

SANTA CRUZ COUNTY GRAND JURY



2012-2013 Final Report



County of Santa Cruz

Grand Jury

701 Ocean Street, Room 318-I
Santa Cruz, CA 95060
(831) 454-2099

June 25, 2013

To the Citizens of Santa Cruz County:

We are pleased to present the Final Report of the Santa Cruz County Grand Jury for 2012-2013. For the last year, we have served on your behalf as an independent investigative body whose charge is to look for ways to improve the efficiency and transparency of local government agencies. To that end, we have conducted interviews, toured facilities, attended meetings, visited websites, and pored over documents in order to better understand those agencies and how their service to the public might be enhanced.

In this work, we have served as your eyes and your ears. What we can't do for you is be your voice. While we can make recommendations for improvement, we possess no enforcement power on our own. For that, we rely on you to become engaged: for example, contact your representatives and let them know that you, too, would like to see local government agencies better serve their constituents.

In writing this report, we specifically tried to frame our observations not as 'here's what you're doing wrong' but rather as 'here's what you could do better.' We ask those officials addressed in this report to respond in the same spirit.

We thank all the people -- public servants as well as private citizens --- who helped us in our investigations by providing much of the information contained in this report. (One of the first things we learned as grand jurors was how many dedicated public servants there are in Santa Cruz County!) We also thank our legal advisors: the Honorable Timothy Volkmann, our Supervising Judge; District Attorney Bob Lee; and Chief Deputy County Counsel Rahn Garcia. We appreciate their ability to provide guidance without limiting the independence that allows us to do our work.

With thanks for the opportunity to serve you,

Santa Cruz County Grand Jury 2012-2013
Lise Peterson, Foreperson

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Grand Jurors



Back row: Jim Lawton, Kingsley Snow, Matt Talley, Brian McMahon, Bill Murphy, Glenn Zimmerman, Ralph Zerweck

Middle row: Marie Kagaju Laugharn, Lise Peterson, Colleen Tiffin, Midge Ralston, Eve-Marie Arce Bose, Carolyn Irvine

Front row: JP Pawloski, Patrick Carter, Evelyn Taylor, Barry Battey, Alice Florio, Nell Griscom

The Grand Jury and its Function

The grand jury is one of the oldest civil institutions in the United States. The Santa Cruz County Civil Grand Jury consists of 19 private citizens solicited from the registry of voters. Interested citizens are interviewed and, if selected, empaneled by the supervising judge of the Superior Court. This investigative body serves for one year, with the option of serving a second year. Grand jury duties, powers, and qualifications, as well as the selection process, are set forth in the California Penal Code.

The grand jury is part of the judicial branch of government and has three functions:

- To examine all aspects of city and county governments and special districts by initiating its own investigations
- To serve as ombudsman for the citizens of the cities and county
- To publish its investigative findings and recommendations to improve governmental operations

The Grand Jury Process

The grand jury, although a part of the judicial system, *is an entirely independent body*. The Presiding Judge of the Superior Court, the District Attorney, the County Counsel, and the State Attorney General act only as its advisors. They cannot prevent grand jury action unless that action violates the law.

The grand jury reviews and evaluates operations, procedures, methods, and systems used by governmental agencies to determine 1) whether they comply with the stated objectives of the agency and 2) if their operation can be made more efficient and effective. It may inquire into any aspect of county or city government, including special legislative districts and joint power agencies, to serve the best interest of Santa Cruz County residents.

The grand jury functions lawfully only as a group. No individual grand juror, acting alone, has any power or authority. Meetings of the grand jury are not open to the public. The law requires that all matters discussed before the grand jury and all votes taken are kept confidential. The end result of inquiries is released to the public in the form of a final report. This must be approved, prior to release, by the supervising judge of the Superior Court.

In general, the Penal Code requires the grand jury to:

- Inspect all detention facilities within Santa Cruz County each year

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- Investigate as needed and report on the operations, accounts, records, and functions of any county or incorporated city department or special legislative district, including their officers and personnel
- Inquire as necessary into the willful or corrupt misconduct in office of public officers
- Release a final report of its findings and recommendations no later than the end of its term. Agencies to which these recommendations are directed are required to respond to the grand jury in writing after the final report is released

Citizens may submit complaints directly to the grand jury requesting it to investigate what they perceive as mistreatment by officials or suspicions of governmental misconduct or inefficiencies. The jury is not a consumer complaint agency but uses complaints to identify policies and procedures that might need improvement. While the grand jury cannot investigate every complaint, each one is considered carefully and treated confidentially. The ultimate goal of the grand jury is to improve government in the county and to make public officials responsive to the people.

Requirements to Become a Grand Juror

Grand juror candidates must meet all of the following qualifications:

- Be a citizen of the United States
- Be at least 18 years old
- Be a resident of Santa Cruz County for at least one year immediately prior to selection
- Exhibit intelligence, sound judgment, and good character
- Must not be serving as a trial juror in any California court
- Cannot have been discharged as a grand juror in any California court within one year of the beginning date of service
- Cannot have been convicted of malfeasance in office or any felony or other high crime
- Cannot be serving as an elected public official

Grand Jury Selection Process

Candidates for the 19 jury members are drawn randomly from the same pool from which regular trial jurors are selected. Potential grand jurors are given information about grand jury duties and the time commitment required. They are then invited to attend an orientation presented by the Jury Commissioner and members of the current grand jury. The supervising judge then selects 60 candidates to be interviewed, and on the basis of those interviews reduces the number to 30. The final selection is made by a random drawing of names. Upon approval by the court, up to 10 members of the previous grand

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jury may carry over to the following year. Members of the grand jury are intended to represent a cross-section of ages, occupations, ethnic groups and geographic regions of the county.

Time Commitment and Reimbursement

The grand jury convenes July 1 and operates through June 30 of the following year. Jurors are expected to spend an average of 15 hours per week on their duties. Each juror is paid per diem (\$15 per day) for those days when the juror attends a meeting, with a maximum of two days per week. Jurors are provided free parking at the County Government Center. Mileage is reimbursed for travel between jurors' residences and the grand jury office in the County Government Center, and for travel on grand jury business.

Citizen complaint forms may be found either online or at the office of the grand jury, both in English and Spanish. The grand jury may be contacted using the information below:

Santa Cruz County Grand Jury
701 Ocean Street, Room 318-I
Santa Cruz, CA 95060
831-454-2099
grandjury@co.santa-cruz.ca.us

<http://www.co.santa-cruz.ca.us/default.aspx?tabid=895>

Instructions for Respondents

California law PC § 933.05 requires that those responding to the Grand Jury report must provide a response for each individual finding and recommendation within a report, not a generalized response to the entire report. Explanations for disagreements and timeframes for future implementation or analysis must be provided. Please follow the format below when preparing your response.

Response Format

1. Find the Responses Required table that appears near the end of the report. Look for the row with the name of the entity you represent and then respond to the Findings and/or Recommendations listed in that row using the custom form provided to you.
2. For Findings, indicate one of the following responses and provide the required additional information:
 - AGREE with the Finding,
 - PARTIALLY DISAGREE with the Finding and specify the portion of the Finding that is disputed and include an explanation of the reasons therefore, or
 - DISAGREE with the Finding and provide an explanation of the reasons therefore.
3. For Recommendations, select one of the following actions and provide the required additional information:
 - HAS BEEN IMPLEMENTED, with a summary regarding the implemented action,
 - HAS NOT YET BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE, with a timeframe or expected date for implementation,
 - 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,
 - WILL NOT BE IMPLEMENTED because it is not warranted or is not reasonable, with an explanation therefore.

If you have questions about the response report, please contact the Grand Jury by calling 831-454- 2099 or by sending an e-mail to grandjury@co.santa-cruz.ca.us.

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How and Where to Respond

1. Please download and fill out the electronic Adobe PDF Response Form provided to you for your responses. There is one form page for each Finding and Recommendation. Be sure to save any changes you make to the form.
2. Print and send a hard copy of the Adobe PDF Response Form to:
The Honorable Judge Timothy Volkmann
Santa Cruz Superior Court
701 Ocean Street
Santa Cruz, CA 95060
3. Email the completed Adobe PDF Response Form, as an attachment, to the Grand Jury at grandjury@co.santa-cruz.ca.us.

Due Dates

Elected officials or administrators are required to respond within 60 days of the Grand Jury report's publication. Responses by the governing body of any public entity are required within 90 days.

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 purposes 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 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.

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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.

AB 109 - A Year in Review

Summary

Each year the Grand Jury is required to inspect all detention facilities in Santa Cruz County. The 2012-13 Grand Jury visited the Main Jail, Rountree Facility, Blaine Street Women's Facility, Juvenile Hall, and court holding cells. Four deaths occurred in the Main Jail this year as opposed to none the previous year.^{[1][2]} For this reason, the Grand Jury looked into the medical procedures followed when an inmate is placed in custody. In addition we decided to focus on the effects Assembly Bill 109 had on these facilities. Due to the county's implementation of its Custody Alternative Program (CAP), severe jail overcrowding has not yet occurred. However, the county must not lose sight of public safety concerns when inmates are released early, making it important to monitor the success or failure of the program.

Background

On April 5, 2011, California Governor Jerry Brown signed into law Assembly Bill 109 (AB 109), the 2011 Realignment Legislation Addressing Public Safety (Realignment), which shifts custodial responsibility to the counties for many offenders who would previously have served their sentences in state prison.^[3] The state was in an unprecedented financial crisis, and budget deficits forced legislators to make tough decisions, including cutting spending in the criminal justice system as well as cuts in education and other social services. Weeks before the bill's signing, the United States Supreme Court had upheld a lower court's judgment ordering California to reduce its prison population.^[4] The result of that ruling was that within a two-year period, a projected 30,000 low-risk felons who would have gone to state prison would now be going to county jail or an alternative form of community corrections. Statewide, county probation departments will eventually take on the supervision of roughly 60,000 additional offenders on Post-Release Community Supervision (PRCS). Although the counties receive funding to cover the cost of supervising these felons, the state has not established any statewide standards, nor provided funding for evaluating policies and practices of managing this new program.^[5]

Under AB 109, three major changes took place beginning October 1, 2011. First, felony offenders who have been convicted of non-violent and non-serious crimes and are not required to register as sex offenders will now serve their sentences in county jail. Second, most offenders released from state prison will now be subject to county post-release supervision rather than state parole. Third, parolees violating a condition of release will no longer be returned to state prison but will serve out any custodial punishment in county jail.^[4]

Between October 2011 and October 2012, 88 people who would have gone to state prison have been sentenced to Santa Cruz County Jail. The Santa Cruz County

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Probation Department took on 128 people who would have otherwise been supervised by state parole.^[6]

Scope

The Grand Jury wanted to know how the implementation of AB 109 has affected Santa Cruz County and whether it is adding to county jail overcrowding. We wanted to find out if the County had implemented any changes to the medical services provided to the inmates since last year's inspection. In addition, we wanted to find whether and to what extent the county is offering programs to help people both while in jail and after release that could reduce recidivism.

Investigation

AB 109 Implementation

AB 109 mandated that each county establish a Community Corrections Partnership (Partnership), a countywide oversight committee created to design an implementation plan.^[7] Members of the committee include representatives of the Probation Department, Sheriff's Office, District Attorney's Office, Public Defender's Office, and the Superior Court.

Santa Cruz County considered the following objectives when developing its plan: 1) improve public safety by reducing recidivism; 2) maintain accountability to taxpayers by providing cost-effective solutions; 3) protect the County of Santa Cruz from costly litigation related to jail overcrowding; and 4) reduce inequalities of incarceration based on race and poverty.^{[8] [9]}

Approximately \$5.2 million was allocated by the state to the county for AB 109-related costs in fiscal year 2012-2013. Rather than spending the full amount for incarceration expenses, the county elected to allocate one-third to corrections, one-third to probation, and one-third to intervention services and rehabilitation programs. The total 2013-2014 allocation is projected to increase by approximately \$1 million.^[10]

The Grand Jury interviewed representatives from various law enforcement agencies and the criminal justice system in Santa Cruz County. We evaluated some of the programs offered to help people transition from incarceration to private life such as the Community Action Board's R.I.S.E. program (Reclaiming Integrity, Self Awareness and Empowerment), which received funding under AB 109.^{[10] [11]}

A key feature of the Partnership is the Sheriff's Custody Alternatives Program (CAP). Non-violent, non-sexual, non-serious offenders are given the opportunity of an incarceration reduction and/or release with an ankle monitor. Between October 2011 and December 2012, 292 inmates were released with monitors. This has saved the county \$1.9 million when compared to the cost of housing these offenders.^[12]

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The Grand Jury asked jail personnel if there were any written guidelines on how inmates were chosen for CAP. They responded that inmates were chosen on a case-by-case basis using minimal guidelines. During the course of our investigation, jail personnel advised us they were developing additional policies and procedures. We asked if there were any written guidelines regarding punishment for violating the terms of release by removing monitoring devices or committing other infractions, and also asked how often violations occurred. We learned that there are no statistics yet on violations, and no written guidelines on punishment.

In interviews with police chiefs and during grand jury member ride-alongs with patrol officers, some law enforcement officials expressed frustration with one aspect of AB 109's changes to parole and probation procedures: namely, the process for managing re-arrest of offenders who have violated a Post Release Community Supervision (PRCS) agreement. These offenders could be jailed for violating the agreement, but only if the enforcement action is authorized by the the Probation Department, which could take excessive time to obtain. In follow-up interviews with the Probation Department we were told that this problem had been resolved with increased intra-departmental communication and additional training.

Jail Facilities

In addition to investigating the implementation of AB 109, the Grand Jury also performed its mandated inspection of the detention facilities within Santa Cruz County:

- Santa Cruz Main Jail
- Rountree Facility
- Blaine Street Women's Facility
- Santa Cruz County Juvenile Hall
- Holding cells in both courthouse facilities

The Main Jail has 16 specific housing modules, each with its own rated capacity, with a total rated capacity of 311. This capacity is routinely exceeded: on September 16, 2011 the jail population was 343, and on April 16, 2013 it was 363^[12]^[2]. The Main Jail was built for prisoners whose average length of stay was between 17 and 18 days. Prior to realignment the maximum sentence to county jail was one year. Now, the average length of stay is 393 days; the longest sentence so far is eight years.^[13]

Main Jail Medical Services

On September 17, 2012, the county contracted with California Forensic Medical Group (CFMG)^[14] to perform medical services inside the county jail. The previous practice was to transport inmates off site for medical procedures, which led to security issues and increased expense. Retaining CFMG has allowed officers to spend more time in the field by enabling more medical procedures to be performed on site.

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Aware of the four inmate deaths^[15] that occurred this year in county jails, we inquired into the medical procedures followed when each individual is booked. At the Santa Cruz County Jail, a booking officer completes an intake health screening form for each detainee to determine if they have any existing medical or mental health issues that need to be immediately addressed. The officer also asks if the detainee is taking any medications, receiving any medical treatments, or has any suicidal tendencies. If the screening indicates an immediate medical concern, CFMG personnel then complete a more detailed medical information form to determine whether further steps are required, such as referral to Dominican Hospital's Emergency Room. CFMG also evaluates all inmates within the first 15 days of booking, and every six months thereafter.

Other Facilities

The Grand Jury visited Rountree, a medium-security detention facility which is located in an unincorporated area of southern Santa Cruz County. This facility has a capacity of 96 male inmates serving long term sentences and it focuses on rehabilitation. During our visit to Rountree facility we learned about R.I.S.E., an in-custody program implemented by the Community Action Board. The primary purpose of R.I.S.E. is to reduce recidivism by providing services and support to men in their transition back into the community. This includes development of effective communication skills, relapse prevention, re-entry planning, goal setting, money management, job training and employment preparation.^[16]

During our visit to Juvenile Hall, we witnessed representatives of other juvenile facilities from across the country sent to study the Santa Cruz facility and its procedures. Each detention facility the Grand Jury inspected appeared to be clean, well run, and staffed by caring and competent employees.

Findings

F1. The Custody Alternatives Program (CAP) is vital to decreasing jail overcrowding.

F2. There are presently insufficient written criteria for the selection of inmates for CAP. However, during the course of our investigation, jail personnel indicated to us they are developing additional policies and procedures.

F3. There are no written guidelines to follow when an individual violates the terms of CAP.

F4. There are few statistics on how well CAP is working.

F5. There is a difference of opinion between police officers in the field and the Probation Department regarding the timely processing of PRCS violators.

F6. As of April 1, 2013, AB 109 appears not to have resulted in critical jail overcrowding in Santa Cruz County. However, as the length of sentences and the number of inmates

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sentenced to county jail instead of state prison increase, jail populations will likely expand.

Recommendations

R1. The Chief Deputy of Corrections should consider expanding the CAP Program in order to decrease future jail overcrowding.

R2. The Chief Deputy of Corrections should complete and adopt written guidelines for eligibility for CAP.

R3. The Chief Deputy of Corrections should establish guidelines to follow when an individual violates the terms of CAP.

R4. The Chief Deputy of Corrections should establish a program to determine how successfully CAP is working.

R5. The Probation Department should improve communication with law enforcement agencies to facilitate placing a hold on probation violators.

R6. The Probation Department should contract with an independent data analyst to help determine the effectiveness of the County's AB 109 implementation.

Commendations

C1. We commend Santa Cruz County for hiring the California Forensic Medical Group to perform medical services at the County Jail. This has resulted in the ability to have more officers patrolling the streets instead of transporting and guarding inmates at off-site medical facilities.

C2. The Grand Jury commends the Santa Cruz Juvenile Hall staff, whose vision and dedication has led to the facility being a model for other agencies.

C3. We also commend the Community Action Board of Santa Cruz County for implementing the R.I.S.E. program at the Rountree Men's Facility.

Responses Required

Respondent	Findings	Recommendations	Respond Within/ Respond By
Santa Cruz County Sheriff-Coroner	F6	R6	60 days September 1, 2013
Probation Chief, Santa Cruz County Probation Department	F5 - F6	R5 - F6	90 days October 1, 2013
Chief Deputy, Main Jail, Santa Cruz County	F1 - F4	R1 - R4	60 days September 1, 2013

Definitions

- **CAP:** *Custody Alternatives Program* - A program in which an inmate is released part way through their sentence with a wireless monitoring or tracking device.
- **Community Corrections Partnership:** The group designated by AB 109 to direct an individual county's implementation plan.
- **PRCS:** *Post-Release Community Supervision* - This is a program under which current prisoners under the authority of the California Department of Corrections will be transferred to community supervision by the county probation department rather than by the State Division of Adult Parole Operations following release from state prison.
- **Recidivism:** Although there are many ways to define recidivism, including arrests, convictions, and returns to prison, the California Department of Corrections and Rehabilitation utilizes returns to prison as its main indicator of a recidivist. The rate of recidivism is based on the number of felons in a particular group who were returned to prison during a specific period.^[17]
- **R.I.S.E.:** *Reclaiming Integrity, Self-Awareness and Empowerment Program* - This is an in-custody program instituted by the Santa Cruz County's Sheriff's Office and the Community Action Board assisting incarcerated men in transitioning from surviving to thriving.

Sources

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14. California Forensic Medical Group. 2013. "Quality Healthcare for Correctional Facilities." Accessed May 7, 2013. <http://cfmg.com/>

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Resources

- Santa Cruz County Jail Intake Health Screening Form
- Santa Cruz County Sheriff's Office - On Demand Custody Housing Summary
- California Department of Corrections and Rehabilitation: Public Safety Realignment. www.cdcr.ca.gov/realignment/

Breaking the Circle of Dependence

AB 109 From a Health and Human Services Perspective

Summary

Nearly two-thirds of all jail and prison inmates in the United States meet medical criteria for drug or alcohol abuse or dependence. Chemical dependency is often associated with criminal thinking, high risk behavior, and mental health disorders such as depression. Although the recidivism rate of chemically dependent offenders is high, only one in ten receives any type of professional treatment while serving time. While substance use and abuse may contribute to criminal behavior, it appears that imprisonment only perpetuates this circle of recidivism. Punishing this population for crimes without also addressing the problem of chemical dependency only serves as a temporary solution and does little to address what for many leads them back to imprisonment.^[1] As a result of AB 109 funding, Santa Cruz County offers many programs integrating substance abuse treatment with behavioral adjustment therapy. Unfortunately, the referral process for these programs is cumbersome, leading to underutilization of some programs.

Background

On April 5, 2011, California Governor Brown signed Assembly Bill 109 (AB 109), which was intended to reduce the number of low-level offenders serving in state prison.^[2] Under AB 109 guidelines, some convicted felons who would previously have been sentenced to state prison will now serve their time in the county jail system. These new county inmates are eligible to go to jail rather than prison only if they have been convicted of non-violent, non-sexual, and non-serious crimes. The majority are sentenced for drug offences or for crimes related to substance abuse. According to staff at the Probation Department, the average Santa Cruz County jail sentence prior to AB 109 was about six months; after implementation they project it to be closer to three years.

The Santa Cruz County Community Corrections Partnership (Partnership) was formed on August 23, 2011, in order to implement AB 109. The Partnership was comprised of representatives from the following county agencies: Public Defender's Office, District Attorney, Probation, Superior Court, Health Services, Police Chiefs, and the Sheriff's Office. The Partnership developed the Santa Cruz County Public Safety Realignment and Post Release Community Supervision 2011 Implementation Plan (Plan).^[3] This Plan outlines the initial implementation of AB 109 within the county. The Plan was approved by the Santa Cruz County Board of Supervisors on October 4, 2011. The State gave the County \$5.174 million to implement AB 109 in fiscal year 2012-2013.

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Out of this sum, the County chose to allocate one third to behavioral service programs.^[4] These programs, which are administered by local organizations, focus on substance abuse treatment, mental health counseling, cognitive behavioral training, reentry planning, and assistance with employment, housing and legal issues. The reason for this funding is that inmates learning these and other life skills may be less likely to reoffend.^[5]

Since AB 109 was recently enacted, and there has been limited time for evaluation of best practices, we decided to look at the allocation of these funds from a Health and Human Services (HHS) perspective. For this report, HHS includes not only the county's Health Services Agency, but also other providers of mental health, drug and alcohol treatment, and counseling services.

Scope

AB 109 is not just another prison funding reform bill. Treatment, training, and assistance programs under the guidance of county health services can play a major role in how funds are used and implemented. The effectiveness of these programs is currently being reviewed and evaluated.

In the past, criminal justice agencies (Sheriff's Office, police, jails, and probation) and HHS have worked as separate entities. AB 109 presents Santa Cruz County with a new challenge: how can these entities best cooperate to achieve a common goal? This question led us to focus on the following areas of the HHS portion of AB 109:

- Helping former inmates succeed on the outside
- Preparing inmates to re-enter society after the completion of their sentence
- Availability and access to rehabilitation programs
- Overall reduction of recidivism
- Money spent versus results achieved

We were also interested in how HHS, Probation, and the Sheriff's Office were working together under the new AB 109 system.

Investigation

The Grand Jury investigated public departments responsible for implementing and overseeing AB 109. We interviewed staff of contracted local agencies, as well as graduates of some of the newly- formed and funded programs.

The Grand Jury pursued the following lines of investigation:

- Reviewed the Implementation Plan
- Reviewed the Partnership intervention service contracts
- Interviewed members of the Partnership steering committee

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- Interviewed former and current staff of Santa Cruz County health services agencies
- Interviewed staff of Santa Cruz County Probation, Sheriff's Office, and local city police departments
- Interviewed staff of private agencies providing services funded through AB 109
- Interviewed present and former inmates who have participated in AB 109 programs
- Toured local service providers' facilities

Through interviews and published reports, we learned that clients who have participated in HHS programs tend to have lower rates of recidivism.^{[6][7]}

Approximately \$1,426,000 was awarded to HHS-related service providers for the 2012-2013 fiscal year. The following tables show fund allocation among different categories.^[8] The programs listed have the potential for integrating substance abuse treatment with behavioral adjustment therapy.

Substance Abuse Treatment and Relapse Prevention

<i>Agency</i>	<i>Funding</i>	<i>Services</i>
Sobriety Works Inc.	\$212,500	Matrix Model intensive outpatient substance abuse treatment, sober living environment housing
New Life Community Services	\$38,500	Residential and outpatient substance abuse treatment
Janus of Santa Cruz	\$195,000	Residential, intensive outpatient, and perinatal substance abuse treatment; drug/alcohol detoxification; medication assisted treatment (methadone maintenance); and sober living environment housing
Santa Cruz Community Counseling Center	\$135,000	Residential and intensive outpatient, and outpatient substance abuse treatment, sober living environment housing

Workforce and Employment Services

<i>Agency</i>	<i>Funding</i>	<i>Services</i>
Community Action Board of Santa Cruz County	\$90,000	Group and individual employment readiness services and job development

Reentry Planning, Aftercare, and Mentoring

Volunteer Center of Santa Cruz County	\$90,000	In-custody reentry planning, structured aftercare including drop-in support, community mentors, and support for reentry
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Gang Desistance Mentoring

Santa Cruz Barrios Unidos	\$60,000	Culturally based mentoring, advocacy, and cognitive behavioral curriculum
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Cognitive Behavioral Treatment Curricula

Volunteer Center of Santa Cruz County	\$25,028	Co-facilitation for the Thinking For a Change curriculum
Walnut Avenue Women's Center	\$5,000	Training and implementation of Seeking Safety trauma-informed care curriculum

Benefits Assistance and Enrollment

Volunteer Center of Santa Cruz County	\$59,496	Individualized support for assessing eligibility and benefits enrollment
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Mental Health Care

<i>Agency</i>	<i>Funding</i>	<i>Services</i>
Santa Cruz County Health Services Agency	\$35,000	Nursing staff for the multi-disciplinary Maintaining Ongoing Stability through Treatment (MOST) team, medications management and physical health assessment and referral
Santa Cruz Community Counseling Center	\$55,000	Mental health care including assessment, individual and group counseling, and mental health system navigation support

Family Involvement and Conflict Resolution

Conflict Resolution Center of Santa Cruz	\$10,000	Conflict resolution for families to enhance reentry support and success
Volunteer Center of Santa Cruz County	\$5,000	Family-based reentry planning
Janus of Santa Cruz and Pajaro Valley Prevention and Student Assistance	\$44,000	Development of a culturally-based family reentry planning program
Santa Cruz Community Counseling Center	\$5,000	Evidence-based parent involvement program for fathers

Educational Programming

Watsonville/Aptos Adult Education and the County Office of Education	\$80,000	In-custody English as a Second Language (ESL), General Education Degree (GED), and vocational education
Volunteer Center of Santa Cruz County	\$18,000	Individualized basic literacy instruction both in custody and in the community

Housing Support

<i>Agency</i>	<i>Funding</i>	<i>Services</i>
Homeless Service Center	\$90,000	Emergency and transitional housing and support
Santa Cruz Community Counseling Center	\$38,000	Emergency housing and support services
Pajaro Valley Shelter Services	\$15,000	Emergency and medium-term housing for female offenders

Victim Services/Restorative Justice Programs

United Way of Santa Cruz County	\$10,000	Develop and coordinate Community Accountability Board and community speakers panel
Conflict Resolution Center of Santa Cruz County	\$30,000	Facilitate victim/offender dialogue

Gender-Specific Reentry Support for Female Offenders

Community Action Board of Santa Cruz County	\$50,000	Gemma transitional housing program for women offenders
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Other Reentry Services

The Watsonville Law Center and the Santa Cruz County Superior Court	\$44,000	Develop and implement a pilot program to have traffic fines waived and driving privileges reinstated
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During the course of our investigation, the Grand Jury found limited data to assess the effectiveness of services. This is due to the newness of the program. We are eager to see the data analysis and program evaluation called for in Phase 2 of the County's Implementation Plan.

The Grand Jury learned that the Probation Department is the "gatekeeper" of access to assistance programs for inmates. We also learned that no set policy or written guidelines for program requirements or referrals exist. Under the current system,

inmates must obtain a separate referral from the Probation Department to access any program. Referral requests may come from staff members of probation, the sheriff's office, program agencies, or the inmate. Obtaining such referrals can be arbitrary, with probation staff choosing who can participate. It appears that the only selection criterion presently employed is how a program fits within the inmate's sentence length and release date. Lack of guidelines could deprive some inmates from receiving services. The Grand Jury learned that some program-providing agencies have not received enough referrals so far during this fiscal year to fully utilize funding under their contract awards. Funding for future HHS-related programs may decline if current contractors do not receive enough referrals to match AB 109 contract awards.

While there appears to be funding for the above programs, several program providers reported that some individuals returned seeking even more assistance.

Findings

F1. At the time of our investigation, there did not appear to be an independent third-party analysis of data to determine the effectiveness of programs using AB 109 funding.

F2. The process for obtaining referrals to these programs is cumbersome.

F3. There are no written guidelines for inmate program eligibility.

F4. Further post-release services for ex-inmates are needed.

Recommendations

R1. Although the treatment program contracts may not be fully utilized yet, Santa Cruz County should continue to give one-third of the AB 109 funding to treatment programs.

R2. The Probation Department should contract with an independent data analyst to help determine which programs are the most effective.

R3. The Probation Department should simplify the process of inmate referrals so that services can be administered fairly and expeditiously, and implement a system to track referrals to each program.

R4. The Probation Department should institute a policy outlining qualifying criteria, time requirements, and referral conduits for obtaining services.

R5. The Partnership should allocate additional funding for post-release programs.

Commendations

C1. The Grand Jury commends the Sheriff’s Office and Probation Department for creating a partnership that includes health and human service program providers in addition to law enforcement agencies.

C2. The Grand Jury commends Santa Cruz County for being recognized for its emphasis on health and human services in its AB 109 implementation.^[9]

Responses Required

Respondent	Findings	Recommendations	Respond Within/ Respond By
Probation Chief, Santa Cruz County Probation Department	F1 - F4	R1 - R5	90 Days October 1, 2013
Santa Cruz County Board of Supervisors	F1 - F4	R1 - R5	90 Days October 1, 2013
Director, Santa Cruz County Health Services Agency	F1 - F4	R1 - R5	90 Days October 1, 2013

Definitions

- **AB 109:** *Assembly Bill 109, the Public Safety Realignment Act* - A California state assembly bill aimed at decreasing the state prison population.
- **ACLU of CA:** *American Civil Liberties Union of California* - A human rights advocacy organization.
- **Community Corrections Partnership:** *Santa Cruz County Community Correction Partnership* - The body responsible for implementing AB 109 in Santa Cruz County.
- **CURB:** *Californians United for a Responsible Budget* - A watchdog organization concerned with California State Government spending.
- **Gemma:** A transitional program for female offenders. Gemma is a botanical term meaning a bud ready to grow independently. The name was chosen by imprisoned women who identify with the image of blossoming into a new life path.

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- **HHS:** *Health and Human Services* - HHS includes not only the county's Health and Human Services Agency, but also the other providers of mental health, drug and alcohol treatment, and counseling services.
- **Implementation Plan:** *Santa Cruz County Public Safety Realignment and Post Release Community Supervision Implementation Plan* - The Santa Cruz Board of Supervisors approved the Plan on October 4, 2011, in order to have the Partnership administer the AB 109 realignment.
- **PSR:** *Public Safety Realignment* - A term used to describe changes brought about by AB 109.
- **Recidivism:** The act of a person repeating an undesirable behavior after they have either experienced negative consequences of that behavior, or have been treated or trained to extinguish that behavior. In this report, it refers to individuals who have been rearrested.

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Site Visits

- SC County Volunteer Center
- Friends Outside Graduation Ceremony
- Santa Cruz County Community Counseling Center
- Community Action Board of SC County

Navigating the Residential Building Permit Process

Service, Time, and Money

Summary

Since the Santa Cruz County Planning Department has been a subject of multiple Grand Jury reports in the past, the 2012-2013 Grand Jury is pleased to observe that the Planning Department has made great strides in recent months to streamline the residential building permit process. However, there is room for improvement. Further simplifying the process will encourage more citizens to obtain permits for residential construction projects. This will benefit the citizens of Santa Cruz County in many ways. First, homeowners will have greater confidence that work on their homes will be completed in compliance with building, safety, and health codes. Moreover, work completed in compliance with codes increases the value of homes; unpermitted construction negatively impacts resale value. Second, with more building permits issued, the Planning Department will earn additional revenue. Streamlining procedures, especially those for the over-the-counter permits, will allow the Planning Department to support the increased activity without hiring additional staff. The combination of increased revenue and reduced costs may allow the County to reduce some permit fees. In the end, citizens will be more likely to appreciate the role the Planning Department plays in keeping Santa Cruz County beautiful and safe.

Background

In 1991, the County of Santa Cruz adopted Resolution No. 437-91, sometimes referred to as the “Applicants’ Bill of Rights,” establishing County policies for permit processing. It stated that “more progress needs to be made concerning permit processing reform.” It also said that the County needed to “provide clear and helpful information to applicants for permits.”^[1] Despite this resolution, the 2003-04 Grand Jury expressed continued concern about the Planning Department. In its final report the Grand Jury stated:

Planning and building regulations that are too complex and difficult to understand may deter people from building. In some cases, people may build illegally as they perceive it too difficult to deal with these government agencies. This illegal growth may pose safety hazards to occupants and neighbors, as well as affecting the community as a whole. Revenue is also lost as these structures are not assessed and people do not pay their share of taxes on these illegal structures.^[2]

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For many years, the Santa Cruz County Planning Department has been criticized by developers, contractors, architects, and homeowners for poor customer service, long delays in issuing permits, and excessive costs. The Santa Cruz County amendments to the California Building Code^[3] have been criticized by some members of the public as well as county staff for being convoluted and open to multiple interpretations.^[4] Many of these criticisms were captured in a series of public forums for which the Planning Department issued its report, “Responses to Public Comments Received at Winter 2010/2011 Community Forums and Focus Groups” (Report).^[4]

The 2012-2013 Grand Jury was interested in determining the progress the Planning Department has made since the Grand Jury report of 2003-2004.

Scope

The Grand Jury interviewed individuals in the Planning Department as well as other county agencies that interact with that department such as local fire districts, Public Works, and Environmental Health. In addition, we interviewed contractors, engineers, homeowners, and architects. With the cooperation of the Planning Department, we also applied for a mock building permit to experience the process firsthand.

Investigation

For our mock permit we chose a 700 square foot addition which would attach a new bedroom and bathroom to an existing 2830 square foot home. The existing home was on sewer and had adequate parking. Due to the location, size of the project, and the fact that the property was on sewer, this mock permit was not subject to outside review from Environmental Health, Public Works, or the jurisdictional fire district. We chose these parameters in order to avoid additional staff time. Regarding residential construction, Environmental Health primarily deals with septic and well regulations. Public Works becomes involved if the project affects public roads, right-of-ways, drainage, or public sewers. Fire district review is required only when a project exceeds 50% of existing square footage.

The Planning Department consists of three sections: Zoning Plan Check, Environmental Planning, and Building and Safety. Zoning involves determining the allowable usage of the property, setbacks, height limitations, and lot coverage. Environmental Planning reviews any potential conflicts with natural habitats, riparian corridors, endangered species, erosion, and grading. The primary goal of the Building and Safety section is to protect the health, life, and safety of all people in the County of Santa Cruz by applying minimum code requirements and verifying that they are met. It also is concerned with the environment, accessibility, energy, drainage, and mitigating geological, wind, tidal, and seismic hazards.

We began with the Zoning Prescreen to determine if the mock project fit within existing zoning regulations. This procedure also determines the proper setbacks and lot

coverage allowed. The Zoning Prescreen establishes whether the project must be reviewed by other departments such as Environmental Planning. Since our project was more than a 500 square foot addition, we were required to obtain a soils report to be reviewed by Environmental Planning. We were also subject to a Capital Improvement Fee for adding a bedroom. This fee is set aside for future capital improvements to the infrastructure of the County.

According to the Report, there are two types of permit applications.^[4] A “ministerial” application for a building permit is reviewed for compliance with a fixed set of rules and standards. If the proposal meets the standards then a permit can be issued. A “discretionary” permit involves a “judgment about whether the proposal is consistent with criteria that are not as clearly defined as ministerial criteria.”^[4] Our mock permit fell under the ministerial category. The Building Counter staff then prepared an estimate of fees based upon the information provided.

The Planning Department website has a Building Permit Fee Estimate Worksheet^[5] which an applicant can access to obtain a general idea of fees. However, there is a disclaimer that the applicant should not assume all variables will be covered on this estimate, because according to the Planning Department, each building project can have its own unique characteristics. Moreover, clients who go to the counter for an estimate are given a different form with different terms, making it difficult to compare the two (Appendix A). We learned that experienced applicants do not rely on this worksheet as the estimates may vary widely from actual fees.

We also learned from several sources that information provided at the initial Zoning Prescreen was not always reliable. On occasion after preparing plans and drawings, applicants have been denied approval based on information contradictory to their first prescreen meeting. The applicant is then left with expenses that cannot be recouped. Most seasoned contractors and architects have learned to go back to the planning department several times for additional meetings to confirm that the information given to them has not changed. While the online estimator does have a disclaimer, the Zoning Prescreen does not.

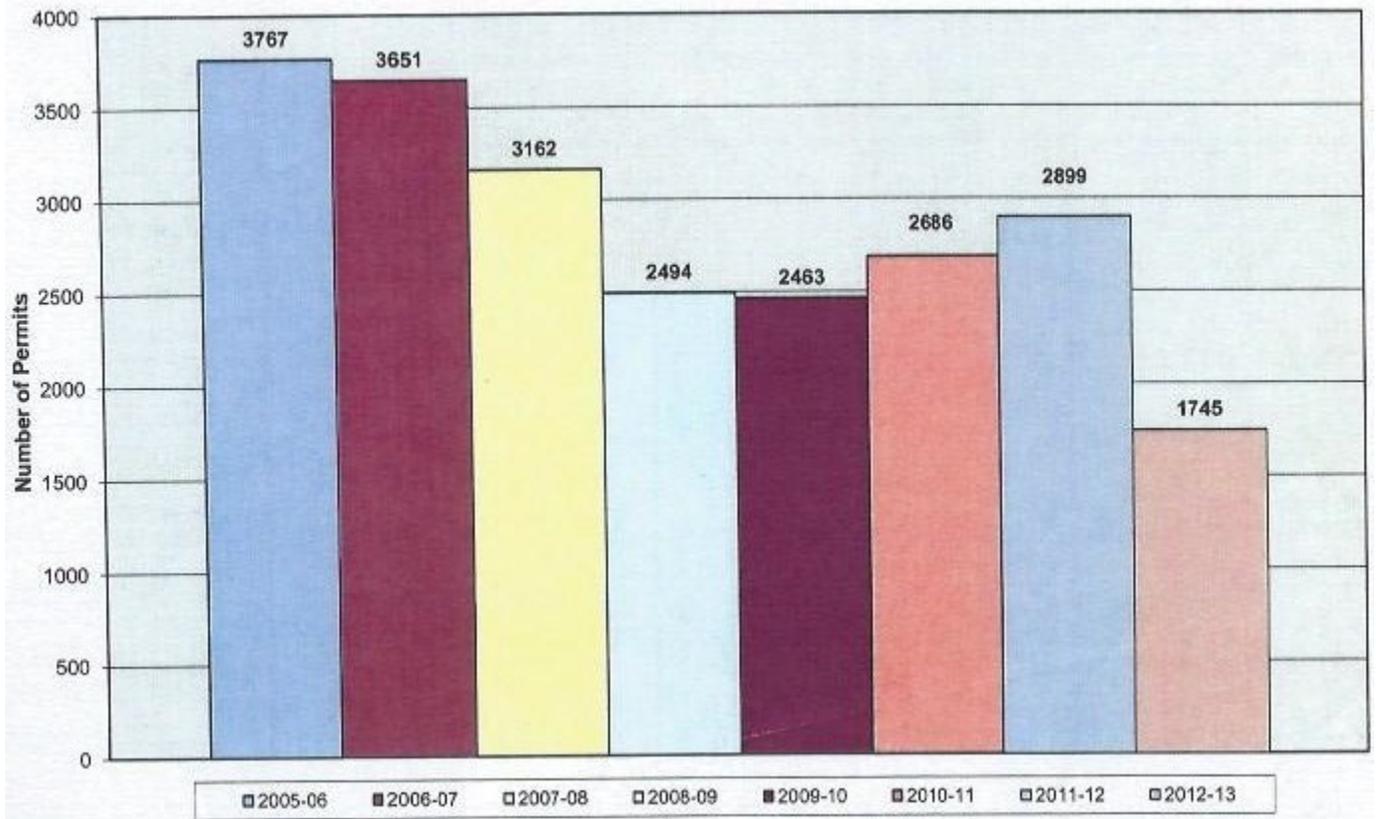
In the course of our investigation, we discovered that the Planning Department held a series of public forums from November 2010 to February 2011. During these forums, it solicited public comments and input about aspects of its services. While we commend the Planning Department for initiating these forums, we question why it has taken over two years to publish the findings. The Grand Jury began its investigation in November of 2012, and the Department’s report titled “Responses to Public Comments Received at Winter 2010/2011 Community Forums and Focus Groups” (Report)^[4] was made public on the Planning Department website on March 1, 2013. Based on our study of the Report and our interviews, we would like to bring attention to several areas:

- Minor Exceptions Provisions state that minor deviations such as changed setback, height, or lot coverage may be considered for approval as exceptions by

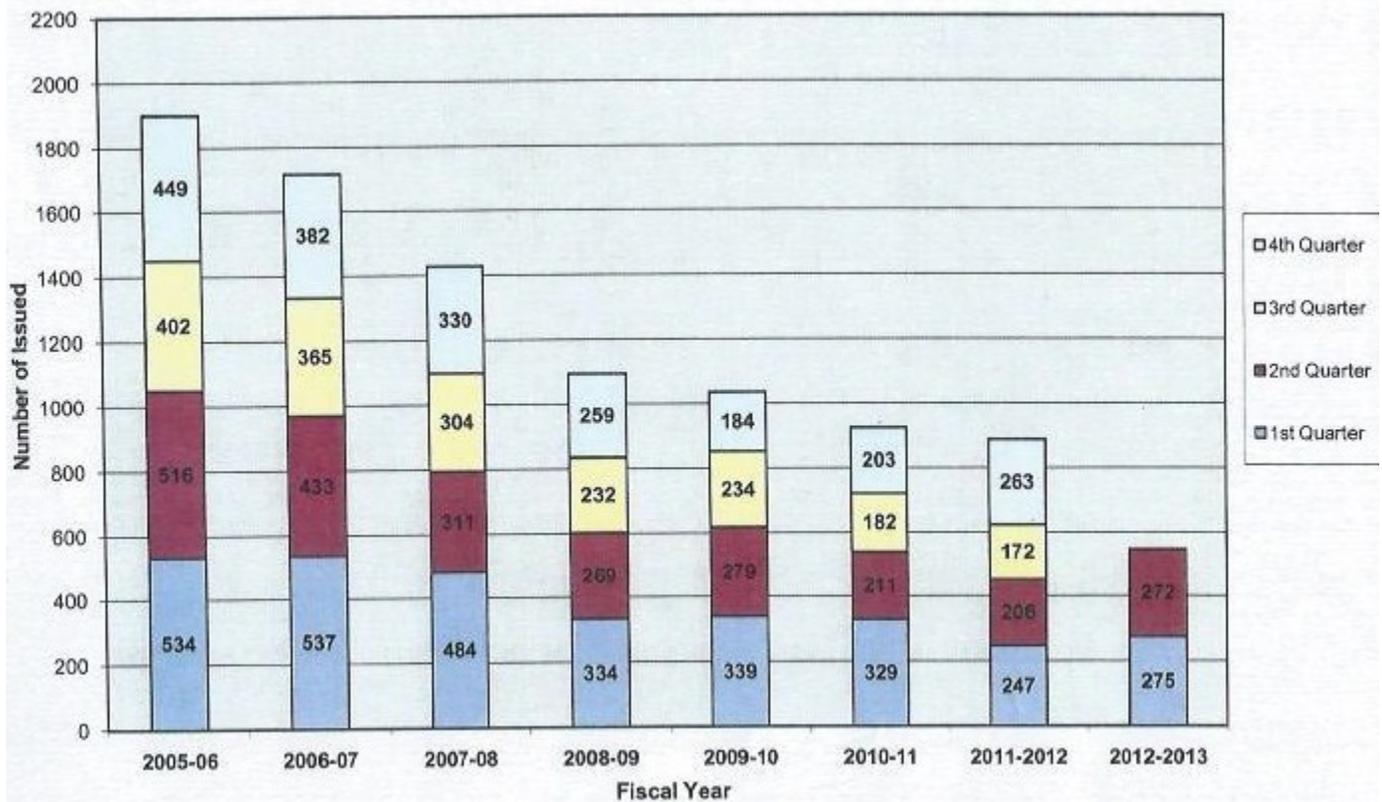
planning staff as long as the project does not fall into a Planned Unit Development (PUD) or Common Interest Development (CID), which have further restrictions. This policy still leaves decisions open to individual interpretation.^[4]

- Construction Unpermitted - Recover Enforcement Costs (CUREC): This allows for the doubling of plan check, processing, and inspection fees when unpermitted work is noticed and a stop work order is posted. This fee is meant to discourage unpermitted projects. We are interested in seeing how the Department tracks the effectiveness of this initiative.^[4]
- An expanded over-the-counter (OTC) permit process is now available during public counter hours. In most cases, it is still necessary to go to the Planning Department in person. The County does have the ability to collect payments via credit card, debit card, or electronic check; however, the Planning Department has not adopted these payment options.^[6]
- There are inconsistent interpretations of County zoning and building regulations by different staff members. The Report states that this can result in an applicant “getting wrong answers.” Simplification and modernization of the codes were also suggested in the Report. This process is underway.^[4]
- With reduction in staff members in the past four years from 100 to 60, the Planning Department has to do the same work with less staff. While the number of issued permits have not appreciably changed over the past few years, the average cost of a permit is smaller as projects have been scaled down. For example, from fiscal year 2005-06 to 2012-13 the percentage of OTC building permits has risen from 50% to almost 70% (Graphs 1-3).

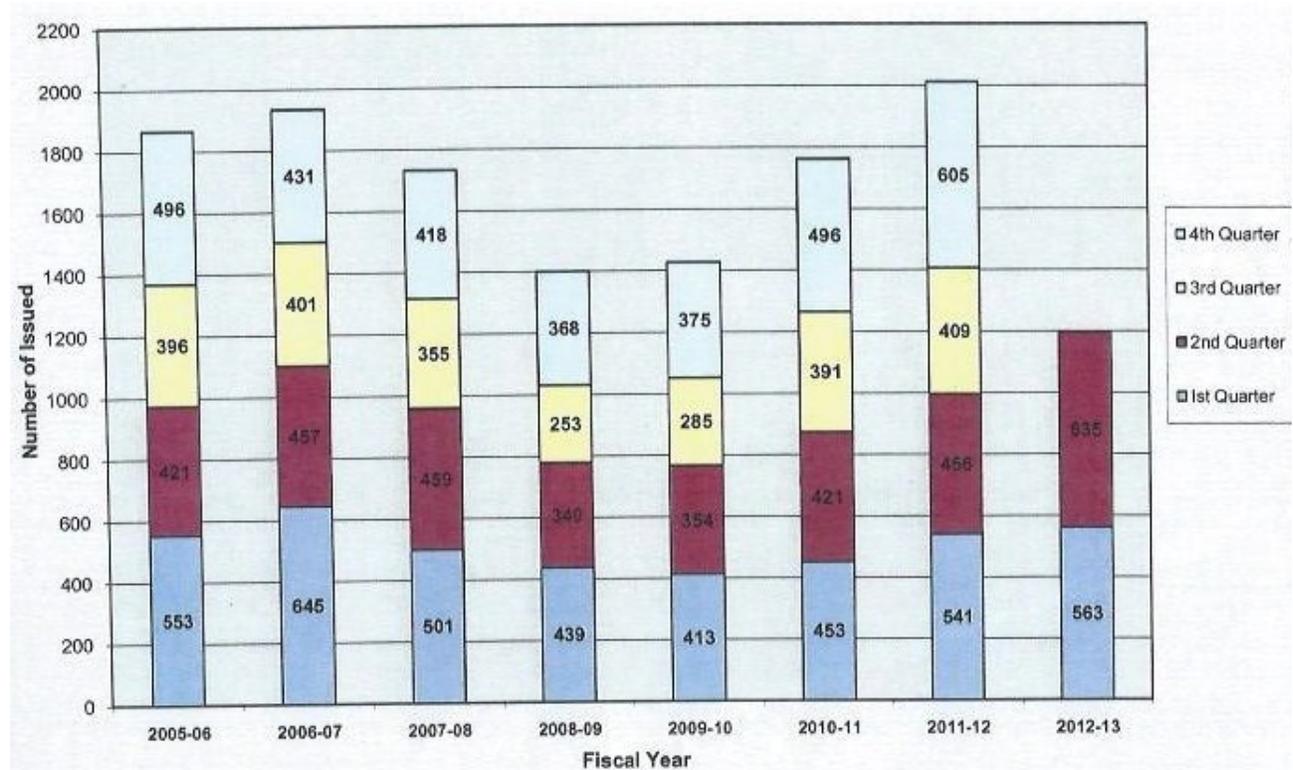
Graph 1. Total Building Permits Issued by the Santa Cruz County Planning Department, 2005-06 Fiscal Year through December 2012 (Note: 2012 - 2013 is for the first six months, July through December 2012)



Graph 2. Issued Building Permits (not including OTC) by the Santa Cruz County Planning Department, 2005-06 Fiscal Year through December 2012



Graph 3. Over-the-Counter Permits Issued by the Santa Cruz County Planning Department, 2005-06 Fiscal Year through December 2012



A summary of the information shown in the previous graphs is in the following table.

Table 1. Over-the-Counter (OTC) Permits Issued Compared to Total Permits Issued

Year	Total OTC issued	Total permits Issued	Percentage OTC
2005 - 06	1,866	3,767	49.5
2006 - 07	1,934	3,651	53
2007 - 08	1,733	3,162	55
2008 - 09	1,400	2,494	56
2009 - 10	1,427	2,463	58
2010 - 11	1,761	2,686	65
2011 - 12	2,011	2,899	69
7/1/12 - 12/31/12	1,198	1,745	69

OTC permits apply to the following types of projects:

- Re-roofing
- Demolition
- Water heater replacement
- Photovoltaic systems (solar panels)
- Sheetrock
- Siding
- Window replacement

The complete list of OTC permit types is on the Planning Department’s website.^[7] Having reviewed the range of permits issued, the Grand Jury became interested in how fees are set for those permits. We learned that the Department generally sets fees at a level that will cover its projected costs.^[8] The Planning Department had difficulty providing the Grand Jury with revenue, expense, and other permit-related information in a timely manner. Furthermore, the information provided contained inconsistencies. Therefore, it was difficult to tell whether the department was meeting its mandate to be revenue-neutral. Even when full cost recovery fee levels are adopted by the Board of Supervisors, the Building and Safety Section is dependent on actual activity to cover total costs. Therefore, some years the Department has a deficit, and in other years a

surplus. The overall intent is to balance these costs and fees over time. The Department has more control over fixed costs such as salaries and wages, and has lowered these costs over the last few years. In the future, permit revenue is expected to increase due to the new CUREC policy of doubled fees, and to overall economic improvement.

After analyzing the fiscal reports provided to the Grand Jury by the Planning Department, we suggest that if the Department can continue to streamline the processes of obtaining a building permit, especially OTC permits, and maintain the same level of expenditures, then the overall costs of permits should decline. Decreased permit costs, along with more efficient procedures, will improve the permit experience for both staff and customers.

Findings

F1. Based on our investigation and the comments made at the public forums, it appears that the permit process requires excessive staff time and creates unnecessary foot traffic to the Department counters.

F2. Some Santa Cruz County building code amendments are difficult for both staff and clients to navigate, which leaves the code open to interpretation by individual staff members.

F3. The new cost recovery fee called Construction Unpermitted-Recovery Enforcement Costs (CUREC) will potentially bring more people to the Planning Department for permits.

F4. Inconsistency of provided information, most often concerning Zoning and Building code interpretation, exists between members of Planning staff and results in frustration between staff and the public.

F5. The Planning Department was not able to provide us with clear documentation that supported that it was meeting its mandate to be revenue-neutral.

F6. The online fee estimator is not the same as the official fee calculator used by Building and Safety staff. The two forms use different terminology.

F7. The information provided in the Zoning Prescreen is not binding; it fails to warn the applicant that interpretation could change later.

Recommendations

R1. The Planning Department should continue to streamline the county building code amendments, with a target completion date of June, 2014.

R2. The Department should allow routine OTC permits to be applied for, paid for, and printed out in the applicant's home or office.

R3. The Planning Department should adopt a set policy for Zoning and Building Code interpretations.

R4. The Planning Department should adopt the Minor Exceptions Provisions into the code.

R5. The Planning Department should adopt a system to analyze data and track performance.

R6. The Planning Department should have the web fee estimator match the one used at the Building Counter.

R7. The Planning Department should include a disclaimer on the Zoning Prescreen indicating the nonbinding nature of the document.

Commendation

We commend the staff of the Planning Department for recognizing the need for more interaction with building professionals and homeowners in order to create a permit process streamlined to save time and money. We would like to see the public forums continued.

Responses Required

Respondent	Findings	Recommendations	Respond Within/ Respond By
Director, Santa Cruz County Planning Department	F1 - F7	R1 - R7	90 Days October 1, 2013
Santa Cruz County Board of Supervisors	F1 - F7	R1 - R7	90 Days October 1, 2013

Definitions

- **Building Counter:** The physical location where the Building and Safety Department interacts with the public.
- **CID:** *Common Interest Development* - A coordinated real estate development where common areas are shared and maintained by an owner’s association or other entity. It usually has rules regarding homebuilding that are more specific than those of the local government.
- **CUREC:** *Construction Unpermitted - Recover Enforcement Costs* - A cost recovery fee adopted by the Board of Supervisors relating to unpermitted construction in progress.
- **Discretionary permit:** A “discretionary” permit means the decision whether or not a permit will be granted involves a judgment whether the proposal is consistent with criteria that are not as clearly defined as ministerial.
- **Ministerial permit:** A “ministerial” application for a building permit is reviewed for compliance with a fixed set of rules and standards.
- **OTC:** *Over the Counter* - A process for obtaining building permits that does not require submitting plans.
- **PUD:** *Planned Unit Development* - This term is used interchangeably with CID.
- **Zoning Prescreen:** The first step in having a building project evaluated for feasibility. This involves zoning information only, and does not include an estimate of fees.

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Appendix A. Comparison of Online Estimator Worksheet with Permit Application used by Building Counter Staff

Form 1. Online Estimator Worksheet (two pages including instructions)

RESIDENTIAL BUILDING PERMIT FEE ESTIMATE			
County of Santa Cruz Planning Department			
Please enter the appropriate values in the cells highlighted in yellow and orange on this page.			
If not applicable, leave blank. Note that for the cells highlighted in orange a value must be entered.			
This is an estimate only. Actual fees may be higher or lower than indicated below.			
Project Information			
Enter Parcel Number (APN) with dashes (XXX-XXX-XX) ¹			
School District ²			
Located within Urban Services Line? ²			
Planning Area ²			
Flood Control District ²			
New SFD / Accessory Dwelling (ADU) / Addition		sq. feet	
Is new square footage part of an Addition?		Y or N (this field must be filled in)	
Is new square footage part of a new ADU?		Y or N (this field must be filled in)	
Square footage of Existing Structure ³		sq. feet	
Interior Remodel Square Footage ⁴		sq. feet	
# of new bedrooms		each	
Proposed Garage/storage		sq. feet	
Proposed Carport		sq. feet	
Proposed Uncovered deck		sq. feet	
Proposed Covered deck		sq. feet	
Proposed Swimming Pool		sq. feet	
Proposed Foundation ⁵		sq. feet	
Proposed Retaining Wall(s) Wood ⁶		sq. feet	
Proposed Retaining Wall(s) Concrete ⁶		sq. feet	
Proposed Barn		sq. feet	
Proposed Grading		cubic yards	
Other New Impervious Surfaces ⁷		sq. feet	
Project Requires a Soils Report ⁸		Y or N	
Fee Estimate Summary			
Processing		\$	-
Building Plan Check		\$	-
Green Building Plan Check		\$	-
Permit Fee (Inspections)		\$	-
CA Building Standard Admin		\$	-
Technical Training Fee		\$	-
CA Strong Motion Fee		\$	-
General Plan & Technology Fee		\$	-
Soils Report Review		\$	-
Environmental Plan Check		\$	-
Environmental Inspections		\$	-
Grading		\$	-
Zoning Plan Check		\$	-
Public Works Fees		\$	-
Roads Review		\$	-
Drainage Review		\$	-
Impervious Surface Fee		\$	-
Sewer / Sanitation Connection		\$	-
Roadside Improvement		\$	-
Transportation Improvement		\$	-
Environmental Health Review Fee ⁹		\$	-
Park Dedication Fees		\$	-
Child Care Fees (Human Services Department)		\$	-
Fire Review		\$	-
School Fees		\$	-
Records Management Fee		\$	-
	Estimated Total Permit Cost	\$	-
	Amount Due at Application Submittal	\$	-

Notes:

1. If you do not know your parcel number, click here: <http://sccounty01.co.santa-cruz.ca.us/ASR/>
2. If this box does not return a value, it is likely that your parcel number has recently changed. Try entering your old parcel number or a neighboring parcel number.
3. Only enter a value if you are adding square footage to the existing structure. Otherwise leave this cell blank.
4. For interior remodels, enter only the square footage of the portion of the structure planned to be remodeled.
5. Foundation square footage is calculated as the surface area of the foundation. For example if you are upgrading 200 feet of a foundation that is 1 foot wide, the square footage is $200' \times 1' = 200$ sq. ft.
6. The square footage of retaining walls is calculated as the area of the face of the wall.
7. Other impervious surfaces are areas that are paved, concrete, etc. Examples are driveways and concrete patios. Also note, if a square footage is added in another cell, don't duplicate it in this cell. Only enter other impervious surface area not accounted for in other cells.

Impervious surfaces fees are automatically calculated from the values entered in other cells of this worksheet (such as "New SFD"). Please note that square footage is calculated as the footprint of the new impervious surface. For example, for a new 2000 sf two story house with 1500 sf 1st floor and 500 sf 2nd floor, only the 1500 sf footprint is counted. If your project includes a new 2 story structure or a new addition over an existing structure, enter the 2nd story area as a negative number in this cell. For the example given here, "-500" would be entered.

8. Check the County soils report guidelines to see if a soils report is required.

9. Additional Environmental Health fees may apply based upon the type of septic system, when it's an upgrade or new system, or whether new bedrooms are added. Please check with Environmental Health Services (831-454-2022) to see if additional fees apply.
10. This spreadsheet is an estimate only. Actual amounts may vary based upon the scope of your project that cannot be accurately reflected in this spreadsheet.

Form 2. Building Permit Application used at Building Counter (two pages)



County of Santa Cruz, PLANNING DEPARTMENT
Building Permit Application
701 Ocean Street, Santa Cruz, CA 95060 | TDD (831) 454-2260 1-4pm | Fax (831) 454-2131

Application Taken By: _____ Application Date: **01/11/2013**
Print Date: **01/11/2013**
Return Date / Initials: _____

Parcel No. _____
Address: _____ **A 95073**

PROJECT DESCRIPTION

Construct a 700 sq ft addition to a existing 1-story SFD to include one new bedroom and one new bath room. Results in a 1-story 3529 sq ft SFD with 5 bedrooms, three bathrooms, living room, familyroom, laundry room with attached garage.

Related Applications: None

Applicant _____

Agent _____

Contractor _____

Designer/Architect _____

Engineer _____

Owner _____

APPLICATION INFORMATION

Work Type: Dwelling
Permit Type: RA
Occupancy Group(s): None
Valuation: \$75,026.00

Priority: _____

APPLICATION REVIEWS

Building Plan Check Review
Encroachment/Driveway Review
Environmental Planning Review
Public Works Storm Water
Public Works Transportation
Sanitation District
Zoning Review

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APPLICATION FEES

Date Paid	Fee Description	Fee Code	Amount
1/11/13	Building Permit Processing	ABB	
1/11/13	Building Plan Check	ABC	
1/11/13	DPW OTC Plan Check	W5B ✓	
1/11/13	DPW Rd Pln SFD Remod or Add_BdrmAdd	WE2 ✓	
1/11/13	Env Resource Plan Check - Regular	EPR ✓	
1/11/13	General Plan Maint Surcharge 4prcnt	AAA	
1/11/13	GeneralPlan & Tech Update 4prcnt	AAB	
1/11/13	Records Management Fee	RMF ✓	
1/11/13	Soils Report Review - Regular	ESR ✓	
1/11/13	State Bldg Standards Admin SB 1473	BSS	
1/11/13	Zoning PlanChck Sm Projects_Proj Rev	JP9 ✓	

01/11/2013 TOTAL FEES

NOTICE TO BUILDING PERMIT APPLICANT

1. For information regarding your Building Permit Application, you may e-mail the Building Counter of the Planning Department at: bidinfo@co.santa-cruz.ca.us, or you may call the Building Information Line at 831-454-2260 - Please visit our website for hours of operation.
2. When review of your Building Permit Application has been completed, you will be notified of the results: either that your application has been approved or, if any reviewer has not approved your application, their comments will be forwarded to you. Please see the information below relating to appeals.
3. Your application fees are not refundable, except as specified in the Planning Department Fee Schedule.
4. You must advise residents of the subject property that Planning Department staff may be visiting the site. The site must be clearly marked/staked for staff inspection. Incomplete directions or markings will delay the review of the project.
5. If you have begun any activity requiring County review or approval without first obtaining a permit, you will be charged for staff time incurred to investigate the violation and costs for staff time that accrue until the violation is resolved. Authority for these charges is found in Chapter 1.12 of the Santa Cruz County Code.
6. Actions by County staff regarding your Building Permit Application may be appealed. For guidance on how to file an appeal, contact the Building Counter of the Planning Department or refer to the brochure on our Web site at: http://www.sccoplanning.com/html/devrev/plnappeal_bldg.htm.
7. Extension Policy: You have until the expiration date of this application to resolve all deficiencies and obtain your permit. Per County Code, the expiration date is two years after the application date or six months from the date the application is approved whichever comes first. **Extensions of the expiration date are rarely granted and only in extreme cases where extenuating circumstances can be shown.**

SIGNATURES

The undersigned applicant hereby authorizes the filing of this application, and authorizes staff to visit the subject property. I understand that staff may visit the property both during the review process and following the issuance of the permit. I certify to the best of my ability that the above and attached information is true and correct, and that I have read and understood the above information.

Signature Of Applicant _____

APPLICATION TAKEN BY:
 PLANNING DEPARTMENT
 SUBMITTED AT: 701 OCEAN STREET

Pajaro Valley Water Management Agency

Directors Needing Direction

When tillage begins, other arts follow.
The farmers therefore are the founders of human civilization.
Daniel Webster (1782-1852)

Summary

The Pajaro Valley Water Management Agency (PVWMA or Agency), created in 1984, is the primary agency in Santa Cruz County tasked with the resolution of saltwater intrusion into the Pajaro Valley aquifer. This Agency is governed by a seven-member board of directors and has an annual budget of over \$10 million.

The problem of saltwater intrusion into the Pajaro Valley aquifer has been recognized for over 60 years, and this issue remains a serious concern for farmers and citizens. “The California State Water Resources Control Board (SWRCB) conducted an extensive investigation on water supply in Santa Cruz and Monterey Counties in 1953. It was concluded that the Pajaro Valley groundwater basin was in a state of overdraft causing saltwater intrusion. By the 1970's, groundwater levels in Watsonville were below sea level the majority of the year. In 1980, the SWRCB identified the Pajaro Valley basin as one of eleven California basins with critical conditions of overdraft. By 2000, 54 square miles of the basin were below sea level.”^[1]

The Grand Jury’s research into the financial stability of PVWMA over the last five years introduced us to an agency that has disregarded annual audit admonishments about procedures needed to protect it from fraud and theft. Investigation into its administrative style revealed an organization which only casually adheres to written policies and has an absence of leadership on the part of the Board of Directors.

Background

In 1980, the State Department of Water Resources named the Pajaro Valley basin one of 11 water basins in California with critical conditions of overdraft, “the condition of the groundwater basin where the average annual amount of water extracted exceeds the average annual supply of fresh water to the basin.” In response, then-State Senator Henry Mello introduced legislation in 1984 to create the PVWMA, and it was approved by local voters in the November 1984 election.^[2] The threat of insufficient water to support the substantial agricultural production of the Pajaro Valley is made worse by the risk of seawater intrusion into the wells of coastal farmers as a consequence of the overdraft.^[3]

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In June 1998, local voter initiative Measure D restricted the maximum augmentation (pumping of groundwater) fee to \$50 per acre-foot.^[4] Beginning in 2002, the Agency increased this fee several times and since then has been the subject of multiple lawsuits related to fee increases. The most damaging litigation was a 2007 appellate court ruling compelling the Agency to reduce the augmentation fee from \$160 to \$80 per acre-foot, and requiring the PVWMA to refund \$13.5 million in excess fees collected between 2003 and 2007.^[5] The refunds were paid over three years from 2008 to 2011. An August 3, 2011 PVWMA press release stated: "PVWMA made the final payout of \$1,270,000 in refunds this week and is finished paying the total of \$11,264,705 agreed to in a court settlement. Key to the survival of the agency while financially hamstrung from the rates reduction and refunds was the willingness of several agricultural entities to take credits against future water use, rather than an actual payout."^[6] These credits totaled almost \$2,200,000.

Given the financial costs of resolving this lawsuit, we were interested to see an article in the Santa Cruz Sentinel that PVWMA had been awarded a grant of \$4 million from the U.S. Bureau of Reclamation's Title XVI Water SMART program.^[7] In order to better understand its financial position, we reviewed the Agency's annual audits from fiscal year 2007-08 through 2011-12. The recommendations included in these audits raised concern that the Agency did not have adequate accounting procedures to protect itself from fraud, mismanagement, and further litigation expenses.

Scope

The Grand Jury examined the third-party audits of PVWMA from 2007-08 through 2011-12 and also looked at Board meeting minutes and Agency correspondence related to those audits. We interviewed staff and Board members of PVWMA, inquiring specifically about the Agency's review of, and response to, the findings of the auditors. In addition, we looked at what information was available on its website and attended regular meetings of the PVWMA Board of Directors.

Investigation

Initially, the Grand Jury became interested in PVWMA Board's responses when the Agency's third-party auditors, Bartlett, Pringle & Wolf (BP&W), noted that the same issues were left unresolved three to five years in a row. We examined the Agency's financial statements as well as the auditors' reports on them. This led us to inquire into the Board's oversight and decision-making processes.

Review of Third-Party Audits

In examining the third-party audits, we were struck by how often the same shortcomings were noted year after year. These fell into two categories: Material Weaknesses and Control Deficiencies.

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Recurring Material Weaknesses

The auditor’s definition of a Material Weakness is “a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.”^[8] If a Material Weakness contributed to a material misstatement of the financial statements, it could give an unrealistic picture of PVWMA’s financial condition. This could jeopardize the Agency’s ability to obtain further funding.

The total number of Material Weaknesses noted by the auditors in the last five audits was:

- 2007-08: 6
- 2008-09: 3
- 2009-10: 6
- 2010-11: 1
- 2011-12: 4

The recurring Material Weaknesses are shown in the table below. As with the Material Weaknesses themselves, many of the management responses shown in Appendix A are repeated year after year. In each year, management responded that it would address the issues, but the auditors determined that it had not done so.

Table 1. Recurring Material Weaknesses

Material Weakness	2007-08	2008-09	2009-10	2010-11	2011-12
Bank statements and Bank Reconciliations not reviewed by a second person	X	X	X		X
Inaccurate Recording of Grant Revenue in governmental funds and government-wide financial statements	X		X	X	X
Journal Entry not reviewed by a second person	X	X	X		X
Noncompliance with 1999 Certificates of Participation Debt Covenants	X	X	X		*

* Not listed as a Material Weakness in 2011-12, but further recommendations made: calculate quarterly vs. semi-annually, incorporate into budget process, present to Board of Directors.

The last Material Weakness in the above table relates to the 1999 Certificates of Participation in which the Agency has agreed to fix, prescribe, and collect rates and charges for water service which will be at least sufficient to yield net revenue equal to 125% of the debt service payable in a fiscal year.

The achievement of eliminating all but one Material Weakness in the 2010-11 audit was credited by the auditors to the Administrative Services Manager (ASM) working at the Agency at that time.^[9] However, the Agency decided not to retain that ASM in early 2012, leaving the position vacant until the current ASM was hired in October of that year.

A complete list of the auditors' findings, and management's responses, may be found in Appendix A.

Recurring Control Deficiencies

In addition to the Material Weaknesses noted above, the auditors also identified, via letters to management separate from the audits (Separate Letters), a number of recurring Control Deficiencies. The auditors state that a Control Deficiency exists "when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis."^[8] One Director referred to these Deficiencies as "not important enough to rise to the level of a[n audit] finding."

Although there were several, we chose to focus on only two of the Control Deficiencies: segregation of duties and control of credit cards.

1. Segregation of Duties

The auditors noted that because so few individuals are involved in the majority of accounting and financial duties, there is a lack of internal control over duties that are usually segregated. The auditors recommended additional supervision and periodic review procedures in order to alleviate this deficiency.

The auditors recommended that PVWMA should be segregating duties to address the following problems:

- The person who is responsible for processing of payroll also reconciles the payroll accounts, distributes the payroll checks and accounts for payroll checks
- Materials and supply orders are received by the same person who places the orders
- Deposits are prepared by the same person who opens the mail and prepares the cash receipt listings
- Customer invoices for non-metered water usage are reviewed by the person who prepares them

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- Client master file changes are made by the same person who processes customer billings and are not approved by a supervisor^[10]
- In the 2007-08 audit, another item was included in this list: “the Customer Service Representative has access to cash receipts, posts receipts to customer accounts and can write off customer accounts.”^[10]

The auditors’ assessment of management’s actions, if any, to improve these areas:

- 2008-09: “During the year no additional procedures were put into place to segregate these duties.”^[11]
- 2009-10: “During the year the duties of preparing the deposit and preparing the cash receipts listing were segregated. There were no changes to who performs the other duties listed above.”^[12]
- 2010-11: “There were no changes to who performed the duties listed above.”^[13]
- 2011-12: “There were no changes to who performed the duties listed above.”^[14]

2. Control of Credit Cards

In 2012, after years of admonitions by the auditors regarding credit card controls, PVWMA found itself actually being defrauded through misuse of its credit cards. In the 2008-09 fiscal year, the auditors stated the following: “During our testing of expenses paid by credit card we noted that credit card statements were not reviewed and approved by management personnel or a member of the Board of Directors. Additionally, we noted one credit card statement that did not have adequate supporting documentation to substantiate the charges. We suggest that additional procedures be put into place so that all credit card statements are approved by a member of management, and that the General Manager’s credit card charges be approved by a member of the Board of Directors.”^[11]

The auditors’ follow-up statements regarding this Deficiency in the 2009-10^[12] and 2010-11^[13] fiscal years were as follows: “During the current year audit we noted no changes to procedures related to approval of credit card statements and noted several instances where credit card charges were not substantiated with proper documentation.”

Finally, the auditors stated in their 2011-12 report: “During the year, management identified fraudulent charges on one of PVWMA’s gasoline credit cards.”^[14] The fraudulent charges occurred when the designated staff person failed to follow the established procedure of having the gas charges approved by the Senior Operations Supervisor (SOS) each month. Early in 2012, the SOS noticed that some of the charges were for a diesel vehicle even though none of PVWMA’s company vehicles used diesel fuel. Past records of diesel fuel fill ups dated back to June 2009.^[15] Upon further investigation with the gas company, photo records of the license plates of the vehicles being fueled led the authorities to the culprits, one of whom was a PVWMA employee. The charges for the unauthorized gas totaled close to \$5,000.

The auditors continued, “We also noted the General Manager’s card was approved only by the General Manager. In addition, we noted instances where the Costco card was only approved by the former Accounts Payable Clerk. Lastly, we noted instances where credit card charges were not substantiated with proper documentation. It is our understanding PVWMA is currently implementing new procedures related to credit cards.”^[14]

The Agency Act

In light of the auditors’ focus on the Agency’s debt and whether it was in compliance with the covenants to the bondholders, we examined the Long Term Debt section of each year’s audits. We became very concerned that the \$41+ million in debt listed in the 2011-12 audit may not be in compliance with the Pajaro Valley Water Management Agency Act (Agency Act) that created the PVWMA in 1984. Section 511 of this Act limits outstanding debt to \$300,000 with the financial obligation not to exceed five years.^[2]

The Long Term Debt section in the 2011-12 audit itemizes these debts. All of the \$41,491,599 total borrowing falls beyond the five-year limit of maturation.^[16]

Table 2. Bonds and Notes

Amount	Name	Payment schedule
\$19,725,000	Bond payable Certificates of Participation 10/20/99	Principal payments are due in 29 annual installments through 3/1/29 with interest due semi-annually at rates ranging from 3.5 to 5.75%
\$11,650,000	Note Payable #1 State Water Resources Control Board (SWRCB) 12/24/99	Note payable in 29 installments of \$763,561 with interest of 2.7%. Final payment due 12/17/22
\$6,214,989	Note Payable #2 SWRCB 11/21/03	Payable in 29 installments of \$414,486 with interest of 2.7% ending 11/21/23
\$3,511,446	Note payable Department of Water Resources (DWR) 6/15/05	From 4/1/08 to 2/23/12 note is payable in semi-annual installments of principal and interest in the amount of \$111,049 with interest at 2.4%, final payment 9/30/27
\$390,164	DWR 2/24/12	Commencing with the payment due on 4/1/12, the note is payable in semiannual installments of principal and interest in the amount of

Amount	Name	Payment schedule
		\$125,708, with interest at 2.4% with final payment on 9/30/27

Interviews with Directors and Staff

Given that the auditors raised the same issues several years in a row, we were interested in the Agency’s process for responding to the findings in the audits. We interviewed Board members and staff to learn what actions the Agency had taken in response to the audit findings.

We first learned that the Agency’s Administrative/Finance Committee (Admin/Fin) is the key player in PVWMA’s audit activities. This committee consists of three Board members, with the General Manager as an *ex officio* member. When the Agency receives materials from the auditors, the staff delivers them directly to the Admin/Fin members. It is this committee’s responsibility to discuss the audit and to make any recommendations to the Board of Directors concerning the audit.

Because of this committee’s key role, the Grand Jury requested “correspondence between the staff and the Board of the Agency related either to the topics of the separate letters or to the deficiencies noted in the audit report itself.” We received copies of the December 15, 2010, September 19, 2012, and November 14, 2012 Board minutes, but no correspondence. Nearly all of the few references to the audit in both the Admin/Fin and the Board of Directors’ minutes were single sentence statements that the committee recommended approval of the audit, or that the Board had approved the audit.

Moreover, in reading the minutes of the Admin/Fin meetings, we found virtually no references to any discussion about the Material Weaknesses and Deficiencies in each audit. The February 11, 2009 minutes and January 19, 2010 minutes read almost identically: “The committee received a presentation of the results of the Agency’s external audit from Bartlett, Pringle & Wolf (BP&W) . . . for the fiscal year 2007-2008 and 2008-2009 . . . BP&W also presented their findings and the Agency’s management response. There was discussion amongst the committee and a member of the public regarding internal controls. BP&W stated that new rules require audit firms to apply more rigor in their engagements. The committee voted unanimously to accept the FY 2007-2008 and 2008-2009 audit documents. The audited financial statements will be presented to the Board of Directors at . . . [its next] meeting.”

We interviewed two staff members who were present at these meetings but neither could recall details of the discussions. We asked if these discussions of internal controls were a regular part of each year’s audit and both responded that they “thought they were.” On the other hand, two of the Board members we interviewed were unaware of the Separate Letters and reported little discussion of Material Weaknesses

or Deficiencies taking place in either the Admin/Fin or in the Board of Directors' meetings. One staff member said they assumed whatever discussion was had in the Admin/Fin somehow made its way to the Board since the Committee is comprised of three Board members. Then we asked another staff member if the entire Board receives copies of both the letters itemizing Material Weaknesses and Findings, and the Separate Letters discussing the Deficiencies. The response was that they were unsure how the Board receives the letters since there had been three to four different people distributing audit material to the Board since 2008. This interviewee stated that "the Board should have received the letters." It appears that there has been little, if any, information regarding these audit details reaching the full Board.

Still unclear as to what the Board's process was for reviewing the results of an audit, we asked Board members directly why these deficiencies had persisted for five years without correction. We received a variety of responses. Each Director brought a different viewpoint regarding audits to the Board. Some comments:

- (regarding the deficiencies) "... same old bunch of statements . . . such minute findings, just searching for something wrong"
- (regarding the audit) "It's pretty snoozy stuff. The auditor's terminology is confusing."

A commonly-stated viewpoint was that the Board members knew about these deficiencies but were resigned to the fact that nothing could be done to correct these issues without additional staffing. In 2008, the administrative side of the PVWMA had been cut from seven to three people, not including the ASM position which has been staffed for only 21 months during the last five years. The Board members with this viewpoint had been operating in a crisis mode dealing with vast amounts of litigation over the years. One stated, "We were being litigated off the planet." They felt that such auditor recommendations as a second person to review bank statements or segregation of duties was beyond the ability or time constraints of the three people remaining on the administrative staff.

We asked one interviewee to explain the 1999 Debt Covenants that the auditors recommended be reviewed semi-annually. The response was that the Agency had agreed to "collect rates which will be at least sufficient to equal 125% of the debt service payable in the fiscal year." They also stated that the review was done "sort of semi-annually" and that, in some years, the 125% bond covenant probably was not met because some of the revenues were used to pay augmentation fee refunds. When we asked if a temporary person could have performed this analysis, one Director stated that staff would not consider this a priority until "the Board decides it's a major problem." This statement indicated that the staff would not correct these problems without instruction from the Board of Directors.

At the other end of the spectrum, another Director was appalled to learn from the Grand Jury that these auditor-identified deficiencies had been happening repeatedly over the last five years. This Board member believed that these deficiencies should have been

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more thoroughly addressed in the Admin/Fin and the discussion passed on to the Board in their annual audit review. Two of the Board members we interviewed stated they had never been informed about the Separate Letters. One Director stated that any such abbreviated discussions in the Admin/Fin ended with the GM promising to take care of everything.

When we asked who writes the Management Responses to the auditors' Findings about Material Weaknesses, we were given a variety of responses. One interviewee stated that the GM wrote the responses while another told us that the Financial Analyst and a part-time contract person had written some of the responses. When we asked staff members if the Board sees the responses before they are sent to the auditors, the reply was "No, I don't think so."

Given that the Board did not seem to have a policy or procedure in place for responding to its annual audit, we decided to see if that applied to other areas. One area of policy in which we sought clarity was the discrepancy between the Agency's reported long-term debt and the borrowing limits set for PVWMA in Section 511 of the Agency Act, which reads:

The Agency may, by resolution adopted by the board, issue negotiable Promissory notes to acquire funds for any agency purpose or purposes. Any issue of promissory notes shall bear interest at a rate not exceeding 10 percent per year and shall mature over a period not exceeding five years from the date thereof. The aggregate principal amount of such notes outstanding at any one time shall not exceed three hundred thousand dollars (\$300,000).^[2]

When we asked Board members how the \$41 million in notes and bonds in the Long Term Debt section of the audit were authorized, one Board member said "To me 'promissory note' is just a phrase. I don't believe it applies. It's not like notes that are long-term." Other members of the Board and staff stated that the Agency's legal counsel advised them that these loans were in compliance with the Agency Act. According to the agency, compliance is based on Section 510 which reads in part:

*The agency may do any of the following:
(a) Enter into contracts and employ and retain personal services. The board may cause construction or other work to be performed or carried out by contracts or by the agency under its own supervision.^[2]*

Some Directors said that there had been discussion at the Board level regarding changes to the Agency Act to eliminate such conflicting portions of the Act, such as section 510 conflicting with 511 in regard to long-term debt. The legal counsel for PVWMA also advised that some portions of the Agency Act conflict with Proposition 218, the Right to Vote on Taxes Act (Prop 218) requirements and need to be corrected to be in compliance with that legislation. In order to change the Agency Act, the changes would need to be submitted to the local voters for a majority vote. However,

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one interviewee said, “The Act needs updating but farmers in the valley don’t trust the Agency and would not vote for any changes.”

We also asked both Board and staff members about the relationship between the Board and staff and who has the final say in fiscal matters. Most responded that the Board sets policy and the staff handles day-to-day operations. In one case, however, we found that in the absence of a regularly-enforced policy, the staff had established its own practices. At the October 24, 2012 Board of Directors meeting, the Board was asked to approve a resolution that read, in part, “To increase the GM’s contracting authority from \$10,000 to \$25,000, *consistent with the long established and accepted practice at the Agency.*” [emphasis added] From the wording of the discussion, it appeared that the GM and legal counsel had been under the impression that the GM’s limit had been \$25,000 ever since the establishment of the first Purchasing and Check Signing Policy in 2003.^[17]

From this same meeting came these notes: “A review of the Purchasing and Check Signing Policy by the General Manager and Counsel revealed that, in fact, the General Manager’s authority to enter into a contract to purchase services or labor is limited to \$10,000, not \$25,000.” Despite the 2003 policy, the Board had regularly authorized payments on these contracts via the approval of checks presented to the Board at their meetings. This proposed amendment triggered a heated response from one of the Directors in a memo to other Board members. “I . . . have never been informed, nor in any way made aware, that it has been **policy** for any General Manager to brazenly ignore any policy established by a resolution of the Board; in this case Resolution 2003-09.”^{[17][18]} The Grand Jury shares that director’s concern that, rather than confront the GM for these actions, the Board merely increased the approval level to match the *de facto* one. That is, when the Board found that staff was not following its own rules, the Board simply changed the rules.

The Director followed his memo with a request that the GM provide the Board with a list of “all contracts not submitted to the Board for approval.” Upon reviewing the list, he noticed that there was no contract listed for a regularly employed consultant to whom the agency had made payments in the past year of nearly \$25,000. (These payments were listed on the check register given to the Board for approval at its regular meetings.) This Director observed, “I have no way of knowing, or finding out, how many other contracts, entered into by the GM, have been omitted, or whether serial contracts were executed to avoid the \$25,000 *established practice* limitation.”^[18] As a result, he requested that the Board “employ a qualified CPA to conduct a full forensic examination of the agency financial records and procedures, and submit a report to the Board including recommendations for changes that would allow the Board to exert the financial oversight required for it to maintain its required fiduciary responsibility.”^[18]

Had the Board of Directors seen the January 6, 2011 contract letter for the consultant mentioned above, they would have noted that it states that “Payment to consultant for services rendered under this Letter Agreement shall not exceed *ten thousand dollars (\$20,000)* [sic][emphasis added].” A second Letter Agreement of October 18, 2011 for

this same consultant states “This letter revises Paragraph 3 in the 1/6/11 agreement . . . to increase the maximum payment from \$20,000 to \$25,000 [emphasis added].” Since the agreement with this consultant occurred before the October 24, 2012 Board meeting that raised the approval limit, any of these authorizations beyond \$10,000 required Board approval. In addition, while the staff was preparing a Contract Commitments spreadsheet in April 2012 for the Admin/Fin meeting, the GM directed staff to remove this consultant’s contract and fee information before the spreadsheet was presented.

These interviews gave us a picture of a Board that was disengaged or uninformed. We came away with the impression that the staff is selective in the information shared with the Board as evidenced by the lack of information discussed regarding the audits’ Material Weaknesses and Deficiencies. Without Board oversight, the staff has adopted its own procedures, examples of which are the contract approval level and credit card issues noted above. One interviewee stated: “The GM receives no hard questions from the Board and what she asks for is routinely approved.”

Board Meeting Observations

With our focus on the auditors’ recommendations for internal control improvements concerning the Material Weaknesses and Deficiencies, we attended the November 14, 2012 Board meeting to observe the process by which the Board reviews and approves the annual audits. Two Board members stated that they had received the thick agenda packet only hours before the meeting and that this was a continuing problem. During the meeting, there was no discussion from the Board or public regarding the audit.

The majority of that meeting concerned the presentation of the draft of the new Basin Management Plan by Carollo Engineers. Although the consultant presenting the draft was careful to say that he was not asking for a decision to be made that evening, one Board member called for a vote to accept the draft and directed the staff to proceed with stakeholder meetings. Since this presentation was agendized as “Receive update on the Draft Basin Management Plan” rather than “Consider approval of Draft etc.”, one Director objected to such action outside of the Agency’s regular process wherein only “Consider Approval” items are eligible to be voted upon. Nevertheless, the agency counsel and another Director pressed forward with the vote.

Findings

F1. The Board of Directors has not been acting on the Material Weaknesses or Control Deficiencies listed in each audit for the last five years.

F2. The PVWMA minutes and agenda materials fail to document whether the Administrative/Finance Committee has been forwarding or initiating any discussion regarding the Material Weaknesses or Control Deficiencies in their audit recommendations to the Board in the last five years.

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F3. The Agency's 2011-12 audit shows the PVWMA Long Term Debt to be over \$41 million, which does not appear to comply with Section 511 of their Agency Act limiting outstanding debt to \$300,000.

F4. The Grand Jury's investigation revealed numerous instances of Agency failure to properly define and carry out roles of staff and Board of Directors.

Recommendations

R1. The Board of Directors should direct the staff to correct Material Weaknesses and Deficiencies before the following year's audit and provide a review of the corrections to the Board.

R2. The Board should direct the Administrative/Finance Committee to include discussion of auditor-reported Material Weaknesses or Deficiencies of any type in its annual recommendations to the Board.

R3. The Board should address the apparent conflict between the Agency's current debt and the limits set in the Agency Act.

R4. The Board should employ a qualified CPA to conduct a full forensic examination of the Agency financial records and procedures, and submit a report to the Board recommending changes guiding the Board to exert the financial oversight for its required fiduciary responsibility.

Commendations

C1. During our investigation a new ASM was hired in October 2012. Our main question in this investigation had been, why are these audit deficiencies that undermine the control of this critical agency so frequently unaddressed? The most common response was “we’re short-staffed.” Our recent interviews have revealed to us that the new ASM is working on the following:

Table 3. Progress on Addressing Weaknesses

Issues in this Grand Jury investigation	Current status
<u>Material Weaknesses</u>	
Reviewing Journal Entries	in progress
Reviewing Bank Statements and Reconciliations	in progress
1999 Bond Covenant part of quarterly budget	completed
Recording of Grant Revenue	in progress
<u>Deficiencies</u>	
Government wide accounting practices	in progress
Reviewing Credit Card receipts	in progress

C2. One Director is calling for re-review of the auditors’ Findings and Deficiencies from past audits. We commend these efforts and look forward to the audit results for fiscal year 2012-13.

Responses Required

Respondent	Findings	Recommendations	Respond Within/ Respond By
Board of Directors, Pajaro Valley Water Management Agency	F1- F4	R1- R4	90 days October 1, 2013

Definitions

- **Admin/Fin:** The Administrative/Finance Committee of the Pajaro Valley Water Management Agency.

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- **Agency Act:** State legislation that created the PVWMA and directs its policies and procedures.
- **ASM:** Administrative Services Manager.
- **BP&W:** The Agency's external auditors Bartlett, Pringle and Wolf.
- **Control Deficiency:** A Control Deficiency exists when the design or operation of a control does not allow management or employees, in the course of performing their assigned functions, to prevent or detect misstatements on a timely basis.
- **GM:** General Manager.
- **Material Weakness:** A significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.
- **Proposition 218:** *Right to Vote on Taxes Act* - This Act added Articles XIIC and XIID to the California Constitution. It states in part: "*Except for fees or charges for sewer, water, and refuse collection services, no property related fee or charge shall be imposed or increased unless and until that fee or charge is submitted and approved by a majority vote of the property owners of the property subject to the fee or charge or, at the option of the agency, by a two-thirds vote of the electorate residing in the affected area.*"^[19]
- **PVWMA:** *Pajaro Valley Water Management Agency* - A state chartered water management district formed to efficiently and economically manage existing and supplemental water supplies in order to prevent further increase in, and to accomplish continuing reduction of, long term overdraft.
- **Separate Letters:** Auditors' letter to management discussing recommendations for improvement of Control Deficiencies.
- **SOS:** Senior Operations Supervisor.
- **1999 Certificate of Participation Debt Covenants** - The 1999 Certificate of Participation is a bond, or debt instrument, that was issued in 1999 by PVWMA in order to raise money for the Agency. Within the bond are covenants (agreements) specifying how the money is raised, spent, and repaid to the bond buyers. One of the covenants in this bond states that PVWMA will collect charges related to water service that will be at least sufficient to yield net revenue equal to 125% of the debt service (interest charges) on the bond payable each year.

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[Excerpt from Section B: Professional Services - *"This Purchasing and Check Signing Policy grants authority to PVWMA's General Manager to purchase or enter into contract to purchase services or labor under the following guidelines: Professional Services (1) If the amount is \$10,000 or less, and is either budgeted or there are emergency circumstances, but only after appropriate price comparisons have been obtained; or (2) If the amount is greater than \$10,000, or is unbudgeted, then only with the prior approval of PVWMA's Board of Directors."*]
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 - Administration Finance Committee Archives

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- Audits 2009-10, 2010-12, and 2011-12 <http://www.pvwma.dst.ca.us/about-pvwma/budget.php>
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Appendix A: Summary of Auditors' Findings of Material Weaknesses

The following tables present the auditor's Findings and management's Responses as written in the original audits.

Table A-1. Material Weakness: Review of Bank Statements and Reconciliations

Year of Audit	Auditor's Findings	Management Response
2007-08	Finding 08-6 "The Bank Statements and Bank Reconciliations are not reviewed by someone other than the person who prepares them. We suggest that someone independent of the cash disbursement or bank reconciliation function receive the bank statements unopened and review the cancelled checks. Additionally, we suggest that someone other than the person who prepares the bank reconciliations review and approve the reconciliation."	"The General Manager will receive and periodically review the bank statements. The General Manager will review and approve the bank reconciliations on a monthly basis."
2008-09	Finding 09-3 "The bank reconciliations are not reviewed by someone other than the person who prepares them. We suggest that someone other than the person who prepares the bank reconciliations review and approve the reconciliations."	"The General Manager will review and approve the bank reconciliations on a monthly basis."
2009-10	Finding 10-3 same as 09-3	"When hired, the Administrative Services Manager will review and approve bank reconciliations."
2009-10	Finding 10-5 "Bank statements are not reviewed by someone other than person who prepares the bank reconciliation. We suggest someone other than the person who prepares the bank reconciliations receive the unopened bank statements and review them for propriety of transactions."	"When hired, the Administrative Services Manager will receive the unopened bank statements and review them for propriety."

Year of Audit	Auditor's Findings	Management Response
2011-12	Finding 12-3 same as 08-6	"Commencing with the 2012-2013 fiscal year, the Administrative Services Manager will review and approved all bank statements and reconciliations."

Table A-2. Material Weakness: Recording of Grant Revenue

Year of Audit	Auditor's Findings	Management Response
2007-08	Finding 08-4 "Grant revenue should only be recorded in governmental funds when the resources are available. During the audit an audit adjustment was made to record deferred revenue for grant income that was not available. Additional controls should be put into place to ensure that grant revenue is properly recorded."	"Additional controls will be put in place to review grant status at year-end so that grant revenue, grants receivable and deferred revenue are properly recorded in the financial statements."
2009-10	Finding 10-4 "Grant revenue should be recorded in the governmental funds when the resources are available and when earned in the government-wide financial statements. During the audit, an audit adjustment was made to record grants receivable for amounts received shortly after year end. Additional controls should be put in place to ensure that grant revenue is properly recorded."	"When hired, the Administrative Services Manager will have the necessary high level accounting skills to review grant transaction and determine if they are in accordance with generally accepted accounting principles."
2010-11	Finding 11-1 same as 10-4	"The Administrative Services Manager will review grant transactions and ensure all submittals are recorded."

Year of Audit	Auditor's Findings	Management Response
2011-12	Finding 12-1 same as 10-4	"Commencing with the 2012-2012 fiscal year, the Administrative Services Manager will review all grant transactions and ensure all submittals are recorded."

Table A-3. Material Weakness: Journal Entry Approval

Year of Audit	Auditor's Findings	Management Response
2007-08	Finding 08-5 "Journal entries are not reviewed for accuracy and propriety by someone other than the preparer. To prevent possible misstatement, all entries should be reviewed and approved to ensure accurate recording and reporting of financial information."	"Additional controls will be put in place to ensure that someone other than the preparer will review all journal entries. In addition, the General Manager will review journal entries that are not reoccurring in nature."
2008-09	Finding 09-2 same as 08-5	same as 2007-08
2009-10	Finding 10-2 same as 08-5	"When hired, the Administrative Services Manager will review and approve journal entries."
2011-12	Finding 12-2 same as 08-5	"Commencing with the 2012-2013 fiscal year, the Administrative Services Manager will review and approved all journal entries."

Table A-4. Material Weakness: 1999 Certificates of Participation Covenants

Year of Audit	Auditor’s Findings	Management Response
2007-08	<p>Finding 08-3 “We noted that for the 1999 Certificates of Participation, the Agency is required, per bond rate covenants, to collect rates and charges for water service which will be at least sufficient to yield, each fiscal year, net revenues, as defined by the bond covenants, equal to 125% of debt service payable on the bonds for the fiscal year. During our testing, we noted that the Agency was in violation of this covenant for the year ending June 30, 2008. We recommend that the Agency put procedures in place to monitor compliance with debt covenants, communicate with the bond trustee any potential rate covenant violations and obtain waivers, if necessary.”</p>	<p>“The Financial Analyst will review the debt covenants on a semi-annual basis to ensure that the Agency is in compliance.”</p>
2008-09	<p>Finding 09-1 “During the audit we noted that procedures are not in place to monitor compliance with the 1999 Certificates of Participation Debt Covenants. We recommend that the Agency put procedures in place to monitor compliance with debt covenants, communicate with the bond trustee any potential rate covenant violations and obtain waivers, if necessary.”</p>	<p>same as 2007-08</p>
2009-10	<p>Finding 10-1 same as 09-1</p>	<p>“The Agency is presently searching for an Administrative Services Manager who will review the debt covenants on a semi-annual basis to ensure that the Agency is in compliance.”</p>

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Year of Audit	Auditor's Findings	Management Response
2011-12	No finding, but in the Separate Letter added: "We recommend the Agency calculate the debt covenants at least quarterly and incorporate the debt covenants as a part of the budgeting process. We also recommend the debt covenant calculation is presented to the Board of Directors."	

The Santa Cruz County Office of Education

Building Confidence through Clarity

Summary

There are nearly 40,000 K-12 students enrolled in public schools in Santa Cruz County. They attend school in ten diverse local school districts, ranging in enrollment from 110 to nearly 20,000. All of these districts are served by the Santa Cruz County Office of Education (SCCOE), which offers an impressive array of services. Two examples that stand out are the mental health services provided by the Student Support Services Department and the Regional Occupational Program (ROP) which provides students with the academics and job skills to find meaningful employment.

When the Grand Jury learned that SCCOE had a large budget surplus during times of fiscal restraint, we investigated how education in Santa Cruz County is funded, how the SCCOE surplus was amassed, what services SCCOE provides to local school districts, and how funds are disbursed from the county level to individual districts. This investigation provides insights into educational funding at the state and local levels, the relationship between SCCOE and local districts, and the services provided by the county office.

Although SCCOE offers financial support to every district in the county, it lacks policies for maintaining reserves beyond those required by the state and for allocating excess funds. Furthermore, SCCOE is not guided by well-defined procedures and policies for the application, disbursement, and utilization of financial support to local school districts.

Background

An article published in the *Santa Cruz Sentinel* on August 4, 2012, entitled “County Education Agency Keeps Salaries Down,” stated that the Santa Cruz County Office of Education had accumulated a general fund reserve totalling nearly half of its revenue, “a level far unmatched among public school districts.” The article asserted that general fund reserves increased from “\$18 million in June 2009 to a high of \$21.5 million in June 2011, when its general fund revenues totalled \$45 million. That represents a 47% reserve, compared to a state requirement to maintain a 3 percent reserve.”^[1] The article also indicated that members of the local education community felt that some of these reserves should be dispersed among local districts.

Since 2011, SCCOE has run a deficit that reduces this high general fund reserve to an anticipated \$13.8 million balance in the 2012-13 Budget Report.^[2] This deficit spending includes the purchase of a building at 399 Encinal Street in Santa Cruz, the modernization of the Ponderosa School in San Lorenzo Valley, the solar project for the main office building at 400 Encinal Street, and direct support to school districts.^[3] The

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decisions to maintain the large reserve, or to spend it on particular projects do not seem to be based on any known policies.

Adopting policies is the primary responsibility of the County Board of Education. The SCCOE seven-member Board of Trustees is also “responsible for:

- Approving the annual County Office budget.
- Acting as the appeals board for student expulsions and inter-district transfers.
- Establishing the County Superintendent’s salary.
- Serving as the County Committee on School District Organization.
- Collaborating with the elected County Superintendent of Schools so that the shared vision, mission, goals and policies of the COE can be implemented.”^[4]

Like other county offices of education, SCCOE is mandated by the state “to audit school district budgets, register teacher credentials, complete employee background checks, certify school attendance records, and develop countywide programs to serve special student populations.” In addition, county offices of education “provide an important support infrastructure for local schools and districts.”^[4]

Scope

The Grand Jury decided to investigate if any policies had been adopted by the SCCOE Board of Trustees that established the parameters for the reserve. We also chose to investigate how the SCCOE accumulated such a large reserve, how it interacts with local school districts, and how it provides direct support to those school districts.

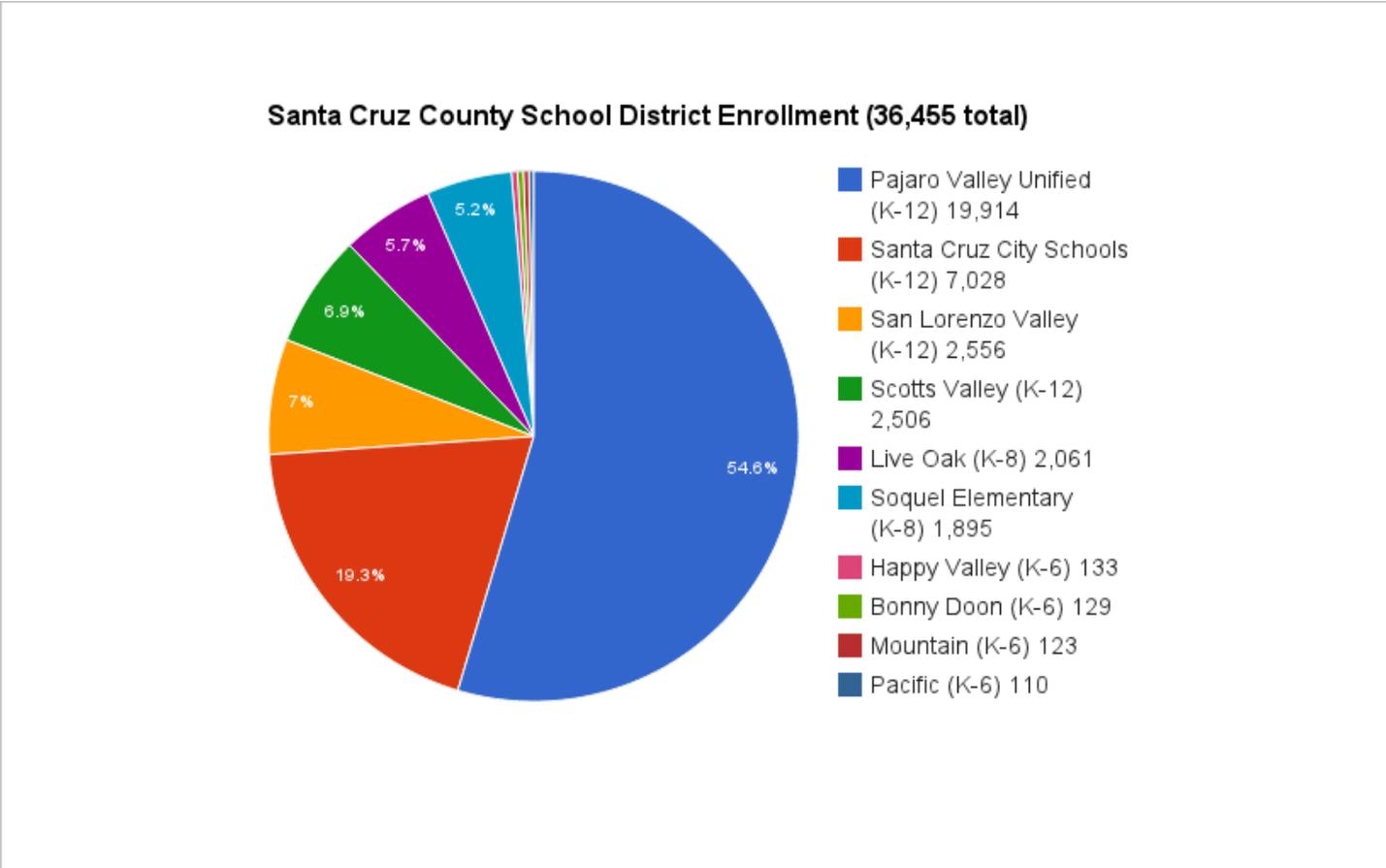
In the course of our investigation, we interviewed SCCOE administrators, staff, and board. We also interviewed five of the ten school district superintendents and other members of Santa Cruz County’s educational community, as well as County of Santa Cruz department heads. We researched educational publications, examined documents available on the SCCOE website, reviewed SCCOE Board minutes from 2008 to the present, and attended meetings of the board of the SCCOE.

Investigation

In order to understand how the reserve accumulated, we first had to learn how funds flowed into SCCOE. The first step in our investigation was, therefore, to learn something about California’s system of school financing.

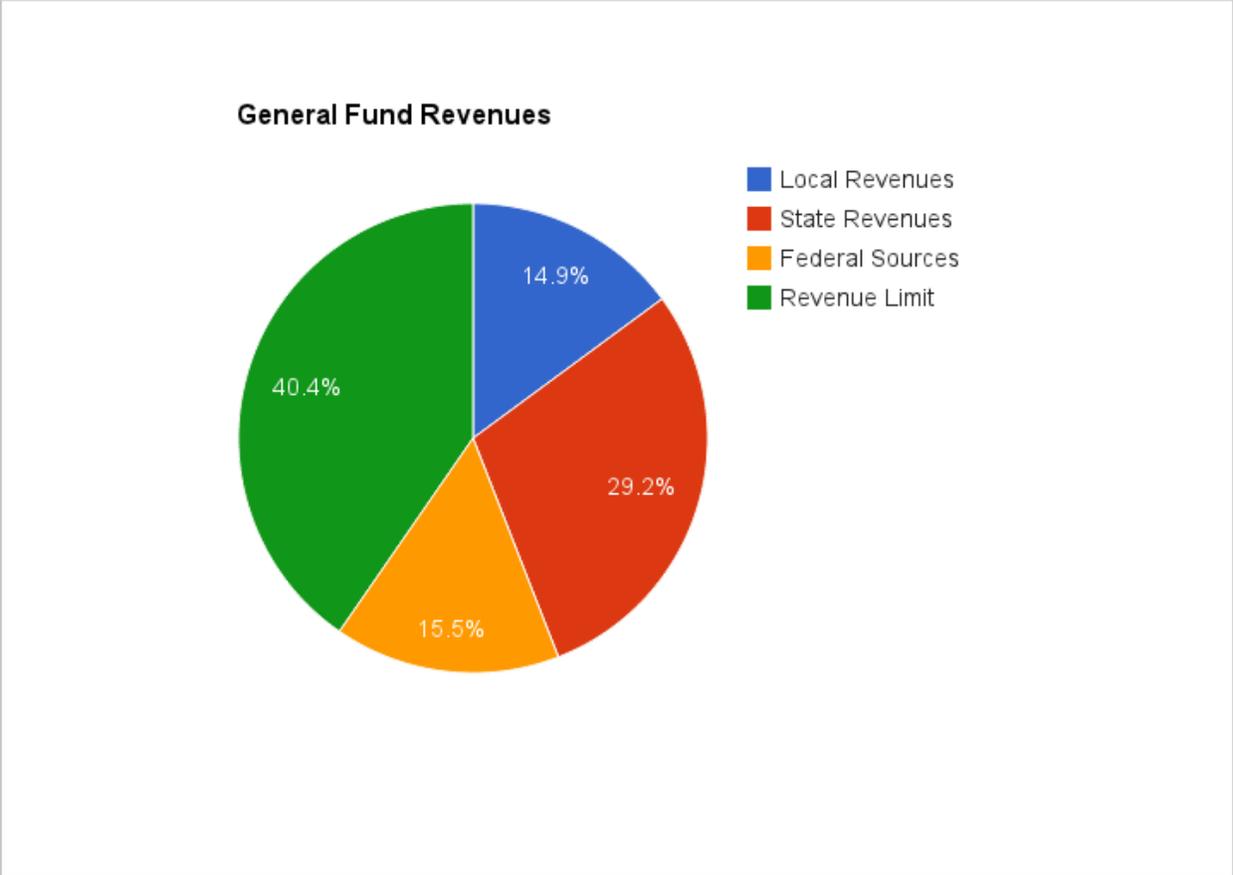
An overview of California’s School Finance System provided by EdSource^[5] and the Public Policy Institute of California^[6] spells out a complicated set of formulas. School funding varies greatly from district to district, depending not only upon location but also whether the district is elementary, secondary, or unified. The formula is further complicated by the fact that while most districts are funded by a combination of federal, state, and local sources, a few, including four in Santa Cruz County, are Basic Aid districts, which receive most of their funding from local property tax. These four are Santa Cruz City Elementary, Happy Valley, Mountain and Bonny Doon.

Figure 1. 2011-2012 Student Enrollment by School District ^[7]



SCCOE also receives its funding through a complicated series of formulas and sources, just as school districts do. For the 2012-13 fiscal year, SCCOE General Fund revenues, including restricted and unrestricted funds, amount to \$42.5 million. These come from revenue limit sources (a combination of state taxes and local property taxes), federal revenues, other state revenues and other local revenues.^[3] A major source of SCCOE revenue limit unrestricted funding is a state Average Daily Attendance (ADA) disbursement of approximately \$107 for each of the County’s 40,000 students.^[2]

Figure 2. 2012-13 SCCOE General Fund Revenues^[3]



In our interviews about funding with SCCOE administrators, staff, and board, we asked for an explanation of the large reserve. We were told that accumulations in the past were due to several events: 1) a previous Chief Financial Officer (CFO) who was fiscally frugal and a long-term visionary initiated a spending freeze during the 2008-09 budget crisis; 2) Regional Occupational Programs (ROP) funding changed from a restricted to an unrestricted category; and 3) the uncertainty arising from constantly changing state funding formulas prompted fiscal restraint.

The uncertainty caused by changing state funding formulas has been most apparent in the current (2012-13) fiscal year. In August of 2012, doubt over the passage of Proposition 30, “Temporary Taxes to Fund Education”, weighed heavily on spending decisions by school districts and SCCOE. With the passage of Proposition 30 in November of 2012, major cuts were avoided. Then in January of 2013, Governor Brown proposed a Local Control Funding Formula (LCFF) to direct additional funds to school districts based on enrollments of English learners and low-income students.^[8] What impact this formula will have on county offices of education and SCCOE in particular is unknown at this time. One suggestion in the LCFF proposal would move some ROP funding from county offices of education to the local school districts.^[9] In a *Santa Cruz Sentinel* article about the SCCOE board meeting of March 21, 2013,

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SCCOE County Superintendent of Schools Michael Watkins stated, “If the local control funding is enacted, we’ll have to tighten our belts over the next two or three years and reduce costs.”^[10]

Though SCCOE should be commended for its fiscal restraint, the Grand Jury continues to question the need for such a sizeable reserve. A question also remains about what policies exist for establishing the reserve and deciding how it should be spent. We learned from a SCCOE administrator that the disbursement of funds to local school districts has worked through an informal process based upon each district’s needs which the superintendents bring up during monthly meetings. This was confirmed by a member of the board, who conceded that there was no specific policy in place for financial aid to districts. He suggested that such a formal plan would be beneficial in the future.

The board meeting minutes of January 19, 2012 provided insight into community concerns about the expenditure of \$1.45 million in reserve funds to purchase the building at 399 Encinal. The following is a direct quote from these board minutes.

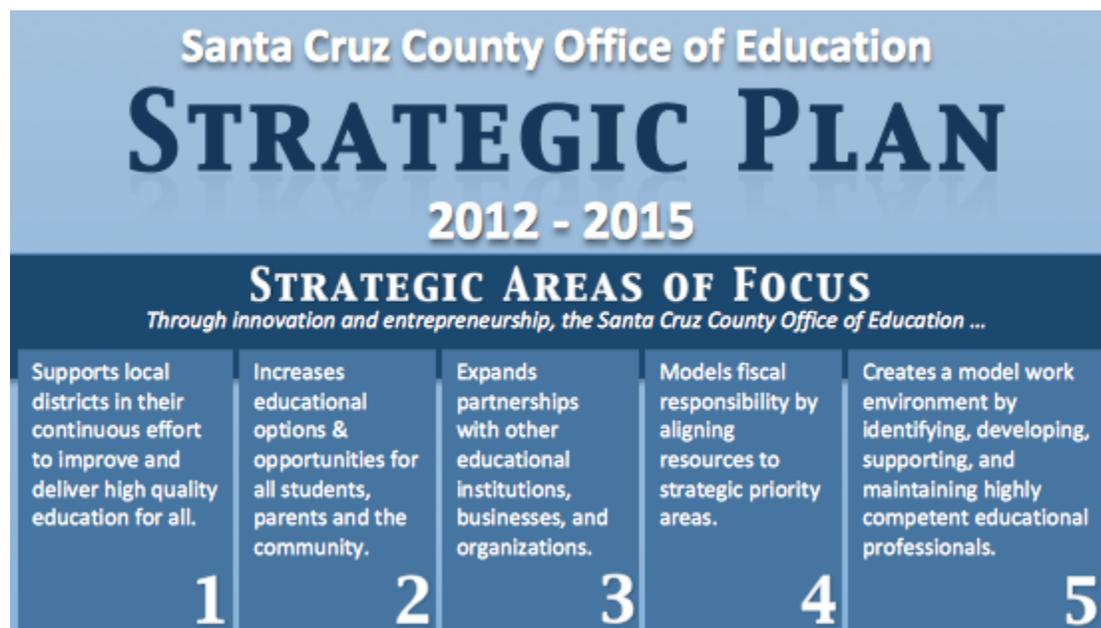
Superintendent Watkins stated that SCCOE has been a fiscally prudent organization. Superintendent Watkins responded to the public comment by stating that over the past two to three years SCCOE has contributed at least a half million dollars to Santa Cruz City School District alone to support its programs, in addition to the support given to other school districts in the county, totaling more than two million dollars.

Superintendent Watkins noted that SCCOE runs niche programs, including Migrant Head Start, ROP, New Teacher Project, and Educational Services, all of which have grown. Watkins further explained that SCCOE is working with the Sheriff’s Department on justice realignment and is considering a career center for adults and youth within our county, noting the purchase of 399 Encinal is to accommodate growth in programs and professional development space. He noted that Santa Cruz City Schools holds its Board meetings at the SCCOE facility, free of charge, and reminded the Board and audience that SCCOE offers its facilities to school districts and other community-based organizations at no cost, while other COEs in the state do not.

In response to a comment from a San Lorenzo Valley Board member that districts need help, Superintendent Watkins noted that when the SLV School District asked SCCOE to run its White Oak Continuation School, it stepped in and relieved SLV of that liability, adding that SCCOE has helped districts every step of the way based on priorities brought forth by district superintendents, and that its intention is not to stagnate, but to grow to support students countywide, adding that the SCCOE has always partnered with school districts to support children.

Although everything that the Grand Jury had learned so far suggested that SCCOE was running well and serving the needs of teachers and students, we were still puzzled at the lack of protocol and procedures for disbursement of funds from SCCOE to local districts. At one of our interviews, the Grand Jury received a copy of the SCCOE's Strategic Plan. The first part of the Strategic Plan shows five areas of focus.

Figure 3. Santa Cruz County Office of Education Strategic Plan^[4]



According to the first-listed strategic area of focus, the office “supports local districts in their continuous efforts to improve and deliver high quality education for all.” Part of this support is and has been financial. The SCCOE Board minutes from November 17, 2011 show examples of this support. The following item was in the Superintendent’s Report at that meeting:

In our continuing effort to support districts, we have the following projects that we are funding:

Happy Valley - Overdue maintenance for buildings and septic systems;

Soquel Union Elementary - A demonstration site for a new software for English Language Learners;

Mountain Elementary - Upgrading of technology infrastructure.

In order to understand local school districts’ positions on the SCCOE reserve, and how these districts benefited from SCCOE support, the Grand Jury interviewed several members of Santa Cruz County’s educational community, including half of the ten district superintendents, as well as local and county employees and school board members. While there were a variety of opinions on how well SCCOE served individual

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districts, there was consensus on a number of issues. Everyone credited SCCOE for its professional development programs which supported new teachers and administrators. Likewise, praise was given to special education programs, alternative education programs, and BASTA (Broadbased Apprehension, Suppression, Treatment and Alternatives), a program directed to kids at risk for gang involvement.

Regional Occupational Programs (ROP) received the highest praise from secondary school administrators. SCCOE describes its ROP as follows: Career and Technical Education classes provided through ROP “supplement the elective programs and help to reduce student to teacher ratios in each district in every comprehensive high school and some charter schools. In 2011-2012, ROP served 3,500 students in 128 classes covering 44 subjects at 23 different sites.” Many of these courses are approved for UC admission and others are aligned with Cabrillo College. ROP also offers fee-based programs for adults, including Dental and Medical Assisting.^[3] Referring to ROP programs offered through SCCOE, a recent WASC (Western Association of Schools and Colleges) review member said “The way you operate your program should be a model for the state.”^[11]

Those expressing dissatisfaction with SCCOE suggested that SCCOE exceeded its authority at times by attempting to intervene in district issues, adding duplicate or overlapping programs, and overcharging for services. Regardless of individual assessments of SCCOE’s effectiveness, no one we interviewed could explain a process by which funds were disbursed from the SCCOE to local districts. For example, no one knew of a one-time \$250,000 grant that was given in 2012 until it actually happened. The Grand Jury learned about the grant from a Consent Agenda item in the SCCOE Board minutes of August 16, 2012.

Trustee Dilles reported that he and Trustee Sales met with Mary Hart, Associate Superintendent of Business Services, regarding the concept of a one-time allocation of funds to K-12 districts with a clear methodology of how that is done, to show equity. The concept would be based on district ADA and districts would be asked to submit a brief proposal to include how funds would be used to support student achievement.

Other than this one example, the policy for disbursement of funds was described by local superintendents as “Ask and you shall receive.” No one felt that any improprieties had occurred, but most conceded that the lack of procedure was troubling, and had the potential to lead to misunderstanding and distrust.

One of the critics felt that SCCOE should not have amassed such a large reserve, and suggested that SCCOE might be overfunded. In spite of these concerns, that person gave credit to SCCOE for supporting alternative education, special education, and “bridge funds” to help school districts with temporary budget shortfalls.

The Grand Jury returned to the County Office of Education to clarify some questions about its budget that had arisen since our previous interview there. We learned about the specifics of the \$250,000 one-time allocation. The idea for this grant was presented and approved at an August 16, 2012 SCCOE Trustees meeting, and on that same date

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the plan was announced to local superintendents through a memo. The memo showed the distribution of the grant based on ADA with some variance to allow the small districts to receive at least a baseline amount.^[7]

- Pajaro Valley Unified, \$70,000
- Santa Cruz City Schools, \$40,000
- San Lorenzo Valley, \$25,000
- Scotts Valley, \$25,000
- Live Oak, \$25,000
- Soquel Elementary, \$25,000
- Happy Valley, \$10,000
- Bonny Doon, \$10,000
- Mountain, \$10,000
- Pacific, \$10,000

As we continued our interviews, one superintendent mentioned that the only direct support received from SCCOE had been the share of the \$250,000 one-time grant. This comment illustrated that all districts may not have received equal treatment. Monthly superintendent meetings were described as lacking collaboration.

Before the Grand Jury conducted further interviews, the tragedy of Sandy Hook Elementary School in Newtown, Connecticut, claimed the lives of 20 students and six educators on December 14, 2012. In response, the County Superintendent of Schools posted a message on the SCCOE website that spelled out the efforts on the part of the County Office to ensure student safety.^[12] This gave us pause to consider the types of services available that addressed school violence, student safety, and mental health issues, and which of these were provided by SCCOE to the schools and students of Santa Cruz County. This terrible event did not cause us to abandon our initial inquiries, but it did expand the focus of our investigation.

While some superintendents were restrained in their assessment of SCCOE, others praised the office for going above and beyond the call of duty in providing services and support to local districts. As to collaboration at monthly superintendent meetings, one suggested that the disparity in district sizes played a divisive role. Regarding mental health support, this superintendent mentioned the BASTA program and credited the work of the SCCOE Student Support Services Coordinator for organizing a student safety plan and anti-bullying symposium, among other activities.

Another district superintendent echoed colleagues' praise for ROP and alternative education programs, but was vague in her assessment of superintendent meetings, mentioning that conversation often centered around particular interests which did not concern all superintendents. As to mental health issues, this superintendent felt very comfortable asking SCCOE for help when needed. As an example, SCCOE helped the district create a mental health assistance program for elementary school children with extreme behavioral issues. Again, the SCCOE Student Support Services Coordinator was praised for developing a safe-school program.

The superintendent of a smaller Basic Aid district, as the only administrator, said that she relies heavily upon SCCOE for a number of services. In addition to special education support, SCCOE provides the four small districts with a financial analyst, budgetary support, curriculum training, data processing help, and maintenance assistance. This superintendent said SCCOE was very generous and expressed gratitude for the assistance, but had no idea about the \$250,000 grant ahead of time. The superintendent felt there was no specific plan for disbursement of funds, and that guidelines and transparency were lacking. Again we heard the comment, “If you ask, you receive.”

After interviewing local school district superintendents, the Grand Jury concluded that the school districts do not have a clear idea about SCCOE financial support available to them in any given year. These interviews also highlighted the SCCOE’s Student Support Services Department as the source of mental health support outside of Special Education services.

To better understand mental health support offered by SCCOE, the Grand Jury interviewed administrators of the SCCOE’s Student Support Services Department (SSSD) and the Santa Cruz County Health Services Agency. In response to our question about the scope of SSSD, we received a list of department responsibilities. Programs and services include support for homeless students, foster youth, and students with school attendance issues. Law-related education programs include Mock Trial, Teen Peer Court, and the Reduction of Alcohol Abuse Program. SSSD runs a Youth Employment Development Program, which subsidizes job opportunities for at-risk 16 to 24 year olds. SSSD also runs the Safe and Supportive Schools Program, a task demanding more than half of its total time and resources. This program includes bullying prevention, safe schools planning, state and regional mental health partnerships, and emergency response for county schools.

Remarkably, nearly all of this department’s two million dollar budget is provided by outside grants rather than SCCOE funding. Specifically, in the 2012-2013 budget, SCCOE supplied approximately \$175,000 from the General Fund. The remaining \$1.7 million relied upon outside grants, including some in collaboration with the County Health Services Agency.^[3] This partnership with the County Health Services Agency is utilizing money from California Proposition 63, the 2004 Mental Health Services Act. The funds from this proposition are providing prevention and early intervention services to local school districts and a 3-year Regional K-12 Student Mental Health Initiative which is managed by the SCCOE’s Student Support Services Department.

The fruits of SSSD’s labor are evident in the well-respected SCCOE program to curb bullying, a problem that has been tragically highlighted by recent teen suicides. According to a March 4, 2013 article in the *Santa Cruz Sentinel*, “JoAnn Allen of the County Office of Education is seen as the regional expert on bullying and school safety. Several school districts, including some in Santa Cruz, Monterey, and Santa Clara counties, have turned to her for guidance on updating and rewriting their policies.” These policies include a specific focus on cyberbullying.

While continuing to provide and develop many programs, SCCOE still manages to maintain a large reserve which has been questioned by the Santa Cruz County education community. Since new California state funding formulas could possibly shift funding to local school districts at the expense of SCCOE, it seems even more imperative that SCCOE have policies in place that clearly spell out the amount of reserve to maintain and a process for disbursement of funds to local school districts.

Findings

F1. The Santa Cruz County Office of Education does not have a policy for setting reserve limits other than the 3% minimum reserve required by the state.

F2. SCCOE does not have a policy governing the allocation of surplus funds.

F3. SCCOE has provided consistent and significant financial support to the districts. This financial support, however, is not subject to written procedures and policies for requesting, disbursing, and utilizing funds.

Recommendations

R1. The SCCOE Board of Trustees should adopt a policy establishing parameters for the amount of a reserve to maintain and should align resources to strategic priority areas.

R2. The SCCOE Board of Trustees should establish well-defined procedures and policies regarding financial support to school districts. The procedures and policies should include guidelines for requesting, disbursing, and utilizing services.

Commendations

C1. The Grand Jury commends the Student Support Services Department for providing an array of vital services in the mental health area while collaborating with multiple entities. SSSD is also to be commended for seeking and obtaining outside grants that almost fully fund its programs.

C2. We also commend the SCCOE ROP programs, which are consistently praised by school superintendents for the exceptional opportunities they provide to a diverse number of students in Santa Cruz County.

Responses Required

Respondent	Findings	Recommendations	Respond Within/ Respond By
County Superintendent of Schools, Santa Cruz County Office of Education	F1 - F3	R1- R2	60 Days September 1, 2013
Santa Cruz County Board of Education	F1 - F3	R1- R2	90 Days October 1, 2013

Definitions

- **ADA:** *Average Daily Attendance* - One of the factors determining the amount of funding a school district receives depends on average daily attendance (ADA) or the average number of students attending school during a regular school year. ADA is determined by calculating the total number of days of student attendance divided by the total number of days in the school year. A student attending every day would equal one ADA. ADA fluctuates and can be lower than enrollment because students move, drop out, or become ill.^[13]
- **Basic Aid or Excess Revenue Districts:** The California Constitution requires the state to provide aid to all public schools. The interpretation of this requirement evolves with changing budgetary constraints. Of the nearly 1,000 school districts in California, historically there have been approximately 80 districts considered Basic Aid. Each school district has a unique revenue limit based on a complex formula. The state considers Basic Aid school districts amply funded with local property taxes and therefore does not provide additional state taxes for their general funding purposes. Basic Aid districts retain all of their property tax revenues in excess of their revenue limit entitlement and may use these funds at their discretion.^[14]
- **BASTA:** *Broad-based Apprehension, Suppression, Treatment and Alternatives* - The acronym BASTA also means “enough” in Spanish. BASTA is a collaborative and proactive effort to keep schools and the community safe. The goal is to reduce and prevent youth gang violence, school truancy, suspensions, expulsions, and alcohol and drug abuse. Representatives from nonprofit agencies serving schools, especially districts with high risk students, and community based organizations participate in BASTA’s collaborative team effort.^[15]
- **Continuation School:** Continuation schools, and more specifically continuation high schools, provide educational opportunities to give students aged 16 years or older an alternative high school program. The focus is on school-to-career

education, individualized strategies, intensive guidance and counseling, and flexible school schedules.^[16]

- **LCFF: Local Control Funding Formula** - The Governor of California proposed the Local Control Funding Formula in 2013 to address the state's complex school finance system. The proposal suggested that LCFF will increase flexibility and accountability at the local school level. Funding will include base, supplemental, and concentration funding that directs the allocation of resources to match a school's student demographics and specific needs.^[17]
- **Proposition 30: The Schools and Local Public Safety Protection Act of 2012** - Proposition 30 temporarily increased the sales tax rate for all California taxpayers and the personal income tax for those in the upper-income level. The revenues generated from Prop 30, passed in November 2012, will be distributed through the Education Protection Account (EPA) for school districts, county offices of education, and charter schools.^[18]
- **Restricted and Unrestricted Funds:** Restricted funds are subject to constraints by the resource providers or by law. These funds become part of the general fund with specific conditions, or restrictions, outlining their use. Unrestricted funds are the revenues without constraints available for general fund purposes appropriate for school district operation and programs.^[19]
- **Revenue Limit:** Funding for public school districts in California comes from a variety of local, state, and federal sources. Each district receives funding for both general and specific purposes. Specific funding supports programs such as K-3 Classroom Size Reduction and Special Education. A complex formula creates a unique revenue limit for each district based on their Average Daily Attendance (ADA) per student, the type and size of a school district, and its historical spending patterns. The revenue limit determines the funding for general purposes with resources from property and state taxes.^[14]
- **ROP: Regional Occupation Programs** - These are also referred to as Regional Occupational Centers and Programs (ROCPs). These programs offer career and workforce preparation for both high school students and adults. The preparation may include advanced training and upgrading of existing skills.^[20]
- **School District (elementary, secondary, unified):** A school district is a local education agency that functions to operate public schools. There are three types of school districts in California. These include elementary, generally kindergarten through eighth grade (K-8); high school, generally grades 9 through 12; and, unified, which includes kindergarten through 12th grade (K-12). A unified district may include all or part of an elementary school district and a high school district with a single governing board.^[13]

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Resources

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<http://www.cde.ca.gov/index.asp>
- Data Quest
<http://dq.cde.ca.gov/dataquest/>
- Ed-Data
<http://www.ed-data.k12.ca.us>
- Santa Cruz County Health Services Agency: Mental Health and Substance Abuse Services
<http://www.santacruzhealth.org/cmhs/2cmhs.htm>
- Santa Cruz County Office of Education
<http://www.santacruz.k12.ca.us/>