



Grand Jury Response from City of Watsonville

3 messages

Beatriz Flores <beatriz.flores@cityofwatsonville.org>

Fri, Aug 28, 2020 at 1:56 PM

To: grandjury@scgrandjury.org

Cc: Matt Huffaker <matt.huffaker@cityofwatsonville.org>, Tamara Vides <tamara.vides@cityofwatsonville.org>, Suzi Merriam <suzi.merriam@cityofwatsonville.org>, Rudy Lopez Sr <rudy.lopez.sr@cityofwatsonville.org>

Dear Mr. Gritton:

The Council of the City of Watsonville at its August 25, 2020, accepted and directed City staff to submit the responses to the following Grand Jury reports:

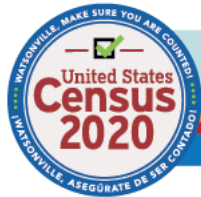
- 1) Risk Management
- 2) Homelessness
- 3) Fire & Safety Inspections
- 4) Tangled Website

Also included is the Staff Reports.

Please don't hesitate to contact me if you have any questions.

bc: Council

Sincerely,



Beatriz Vázquez Flores, MMC

City Clerk - (831)768-3040 or (831)768-3042

275 Main St., Suite 400, Watsonville CA, 95076

beatriz.flores@cityofwatsonville.org

Business Hours: 8:00 am to 5:00 pm Monday - Friday.

5 attachments



7.D. 2020 Grand Jury Tangled Web.pdf
504K



7.D. 2020 Grand Jury Fire Inspections.pdf
496K



7.D. 2020 Grand Jury Risk.pdf
560K



7.D. 2020 Grand Jury Homelessness.pdf
763K



Item 7.D. 2020 Grand Jury Staff Report.pdf
1262K

City of Watsonville
City Manager's Office

MEMORANDUM



DATE: August 21, 2020

TO: Matthew D. Huffaker, City Manager

FROM: Tamara Vides, Deputy City Manager
Raunel Zavala, Administrative Analyst

SUBJECT: Response Packet to the Santa Cruz County Civil Grand Jury's Investigation of Assessing Risk Management, Homelessness, Fire and Safety and the City's Website

AGENDA ITEM: August 25, 2020 City Council

RECOMMENDATION:

It is recommended that the City Council by Motion, approve the response packets prepared for the 2019-2020 Santa Cruz County Grand Jury's Investigation on four specific topics: 1) **Managers of Risk or Victims of Risk - Rocked by the Shocks** 2) **Homelessness: Big Problem, Little Progress – It's Time to Think Outside the Box** 3) **Fire and Safety Inspections in Santa Cruz County, and** 4) **The Tangled Web - Oh, What a Mangled Web We Weave...**

DISCUSSION:

The Santa Cruz County Civil Grand Jury prepared four reports addressing issues in the Watsonville community and requested that the Council prepare responses to several findings and recommendations made in each of the reports. The County and all four cities within the County received these reports and were compelled to respond.

The Grand Jury looks for contact information, budget data, policies and procedures, etc. to conduct their investigation. They aim to capture the experience a member of the public would have when trying to access information, assess impact and value of city services and review transactions of the public entity. The reports contain findings by the 2019-2020 Grand Jury and offer recommendations for consideration and ongoing improvement of operations.

All four Grand Jury reports are attached; below is a summary of the areas of interest for each issue reviewed and some highlights of the recommendations made by the Grand Jury:

Managers of Risk or Victims of Risk - *Rocked by the Shocks:*

This report examines the current level of financial risk for Santa Cruz County (SCC) cities, the causes and likely impacts of that risk, and the risk management practices of our cities. The Grand Jury found that the cities of SCC do not practice formal, integrated risk management for the range of risks and impacts they regularly confront. They recommend the cities study ways

to implement more comprehensive practices with regard to risk identification, evaluation, mitigation, and communication.

Homelessness: Big Problem, Little Progress – *It's Time to Think Outside the Box:*

The Grand Jury prepared a report on homelessness in Santa Cruz County. The Grand Jury identified five main reasons the homeless problem persists. First, the community views homelessness as a problem that should be addressed by elected officials; second, the County lacks an effective governance structure with the authority to manage the complexity and size of the homeless problem; third, there are insufficient resources to support those affected by homelessness; fourth, there is an underutilization of existing resources in the County; and fifth, the County lacks comprehensive and effective data collection and analysis systems.

Solutions to these problems are complex. However, steps can be taken to enable Santa Cruz County to more effectively manage the homeless crisis, which has become even more of a challenge due to the COVID-19 pandemic. The Grand Jury report illuminated local barriers to homelessness relief, and proposed solutions. They found that ending homelessness will provide significant benefits to the entire community far beyond the relief to the individuals receiving services.

Fire and Safety Inspections in Santa Cruz County:

The Grand Jury found that fire agencies in Santa Cruz County, are responsible for not only responding to emergencies but assisting in prevention. One aspect of prevention is ensuring compliance with fire and safety codes, especially in facilities housing the most vulnerable. Now with fire danger and respiratory illness at all-time highs, this responsibility is as important as it has ever been.

The Grand Jury found that California health and safety codes require fire and safety inspections be performed annually for schools and multifamily residences. Annual reports to the governing body are required. The Grand Jury found that many of the County's fire agencies do not fully comply with mandated inspection and reporting, and recommends that the status of these inspections, especially those involving public facilities, be communicated to the public and that gaps in compliance or the ability to inspect be addressed in the 2021 budgeting cycle.

The Tangled Web - Oh, What a Mangled Web We Weave...:

The Grand Jury found that website information is sometimes missing, out-of-date, and inaccurate; links may be broken. They found website content providers do not explain content. They concluded that the City lacks a process to review content accuracy and currency to assure timely correction and revision of content. The Grand Jury also noted that the City's goals for website redesign or quality improvement are not sufficiently "SMART" (Specific, Measurable, Attainable, Relevant and Time Bound).

All Grand Jury findings and recommendations have been reviewed and answered by staff. It is recommended that the Council review and approve by motion the responses to these reports and file the City of Watsonville responses with the Grand Jury by each of their due dates.

FINANCIAL IMPACT:

There is no financial impact associated with filing responses to the Grand Jury report.

ALTERNATIVES:

The Council may choose not to approve the Response Packet, or to modify the responses.

ATTACHMENTS:

- 1) SC Grand Jury Reports and City Responses – Risk Management
- 2) SC Grand Jury Reports and City Responses – Homelessness
- 3) SC Grand Jury Reports and City Responses – Fire & Safety Inspections
- 4) SC Grand Jury Reports and City Responses – Website

cc: City Attorney



**The 2019–2020 Santa Cruz County Civil Grand Jury
Requests that the
City Manager of Watsonville
Respond to the Findings and Recommendations
Specified in the Report Titled
Managers of Risk or Victims of Risk –
Rocked by the Shocks
by September 17, 2020**

When the response is complete, please

1. Email the completed Response Packet as a file attachment to grandjury@scgrandjury.org, and
2. Print and send a hard copy of the completed Response Packet to

The Honorable Judge John Gallagher
Santa Cruz Courthouse
701 Ocean St.
Santa Cruz, CA 95060

Instructions for Respondents

California law PC §933.05 (included [below](#)) requires the respondent to a Grand Jury report to comment on each finding and recommendation within a report. Explanations for disagreements and timeframes for further implementation or analysis must be provided. Please follow the format below when preparing the responses.

Response Format

1. For the Findings included in this Response Packet, select one of the following responses and provide the required additional information:
 - a. **AGREE** with the Finding, or
 - b. **PARTIALLY DISAGREE** with the Finding and specify the portion of the Finding that is disputed and include an explanation of the reasons therefor, or
 - c. **DISAGREE** with the Finding and provide an explanation of the reasons therefor.
2. For the Recommendations included in this Response Packet, select one of the following actions and provide the required additional information:
 - a. **HAS BEEN IMPLEMENTED**, with a summary regarding the implemented action, or
 - b. **HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE**, with a timeframe or expected date for implementation, or
 - c. **REQUIRES FURTHER ANALYSIS**, with an explanation and the scope and parameters of an analysis or study, and a timeframe for that analysis or study; this timeframe shall not exceed six months from the date of publication of the grand jury report, or
 - d. **WILL NOT BE IMPLEMENTED** because it is not warranted or is not reasonable, with an explanation therefor.

If you have questions about this response form, please contact the Grand Jury by calling 831-454-2099 or by sending an email to grandjury@scgrandjury.org.

Findings

F1. RISK ASSESSMENT: As the Auditor's Office is an authoritative source of studies and assessments for the State Legislature, we find that the risk assessment methodology used by the Auditor's Office is a valid and valuable approach to assessing financial risk for all SCC city jurisdictions and communicating that risk to stakeholders.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

The City of Watsonville agrees that the assessment methodology used by the Auditor's Office is a valid and valuable data point in assessing financial risk but does not find it to be authoritative or all inclusive. It contains useful data points and a way to compare across jurisdictions, but each jurisdiction has unique profiles, revenue and expenditure characteristics, and ability to change or modify those characteristics that is not captured by this methodology. Without this important context, the methodology is flawed and produces misleading findings. Furthermore, we find the tool to be heavily focused on pension obligations and risks. It also heavily focuses on factors that are often beyond the control of the jurisdiction, like pension assets or liabilities. Moreover, it does not include other forms of "risk" that each city faces and needs to balance, like maintenance of facilities or capital improvements, revenue mix, and service needs of the community. These types of risks/ liabilities are less easily quantifiable but are known by the professionals working in their communities.

F2. RISK ASSESSMENT: All SCC Cities did not fully consider the calculated high risk indicators from the Auditor's Office and their potential impacts on city operations, services, and capital assets/infrastructure.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

The City of Watsonville's high risk indicators from the Auditor's Office are General Fund Reserves, Future Pension Funding, and OPEB Funding. The City has made deliberate and concerted efforts over the past few years to increase its level of General Fund Reserves including adopting an official General Fund Reserve policy with a goal of achieving 20% of general fund expenditures in reserves. Watsonville met and exceeded that goal in FY 2019-20. Future pension obligations are always at the forefront of financial planning conversations and modeling. For example, through the last several cycles of labor negotiations, the City has worked with its employees to increase the employee share of pension contributions. Watsonville again has made concerted efforts to pay down our obligation in a way that yields the greatest impact during recent years, and CalPers is always discussed in the City's budget and 5 year planning processes. Managing our CalPERS future obligation is also a stated strategic goal of the City Council as stated in the City's most recent strategic plan adopted on June 12, 2018.

https://www.cityofwatsonville.org/DocumentCenter/View/10736/Strategic-Plan_2018_20-final?bidId=

To say we do not consider the risk of pension costs is inaccurate. Finally, we disagree with the auditors assignment of a high risk to Watsonville's funding of our OPEB obligations. As can be seen by the OPEB obligations indicator, Watsonville has a very low OPEB obligation compared to most cities, and; therefore a funding plan has not been prioritized due to the City's low level of risk.

The CGJ report incorrectly listed Watsonville as being high risk in the areas of revenue trends and pension funding. Those areas are listed by the State Controller as areas of moderate risk.

F3. RISK ASSESSMENT: The state of risk determined for all SCC Cities by the Auditor's Office in 2017 remained largely unchanged through 2019.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

F4. RISK ASSESSMENT: Pension costs contribute a higher level of financial risk to all SCC Cities than is accounted for by city documents.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

City documents report pension contributions and liabilities as required by GASB. In some ways the delayed impact of losses or market shocks to City costs allow for planning time and are therefore, a comparatively reduced risk.

F5. RISK ASSESSMENT: Financial Risk Indicators alone are not adequate to effectively understand the risks facing all SCC Cities.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

F6. RISK ASSESSMENT: All SCC Cities do not fully identify, assess, track, and report key risk indicators that reflect the state of strategic, financial, operational, or hazard risk.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

The City of Watsonville identifies, assesses and manages risk in several ways. Financial risks are imbedded in the City's annual budgeting process, long term financial plan development, City Council Strategic Plan, as well as independent comprehensive annual financial reports (CAFR). Collectively, these financial planning tools clearly identify areas of short and long-term financial risks and liabilities, as well as strategies for preparing for, and mitigating such risks.

Furthermore, the City utilizes several approaches to manage operational and hazard risks. These include the City's Local Hazard Mitigation Plan, which identifies potential local natural hazards and then identifies and prioritizes vulnerable areas in the local community. Another example is the recent completion of Master Plans for the City's Solid Waste, Wastewater and Water System utilities, which identifies and prioritizes operational risks and infrastructure needs over a 30 year planning horizon. As another example, the City's Climate Action Plan also identifies natural hazards and environmental threats due to climate change and includes greenhouse gas (GHG) emissions reduction strategies, metrics and detailed actions the City can take to help meet those goals. The plan also includes additional components such as resilience strategies, clean energy targets, and economic and social goals.

In summary, the City deploys a variety of risk assessment tools to identify, track, manage and mitigate the broad range of risks that are associated with the operations of a full service City and the community that we serve. It is true that these assessment tools may be structured or organized than the risk models used in the Grand Jury report, but that does not necessarily mean they are any less effective.

F7. RISK ASSESSMENT: All SCC Cities do not adequately evaluate the possible interactions between risks that may inhibit or enhance the objectives of each city.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

Adequately is a subjective term. Could we do better, perhaps, but we believe we are properly evaluating interactions between risks. A reading of this report seems to assume that departments and managers work in silos which is not true. Department

heads meet at least once every two weeks to discuss what is happening in their departments and how it may affect the others. Our budget and Capital improvement planning processes are all about weighing the risks of making one funding decision versus another. Our staff reports to Council all include an item about what the alternative options might be so our Council can understand and weigh the options.

F8. RISK ASSESSMENT: All SCC Cities either do not maintain or do not publish a report card on the state of key infrastructure that can be used to set funding priorities and manage operational and hazard risk.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

The City of Watsonville has completed extensive assessments of its infrastructure over many years, and is constantly evaluating and preparing for replacement of key infrastructure, including long-term capital improvement planning, financial planning for emergencies, and hazard assessment. While the City may not present these findings through a specific “report card,” we spend a significant amount of effort to inform the community about the state of our infrastructure, the projects that are being planned, and the projects that are in construction. We have received significant positive feedback from the community about our outreach and education efforts in this arena.

City Strategic Plan. Every two years, the City Council updates its Strategic Plan, setting forth a vision and priorities for the City organization and the community of Watsonville. This document:

- Articulates the Council’s priorities and guides its policy decision
- Enables staff to develop feasible, actionable strategies to address the Council’s priorities, implement policies, and allocate resources effectively
- Can focus the City’s efforts to engage community members and agency partners in achieving the City’s Mission and Vision
- Enables the city to prioritize time and resources in alignment with the council priorities

The City’s Strategic Plan can be found at:

https://www.cityofwatsonville.org/DocumentCenter/View/10736/Strategic-Plan_2018_20-final?bidId=

Water and Wastewater Master Plans. Last year the Department of Public Works completed both a Water Master Plan and a Wastewater Master Plan that evaluated the conditions of the water and wastewater systems for the entire City. These plans included recommendations for replacement of key infrastructure over the next 30 years, identifying over \$200 million in projects that we hope to complete over that timeframe. The studies also evaluated risks associated with earthquakes, climate change, tsunamis, and wildfire. These results we shared with the community through multiple newsletters and social media over the past year.

Local Hazard Mitigation Plan (LHMP). In addition, over the last year the City has completed a draft Local Hazard Mitigation Plan, including a very thorough risk assessment. This Risk Assessment includes (1) a description of the LHMP Planning Committee's hazard selection process, (2) hazard descriptions of selected primary and secondary hazards, (3) hazard profiles for primary hazards, and (4) a vulnerability assessment that includes a summary of the risk primary hazards pose to the City's built, social, and natural environment and a discussion of secondary hazards. These four sections address Element B requirements, which appear in the following Risk Assessment as headings B1–B3, described in the Federal Emergency Management (FEMA) LHMP Review Guide.

The LHMP process included extensive public outreach and participation, and the community has been kept well-informed about both the types of risks that could happen in our community, and the steps needed to reduce the impacts of those risks. To see the extensive list of LHMP community outreach efforts, meetings, and the plan itself, please see our website at: <https://www.cityofwatsonville.org/1858/Local-Hazard-Mitigation-Plan>.

Climate Action and Adaptation Plan (CAAP). The City of Watsonville is embarking on an important effort for climate action, adaptation, and restoration over the next decade. The Watsonville 2030 Climate Action and Adaptation Plan will chart a clear path for the City, including residents and businesses, to reduce its greenhouse gas (GHG) emissions; combat the impacts of climate change; and explore realistic options for restoring and repairing its natural environment. The State of California supports local action on climate change by providing guidance for local jurisdictions to develop climate action plans or plans to reduce GHG emissions for projects. The State also requires climate change adaptation strategies to protect communities and critical infrastructure from climate impacts. To comply with existing legislation, the CAAP will have three focus areas: Climate Action, Climate Adaptation, and Repair and Restoration.

1. *The Climate Action* component will be based on the City's 2017 GHG inventory compiled by the Association of Monterey Bay Area Governments (AMBAG). The outcome of this analysis will be a set of emission reduction targets for meeting the City's stated GHG reduction goals. Staff will work across City departments to identify a broad array of mitigation strategies with clear performance metrics. Mitigation actions will be characterized by their potential to reduce GHG emission, implementation timeframe, cost, community support, and ability to provide additional community benefits. Example mitigation strategies include installation of EV charging stations, promoting active transportation, and energy efficiency improvements.

2. *The Climate Adaptation* component will be based on the City's recent 2020 Local Hazard Mitigation Plan (LHMP). It will also consider additional risks, including agricultural impacts, grid reliability, and potential influxes of short-term or long-term climate migrants. Staff will categorize potential adaptation strategies by their risk-

reduction potential (effectiveness), implementation timeframe, cost, community support, and ability to provide additional community benefits. Some example adaptation strategies include installing emergency generators, designating community cooling centers, developing distributed energy systems, and increasing tree canopy and green infrastructure.

3. *The Repair and Restoration Component* is planned to be undertaken in 2021. The results and actions from this initiative will be integrated into the CAAP as a 2021 plan update to the initial draft, which is scheduled for completion in November 2020.

To learn more about the City's Climate Action Plan and community outreach efforts, please see our website at: <https://www.cityofwatsonville.org/1764/Learn-About-Climate-Action-Plan>.

City Receives \$200,000 Climate Resiliency Grant. The Department of Public Works recently applied for a Bay Area Council Foundation Climate Resiliency Challenge grant. Through a competitive grant process, the City was awarded \$200,000 as one of the 12 grant awardees out of 85 applications. The City will utilize this funding to develop a Green Infrastructure Implementation Plan (GIIP) that will integrate multiple City planning initiatives, such as the Urban Greening Plan, Downtown Specific Plan, Local Hazard Mitigation Plan and Stormwater low impact design that will be part of the larger Climate Action and Adaptation Plan. Through the GIIP, the City will look for opportunities to reduce impacts of climate change to our community by increasing water quality supply, reducing flooding, combating urban heat island effect, and improving neighborhood vitality and overall community aesthetics.

Transportation Infrastructure. The Department of Public Works inventories the quality of the roads each year and develops a Pavement Maintenance Index for each street. All streets are prioritized for improvements, and sealing, repair, or reconstruction projects are planned many years in advance, reducing the financial risk of having to suddenly fund major infrastructure projects. These projects reduce risk and increase safety of travelling in the community, and keep the community prepared for responding to natural disasters. Our residents are kept well-informed of these projects through newsletters and social media outreach.

Parks Master Plan. Through a community survey, focus groups, questionnaires, and community workshops, the Department of Parks and Community Services engaged residents and stakeholders in order to learn about the community's needs with respect to the development of parks and recreational facilities. The community's profile and existing parks and recreation resources were researched and analyzed. This information was compared to community feedback and reviewed for consistency with the City's Draft General Plan. The resulting document is the City of Watsonville's Parks and Recreation Facilities Master Plan, a plan that is addressed to the prioritization of possibilities within a cohesive vision.

Vision for Parks and Recreation Facilities. Watsonville provides a system of well-designed parks and facilities that contribute to the vitality of the community and promote health, well-being and enjoyment for all residents. The community's vision for the future, as well as the Department's mission and the community's core values, guides the goals and recommendations of this plan.

Goals and Recommendations. The following is a brief summary of the recommendations included in the plan:

1. Provide safe and well-maintained parks and facilities that meet the diverse needs of a growing community.
2. Expand and improve trail connections to parks, open spaces and community destinations.
3. Celebrate Watsonville's cultural heritage and encourage community building through provision of culturally sensitive and competent programs, services and events.
4. Develop and provide recreation facilities and programs that support health and wellness and personal development.
5. Develop and partner with other departments, schools, and public and private organizations to meet community needs.
6. Encourage and support public involvement in park and recreation planning, design and advocacy.
7. Promote stewardship of parks, facilities and natural areas.
8. Build an innovative, responsive and dynamic organization that is financially stable and employs best practices to achieve community needs.
9. Create and enhance a positive community image and be a key contributor to economic development activities.

The full Parks Master Plan can be found here:

<https://cityofwatsonville.org/1207/City-Parks>

Downtown Specific Plan. Objectives for the Specific Plan include the development of multi-story mixed use buildings through both new construction and adaptive reuse of historic buildings with market rate residential housing and commercial retail on the first floor. The Plan will encourage compact development near transit to decrease automobile dependency, reduce both local and regional traffic congestion and related greenhouse gas emissions, and provide additional guidance and plans to increasing multimodal access to and from the historic Downtown area.

The link to the Downtown Specific Plan can be found at:

<https://cityofwatsonville.org/1626/Downtown-Specific-Plan>

In summary, our community is well-informed about the state of critical infrastructure, and the additional measures being suggested by this report would be redundant, burdensome, and a misuse of critically-needed tax dollars.

F9. RISK MANAGEMENT: Although all of the cities of SCC are preparing for increased pension costs due to current amortization schedules, they are not adequately preparing for risk associated with significant or sustained investment shortfalls in CALPERS due to economic shocks (e.g. caused by Coronavirus) or a recession.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

The City of Watsonville has spent several years deliberately building up reserves and making extra payments toward pension UAL to be better prepared for if / when we are impacted by CalPERS shock and or other types of shocks. Our emergency reserve calls out specifically CalPERS shocks as one of four allowable triggers for the use of that reserve. We also included a CalPERS shock scenario in language with one of our bargaining groups as trigger language on whether or not to allow a contracted increase. Furthermore, and as stated above, the two-year delay in CalPERS returns and their impacts on City finances allows Cities time to plan and adjust in the case of a shock.

F10. RISK MANAGEMENT: Except for the area of hazard (i.e. loss) risk management, in all SCC Cities, there is no formal method to define, track, manage, and communicate risks at the enterprise level of SCC city government.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

F11. GOVERNANCE: All SCC Cities do not have a publicly articulated pension Unfunded Actuarial Accrued Liability (UAAL) funding policy that recognizes potential pension cost risks and community expenditure/revenue priorities.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

F12. TRANSPARENCY: All SCC Cities do not adequately meet key requirements for transparency as defined by the GFOA.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

The City of Watsonville meets many of the elements of financial transparency as defined by the GFOA. The City is only missing access to live detailed data along with context and policies to help the public understand the data. These types of reports are often not used and they are frequently misunderstood. The public can easily get all financial information of the City through a public information request. The City has been developing a budget summary document that will provide increase access to budget changes and financial information of the City.

F13. TRANSPARENCY: All SCC Cities do not provide standard and understandable reporting with regard to: Pension Costs and Associated Impacts (past, current, and projected); Service Level Performance Metrics; State of Key Infrastructure; Risk Assessments and Mitigation Plans for Finance, Operational, and Hazard Risks.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

Response explanation (required for a response other than **Agree**):

Recommendations

R1. By June 30, 2021: all SCC Cities should become familiar with and adopt the Auditor's Office risk assessment framework or a similar framework to assess financial risk. (F1)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

As explained in the above finding we feel the State Controller's assessment framework is a starting point for looking at risk but has its limits in that it is too heavily pension focused and many of the reporting elements are beyond the control of the Cities. We do not believe going through this exercise annually will be useful.

R2. By June 30, 2021: all SCC Cities should evaluate and communicate the implications of the financial risk trends indicated in the analyses calculated from the Auditor's Office methodology. (F2, F3)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

The Auditor's risk analysis very heavily focuses on reserves, pension funding and outlook, and revenue trends. We already report on, calculate and discuss these very points in every budget and CAFR. There is no need to create another platform to discuss these indicators.

R3. By June 30, 2021: all SCC Cities should publish a standard report annually that is an understandable summary of pension risk, including a narrative on the implications of market valuation versus actuarial valuation of accrued total liabilities. (F4, F12, F13)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

Pension risk and liabilities are reported according to accounting standards each year in our CAFR, annual payments are called out in our annual budget and five year plan. There is no need to create an additional platform to discuss these costs and liabilities. Furthermore, we believe they are better discussed within the context of the broader financial picture as they are when discussed in the CAFR and Budget.

R4. By June 30, 2021: all SCC Cities should identify a suite of risk indicators that support an integrated assessment of all risk types that can inhibit the ability of the city to meet its objectives. Enterprise Risk Management (ERM) provides an example of the risk types that should be considered. (F5, F6)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

Many of the Risk Management indicators that could be considered in an assessment are considered as the City Council plans and develops their biannual strategic plan or plans operations. The development of a comprehensive ERM will require working with the Council and all City departments in order to compile enough information to create a meaningful and useful tool to assess City risks and define organizational risk culture. The Watsonville City Council will be developing a new strategic plan during the first two quarters of 2021, at which time, it may consider discussing risk indicators.

R5. By June 30, 2021: all SCC Cities should adopt the practice of Bowtie Analysis, or an equivalent method, to support the understanding of risk interactions, the establishment of risk controls, and the communication of a city risk profile. (F7, F10, F12, F13)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

We do not believe that the added practice of a Bowtie analysis will enhance the City's abilities to understand and prepare for potential risks. What is not captured by any of the reports or documents reviewed is the extent to which departments and city executives do meet and collaborate and communicate with each other to discuss and prepare for risks. We also feel that preparing multiple bowtie analysis for various risk scenarios does not help a city prepare for all situations (no one would have run a pandemic scenario prior to February 2020). Furthermore, we believe that the best preparation for any time of risk scenario is to have robust financial reserve policies. Working through multiple analysis scenarios can be a fun exercise but the results and prevention measures will likely be the same. Given that the outcome / preparation will be similar regardless of the scenario we do not believe this to be a useful exercise or use of staff time.

R6. By June 30, 2021: all SCC Cities should publish their own infrastructure risk report cards and any data they make available to county and state level risk assessments. (F8)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

Based on the responses given in section F8, the City believes it has adequately communicated the conditions of its critical infrastructure and associated risks through its ongoing communication efforts with the community. The proposed methodology might be well-suited for a very large organization, such as the State of California, but for a small, economically disadvantaged community like Watsonville, the proposed methodology is overly burdensome and expensive, would create unnecessary bureaucracy for an already over-taxed and lean staff, and would be redundant to the extensive outreach efforts already in place.

R7. By June 30, 2021: all SCC Cities should evaluate the costs and benefits of implementing an Enterprise Risk Management Framework to better integrate risk management across all types of risks (Strategic, Financial, Operational, Hazard). This could take many forms, one being a shared capability through a risk sharing Joint Powers Authority (JPA). The key will be designating clear authority and responsibility for integrated risk management. (F10)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

The City believes its current risk management efforts, in coordination with PARSAC (City’s risk Pool), is adequate to properly assess and plan for the various kinds of risks facing the City. Every three years the City completes a risk assessment as part of its participation in the risk pool. While the City appreciates the thoughtfulness of the report, applying such an extensive and complex model to small city government would not provide enough value to justify the staff and direct costs of implementation.

The additional administrative burden and critical funding losses created by the COVID pandemic leave the City with minimal resources to implement any new programs. We have already had to cut significant numbers of staff positions, been forced to cut critical community programming, and until we have a better understanding of the long-term economic outlook, we simply cannot afford to take on any additional programming efforts, including this one.

R8. By June 30, 2021: all SCC Cities should develop financial models that project the possibilities of realistic financial scenarios; and use these projections in their risk management practices. (F13)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

This is done each year as part of the budget process. Our budget documents include a 5-year projection for the general fund. Enterprise funds go through a formal projection and forecast modeling process when engaged in rate setting and other small funds are equally though less formally looked at each year when developing the City's budget.

R9. By January 1, 2021: all SCC Cities should develop or adopt contingency plans for realistic negative financial performance scenarios associated with CALPERS investment shortfalls (for shock and sustained downturns). (F9)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

The City of Watsonville’s emergency reserve policy include provisions to be used in case of a CalPers shock.

R10. By June 30, 2021: all SCC Cities should develop and publish a policy regarding control of retirement costs (pension and Other Pension Employee Benefits) and funding remedies for unexpected bills presented by CalPERS. (F11)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

Given the lack of control that City's have over their CalPERS bills we do not believe this is an effective use of limited staff time. Cities do not control benefits offered, actuarial calculations, investment returns, investment policy, issuance of COLAs to retirees etc. As discussed above the 2-year delay in economic shocks impact on CalPERS bills gives Cities adequate time to plan and strategize for those shocks when they occur.

R11. By June 30, 2021: all SCC Cities should develop a plan to align with the Government Financial Officers Association (GFOA) Financial Transparency Initiative. This should be extended to risk management transparency. (F6, F8, F10, F12, F13)

- HAS BEEN IMPLEMENTED** – summarize what has been done
- HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE** – summarize what will be done and the timeframe
- REQUIRES FURTHER ANALYSIS** – explain scope and timeframe (not to exceed six months)
- WILL NOT BE IMPLEMENTED** – explain why

Response explanation, summary, and timeframe:

The City of Watsonville meets the GFOA standards of financial reporting and has each year for many years earned GFOA awards in excellence for the production of their CAFR and budget documents. With those documents, staff reports, council presentations, and video of Council meetings where financial meetings are discussed We also have a robust public information request process where the public and do ask for more detailed information. Staff are always available to answer public questions should they arise. We believe we meet the standards requested of financial transparency. Any changes and updates we might do to increase transparency to our public we will undertake with our communities needs and interests in mind.

Penal Code §933.05

1. For Purposes of subdivision (b) of §933, as to each Grand Jury finding, the responding person or entity shall indicate one of the following:
 - a. the respondent agrees with the finding,
 - b. the respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.
2. For purpose of subdivision (b) of §933, as to each Grand Jury recommendation, the responding person shall report one of the following actions:
 - a. the recommendation has been implemented, with a summary regarding the implemented action,
 - b. the recommendation has not yet been implemented but will be implemented in the future, with a timeframe for implementation,
 - c. the recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of the publication of the Grand Jury report, or
 - d. the recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.
3. However, if a finding or recommendation of the Grand Jury addresses budgetary or personnel matters of a County department headed by an elected officer, both the department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision-making authority. The response of the elected department head shall address all aspects of the findings or recommendations affecting his or her department.
4. A Grand Jury may request a subject person or entity to come before the Grand Jury for the purpose of reading and discussing the findings of the Grand Jury report that relates to that person or entity in order to verify the accuracy of the findings prior to their release.
5. During an investigation, the Grand Jury shall meet with the subject of that investigation regarding that investigation unless the court, either on its own determination or upon request of the foreperson of the Grand Jury, determines that such a meeting would be detrimental.
6. A Grand Jury shall provide to the affected agency a copy of the portion of the Grand Jury report relating to that person or entity two working days prior to its public release and after the approval of the presiding judge. **No officer, agency, department, or governing body of a public agency shall disclose any contents of the report prior to the public release of the final report.**