to seek financing. To get a loan or attract investors, you will need to present a cohesive picture of your business, the management team, why the business will succeed and how you intend to repay the bank or other investors.
- **Format** - There is no magic formula for a business plan. It's important to understand the concept of business planning; writing an outline may help you avoid overlooking important points. Free advice is available from your local SBDC ([www.alliancesbdc.com](http://www.alliancesbdc.com)) or SCORE ([www.tuolumnecounty.score.org](http://www.tuolumnecounty.score.org)) to assist you writing your plan.
- **Market** - Nothing is more important than knowing your market. The most innovative product or idea in the world won't make money if its inventor can't find customers for it. The biggest part of your planning efforts should go into a market study: Whom are you going to sell to, who is your competition, and how will your business be unique?

- **Cash** - It's important to realize that only cash is cash. There are two other keys points to remember. First, its only "cash" when it's in the bank and second, you can only spend a dollar once! Profits, accounts receivable, retained earnings and other entries on financial statements may look like cash, but they won't pay the bills. Good cash flow may not clearly show profits. But, a business that has insufficient cash to pay its expenses, could be showing profits and be in bankruptcy. Many businesses, especially those growing quickly, make the mistake of not controlling their cash position. According to the SBA the #1 reason that a young business fails is it simply runs out of cash and cannot get more. At that point "failure" is not a choice it becomes inevitable. Too often people spend earnings before they're received and when the money comes in they fail to realize it's already been spent. This is why funding your business with credit cards can be so disastrous if they're not used prudently and properly.



- **Financial Documents** - Regularly, well-prepared balance sheets and profit and loss statements are important management tools for any business owner. A good working knowledge of your financial statements will make it easier to work with your banker and accountant. Take the time to get a grasp of these important documents.

- **Break-even Point** - The break-even point is the level of revenue that covers the fixed and variable costs of providing your product or service. You must know the actual costs of doing business. Your fixed costs (rent, utilities, insurance, etc.) remain constant regardless of your sales. Your variable costs (cost of goods, sales commissions) fluctuate with sales. It's important that you be able to accurately identify your costs, know the sales level needed to break even and be able to meet or exceed that figure.



## Business Plan Outline (*Example*)

### I. The Business

- A. Executive Summary
  - 1. Business Name
  - 2. Location and Plant Description
  - 3. Product and Management Expertise
  - 4. Market Opportunity and Competition
  - 5. Financial/Business Goals
- B. The Business Description
  - 1. The Company
  - 2. The Industry
- C. Products and Service Features
  - 1. Description of Product Line
  - 2. Proprietary Position: Patents, Copyrights, Legal and Technical Considerations
- D. Management Concept
  - 1. Organization
    - a. Key Management Personnel/Staffing Plans
    - b. Management Compensations and Ownership
    - c. Supporting Professional Services
  - 2. Operations Plan/Overall Schedule
    - a. Key events/Milestones
    - b. Critical Risks and Assumptions
    - c. Community Benefits

### II. The Market

- A. Customers
- B. Target markets and Trends
- C. Competition
- D. Estimated Market Share and Sales
  - 1. Ongoing Market Evaluation
- E. Marketing Plan
  - 1. Overall Strategy
  - 2. Pricing Policy
  - 3. Methods of Selling, Distribution and Servicing Products
    - a. Service and Warranty Policy
    - b. Advertising and Promotion

### III. The Financials

- A. Financial Projection (3 Years)
  - 1. Profit and Loss Forecast
  - 2. Pro-Forma Cash Flow Analysis
  - 3. Pro-Forma Balance Sheet
  - 4. Capital Expenditures/break-even Chart
  - 5. Historic Financial Data
- B. Proposed Financing/Cash Needs

### 3. Legal Structures for Your Business

You must consider a type of legal structure for your business. There are many subtleties involved in deciding the legal structure that best meets the present and future needs of your business and owners. The advice of a CPA and an attorney could be helpful in your decision. By default your business will automatically be a sole proprietorship if it is owned and operated by an individual, (in California a husband and wife can be a Sole Proprietorship), or a partnership, if two or more individuals own the business.

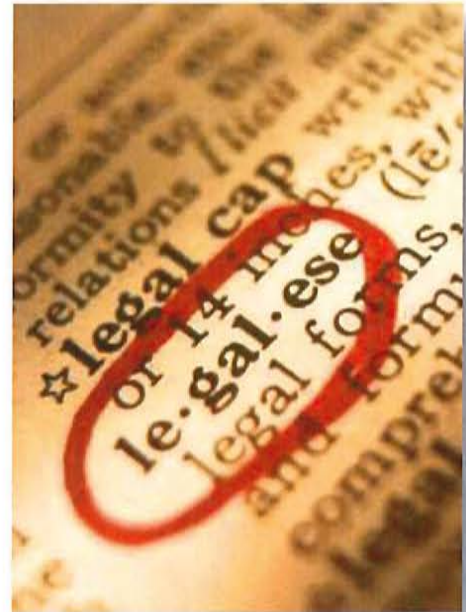
**Sole Proprietorship** - The simplest form of organization is the "sole proprietorship". One person owns the business and is responsible for all business decision-making. There are few legal restrictions, the owner receives all the profits from the business and that "business income" is taxed on his/her personal income return. The owner is also personally liable for all claims against the business (this includes business debt and legal claims and judgments). The sole-proprietorship automatically ends with the death of the owner.

- Taxed as Personal Income – Federal Tax Forms
  - ✓ Schedule C (Form 1040)
  - ✓ Estimated Tax (Form 1040)
  - ✓ Self-Employment Contribution (Schedule SE of form 1040)

**General Partnership** - A general partnership is the combining of resources and skills by two or more people acting as co-owners and managers of a business. It is easy to establish and requires no specific written agreement between the parties, however, an adequate written agreement is recommended to minimize or hopefully eliminate any future disputes. This partnership ends with the death or withdrawal of one of the partners or addition of a new partner. There should always be a written addendum to any original agreements when changes occur. Each partner is personally liable for **ANY** and **ALL** business debts and assets. Any business profit is taxed as personal income at the same proportion that it is distributed to each partner. Partnerships must file all state and federal tax returns.

- Partnerships – Federal Tax Forms
  - ✓ Income Tax as Personal Income of each Partner (Form K-1 1065)
  - ✓ Information Return (Schedule K. Form 1065)
  - ✓ Estimated Tax Payment (Form 1040)
  - ✓ SECA (Form SE)

**Limited Partnership** - No limit on the number of partners, but there must be at least one general partner. Limited Partnerships are required by law to register with the State Secretary's Office in Sacramento (there is a fee). A limited partnership allows an investor to become a partner without assuming unlimited liability. These investors usually risk only the amount of their initial investment and must avoid any operational control over the business. Income is reported as personal income. The IRS has special income tax rules for limited partnerships.





**Corporation** - A corporation is the most complex form of organization. It is an artificial legal entity that exists separately from its owners. It can enter into contracts, pay taxes and be held liable for claims against it. Since it is a separate legal entity, the death of a stockholder or sale of stock will not affect the corporation's ability to conduct business. Investors are not liable for any claims against the corporation's ability to conduct business or beyond the amount of their investment. Capital may be raised for the corporation by sale of stocks, bonds, debentures or going public.

The tax structure for corporations is more complicated. Articles of Incorporation must be filed with the Secretary of State. Corporations must prepay their annual minimum franchise tax to the State for the "right" of doing business in CA. A statement of Domestic Incorporation must be filed with the Secretary of State each year updating officers and addresses, if the business is incorporated in California.

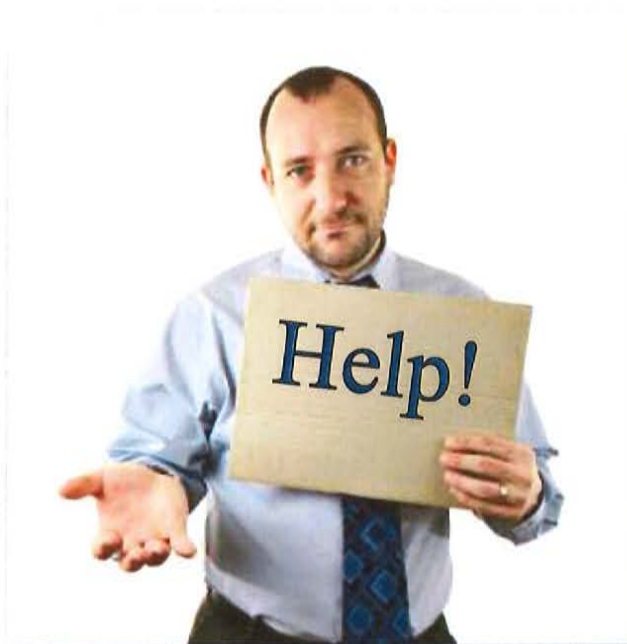


- **Corporations**
  - ✓ Taxed as a separate entity (Use Form 1120). They also must make estimated tax payments. Form 1120W provides instructions on making estimated payments.
- **Subchapter "S" Corporations**
  - ✓ Taxed as a partnership (Use Form 1120S for information) Subchapter "S" Corporations must also make estimated tax payments.
  - ✓ Contact the IRS for a free copy of publication #589, "Tax Information on 'S' Corporation."

**Limited Liability Company ("LLC")** - An LLC is a relatively new form of business entity that allows for the liability protection of a corporation, but operates like a partnership. It can be owned by one person ("member") or multiple people, and it can either be managed by all of the members, or if only one person is going to be running the business, that person can be designated as the "manager" of the LLC. Either way, all of the members will have limited liability for the debts incurred by the LLC. However members, in most cases, are still fully liable for debts or liabilities they "personally" take-on or cause.

## 4. Outside Services and Important Contacts

Here are a number of outside professionals with whom a new business person should establish a relationship.



**Small Business Development Centers (SBDC) & SCORE** – Both offer free guidance, research and counseling. SBDC's also offer a variety of business management workshops throughout the year at their location and in conjunction with colleges, chambers of commerce and local cities. For the location of your local SBDC or SCORE chapter visit the U.S. SBA web-site [www.sba.gov](http://www.sba.gov) and scroll over "Local Resources" on the home page.

**Accountant** - An accountant should be consulted to set up a good bookkeeping system for your business. Inadequate record keeping is a leading contributor to the failure of small businesses.

**Attorney** - An attorney's services are not only essential in the planning stages of your business, but throughout the life of your business. They can assist in choosing your legal structure, reviewing lease agreements, drawing up partnership agreements or incorporation papers, structuring contracts, as well as providing information on your legal rights and obligations.

**Banker** - Capital requirements of a small business make it essential that a good working relationship be established with a local banker. They are a good source of financial information and for obtaining financing.

**Insurance Agent/Broker** - An insurance agent/broker can advise you about the type of coverage necessary for your business. They may be able to tailor a package to meet your specific needs.

**5. Additional Business Resources:**  
*County of Tuolumne & City of Sonora*

*Professional Business Counseling Services*

**Tuolumne County Economic Development Authority (TCEDA)**

Larry Cope, Director of Economic Development

(209) 989-4058

[larry.cope@tceda.net](mailto:larry.cope@tceda.net)

[www.tceda.net](http://www.tceda.net)

**Tuolumne County SCORE Mother Lode Chapter 596**

Chapter Chair

(209) 532-4316

[score@mlode.com](mailto:score@mlode.com)

[www.tuolumnecounty.score.org](http://www.tuolumnecounty.score.org)

**Small Business Development Center (Alliance SBDC)**

Center Director

(209) 567-4910

[www.alliancesbdc.com](http://www.alliancesbdc.com)

**Tuolumne County Chamber of Commerce**

Executive Director

(209) 532-4212

[info@tcchamber.com](mailto:info@tcchamber.com)

[www.tcchamber.com](http://www.tcchamber.com)

The City of Sonora has established a Microenterprise Assistance Program. The Program is targeted for small businesses and is designed to stimulate growth and create new private enterprise jobs that will improve the economic conditions of residents in the community. The Program provides technical assistance and Micro Loans to eligible persons starting a business or expanding an existing business within the City of Sonora.

**Microenterprise Program – City of Sonora**

Community Development Director

(209) 532-3508

[www.sonoramicroenterprise.com](http://www.sonoramicroenterprise.com)

## *Business Training and Entrepreneur Programs*

### **Innovation Lab & Maker Space**

Valerie Davidson  
(209) 965-7924  
[myinnovationlab@outlook.com](mailto:myinnovationlab@outlook.com)  
[www.myinnovationlab.org](http://www.myinnovationlab.org)

### **Columbia College Entrepreneur Program**

Ida Ponder, Director  
(209) 588-5304  
[ponderi@yosemite.edu](mailto:ponderi@yosemite.edu)  
[www.gocolumbia.edu](http://www.gocolumbia.edu)

### **Columbia College – Career Technical Education & Economic Development**

Klaus Tenbergen, Dean  
(209) 588-5142  
[tenbergenk@yosemite.edu](mailto:tenbergenk@yosemite.edu)  
[www.gocolumbia.edu](http://www.gocolumbia.edu)

### **Office of Education – Computer Skills Classes**

Educational Services, County Superintendent of Schools Office  
(209) 536-2031  
[dadamiak@tcsos.us](mailto:dadamiak@tcsos.us)  
[www.tcsos.us](http://www.tcsos.us)

## *Financing: Small Business Loans*

### **Revolving Loan Fund/Microenterprise Loans – County of Tuolumne**

Maureen Frank, Deputy County Administrator  
(209) 533-5511  
[mfrank@co.tuolumne.ca.us](mailto:mfrank@co.tuolumne.ca.us)  
[www.tuolumnecounty.ca.gov](http://www.tuolumnecounty.ca.gov)

### **Microenterprise Program – City of Sonora**

Kim Campbell, Community Development Department  
(209) 532-3508  
[kcampbell@sonoraca.com](mailto:kcampbell@sonoraca.com)  
[www.sonoramicroenterprise.com](http://www.sonoramicroenterprise.com)

### **Bank of America**

(209) 533-6100  
[www.bankofamerica.com](http://www.bankofamerica.com)

### **Bank of Stockton**

(209) 532-3631  
[www.bankofstockton.com](http://www.bankofstockton.com)

**BBVA Compass Bank**

(209) 536-1080

[www.bbvacompass.com](http://www.bbvacompass.com)

**Clearinghouse CDFI**

(530) 923-4148

(530) 635-4423

[www.clearinghousecdfi.com](http://www.clearinghousecdfi.com)

**Fresno CDFI**

(559) 263-1277

[www.fresnococ.org](http://www.fresnococ.org)

**Oak Valley Community Bank**

(209) 532-7100

Small business loans (loans under \$250K)

(209) 396-1581

Commercial Loan Officer (loans over \$250,000)

(209) 396-7723

[www.ovcb.com](http://www.ovcb.com)

**Rabobank**

(209) 436-1800

[www.rabobankamerica.com](http://www.rabobankamerica.com)

**Success Capital EDC** (Small Business Administration Loans)

(209) 521-9372

[www.successcapitalsba.com](http://www.successcapitalsba.com)

**Umpqua Bank**

(209) 588-8800

(209) 588-2649

[www.umpquabank.com](http://www.umpquabank.com)

**Wells Fargo Bank**

(209) 532-3106

(209) 533-2103

[www.wellsfargo.com](http://www.wellsfargo.com)

**Westamerica**

(209) 536-1000

[www.westamerica.com](http://www.westamerica.com)

**Valley Small Business Development Corporation**

(559) 476-3970

(559) 438-9680

[www.vsbdc.com](http://www.vsbdc.com)

## *Chambers of Commerce and Visitor's Bureau*

### Tuolumne County Chamber of Commerce

(209) 532-4212  
[info@tcchamber.com](mailto:info@tcchamber.com)  
[www.tcchamber.com](http://www.tcchamber.com)

### Columbia Chamber of Commerce

(209) 536-1672  
[info@columbiacalifornia.com](mailto:info@columbiacalifornia.com)  
[www.visitcolumbiacalifornia.com](http://www.visitcolumbiacalifornia.com)

### Sonora Chamber of Commerce

(209) 964-4405  
[info@sonorachamber.org](mailto:info@sonorachamber.org)  
[www.sonorachamber.org](http://www.sonorachamber.org)

### Twain Harte Chamber of Commerce

(209) 586-4482  
[info@twainhartecc.com](mailto:info@twainhartecc.com)  
[www.twainhartecc.com](http://www.twainhartecc.com)

### Yosemite Chamber of Commerce

(209) 962-0429  
[info@groveland.org](mailto:info@groveland.org)  
[www.groveland.org](http://www.groveland.org)

### Promotion Club of Jamestown

(209) 984-3370  
[www.jamestownca.org](http://www.jamestownca.org)

### Tuolumne County Visitor's Bureau

(209) 533-4420, (800) 466-1333  
[tcvbinfo@mlode.com](mailto:tcvbinfo@mlode.com)  
[www.tcvb.com](http://www.tcvb.com)

## *County of Tuolumne*

### **Fictitious Business Name and Zoning Affidavit**

County Clerk  
County of Tuolumne Administration Offices  
2 South Green Street, Sonora, CA 95370  
(209) 533-5573  
[clerk@tuolumnecounty.ca.gov](mailto:clerk@tuolumnecounty.ca.gov)  
[www.tuolumnecounty.ca.gov](http://www.tuolumnecounty.ca.gov)

Unless your own name appears in the name of your business, you will need to file a [Fictitious Business Name Statement](#) at the County. If checks will be made out under your business name, you will want to open a business checking account to be able to cash checks. Appear in person to fill out forms, including an [Information Questionnaire](#) and a [Zoning Affidavit](#), and then walk this paperwork over to the Community Resources Agency's Planning Department located at 48 West Yaney Avenue, Sonora. There is a small application fee, and it must be paid when the statement is filed.

### **Business License**

The County of Tuolumne does not require business license if your business is or will be located in an unincorporated area of the County; however, if you are conducting business within the Sonora city limits, a business license is required regardless of your business location and can be obtained at City Hall (*see City of Sonora*).

### **Building/Planning/Zoning/Code Compliance**

Community Resources Agency  
48 West Yaney Ave. (Francisco Building)  
(209) 533-5633  
[www.tuolumnecounty.ca.gov](http://www.tuolumnecounty.ca.gov)

If your business will be or is located in the unincorporated area of the County, it is prudent to be certain that your type of business qualifies as a permitted use and complies with current County zoning before purchasing property or signing a lease. Apply for the required permits before you "open for business."

### **Home Occupation Permit** – *See Appendix B*

## *City of Sonora*

### **Business License**

City Hall, City of Sonora Administration at (209) 532-4541  
94 North Washington Street, Sonora, CA 95370  
Community Development (209) 532-3508  
[www.sonoraca.com](http://www.sonoraca.com)

A business license is required by the City of Sonora if your business is either located within the City Limits or you are conducting business within City limits whether working as a contractor, performing cleaning or yard services, a taxi cab, or other professional services. Start with City Hall, and ask for a business license packet, which includes a [Business License](#) application and fee structure, an [Occupancy Permit Application](#), [Occupancy Permit Requirements](#) checklist, and an [Emergency Response Information](#) form for fire and police safety. [Zoning Affidavit](#) is also required with each business license which is available from the Community Development Department located upstairs at City Hall. There is a business license fee which varies in cost according to your location, and a separate fee for the inspections. Once approved, your business license will be mailed to you or you can pick it up at City Hall.

### **Occupancy Permit**

For all new businesses located within the city limits, the City of Sonora requires an approved [Occupancy Permit Application](#) and inspection to assure that basic minimum building and fire safety standards are met. Contact the Community Development Department for more information on [Occupancy Permit Requirements](#).

### **Home Occupation Permit**

Some businesses which have few or no impacts may be allowed to be operated out of an existing residence. Such businesses must obtain a [Home Occupation Permit](#). Contact the Community Development Department for more information regarding [Home Occupation](#).

### **Sign Permit**

Sign Permits and Design Review are required for most signs within the City Limits.

### **Sign Information – City of Sonora**

[Sign Guidelines – City of Sonora](#)

[Sign Application – City of Sonora](#)

### **Planning and Zoning/New Construction/Use Permit**

Before selecting a particular location, zoning requirements should be reviewed for the proposed business type. If there will be new construction or additions/renovations to an existing building, a [Construction Permit Application](#) is required, and plans will have to be reviewed and required permits obtained. Some commercial businesses must also obtain a [Use Permit](#) to operate in the City of Sonora.



### **Health Permit**

#### **Tuolumne County Environmental Health Division (*see County of Tuolumne*)**

(Division of Tuolumne County Community Resources Agency)

(209) 533-5633

[www.tuolumnecounty.ca.gov](http://www.tuolumnecounty.ca.gov)

If the business will involve the handling of foods, you must consult the County of Tuolumne's Environmental Health Office and obtain a permit.

### **Fictitious Business Name Statement**

Tuolumne County Clerk (*see County of Tuolumne*)

2 South Green Street

Sonora, CA 95370

(209) 533-5573

[www.tuolumnecounty.ca.gov](http://www.tuolumnecounty.ca.gov)

Every person who regularly transacts business in the State of California for profit under a fictitious business name must file a [Fictitious Business Name Statement](#). The form is filed with the County Clerk of the County of the principal place of business.

### **City of Sonora Police Department**

Chief of Police

100 S. Green Street, Sonora, CA 95370

(209) 532-8143

[www.sonorapd.com](http://www.sonorapd.com)

### **Sonora Fire Department**

Fire Chief

201 S. Shepherd Street, Sonora, CA 95370

(209) 532-7432

[www.sonorafire.com](http://www.sonorafire.com)

## *State of California Tax & Employer Information*

### **California Seller's Permit**

California State Board of Equalization  
(800) 400-7115  
[www.boe.ca.gov/sutax/faqresale.htm](http://www.boe.ca.gov/sutax/faqresale.htm)

A *seller's permit* allows an individual or a business to buy products at wholesale prices and sell at retail prices, which favors profitability. You must obtain a seller's permit if you are engaged in business in California and intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail. Both wholesalers and retailers must apply for a permit, and the requirement applies to individuals, corporations, partnerships and limited liability companies. A *seller's permit* allows you to collect sales tax from customers and report those amounts to the State of California on a regular reporting period (either monthly, quarterly, or annually).

There is no charge for a seller's permit, but security deposits are sometimes required. If you have purchased an existing business, you must provide the previous permit information. If you plan to make sales for less than 90 days (e.g., Christmas tree stands or craft fairs), you may apply for a temporary seller's permit. You can apply online using electronic registration ([eReg](#)) or you may apply at a [nearby BOE office](#).

Your permit is valid only as long as you are actively engaged in business as a seller. If you are no longer conducting business, you should return your permit to the BOE for cancellation. For more information please see [Buying, Selling, or Discontinuing a Business](#). Likewise, the BOE may cancel your permit if it finds that you are no longer engaged in business as a seller.

<http://www.boe.ca.gov/sutax/faqseller.htm#1>

[http://www.taxes.ca.gov/Sales\\_and\\_Use\\_Tax/SellersPermit.shtml](http://www.taxes.ca.gov/Sales_and_Use_Tax/SellersPermit.shtml)

### **California Resale Certificate**

A "resale certificate" is required by the State of California as proof that you have a seller's permit to purchase a product from a wholesaler distributor or supplier in order to *resell* it at a retail price. Your supplier will ask you to provide a resale certificate as proof that the product was purchased for resale. The certificate may be as simple as a note, letter or memorandum; however the certificate must contain specific information. For a sample resale certificate, here is a link: <http://www.boe.ca.gov/pdf/boe230.pdf>.

### **State Taxes – Withholding**

Employers must register with the State Employment Development Department.  
[www.edd.ca.gov](http://www.edd.ca.gov)

### **Fair Employment**

Employers are required to provide information to employees regarding employment rights and to display certain posters where employees may readily see them.  
[www.dfeh.ca.gov](http://www.dfeh.ca.gov)

### **Workers Compensation**

Under California Law Worker's Compensation Insurance is mandatory for all employers. Contact the State Compensation Fund regarding the requirements of Workers Compensation Insurance.  
[www.statefundca.com](http://www.statefundca.com)

### **Alcoholic Beverage Control**

If the business will sell alcoholic beverages, you must contact the State Department of Alcoholic Beverage Control.

[www.abc.ca.gov](http://www.abc.ca.gov)

### **Contractor's State License Board**

If the business is in the construction industry, contact the State Contractor's License Board to determine what special permits/licenses may be required.

[www.cslb.ca.gov](http://www.cslb.ca.gov)

### **State Licenses**

The State of California imposes license requirements and fees on more than 100 businesses and professions. The Department of Consumer Affairs grants most licenses.

[www.dca.ca.gov](http://www.dca.ca.gov)

### **Business Filing**

If forming a corporation, a limited liability company, or a partnership, you must file with the California Secretary of State.

[www.ss.ca.gov](http://www.ss.ca.gov)

### **CAL-OSHA**

If the business will have employees, there are laws that govern safety standards designed to prevent injuries arising out of unsafe or unhealthy working conditions.

[www.dir.ca.gov](http://www.dir.ca.gov)

### **Small Business Administration (Sacramento District) - (916) 735-1700**

[www.sba.gov/offices/district/ca/citrus-heights](http://www.sba.gov/offices/district/ca/citrus-heights)

### **California Business Portal**

[www.business.ca.gov](http://www.business.ca.gov)

### **California Business Guide**

[www.business.ca.gov/StartaBusiness.aspx](http://www.business.ca.gov/StartaBusiness.aspx)

### **California Chamber of Commerce**

[www.calchamber.com](http://www.calchamber.com)

### **Franchise Tax Board**

[www.ftb.ca.gov](http://www.ftb.ca.gov)

Information relating to employer withholding and tax payment requirements

### **State Board of Equalization**

[www.boe.ca.gov](http://www.boe.ca.gov)

Information relating to sales or use tax liability, special taxes and fees, property tax administration, and franchise and income tax appeals.

**Employment Development Department**

[www.edd.ca.gov](http://www.edd.ca.gov)

Information relating to unemployment insurance, disability insurance and employment tax

**Department of Consumer Affairs**

[www.dca.ca.gov](http://www.dca.ca.gov)

Information relating to licensing requirements at the state level for specific business entities

**Department of Insurance**

[www.insurance.ca.gov](http://www.insurance.ca.gov)

Information relating to requirements for insurance companies, agents and brokers

**State Bar of California Office of Certification**

[www.calbar.ca.gov](http://www.calbar.ca.gov)

Information relating to registration of law corporations and limited liability partnerships

**Department of Industrial Relations**

[www.dir.ca.gov](http://www.dir.ca.gov)

Information relating to worker's compensation requirements

**Tax Information Center**

[www.taxes.ca.gov](http://www.taxes.ca.gov)

Information relating to income, payroll, sales and use tax for California businesses

**CalGOLD**

[www.calgold.ca.gov](http://www.calgold.ca.gov)

Excellent website that provides detailed information on the business permit, license and registration requirements from all levels of government.

**Small Business Fairs**

[www.boe.ca.gov/sutax/tpsched.htm](http://www.boe.ca.gov/sutax/tpsched.htm)

Free seminars for small business owners sponsored by several California tax agencies to assist with the tax aspects of a business.

**Division of Corporations – (866) 275-2677**

[www.dbo.ca.gov/About\\_DBO/organization/doc.asp](http://www.dbo.ca.gov/About_DBO/organization/doc.asp)

Responsible for the regulation of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, and residential mortgage lending.

**Department of Financial Institutions**

[www.dbo.ca.gov/About\\_DBO/organization/dfi.asp](http://www.dbo.ca.gov/About_DBO/organization/dfi.asp)

Information relating to credit unions, industrial loan companies, banks, savings and loan.

## *Federal Tax & Employer Information*

### **Internal Revenue Service (IRS) - [www.irs.gov](http://www.irs.gov)**

Businesses will be required to file various tax forms (income, self-employment, property, sales and use, payroll, excise, etc...) using a tax identification number, social security number for sole proprietors or an [Employer Identification Number](#) for businesses with employees. The IRS offers workshops to assist businesses in the completion of federal forms and requirements for businesses and employers. For more information call the IRS hotline 1 (800) 829-1040.

- Investment tax credit for purchase of certain types of equipment: up to 10% of qualified investments for new items and 10% of first \$125,000 for used equipment.
- Collection and/or payment of:
  - ✓ F.U.T.A.-Federal Unemployment Tax Form 940
  - ✓ FICA-Social Security (Employee and Employer)
  - ✓ Form 941-Employees should get Circular & Employers Tax Guide, IRS publication 15.
- Federal Income Tax Withholding:
  - ✓ W-4 Employee Withholding Certificate
  - ✓ W-2 Employee Wage and Tax Statement
  - ✓ W-3 Transmittal of Income and Tax Statements to Social Security Administration.

### **Federal Tax ID Number/Employer Identification Number (EIN)**

- *Apply online:* [https://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-\(EIN\)-Online](https://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Apply-for-an-Employer-Identification-Number-(EIN)-Online)
- *Apply by phone:* Business & Specialty Tax Line at (800) 829-4933 to obtain EIN immediately. An assistor takes the information, assigns the EIN; provides the number to an authorized individual.
- *Apply by fax:* Complete Form SS-4. See "Where to File – Business Forms and Filing Addresses." The EIN will be faxed back within 4 business days from receipt
- *Apply by mail:* Processing time is 4 weeks

### **U. S. Business Advisor**

[www.business.usa.gov](http://www.business.usa.gov)

Information and services provided by the government for the business community

### **Small Business Administration**

[www.sba.gov](http://www.sba.gov)

Information regarding starting and managing small businesses

### **U.S. Customs**

[www.cbp.gov](http://www.cbp.gov)

Information regarding importing and exporting issues related to the U.S. Customs Service

### **U. S. Department of Commerce**

[www.commerce.gov](http://www.commerce.gov)

Promotes American businesses, keeps a vast array of economic statistics, conducts the census, issues patents and trademarks, sets industrial standards

### **U.S. Department of Labor**

[www.dol.gov](http://www.dol.gov)

Resources for Federal Labor Laws and regulations associations or savings banks.

## 6. Additional Tips to Success

### Planning

- ❖ Have a realistic Business Plan and *follow it!*
- ❖ See a Bookkeeper/Tax Consultant for payroll and other financial systems before opening your doors for business.
- ❖ Prepare realistic cash flow budgets prior to starting the business. Evaluate what a break-even revenue point is and whether or not you can reach it before your funds expire.
- ❖ Don't increase overhead prematurely. Don't grow faster than your finances and time will allow.
- ❖ Establish documented internal controls. Make sure employees understand how to implement them. Then, establish follow-up procedures. Separate cash handling and bill paying duties. Have adequate checks and balances.
- ❖ Be sure you are adequately financed to stay the course.
- ❖ Use the [Self-assessment \(Appendix A\)](#) included in this guide as a checklist.

### General

- ❖ Take advice from experts, not friends!
- ❖ Cover all the bases. You may know your field, BUT, don't assume-get the facts, especially on major decisions!
- ❖ **Good** professional help is worth every penny you pay for it.

### Employer Rules and Health Care

- ❖ If you have, or plan to have, over 20 employees, State and Federal laws are much more extensive. Also, for 20+ employers, providing health insurance is very complex. Spend time considering what health insurance benefits you can afford and wish to offer your employees. Get professional advice!
- ❖ Make yourself aware of the Wage & Hour laws, state & federal Discrimination Laws and the concept of "At Will" employment.
- ❖ Don't forget to provide for your own health insurance and medical expenses.
- ❖ Take time off when you can, this is VERY important to prevent personal illness and emotional stress.

### And Finally.....

Ownership of a business is a challenge and requires a lot of hard work. However, when done properly, it can give you the financial and personal independence you want and great satisfaction. We wish you much success and hope the information presented in this document will assist you and provide guidance along the way in starting and operating your own profitable business in California.

**APPENDIX A**  
**Small Business**  
**Self-Assessment**

# SMALL BUSINESS SELF ASSESSMENT

Date: \_\_\_\_\_

Name: \_\_\_\_\_ Email: \_\_\_\_\_

Business Name: \_\_\_\_\_

## Developing a Business & Marketing Plan

Check the boxes that apply: item completed, check "YES" or check "NO" if you need to do it.

YES   NO

     **Executive Summary** (write this last – 2 pages or less)

### General Company Description

- Describe your business/service in general terms
- Mission Statement
- Company Goals and Objectives
- Business Philosophy: what is important to you in business?
- Target Market: To whom will you market your products? Niche: in a short paragraph, define your niche or unique corner of the market
- Describe your industry. What changes do you foresee in short and long-term? How will your company be poised to take advantage of them?
- Describe your most important company strengths and core competencies. What factors will make the company succeed? What background experience, skills and strengths do you personally bring?
- Legal form of ownership: sole proprietor, partnership, corporation, Limited Liability Corporation? Why?



## APPENDIX A

# Operational Plan

YES NO

**Production:** how and where are your products produced? Explain your methods

- Production techniques and costs
- Quality control
- Customer Service
- Inventory Control
- Product Development

**Location:** describe what you need

- Physical requirements: amount of space, type of building, zoning, power/utilities
- Access: parking, dock, easy walk-in access, convenient to suppliers or transportation
- Cost: rent, maintenance, utilities, insurance, initial remodeling
- Business Hours?

**Legal Environment:** do you know what you need or are required to have?

- Licensing and bonding requirements
- Permits
- Health, workplace, or environmental regulations
- Special regulations covering your industry or profession
- Zoning or building code requirements
- Insurance coverage
- Trademarks, copyrights, or patents (pending, existing or purchased)

**Personnel and Human Resources**

- Number of employees: full-time; part-time, contract?
- Type of labor (skilled, unskilled and professional)
- Where and how will you find the right employees?
- What is the quality of existing staff?
- Do you have a pay structure?
- Training methods and requirements
- Who does what tasks?

## APPENDIX A

### Operational Plan (cont.)

YES NO

- Do you have schedules and written procedures prepared?
- Job Descriptions?
- Employee Manual?

#### **Inventory**

- What kind of inventory will you keep: raw materials, supplies, finished goods)
- Average value of stock (what is your inventory investment?)
- Rate of turnover of inventory?
- Seasonal buildups?
- Lead time for ordering?

#### **Suppliers:** Identify key suppliers

- List of suppliers: names and contact information
- Type of inventory and amount from each supplier
- Credit, payment and delivery policies
- History and reliability

#### **Credit Policies**

- Will you extend credit to your clientele? Is it customary in your industry?
- If so, what policies will you have about who gets credit and how much?
- How will you check creditworthiness of new applicants?
- What terms will you offer: how much credit and when is payment due?
- Will you offer prompt payment discounts? Do this only if it is customary.
- What will it cost you to extend credit? Is this cost built into your prices?
- Accounts Receivable/Payable: policy for slow paying customers?

## APPENDIX A

### Management and Organization

YES NO

- Who will manage the business day-to-day?** What experience does this person have? Is there a plan for continuation of the business if this person is lost or incapacitated?
- More than 5 employees:** create an organizational chart showing management hierarchy. Who is responsible for key functions? Include position descriptions.
- Professional and Advisory Support:** who is your support system?
- Board of Directors, Management Advisory Board
- Attorney
- Accountant
- Insurance Agent
- Banker
- Consultant(s)
- Mentors and key advisors

### Financial Plan

- Do you have a personal financial statement?** Show assets and liabilities held outside the business and personal net worth.
- Startup Expenses and Capitalization**
- Do you have an itemized budget for startup expenses?
- Twelve month Profit and Loss Projection**
- Sales projections** (sales forecast, cost of goods sold, expenses)
- Profit projections** (month-by-month profit for one year)
- Narrative explaining the major assumptions used to estimate income and expenses
- Three year Profit and Loss Projection**
- Cash-flow Projection** (preliminary expenses, operating expenses, reserves)
- Projected Balance Sheet** (liabilities or debts subtracted from assets = equity)
- Break-even Calculation:** predicts sales volume at a given price required to recover total costs

## APPENDIX A

# Marketing Plan

YES NO

- Primary Market Research:** gathering your own data (e.g. traffic study, identify competition)
- Secondary Market Research:** use published information (e.g. industry studies, demographics, trade journals)
- Economics:** How much do you know about your industry?
- Total market size?
- Your percentage of market share?
- Is there a consumer demand in your target market? What are the trends?
- What barriers do you face? (e.g. high capital costs, production costs, marketing costs, training, skills, shipping costs, patents)
- Product Features and Benefits:** from your customer's point of view
- List all your major products or services in detail
- Describe the most important features: what is special or unique?
- Describe the benefits: what will the product do for the customer?
- What after-sales services will you give? (e.g. delivery, warranty, service contract, refunds)
- Pricing:** What are the pricing, fee or leasing structures of your products or services?  
Explain method of setting your prices without diminishing your profit margin. Are your prices higher, lower or the same as than your competition?
- Location:** what do you need and how will it affect your customers? Is location important? Is it convenient? Parking? Image?
- Distribution Channels:** how do you sell your products or services (e.g. retail, direct, wholesale, your own sales force, agents, independent reps, contract bids)
- Sales Forecast:** use a sales forecast spreadsheet to prepare a month-by-month projection
- Customers:** identify your customers' characteristics, psychographics, demographics (e.g. age, gender, location, income, social class, occupation, education)
- Competition:** what products/companies compete with you? How will your products or services compare with the competition? List your major competitors (direct/ indirect)

## APPENDIX A

### Advertising and Promotions

YES NO

- What is your promotional budget? Before startup and ongoing expenses.
- Advertising: what media, how often and why? Why this mix?
- What low-cost methods can you identify in your advertising and promotions budget?
- Other methods: trade shows, catalogs, dealer incentives, social networks, website, referrals
- What image do you want to project? How do you want your customers to see you?
- Logo, business cards, letterhead, brochures, signage, interior design of place of business
- How will you identify repeat customers and contact them?

### Business Materials

Check the items you need or would like to have

- Logo
- Signage
- Business Cards
- Brochures
- Website
- Facebook Page for Business
- Twitter account
- Other advertising materials \_\_\_\_\_
- Industry studies
- Blueprints and plans
- Maps and photos of location
- Detailed list of equipment owned or to be purchased

APPENDIX A

Business Materials (Cont.)

- Copies of leases and contracts
  - Letters of support or testimonials from customers
  - Market Research Studies
  - List of assets available as collateral
  - Financial Documents
  - Other \_\_\_\_\_
- 

Small Business/Entrepreneur Self Planning

Today's date: \_\_\_\_\_

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
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4. \_\_\_\_\_  
\_\_\_\_\_
5. \_\_\_\_\_  
\_\_\_\_\_
6. \_\_\_\_\_  
\_\_\_\_\_

**APPENDIX B**  
**T. C. Home Business**  
**Summary of Planning**  
**Regulations**



Community Development Department  
48 W. Yaney Avenue, Sonora  
Mailing: 2 S. Green Street  
Sonora, CA 95370  
209 533-5633  
(209) 533-5616 (fax)  
[www.tuolumnecounty.ca.gov](http://www.tuolumnecounty.ca.gov)

## Home Business Summary of Planning Regulations

Home businesses are defined by Section 17.04.430 of the County zoning ordinance and the authority to regulate them is provided by Chapter 10: Implementation Program 10.E.c of the General Plan. First check with the Community Development Department on whether your business fits the following description of a HOME OCCUPATION:

1. The business or occupation is conducted entirely within the dwelling or private garage. Storage of business materials or equipment outdoors is prohibited.
2. The business or occupation is conducted exclusively by the inhabitants of the residence and is entirely incidental to the residential use of the parcel.
3. Only one name sign (two square feet or less in area, showing the owner's or occupant's name, address or home occupation) is permitted.
4. There are adequate (as determined by the Community Development Director) off-street parking spaces in addition to the two required for a single-family residence.
5. The business shall not change the residential character of the dwelling or private garage. (Noise, visual, odor and traffic)

The purpose of these rules is to preserve the quality of residential neighborhoods from uses which are noisy, unattractive, and generate traffic. Examples which meet the guidelines above include: door to door sales, clerical service, home accounting, drafting service and telemarketing. Examples of home businesses which met the rules at the onset, but expanded to the point of violating these rules are: auto or truck repair, logging truck storage, landscaping service, electronics sales, mail-order business, contracting service and storage, TV repair, and portable toilet rentals. Each business will be evaluated against the standards listed above.

If your business will not fit the "home occupation" criteria, then you must ensure that you have the correct zoning district for the proposed use. To find out the zoning district on a property, contact the Community Development Department and give them the Assessor's Parcel Number or the owner's name. You can apply to change the zoning, or even the General Plan designation if necessary. The application must be finally approved by the Board of Supervisors. Instructions on zone change, use permit and other applications are available at the Community Development Department. You can also obtain more detailed handouts on Family Day Care Homes, Bed and Breakfasts, Kennels and Signs.



HOME OCCUPATION RECORD

DATE: \_\_\_\_\_ ASSESSOR'S PARCEL NO.: \_\_\_\_\_

PROPERTY OWNER: \_\_\_\_\_

BUSINESS OWNER: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

PHONE NUMBER: \_\_\_\_\_

SITE'S ADDRESS: \_\_\_\_\_

ZONING: \_\_\_\_\_

PROPOSED USE: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

OTHER INFORMATION: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

I have read and understand the regulations for Home Occupations as reproduced on the reverse side of this form and hereby state that my home occupation will conform to said regulations.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

The "Home Business Summary of Planning Regulations" was provided to the property/business owner.

\_\_\_\_\_  
Planner

Date: \_\_\_\_\_

*Tuolumne County Economic Development*

99 North Washington  
Sonora, CA 95370  
(209) 989-4058

[larry.cope@tceda.net](mailto:larry.cope@tceda.net)  
[www.tceda.net](http://www.tceda.net)

*Tuolumne County SCORE*

222 South Shepherd Street  
Sonora, CA 95370  
(209) 532-4316

[score@mlode.com](mailto:score@mlode.com)  
[www.tuolumnecounty.score.org](http://www.tuolumnecounty.score.org)

# EXHIBIT 3

Recommendation #2 from 2017-18  
Grand Jury Report

# 2017/2018 Grand Jury Report

## Recommendation #2.

The County Auditor retain an independent firm to perform a Management Audit of TCEDA operating policies and practices. The Board of Supervisors and the City Council of Sonora fund the County Auditor in retaining an independent firm. (F2, F3, F4, F5, F7)

The audit will include:

- a. Best practice for comparable agencies with specific recommendations on implementing a check and balance system for pre-approval and post-approval of travel and entertainment.
- b. A set of minimum disclosure requirements that includes the purpose of each meeting/trip/meal, specific entertainment participants and their organizations, who accepted a meal.
- c. Performance metrics and management reporting.
- d. Identification of a process for specific independent review and approval of exceptions to policies.
- e. Policies in regard to TCEDA interactions and disclosures with private businesses.
- f. Policies regarding meals and alcohol.
- g. Identifying whether the CEO is correctly identifying work time on time cards