

Santa Cruz County Grand Jury



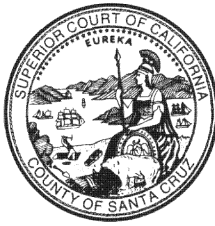
2001 - 2002

Final Report

Superior Court of California

COUNTY OF SANTA CRUZ

ARTHUR DANNER III
Judge of the Superior Court



701 Ocean Street, Room 110
Santa Cruz, CA 95060
(831) 454-2380

June 7, 2002

To the Citizens of the County of Santa Cruz:

Enclosed is the Santa Cruz County Grand Jury Report for 2001-2002.

This report concludes the efforts of a committed and hard-working group of citizen/volunteers, motivated solely by their interest in the improvement of local government and public institutions. These nineteen dedicated people have spent days and evenings over the past year devoted to this public service. Their sense of commitment is evident from this concluding report.

This year's panel, representing the citizens of Santa Cruz County, continued the American tradition of citizen scrutiny of the operations of government. They represent the finest spirit of public participation and involvement. On behalf of all the Santa Cruz County Superior Court Judges, I commend their efforts.

This year's Grand Jury continued a recent trend of jurors willing to hold over for an additional year of service. This dedication persists since seven current jurors will remain on the 2002-2003 Grand Jury. These experienced members become a vital resource to the new panelists, provide continuity from one year to the next, and ensure the appropriate review of responses to this year's recommendations.

A special thanks to Don Little who served as the Foreperson of this year's jury. He has given his time and energy to the Grand Jury as an individual member, committee member, and as Foreperson. His leadership skills contributed greatly to the success of the this year's Grand Jury.

The Santa Cruz Superior Court thanks the 2001-2002 Grand Jury for their tireless efforts on behalf all the citizens of the County of Santa Cruz.

Very truly yours,

ARTHUR DANNER III
Judge of the Superior Court

GRAND JURY



COUNTY OF SANTA CRUZ

GOVERNMENTAL CENTER

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SANTA CRUZ, CALIFORNIA 95061
(831) 454-2099

June 7, 2002

The Honorable Arthur Danner III
Judge of the Superior Court
701 Ocean Street
Santa Cruz, CA 95060

Dear Judge Danner,

It is with pleasure and pride that the 2001-2002 Santa Cruz County Grand Jury presents its Final Report. This report is the culmination of countless hours of hard work and dedication by those of us who had the privilege to serve as grand jurors this year.

We were empanelled as a diversified group of 19 individuals given the task of coming together to form a cohesive, productive jury assigned the duty to oversee and randomly audit Santa Cruz County government agencies, and to investigate citizen complaints. We feel we accomplished this and in the process reported on important priority issues to the citizens of Santa Cruz County. We sincerely hope the investigations we have chosen will enable the citizens of Santa Cruz County to gain a greater awareness, knowledge and insight into our local government.

Our experience as grand jurors has reinforced our belief in the grand jury system. We feel strongly that it is imperative that the public be made aware of the responsibilities of the Grand Jury and its role in helping to assure that local government effectively and efficiently serves the citizens and taxpayers.

We would like to thank the many public employees and the private citizens who so graciously took the extra time to answer our questions and explain the operation of their respective areas of expertise. We would especially like to thank Rahn Garcia, Chief Assistant County Counsel for his guidance on several complex issues.

The 2001-2001 Santa Cruz County Grand Jury thanks you for the opportunity to serve the citizens of Santa Cruz County. It has been an education, a privilege, and an honor.

Sincerely,

A handwritten signature in cursive script that reads "Don Little".

Don Little
Foreperson

Santa Cruz County Grand Jury

2001-2002 Final Report

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The 2001-2002 Grand Jury

Seated (from the left): Mary Reed, Nirmala Ganapathy, Foreperson Don Little, Shirley Fidelman, Peggy Smith, Phyllis Medek
Standing (from the left): Lita Hardy, Bill Bebeau, Paul O'Rourke, Norman Vaux, Paul Taylor, Larry Whitney,
Norman Poitevin, Timothy Lloyd, Laura J. Bell, Tim Callahan, Jim Downey, Ken McKibben. Not Pictured: Chris Camacho

Grand Jurors

Don Little, Foreperson

Bill J. Bebeau

Laura J. Bell

Tim Callahan

Chris Camacho

Jim Downey

Shirley Fidelman

Nirmala Ganapathy

Lita Hardy

Tim Lloyd

Kenneth R. McKibben, Jr.

Phyllis Medek

Paul O'Rourke

Norman Poitevin

Mary Reed

Peggy Smith

Paul Taylor

Norman Vaux

Larry Whitney

Citizen Complaint Status

Complaint #	Subject	Status
HH-00-012	Child Protective Services	Closed
CC-01-001	Santa Cruz City Council	Closed
SL-01-001	Pajaro School Board	Closed
CJ-01-001	District Attorney	Closed
CC-01-002	County Planning Department	Closed
CJ-01-002	Santa Cruz County Sheriff	Closed
SD-01-001	Salsipuedes Water District	Closed
CC-01-003	County Planning Department	Closed
SL-01-002	Pajaro Valley Unified School District	Closed
CC-01-004	County Planning Department	Closed
CC-02-005	City of Capitola	Closed
CJ-02-003	Santa Cruz County Sheriff	Closed
SL-02-003	Pajaro Valley Unified School District	Closed
CC-02-006	City of Watsonville	Closed



Santa Cruz County

Grand Jury

Final Report:

Section 1

Reports in Response to the Judge's Request

Reports in Response to Judge Arthur Danner’s Request

The Honorable Arthur Danner, III, Supervising Judge of the Superior Court, assigned this year’s Grand Jury the task of investigating the state of the juvenile justice system in Santa Cruz County. Specifically, he charged the jurors to review the treatment of minors who enter the system as a result of their involvement in the use or sale of illegal substances. Of particular interest was the extent to which juveniles are asked to take responsibility for and accept the consequences of their actions.

Recognizing the importance of this issue to the citizens of this county, two committees of the Grand Jury conducted extensive investigations of different aspects of the problem. The following three reports are the results of their efforts and represent the consensus of the Grand Jury as a whole:

Criminal Justice Committee Reports

- Substance Abuse in Santa Cruz County High Schools: Consequences and Responsibility
- Report on the Juvenile Hall

Health and Human Services Committee Report

- Review of Initial Alcohol and Drug Intervention with High School Age Youth

As with all grand jury reports, it is the hope of the members of the 2001–2002 Grand Jury that these reports and the recommendations they contain will lead to an improvement in the operations of local government for the benefit of the people of this county. We thank Judge Danner for bringing this important issue to our attention.

Substance Abuse in Santa Cruz County High Schools: Consequences and Responsibility

Overview

Every day the criminal justice system has to deal with increasing numbers of youthful offenders. The investigation carried out by the Criminal Justice Committee of the 2001-2002 Santa Cruz Grand Jury, bears out the conclusion that youthful offenders are a growing problem in the County of Santa Cruz.

The three distinct yet interrelated aspects of the problem of youthful offenders in Santa Cruz County are:

1. Issues on Santa Cruz County public high school campuses;
2. Issues concerning the Santa Cruz County Juvenile Probation Division;
3. Issues facing Santa Cruz County Law Enforcement.

This report is in three sections, each of which deals with individual aspects of the problem. The three sections of this report examine:

- Santa Cruz County public high schools and the ways that the administrations of these schools deal with juvenile crime (primarily involving drugs)
- The Juvenile Probation Division and its interaction with Santa Cruz County high schools and Juvenile Hall
- Santa Cruz County law enforcement agencies and their involvement with the County's high schools and with the Juvenile Probation Division.

In brief, the Grand Jury investigation found the following deficiencies in the juvenile justice system:

- A serious lack of communication and co-operation between the various entities responsible for juvenile justice in the county
- A serious lack of availability of countywide rehabilitation and diversion programs for youthful offenders
- A Juvenile Probation Division with an emphasis on statistics rather than on a commitment to help juveniles with their problems.

The Grand Jury is recommending a commitment by the Juvenile Probation Division to be proactive in working with county law enforcement agencies, school authorities and parents to create countywide rehabilitation and diversion programs for juvenile offenders that are second to none.

Glossary

- *Diversion* — a program or activity designed to turn juveniles away from illegal or socially unacceptable behavior and to help them avoid having a permanent police record.

- *Felony* — A serious crime such as murder, rape, or burglary, punishable by a more stringent sentence than that given for a misdemeanor; an offense punishable by a maximum term of imprisonment of more than one year.
- *Misdemeanor* — A crime, less serious than a felony, which is punishable by fine or imprisonment in a city or county jail rather than in a penitentiary.
- *Juvenile* — a minor up to the age of 18. In some instances, California law allows young people up to the age of 21 to be held in Juvenile Hall.
- *Juvenile Probation Division* — the division of the Probation Department that oversees the supervised release of juvenile offenders.
- *Informal probation* — supervision of a released juvenile offender by someone other than the Juvenile Probation Division. This is often, but not always, the youth’s parents.
- *Supervised probation* — supervision of a released juvenile offender by the Juvenile Probation Division.
- *SRO* — School Resource Officer. A police officer assigned duty at a school campus to provide for the safety of students and staff and to aid in enforcing “zero-tolerance.”
- *Zero-tolerance* — a state mandated policy allowing for no possession, use or sale of illegal substances, alcohol or tobacco products on school grounds.

Substance Abuse on Campus

Background

Santa Cruz County public schools are where the majority of school-age children spend a large amount of their weekday daytime hours. Public schools have the unique responsibility of educating our children while dealing with society's mores. While striving to educate our children, schools deal with every sort of difficulty, from drug abuse to physical violence. Very often these difficulties hinder the learning process. Administrators, law enforcement officers, and the Juvenile Probation Division need to work together to ensure a safe and sober school environment conducive to learning.

Scope

The Grand Jury investigated the problem of juvenile substance abuse in the county's public high schools and the ways school administrators, security staff and School Resource Officers (SROs) handle youthful offenders.

Fieldwork

- Interviewed administrators and staff at all public high schools:
 - Aptos High School
 - Harbor High School
 - San Lorenzo Valley High School
 - Santa Cruz High School
 - Scotts Valley High School
 - Soquel High School
 - Watsonville High School
- Interviewed school security personnel at all public high schools
- Interviewed SROs
- Interviewed other law enforcement officers involved with youth
- Spoke with concerned parents
- Reviewed current data and reports.

Findings

1. Studies show that a majority of high school students are either currently using alcohol and/or drugs, or have used these substances in the past. Even as early as 7th grade, 52% of these youngsters have been or currently are using drugs or alcohol.

The data cited are from the "Healthy Kids Survey of Santa Cruz County," a study conducted by the County's school districts, and include alternative schools, The Ark, Loma Prieta and Renaissance High Schools, but not the County Office of Education Alternative Education schools. The data represent lifetime use.

Santa Cruz County Youth Survey, 2001						
Substance Used	Grade 7		Grade 9		Grade 11	
	Santa Cruz	Calif.	Santa Cruz	Calif.	Santa Cruz	Calif.
Alcohol	29%	25%	57%	50%	73%	70%
Been Drunk	11%	10%	33%	24%	53%	45%
Inhalants	12%	6%	15%	8%	16%	14%
Marijuana	11%	8%	32%	24%	50%	45%
Cocaine			7%	4%	9%	9%
Methamphetamines			7%	4%	8%	9%
Hallucinogens			7%	6%	10%	12%
Heroin			4%	2%	4%	3%

2. Heroin use has shown a frightening rise among students at the 9th grade level. By 11th grade, another 4% of students are new heroin users. The 4% of the student population who are heroin users in 9th grade do not stay in regular public schools. By the 11th grade, these students have either dropped out of school, are in alternative schools, are in drug treatment programs or juvenile detention, or are deceased. This represents approximately 8% of the total high school student population who use heroin.
3. The Drug Abuse Resistance Education (DARE) program is offered to students from 5th grade through 9th grade. At the time of this report, no such program exists for high school students above the 9th grade.
4. Santa Cruz County public high school students receive substance abuse education in a one-semester health class. Substance abuse is only one of many topics covered in this class.
5. School officials and law enforcement officers both report that public and parental apathy contribute to a lack of meaningful consequences for substance abuse and juvenile crime incidents. Surveys show Santa Cruz County leads the state in support of medical and recreational marijuana use. Some parents shrug off what they consider to be “minor” drug incidents.
6. Due to the rise in school violence, a full time SRO is assigned to each high school campus. These peace officers have to deal with every type of criminal behavior including vandalism, substance abuse, physical violence and weapons on campus. The SRO is ultimately responsible for the physical safety of students and faculty.
7. Aptos High School and Scotts Valley High School are the only public high schools with closed campuses. A closed campus restricts students from leaving school grounds during school hours.
8. Five of the county’s public high schools have open campuses which allow students to leave and return during the school day.
9. An open campus policy presents the opportunity for some students to leave the school grounds to use, buy or sell drugs or alcohol.

10. School officials report 50 to 100 on-campus drug incidents per school year in each of the county’s seven public high schools. The majority of these incidents involve possession of marijuana on campus.
11. On or off campus, when apprehended by law enforcement officers for substance abuse, a student is detained, the drugs or alcohol are confiscated, and a report is forwarded to the Juvenile Probation Division for follow-up.
12. A youth apprehended for selling drugs on campus is put under arrest and removed from the school campus. The youth is taken to Juvenile Hall for processing, and may or may not be held in custody depending on the risk assessment performed at Juvenile Hall. (See the second section of this report for further details on risk assessment.)
13. A first time drug offense usually results in a three-day suspension by the school district, mandatory community service, or some other supervised activity.
14. Drug testing is not a prerequisite for returning to campus.
15. It can take up to three months from the time of an incident until a probation officer meets with the juvenile and his or her parents.
16. The SRO can request information from the Juvenile Probation Division regarding specific individuals. The SRO is not provided with a list of students at their schools who are on probation, and is not informed of the disposition of pending cases.
17. Many programs that provide care or counseling for youths involved with substance abuse or with the juvenile justice system exist throughout the county. However, a consolidated referral list of these programs has not been developed.
18. Except at Soquel High School, teen centers or other supervised gathering points for teens do not exist on school grounds at this time.
19. Several agencies provide counseling on campus for a variety of different problems. (See report on Review of Initial Alcohol and Drug Intervention with High School Age Youth.)

Conclusions

1. Substance abuse exists on every public high school campus in Santa Cruz County. Alcohol and cigarette use is not considered exceptional. Marijuana use is fast approaching the same level of acceptance.
2. Despite the state-mandated “zero-tolerance” policy, school officials have not been able to provide a drug free environment for students.
3. Law enforcement officers have not been aggressive in preventing the sale or use of drugs on or near school grounds.
4. When SROs do apprehend youthful offenders, there is little follow-through or appropriate consequences enforced by the juvenile justice system.
5. Santa Cruz County public high school students receive only minimal substance abuse education.
6. Not all SROs offer on-campus diversion programs to students.

7. Teen centers do not exist on public high school campuses.
8. The SROs' effectiveness is limited when they do not receive information from the Juvenile Probation Division in a timely manner.
9. A consolidated referral list of countywide care and counseling programs would aid school officials, law enforcement officers and parents in matching juveniles to appropriate programs.

Recommendations

1. Santa Cruz County law enforcement agencies, the Juvenile Probation Division, and Santa Cruz County high school administrators must work together to ensure swift and effective consequences for drug abuse and juvenile crime.
2. Santa Cruz County high school administrations should explore more effective and realistic ways to enforce the state-mandated “zero-tolerance” policy regarding drugs on campus.
3. Law enforcement officers must fully enforce drug laws on or near school grounds.
4. Teen centers should be located on all public high school campuses.
5. The Juvenile Probation Division should provide a monthly list to the SROs identifying students at their respective schools who are on probation, and the disposition of pending cases involving students from these schools.
6. The County Board of Supervisors should prepare and maintain a comprehensive list of all community resources available to aid youths with substance abuse issues and/or involvement with the juvenile justice system. This list should be made available to school administrators, law enforcement officers on- and off-campus, Juvenile Court personnel, Santa Cruz County health agencies and providers, parents and other concerned citizens.

Response Required

Entity	Findings	Recommendations	Respond Within
County Board of Supervisors	1, 2, 17	6	60 Days (Aug. 31, 2002)
Santa Cruz County Probation Department	1, 2, 5, 6, 12, 15 – 17	1, 5	90 Days (Sep. 30, 2002)
Santa Cruz County Sheriff	1, 2, 5, 6, 11, 12, 16	1, 3	60 Days (Aug. 31, 2002)
Capitola Police Department	1, 2, 5, 6, 11, 12, 16	1, 3	90 Days (Sep. 30, 2002)
Santa Cruz City Police Department	1, 2, 5, 6, 11, 12, 16	1, 3	90 Days (Sep. 30, 2002)
Scotts Valley Police Department	1, 2, 5, 6, 11, 12, 16	1, 3	90 Days (Sep. 30, 2002)
Watsonville Police Department	1, 2, 5, 6, 11, 12, 16	1, 3	90 Days (Sep. 30, 2002)
Aptos High School	1 – 7, 10, 13, 14, 18, 19	1, 2, 4	90 Days (Sep. 30, 2002)
Harbor High School	1 – 6, 8 – 10, 13, 14, 18, 19	1, 2, 4	90 Days (Sep. 30, 2002)
San Lorenzo Valley High School	1 – 6, 8 – 10, 13, 14, 18, 19	1, 2, 4	90 Days (Sep. 30, 2002)
Santa Cruz High School	1 – 6, 8 – 10, 13, 14, 18, 19	1, 2, 4	90 Days (Sep. 30, 2002)
Scotts Valley High School	1 – 7, 10, 13, 14, 18, 19	1, 2, 4	90 Days (Sep. 30, 2002)
Soquel High School	1 – 6, 8 – 10, 13, 14, 18, 19	1, 2, 4	90 Days (Sep. 31, 2002)
Watsonville High School	1 – 6, 8 – 10, 13, 14, 18, 19	1, 2, 4	90 Days (Sep. 30, 2002)

Santa Cruz County Juvenile Probation Division

Background

The Santa Cruz County Probation Department has the responsibility for providing supervised and unsupervised probation for all juvenile offenders within Santa Cruz County. The Probation Department operates pursuant to Section §1203.5 of the Penal Code and Section §270 of the Welfare and Institutions Code. Section §1203.5 of the California Penal Code states that in each county in the State of California there shall be an Adult Probation Officer with a staff of Deputy Probation Officers as needed. Section §270 of the Welfare and Institutions Code of the State of California states that there shall be a Juvenile Probation Officer in each county in the State with staff as needed.

The Probation Department operates as an arm of the Court and is responsible for services required by the Adult and Juvenile Courts. The department is divided into Adult and Juvenile Divisions that perform both investigative and supervisory functions. The Graham Hill Road Juvenile Hall includes a detention facility and also houses the Juvenile Probation Division's administrative personnel and support staff. The Water Street Probation Department office houses the adult division. A Probation Department office is maintained in Watsonville providing full departmental services for adults and juveniles in South County. As part of its court advisement responsibilities, the Probation Department conducts child custody and visitation investigations, and prepares drug and domestic violence diversion reports. The Probation Department is responsible for the staffing and operation of the Juvenile Hall.

Scope

The Grand Jury investigated the Juvenile Probation Division and how it handles juveniles who come into its jurisdiction.

Fieldwork

- Interviewed staff of the Juvenile Probation Division.
- Toured Juvenile Hall and interviewed the staff.
- Visited Juvenile Court and interviewed Court personnel.
- Reviewed reports on juvenile justice and juvenile probation.
- Interviewed parents involved with the juvenile justice system.

Findings

Juvenile Probation Division

1. The Probation Department operates on an annual budget totaling \$13,138,054. The annual budget of the Juvenile Probation Division is \$6,370,722. In addition, the annual budget for Juvenile Hall is \$3,092,262. The remaining funds are allocated to the Adult Probation Division.
2. The Santa Cruz County Probation Department reports that it expects a \$2.5 million cut in its budget due to the current California state budget crisis.

3. Staff for the Juvenile Division consists of the Division Director, 2.5 Assistant Directors, 34 Probation Officers, and 7 Probation Aides.
4. The Juvenile Probation Division has five distinct areas of responsibility:
 - A. The Intake Officer determines whether to detain or release an alleged offender based on the “Risk Assessment Form.”
 - B. The Investigation Unit reports to Juvenile Court.
 - C. The Field Supervision Unit ensures that probation terms are carried out.
 - D. The Home Supervision Unit follows a youth’s compliance with the terms of his or her probation, makes residential inspections, and supervises electronic monitoring.
 - E. Placement Services explores alternative housing or placement in a county ranch or camp outside Santa Cruz County. Santa Cruz County does not have ranch or camp facilities.
5. There were 2,517 total referrals to the Juvenile Probation Division for the year 2001.
6. There were 536 juveniles placed on supervised probation in 2001. Approximately 100 were placed on informal probation.
7. Many youthful offenders on probation state that from month to month, they are unaware of who their probation officer is.
8. After an arrest for an alleged offense, a youth between the ages of 12 and 18 may be detained at Juvenile Hall. This detention in Juvenile Hall may be for public or personal safety or to ensure the juvenile will attend his or her court appearance.
9. Except in cases of extremely violent crime, most youths under the age of 12 who are arrested are turned over to Child Protective Services for placement in an appropriate facility or foster home.

Risk Assessment

10. The Juvenile Probation Division, in order to reduce the number of juveniles being detained in Juvenile Hall, has developed a system referred to as “Risk Assessment.” Risk Assessment uses criteria for the Juvenile Probation Division to either release or detain a juvenile offender. These criteria measure the amount of risk to the community, to the victim (if any), and to the youth himself, posed by releasing the detainee.
11. When a sheriff or other law enforcement official arrests a juvenile offender, the Juvenile Intake Officer completes a “Screening Risk Assessment Form.”
(See Figure 1.)

SANTA CRUZ COUNTY SCREENING RISK ASSESSMENT

MINOR _____ NAME OF RATER _____ ASSIGNED P.O. _____
 ADMIT DATE _____ OFFENSES: (Code Section) _____

INSTRUCTIONS: CIRCLE THE SINGLE HIGHEST SCORE IN EACH APPLICABLE AREA LISTED BELOW. SCORE

AREA 1. MOST SERIOUS CURRENT OFFENSE (circle single highest scoring offense only)

a. Crimes Against People:

Group A - 707(b) offenses plus Bomb Possession/Detonation, 288.5 P.C. or 3 or more separate
 felony offenses----- 10

Group B - All Others----- 7

b. Crimes Against Property:

Group A - 3 or more separate felony offenses----- 7

Group B - All Felonies----- 5

Group C - All Misdemeanors----- 3

c. Other Crimes:

Group A - Possession of a Firearm----- 10

Sale of Narcotics/Drugs----- 10

3 or More Separate Felony Offenses----- 7

Possession of Narcotics/Drugs for Sale----- 6

Felony Possession of Narcotics/Drugs----- 4

Group B - All Others----- 3

Probation Violations----- 0

AREA 2. NUMBER OF PRIOR ARRESTS, LAST 6 MONTHS

a. 5 or more----- 5

b. 4----- 4

c. 3----- 3

d. 2----- 2

e. 1----- 1

AREA 3. UNDER THE INFLUENCE OF DRUGS OR ALCOHOL AT TIME OF ARREST

Intoxication is not an element of admitting offense(s)----- 2

AREA 4. STATUS (circle single highest applicable status score only)

a. Warrant/Escape/Placement Failure/Ranch Failure/I.C. Transfer- In/Home Supervision Arrest
 Change of Placement (circle applicable status in this area)----- 10

b. Active probation/parole, new felony offense or misdemeanor involving violence, the threat
 of violence, or possession or use of a weapon----- 6

c. Active probation/parole, non-criminal violation or misdemeanors not listed in 4b above----- 4

d. Currently on Home Supervision----- 8

e. Petition filed, pending Court or active Court case----- 6

TOTAL SCORE: _____

DETAIN/RELEASE DECISION: Score of 3-7 = RELEASE
 8+ = DETAIN (if active probation case receives 8 or 9, call minor's
 P.O. between hours of 7a.m.-11p.m. to determine
 whether releasable)

SCREENING RISK OVERRIDE CODES TABLE CODES (CHECK ONE)

<p><u>Detention Overrides 3-7</u></p> <p>___ Multiple Crimes</p> <p>___ Severity of Crime(s)</p> <p>___ Pending referral(s)</p> <p>___ P.O. Hold/Police Request</p> <p>___ No parent available/or refuses</p> <p>___ Gang Membership</p> <p>___ Beyond Control/Runaway Behavior from Home</p> <p>___ Psychological</p> <p>___ Out of County</p> <p>___ Witness Intimidation</p> <p>___ Victim Threats</p> <p>___ Other _____</p>	<p><u>Release Overrides 8+</u></p> <p>___ Release to family/guardian (stable & supportive fami- ly/caretaker)</p> <p>___ Release to Youth Services</p> <p>___ Release to placement</p> <p>___ Release to CPS/Social Worker</p> <p>___ Other County's Custody</p> <p>___ Border Patrol/Illegal Alien</p> <p>___ Other _____</p>
---	---

D.P.O. APPROVED _____

RELEASE DATE: _____ RELEASED TO: _____ RELEASED BY - IS/DPO _____

Figure 1.

12. The form was developed by the Juvenile Probation Division and sent to law enforcement agencies.
13. Law enforcement officials were not included in the development of this system. Currently, a third draft of the Screening Risk Assessment form is being discussed. Law enforcement officials have been asked to participate in this revision. No date has been set for the review and acceptance of this revision.
14. School administrators, law enforcement officials, juvenile court staff and the District Attorney's Office have not been regularly consulted regarding risk assessment procedures.
15. The Juvenile Probation Division has expressed pride in its success in reducing occupancy at Juvenile Hall through the use of the Risk Assessment Form.
16. Figure 1 presents the Santa Cruz County Screening Risk Assessment form in use as of March 2002 by the Santa Cruz County Juvenile Probation Division.
 - A. In Areas 1 and 4, scoring for offenses is not cumulative.
 - B. In Area 1-C, Felony Possession of Narcotics/Drugs scores at 4.
 - C. Probation violations receive no score at all.
 - D. In Area 2, a juvenile arrested five or more times in the last six months is given only five points.
 - E. Area 3 demonstrates the Juvenile Probation Division's low-priority attitude toward drug and alcohol offenses.
17. Although substance abuse cases including heroin, methamphetamines, hallucinogens, cocaine, marijuana and alcohol make up the vast majority of juvenile referrals, these rarely result in a stay at Juvenile Hall, based on the Screening Risk Assessment.
18. Staff at Juvenile Hall report that youths who have substance abuse problems are not placed in substance abuse programs as a matter of need, but rather as a reward for good behavior.
19. Crimes against property are on the rise, but generally do not result in detainments.
20. Reports and citations are referred to the Juvenile Probation Division for review and/or actions. Investigations are conducted and include meetings with the parents and the juvenile. Some cases are forwarded to Juvenile Court.
21. The delay between the time of arrest and initial contact with a probation officer is typically two to three months.
22. The Juvenile Probation Division interacts with the several law enforcement agencies conducting "Juvenile Diversion Programs."
23. The Sheriff's Department has no diversion programs in unincorporated areas policed by that agency. (See report on Review of Initial Alcohol and Drug Intervention with High School Age Youth.)

24. The Juvenile Probation Division reports that law enforcement officers can access any of the division's information but that it does not routinely provide the information to officers.
25. The average length of stay in Juvenile Hall has been reduced. In 1999 the average length of stay was 32 days. At the close of fieldwork, the average length of stay was 8.9 days.
26. Some parents have reported the Juvenile Probation Division has a very lax attitude toward marijuana use. Some parents stated they were told by the Juvenile Probation Division, "At least it's better than cocaine or methamphetamines."
27. The County judicial system is evaluating juvenile detention reform.
28. The Watsonville Police Department has been instrumental in initiating dialogue between the Juvenile Probation Division and other law enforcement agencies.

Conclusions

1. The Juvenile Probation Division has reduced the number of juveniles being detained in Juvenile Hall through the use of the Risk Assessment system. This presents the false impression of a reduction in juvenile crime.
2. The Juvenile Probation Division appears more interested in emptying Juvenile Hall than in successfully rehabilitating juvenile repeat offenders.
3. Many youths who should be detained are released from custody, based on the scoring of the Risk Assessment form. These youths would be better served being detained and receiving appropriate treatment.
4. Although the Juvenile Probation Division can demonstrate its success with juvenile first-time offenders, there is little evidence that the Division's interaction with repeat offenders is productive.
5. There is little evidence of teaching "cause and effect" or "actions and consequences" to youths involved with Santa Cruz County's juvenile justice system.
6. The shortened length of stay at Juvenile Hall makes it difficult for county agencies or other providers of services to influence behavior of youths in custody.
7. It is unacceptable that substance abuse programs only be available to youths at Juvenile Hall as a reward for good behavior.
8. The lack of staff continuity in case management leaves juveniles uninformed as to who their current probation officer is and causes probationers to become indifferent and cynical about the juvenile justice system.
9. It would be beneficial to law enforcement officers, particularly SROs, if the Juvenile Probation Division routinely provided information on youths involved with the Division to law enforcement personnel.
10. The Juvenile Probation Division would benefit by input from law enforcement officers, school administrators, juvenile court staff and the Office of the District Attorney in revising the risk assessment process.

11. The Santa Cruz County Probation Department will still have to function effectively despite a predicted 19% budget cut.

Recommendations

1. The Juvenile Probation Division should re-examine the length of stay at Juvenile Hall to ensure that juveniles not only stay at the Hall for a time commensurate with their offense, but that juveniles actually are detained long enough to benefit from the interventions offered at Juvenile Hall.
2. First-time offenders and recidivists should be managed in different ways.
3. Mandatory substance abuse programs, not tied to behavior rewards, should be instituted at Juvenile Hall.
4. The Juvenile Probation Division must develop distinct and effective ways of dealing with youthful repeat offenders in order to make the consequences of recidivism unappealing.
5. The Juvenile Probation Division should stop focusing on their perceived success at moving juveniles out of the juvenile justice system and concentrate on strong behavior modification efforts to prevent recidivism.
6. The revision process for the Risk Assessment system should include school administrators, law enforcement officials, the District Attorney's Office, and the presiding Judge of Juvenile Court.
7. The Juvenile Probation Division should lead the way in revising the Risk Assessment system to ensure that juveniles realize there are consequences for illegal behavior. The Juvenile Probation Division should especially consider:
 - A. Scores on the Risk Assessment Form should be cumulative.
 - B. Probation violations should receive points.
 - C. Repeat offenders should receive high scores for recidivism.
 - D. Drug and alcohol offenses should receive higher scores than the current system allows.
8. The Juvenile Probation Division should provide monthly data to law enforcement officials detailing the status and disposition of cases under their jurisdiction.
9. The Juvenile Probation Division should formulate policy and procedures as well as participate in the development of a countywide diversion program.
10. The Juvenile Probation Division should assign a specific probation officer or contact person to interact with administrative personnel and SROs at each public high school in the county.
11. The Juvenile Probation Division should look for every possible means of reducing inefficiency, waste and duplication of efforts in response to pending budget cuts while maintaining necessary services provided to juveniles in Santa Cruz County.

Response Required

Entity	Findings	Recommendations	Respond Within
Office of the Santa Cruz County District Attorney	12 – 14	6	60 Days (Aug. 31, 2002)
Santa Cruz County Probation Department	1 – 28	1 – 11	90 Days (Sep. 30, 2002)
Santa Cruz County Sheriff	12 – 14, 22 – 24	6 – 8	60 Days (Aug. 31, 2002)
Capitola Police Department	12 – 14, 22, 24	6 – 8	90 Days (Sep. 30, 2002)
Santa Cruz City Police Department	12 – 14, 22, 24	6 – 8	90 Days (Sep. 30, 2002)
Scotts Valley Police Department	12 – 14, 22, 24	6 – 8	90 Days (Sep. 30, 2002)
Watsonville Police Department	12 – 14, 22 – 24, 28	6 – 8	90 Days (Sep. 30, 2002)

Santa Cruz County Law Enforcement Agencies

Background

The Santa Cruz County Sheriff’s Department, other city police departments and agencies within the County, and the District Attorney’s Office have the responsibility of assuring public safety. Law enforcement agencies must also cooperate with the courts and the Probation Department.

Scope

The Grand Jury investigated the interaction of Santa Cruz County law enforcement agencies with the Juvenile Probation Division and the public high schools and the consequent impact on juvenile justice in Santa Cruz County.

Fieldwork

- Toured Santa Cruz County Jail, Juvenile Hall and the Rountree Facility
- Interviewed staff from both the Sheriff’s Office and the four city police departments in Santa Cruz County
- Interviewed staff of the District Attorney’s Office
- Interviewed staff of the Juvenile Probation Division
- Interviewed parents of youths involved in the juvenile justice system
- Conducted multiple interviews with staff of the Watsonville Police Department regarding juvenile crime in the city of Watsonville
- Reviewed juvenile crime statistics
- Reviewed reports on juvenile justice reform.

Findings

1. Census figures for the year 2000 indicate the number of youths under the age of 18 in Santa Cruz County as follows:

	Total Population	18 and Over	Under 18
City of Capitola	10,0333	8,187	1,846
City of Santa Cruz	54,593	45,130	9,463
City of Scotts Valley	11,385	8,446	2,939
City of Watsonville	44,265	29,228	15,037
Total Santa Cruz County	255,602	194,861	60,741

2. Countywide, 2,517 juvenile referrals were forwarded to the Juvenile Probation Division in the year 2001. These include reports or citations forwarded to the Juvenile Probation Division for disposition.
3. The four city police departments in the county made a total of 1541 juvenile arrests in the year 2001. Statistics for each department are shown below:

	Capitola Police Department	Santa Cruz Police Department	Scotts Valley Police Department	Watsonville Police Department
Misdemeanor Arrests	148	438	95	427
Felony Arrests	53	98	36	175
Total Juvenile Arrests	*237	536	*166	602

*The Total Juvenile Arrests for the Capitola Police Department includes 36 arrests for curfew violations. The Total Juvenile Arrests for the Scotts Valley Police Department includes 35 other arrests for offenses such as truancy and curfew violations.

4. The Sheriff’s Department does not keep statistics on juvenile crime in the unincorporated areas of the county. The department reports there is currently no method of tracking this information.
5. A recent study by the Watsonville Police Department reports several flaws in the current Santa Cruz County Juvenile Probation Division philosophy:
 - A. Repeat offenders are processed with a revolving door philosophy. They are continually placed on probation and released to parents.
 - B. 17% of juveniles arrested account for 52% of the crimes committed in the county.
 - C. This same 17% of juveniles averaged 3–15 arrests in a three-year period.
 - D. 47% of juveniles were on probation at the time of an arrest for another offense.
6. Police officials asserted that the majority of resources for youths in the juvenile justice system deal with criminally sophisticated repeat offenders.
7. Other law enforcement agencies in Santa Cruz County have not conducted similar studies to the Watsonville Police Department report.
8. Substance abuse is a major factor in all categories of juvenile crime.
9. Law enforcement officers state they are reluctant to take action in cases of alcohol or cigarette possession by a minor because no consequences will be imposed by the Juvenile Probation Division.
10. Some parents have reported that the Juvenile Court System’s attitude toward marijuana use is very lax.
11. Some parents stated that despite repeated requests to initiate consequences or diversion for their child after a first offense, these requests were ignored both by the Juvenile Court and Juvenile Probation Division officials.
12. Some law enforcement agencies offer diversion programs to youths in their jurisdiction.
13. There is no countywide process for the administration of juvenile diversion programs.

Conclusions

1. The Santa Cruz County Sheriff's Department is limiting its effectiveness by not tracking juvenile justice statistics in the county's unincorporated areas.
2. Law enforcement officials are discouraged from enforcing consequences for illegal behavior by juveniles due to the Juvenile Probation Division's lack of concern for applying these consequences or ensuring public safety.
3. The failure of law enforcement personnel to enforce consequences for illegal behavior gives a "So what?" message to juvenile offenders when the system encourages a lax approach to juvenile crime.
4. Youthful offenders are apathetic toward the juvenile justice system since they see little or no evidence of consequences for illegal behavior.
5. The severe lack of meaningful communication between law enforcement agencies and the Juvenile Probation Division compromises the effectiveness of those law enforcement agencies as they interact with juveniles.
6. A countywide system for administering juvenile diversion programs would make those programs accessible to all youths who need them.

Recommendations

1. The Juvenile Probation Division should develop and implement a method of providing SROs at each public high school with a list of juveniles who have come into the Juvenile Probation system. The Juvenile Probation Division should distribute an up-to-date list containing information on the terms of a juvenile's probation on a monthly basis to the SROs.
2. The Santa Cruz County Sheriff's Department and the four city Police Departments must enforce state and federal laws by citation or arrest despite any failure by the Juvenile Probation Division to enforce those laws.
3. The Santa Cruz County Sheriff's Department and law enforcement agencies in the cities of Capitola, Santa Cruz, Scotts Valley and Watsonville must implement processes to track juvenile crime and detention statistics.
4. The Santa Cruz County Sheriff's Department should offer diversion programs to youths under their jurisdiction.
5. The Juvenile Probation Division, in conjunction with the Santa Cruz County Sheriff's Department and the police departments of the cities of Capitola, Santa Cruz, Scotts Valley, and Watsonville should cooperate to develop a plan for the administration of countywide diversion programs.
6. The police departments of the cities of Capitola, Santa Cruz, and Scotts Valley should undertake studies of juvenile crime in their respective cities similar to the study done by the Watsonville Police Department.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Sheriff	3, 4	1 – 5	60 Days (Aug. 31, 2002)
Santa Cruz County Probation Department	2, 5, 8 – 11, 13	1, 5	90 Days (Sep. 30, 2002)
Capitola Police Department	3, 6 – 9, 12, 13	1 – 3, 5, 6	90 Days (Sep. 30, 2002)
Santa Cruz City Police Department	3, 6 – 9, 12, 13	1 – 3, 5, 6	90 Days (Sep. 30, 2002)
Scotts Valley Police Department	3, 6 – 9, 12, 13	1 – 3, 5, 6	90 Days (Sep. 30, 2002)
Watsonville Police Department	3, 5 – 9, 12, 13	1 – 3, 5	90 Days (Sep. 30, 2002)

Review of Initial Alcohol and Drug Intervention With High School Age Youth

Introduction

This study involves two sections. The first section deals with youth involved in substance abuse in the high school setting. The second section examines what happens to youth involved in substance abuse outside the high school setting.

High Schools' Initial Response to Substance Abuse

Background

California Education Codes §48900-915c require that public schools enforce a zero-tolerance policy, a state-mandated policy allowing for no possession, use or sale of illegal substances on school grounds. The zero-tolerance policy means a student must be suspended or expelled if there is an indication such as an odor or physical signs or symptoms of use. Possession is cause for a citation and possible arrest if hard drugs are involved; selling drugs results in expulsion and arrest. Any suspect may be subjected to a search without a warrant. An Assistant Principal of Discipline is responsible for enforcing these California Education Codes. This Assistant Principal may use “probable cause” for suspensions or expulsions and is held to a less rigorous standard of evidence than a police officer.

Scope

Alcohol and drug abuse does occur before high school age. Santa Cruz City School District has the Primary Intervention Program (PIP) for K–3 grades to identify children at risk and to start intervention at an early age. Pajaro Valley Unified School District also uses the PIP program and has Kid’s Korner counselors at all of its elementary schools. This Grand Jury study focused on the response to substance abuse by the seven public high schools in Santa Cruz County and the programs and treatments available to those juveniles just beginning their use.

Fieldwork

- Interviewed the Director of Pajaro Valley Prevention and Student Assistance (PVPSA)
- Reviewed *Santa Cruz County Youth Survey 2001* by PVPSA
- Interviewed Santa Cruz City School District Director of Student Health and staff
- Interviewed the Director of Youth Services, a component of the Santa Cruz Community Counseling Center, Inc.
- Interviewed two School Resource Officers (SROs)
- Visited seven high school campuses:
 - Santa Cruz High School
 - Harbor High School
 - Soquel High School

- San Lorenzo High School
- Scotts Valley High School
- Aptos High School
- Watsonville High School.

Findings

1. Professionals working in the substance abuse field believe that fast initial response to beginning drug experimentation is crucial in preventing substance addiction.
2. The seven public high schools are complying with the zero-tolerance policy through suspensions and expulsion, with the intent of keeping schools a drug and alcohol free environment.
3. The County school districts have the following responses to substance abuse:

	1st offense	2nd offense	3rd offense
Under the influence	<ul style="list-style-type: none"> ▪ 3 day suspension ▪ counseling ▪ assessment 	<ul style="list-style-type: none"> ▪ 5 day suspension ▪ counseling 	<ul style="list-style-type: none"> ▪ recommended for expulsion
Drug possession	<ul style="list-style-type: none"> ▪ 3 day suspension ▪ counseling ▪ citation ▪ assessment ▪ arrest if hard drugs 	<ul style="list-style-type: none"> ▪ 5 day suspension ▪ citation ▪ arrest if hard drugs 	<ul style="list-style-type: none"> ▪ recommended for expulsion ▪ arrest if hard drugs
Selling drugs on campus	<ul style="list-style-type: none"> ▪ expulsion ▪ arrest 	<ul style="list-style-type: none"> ▪ expulsion ▪ arrest 	<ul style="list-style-type: none"> ▪ expulsion ▪ arrest

4. The zero-tolerance policy has significantly increased demand for substance abuse treatment programs.
5. The following substance abuse intervention programs are the most frequently used:
 - A. Triad Community Services in Scotts Valley is a state-certified non-profit, private corporation under contract with the County Health and Human Services Agency. It provides assessment and services for substance abusers. This program serves individuals in North County.
 - B. Youth Services in Santa Cruz and Watsonville is a program of Santa Cruz Community Counseling Center, a non-profit group that is supported by United Way. It provides assessment and substance abuse counseling and other services such as crisis counseling and a runaway program.
 - C. Pajaro Valley Prevention and Student Assistance (PVPSA) in Watsonville offers early assessment and treatment for students of the PajaroValley Unified School District, who have been suspended for substance use, and for students with alcohol/drug problems who have asked for help.
6. Those high schools students who are found to be in possession of alcohol or drugs on campus can expect to be cited by the School Resource Officer. The SRO is a peace

officer from the local policing agency assigned to the school for security. The citation issued by the SRO will be sent to the Juvenile Probation Division. The Juvenile Probation Division investigates the incident and arranges for a conference with the student and parents.

7. A first-time offender may be placed on probation or may be considered for a diversion program. The process of placing a first-time offender on a diversion program frequently takes two months to initiate. A diversion program will avoid a permanent record and will include several months of counseling, group sessions, contracts, community service, writing essays and possibly a waiver for search and seizure.
8. The School Resource Officers are on the school site, know the students and can establish a relationship with them. The SROs also understand the social structure of the school.
9. The high schools use the following programs for early assessment and counseling:
 - A. Students in the PajaroValley Unified School District, which include Aptos High School and Watsonville High School, are referred to Pajaro Valley Prevention and Student Assistance (PVPSA). It is a non-profit agency that supports Pajaro Valley School District. This model, which has a documented success rate, automatically and immediately places students in intervention programs.
 - B. Students in the Santa Cruz City School District, which include Harbor, Santa Cruz and Soquel Highs, are referred to Youth Services for assessment and substance abuse counseling.
 - C. Students from ScottsValley and San Lorenzo High Schools are referred to Triad Community Services for assessment and substance abuse counseling.
10. PVPSA originally was formed as part of the Pajaro Valley Unified School District to provide school-based student assistance programs. It broke away from the Pajaro Valley Unified School District in 1991 to become a private non-profit agency dedicated to exclusively serving Pajaro Valley Unified School District. A PVPSA brochure states, “because it is a non-profit, it can receive funds from the school district, county, state and federal governments, and also apply for private foundations’ grants. It also serves as a conduit to bring together a broad range of stakeholders, including the school district, law enforcement, courts, the city and the county.”
11. Soquel High School has a new health clinic on campus called the Healthy Teen Clinic. The Clinic is funded by Dominican Hospital and Santa Cruz County Health Services Agency, and is a place where students can get help with the management of acute and chronic health problems, and where they can initiate treatment for substance abuse.

Conclusions

1. For those student offenders who come to their attention, the schools are enforcing the zero-tolerance policy through suspensions and expulsions, in their effort to create a drug- and alcohol-free campus.
2. Because of its success rate, the PVPSA is a model for prompt and effective substance abuse intervention in Santa Cruz County schools.

3. Since the School Resource Officers are on the school site and know and understand the school social structure, they could supervise a diversion program.
4. Citations from SROs often take too long to process through Juvenile Probation Division.
5. The time to process and initiate a diversion program by the Juvenile Probation Division takes too long.
6. Before suspended youth can return to school, they must have had a drug use assessment and a meeting between themselves, their parents and school counselors. Some schools require enrollment in a drug treatment program, before the suspended student can return to school.

Recommendations

1. The School Resource Officers should develop and supervise their own diversion programs for first-time offenders, as they are more closely associated with the students and could more easily track the progress of the youth than can be done by the personnel in the larger juvenile probation system.
2. School Districts should give high priority to the development of school-based programs by non-profit agencies similar to PVPSA, to enable prompt and continuing assessment and intervention for first-time offenders.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz City Police Department	6, 7	1	90 Days (Sep. 30, 2002)
Santa Cruz County Sheriff*	6, 7	1	90 Days (Sep. 30, 2002)
Watsonville City Police Department	6, 7	1	90 Days (Sep. 30, 2002)
Santa Cruz City School District	9	2	90 Days (Sep. 30, 2002)
Scotts Valley Unified School District	9	2	90 Days (Sep. 30, 2002)
San Lorenzo Valley Unified School District	9	2	90 Days (Sep. 30, 2002)

Review of Alcohol and Drug Intervention with High School Youth Outside of School

Background

Since youth spend almost eighty percent of their time outside the school environment, community responses are needed to substance abuse problems of these youth while they are outside school jurisdictions. This report lists high school and other programs to show the extent of the effort that is made in our community to help these youth with their problems and the help they receive to continue their education.

Scope

The Grand Jury examined what happens outside of the public high school environment for those youths involved in drugs and/or alcohol, and the treatments available on a voluntary basis for those who want to recover from their addiction. The Grand Jury also visited some of the Alternative Education programs run by the County Office of Education to gain an understanding of the extent of the substance abuse problem, and the level of effort being made to deal with this problem.

Fieldwork

- Visited the Youth Experiencing Success (YES) alternative education school and Youth Services
- Visited Sequoia Placement Alternative Resources for Kids (PARK) alternative education school
- Visited Juvenile Hall and interviewed the Chief Probation Officer and staff
- Visited Juvenile Court and interviewed the Juvenile Court Judge
- Toured Juvenile Hall, Hartman School and Strength-based Treatment Assessment and Recovery (STAR) residential treatment facility
- Interviewed the Director of Alternative Education for Santa Cruz County
- Interviewed the Chief of Children’s Mental Health
- Interviewed the Director of Alcohol and Drug Program
- Interviewed the Senior Analyst at Workforce, Human Resources
- Interviewed the Police Chief of Watsonville
- Reviewed Scotts Valley Police Department’s program outline on juvenile diversion
- Reviewed *Continuum of Juvenile Services* by Santa Cruz County Probation Department, 2001.

General Findings

1. Youth with alcohol and/or substance abuse problems outside of the school environment usually enter the system of intervention and treatment through the following channels:

- Crisis Hot Lines
 - Family- or self-referral
 - Diversion programs
 - Juvenile Probation Division.
2. The fundamentals of substance abuse treatment are to isolate the user from drugs and provide substance abuse counseling with an emphasis on motivation to quit. Treatment needs can vary from a few counseling sessions to intensive residential treatment.
 3. There are a number of programs that perform initial assessments, provide family and clients counseling, and provide alcohol and substance abuse intervention. These programs operate in a free market and are supported by a variety of grants and fees. Students who qualify for Medi-Cal get into one of these programs most easily since Medi-Cal guarantees reimbursement.
 4. The programs most frequently used are sponsored by:
 - Triad Community Services
 - Youth Services of Santa Cruz
 - Pajaro Valley Prevention and Student Assistance
 - Barrios Unidos of Santa Cruz
 - Fenix Services in Watsonville.
 5. The Human Resources Agency coordinates a pilot program called The Santa Cruz Youth Development and Crime Prevention Project, funded as a three-year demonstration project under AB 1913, and started in October 2001. This project pays for drug and alcohol treatment for those youth who fail to qualify for other programs. The Division of Mental Health, Human Resources Agency, the Alcohol and Drug Division of Health Services Agency and several non-profit service agencies have joined forces in this project to provide work development skills and alcohol and drug treatment for youth with low income and low academic achievement.
 6. The Watsonville Juvenile Community Court (WJCC) program is a one-year program, which focuses on youth between the ages of 13–16, who are ready to change their lives. WJCC uses a team approach involving intensive supervision, family involvement and participation in counseling services. This program focuses on accountability and the achievement of goals.
 7. School administrators, drug counselors and students are requesting the development of more Teen Center in their communities.

Findings on Diversion

A diversion program is meant to help the first-time juvenile offender turn away from substance abuse and avoid a permanent record in the juvenile justice system. A diversion program for a drug or alcohol offense may include treatment programs, contracts, writing essays, community service and signing a waiver for search and seizure.

8. Youth who have been cited or arrested with alcohol or substance abuse violations may be offered a local diversion program if they reside within one of the four cities in the Santa Cruz County, all of which offer such a program. If not, their case will be sent to Juvenile Hall where it will be reviewed by the Juvenile Probation Division who may refer the youth to a diversion program.
9. Scotts Valley Police Department's diversion program was started because the police felt the probation process took too long before an arrested youth was enrolled in a diversion program. They believe that juveniles need to have an immediate response to their infractions. This diversion program avoids contact with the Juvenile Probation Division and the start of a "record." In Scotts Valley's diversion program, which lasts up to four months, meetings are conducted with the parents, the youth write essays and perform community service, such as cleaning the parks. In 2001 there were 43 diversions of which 38 were successful.
10. The Capitola City Police Department has a similar diversion program in which youth perform community service for entities such as the Central Fire District and the American Red Cross. Since September 2001, about 100 youth have been offered diversion and only three have been referred to the Juvenile Probation Division for violating their contracts.
11. In Watsonville, a diversion program funded by Pajaro Valley Prevention and Student Assistance called "ASSETS" (Accountability and Support Services Ensure Tomorrow's Safety), is available to youths who reside in the city of Watsonville. ASSETS pays for a Probation Officer located in the Watsonville Police Department and offers three- to six-month diversion programs.
12. The Santa Cruz City Police Department has terminated their diversion program. Two Probation Officers are assigned to the department, one of whom is specifically assigned to youthful offenders to expedite the offender's case through the Juvenile Probation Division. This probation officer has the option to refer first-time offenders to a diversion program offered by one of the non-profit treatment programs. The process of deciding what to do with a first-time offender takes several weeks.
13. The Sheriff's Department deals with youth in the unincorporated area of the county, and does not have a diversion program. It relies on referral to the Juvenile Probation Division, who may refer the youth to a diversion program.
14. Over half of the county's youth population reside in the unincorporated area and are under the Sheriff's jurisdiction. They receive no immediate response to their infractions, because they are processed through the Juvenile Probation Division system, a process that usually involves a waiting period of about two months before entering a diversion program.
15. The Juvenile Probation Division stated that it is faced with high turnover of staff and high caseloads. Because of this, many youth on probation don't know who their Probation Officer is and have not seen them for two months.

Findings on Alternative Education

Alternative Education refers to schools that are run by school districts to offer students an alternative to the regular public high school. Students at these schools may or may not be involved in substance abuse. The Santa Cruz County Office of Education offers Alternative Education Programs to students who cannot attend the regular public high school for various reasons.

16. Professionals who work in alternative education estimate that ninety to ninety-five percent of youth in alternative education are having problems with alcohol and substance abuse.
17. Students in Alternative Education Programs receive more individualized instruction and programs focused on their addictions.
18. The Santa Cruz County Office of Education (COE) has staff in 16 Alternative Education Programs serving about 500 students.
19. Although most of the alternative education programs are concerned with substance abuse, seven of the COE’s alternative education programs work specially with students who have substance abuse problems.
20. These programs are demonstrations of the ‘continuum of care’ involving Juvenile Probation Division Division, Alternative Education and the Division of Mental Health of Health Services Agency.
21. The cost of these programs per student is considerably higher than the cost per student in the regular public high school.
22. Examples of Alternative Education Programs are the YES school in Santa Cruz and Escuela Quetzal in Watsonville, both of which are run by Youth Services, a non-profit agency, in conjunction with the County Office of Education. These two high schools are for students who want to be in a drug- and alcohol-free school environment. The requirements to attend these schools are extremely strict, and the daily routine is very regimented. Many of the students who have graduated from these schools have gone on to Cabrillo College. The County Office of Education hires the teachers at the schools. Youth Services in conjunction with the County Office of Education also runs Tyler House, located in La Selva Beach, which is a drug and alcohol residential treatment program for 14–17 year olds.
23. Below is a listing of the alternative high schools in Santa Cruz County. An asterisk denotes the Alternative Education schools run by the County Office of Education that place special emphasis on alcohol and substance abuse intervention.

Alternative High Schools Run By Santa Cruz City School District (SCCSD) and Pajaro Valley Unified School District (PVUSD).

Ark School (9-12) (SCCSD)	Santa Cruz
Delta High School (SCCSD)	Santa Cruz
Loma Prieta High School (SCCSD)	Santa Cruz
New School (PVUSD)	Watsonville
Renaissance High School (PVUSD).....	La Selva Beach

Alternative Education High Schools Run by the County Office of Education

*Camp (COE)	Scotts Valley
Cesar Chavez School for Social Change (COE/Barrios Unidos)	Santa Cruz
Corralitos Oaks (COE/ Above the Line)	Corralitos
*Escuela Quetzal (COE/Youth Services)	Watsonville
San Lorenzo Valley Community School (COE)	Ben Lomond
Santa Cruz Community School(COE)	Santa Cruz
Star Community School (COE)	Santa Cruz
VISTA Community School (COE).....	Santa Cruz
Watsonville Community School (COE)	Freedom
*Y.E.S. School (COE/Youth Services)	Santa Cruz

Alternative Education High Schools Whose Students are Wards of the Court

Luna PARK Academy (COE/ Youth Services)	Watsonville
Sequoia PARK Academy (COE/Youth Services)	Santa Cruz

Residential High Schools Where Some of the Students are Wards of the Court

*Tyler House (co-ed) (COE/Youth Services).....	La Selva Beach
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Residential High Schools Where All of the Students are Wards of the Court

DeWitt Anderson Court School (girls) (COE)	Aptos
Robert A. Hartman, Juvenile Hall (COE).....	Felton
*Pacific Coast, (boys) independent study (COE)	Ben Lomond
*STAR — short-term (co-ed), 12 students (COE)	Felton
*Unity Care (boys with dual diagnosis) (COE).....	Freedom

Conclusions

1. There are many well-developed alternative education programs in Santa Cruz County geared toward helping students recover from substance abuse.
2. There is a need for timely diversion for affected youth, since many new offenders wait too long to get into a diversion program.
3. There is no early intervention for over half the youth in the County between an infraction and the first meeting with the Juvenile Probation Division due to the absence of a diversion program in the Sheriff’s Department.
4. The delay for the Juvenile Probation Division’s screening process to get first-time substance users into a diversion program is too long. This delay is harmful to a beginning substance user.
5. Youth continually face new Probation Officers as they move through the system because of a high turnover of Probation Officers.
6. Students with substance abuse problems are asking for drug-free places such as teen centers where they can gather.
7. More teen centers would be helpful in providing safe environments after school.

Recommendations

1. The Santa Cruz City Police Department should initiate and administer its own diversion program.
2. The Sheriff's Department should initiate a diversion program so that there are early intervention opportunities for youth in the unincorporated areas of Santa Cruz County. This would help reduce the backlog at Juvenile Probation Division's intake screening.
3. The Juvenile Probation Division should alter its intake procedures to ensure early referral to assessment and diversion programs for first-time offenders.
4. After intake screening at Juvenile Hall, whenever possible, the same Probation Officer should continue to be assigned to the same youth offender.
5. To help youth remain free from substance abuse, the cities and the County of Santa Cruz should develop more 'teen centers.'

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz City Police Department	8	1	90 Days (Sep. 30, 2002)
Santa Cruz County Sheriff	13, 14	2	60 Days (Aug. 31, 2002)
Santa Cruz County Probation Department	8, 14, 15	3, 4	90 Days (Sep. 30, 2002)
City of Santa Cruz	7	5	90 Days (Sep. 30, 2002)
City of Capitola	7	5	90 Days (Sep. 30, 2002)
City of Scotts Valley	7	5	90 Days (Sep. 30, 2002)
City of Watsonville	7	5	90 Days (Sep. 30, 2002)
Santa Cruz County Board of Supervisors	7	5	60 Days (Aug. 31, 2002)

Report on the Juvenile Hall

Background

The county's Juvenile Hall facility is located at 3650 Graham Hill Road in Felton. The Juvenile Hall exists, in accordance with California statutes to provide an alternative means of incarcerating youths.

Findings

1. The California Association of Probation Institution Administrators (CAPIA) describes the mission of the juvenile detention system:

"...To build and support a Juvenile Detention System which utilizes the assessment of risk, eliminates unnecessary detention of youth, provides a safe and humane institutional environment for those residents in detention, develops a professional child supervision staff who recognize and respect the dignity of residents, and demonstrates a level of care which serves as a model to other states and jurisdictions."
2. The facility itself makes use of the California System of Care, which was brought into existence by the Children's Mental Health Services Act. According to materials provided by the facility, the System of Care has the following essential values:
 - A. Family preservation – children shall be maintained in their homes with their families whenever possible.
 - B. Least restrictive setting – when out-of-home placement is necessary, children must be placed in the least restrictive setting appropriate to their needs.
 - C. Natural setting – children benefit most from mental health services provided in their natural environments, where they live and learn. These include home, school, foster home or a juvenile detention center.
 - D. Interagency collaboration and coordinated service delivery system – the primary child serving agencies shall collaborate at the policy management and service levels to provide a coordinated goal directed system of care for seriously emotionally disturbed children and their families.
 - E. Family involvement – family participation is an integral part of assessment, evaluation, intervention and treatment.
 - F. Cultural competence – service effectiveness is dependent upon both culturally relevant and competent service deliveries.
3. The Juvenile Hall web site (<http://www.co.santa-cruz.ca.us/prb/org/juvenil.html>) also provides the following summary of the beliefs of the facility's management and staff:
 - A. Youth not needing secure detention should be provided less restrictive alternatives to incarceration.
 - B. Youth have the ability to make positive changes.
 - C. Youth have the right to be treated with dignity and respect.
 - D. Youth deserve fair and consistent discipline and a safe and humane environment.

- E. Youth need institutional programs and services which foster physical, moral, emotional, and intellectual growth.
 - F. Youth need positive role models.
 - G. Institutional staff are our most valuable resource.
4. The Juvenile Hall offers the following:
- Volunteers
 - Barrios Unidos
 - Narcotics Anonymous, Alcoholics Anonymous, and Alateen
 - Planned Parenthood
 - Mentoring / Job Readiness Program
 - Religious Programs
 - Community Speakers
 - Educational (After School) Programs
 - Young Men as Fathers
 - Case Planning.
5. Juvenile Hall offers these Detention Alternatives:
- Home Supervision / Intensive Home Supervision / Electronic Monitoring
 - Weekend Work Program
 - Youth Community Restoration Program (Y-CORP).
6. When a juvenile is held beyond ten days, a “needs assessment” is performed by a Probation Aide (to determine the level of service or detention that is most appropriate, given the needs of the three stakeholders involved: the victim, the community, and the offender). Services may include mental health counseling, substance abuse counseling, anger management sessions, or victim awareness training. Also available are “Life Skills,” job development, and pre-placement programs.
7. Inmates stay in the facility for an average of 8.9 days.
8. The facility recognizes and addresses a continuum of issues including educational assessment, continuing alternative education, probation issues, substance abuse counseling and mental health.
9. A doctor and/or nurse is available to incarcerated juveniles from 8:00 a.m. – 5:00 p.m. daily. According to Probation Department literature, an equivalent of two full-time clinicians are available in the Hall. These professionals provide assessment, treatment, and crisis intervention.
10. The Juvenile Hall facility is thirty-five years old and operates on a 24/7 basis. As acknowledged by Juvenile Hall staff, the building shows signs of aging and heavy use.
11. Juvenile Hall does not have adequate heating and has no air conditioning systems.
12. The building has two units, with twenty beds each. The “B” unit is used to house younger and less sophisticated detainees. (“Sophistication” is a term used in the

detention industry to describe an offender’s familiarity with and adeptness in crime and detention.) The “A” unit houses the older and more sophisticated offenders.

13. The facility houses youths between the ages of 12 and 18, male as well as female. Females and younger males are housed apart from older youths. A separate facility is used to house offenders aged 19 and older.
14. Children under the age of 12 are the responsibility of Child Protective Services and are not housed at Juvenile Hall.
15. Very few of the females in the facility are there for violent crimes or crimes with victims.
16. Approximately 85% to 90% of the boys and essentially all of the girls housed in the facility are there for what the staff regards as drug-related reasons.
17. The facility offers a wide variety of training programs.
18. The facility does not have a covered gym.
19. County buses do not service Juvenile Hall. The closest bus stop is one mile from Juvenile Hall. Although bus vouchers are available to parents and juveniles, these are not used often. Juvenile Hall staff confirms that the facility’s location does create difficulties for parents in accessing the facility.

Conclusions

1. Although the staff at Juvenile Hall does an admirable job of providing appropriate care, counseling and correction of detainees, it is unclear whether any lasting changes in attitude or behavior can be affected in the short amount of time most youths are incarcerated.
2. The physical structure and facilities at the Juvenile Hall are in a run down condition, due to the continuous use over the last thirty-five years.
3. The inadequacy of heating and air conditioning at Juvenile Hall is not compatible with good public health.
4. Although Juvenile Hall subscribes to the mission of the California Association of Probation Institution Administrators, it is clear that the condition of the facility does not provide “a safe and humane institutional environment for those residents in detention.”
5. Juvenile Hall is not centrally located in Santa Cruz County. This is inconvenient both for law enforcement personnel who must travel to the Hall to place youths in detention, and for the youths’ attorneys and families.
6. Families without their own personal vehicles face difficulties associated with public transportation, due to the limited service to the area.
7. The remote location of Juvenile Hall poses a potential risk to youths that arrive at Juvenile Hall under the influence of drugs or alcohol and who may need emergency medical care.

Recommendations

1. The Board of Supervisors should implement a feasibility study for a new Juvenile Hall located more centrally in Santa Cruz County.
2. The Grand Jury acknowledges that undertaking the relocation and construction of a new Juvenile Hall will be a lengthy process. Restoration of the present facility and the addition of heating and air conditioning systems at the Graham Hill location should be undertaken to upgrade the facility until such time as a new juvenile facility is built.
3. Santa Cruz Metropolitan Transit District should offer a bus route(s) with stops available at Juvenile Hall.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Board of Supervisors	10, 11, 18, 19	1, 2	60 Days (Aug. 31, 2002)
Santa Cruz County Sheriff	10, 11, 18, 19	1, 2	60 Days (Aug. 31, 2002)
Santa Cruz Metropolitan Transit	19	3	90 Days (Sep. 30, 2002)



Santa Cruz County

Grand Jury

Final Report:

Section 2
Audit and Finance Committee Reports

Grand Jury Review of Periodic Audits of Local Government Entities in Santa Cruz County

Background

State law requires that local government entities be audited on a regular basis. While there are provisions for less frequent audits, most entities in this county are audited annually by a certified public accountant. The purpose of an audit by a certified public accountant is two-fold:

First, the auditor is asked to conduct an investigation to assure that the financial statements prepared by the entity's staff fairly present the financial condition of the entity. This is accomplished through an:

- Examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements
- Assessment of the accounting principles used and estimates made by the management of the entity
- Evaluation of the financial controls in place, and an opinion of the overall presentation of the financial statements.

Second, the auditor is asked to make recommendations to management for correction and improvement in their accounting procedures and financial controls. It is this second purpose that is least understood by the general public and even by many business and government managers.

Since the financial information used in the annual audit is usually prepared and submitted by the management and staff of the entity, it is rare that minor and even serious misconduct is uncovered directly by an auditor. The goal is to ensure that good financial controls are in place so that misconduct or sloppiness will be prevented or discovered by those charged with oversight of the entity. For this reason, the recommendations of the auditor are an important and necessary part of the process. An annual audit is intended to be a management tool rather than a historical record.

The Role of the Grand Jury in the Audit Process

Historically, grand juries have been authorized to conduct their own independent financial audits of local government. In some cases, the entire process has been turned over to the Grand Jury to ensure the independence of the audit process. However, traditionally, cooperation between local government and grand juries was discouraged because it was felt that the statutes authorizing financial audits in the course of grand jury investigations were intended to serve a different purpose. Modern changes in the law now provide more flexibility and allow local governments and the Grand Jury to apportion responsibility for annual audits largely as they see fit.

Recently, the County of Santa Cruz formed a County Audit Committee to oversee the annual audit of the County's financial statements. This committee is composed of representatives of county government and two members of the Grand Jury. The committee meets twice a year.

The first meeting is to select an auditor and the second meeting is to review the recommendations in the audit.

The Role of the Audit and Finance Committee of the Grand Jury

In past years, the Grand Jury, through its Audit and Finance Committee, has conducted in-depth reviews of specific local government entities on a rotating basis. With the growth of the number of local government entities, and the complexity of government accounting, the scope of these investigations has become somewhat limited and often of questionable value.

This year's Grand Jury has adopted a more issue-oriented method of investigation in preparing its report. It is hoped that this new focus will be more effective in meeting the Grand Jury's responsibility to investigate and make recommendations to local government to improve their accounting procedures.

The Scope of this Year's Investigation

This year's Grand Jury chose to focus its investigation in the following areas:

1. The procedures followed by local governments in selecting independent auditors;
2. The response of government entities to the recommendations of their auditors;
3. Cooperation among local government entities in sharing experience and resources;
4. Procedures followed for the transfer of funds between local government entities and between county departments;
5. The participation of local government entities in local Joint Powers Authorities (JPA);
6. The participation of local government entities in JPAs for the purpose of self-funded insurance; and
7. The participation of the Grand Jury in the audit process in Santa Cruz County.

To accomplish its investigations, the Grand Jury performed the following:

1. Reviewed the most recent annual audit of each entity.
2. Reviewed the recommendations of the auditor for the three most recent audits of each entity.
3. Reviewed the procedures followed by each entity in choosing an auditor.
4. Interviewed the Chief Business Officer of the County Office of Education (COE).
5. Interviewed the County Auditor/Controller.
6. Surveyed area accounting firms for input on their concerns.

Procedures Followed by Local Governments in Selecting Independent Auditors

Findings

1. The cost of an annual audit for some small entities is a financial burden.
2. The law allows for less frequent audits for smaller entities.
3. There is a perception among special districts that there is a lack of choice in Certified Public Accountant (CPA) firms willing to audit special districts in Santa Cruz County.
4. Guidelines for the audit of special districts state that cost should not be the sole factor in choosing an auditor.
5. The responses of some local government entities to the Grand Jury's survey of procedures followed in the selection of an auditor leaves the appearance that they use price as the sole criterion for selecting an auditor.
6. Other than school districts, most special districts in Santa Cruz County use one of two auditing firms among the several available choices.
7. Many small firms decline to do local school and government audits because of the special requirements of these audits.
8. There is no legal requirement to change auditors.
9. Many financial professionals believe a periodic change of auditor should be a requirement in order to ensure the independence of the audit.
10. Most special districts do not have a term limit policy for changing auditors.

Conclusions

1. Unless prior history of problems indicates otherwise, the expense of an annual audit conducted by a CPA is not justified for some small entities.
2. A perceived lack of choice and tendency to use price as the sole criterion has unnecessarily limited the number of CPA firms auditing special districts.
3. Long term retention of the same auditor may create an appearance of impropriety, expose local governments to potential financial liability, and erode public confidence in government officials.

Recommendations

1. The retention of an auditor should be reviewed at least every 3 years and changed at least every 6 years.
2. The County Auditor/Controller should develop and publish guidelines for:
 - A. Frequency of audit for special districts for which an annual audit is a financial burden; and
 - B. Alternate safeguards in lieu of an annual audit for entities for which a formal audit is not warranted.

- 3. The Auditor/Controller should take an active role in encouraging competition among audit firms by:
 - A. Facilitating joint solicitations for audit services; (same comment)
 - B. Soliciting more CPA firms to do business in Santa Cruz County; and
 - C. Apprising Special Districts of their auditing choices.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Auditor/Controller	1 – 10	1 – 3	60 Days (Aug. 31, 2002)
All Others	Optional	Optional	90 Days (Sep. 30, 2002)

Response of Local Governments to the Recommendations of their Auditors

Findings

- 1. Board members and management of some special districts lack training in financial and insurance matters.
- 2. Local governments often receive the same recommendations for corrective action from their auditor year after year but fail to act despite agreement to do so.
- 3. Santa Cruz County school districts are required by state law to follow a formal process to ensure that they adequately respond to the recommendations of their auditor. In this process, prior to submission to the Office of the State Controller, the Chief Business Officer of the County Office of Education reviews each school’s documentation of the corrective action it has taken in response to each recommendation.
- 4. The law does not require a formal process to ensure that non-school special districts respond to the recommendations of their auditor.

Conclusions

- 1. The lack of financial training of some district personnel limits the effectiveness of the use of their annual audit as a management tool.
- 2. The failure of many local governments to consistently implement the recommendations of their auditor negates the purpose of these audits.

Recommendations

- 1. The Auditor/Controller should consider presenting an annual Financial Managers’ Training Session for management of small districts. This session would provide training in the following areas:

- A. Selection of an auditor;
- B. Use of an audit as a management tool;
- C. Evaluation of an entity’s insurance needs;¹
- D. Selection of an insurance provider; and
- E. Responsibilities when participating in self-funded insurance programs.

Additionally, this program could serve as an opportunity for potential audit and insurance firms to market their services to local governments; thus increasing available choices.

- 2. Non-school special districts, in concert with the County Auditor/Controller and the County Audit Committee, should adopt a formal process similar to that followed by school districts to ensure that they adequately respond to the auditor’s recommendations:
 - A. Each non-school special district should be required to submit to the County Audit Committee the corrective actions it has taken in response to the recommendations of the auditor; and
 - B. The County Audit Committee should compile and submit a report of this information to the Board of Supervisors and to the Grand Jury on an annual basis. This report should be made available to the public through the public library system and by posting on the County website.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Auditor/Controller	1 – 4	1, 2	60 Days (Aug. 31, 2002)
Santa Cruz County Audit Committee	1 – 4	2	90 Days (Sep 30, 2002)
All Non - School Special Districts	Optional	Optional	60 Days (Aug. 31, 2002)

¹ For further discussion of insurance issues see page 2-11 of this report.

Procedures Followed in the Transfer of Funds between Local Government Entities and between County Government Departments²

Findings

1. It is the practice of many local government entities to bill each other for services provided. This practice is intended to prevent unnecessary duplication of staff and at the same time to correctly reflect the full cost of government services. In most cases, these services and reimbursements are documented and the entities are formally billed.
 2. Not all services provided by one entity to another are documented and billed. For example:
 - A. The Santa Cruz County Assessor, Treasurer-Tax Collector, and County Auditor/Controller provide services related to property tax collection for school districts for which they cannot by law receive reimbursement.
 - B. The County Office of Education in some cases chooses not to seek reimbursement for accounting and financial services it provides to small school districts that lack sufficient staff because of the burdensome nature of determining and allocating such expenses.
 - C. The City of Capitola recently decided to recapture expenditures for services provided to its Redevelopment Agency (RDA). The City of Capitola did not keep records for these services at the time they were provided. Later the city chose to engage in a process purportedly designed to estimate these expenses.
- [Note: See Cities and other County Agencies Committee Reports page 3-4 for a more detailed discussion of this issue.]
3. Government funding sources are generally divided into two types: restricted and unrestricted. Restricted funds must be used for a defined purpose while unrestricted funds may be used for any purpose.
 4. Misuse of restricted funds creates a potential liability because discovery of the misuse may jeopardize future funding and may lead to a requirement that the funds be returned to their source.

Conclusions

1. When all costs attributable to a government service are not adequately calculated, decision-makers are not sufficiently informed of the true cost of programs.
2. Because accounting and financial services provided by the County Office of Education (COE) to some school districts are not documented, the true costs of educational services are not completely presented.

² For the purposes of this report a Government entity is defined as an organization with an independent budget which may or may not be audited separately. In practice, whether or not an organization is a separate entity may not be easy to determine.

3. Consistent application of accounting principles to all financial transactions is essential to maintaining confidence in the system and adequately reflecting the true cost of government services.
4. Failure to keep adequate records of services provided makes it difficult, if not impossible, to correctly measure the cost of such services.
5. Reconstructed records or estimates after the fact when no records are available provide opportunities for misappropriation of funds and open the parties to charges of impropriety.

Recommendations

1. To ensure their proper use, the Auditor/Controller should prepare and distribute to all local government entities a summary of potential consequences for misuse of restricted funds.
2. The Auditor/Controller should prepare and distribute a summary of accounting standards for documenting and billing for services provided by one entity to another. All entities in this county, including cities, should follow these standards. Should an entity desire not to adhere to these standards, the appropriate governing body should approve this deviation prior to the provision of services, and only after a discussion and vote in a public meeting.
3. In order to gain an accurate picture of the real costs of education in each school district, the Chief Business Officer of the COE should create and publicly distribute a report detailing expenses incurred supporting each district for which the COE is not reimbursed.
4. The County Auditor/Controller should create and publish a report describing expenses the County incurs for supporting other entities for which the County is not reimbursed, in order to get an accurate picture of the real cost of the services provided by these entities.
5. Each city should create a report detailing expenses it incurs for supporting other entities such as joint ventures and redevelopment agencies for which the city is not reimbursed, in order to gain an adequate picture of the real costs of these entities.
6. Local government entities should include in their annual budgets a summary of services provided to them by other local government entities without reimbursement in order to reflect better the actual costs of their programs.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Auditor Controller	1 –4	1, 2	60 Days (Aug. 31, 2002)
Santa Cruz County Office of Education	1 –4	3, 6	60 Days (Aug. 31, 2002)
Santa Cruz City Council	1 –4	1, 2, 5, 6	60 Days (Aug. 31, 2002)
Scotts Valley City Council	1 –4	1, 2, 5, 6	60 Days (Aug. 31, 2002)
Watsonville City Council	1 –4	1, 2, 5, 6	60 Days (Aug. 31, 2002)
Capitola City Council	1 –4	1, 2, 5, 6	60 Days (Aug. 31, 2002)
All Others	Optional	Optional	60 Days (Aug. 31, 2002)

Cooperation among Local Government Entities in Sharing Experience and Resources

Findings

1. School district business managers meet regularly to share ideas and information related to financial matters.
2. Fire district chiefs through their Fire Chiefs' Association meet regularly to share ideas and information.
3. Special districts other than school and fire districts do not appear to have a similar method for sharing ideas and information.

Conclusions

1. Schools and fire districts are well served by the process they have created to share ideas and information.
2. In contrast to school and fire districts, other special districts are poorly served by not having a system in place to share ideas and information with other common interest districts.

Recommendations

1. Special districts with common interest should develop a process similar to that created by school and fire districts to better share ideas and information.

Response Required

None.

The Participation of Local Government Entities in Joint Powers Authorities

Findings

[Note to Reader: The Joint Powers Act (Government Code Sections 6500 et seq.) allows two or more government entities to enter into an agreement to jointly exercise powers common to them all or to create a separate entity (referred to as a joint powers agency) to carry out those common powers. For example the cities of Scotts Valley, Santa Cruz, Capitola and the County of Santa Cruz have formed a JPA for the purpose of administering the library services throughout the county.

In this report we will use the term “joint powers authority” or “JPA” to refer to both a joint powers agency and an agreement to jointly exercise common powers. Additionally, in recent years many government agencies have created JPAs for the purpose of sharing the risk of self-funded insurance. This section of the report deals with traditional “power exercising” JPAs, while insurance related JPAs are covered separately in the next section of the report.]

1. JPAs are generally audited separately from their members.
2. Member entities may be liable for the debts of their JPA.³
3. Many entities fail to disclose their membership in JPAs in their annual audit.
4. Many local JPAs have the same or similar make-up of directors because these directors are provided by the forming entities.
5. Some JPAs have citizen members, which allows for greater participation of interested citizens in the policy decisions of these entities.
6. The Santa Cruz County Criminal Justice Council and the Region M Criminal Justice Planning Board are both JPAs created by local government agencies to coordinate policy in the law enforcement area. These JPAs contain no citizen members.

Conclusions

1. Because member entities may become responsible for the debts and liabilities of a JPA, joint powers authorities constitute a potential liability to their members which should be reflected in their annual audits.
2. Like other entities JPAs should be adequately audited and insured.
3. The inclusion of citizen members on the governing boards of JPAs allows for the inclusion of experienced professionals and better ensures that public input is considered in the decision making of these entities. This is particularly useful for a

³ A joint powers agency, as a separate entity, is responsible for its own debts and liabilities. These debts and liabilities would not legally extend to the entities that created the agency. However, in practice, the terms of the agreement to form the JPA or the remaining interests of the forming entities after its collapse often leave the forming entities stuck with the bill.

troubled JPA or for a JPA in which there is strong public interest in the exercise of its powers.

Recommendations

1. Local government entities that participate in JPAs should ensure that this fact is adequately reflected in their annual audits.
2. Local government entities that participate in JPAs should ensure that these JPAs are adequately audited and insured.
3. Local government entities that participate in JPAs should examine the make-up of the governing boards of these JPAs to determine if citizen members should be added to improve the capabilities of these boards.
4. Because there is strong public interest in the exercise of their powers, the Santa Cruz County Criminal Justice Council and the Region M Criminal Justice Planning Board should be encouraged to add citizen members to their governing boards.
5. The Santa Cruz County Volunteer Initiative Program should be asked to create a system for recruiting and assigning qualified independent citizen volunteers to serve on JPAs that would benefit from the advice of experienced members or the input independent members of the public.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Auditor Controller	1 – 3	1, 2	90 Days (Sep. 31, 2002)
Santa Cruz County Office of Education	1 – 3	1, 2	60 Days (Aug. 31, 2002)
Santa Cruz County Criminal Justice Council	4 – 6	3 – 5	90 Days (Sep. 31, 2002)
Region M Criminal Justice Planning Board	4 – 6	3 – 5	90 Days (Sep. 31, 2002)

The Participation of Local Government Entities in Joint Powers Authorities for the Purpose of Self-Funded Insurance

Findings

1. Failure to adequately fund JPAs formed for the purpose of self-funded insurance may result in unexpected demands on members' budgets and an inability to pay claims.
2. The Santa Cruz-San Benito County Schools Insurance Group is a JPA formed to provide self-funded workers' compensation insurance to local school employees. This joint powers authority has not provided self-funded insurance to its members since 1995. As of year-end June 30, 2001, the JPA had reserves totaling \$2,948,286. Pajaro Valley Unified School District has announced its intention to withdraw from the JPA and asked that it receive its portion of the reserve, which it estimates at \$1,300,000.00.
3. The Santa Cruz Fire Agencies Insurance Group is a joint powers authority formed to provide self-funded workers' compensation insurance to local employees of fire protection districts. The actuary report indicates that \$1,934,324 should be held in reserve to meet expected claims. At the time of its most recent audit, the fund had total assets of only \$525,967.

Conclusions

1. The continued existence of the Santa Cruz-San Benito County Schools Insurance Group years after the expiration of its purpose unnecessarily maintains a risk of financial liability and creates an opportunity for misconduct.
2. Under funded self-insurance JPAs pose a significant financial risk to their members and insured.
3. The Santa Cruz Fire Agencies Insurance Group is seriously under-funded. This fact poses a significant risk to the financial stability of its member entities and does not adequately meet the workers' compensation insurance obligation its member districts owe to their employees who engage in a very dangerous profession.

Recommendations

1. Local government entities who participate in self-funded JPAs should ensure that this fact is adequately reflected in their annual audits
2. Local government entities that participate in self-funded JPAs should ensure that these JPAs are adequately funded.
3. Local government entities that participate in self-funded JPAs should ensure that these JPAs are audited annually.
4. Local government entities that participate in self-funded JPAs should ensure that these JPAs are reviewed by a qualified actuary on a regular basis to determine their required funding level.

- 5. If the Santa Cruz-San Benito County Schools Insurance Group is not going to provide self-funded insurance, it is not serving its intended purpose and should be closed out.
- 6. The Santa Cruz Fire Agencies Insurance Group should be adequately funded at the earliest possible opportunity. The member fire districts should consider this a priority.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz Fire Agencies Insurance Group	1, 3	1 – 4, 6	90 Days (Sep. 30, 2002)
Santa Cruz — San Benito County Schools Insurance Group	1, 3	1 – 5	90 Days (Sep. 30, 2002)
Santa Cruz County Office of Education	1, 2	1 – 5	60 Days (Aug. 31, 2002)
All Others	Optional	Optional	90 Days (Sep. 30, 2002)

The Participation of the Grand Jury in the Audit Process in Santa Cruz County

Findings

- 1. Some local government entities form audit committees to oversee their audit process. Members of these committees are required to exercise their full independent judgment in the interests of the audit process.
- 2. In 1998, the county formed an audit committee composed of representatives of county government and two members of the Grand Jury. This committee meets twice a year. The first meeting is to ratify the choice of an auditor and the second meeting is to review the results of the audit and the auditor’s recommendations.
- 3. The Grand Jury has no formal arrangements with other local government agencies to participate in their audit process.
- 4. The Grand Jury is intended to serve as an independent reviewer of the local government audit process.
- 5. The Grand Jury is required by law to maintain the confidentiality of its sources and subjects in the course of its investigations.

Conclusions

- 1. Two meetings per year of the County Audit Committee are insufficient to carefully consider the issues involved and adequately meet the committee’s responsibilities.
- 2. Grand Jury members should not serve on the audit committees of local government entities for the following reasons:

- A. Participation in the process may compromise the Grand Jury’s role as an independent reviewer of the audit process.
- B. The confidentiality of Grand Jury investigations may create a conflict of interest for Grand Jury members serving on local government audit committees.
3. While the Grand Jury appreciates the efforts of county officials, and especially the County Auditor/Controller, to include the Grand Jury in its process; this year’s Grand Jury does not feel that Grand Jury members should continue to participate as voting members of the County Audit Committee.
4. Despite the difficulties posed by the independent nature of the Grand Jury’s role in reviewing the functions of local government, there are many areas where cooperation between the Grand Jury and local governments can facilitate the investigations of the Grand Jury and minimize the potentially disruptive impact of these investigations on local government entities.

Recommendations

1. Future Grand Juries should adopt the following Memorandum of understanding with the County Office of Education:

Proposed Memorandum of Understanding between the Santa Cruz County Grand Jury and the County Office of Education

- A. The Assistant Superintendent for Business should contact the Audit Committee of the Grand Jury early in their term to arrange a meeting to explain the school audit process.
- B. The Assistant Superintendent of Business should send a report to the Grand Jury Audit Committee detailing corrective actions taken in response to the audit findings.
- C. The County Office of Education and all school districts should add the Grand Jury Audit Committee to their distribution list for annual budgets and audits, and forward any auditor recommendations that are not included in the audit.
- D. It is highly recommended that Grand Jury committees consider contacting the County Office of Education prior to submitting information requests directly to school districts.

While both parties recognize that they cannot bind their successors, it is highly recommended that successive grand juries and County Office of Education staff adhere to this Memorandum of Understanding until modified by mutual agreement.

2. Future Grand Juries should adopt the following Memorandum of Understanding with the County Auditor/Controller, the County Audit Committee, and non-school Special Districts:

Proposed Memorandum of Understanding Between the Santa Cruz County Grand Jury and the Santa Cruz County Auditor/Controller and Non-School Special Districts

- A. The County Auditor/Controller should contact the Audit Committee of the Grand Jury early in their term to arrange a meeting to explain the County audit process.
- B. The County of Santa Cruz and all non-school special districts should add the Grand Jury Audit Committee to its distribution list for budgets, audits and notes to managers
- C. The County Audit Committee should annually prepare and send a report to the Grand Jury Audit Committee detailing corrective actions taken by the County in response to the audit findings.
- D. In order to maintain Grand Jury independence, grand jury members should not be members of the County Audit Committee.
- E. The two Grand Jury positions on the County Audit Committee should be replaced with citizen members.
- F. The County Audit Committee should meet more than twice a year to encourage a more active role in its oversight of the audit process.

While both parties recognize that they cannot bind their successors, it is highly recommended that successive grand juries and Auditor/Controller adhere to this Memorandum of Understanding until modified by mutual agreement.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Audit Committee	1 – 5	2	90 Days (Sep. 30, 2002)
Santa Cruz County Office of Education	None	1	60 Days (Aug. 31, 2002)



Santa Cruz County

Grand Jury

Final Report:

Section 3

Cities and Other County Agencies Committee Reports

Investigation of the Conduct of the Santa Cruz City Council in the Public Trust Tidelands/Third Street Parking Lot Dispute

Background

Ownership and use of a parcel of land approximately six acres in size, located at Third and Beach Street along the San Lorenzo River in the City of Santa Cruz has been in dispute between the City of Santa Cruz and the Seaside Company for a number of years. The Seaside Company is now using the parcel as a parking lot. During the past several years, this dispute has received considerable publicity and produced various, sometimes contradicting stories and rumors in the media and at public meetings. During 2001 the Grand Jury received a citizen complaint, asking that certain allegations expressed publicly from time to time be investigated. In the public interest, the Grand Jury has elected to publish the results of their investigation.

The opposing positions, *as related by the complainant*, are:

- A. The property is rightfully owned by the City of Santa Cruz as the result of having been deeded many years ago to the City as “Public Trust Tidelands”. The deed as then drawn, allegedly stipulated the property was to remain in the public trust, and could never be used for commercial purposes, but was later breached when the parcel was illegally transferred to the Seaside Company.
- B. The Seaside Company of Santa Cruz owns the property. The Seaside Company has held legal title for many years, during which time the Company has used the parcel for its own purposes and paid the property taxes on it.

Scope

The Grand Jury received the complaint, dated July 20, 2001, concerning the conduct of the Santa Cruz City Council in the settlement of the dispute. The complainant expressed concerns in three areas:

1. Conducting public business (attempting to settle the dispute) in closed meetings without public involvement, a violation the Ralph M. Brown Act.1.
2. Participation in, condoning, or failing to properly contest improper or illegal transfer of title to public lands (the disputed parcel).
3. Suppression of information (a report of findings pertinent to the dispute, produced by a consultant paid with public funds) that should legally be public.

In the scope of the investigation, the members of the 2001-2002 Grand Jury...

- Reviewed the complaint
- Determined the dispute was not currently in litigation
- Interviewed the complainant for purposes of specificity and clarification
- Reviewed a videotape of a public meeting where speakers, including the outside attorney retained by the City to prepare for, and if necessary, litigate the dispute, and,

a representative of the Seaside Company presented the history, the legal complications and both sides of the dispute

- Reviewed archived Minutes of the Santa Cruz City Council
- Reviewed documents held by the County Recorder pertinent to the title history
- Interviewed three City Council members who were directly involved in the matter
- Researched the Brown Act, in particular, all details pertinent to the complaint.

Findings

Allegation 1

Conducting public business (attempting to settle the dispute) in closed meetings without public involvement.

1. No evidence of impropriety was found. Principals from both sides of the dispute, their attorneys and attorneys from the California Attorney Generals Office and the State Lands Commission did meet in closed sessions to express their relative positions in the dispute in anticipation of litigation – permitted under the Brown Act – but, as stipulated by the Act, no ‘actions’ meaning in this case, settlements or decisions as to the outcome were made. Rather, the participants were emphatic in expressing no settlement could be enacted without the legally mandated involvement and consent of the public.

Allegation 2

Participation in, condoning, or failing to properly contest improper or illegal transfer of title to public lands (the disputed parcel).

1. The objective of the city is *not* to cede the land to the Seaside Company. In 1933 the parcel was transferred from the City to the Seaside Company, however the City now claims that transfer was flawed for two reasons, first, the Mayor of Santa Cruz at the time the City agreed to the transfer, was also a principal of the Seaside Company – a conflict of interest. Second, public lands cannot be legally transferred unless the California State Lands Commission is a party to the transfer, which they were not, thus, in theory (but subject to certain legal challenges); the 1933 transfer is null and void. The City now seeks to acquire clear title.
2. The case is extremely complex. Neither side is in a position of clear superiority. Neither side knows what compelling facts or rebuttals the other may or may not have. Litigation presents great cost, uncertainty and risk – if the matter is litigated, the winner will get everything, the loser nothing, hence, although it is an option, neither side wants to litigate. Both sides feel the wiser course is to find one or more win-win options.
3. However, because the possibility of litigation does exist, neither side wishes to get into open discussions where someone might even inadvertently, reveal ‘the cards it holds’. The City Council is almost in a no-win position; they do not want the citizens to feel deceived by not outlining their case publicly, but they do not want to risk losing by having something unintentionally disclosed. Meanwhile, the Seaside Company is under no obligation to discuss anything publicly, even if the Council were to do so.

Allegation 3

Suppression of information (a report of findings pertinent to the dispute, produced by a consultant paid with public funds) that should legally be public.

1. The outside attorney retained by the City, in turn retained a consultant with expertise specific to this dispute. The consultant researched the history and other facts, then produced a report of findings for use by the City's attorney, thus those findings are legally the 'work product' of the attorney and protected by attorney-client confidentiality.

Conclusions

1. Allegations 1, 2 and 3 are without merit. While the Grand Jury believes the City Council has acted legally and in the best interests of the City, it also recognizes the public concerns that have been raised by lack of, or inaccurate information and misunderstandings. The Grand Jury believes the Council could have responded to their constituents by disclosing the information given in the Findings above and reassured them without compromising their case.

Response Required

None.

An Investigation of the City of Capitola Redevelopment Agency Reimbursement *Loan Agreement*

Background

In 1952 California voters approved Constitutional Amendment #55 authorizing the use of property tax dollars to modernize decaying downtown areas, create public housing, and allow for the erection of municipal facilities. In the years to follow, this process came to be known as “redevelopment.” The popularity for this means of property tax diversion soared following the 1978 passage of Proposition 13. This was the popular legislation that capped, and rolled back, property taxes on homes and commercial real estate. Government entities under this fiscal pressure began to look to the redevelopment law as a means to generate revenue for “capital projects.” This law allowed California cities and counties the authority to establish community agencies for the purpose of administering the revitalization of one or more “projects in a blighted area” within chosen boundaries. The proposed benefit is that over time, there is the potential for the agency to stimulate economic growth in these “blighted” areas through improvements to the civic infrastructure.

These “capital projects” are governed by a redevelopment agency (RDA), with its own staff and governing board, appointed by the city council. Often city councils appoint themselves as agency members, with council meetings doubling as redevelopment meetings. Legally, a redevelopment agency is an entirely separate government authority, with its own revenue, budget and staff. In small jurisdictions however, regular city employees often staff the RDA, and the RDA reimburses the city for the staff’s work.

State law allows RDAs to use various kinds of financing and economic development incentives to attract private investors. Selling bonds secured on future tax growth, called tax increment, is a common form of financing. This power to incur bonded indebtedness can be done without voter approval. In Capitola’s case, a 1986 loan of \$10,200,000 to the newly formed RDA was authorized by the City Council to initiate this process. The theory behind property tax increment financing is that property tax revenues will increase as property values increase. Those areas that have experienced redevelopment improvements should be more attractive to private investors and businesses.

Briefly, it is this difference between these past and present values that funds the RDA. It is this same amount of money that is re-directed from the State and the County’s treasury. In order to achieve its objectives the Agency has the power of eminent domain to condemn private property, but does not have the power to levy taxes. Likewise, in the area of public oversight, RDAs are covered under the Brown Act, which requires public awareness of what the agency is doing. RDAs are also required to have annual audits within their community, and to annually file a report called the Statement of Indebtedness with the county’s auditor.

The statewide popularity of this tool for “capital projects” has had a tremendous effect on the State’s budget. Well over a billion dollars in property taxes are re-directed annually to statewide RDAs. This re-direction of property taxes to municipal RDAs over a period of decades, with little actual fiscal overview by state agencies and the public in general, has contributed to a common experience. The expenses of administration frequently expand over time, and eventually dwarf the financial, and therefore, the civic contributions of the RDA.

Grand Juries in Southern California have reported on RDAs with administrative expenses in excess of 60% of the total tax increment. They have found communities using RDA's to compete with neighboring communities for the attention of specific businesses, and/or the honor of hosting professional sport franchises and the attendant stadiums. The Southern California Grand Juries found that RDAs have the burden to explain to the public why their actions are in the best interests of the city.

Overview

On September 10th, 1981, the Capitola City Council adopted Resolution 505. A Cooperation Agreement followed, forming the basis of the Capitola Redevelopment Agency. The initial target of Capitola's RDA was to be the infrastructure (roads, utilities, and drainage) surrounding the 41st Avenue commercial district. By 1984, within this area of Capitola, ninety-six acres were identified as "blighted", with an assessed valuation of \$65 million as a tax base. Eighteen years later, this same area measures \$165 million in assessed valuation (it is this dollar difference that represents the gross tax increment), and it is the chief shopping district of the Mid-county. Today several challenges surround another possible site for the RDA. This is the historic, yet abandoned, Rispin Mansion. Truly "blighted," this potential tourist destination site is under consideration for RDA assistance.

As a counterbalance to up-scaling, or gentrifying a community, state law also requires an RDA to set aside 20% of its funds for low- and moderate-income housing. As one example of this, the City of Capitola worked with the Housing Authority of Santa Cruz County, and in 1986 developed the attractive, affordable housing at the eastern end of Clares Street. Although it was once possible to spend the money set aside for affordable housing on infrastructure improvements (roads, sidewalks, etc.), the changing of the law in 1993 (AB 1290) required that all future housing-fund allocations be spent only to "increase the supply" of affordable housing.

Capitola's RDA has been in effect for two decades and has experienced many administrations. During this time, several instances of fiscal mismanagement have brought substantial controversy to the blended managements of the RDA and the City of Capitola; legally separate entities, and in this case with the same members in both the RDA and the City Council. Shortly after the 1995 resignation of its long-term city manager, the Capitola city government discovered the first in a series of abuses of misappropriated redevelopment funds. Skip ahead to the year 2000, and that city manager is found to be balancing the City's budget with a questionable contribution from the RDA. Now the City is experiencing its third city manager since the position was vacated in 1995.¹

It has been the duty of this Grand Jury, and previous Grand Juries, to investigate the reports that Capitola's city management has not implemented procedures for recording the time and expenses spent managing their RDA. When the city's management contributes, as Capitola's management does, to the operation of the RDA, it is normal for a reimbursement of these expenses to occur. The original 1981 Cooperation Agreement, and the recommendations of the Grand Juries of 1992–1993 and 1994–1995, stipulates the keeping of adequate written records (time cards) of these services and time spent on behalf of Capitola's Redevelopment

¹ For an overview, the Santa Cruz Sentinel Online Edition, www.santacruzsentinel.com offers a detailed study on these subjects; dated February 12th, 2000, article by Jondi Gumz.

Agency. Despite the City’s assurances to the Grand Jury that this would be done, no time cards are available prior to 1995–1996. The turnover of the City’s Administrations since 1995 is deemed partially responsible for the failure to implement a system for recording the expenses of the City on behalf of the local RDA.

The issue of accurate and timely reporting of expenses by the City now weighs heavily in the decision to apply for RDA reimbursement. Statewide, RDA administrations are constantly concerned with the State-mandated, twenty-year limit on the life of an Agency to issue debt. This provision affects the overall life of an RDA, and as a consequence, the prolonged availability of its funds to the Agency. As the Capitola City Council has recently experienced, the growth in city services and its budget constraints are in continuous conflict. This common statewide experience encourages many Agency administrations to follow the precedents of other RDAs, that is, to amend their projects, thereby extending the mandated twenty-year limit, and securing additional years for collecting the tax increment.

The new City Manager of Capitola, having begun his term in 2001, has made reimbursement from the RDA a priority. Beginning in the fall of 2001, steps were taken to quantify what this level of reimbursement should be. Many months of study accompanied multiple reports and qualifying opinions. With the absence of substantiating records (time cards), an alternative method of arriving at the reimbursement was found to be necessary and understandable. The choice was narrowed to a flat-fee calculation based upon the City Manager’s estimates and examples of time and services. These estimates were tabulated and offered as justifications to support an annual flat fee of 15% of an adjusted net tax increment, intended to be the means for offsetting the City’s past RDA administrative expenses. The Capitola City Council unanimously approved the *Loan Agreement* that secures this reimbursement on December 13th, 2001. A progress report of this agreement is offered by the City Treasurer in an article available online at: www.cyber-times.com entitled: Our Treasure... and dated: February 1, 2002.

The final outcome of this progress report, dated Sept. 26th, 2001, and the *Loan Agreement* with its 15% flat-fee schedule has drawn the attention of this Grand Jury. As the focus of our findings, it is of high importance to note:

- The original draft approach to the *Loan Agreement* was presented by the City Manager and reviewed by, the Finance Advisory Committee on Sept. 20th, 2001
- A clause in this draft stipulated a two-year period of record keeping, as a means to confirm and, as necessary, revise the estimates listed in Exhibit A showing the calculations of the 15% flat-fee (see Figure 1)
- This method of confirmation was dropped from the adopted *Loan Agreement*.

The questions arise, is this method of reimbursement a matter of convenience in lieu of actual record keeping? Is the Council motivated by a need to secure funds that will assist in balancing the budget? Or both? The answer to these questions truly lies in the answer to another question: Is the work-product of the City, on behalf of the RDA, equal to the cost of administering the “capital projects”?

Scope

The Grand Jury investigated the City Of Capitola’s RDA Reimbursement Plan with the following fieldwork and research:

Interviews with Capitola Officials:

- Finance Committee Member
- City Manager
- Redevelopment Agency Treasurer

Reports reviewed:

- A. *Our Treasure: The Financial State of Capitola*, a Capitola Times article by Capitola City Treasurer, Bob Begun, dated 02-01-02, available online: www.cyber-times.com.
 - B. *Political Power Struggle*, a Santa Cruz Sentinel article by Jondi Gumz, dated 02-12-00 online edition, www.santacruzsentinel.com.
 - C. The redevelopment report of the Los Angeles County Grand Jury, 1993–1994
 - D. References from: www.redevelopment.com/g_jury/juryb.htm
 - E. City of Capitola documents:
 - Capitola Redevelopment Budget extract: Source & Use of Funds, 2000–2004
 - Loan Agreement, dated 12-13-01, including attachments Exhibit A (shown in Figure 1), and Attachment 1
 - City Council Meeting of December 13, 2001, including attachments: Staff report for the October 11, 2001 meeting, Minutes of the October 11, 2001 meeting, and a spreadsheet detailing the 15% proposal
 - Background report by City Manager to the Finance Committee regarding the RDA reimbursement of City Expenditures, dated: September 20, 2001.
- Includes:
1. Analysis of Time Records submitted by:
 - City Manager for the period of March 8 to April 11, 2001
 - Community Development Director for the period of the First Quarter of Year 2000.
 - Housing and Redevelopment Director for the period of March 2000 through February 2001
 2. Direct and Overhead Costs Calculations of:
 - City Wide Overhead Calculations.
 - Cost Percentage Iterations for Capitola and Santa Cruz County Housing Expenses to Revenues listing.
 3. Attorney Opinions submitted by:
 - Capitola General Counsel, dated 09-17-01
 - Capitola City Attorney, dated 08-29-01
 - Capitola General Counsel/City Attorney, dated 06-16-00
 - Attorney for Goldfarb & Lipman, SF, dated 08-10-01
 - Attorney for Goldfarb & Lipman, SF, dated 08-27-01

Findings

The following findings delineate the process followed by the Capitola City Council in choosing to adopt the reimbursement plan laid out in its *Loan Agreement* of December 13th, 2001.

1. The originating 1981 Agreement states: “The City will keep records of activities and services in order that an accurate record of the Agency’s liability to the City can be ascertained.”
2. Time and performance records are currently unavailable to confirm reimbursement amounts.
3. The City has not applied for full reimbursement of its RDA expenses since 1995–1996.
4. The Capitola City Council, by a unanimous vote on December 13, 2001, adopted a *Loan Agreement* to receive reimbursement from the Capitola RDA for administrative expenses.
5. The eligible years for reimbursement have been limited, as the City Council chose to forego the expenses and interest incurred during 1995 and 1996. This was due to concerns, conclusions and a legal opinion referencing the statute of limitations and the eligibility of the City to collect on all past expenses.
6. The Capitola City Attorney and General Counsel offered several legal opinions that addressed the statute of limitations and the need for documentation. Included was the statement urging the Council to be aware of: “...surprises through the revival of claims that have been allowed to slumber till evidence has been lost, memories have faded, and witnesses have disappeared.” “That a creditor who has been especially slow in asserting its rights must not be allowed to profit by that delay.”
7. The method for reimbursement for the target years 1997 – 1998 through 2000 – 2001 is to be the flat fee of 15% of the adjusted net tax increment.

Definition: The net tax increment equals the total of the gross tax increment revenues of the RDA, less the exempted pass through agreements of the County, Fire, Library, and Special Districts. This resulting total is the net tax increment upon which the 15% flat fee deduction for administrative expenses is calculated. After this, 20% of the original gross tax increment is deducted for the set-aside for affordable housing. A final, major deduction accounts for accumulated debt service.

The following Table offers a calculated example of a 15% flat-fee administrative reimbursement amount and its erosive effect on the balance remaining for “capital projects.” The figures reported are for 2000–2001 Actual, as derived from: Redevelopment Agency — The Source & Use of Funds, Years: 2000–2004, Table 1

2000-2001 Actual Gross Tax Increment	\$1,675,000
Minus the 2000-2001 Pass-Through Agreements	-600,900
Total of the Net Tax Increment (NTI)	= 1,074,100
15% of the N.T.I. for Flat-Fee Administrative Fee	-161,115*
Minus 20% of the Gross T.I. for Housing Set-Aside	-335,000
Minus the listed amount of 2000-2001 Debt Service	-382,200
Minus the listed amount for Professional Services	-57,600
Total Example Amount Remaining for “Capital Projects”	= 138,185†
Reported amount spent on “Capital Projects” for 2000–2001	zero — no entry

*Example calculation only. The amount for 2000-2001 as shown in Figure 1 Exhibit A to the adopted *Loan Agreement* is 139,117. The difference is due to the difference between Actual and Early Calculated projections.

†In this calculation, the total amount remaining for “capital projects” represented as a percentage of the Gross Tax Increment is only 8.25%.

8. These reimbursement amounts for 1997–2001 have been developed as a loan, with a structured amount of simple interest that currently ranges from 5% to slightly over 6%.
 - A. Fifteen percent of this figure for the years 1997 through 2001 equals: \$539,213.
 - B. An additional \$78,815 has been added to that amount for accumulated back interest. For specifics, see Exhibit A at the end of this report.
 - C. These amounts are to be paid, “as funds are available,” as determined by the City Council, over a period “*not to exceed twenty-five years.*”
9. The original draft of the *Loan Agreement* stated that the amounts owed from 1997 to the present were to be considered estimates. This draft recommended the use of time cards for a two-year period in order to measure and to confirm the accuracy of the fifteen percent flat fee. (This original draft is dated: Sept. 26, 2001 as a report by senior city staff to the Oct. 11, 2001 meeting of the City Council). This provision was deleted from the adopted agreement.
10. In a separate and earlier report from June of 2000, General Counsel emphasized against, “...vague documentation, especially given the contractual provision that the City periodically invoice the RDA and keep accurate records of its costs.” Refer to the originating 1981 Agreement.
11. The current City Manager estimated the various percentages of total time allocated to the RDA by city staff. These specifics have been detailed for review by the City Council:
 - A. A tabulation of all direct and overhead costs of the City were listed, since a portion of those expenses were deemed attributable to maintaining the offices of the RDA.

- B. An example of percentage reimbursement was pulled from the operations of the Santa Cruz County Office of Redevelopment. These offices use an annually variable percentage — versus a fixed flat fee percentage — to recover the costs of administering this Agency. For the period 1999–2000, the actual percentage of expenses to revenues was 9.56%; and for 2000–2001, this ratio was 10.35%.
12. All of the above information is part of the progress report; the “well documented” case, to quote the City Attorney, developed by city staff to justify two important decisions:
 - A. To decide how the City was to obtain past reimbursement without any written records.
 - B. To determine what percentage of the net tax increment the City could expect to adopt.
 13. The normal range with flat-fee, percentage based reimbursements for similar agencies, as suggested by a redevelopment official, is in the range of five to fifteen percentage points, provided that it is supported by legitimate documentation.
 14. There remains dissent within the Finance Committee regarding the use of a flat-fee reimbursement schedule instead of time cards.
 15. A new time-keeping system for payroll purposes is being procured for all of City Hall. However, its use is not being prepared for monitoring the time and performance costs of administering the RDA.
 16. It is the City Manager’s responsibility to provide to the City Council, a balanced budget for its approval.
 17. The RDA is required to have its annual report audited by the City, and its annual Statement of Indebtedness approved by the County Auditor.
 18. The County Auditor, who chose to approve the report, reviewed the 2000–2001 Statement of Indebtedness. In this instance, the auditor chose to send an annotated copy of this report to the State Finance Department for further review. The State Finance Department has the authority under state statute SB1711 to sue a redevelopment agency, but has no active monitoring system to review a Statement of Indebtedness.
 19. The County Auditor disbursed the tax increment funds for 2000–2001 to the Capitola RDA.
 20. The 2001–2002 Statement of Indebtedness is due for submission on September 30, covering the year inclusively through June 30th, 2002.

Conclusions

1. Regardless of non-existent time cards, whether unavailable due to inconvenience or oversight, the City is obliged to apply for and receive an accurate and honest reimbursement.

2. Although the City Manager is creatively proceeding with this matter, the basic element of full accountability is unresolved, and it appears that the opportunity to accurately and faithfully apply for actual expenses in future reimbursements will be missed.
3. The *Loan Agreement* covers the reimbursement amounts due to the City. As it was adopted by the City Council, any balances due are to be paid “as funds allow” over a period “not to exceed twenty-five years.” This implies that the payment of principal, and the accompanying accrual of annual interest, is at the pleasure of the Council. The consequence of unpaid balances intentionally carried forward from year-to-year, inappropriately transfers monetary resources from public-serving “capital projects” to the administrative budget of the Capitola City government.
4. The fact that the administrations of the Capitola City Council and the Board of Directors of the RDA are one and the same, constitutes a potential conflict of interest. Any transfer of funds for reimbursement that is not supported by a measurable work product, is in violation of generally accepted accounting principles.
5. Without the accountability provided by actual time and service records, the *Loan Agreement* can be perceived as sidestepping accuracy, which leaves City of Capitola open to a charge of fiscal mismanagement.

Recommendations

1. In the light of past challenges to the fiscal responsibility of RDA/City officers, and in full knowledge of two separate Grand Jury reports directly recommending time card reporting, and in acknowledgement of the City’s previous agreement to do so, the City should look to, and proceed with, implementing procedures that build the trust and confidence of the public.
2. The City Council should reconsider its actions, revisit the advice of its City Attorney and that of other paid counsel, and develop the systems necessary to carefully monitor and report the actual expenses incurred on behalf of its RDA. It is further suggested that this resulting system be applied to confirm the accuracy of requested reimbursement amounts relating to 1997–2001.
3. The City Council should not accept a City budget that relies on inappropriate contributions from its Redevelopment Agency.
4. The Grand Jury of 2001–2002 further recommends to the Grand Jury of 2002–2003 that it reinvestigate and specifically check the content of the City’s work on behalf of the RDA to ascertain if the value in dollars reimbursed under the present *Loan Agreement* is equal to the cost.

Response Required

Entity	Findings	Recommendations	Respond Within
Joint Members of the Capitola City Council and Redevelopment Agency Board	1, 7 – 9, 13 – 15, 18	1 – 3	90 Days (Sep. 30, 2002)
Capitola City Manager	1, 7 – 9, 13 – 15, 18	1 – 3	60 Days (Aug. 31, 2002)
Capitola Finance Committee Advisory Members	1, 7 – 9, 13, 14, 18	1 – 3	90 Days (Sep. 30, 2002)
Redevelopment Agency Treasurer	3, 7 – 9, 13 – 15, 18	1, 2	90 Days (Sep. 30, 2002)
Santa Cruz County Auditor/Controller	11, 13, 15, 17, 18, 20	1	60 Days (Aug. 31, 2002)

EXHIBIT A

The Finance Committee recommends that the method for charging the Redevelopment Agency an overhead rate for business services provided by the City of Capitola be as follows:

Gross Tax Increment

Less Pass Through Agreements:

(Santa Cruz County, Fire District, Library District, and Special Districts)

Net Tax Increment subject to a 15% overhead rate

The overhead rate will be applied to the Redevelopment Agency tax increment revenue prior to dispersing Housing Set Aside dollars. The Finance Committee agreed that the overhead rate would be applied back to the 1997-98 fiscal year, calculated on the audited financial figures. The following table shows the calculation for each of the past four years.

	1997-98	1998-99	1999-00	2000-01
Audited Gross Property Tax Increment	\$ 1,645,526	\$ 1,616,065	\$ 1,474,106	\$ 1,675,137
Less Pass Through Agreements:				
Santa Cruz County	\$ 377,258	\$ 375,983	\$ 341,556	\$ 389,176
Fire District	\$ 321,110	\$ 308,887	\$ 343,596	\$ 358,514
Net Property Tax Increment	\$ 947,158	\$ 931,195	\$ 788,954	\$ 927,447
15% Overhead Rate	\$ 142,074	\$ 139,679	\$ 118,343	\$ 139,117

Applying the average interest rate as previously proposed to the above overhead chart results in the following table itemizes the simple interest due:

Fiscal Year	15% Overhead	1997-98 5.69%	1998-99 5.34%	1999-00 5.67%	2000-01 6.12%
1997-98	\$ 142,074	\$ 8,084	\$ 7,587	\$ 8,056	\$ 8,695
1998-99	\$ 139,679		\$ 7,459	\$ 7,920	\$ 8,548
1999-00	\$ 118,343			\$ 6,710	\$ 7,243
2000-01	\$ 139,117				\$ 8,514
		\$ 8,084	\$ 15,046	\$ 22,685	\$ 33,000

The Finance Committee recommends that these amounts be consolidated into a debt recognized by the RDA to the City in the amount of \$618,028. Simple interest on this debt will be paid to the City on an annual basis, due June 30th, calculated at the LAIF apportionment rate published for the quarter ending March. The following table summarizes the calculation of the debt:

1997-98 through 2000-01 Overhead Due to RDA:	\$ 539,213
1997-98 through 2000-01 Simple Interest Due to RDA:	\$ 78,815
	<u>\$ 618,028</u>

Beginning with the 2001-02 fiscal year the Redevelopment Agency will make annual overhead payment to the City based upon this method.

Figure 1.

Investigation of the Lack of Affordable Housing in Santa Cruz County

Background

With all the recent media attention, it is no secret the affordable housing situation in Santa Cruz County at the time of the end of this investigation in the third quarter of 2001, was the worst in the entire United States, according to the National Association of Homebuilders, who track affordability nationwide, and whose statistics are used by the State of California and the Federal government.

Affordable housing is a topic that has been much publicized and has been the subject of considerable political posturing, but unfortunately it is largely misunderstood by the general public. California law requires the housing plan (known as a Housing Element) for each City and County to proportionally address all income levels in the area affected by the Plan. A Housing Element is an integral part of the General Plan of a city or county or a city and county including the County of Santa Cruz. California Government Code, Section 65583 is clear:

“The housing element shall identify adequate sites for housing, including rental housing, factory-built housing, and mobile homes, and shall make adequate provision for the existing and projected needs of all economic segments of the community.”

However, recognizing the total housing needs may exceed available resources and a community's ability to satisfy these needs, Section 65584 of the same Code also mandates:

“The county's share of low-income and very low income housing shall be reduced only in proportion to the amount by which the county's share of moderate and above moderate-income housing is reduced.”

The housing plan for each City and County, by law, must be certified by the State of California. Santa Cruz County has not complied since at least 1994, according to the California Department of Housing and Community Development (HCD, the certifying agency), internal County government memos and records viewed by the Grand Jury. According to the testimony of a county official, it has been many years longer. Contrary to assertions by high-level County officials, this non-compliance has resulted in severe financial and social consequences, probably not clearly recognized by many County taxpayers. In addition to the housing laws as they apply to income segments, it is critical to understand the overall picture in Santa Cruz County, documented by the State and the County, to fully understand the seriousness of the problem.

As long ago as 1978, Santa Cruz County Legislative Findings described the situation as “a crisis.” In 1980, the County Declaration of Findings and Legislative Intent again acknowledged the still growing problem:

“Increasingly, persons with average and below average incomes who work and/or live within the county are unable to locate housing at prices they can afford; economically disadvantaged households are increasingly excluded from living in Santa Cruz County.”

“The County finds that the housing shortage for persons of average and below average incomes is detrimental to the public health, safety and welfare.”

Since that time, the situation has not improved; instead, it has become steadily worse. Some examples:

1. From 1990 to 2000 homelessness in the County almost tripled, from 1,187 to 3,293.^{2,3}
2. As of 2000, 32% of the homeless were employed, and an additional 59.9% were actively seeking work.³
3. The number of homeless children in the County more than doubled, from 505 to 1081 between 1997-1998 and 2000-2001.²
4. In just four years, the number of families with children forced to double-up or triple-up in housing increased more than eight-fold. Due to a lack of affordable living space since 1997-1998, the number of such families increased from 45 to 365.²
5. A median priced home in Santa Cruz County in 2001 was \$420,000, but for families with a median income of \$65,500 only 6.9% of the available homes in the County were affordable.⁴ For families with lower incomes, there is virtually nothing available for purchase.
6. A County Redevelopment Agency article, *The Housing Crisis*, published in 2001 states:

“By a recent account a family would need a combined income of \$125,000 to \$150,000 to qualify to purchase a median priced home.”^{2,3}

To better appreciate the affordability crisis, it is useful to juxtapose the previous two examples with the actual incomes in Santa Cruz County during 2001:

Individual Wages:

15%	< \$ 8 per hour	= \$15,000	per year or less
22%	\$ 8 - \$10	= \$20,000	or less
28%	\$10 - \$15	= \$29,000	or less
15%	\$15 - \$20	= \$39,000	or less
6%	\$20 - \$25	= \$48,000	or less
5%	\$25 - \$30	= \$58,000	or less
9%	>\$30	= \$59,000	or more

² Community Assessment Project 2001 Comprehensive Report, Applied Survey Research.

³ Santa Cruz County Homeless 2000 Comprehensive Report, Applied Survey Research.

⁴ National Association of Home Builders, Housing Opportunity Index: Third Quarter 2001.

Household Income⁵

Very low income	Below \$32,750
Low income	50% to 80% of median, or \$32,750 to \$52,400
Moderate income	80% to 120% of median, or \$52,400 to \$78,600
High income	Above \$78,600

Self-sufficiency Wage⁶

\$45,924 per year, for a single income family with two children

Scope

The Grand Jury performed a wide-ranging, in-depth investigation of the state of affordable housing now, and over a period of many years:

- County and State laws as they pertain to affordable housing
- Federal, State and County entities that regulate or administer affordable housing laws and policies
- Actions taken by local government for at least the past ten years to remedy the condition
- Financial and social effects of the crisis on the citizens of the County

A complete listing of materials researched, interviews and testimony taken in the course of the investigation can be found in the Appendix to this report on page 3-22.

Findings

1. A Housing Element is an integral part of the General Plan of a city or county or a city and county including the County of Santa Cruz.
2. California law requires that the Housing Element (plan) of each county be certified by the California Department of Housing and Community Development (HCD) as meeting legal requirements. Failure to comply results in Santa Cruz County being ineligible to apply for millions of dollars per year in State funding.

⁵ The U.S. Department of Housing and Urban Development (HUD) divides households into four income groups: high, moderate, low and very low. The State of California also divides households into four groups, using slightly different terminology: high, low/moderate, very low and extremely low. Both use the same numerical income ranges.

⁶ A self-sufficiency wage is the amount needed to maintain bare functional necessities: shelter, food, essential transportation, essential medical care, and non-discretionary incidental expenses.

3. The Santa Cruz County Board of Supervisors, as the responsible executives of the County, with full knowledge and understanding are, and for a number of years, have been out of compliance with California and Santa Cruz County housing laws.^{7,8} Even in the face of repeated memos from high level County officials advising the Supervisors of same and recommending corrective actions, they failed to vote as a majority to bring the County into compliance.
4. Many employed individuals and families in the very low-income category live in condemned structures, abandoned vehicles, sheds, storage bins and camps for the homeless. They endure living with unacceptable health and safety violations: without plumbing, without sanitary facilities, without electricity, without heat and with infestations of vermin.

A quoted response from the 2001 Farmworker Housing and Health Survey:

“...some people were living in a hotel room with one bedroom, a small bathroom, kitchen...there were eight people there...they were in wretched conditions, dead cockroaches, rats, and the roof in bad condition.”

5. The crisis is not limited just to those with very low incomes. The drastic rise in the cost of housing, and the lack of remedial action, has forced an exodus of people in the public and private sectors with essential skills and an inability to attract replacements. Included are medical providers, educators, law enforcement and firefighting personnel, other professionals and service workers, all of whom are vital to a healthy community. Also, many of the professional and highly skilled individuals have accepted higher salaries in nearby counties, but continue to occupy their Santa Cruz County residences, thus increasing the problem.
6. One Supervisor produced an affordable housing proposal to help public employees only. Although not adopted, the proposed remedy was to provide public employees with (a), preferential treatment in affordable housing opportunities and (b), financial assistance using County funds. Santa Cruz County Code 17.10.100 describes this practice as an illegal Conflict of Interest.
7. The ongoing failure of the County Supervisors to take actions that would result in meeting affordable housing laws has resulted in Santa Cruz County being ineligible to apply for millions of dollars per year in State funding for:⁹
 - A. Acquisition, development, rehabilitation and financing of rental or ownership housing for low-income families.
 - B. Assistance for first time homebuyers.
 - C. Infrastructure improvements, community facilities and some community services.

⁷ California Government Code 65580 et seq., and Santa Cruz County Codes, Chapter 17.10, et seq.

⁸ Housing Element Compliance Report, State of California Dept of Housing and Community Development, dated February 1, 2002, page 8, Santa Cruz County. www.hcd.ca.gov/hpd/hrc/plan/he/status.htm

⁹ Board of Supervisors Meeting, agenda item 65, October 19, 1999. Letter from the Director, Santa Cruz County Planning Department and the County Administrative Officer to the Santa Cruz County Board of Supervisors, dated October 19, 1999.

- D. Business attraction, retention and revitalization activities.
 - E. Capitalization of a loan fund for local businesses for working capital, revolving lines of credit, equipment renovation and other.
 - F. Economic development and related infrastructure improvements.
8. When questioned in public debates about the loss of these funds, high-level County officials have asserted that no loss of funds has occurred because such funds can, and have been obtained by non-profit organizations and that grants of such funds could not be received by both non-profits and the County. A closer examination of the facts revealed these assertions to be misleading.
 9. The number of primary and 2nd or vacation homes created for moderate income (fewer than 15% of County households) and high income has been disproportionate to the economic ratio of those in need. In parallel, according to County documents and the testimony of County housing officials, the number of affordable dwelling units has actually been declining. Among the reasons for the decline:
 - A. Builders are permitted to demolish affordable dwelling units and replace them with larger, market rate homes.
 - B. Construction of expensive single-family dwellings is being permitted in areas zoned for affordable multifamily dwellings
 - C. The number of dwelling units carrying time limited affordable deed restrictions by agreement with landlords is shrinking.¹⁰ The agreements are expiring at a higher rate than they are being replaced.
 - D. Funding mandated for affordable housing is being excessively used on rehabilitation of existing dwelling units, instead of being used to increase the overall number of dwelling units.
 10. Affordable housing has not been attractive to developers and realtors. Given the ample opportunities to build and sell very expensive homes, there have been no economic incentives to consider affordable housing.
 11. There is a widely communicated misconception – touted by those who advocate it – that encourages the false belief that meeting legal requirements for affordable housing mandates high rise developments and/or unacceptable growth.¹¹ The law requires neither. It merely says if a county or city plans to increase (or decrease) the number of dwelling units, the housing element must address the needs of all income segments of the community and cannot unfairly favor certain income groups at the expense of others.
 12. According to the findings of experts with detailed knowledge of the County and all the constraints therein, there are numerous options for relieving the affordable housing situation and substantially bringing the Plan into compliance) These can be achieved

¹⁰ Landlords are subsidized for the difference between the affordable rate and the prevailing market rate.

¹¹ The Mid County Post, May 7- 20, 2002, "New Housing Policies Could Bring Crowding," and "Your Neighborhood Might Be Next," by Jan Beautz, Santa Cruz County Supervisor.

without compromising essential health and safety requirements, environmental or coastal protections, agricultural lands or services important to the quality of life. These options, sometimes individually, sometimes collectively, have been proposed to the Supervisors on many occasions but no action has been taken. Instead, the Supervisors, while publicly voicing support for affordable housing, have instead, directed further studies, directed additional analysis, requested additional reports, directed economic modeling, directed exploration of possibilities and routinely deferred considerations to future dates – often repeatedly – until they eventually failed to appear on subsequent agendas. In contrast, a number of housing officials within the County commended the City of Watsonville for conscientiously addressing their affordable housing needs and obligations.

13. Housing projects, which violated affordable housing laws, have been approved by the County Supervisors. County law (“Measure J”) requires 15% of new residential developments to be affordable or, satisfy one of several alternative options such as ‘in-lieu’ fees, or transfer credits based on the value of property or dwellings in the development (County Code Section 17.10.034) These fees or other options accrue for the creation of affordable housing. The minimum in-lieu fee, as shown in the Code, is \$160,000. Examples of violations found by the Grand Jury are Tan Heights at 13% and Calabria Heights at 10%.
14. According to the testimony of more than three local housing officials within Santa Cruz County, urban services boundaries¹² in the County have historically been determined by anti-growth actions directed by elected officials rather than based on suitability of location for housing development.
15. The root of many County problems can be traced to the lack of affordable housing:
 - A. Many workers are forced to commute long distances, often two hours or more. Typically those who must make the longest commutes to more affordable places are those who can least afford to those with lowest incomes. This puts additional traffic on already badly deteriorated roads, but Community Development Block Grant funding from the State that would help the situation has been denied, due to the Supervisors’ decision not to comply with affordable housing laws.
 - B. A shortage of employees is hurting businesses and public agencies. Both have experienced an outflow of people and fruitless recruiting programs because the ratio of income to housing affordability is better elsewhere.
 - C. Strained sanitary facilities of public buildings and local businesses, because unemployed and working homeless people living in vehicles or moving from one temporary shelter to another are forced to use them.
 - D. Health and Safety Code violations. According to testimony by a County employee, inspectors are overloaded with work in this area and illegally built living quarters of various kinds.
16. The lack of affordable housing for low-income individuals is having a particularly serious impact on low-income individuals receiving treatment for mental illness,

¹² Municipal water, sewers, transportation and other services are typically available only within urban service areas.

substance abuse and other problems and on their caregivers as well. Because these patients have no fixed address or telephone, it is a serious concern to physicians and other caregivers who cannot locate and maintain necessary contact with their patients to monitor efficacy of treatment and progress.

17. As stated in this Grand Jury report on County schools, nearly all of the schools in the County have experienced a decline in enrollment, and a resultant loss of State funds. County educators interviewed by the Grand Jury have pointed directly to the lack of affordable housing as the reason.
18. A number of County officials have testified that the University of California, Santa Cruz has not provided its 'fair share' of on-campus housing.
19. The director of housing for the University of California, Santa Cruz, reports UCSC provides the largest percentage of on-campus housing within the University of California system.

Conclusions

1. The Santa Cruz County Board of Supervisors has failed to comply with the housing laws of the State of California (Sec 65580-65589.8) and Santa Cruz County (Chapter 17.01 through 17.10). Although repeatedly notified by State and County officials that the County is, and has been continually violating these laws and the consequences of doing so, public statements by two Supervisors in the past five months have rejected any reversal of position.
2. Recognized experts on the staff of Santa Cruz County and outside professionals state there is adequate flexibility in the way a Housing Element can be formed and an adequate range of solution options available to make a large improvement in the quality of life – at every income level – in the County. It can be done without contributing to traffic, environmental, agricultural or other concerns continually raised as disqualifiers to every proposal.
3. Demographic and ideological differences and 'NIMBYism,' have resulted in some sections of Santa Cruz County – Watsonville in particular – providing a disproportionate share of affordable housing. The City of Watsonville has gone beyond requirements in equitably identifying needs, then responsibly formulating, executing and enforcing their Housing Element.
4. A lack of accurate communication of the facts and laws regarding affordable housing, responsibly carried out by the County and the media, has contributed to the public's misguided fear of disastrous consequences if housing laws were met.
5. Despite UCSC reporting they provide the largest percentage of on-campus housing within the University of California system, local officials have asserted that the growth of the UCSC student population has outstripped the supply and contributes to the County affordable housing crisis by competing disproportionately with workers of below-average income in need of housing.

Recommendations

1. The Supervisors should implement the options identified in the Affordable Housing Action Plan¹³ authored by the County Administrative Officer, the County Planning Director and the County Redevelopment Director and submitted to the Board of Supervisors in November 2001. This would significantly help to bring the Housing Element into compliance with California and Santa Cruz County laws now, and in the future.
2. The County Supervisors should immediately publish and prominently publicize, a clear disclosure of:
 - A. The facts regarding affordable housing laws.
 - B. The facts regarding a competently formulated housing element.
 - C. The facts regarding the consequences of failing to do so.

The Supervisors should then responsibly serve the citizens by mandating that such a housing element is executed and administered on the basis of need, fairness and compliance with the law.

3. The Grand Jury recommends that complaint, pursuant to Section 65587 (a), (b) and (c) in their entirety, be filed with the Court by the Santa Cruz County District Attorney, or the State Attorney General by request of the County District Attorney, and/or by other interested parties as a class action, to ensure the Santa Cruz County Board of Supervisors breaks with their history of willfully failing to comply with duties and obligations required of them by law. California Government Code, Section 65587 provides:
 - (a) “Each city, county, or city and county shall bring its housing element, as required by subdivision (c) of Section 65302, into conformity with the requirements of this article on or before October 1, 1981¹⁴, and the deadlines set by Section 65588.¹⁵ Except as specifically provided in subdivision (b) of Section 65361, the Director of Planning and Research shall not grant an extension of time from these requirements.”

¹³ Board of Supervisors Meeting, agenda item 63, November 6, 2001.
<http://sccounty01.co.santacruz.ca.us/bds/board/20011106/20011106.htm>

¹⁴ In 1981 California housing law was amended to include mandated schedules for housing elements. Every five years the California Department of Housing and Community Development, the agency responsible for certifying housing law compliance, formulates, and then negotiates housing objectives with each metropolitan area in the State. Each area is subsequently assigned a numerical housing objective that is then apportioned to local government jurisdictions within that area. During the ensuing five years, each jurisdiction must carry out actions toward achieving its compliance objectives and HCD conducts annual reviews of those actions and their success relative to compliance. Since at least 1994, Santa Cruz County has failed to comply.

¹⁵ Sec. 65588 includes ‘grandfather’ provisions for housing elements compliant with the prior (1977) housing law requirements and whose five-year cycles had not expired by 1981.

(b) “Any action brought by any interested party to review the conformity with the provisions of this article of any housing element or portion thereof or revision thereto shall be brought pursuant to Section 1085 of the Code of Civil Procedure; the court’s review of compliance with the provisions of this article shall extend to whether the housing element or portion thereof or revision thereto substantially complies with the requirements of this article.”

(c) “If a court finds that an action of a city, county, or city and county, which is required to be consistent with its general plan, does not comply with its housing element, the city, county, or city and county shall bring its action into compliance within 60 days. However, the court shall retain jurisdiction throughout the period for compliance to enforce its decision. Upon the court’s determination that the 60-day period for compliance would place an undue hardship on the city, county, or city and county, the court may extend the time period for compliance by an additional 60 days.”

- 4. The County should retain a community planning firm with excellent credentials to work with the appropriate County entities to optimize the Affordable Housing Action Plan above, and produce additional creative solutions for the Housing Element to improve the quality of life in the County as a whole. If linked with cooperative efforts of the local cities, these actions can bring even greater benefits.
- 5. The supply of UC Santa Cruz on-campus student housing is inadequate to meet demand and is imposing an additional burden on an already critical situation. The Santa Cruz County Board of Supervisors and the Santa Cruz City Council should employ every reasonable means to induce UCSC to move forcefully in two areas:
 - A. Do more to build its fair share of student housing
 - B. Limit the student population to accurately reflect the current housing situation

Responses Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Board of Supervisors	1 – 18	1 – 5	60 Days (Aug. 31, 2002)
Santa Cruz County Office of the District Attorney		3	60 Days (Aug. 31, 2002)
Santa Cruz City Council		5	60 Days (Aug. 31, 2002)

Appendix

In the course of the investigation, the Grand Jury performed the following:

- 1. Studied California Government Codes, Section 65100 - 65106, City and County Planning.
- 2. Studied California Government Codes, Section 65580 - 65589.8, Affordable Housing.
- 3. Studied Santa Cruz County Codes, Title 17, Community Development.

4. Studied Santa Cruz County Codes, Title 17, Affordable Housing Requirements.
5. Studied Santa Cruz County Health & Safety Codes pertinent to housing.
6. Read U.S. Government, Housing & Urban Development, Smartcodes.
7. Studied County Housing Advisory Commission documents: Purpose and Functions.
8. Studied County Housing Advisory Commission documents: Housing Activity.
9. Studied County Planning Commission documents: Duties and Responsibilities.
10. Studied State of California and Santa Cruz County documents: Inclusionary Zoning,
11. In-Lieu Fees and Transfer Shares.
12. Read State of California Housing & Community Development Department, Mission, Responsibilities and Procedures.
13. Read State of California Housing & Community Development Dept Reports: Housing Element Compliance, Compliance Reviews and Compliance Update Schedule.
14. Studied U.S. Census 2000 data for Santa Cruz County.
15. Studied U.S. Department of Housing and Urban Development affordable housing qualification data, nationally and for Santa Cruz County.
16. Studied the National Association of Home Builders 3Q 2001 affordable housing data, nationally and for Santa Cruz County.
17. Studied Santa Cruz County income data, California Department of Employment Development.
18. Read the Santa Cruz County Homeless 2000 report.
19. Read the Community Assessment Project Comprehensive Report, 2001.
20. Studied the 2001 Farmworker Housing and Health Study, Applied Survey Research.
21. Studied the Affordable Housing Workshop Report, Santa Cruz County Redevelopment Agency.
22. Read the Santa Cruz County Redevelopment Agency Recommendations for Proposed 2001-2002 Budget.
23. Studied the Affordable Housing Action Plan by County Administrative Officer, County Redevelopment Agency Administrator and County Planning Director.
24. Attended affordable housing meetings of the County Board of Supervisors.
25. Attended 2002 Housing Element meeting, Association of Monterey Bay Area Governments.
26. Studied Agenda details and Minutes, all meetings of Santa Cruz County Board of Supervisors, April 1998 through February 2002.
27. Studied documentation of housing projects approved by County Supervisors.
28. Reviewed case studies of approximately 100 creative, successful, affordable housing solutions used elsewhere in California for constrained situations like Santa Cruz

County: “Blueprint 2001,” Baird & Driskell, Community Planning Consultants, Piedmont, CA.

29. Interviewed a member of the Santa Cruz County Board of Supervisors.
30. Interviewed other senior officials, Santa Cruz County government.
31. Interviewed senior staff, Santa Cruz County Redevelopment Agency.
32. Interviewed senior staff, Santa Cruz County Planning Department.
33. Interviewed senior officials, City of Watsonville.
34. Interviewed present and former senior officials, City of Capitola.
35. Interviewed a member of the Santa Cruz City Council.
36. Interviewed senior housing staff, University of California, Santa Cruz.
37. Interviewed the Director of the Community Action Board, Santa Cruz.



Santa Cruz County

Grand Jury

Final Report:

Section 4
Criminal Justice Committee Reports

Detention Facility Inspections

Background

Historically, the Grand Jury developed in early Anglo-Saxon times as a body of citizens chosen by their community to identify wrongdoers and to act as “watchdogs” over certain aspects of local government including prisons.

Today, the Grand Jury continues this tradition of keeping a watchful eye on the condition and management of the public prisons within the County of Santa Cruz as outlined in the Penal Code §919(b).

Scope

The Grand Jury fulfilled this requirement as follows:

- Toured the Blaine Street Women’s Facility, Juvenile Hall, the Main Jail and the Rountree Facility

Note: The report on the Juvenile Hall is located in section 1, page 1-30.
- Interviewed the staff at all the facilities during these tours
- Read the Santa Cruz County Sheriff’s Office 2001 Annual Report
- Reviewed Title 1 and Title 15 of the California Code of Regulations as they pertain to detention facilities
- Read the Santa Cruz County Grand Jury Report for the years 1999–2000 and 2000–2001 to ascertain past recommendations and check on follow-through by the facility managements
- Reviewed the State Department of Corrections biennial inspection reports for the years 1996–2001
- Reviewed the Detention Bureau Selected Statistics, December 2001.

Review of the Blaine Street Women’s Facility

Background

The Blaine Street Facility, a minimum-security facility for women, is located at 141 Blaine Street adjacent to the Main Jail. The facility was established in 1984 and has 21 rooms. Most of the rooms accommodate two inmates per room. There is no medium-security facility for women in Santa Cruz County. Inmates incarcerated at Blaine Street have been sentenced for nonviolent crimes. The staff consists of one Supervision Detention Officer and two detention officers who work on a rotating schedule.

Findings

1. The Blaine Street jail is a minimum-security facility set in a home-like environment complete with a backyard, benches, children's sandbox and vegetable garden. The State Board of Corrections has rated the facility to house 40 female inmates. The average occupancy for the year ending 2001 was eighteen inmates per month. The accepted officer-to-inmate ratio is one to fifty/sixty inmates. Therefore, only one officer is required to be on duty.
2. The County's Health Service Agency provides medical, pharmacy and diagnostic services. Doctors from the Main Jail attend sick call each weekday morning. A chaplain, Crisis Intervention Team and other service providers also come to the facility.
3. The Supervising Correctional Officer from Blaine Street interviews inmates at the Main Jail at the time of booking. All persons arrested in Santa Cruz County are booked through the Main Jail. During the assessment interview the inmate is informed of house rules, behavioral expectations, work assignment and class attendance requirements that must be met in order to be assigned to Blaine Street. According to the supervisor, inmates must display a cooperative attitude and peaceful behavior if they are to remain at this facility.
4. The female inmates move freely inside the facility and on the fenced grounds. There are no locked doors at the facility. Inmates detained at Blaine Street can walk away from their incarceration at any time. This rarely happens, however, because inmates understand the consequence for leaving or violating facility rules is a return to the Main Jail. Most of the women prefer to serve their time at the Blaine Street facility because of the special privileges available there.
5. Blaine Street inmates have smoking privileges that are not available at the Main Jail. The back yard is the designated smoking area.
6. Inmates can purchase candy, soda, cigarettes, playing cards and personal items from vending machines. They also have access to television, exercise equipment, videos, board games and a library.
7. Inmates are allowed one two-hour visit with family each weekend.

8. Many of the women return to this facility, as they are frequent offenders. At the time of the Grand Jury's tour, staff at Blaine Street had no means of tracking the rate of recidivism.
9. The most common offenses are related to substance abuse (drugs and alcohol).
10. The average inmate stay is three to four months.
11. The inmates' day begins at 6:30 a.m. and lights out is at 10:00 p.m.
12. Each inmate is assigned duties that may include kitchen chores, cleaning the facility and other household tasks. The inmates prepare meals in the small kitchen with menus developed by the Food Service Manager from the Main Jail. Some of the inmates also help prepare meals at the Main Jail under the Food Service Manager's supervision.
13. Some of the inmates participate in the Work Release Program, which permits participants to work during the day and return to the facility in the evening. In some cases, this allows inmates to continue in a job they held before their incarceration.
14. The jail provides some training classes and help in getting a high school diploma while the inmate is incarcerated. The following are some of the classes that are offered at the facility for the inmates:
 - Computer Classes
 - Narcotics and Alcoholics Anonymous
 - Smoking Cessation
 - Career and Job Development
 - GED Preparation
 - Art Classes
 - Parenting Classes
 - Knitting and Crocheting Classes.

Conclusions

1. The Blaine Street Jail is under-utilized since the State Department of Corrections board rated capacity allows for 40 female inmates and the average occupancy is only 18 inmates per month.
2. A method of tracking recidivism needs to be implemented to aid in determining why there are many inmates returning to Blaine Street.
3. The Blaine Street Jail staff should be acknowledged for the fine job they are doing at the facility.

Recommendations

1. The inmates that meet the criteria to be housed currently at Blaine Street should be moved to another minimum-security facility such as a halfway house.
2. Blaine Street staff should develop a system for tracking recidivism.

3. The Blaine Street facility should be remodeled and made into a medium-security wing for housing women who need more supervision and restrictions but who do not need to be housed at the maximum-security Main Jail.

This renovation would provide the alternative of removing from the Main Jail women inmates who are incarcerated for minor infractions and need only a medium-security facility. This would also separate female inmates requiring only a medium-security facility from the more violent and/or more criminally sophisticated female inmates.

A Blaine Street renovation would also relieve overcrowding at the Main Jail while more fully utilizing the Blaine Street facility and would also increase the available system capacity for male inmates at the Main Jail.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Sheriff	1 – 14	1 – 3	60 Days (Aug. 31, 2002)
Santa Cruz County Board of Supervisors	1 – 14	1 – 3	60 Days (Aug. 31, 2002)

Review of the Main Jail

Background

The Santa Cruz County Main Jail is located on Water Street in the City of Santa Cruz. This jail is a maximum-security detention facility for men and women operated by the Santa Cruz County Sheriff-Coroner's Detention Bureau. The facility has a Department of Corrections rated inmate capacity of 249. This facility was built in 1981 and expanded in 1985. There is presently no medium-security facility for women in Santa Cruz County.

General Findings

1. The jail system operates on a budget of approximately \$16,338,000 a year.
2. The Main Jail houses both male and female inmates who are awaiting trial and individuals sentenced to terms of one year or less for serious and/or violent crimes. In protracted cases, stays in the Main Jail may extend up to three and one half years. This includes time served in the county jail before, during and after trial.
3. Substance abuse (drug and alcohol) is the leading cause of arrest involving both male and female inmates.
4. Alcohol-only bookings in the Main Jail make up 20.1 percent of total bookings. These bookings are referred to as 647-Fs per the penal code section (Drunk in Public). Many individuals booked for 647-Fs are booked and released more than once in a 24-hour period.
5. Male and female inmates have separate housing areas. There is no interaction between male and female inmates.
6. Women at the facility are a growing population. The average number of females at the Main Jail is 45. The policy at the jail is to house less criminally sophisticated women apart from those who are more sophisticated or disruptive. The term “criminally sophisticated” is a term used in the detention industry to describe an offender’s familiarity with and adeptness in crime and the detention system. At the end of fieldwork, there were 32 less sophisticated female inmates and 14 more sophisticated women housed in two separate “pods.”
7. At the end of fieldwork, approximately ten female inmates would qualify for housing in a medium-security facility if such a facility were available.
8. At the time of the Grand Jury’s tour, staff stated that it is too early to determine the long-term effects the passing of Proposition 35 will have on jail occupancy. The purpose of Proposition 35 is to divert substance abusers from a jail setting to community treatment programs.
9. At the end of fieldwork, Main Jail staff had no system in place to track recidivism among inmates. Staff estimated the rate at 75% for both men and women.

Facility Findings

10. The monthly average occupancy of the Main Jail for the year 2001 was 348. This is well above the Board of Corrections rating of the facility for 249 inmates. The Board

of Corrections has approved an upgrade of 62 beds. After remodeling, the board rated capacity will be 311. Inmates are assessed for various health issues (e.g., communicable disease, substance abuse issues, general physical and mental health) after being booked into the Main Jail. This evaluation establishes the inmate's assignment to a housing unit as well as any appropriate medical care he or she may need.

11. The facility contains a medical unit that is staffed Monday through Friday from 8:00 a.m. to 5:00 p.m. A medical doctor is on duty Monday-Wednesday and Friday from 8:00 a.m. to 12:00 p.m. A nurse practitioner is on duty on Thursdays. There are also a dentist, psychologist, chaplain and a Crisis Intervention Team available at various scheduled times during the week or as the need arises. If there is a medical emergency during the night or weekends that the jail staff cannot handle, the inmate is transported to an emergency hospital. The medical facility is well maintained and there are brochures on crisis counseling and health-related matters available to the inmates.
12. Some recidivist inmates admit to "checking in" periodically to avail themselves of medical and dental services available at the Main Jail.
13. A full-time Food Service Manager is responsible for overseeing the preparation and distribution of all meals to the inmates in all four county detention facilities. The Manager supervises two cooks who are county employees as well as female inmates from the Blaine Street facility who assist in the preparation of all meals. Before coming to the Main Jail kitchen, inmate helpers are screened for communicable diseases at the Blaine Street facility by Health Services personnel. (The Blaine Street facility is a minimum-security facility for women located adjacent to the Main Jail.) The Main Jail also uses the services of a dietician. The kitchen is clean and well organized and feeds more inmates than it was designed to handle.

Staff Findings

14. The Main Jail is budgeted for a maximum of 94 employees. The actual number of personnel employed at the jails is 77. At the time of the Grand Jury's tour, 17 positions were unfilled.
15. Minimum staffing for the Main Jail is thirteen correctional officers during the day and twelve officers during the night shift.
16. The facility has an average of three detention officer retirements each year that are work related (e.g., due to on-the-job injury or disability). These retirees receive a minimum of 50 percent of their salary and lifetime benefits.
17. In order to meet the required staffing ratios, there is a policy of mandatory overtime, which, while it keeps the jails staffed, results in staff stress and fatigue.
18. The starting salary for a detention officer is \$3,149 per month plus benefits, not including overtime compensation.
19. Training for detention officers is given at Cabrillo College if there are enough candidates to fill a class (minimum of seventeen trainees). The training consists of five weeks of classroom work and fifteen weeks of on-the-job training. Once training

is successfully completed, the officer is then on probation for the remainder of their first year of duty.

20. If there are not enough trainees to fill a classroom, candidates are sent to Sacramento for training. This increases the cost of training because expenses also include travel, housing and meals. The cost of the classroom training in Sacramento is also more than the cost of training in Santa Cruz.
21. It costs Santa Cruz County at least \$58,101 to train a new detention officer, which includes his/her first year's salary.
22. Staff at the Main Jail stated that turnover rate for detention officers is high because similar jobs are available in the areas surrounding San Jose and San Francisco at higher salaries. After training, many officers leave the area for the longer commute but higher salaries. Last year the department lost twenty-six officers, many of whom left to take higher paying positions. The number of detention officers leaving the County is approximately 40 percent annually.
23. Low pay, jail overcrowding, and mandatory overtime all have a negative effect on morale among detention officers.

Conclusions

1. The Main Jail continues to be seriously overcrowded.
2. Moving women inmates requiring medium-security incarceration to another facility would help ease overcrowding at the Main Jail.
3. Finding another means of dealing with alcohol-related administrative detentions (which increase dramatically during the weekends) could reduce the workload, overcrowding and expense associated with bookings at the jail.
4. Salaries for detention officers are lower in Santa Cruz County than in other counties in the Bay area. Officers leave to take higher paying jobs after training. The financial investment made by the County in training new detention officers is lost due to the high turnover rate because officers can receive higher salaries in the Bay area.
5. Failure to implement a salary schedule appropriate to Santa Cruz County is a root cause of continuing unfilled vacancies and employee turnover among detention officers.
6. The Main Jail staff should be acknowledged for the high degree of dedication and professionalism they exhibit despite overcrowding and staff turnover.

Recommendations

1. The Sheriff's Department should investigate other approaches to dealing with alcohol-only administrative detentions.
2. The Blaine Street facility should be converted to a medium-security unit for housing women who do not need to be held in the maximum-security Main Jail but who need more supervision and restrictions than afforded by the present minimum-security Blaine Street configuration. This would help alleviate overcrowding at the Main Jail by freeing up approximately 46 beds.

3. The Board of Supervisors of Santa Cruz County must establish and implement a salary schedule for the Santa Cruz County Jail system that is competitive with the counties in the Bay area rather than other central California counties.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Board of Supervisors	1 – 23	3	60 Days (Aug. 31, 2002)
Santa Cruz County Sheriff	1 – 23	1 – 3	60 Days (Aug. 31, 2002)

Report on the Rountree Facility

Background

The Rountree facility is located at 90 and 100 Rountree Lane in Watsonville. The Rountree facility itself consists of two separate facilities: a two-unit medium-security facility and a minimum-security facility referred to as “The Farm.” Only male inmates are housed in these facilities.

The minimum-security facility was built in 1971. The first unit of the medium-security facility was opened in 1996, and the second unit was opened in February of 1999.

Findings

1. The two different categories of facilities at the site make it easier to handle discipline issues, since inmates can be easily moved from one to the other. Staff reports that the significantly higher level of privileges in the minimum-security unit leads most inmates to prefer and strive for assignment to that facility.
2. Each of the units in the medium-security facility has a rated capacity of 48. Each of the units in that facility has 55 beds, allowing for the temporary housing of more inmates than the rated capacity.
3. The minimum-security facility housed 68 inmates on October 3, 2001, the day of the Grand Jury’s tour.
4. All told, the facility has a rated capacity of 162 and a total bed capacity of 250 inmates. Again, this allows for the temporary housing of inmates numbering in excess of the rated capacity.
5. The kitchen floor has been refinished, in accordance with the recommendations of the 1999-2000 Grand Jury. Work was completed in 2001.
6. The roof of the minimum-security facility has been repaired in accordance with the recommendation of last year’s Grand Jury. This work was done at a cost of approximately \$185,000.
7. If a detainee is an illegal immigrant, the Immigration & Naturalization Service (INS) requires that they be held in at least a medium-security facility. These detainees are then transferred to the INS for a deportation hearing upon their release.
8. Inmates of the jail farm are able to attend classes daily from 8:30 AM until 11:00 AM. Vocational classes fall into five categories: auto body repair, food services, landscaping, building maintenance, and computer operation. Other classes offered at the facility include English as a second language and General Education Diploma (GED) preparatory classes.
9. Additional courses are available at the jail farm in substance abuse, anger management, and general job skills training. Additional programs are also provided by volunteer organizations. These include Alcoholics Anonymous, Narcotics Anonymous, AIDS education classes as well as Bible and church services.

10. Although a somewhat smaller number of classes are available in the medium-security facility, courses are available in English as a second language, preparation for the GED, substance abuse, anger management and job skills. As at the farm, a number of self-help programs are also provided by volunteer organizations.
11. A library is available to all inmates at Rountree. Although books cannot be brought directly into the medium-security facility, they can be obtained on an inmate’s behalf directly from the publisher or from an online book distributor like Amazon.com. In the minimum-security facility, relatives are able to bring books to the inmates.
12. An auto body shop is run at the facility. This is maintained partially for the purposes of training and to enable inmates to document work performance when subsequently entering the workforce. It also generates revenue.
13. The Sheriff’s department maintains a general accounting of Inmate Welfare Fund monies for all facilities collectively. However, there is no breakdown or itemization of income and expense items from the individual facilities.
14. The revenues received by the auto body shop are not reported as income into the “Inmate Welfare Fund.” Similarly, the expenses of the shop are not listed as expenditures associated with the fund.

Conclusions

1. The Rountree facility is well run and the staff is doing a good job of operating this facility.
2. As an administrative issue, some expenses and revenues that should be considered a portion of the Inmate Welfare Fund are not accounted for at the Rountree Facility.

Recommendations

1. As the proprietor of the Inmate Welfare Fund, the Sheriff’s department should record and track all expenses and revenues associated with the fund in accordance with generally accepted accounting principles.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Sheriff	1 – 14	1	60 Days (Aug. 31, 2002)



Santa Cruz County

Grand Jury

Final Report:

Section 5

Health and Human Services Committee Reports

Long Term Care For Seniors

Introduction

Part One of this report looks at some of the alternatives available in Santa Cruz County to nursing home placement for frail elderly people. Part Two is a discussion of long-term care in general and a look at Santa Cruz County's on-going efforts for long-term care reform.

Part One—Alternatives To Nursing Home Placement

Background

Long-term care refers to a set of health, personal care, and social services that assist people who have functional or cognitive limitations for at least a three month period to carry out activities of daily living or to engage in social functions.

People in need of such services can be of any age. However the great preponderance is made up of elders with one or more chronic afflictions commonly associated with the aging process.

Until the mid sixties of the last century, most elders were kept at home whenever possible. In cases where families could no longer cope properly with their needs, they were sent to nursing homes or "old age" homes in the neighborhood. These were usually small in size and operated by non-professionals as a way of making a living. Most families were reluctant to send their loved ones to these "homes" because older people viewed them as a place that was a lonely, last stop on their way to their deaths.

The passage of Medicare and Medicaid in 1965 as new entitlements under Social Security created a sweeping change in the American culture in regard to care for the aged who are either frail or disabled by chronic medical conditions. In response to billions of dollars of federal subsidies made available as sources of cost reimbursement, many new nursing homes were built nationwide and their operations became a flourishing industry.

The rate of admissions to nursing homes skyrocketed. The average capacity of facilities became much larger. At the outset, no criteria were established for admissions, and as a result the individual need for services varied widely. Ambulatory patients and those in wheel chairs were mixed with much sicker, bed-ridden people. This haphazard mixture of people with disparate needs had the effect of depressing ambulatory patients, causing them to sink to the lowest common denominator of becoming bedridden themselves.

Quality of care varied widely due to the absence of any federal standards for care. It soon became evident that the profit motive of chains of nursing homes, in particular, clashed with the desire to maintain an acceptable level of care. Irate families with neglected relatives in nursing homes often precipitated the scandals that ensued.

Many of these problems persist to this day, seemingly resistant to licensing inspection, citations and the bad publicity that seems to recur predictably at the hands of investigative reporters.

A recent federal study has found that more than 90% of the nation's nursing homes have too few workers to take proper care of patients. The federal government, citing the costs involved, says it has no plans to set minimum staffing levels for nursing homes, hoping

instead that the problem will be resolved through market forces and more efficient use of existing nurses and nurse's aides. The study also said there was "strong and compelling" evidence that nursing homes with a low ratio of nursing personnel to patients were more likely to provide substandard care. The report said the shortage of nursing personnel was "likely to become worse," in part because of "low pay, meager fringe benefits and difficult working conditions at many nursing homes."¹

These unresolved problems have given impetus to efforts by pioneers to create systematic and much preferable alternatives to admission to a nursing home.

Glossary

Activities of Daily Living (ADLs) are basic everyday personal functions such as eating, bathing, dressing, getting to and using the bathroom, and getting in and out of bed or a chair. Individuals who have difficulty with ADLs may require long-term services.

Assisted Living Facilities offer separate rooms with bath or apartments. Units can be private or shared. Assistance with dressing, bathing and medications is provided. Residents must be able to feed themselves, provide basic personal care and be mobile. Monthly rent includes meals in a central dining room, housekeeping service, transportation and use of the community rooms and participation in organized group activities.

Capitation is a method of payment in managed care in which a provider is prepaid a fixed amount per person enrolled in an individual plan. This fee is based on a defined set of benefits and is typically paid monthly regardless of the type of care delivered or the frequency with which a patient uses services.

Community-Based Services are LTC services that are either provided in an individual's own home or at a community agency. such as an adult day health care center for people who have an ongoing need for assistance, but who are able to remain in their own homes with some help.

Congregate Living Facilities offer separate apartments in buildings that contain a central dining room, serving two or three meals per day. Also included are laundry and housekeeping service, transportation and use of the community rooms.

Long-term care (LTC) refers to a wide range of services provided to elderly individuals and people with disabilities who need ongoing care due to chronic conditions. These services may include medical care, therapies, rehabilitation, case management, protective supervision, and assistance with "activities of daily living" such as eating, bathing, and toileting. LTC may also include assistance with "instrumental activities of daily living" such as meal preparation, shopping, and taking medication. LTC services are delivered by a variety of providers in a number of different settings such as homes, community centers, and residential facilities.

Medi-Cal, California's Medicaid program, is a joint federal and state program that provides health care coverage for low-income families and aged, blind, or disabled

¹ New York Times, Feb. 18, 2002, 9 of 10 Nursing Homes Lack Adequate Staff, Study Finds, by Robert Pear

individuals of all ages. Medi-Cal covers a wide array of LTC services through more than twenty different programs.

Medicare is a federally funded and administered program that pays for health care services for all U.S. residents who are 65 years of age or older. There are no income or other eligibility criteria for the program. Medicare covers a much more limited set of LTC services than Medi-Cal. Benefits include short-term nursing home care for up to 100 days only, home health limited to homebound individuals who need skilled nursing or therapy services on a part-time or intermittent basis, and hospice.

Nursing homes are facilities licensed by the state that provide 24-hour nursing care, room and board, and activities for convalescent residents and those with chronic long-term illnesses. Regular medical supervision and rehabilitation therapy are mandated to be available. Nursing homes are also referred to as skilled nursing facilities (SNF) and convalescent homes.

Residential Care Facilities (RCF) are also known as board-and-care-facilities. They serve populations with a varying level of care needs, and provide basic care in a less restrictive environment than nursing homes. Most RCFs are privately run and paid for by older adults or their families.

Supplementary Security Income (SSI) under Social Security is a federally funded program that provides cash assistance to help low-income people with less than \$800 per month, aged, blind, and disabled individuals cover basic living costs such as rent. Many SSI beneficiaries need LTC services, and individuals who qualify for SSI are automatically eligible to receive Medi-Cal.

Scope

This review focused on alternatives to nursing homes in Santa Cruz County in the continuing care of frail and physically disabled older people. These alternatives include adult day health centers, in-home health and attendant care services, hospice, residential care facilities, and senior centers that provide guidance to seniors in regard to eligibility and services available.

The review placed emphasis on the importance of averting misplacement of elderly patients into nursing homes in cases where alternatives are preferable. The use of appropriate alternatives is less confining, less costly and more likely to result in keeping people in their own home or in a residential setting in their own community.

Nursing homes and health support services provided to elders with severe mental disorders or Alzheimer's disease were outside of the scope of this report, and therefore were not included in this review.

Fieldwork

The Grand Jury undertook the following fieldwork:

Health Support Services

Toured:

- Elderday Adult Health Care Center
- Sunshine Villa Assisted Living
- Cabrillo College Stroke Center

Interviewed personnel and reviewed printed material from:

Elderday Adult Health Care Center
Sunshine Villa Assisted Living
Hospice Caring Project of Santa Cruz County
Santa Cruz County Long-Term Care Commission
Visiting Nurses Association of Santa Cruz County
Cabrillo College Stroke Center

Collected and reviewed printed material from:

Senior Network Services
Ombudsman / Advocate Inc.
On Lok Senior Health

Read Publications

Santa Cruz Sentinel
California Policy Research Center, University of California
New York Times

Administrative & Finance

Interviewed and reviewed printed material from:

Santa Cruz County Health Services Agency
Santa Cruz County Human Resources Agency
Long-term Care Integration Pilot Project Task Force Coordinators
Central Coast Alliance for Health

Attended:

Joint Hearing of the Senate Subcommittee on Aging and Long-Term Care and the Assembly Committee on Aging and Long-Term Care (chaired by Assemblywoman Rebecca Cohn and State Senator John Vasconcellos.)

OVERVIEW OF FIELDWORK

A. In-Home Care and Support Services

The Grand Jury focused on the three following programs:

1. *The Santa Cruz County Human Resources Agency, Adult Services Division* provides an array of services to ensure the health and safety of adults at-risk of abuse, neglect, or exploitation. These services include: protection, advocacy, case management, health and financial management, and arrangement of in-home care. The desired outcome of Adult Services is the maintenance of clients in the least restrictive environment that meets their needs.

Two of the programs pertaining to this committee's topic are:

Multipurpose Senior Services Program (MSSP), coordinates services to promote independent living for the elderly and disabled who are on Medi-Cal. This program provides payments for in-home assistance to persons who are unable to remain safely

in their own homes without services; this includes non-medical personal services. Presently two hundred clients are receiving service. They must meet each of the following criteria:

- Age 65 or older
- Medi-Cal recipient
- Reside in Santa Cruz County
- At risk of nursing home placement due to frail health.

In-Home Support Services (IHSS) is designed to prevent inappropriate institutional care; it provides in-home and personal care services to the elderly and disabled.

2. ***Hospice Caring Project of Santa Cruz County*** is an independent, non-profit organization. Hospice has a patient care team which provides medical, physical, emotional and spiritual support to the patient, family and friends of all ages to cope with end-of-life issue and to spend their final days at home in a supportive and loving environment. A large number of well-trained volunteers make an indispensable to the high quality of care provided by this organization.

The Medicare and Medi-Cal Hospice Benefit covers the full cost of standard hospice care in a person's home or in a nursing home. Private insurance may cover all or part of the cost for hospice care. If the patient is uninsured, a sliding fee scale may be used. Hospice never refuses service to people based on their inability to pay. Several fund raising events are held each year by the Hospice in order to provide funds for clients who are unable to pay for hospice care.

3. ***The Visiting Nurse Association*** (VNA) is one of four organizations in Santa Cruz County that provides intermittent skilled nursing care for medical problems experienced by homebound people. At the request of the patient's physician, the nurse will perform an in-home assessment of the patient needs and, in coordination with the doctor, develop a plan of care to meet those needs.

The VNA also provides the following services:

- Physical Therapy
- Speech Therapy
- Occupational Therapy
- Dietetics
- Medical Social Worker
- Home Health Aides

These services help the patient to recuperate at home, to preserve independence, and to provide much needed teaching for patients and their families, which enables them to remain in the home. Including all services, VNA averages about 1700 home visits per month. Ninety-five percent of the clients are funded by Medicare and payment is based upon a pre-determined formula.

B. Other Support Services

1. **Day Care—Elderday Adult Care Health Center** Elderday Santa Cruz, is a program of Community Bridges, formerly know as Food and Nutrition services, that was established in September 1981 to prevent premature or inappropriate institutionalization of frail elderly and younger functionally disabled individuals and to allow them to maintain their independence with dignity.

Elderday provides an array of individualized medical services and social activities that reduce the high cost of medical care for complications, which lead to hospitalization or institutionalization. Many of the participants have complex medical problems, mobility limitations, and dementias such as Alzheimer’s disease.

Elderday serves more than 100 participants at the Santa Cruz center each week, forty or more of whom are transported from the Pajaro Valley, since there are no such services for very low-income residents in that area. Due to the distance and time required to travel from south county to Santa Cruz via Lift Line van service, only the strongest of the frail elderly are able to make the morning trip, spend the day at the center then take the hour and a half ride back home.

Elderday is licensed and certified by the State Department of Health Services and the California Department of Aging.

2. **Cabrillo College Stroke Center** The Stroke Center is operated by Cabrillo College, and provides a unique classroom-based approach to rehabilitation for adults with physical disabilities following a stroke or other disabling conditions. The participants are students in the program. The Center has 275 students enrolled for this year and 65 people attend classes daily. Community reintegration is the focus of the Center’s program. The Center is an important support system for stroke survivors. Medical studies have shown that people with good social support are less likely to have a second stroke. The Center is one of two colleges in the nation with this approach to low-cost, long-term rehabilitation.
3. **Assisted Living Facilities** Santa Cruz County has seven congregate living facilities, four of which offer assisted living services. The Grand Jury visited the following example of assisted living:

Sunshine Villa Assisted Living Sunshine Villa is a private agency, which provides assisted care with a special unit for individuals with Alzheimer’s disease. The facility has 128 units and a capacity of 250 if rooms are used by two persons. Nursing staff (Register Nurse and/or Licensed Vocational Nurse) is on duty from 8 a.m. - 11 p.m., seven days a week.

Health care assistance includes:

- Licensed nursing staff
- Assistance with taking medications accurately and on time
- Assistance with personal care such as bathing, dressing and grooming

4. **Advocacy—The Ombudsman/Advocate, Inc.** The Long-Term Care Ombudsman Program is a free and confidential service that monitors and improves the quality of

care and the quality of life for residents in nursing homes, board and care homes, and participants in Adult Day Health Care Programs.

Ombudsman/Advocate, Inc. prepared the following list of residential care facility beds, also known as board and care facilities beds, available for elderly people in Santa Cruz County. These facilities are alternatives to nursing homes. According to these statistics, of the thirty-two RCF’s listed with a total of 1141 beds, fifty-two bed (if they are not already assigned) accept low-income people who receive SSI.

Ombudsman/Advocate, Inc. has also prepared a list of nursing home beds in the county, which is outside the scope of this report. The residential care facilities bed list below indicates how few of these facilities are willing to accept low-income people who receive SSI.

OMBUDESMAN/ADVOCATE, INC. — RESIDENTIAL CARE FACILITIES FOR THE ELDERLY

Facility	Capacity	Accept SSI?
Aegis Assisted Living	100	NO
Alexandria Victoria	8	NO
Brommer Residential Care	40	NO
Chanticleer Home	25	NO
Chanticleer Home	23	NO
Chateau Guest Home	26	NO
De Un Amor	12	NO
Dominican Oaks	142	NO
Flors Guest Home	15	NO
Freedom Manor	10	YES
Hanover Guest Home	15	NO
Maple House	22	NO
Mary Hopes Guest Home	6	NO
Molina Guest Home	12	NO
Mystic Oaks	6	NO
Oliveras Guest Home	4	NO
Renaissance Oak Tree Villa	204	NO
Rilleras Guest Home	6	NO
Seaview Guest Home	6	NO
Seaview Guest Home #1	6	NO
Shady Rest Manor	6	YES
Soquel Leisure Villa	30	YES
Sunshine Villa	212	NO
The Mansion	24	NO
Twilight Manor	58	NO
Villa Cruz Guest Home	6	NO
Watsonville Residential Care	87	NO
Wesley House #1	6	NO
Wesley House #2	6	NO
Wesley House #3	6	NO
Wesley House #4	6	NO
Willowbrook	6	YES

Updated October 2000 Total YES= 52; Total NO= 1089

Senior Citizens Legal Services provides legal help to seniors who reside in Santa Cruz County. There is no fee. Low-income, disabled, frail and minority elders are the main focus of Legal Services. Most cases involve age discrimination, consumer problems, debt collection defense, and difficulties encountered with health insurance, housing,

Medicare and Medi-Cal, nursing homes, Social Security SSI or Veterans Administration. Legal Services also provides information on topics such as wills and the durable power of attorney for health care.

5. ***Information and Referral — Senior Network Services in Santa Cruz County*** This is a private non-profit agency providing senior citizens and persons with disabilities with information, guidance and assistance in coordinating existing resources to promote independence and the highest quality of life possible.

The Senior Network Services publishes a senior resource directory, which provides:

- Information and Assistance
- Senior Employment
- In-Home Services
- Respite Care Registry
- Money Management
- Senior Housing
- Health Insurance Counseling and Advocacy Program
- Linkages Care Management Program

Findings

1. Cuts in reimbursements to residential care facilities by the state and federal governments have resulted in unnecessary placement of elderly people in nursing homes.
2. There are thirty-one residential care facilities in the county with a total bed capacity of 1141; only fifty-two of these beds accept people receiving SSI if they are not already assigned. The average cost per person, per month is \$1000-\$3000 and SSI pays \$800-\$850 per month.
3. Due to the lack of residential care facilities in Santa Cruz County, some poor residents who are discharged from the hospital and are unable to remain at home in order to avoid nursing home placement, must go to Santa Clara County for residential care needs. Adult Protective Services and hospital discharge planners have assisted some Santa Cruz County residents to take this route.
4. Inadequate cost of living adjustments in Santa Cruz County to keep in line with the increased costs of housing, services and supplies, prevents agencies such as the Multipurpose Senior Services Program from moving people out of nursing homes and back into the community.
5. Many elderly and disabled people who are in nursing homes could manage better in an alternative setting.
6. Thirty percent of home health care agencies nationwide have gone out of business due to cuts in reimbursement payments by the state and federal governments.

7. The County Board of Supervisors governs a Public Authority for In-Home Support Services. The Public Authority has a computer system in place to provide registry for caregivers and to establish standards for care.
8. The wages for caregivers for elderly people is inadequate, since caregivers are usually paid minimum wage. The Public Authority has been successful in increasing the caregivers' minimum wage to \$8.50 per hour, which is a step toward solving the problems of staff shortages and poor quality of care.

Conclusions

1. Use of alternatives to nursing homes is less confining, less costly and more likely to result in keeping people in their own home or in a residential setting in their own community.
2. Residential Care Facilities cannot survive under the current state and federal reimbursements that presently do not cover the costs of their operations. Reimbursement rates for residential care facilities should at least meet the cost of providing care for low-income elders.
3. There is a need for additional affordable residential care beds for medium and low-income disabled elderly people in Santa Cruz County.
4. Low-income residents who live in South County need an adult day care facility in that area.
5. Employment and retention of caregivers in LTC services is difficult due to low wages and benefits.
6. Reasonable wage/benefit packages should be given to caregivers in order to recruit and retain them and to recognize their importance and meet their basic needs.

Recommendations

1. The Board of Supervisors should support efforts by county service agencies to lobby state officials to support less costly alternatives to nursing homes that enable older adults to remain at home or in their communities.
2. The county should apply for federal low-cost housing assistance for construction of residential care facilities under the Department Housing and Urban Development in order to expand the number of residential care beds available to recipients of SSI.
3. The Board of Supervisors should make every effort to convince federal and state officials that higher rates of reimbursement be authorized for residential care for low-income elders.
4. In order to recruit and retain caregivers of LTC services and meet their basic needs, the County Board of Supervisors should support efforts to obtain reasonable wage/benefit packages for this important workforce.
5. The Board of Supervisors should continue to support funding and efforts to purchase property for the Elderday Pajaro Valley facility.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Health Service Agency	none	1, 2	90 Days (Sep. 30, 2002)
Santa Cruz County Board of Supervisors	4 – 6, 9, 10	1 – 5	60 Days (Aug. 31, 2002)

Part Two—The Long Term Care Integration Pilot Project Pathways to Successful Reform

Introduction

Part One of this report on health care set forth:

- A Definition of Long Term Care Services (LTC)
- Components of service which fall under this definition
- A Glossary of terms in common usage by those working in this sphere of activity
- Examples of local providers in Santa Cruz County engaged in the provision of LTC services.

Emphasis was placed on the importance of averting misplacement of elderly patients into nursing homes in cases where alternatives are preferable. The use of appropriate alternatives is less confining, less costly and more likely to result in keeping people in their own home or in a residential setting in their own community.

Part Two deals with the pressing need to build a better organized, less costly and more efficient system of community-based LTC services, which is more cohesive and more responsive to individual needs. This requires integration of all the components of LTC services in the community into a managed medical care system based on capitation financing.

There is also a need for an expansion of day health and residential care facilities. This is necessary in order to accommodate seniors of low and moderate income whose insurance coverage is either non-existent or inadequate to cover a full range of alternatives to nursing home confinement.

Background

The Long Term Care Integration Pilot Project

The Long Term Care Integration Pilot Project (Pilot Project) is a local effort supported by a grant that has been underway in Santa Cruz County for almost three years. This initiative was generated as a planning effort among county service providers and a number of non-profit agencies that are engaged in providing a broad range of services to disabled and frail elders. Their shared frustration with barriers to collaboration led them to attempt to make sense out of the fragmentation and inflexibility of the existing service system. An application for assistance led to the grant that has supported an on-going attempt to bring about integration of their closely related efforts. The ultimate purpose of this project is to arrive at a more rational, responsive and less costly system of LTC, housing and social services for elderly clients in the community.

This task has been complex and daunting. The project has had to deal with the profusion of state and federal financing and regulatory red tape that, through many years, has accompanied the single purpose and narrow focus of a categorical approach to the various needs of older people

Terminology

Many terms used in discussions related to the financing and delivery of health care services appear in this report. To facilitate their understanding, several explanations of these terms are presented.

Categorical health services refer to health service programs legislated to benefit only a particular group for a narrow service or benefit. Eligibility requirements accompany each program and service is restricted to the particular benefit defined in regulation. The regulatory constraints of each program have the cumulative effect of fragmenting the service delivery system and making it difficult to use by the consumer.

Fragmentation of LTC occurs due to a focus on programs rather than on consumers. This forces seniors to go to multiple sites and programs to piece together the health, social and support services they need.

Duplication of LTC stems from a categorical approach to similar problems in long term care and results in multiple providers performing the same or very similar functions. Working in isolation, they take similar approaches to serve the disabled elderly in strict compliance with program regulations required to assure reimbursement. These regulations seriously impair the potential benefits of collaboration among local providers in service to the same clients.

The impact of *fragmentation* and *duplication* of LTC services on consumers was eloquently stated at a recent legislative hearing on LTC by an elderly witness: “I envision a system which would assist me as needed in moving from one set of services I might need to another set as my condition and needs change. This would happen without having to be requalified, without having to visit new agencies to determine what is available and without losing my dignity in having to reveal my personal and financial affairs and ask for assistance over and over again.”

Demonstration Projects are experiments in which federal health authorities grant waivers from program regulations to permit the testing of new approaches to health care services. If successful, such experiments result in changes in regulation, lower costs, and improvement in the performance of programs.

Capitation is a method of payment used by HMOs in which providers of the health care services are prepaid, usually on a monthly schedule, for a defined set of insured benefits. Providers cannot collect funds for services rendered which exceed the prepaid amount.

Managed Medical Care is synonymous with HMOs and Prepaid Health Plan. These terms refer to groups of providers who, under contract, are willing to render services to beneficiaries of a plan on a prepaid basis at negotiated rates. HMOs are not required to take seniors.

A **Medicare HMO** enrolls eligible seniors at a premium set by federal health officials. Enrollment is voluntary and eligible persons may change plans by following a prescribed disenrollment procedure set in regulation.

Involuntary disenrollment has taken place in some corporate HMOs. The disenrollment of Medicare eligible members took place because losses were incurred under existing premium rates. Many of the disenrolled seniors have been left without geographical access to another HMO.

Long-term care insurance has, in recent years, been marketed mostly to seniors as a supplement to Medicare. This insurance is designed to augment Medicare’s limited coverage

for long-term care. Its purpose is to protect assets from depletion in the event of a protracted disability lasting a number of years.

Program of All-inclusive Care for the Elderly (PACE) describes organizations that have integrated a full range of long term care services with acute care under Medicare and Medi-Cal on a capitation basis at a much-reduced cost. Other PACE programs of more recent origin are underway in a number of states. All of these are *demonstration projects*.

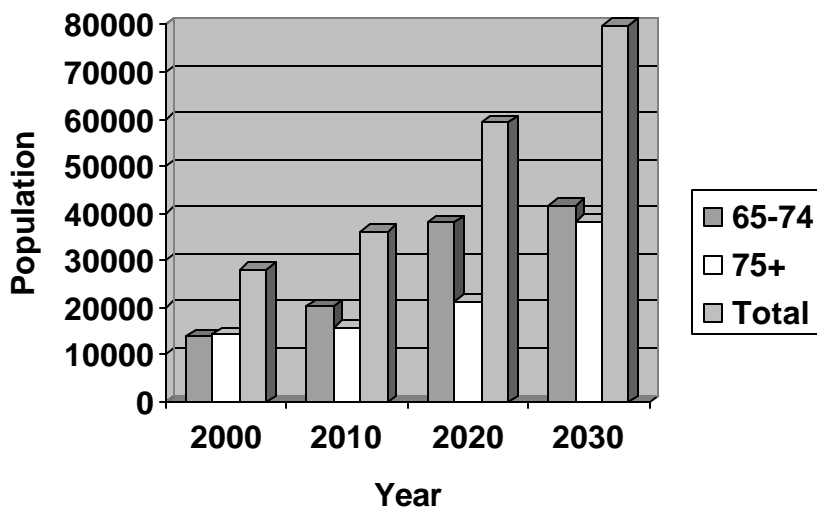
Data Collection Process

Progress in the Pilot Project has been understandably slow. Data have had to be collected from sources outside of the community relating both to demographic projections and the historical costs attached to long term care programs. In order to arrive at a consensus on directions to be taken, Pilot Project leaders have taken the time necessary to involve private and public providers and advocacy groups in its various steering committees. Demographic projections indicating a sharp rise in the numbers of seniors lend a sense of urgency to the need for both expansion of existing LTC services and for the attainment of improvements in the organization and management of the service system to substantially reduce per-capita costs.

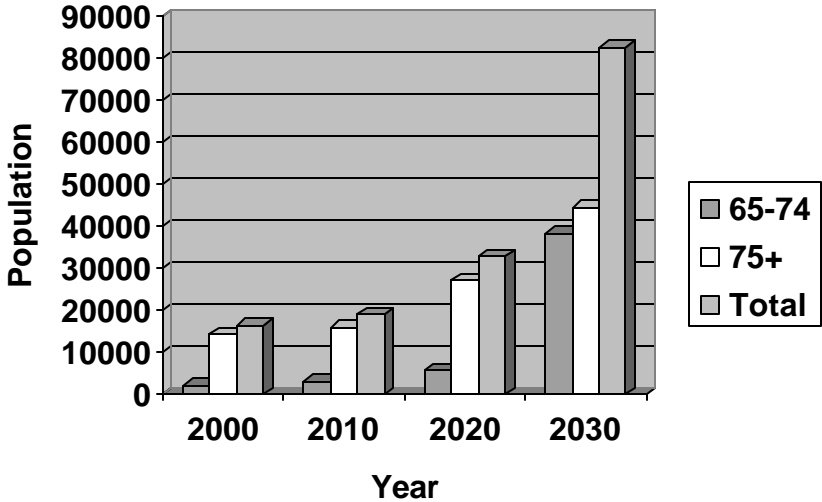
A Growing National Consensus

Until recent years, little attention was paid by federal and state authorities to the difficulties imposed on local providers in the delivery of service programs legislated for the benefit of older people. A consensus has finally emerged among these authorities that integration of services at their point of delivery in the community is a crucial step in the control of costs. Seniors in our country represent the fastest growing segment of our total population. A predictable portion is made up of elderly people who are frail or disabled. See the graphs below.

Senior Population — Santa Cruz County



Frail At-Risk Elderly Populations — Santa Cruz County



Data Source: Health Services Agency

On Lok Senior Health Services

To demonstrate that reform can be successfully accomplished, the Grand Jury has included a description of a fully integrated model of acute and long-term care developed by pioneers in LTC in San Francisco in the late 1970's.

In 1983, federal waivers under both Medicare and Medi-Cal were granted to permit On Lok to conduct its Senior Health Program as a demonstration project. This status allowed it to pool financing from Medicare and Medi-Cal into a comprehensive health plan that offers viable alternatives to care in a nursing home, so that disabled people can remain independent and live at home for as long as possible.

On Lok originated in Chinatown and has since expanded to six center locations throughout San Francisco which, at present, help approximately 880 older adults to maintain their independence.¹²

In 1988, the Robert Wood Johnson Foundation provided \$5.8 million for a Program of All-Inclusive Care for the Elderly (PACE) based on the On Lok model. PACE is an attempt to develop models of a seamless service delivery system for very frail seniors. This four-year program has supported the replication of the On Lok model of integrated care for poor seniors at six sites across the country.

"What we've done with PACE is to completely integrate services and financing for both acute and long-term care, and by doing so we've created a fully integrated managed care system for the frail elderly," says a professional long associated with this effort.

The Potential Impact of Integration on the Insurability of Long Term Care

- A. Present sources of funding for LTC are provided in two ways: publicly funded programs and private services paid out-of-pocket by older adults, their families or by LTC insurance.
- B. LTC insurance is not a popular option with many people, especially those of limited means, because it is expensive, may restrict benefits based on preexisting conditions and may limit lifetime benefits.
- C. A proliferation of government programs is available to finance LTC such as Medi-Cal, Medicare, federal funds from Title XX and the Older Americans Act. These presently lack the flexibility needed to integrate the fragmented LTC system.
- D. Consumers are paying out-of-pocket for an estimated 40% of nursing home costs and 21% of home health care costs. In order to become eligible for Medicaid, an applicant must spend down his assets to qualify as a welfare beneficiary.

Without exception, PACE programs report significantly lower per capita costs than private fee-for-service financing for long-term care. These savings are generated in several ways. Capitation places a financial risk on providers that results in a sharp reduction of unnecessary and costly admissions to hospitals and nursing homes. These reductions are accomplished through individual case management, the integration of a full range of long term care alternatives, and organized programs of prevention for chronic conditions commonly associated with the aging process.

A number of HMOs have been successful in offering covered LTC services to seniors eligible for Medicare. These HMOs services for LTC, however, don't match the extensive long-term care services offered by PACE programs. These programs have been able to pool Medicaid funds with Medicare to accomplish inclusive integration of LTC services for low-income seniors eligible for both programs.

The Santa Cruz County Long Term Care Commission

This Commission, created by the Board of Supervisors, has as its mission a number of charges, which are compatible with the goals of the Pilot Program:

- Identify and support those efforts that would assist in achieving a single point of entry into a system of long term care in Santa Cruz County
- Serve as the Adult Day Health Care Council for Santa Cruz County
- Serve as the community long-term care task force for Santa Cruz County
- Serve as interagency committee on aging for the Area Agency on Aging
- Monitor legislation and long-term care service delivery to Santa Cruz County and make appropriate recommendations to the County Board of Supervisors.

The Managed Medical Care Commission

This Commission is the local public body that makes policy decisions in the operation of the prepaid Plan of the Alliance for Health Care. This Commission serves both Santa Cruz and

Monterey counties and seats directors appointed by the respective Boards of Supervisors. They have been asked recently by the Pilot Project to study the feasibility of including the full range of long term care services as a benefit for low income seniors enrolled in the Alliance Plan.

The Director of the Alliance Plan is anxious to cover a full range of long term care services, but it is dubious that this expansion of benefits can be offered in the face of anticipated cutbacks in state funding this year because of large deficits in the state budget. His paramount concern is to assure that the financial security of the Plan not be placed in jeopardy.

Scope

To assess the progress being made in Santa Cruz County by the Long Term Care Integration Pilot Project and to develop recommendations for the immediate future, the following fieldwork was accomplished:

Interviews

Health Services Agency Director and Staff
Leaders of the Long Term Care Integration Pilot Project
Central Coast Alliance for Health CEO and Staff
Division of Public Health Director and Staff

Hearing

Pilot Project Presentation to Managed Medical Care Commission, January 2002

Review of Documents

Extensive Files compiled by Pilot Project
Demographic Data 2000 Census
Medical Care, a publication of the American Public Health Association containing articles relating to LTC and other medical care publications
Data on LTC furnished by Kaiser Permanente Health Plan
Data on LTC furnished by U.S. Department of Health and Human Services

Findings

1. According to an article in the Santa Cruz Sentinel regarding the 2000 Census, Santa Cruz County has about 36,000 residents who are 60 years or older comprising 14 percent of the total population. By the year 2020, it is projected that this number will more than double to 81,700 or 22 percent of the overall population as members of the “baby boomer” generation enter their sixties.
2. The focus of the Long Term Care Integration Pilot Project has been placed on low-income seniors who are in need of some form of long-term care assistance and who are eligible for both Medicare and Medi-Cal. This group must rely entirely on the government to meet LTC needs. Regular presentations by the Pilot Program leadership are made before the Santa Cruz County Board of Supervisors to keep the Board current on the work of this project.
3. The Pilot Project has identified the following deficiencies in local LTC services:

- A. Fragmentation of long term care services
- B. Duplication in financing of service programs
- C. Unnecessary repetition of application procedures and client assessments
- D. Inflexible regulatory requirements
- E. Lack of continuing case management and unified medical records
- F. Failure to assure an appropriate level of care and timely transfers to another level of care
- G. Hospital and nursing home admissions which are made due to shortages in alternative treatment settings and the lack of a case management system capable of dealing with all aspects of long term care
- H. Lack of affordable intermediate and residential care beds

Leaders of the project believe that these deficiencies inflate costs and limit access to care. The range of unsolved problems is also depicted in the matrix provided by the Pilot Project entitled “County of Santa Cruz Long Term Care Integration Pilot Project Service Survey Common Functions Grid.” See page 5-21.

- 4. To clarify its mission, the Pilot Project adopted the following goals and objectives:
 - A. Develop a common vision for a more responsive and better integrated system.
 - B. Build consensus and support among stakeholders—consumers, providers, advocates and public officials.
 - C. Gather pertinent data related to demographics, current service costs and projected utilization and costs of services in the future.
 - D. Describe an optimum mix of these services and develop an adequate capacity to meet projected needs, especially for housing, which includes assisted living resources for low and medium income clients.
 - E. Develop a case management system capable of moving clients within the continuum of local services when individual needs undergo change. Cut down on the paperwork required now in filling out redundant applications and repetitive needs assessments.
 - F. Design viable methods of financing, governance, administration and internal data systems capable of contributing to the efficient management of operations, and to the future planning and evaluation of long-term care in Santa Cruz County.
- 5. Some corporate HMOs have recently disenrolled Medicare eligible members because their coverage cannot be provided in their plans at Medicare rates without sustaining financial loss. Many of the disenrolled seniors have been left without geographical access to another HMO.
- 6. Seniors have no avenue open for appeal of these disenrollments, which have the effect of discriminating against seniors in favor of younger enrollees still served in these HMOs.

7. PACE demonstration programs are paving the way to the coverage of inclusive long term care services in HMOs for low income seniors eligible for both Medicaid and Medicare.
8. The Santa Cruz County Long Term Care Commission has endorsed the goals and objectives of the Pilot Project.

Conclusions

1. The 2000 census data make clear that the projected growth of the aging population will sharply accelerate local demand for LTC services in the near future.
2. The Grand Jury fully supports the actions taken to date by the Pilot Project leadership and endorses the directions they are exploring to improve significantly the TLC system in Santa Cruz County.
3. Since the Managed Medical Care Commission and LTC Commission are already in place, the creation of another local public body dedicated only to the development of LTC insurance programs for seniors would be redundant.
4. Recent involuntary disenrollment of Medicare eligibles by some HMOs in the private sector is an untimely action based on the questionable claim that the limited coverage under Medicare for LTC is too expensive to cover within the present premium structure set for Medicare. These particular HMOs' action is more a reflection of inexperience in the organization and management of LTC services than an indication that LTC services cannot be successfully insured.
5. Those HMOs that have recently forced a large number of involuntary disenrollments of seniors eligible for Medicare can learn from the experience drawn from PACE programs how to organize and manage long term care services.
6. The involuntary disenrollment of seniors from HMOs in the financing and delivery of health services they need, including those defined as LTC, is unnecessary and discriminatory.
7. The striking accomplishments of the PACE programs hold the promise of permitting Medicare HMOs to include an extensive range of LTC services without a large increase in premiums set for seniors eligible for Medicare.
8. The experiences reported by the PACE programs of All-Inclusive Care of the Elderly are convincing evidence that it is financially feasible to cover inclusive LTC services in an HMO at a reasonable rate set for Medicare/Medicaid enrollees.

Recommendations

1. The Health Services Agency should recommend to the Board of Supervisors that federal waivers be obtained in order to accomplish the following:
 - A. The pooling of all federal and state matching funds available to Santa Cruz County for LTC services for low-income seniors into a local public authority capable of using prepayment methods and quality assurance in the reimbursement of all service providers.

- B. The designation of the Managed Medical Care Commission as the local public authority to carry out the integration of LTC services for low-income seniors on a prepaid capitation basis.
 - C. Addition of seniors who are eligible for Medi-Cal and Medicare into the Alliance Plan and into the demonstration project recommended by last year's Grand Jury relating to the expansion of health insurance coverage for low income families.
 - D. Relief of the Alliance Plan from the assumption of financial risk during the time period of the demonstration. Benefits should cover the full range of alternatives to nursing home placement.
2. If the federal waivers are granted, the Alliance Plan should strive to accomplish the following goals:
- A. Provide a single point of entry to the service system with one consistent method of assessment of need.
 - B. Make an initial referral to a single source of on-going case management in order to carry out an appropriate written treatment plan for each client.
 - C. As the individual's needs change, assure easy transfer within the service system without requiring repetitive applications or assessments.
 - D. Whenever feasible revise the service system to foster independence by facilitating care in the home or in a residential facility located in the community. Offer organized programs of health education and chronic disease management in collaboration with public health personnel.
3. The Board of Supervisors should undertake on-going development of manpower and community-based facilities sufficient to provide adequate care within defined geographical regions of the county.
4. Health Services Agency should lobby state and federal authorities for:
- A. Promulgation of federal regulations to prohibit arbitrary and involuntary disenrollments from Medicare HMOs because of the adverse impact they have at the local level.
 - B. Protection of access by seniors to the advantages of HMO enrollment now and in the future, especially if the full coverage of alternatives in LTC services become a feasible benefit of membership in an HMO, as a result of the success of the PACE demonstrations now underway.

Summary Statement

Implementation of these recommendations and the granting of federal waivers to carry out a demonstration could be a huge step in realizing the stated goals and objectives of the Long Term Care Integration Pilot Project in Santa Cruz County.

Inclusion of the full range of LTC services as a benefit would enable the Alliance Plan to track the costs of this coverage under capitation and compare these with existing costs.

Success with a small population of seniors would demonstrate to government authorities and HMOs the financial feasibility of capitation in a publicly governed prepaid plan as a less costly and medically preferable alternative to the existing unmanaged dispersion of LTC services to all seniors in this community. Furthermore, private HMOs could become motivated to organize and manage an inclusive range of LTC services for Medicare/Medicaid eligibles within a reasonable premium rate set by federal authorities as a result of the PACE demonstrations now underway.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Health Services Agency		4	90 Days (Sep. 30, 2002)
The Long Term Care Integration Pilot Project	2 – 4		90 Days (Sep. 30, 2002)
The Managed Medical Care Commission and Alliance for Health Care		1B – D, 2	90 Days (Sep. 30, 2002)
The County Commission on Long Term Care		All	90 Days (Sep. 30, 2002)
Santa Cruz County Board of Supervisors		1	60 Days (Aug. 31, 2002)

COUNTY OF SANTA CRUZ LONG TERM CARE INTEGRATION PILOT PROJECT
 SERVICE SURVEY
 COMMON FUNCTIONS GRID

	Intake	Eligibility Determination Assessment	Comprehensive Assessment	Physician Consult	Multidisciplinary Team	Home Visit	2 nd Home Visit	Case Management	Individual Plan	Benefits Advocacy	Info & Referral	Outreach	Housing Advocacy	Arrange Transportation	Home Modification	Recertification
Mental Health	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
In Home Support Services (IHSS)	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Multi-Purpose Senior Services Program (MSSP)			•	•	•	•	•	•	•	•	•	•	•	•	•	•
Adult Protective Services			•	•		•	•	•	•	•	•	•				
Public Guardian	•	•	•	•	•			•	•							
Housing Authority	•	•											•			•
Center for Independent Living	•	•	•	•		•	•		•	•	•	•	•	•	•	•
Hospice Caring Project	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Alliance	•	>			•			❖		•	•	•		•	•	>
Meals on Wheels	•	•	•	•			•			•	•	•	•	•	•	•
Lifespan	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Lifeline	•	♦			•	•	•			•	•	•	•	•	•	♦
Elderday	•	>	•	•	•	•	•	•	•	•	•	•	•	•	•	♦
Senior Network	•	•				•	•	•	•	•	•	•	•	•	•	•
Linkages			•	•	•		•	•	•	•		•	•	•	•	•
Dientes Community Clinic	•	•	•	•		•	•			•		•				
SC Aids Project	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Public Health Nursing	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Ombudsman Advocates	•		•	•		•	•	•	•	•	•	•	•			
Stroke Center	•	•	•	•	•	•	•		•	•	•	•	•	•	•	•
Del Mar Caregiver Resource Center	•	•	•	•		•	•	•	•	•	•	•			•	
Dominican Hospital Social Work	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	
Watsonville Hospital Social Work	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	
Prime Health at Home	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

- ❖ Delegated to physicians
- > Medi-Cal office certifies
- ♦ Transit District certifies

Review of Mental Health Services for Homeless Adults in Santa Cruz County

Background

In the 1970's, most of California's mental hospitals were closed, thereby greatly reducing the bed capacity statewide for patients with chronic mental disorders. Mental Health professionals advocated major reforms in the State system, which, at that time, confined mentally ill adults against their will in large institutions for long periods of time. State Mental Hospitals were often located in remote places far from the communities in which patients once lived. The isolation of patients kept them from their families and friends who had great difficulty in visiting and in keeping in touch with them over the long periods of their confinement. The mental health professionals also stressed that a majority of patients then confined in state hospitals posed no threat either to themselves or to others in the community.

For these reasons, mental health professionals urged the State Legislature to change the laws relating to involuntary commitment to a mental hospital. They strongly advocated as an alternative the establishment of local community-based resources for the continuing care of the mentally ill. These would include licensed board and care facilities for those state hospital patients who had no home to return to in the communities from which they had been originally committed.

California then enacted the Lanterman-Petris-Short Law to protect the civil rights of the mentally ill, prohibiting their involuntary confinement unless, at a judicial hearing, evidence could be presented by a qualified psychiatrist that the patient in question posed a real and present danger either to himself or to other persons. Confinement was then limited to the time required for treatment to succeed in removing such threats. This protection resulted in a sharp restriction in admissions and a reduction in the lengths of stay in state hospitals and consequently a drop in their population, which gave impetus to the phase-out of these hospitals.

The costs of operating state hospitals were supposed to be diverted to local communities in order to provide adequate funding for local treatment and residential care facilities. The local programs, operated by the counties in behalf of the indigent, came to be known as Community Mental Health Programs. A running controversy over failure to fulfill this commitment erupted almost immediately. At question was the amount of money required to provide an adequate level of public financing for these then theoretical alternatives, particularly with regard to the chronically ill adults. This controversy continues to this day. Repeated surveys conducted in recent years among homeless people in many California communities have consistently revealed that thirty percent or more of homeless adults present symptoms of chronic mental disorders. In addition, many others are seriously involved with problems of substance abuse.

Scope

The Grand Jury focused on two issues:

1. What services are currently available to mentally ill homeless adults?

2. Is there a need to expand specific resources in our community mental health programs?

Fieldwork for the Grand Jury's report included the following:

- Interviews with:
 1. Health Services Agency Director
 2. Division of Mental Healthstaff
 3. Homeless Persons Health Project Director
 4. Community Action Board Shelter Program Director
- Visits, including interviews, to:
 1. Homeless Services Center (the non-profit agency responsible for operating Homeless Community Resources Center, Page Smith Community House and the Interfaith Satellite Shelter Project.)
 2. Page Smith Community House, a non-profit agency.
 3. Mental Health Client Action Network, a non-profit agency.

Findings

1. Of the estimated 3300 homeless people in Santa Cruz County, between 30% to 35% are mentally ill. Mental health professionals state that an additional 10% to 20% of homeless individuals are undiagnosed but have mental/emotional problems, which interfere with acceptable social behavior.
2. The following services are available to mentally ill homeless adults:
 - A. Santa Cruz County Mental Health Clinic Services
 - B. River Street Shelter
 - C. Page Smith Community House, a transitional housing shelter
 - D. Mental Health Client Action Network
 - E. County Homeless Person Health Project
 - F. Homeless Community Resource Center
 - G. Santa Cruz Community Action Board Shelter Project
 - H. In-patient psychiatric unit at Dominican Hospital
 - I. Suicide Prevention Service of the Central Coast
 - J. Adult Protective Services
 - K. Community Clinics
3. There are no standards in use to measure the adequacy of community resources to assist mentally ill homeless adults in need of treatment.
4. According to mental health professionals, lack of affordable housing for all low-income people in this county makes it very difficult if not impossible for mentally ill persons to find housing.

5. Locating housing for mentally ill people is exacerbated by the public's lack of understanding of their capabilities under treatment to exhibit acceptable social behavior.
6. Many people are reluctant to have mentally ill persons living in their communities.
7. Mental health professionals believe that lack of stable housing adversely affects the condition of the mentally ill person.
8. The County Mental Health Division has Care Services Coordinators who reach out to the homeless mentally ill by linking them to shelter, and other types of assistance that can help prevent the need for admission to the acute psychiatric unit. These Coordinators also help clients pay their rent to avoid eviction, sometimes by helping them obtain bank loans.
9. Housing of some kind is essential for a successful outcome in the treatment of adults with chronic mental disorders.
10. The Homeless Persons Health Project (HPHP) has been operating with great success over the past ten years. It is supported by a demonstration grant whose purpose was to refine methods, which are affective in reaching the homeless people in a community. The Program has received plaudits for its creative approach of providing outreach services to improve the health of homeless individual and families.
11. The staff from HPHP report that one of the principle problems with treating mentally ill homeless people is locating them, and encouraging them to recognize and take advantage of the opportunity to use medical and psychological treatment resources available to them.
12. Puentes, a collaborative pilot project between the Homeless Persons Health Project (HPHP) and County Mental Health Division, is an integrated service program that emphasizes housing, employment and integration into the community. The program currently serves 30 homeless persons. The program has been successful in identifying, contacting and obtaining mental health care for homeless individuals previously unable or resistant to obtaining available mental health services available to them. Puentes also works to prevent formerly homeless persons with psychiatric disabilities from losing their housing and returning to the streets. HPHP has recently submitted another grant request to expand their services to 60 persons.
13. Mental Health Client Acton Network (MHCAN) is a non-profit agency operated by and for mental health clients. MHCAN's approach is based on the principle that users of mental health services are uniquely capable of reaching out to others who need mental health services. Employing this philosophy, the agency provides the only consumer-operated self-help drop-in activity center in Santa Cruz County, which a staff member described as "a safe environment in which mental health clients can socialize without fear of the discrimination and stigmatization so prevalent in society as a whole." The center offers peer counselor training, support groups, art and writing classes, and has a computer lab. The center also provides opportunity for social networking and advocacy. MHCAN is a valuable source of information, guidance and support for adults with a history of mental illness (currently about one-half of MHCAN clients). For the past four years MHCAN has published a Newsletter for the

California Network of Mental Health Clients and put on workshops for Peer Mutual Support at the California State Client forum. MHCAN staff also makes presentations to police departments and local churches, and serve on the County's Quality Improvement Committee. They have formed two work groups in partnership with professional providers; one to create jobs for consumers in all contract agencies of County Mental Health; the second to work on community acceptance of apartments dedicated for use by mental health patients.

14. Page Smith Community House (PSCH), which is operated by The Homeless Services Center, provides transitional housing for homeless adults, some of whom are mentally ill. During an 18-month period of residence and participation in community living, residents are prepared for independent living. They must meet requirements such as remaining clean and sober and to actively seek employment. While at PSCH, the client has a private room and shares two bathrooms and one kitchen/living room with four others. There are eight units, with a total of forty residents. As reported by PSCH to HUD on April 4, 2002, 90.6% of PSCH graduates have made a successful transition to employment and housing.
15. In addition to the PSCH, The Homeless Services Center operates the Homeless Community Resources Center, which the homeless mentally ill can access. The center offers two meals per day, showers, telephones, lockers, laundry facilities and access to the nighttime shelter program called the Interfaith Satellite Shelter Program, a program that has existed for many years. In the Interfaith Satellite Shelter Program, the Homeless Services Center works with more than thirty different churches on a daily rotation. Each night seven churches support fourteen homeless persons, all of whom have been screened and are transported to the churches. In winter the Armory is used for the overflow.
16. Many of the programs supporting the homeless mentally ill are funded by grants, which generally last no more than three years.
17. Mentally ill homeless people have a need for transportation for such things as conducting a housing search or job search, going to a job interview or going to a job for the first couple of shifts, and going to medical appointments.
18. Many mentally ill homeless people are dependent on Social Security income. They are eligible for discounted monthly Metro Pass costing about \$30.00. But they have to be stable, have their life and money management organized to accomplish this each month. Even with a bus pass, it takes hours to get from one part of town to another, and it's difficult to socialize and attend events using only public transportation.
19. HPHP spends \$600 a year on Metro passes to give to people who do not have a monthly pass and need to attend health related appointments. HPHP spends approximately \$800 per year on taxicab fares for people who are too sick to take public transportation for special needs and HPHP staff person is unavailable to drive the client in the staff person's own car.
20. HPHP uses trips to baseball games, concerts and other such events to motivate the homeless individual to want to earn money through employment. Transportation is needed for this endeavor.

21. Use of a van from the Santa Cruz County Fleet Service would better serve the transportation needs of the homeless population.
22. Using the County Fleet Service is more economical than paying HPHP staff persons mileage for using their own cars.
23. Many individuals have not or will not apply for Medical or Social Security Disability allowance because of distrust of the system. This makes it difficult to obtain mental health care without these entitlements.
24. The Santa Cruz County branch of the National Alliance for Mentally Ill worked with the Santa Cruz City Police Department's Homeless Resource Officer and fifteen of its police officers to train them in Crisis Intervention. The organization plans to extend the training to all 500 police officers in Santa Cruz County.
25. All of the agencies contacted by the Grand Jury Committee reported a much greater need for their services than they can presently supply.

Conclusions

1. Mental Health Services are needed by about 30% to 35% of homeless adults.
2. Homelessness exacerbates mental illness. Mentally ill people need the security of housing before they can be successfully treated.
3. Comprehensive support programs that stress clients taking responsibilities for improving their own lives have a lasting impact on improving the behavior of persons suffering mental health disorders. This is especially true if they are able to maintain their own schedule of medications. Both Page Smith Community House and the Homeless Persons Health Project have demonstrated the importance of self-help.
4. As demonstrated by the Mental Health Client Action Network, users of mental health services are capable of helping themselves function adequately in society.
5. The Mental Health Client Action Network provides safety and a security net for adults with a history of mental illness, including homeless people.
6. Lack of transportation creates obstacles for helping the mentally ill homeless improve their situation. Use of a van from the Santa Cruz County Fleet Service would better serve the transportation needs of the homeless population.
7. There is a need to find ongoing funding for programs serving the homeless mentally ill persons.
8. Crisis Intervention Training of the Homeless Resource officer and fifteen other Santa Cruz city police officers improves the ability of the Santa Cruz police to deal with mentally ill homeless persons.
9. All of the professionals and volunteers involved in working with the mentally ill homeless in Santa Cruz County are commended for their dedication, compassion and outstanding efforts in helping one of the most vulnerable groups of people in our society.

Recommendations

1. The Santa Cruz County Board of Supervisors should provide leadership and support to foster efforts to create more affordable transitional and permanent housing with support services in our community for people with psychiatric disabilities, especially those who have been homeless.
2. The Board of Supervisors and city councils should expand the capacity of successful, ongoing programs such as the Homeless Persons Health Project to help mentally ill adults who are homeless.
3. The Board of Supervisors and city councils should continue to support the successful homeless service providers such as Homeless Services Center and River Street Programs.
4. The Santa Cruz County Office of National Alliance for the Mentally Ill should continue its goal of training every police officer in the county to handle crisis situations involving persons who suffer from a mental illness.
5. The County should give priority to assigning a van from the County Fleet Service for use by the Homeless Persons Health Project.

Response Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Health Services Agency		3	90 Days (Sep. 30, 2002)
Santa Cruz County Board of Supervisors		1, 2, 4, 5	60 Days (Aug. 31, 2002)
City of Capitola		2, 3	60 Days (Aug. 31, 2002)
City of Santa Cruz		2, 3	60 Days (Aug. 31, 2002)
City of Scotts Valley		2, 3	60 Days (Aug. 31, 2002)
City of Watsonville		2, 3	60 Days (Aug. 31, 2002)

PROGRESS REPORT

Expanded Health Insurance Coverage for Low-Income Families in Santa Cruz County

Background

The 2000-2001 Grand Jury recommended that the County Health Services Agency (HSA) prepare an application to federal and state officials for waivers necessary to carry out a *demonstration project* to simplify eligibility applications for a large number of *categorical health programs* that presently serve low-income families.

The *demonstration* is also intended to accomplish complete integration of these programs within county clinics and the Plan of the Central Coast Alliance for Health, a local, publicly sponsored prepaid health plan which operates in both Santa Cruz and in Monterey Counties (the Alliance Plan).

The 2001-2002 Jury gave clearance to its Committee on Health and Human Services to monitor the progress by the (HSA) in the implementation of last year's Jury recommendations.

Federal waivers of regulations are permitted to test new approaches to health care programs, which have federal financial support. If successful, such experiments result in changes in regulation, lower costs, and improvement in the performance of programs.

Categorical health services refer to health service programs legislated to benefit only a particular group for a narrow service or benefit. Eligibility requirements accompany each program and service is restricted to the particular benefit defined in regulation. The regulatory constraints of each program have the cumulative effect of fragmenting the service delivery system and making it difficult to use by the consumer.

Savings accrued from the *demonstration* would be diverted to cover the cost of insurance coverage for uninsured low-income families who presently do not qualify either for Medi-Cal or the Healthy Family Insurance. The costs of services to these uninsured families is believed to be significantly higher than families now eligible for enrollment in Alliance Plan.

Coverage for these uninsured families would enable local providers, both public and private, to offer them continuing primary care services and organized programs of prevention. For those presently enrolled in the Alliance Plan, access to a primary source for the continuing care of the family has greatly reduced complications of illness and the high costs associated with preventable hospitalization.

The episodic character of their care and forced reliance on emergency rooms as a primary source of care leads to much higher costs and increased rates of hospitalization. These costs have to be subsidized by service providers due to the lack of the ability of low-income families to pay the full costs. The rationale for the *demonstration* is that savings accrued by providing enrollment in the plan will more than cover premiums paid in their behalf to The Alliance Plan.

The Health Services Agency (HSA) responded favorably to this recommendation and indicated that it would start the planning process with a countywide meeting of all interested

stakeholders in November 2001. This meeting was rescheduled for late in June 2002 (see below).

These stakeholders include public and private health service providers, the business community, organized labor and the many voluntary health care agencies who advocate for improved access by low-income families to health services essential to their well-being.

The purpose of this meeting is to gain support from all interested parties in order to assure their participation and collaboration in formulating and carrying out a plan of action.

Reductions in the budget of the HSA forced the delay in the date of this meeting. The Community Foundation of Santa Cruz has agreed to defray the costs of this important initial step to extend health care coverage to those who are uninsured.

A Summit Meeting on the Uninsured has now been scheduled to occur at Cabrillo College on June 29, 2002. The meeting is designed to address not only problems of uninsured working families but also those of other groups without any health insurance coverage.

A description of the topics to be addressed at the Summit Meeting include the following:

1. Seventeen percent of residents of this county lack health insurance this comprises 42,000 persons.
2. As many as an additional 30,000 members of families engaged in agricultural industries are not covered.
3. The recent repeal of the utility- users' tax has diminished further limited county resources available for indigent medical care.
4. The outlook, at present, for expanded state or federal assistance in health care funding is bleak.
5. A variety of plans in force in other communities to resolve this problem will be reviewed in the course of the Summit to adjudge their potential applicability in our county.
6. If we work more closely together, we can attain greater efficiency and equity in the provision of health care services.
7. Much can be gained by better integration of categorical health programs and simplification of eligibility requirements and application procedures
8. Better organization and collaboration in the delivery of various health services can increase capacity without an infusion of new sources of funding.
9. A strong tradition of voluntary contributions of services, private resources and in-kind assistance can be cultivated and expanded with wider and more equitable participation.
10. Inclusion of the ongoing efforts to integrate long term care services for frail and disabled elders in a community action plan is essential. The isolation of older people lacking insurance coverage for long-term health care services is a trend to be rejected now and in the future. Their needs must be addressed and long-term care provided in such a fashion that it is integrated into the fabric of the delivery system serving younger groups in the community.

11. At the Summit, working committees will be organized and charged with detailed development of elements essential to the over-all plan of action and methods to be used in its implementation.

Attached is a progress report submitted by The Health Care Outreach Coalition, a local organization of both public health officials and voluntary health agencies working in collaboration to expand health insurance to low-income individuals and families in Santa Cruz County. Its report details developments, which have occurred in response to the report of the 2000-2001 Grand Jury, and is self-explanatory.

It is clear that the extent and complexity inherent in resolving problems of uninsured low income families as well as other groups lacking health insurance make the formulation and implementation of a plan of action a long term, continuing effort. The upcoming Summit on the Uninsured and actions to be taken as a result of deliberations by the Grand Jury indicates a serious commitment by the County Health Services Agency to implement its recommendations.

The incoming Grand Jury may desire to continue to monitor the progress made by the HSA in partnership with collaborating private health care organizations and non-profit voluntary health care agencies engaged in a collaborate effort to provide access to essential health care services to the underserved people of Santa Cruz County.

Response Required

None.

Attachment 1

Progress Report for the Grand Jury

Date: March 26, 2002

Goal: *Expand Healthy Families with more employer support for payment of premiums.*

- As a Coalition partner, the United Way has taken a lead role in conducting business outreach for the past year. The United Way is using Prop 10 funds to staff an Outreach Worker who has been contacting businesses that typically do not provide health insurance for their employees and/or their dependants including residential care facilities, the hotel industry, health food stores and the bakery businesses. Future efforts will focus on utilizing a consultant with skills in marketing or business to more effectively establish systems within business Human Resources Departments for on-site enrollment and for paying Healthy Families premiums.

Goal: *Use County general funds to support the Healthy Care Outreach Coalition.*

- New grant and donation funds have been supporting Coalition Activities including:
 - Department of Health Services: (February 2000 – June 2003) \$214,500
 - California Endowment for Agricultural Workers (March 2002-February 2004) \$234,000
 - Prop 10 (July 2001-June 2003) \$160,000
 - Sutter Hospital Healthy Families Sponsorship funds \$25,000
 - Prop 10 Healthy Families Sponsorship funds \$20,000

Attachment 2

Santa Cruz County Health Care Outreach Coalition
Highlight Fiscal Year 2001-2002

“The Coalition for Health Care Outreach has become indispensable to the delivery of health services to low-income families and single adults. Its record has demonstrated the essential value of private and public collaboration in a joint effort to improve the health status of people who are vulnerable.”

- Santa Cruz County Grand Jury, June Report 2001–2002

- 815 children have been enrolled in Healthy Families or Medi-Cal from July 1, 2001 through December 31, 2001.
- According to the Santa Cruz Community Assessment Project 2001, “the gap between uninsured Latinos and uninsured Caucasians has dropped to 20.4% in 2001 from 31.4% in 2000. This could be the result of local eligibility outreach efforts.”
- Sutter Hospital donated \$25,000 to the Youth Resource Bank for the Healthy Families sponsorship Program that will provide more than 100 children with free health insurance for one year.
- Since December 2001, 224 children have been enrolled in the Healthy Families Sponsorship Program that pays for premiums for one year spending \$22,000 of Prop 10 and Sutter Hospital funds.
- A State Department of Health Services grant was funded in conjunction with the Packard Foundation for 17 months (February 2002 through June 2003) providing \$261,000 for Healthy Families and Medi-Cal for Children outreach and enrollment activities for community-based outreach and \$214,500 for school-based outreach and enrollment to the Santa Cruz City School District.
- An application submitted by Salud para la Gente, and the Health Care Outreach Coalition to the California Endowment for Agricultural Worker Health was funded for 24 months (March 2002 through February 2004) for \$500,000. Coalition partners funded are: Adelante, Familia Center, Davenport Resource Center and HSA utilizing \$234,000 of grant funds.
- The Health Care Outreach Coalition and the Child Nutrition Collaborative have submitted a joint application to the Packard Foundation that if funded would provide outreach and enrollment in health insurance programs such as Healthy Families/Medi-Cal as well as nutritional programs such as food stamps and the Summer Lunch Program. More effort is being made to combine activities of these two groups in order to address both the health and nutritional needs of children and their families.
- The Coalition this year provided health access presentations and trainings for over 60 community agencies that included information about Medi-Cal, Healthy Families, CHDP, CCS, Medi-Cruz, other free or low-cost health services, food stamps and energy assistance.
- In an effort to assist the eligibility workers and the clients with the complicated Medi-Cal process, the Human Resources Agency has developed automated Medi-Cal online interactive Medi-Cal forms and applications. In addition, Medi-Cal has developed user-friendly procedures for telephone and mail-in applications.
- Coalition on-going activities have included publicizing and responding to calls on the local Health Care Access Hotline, attending community events, and distributing over 10,000 brochures and incentive items promoting enrollment in Healthy Families and Medi-Cal.

- On January 24, 2002 the Centers for Medicare and Medicaid Services (CMS) approved a federal waiver to cover California parents under the State Children’s Health Insurance Program (SCHIP.) Approximately 300,000 California working parents who are currently without health coverage will benefit from this expansion.



Santa Cruz County

Grand Jury

Final Report:

Section 6
Schools and Libraries Committee Reports

A Review of the Structure and Administration of the Santa Cruz County Public School Systems

Background

Santa Cruz County has a population of approximately 260,000. Of that total, 40,000 are attending public schools in grades K-12. These students are divided among the following ten public school districts and the County Office of Education:

- Bonny Doon Union Elementary School District
- Happy Valley Elementary School District
- Mountain Elementary School District
- Pacific Elementary School District
- Live Oak School District (LO)
- Pajaro Valley Unified School District (PVUSD)
- San Lorenzo Valley Unified School District (SLV)
- Santa Cruz City School District (SC)
- Scotts Valley Unified School District (SV)
- Soquel Union Elementary School District (SOQ)
- County Office of Education (COE)

Most of the school districts existing in Santa Cruz County today were originally formed between 1857 and 1872. Roads were non-existent throughout much of the area, thus isolating towns and villages. Parents looked for ways to form school districts to enable their children to receive an education in a school setting rather than at home. Mary Case started the first English school in 1848 on her farm.

Now, in 2002, the isolation is no more. The small schools of fewer than thirty students with common backgrounds in mixed-grade classes are long gone. Paved roads and modern transportation have been available for over a half-century. Electronic data handling, modern and efficient methods of organizational structure and operation have been available for decades.

Scope

The Grand Jury only investigated the administrative functions of the County's school districts. It did not consider issues involving curriculum content or the teaching staff.

The Grand Jury reviewed the administrative structure and budgeting practices of all ten school districts in Santa Cruz County comparing them to the single San Jose Unified School District. The demographics, population, urban density, ethnicity and the number of students are similar.

Table 1 shows the comparative populations, student enrollments, number of schools and annual budgets of the ten school districts in Santa Cruz County and San Jose Unified School District. The chart does not include the Santa Cruz County Office of Education.

	Santa Cruz County Ten School Districts	San Jose Unified School District
Total District Population	260,000	240,000
Student Population	39,919	31,859
Number of Schools	59	45
Annual Budget	\$276,202,254	\$245,021,799

Table 1.

The Achilles heel of the entire countywide system is declining enrollment. Declining enrollment is the leading cause of financial hardship for any school system because the schools' budgets largely depend on receiving Average Daily Attendance (ADA) monies from the State. ADA is a fixed amount of money funded by the State of California to school districts for each student's daily attendance. Presently the ADA amounts range from \$4,410 to \$5,340 per student annually.

The Grand Jury, in looking for ways to alleviate the financial hardships currently plaguing county school districts, investigated why Santa Cruz County, with a student population of approximately 40,000 students, needs ten school districts under the umbrella of the County Office of Education. Each district has duplicated management and administrative staff.

Fieldwork

The Grand Jury fieldwork included the following interviews and research:

- Interviewed administrators from the San Jose Unified School District
- Interviewed the Superintendent and staff at the Santa Cruz County Office of Education as well as Superintendents and staff at the following nine school districts:
- Happy Valley, Live Oak, Mountain, Pacific, Pajaro Valley Unified, San Lorenzo Valley, Santa Cruz, Scotts Valley, and Soquel School Districts.
- Reviewed the budgets of the above entities covering the last three years.

Findings

1. Table 2 illustrates that having ten school districts in the county creates a duplication of administrative functions.

Administrative Functions Matrix

	COE	PVUSD	SC	SV	SLV	SOQ	LO	(4) One-School Districts
Superintendent	X	X	X	X	X	X	X	X
Assistant Superintendent	X	X	X	X	X	X	X	
Business Services	X	X	X	X	X	X	X	X
Bond Projects	X	X	X	X	X	X	X	X
Finance	X	X	X	X	X	X	X	X
Facility	X	X	X	X	X	X	X	X
Food Services	X	X	X	X	X	X	X	X
Purchases	X	X	X	X	X	X	X	X
Curriculum	X	X	X	X	X	X	X	X
Staff Development	X	X	X	X	X	X	X	X
Student Support Services	X	X	X	X	X	X	X	X
Technology	X	X	X	X	X	X	X	X
Health Services	X	X	X	X	X	X	X	X
Human Resources	X	X	X	X	X	X	X	X
Teacher Contracts	X	X	X	X	X	X	X	
Union, Lease, Project Contracts	X	X	X	X	X	X	X	

Table 2.

The matrix does not include duplicated positions in each district for special education. These positions are included in the Special Education Local Program Administration (SELPA) and are discussed later in this report.

- 2. Table 3 details the cost per student in each of the school districts in Santa Cruz County.

Cost Per Student Comparison

	Actual Expenditure	Number of Students	Number of Schools	Cost per Student
(4) One-School Districts: Bonny Doon, Happy Valley, Mountain, Pacific Elementary	\$4,660,810	540	4	\$8,631
Live Oak School District	\$16,346,121	1,994	4	\$8,198
Soquel Elementary School District	\$14,344,059	2,142	5	\$6,697
Scotts Valley Unified School District	\$14,578,141	2,591	4	\$5,626
San Lorenzo Unified School District	\$27,086,531	3,996	6	\$6,778
Santa Cruz City School District	\$56,537,272	7,998	12	\$7,069
Pajaro Valley Unified School District	\$142,649,320	19,863	24	\$7,182
Combined Budget:	\$276,202,254*	39,124	59	\$7,060

*Includes monies for 538 Special Education and Alternative Education students with the COE and 257 students at Pacific Collegiate Charter School.

Table 3.

Declining Enrollment

- 3. Santa Cruz County school administrators agree that all of the school districts are concerned about the effects of declining enrollment.
- 4. Santa Cruz School District lost 720 students in 2000/2001.
- 5. Bonny Doon School District lost 112 students over five years.
- 6. Soquel School District lost 140 students over five years.
- 7. Administrators at Live Oak, Pacific and San Lorenzo Valley state that they have all experienced declining enrollment.
- 8. Many schools that have not shown a drop in enrollment have zero growth.
- 9. According to the State Franchise Tax Board, Santa Cruz County will lose an additional 2,200 students by the year 2010.

10. Some northern classrooms have empty desks while many southern classrooms experience overcrowding.

Deficits

11. Most school districts are experiencing financial difficulties. Studies suggest that by the year 2010, Santa Cruz County public schools will lose approximately \$21,455,390 due to a drop in Average Daily Attendance (ADA).
12. Additional funds are available from the State as incentives for more efficiently organized districts. Based upon today's figures the incentives are \$20 per student, which equates to approximately \$800,000 potentially available to County schools.
13. School districts in Santa Cruz County do not employ professional project managers to oversee major building renovation projects. This exposes the districts to cost overruns and waste.

Special Education Programs

14. Special Education Programs are Federally and State mandated but many are only partially funded. These programs are extremely expensive and impose a severe financial burden on the entire education system.
15. The special education program in Santa Cruz County has two administrative staffs. Pajaro Valley Unified School District runs its own Special Education Local Program Administration (SELPA) program. The COE and the other nine school districts are in a consortium called Northern County SELPA.
16. The County of Santa Cruz receives approximately \$22 million dollars annually for special education funding. 40% of this funding comes from federal sources and 60% from state revenues.
17. The COE administers the north county SELPA and serves as a conduit for special education funds from the state to the school districts.
18. Districts utilizing special education services provided by the COE are charged for additional "excess cost."
19. The funds for the consortium in the northern county area are approximately \$11 million annually. The COE retains 50% to cover the cost of programs they provide (including 61 special education teachers' salaries) and the remaining funds are distributed to the consortium members. If there are excess costs for the program, the school districts may have to reimburse the COE for participating in the program.
20. Pajaro Unified School District has its own SELPA in the southern county area and is funded directly from the state, thereby eliminating additional administrative costs.

Grant Money

21. Each individual district must procure federal, state and private grant money in its own behalf.
22. Preparing grant documents is costly and time consuming.

23. While there are ten school districts in the County, a cooperative grant application system does not exist.
24. The COE does not regularly prepare grant applications for individual school districts.
25. The criteria for many federal, state and private grant monies are family income levels (based on federal guidelines) within the district, and/or the number of non-English speaking students.
26. Many of the county school districts do not meet the criteria of family income level or non-English speaking students to qualify for grants.
27. The data indicate the southeastern portion of the county has a larger percent of lower-income families and non-English speaking students, which qualifies Pajaro Valley Unified School District for a larger number of grants.

County Office of Education

28. In 1861 D.J. Haslam served as the first Superintendent of Santa Cruz County schools, supervising twenty-one schools, 1,756 students and a budget of \$6,344.
29. Until 1890 the County Superintendent was a part-time employee. Today the County Office of Education has a budget of \$34,097,978 and employs 286 persons supporting 40,000 students.
30. The County Office of Education currently consists of:
 - 37 Administrators
 - 61 Special Education Teachers
 - 49 Vocational Teacher
 - 55 Classroom aides
 - 10 Student support – therapists, work experience teachers
 - 24 Administrator assistants – secretaries
 - 40 Clerical
 - 5 Technology support staff
 - 5 Maintenance staff
31. The mission statement of the COE states: "The County Superintendent of Schools is to oversee and further the progress of education in all school districts within the County and serve as an intermediate link between those local districts and the State Department of Education."
32. The County Superintendent has the responsibility of providing those services that can be more economically and efficiently provided by a central office rather than an individual local school district.
33. The COE generally does not offer services that compete with the districts, or impose programs or laws.
34. Four of the state-mandated functions of the COE are:
 - Information and coordination services

- Program and staff development services
 - Fiscal oversight of the County's school districts.
 - Registration of teaching credentials for teachers who teach within Santa Cruz County
35. The four one-school districts in the County receive financial and accounting assistance from the COE for which they are not billed.
 36. Funding for the COE is divided into two categories: 85% is restricted to special education, vocational education and schools at detention facilities. The funding is partially based on Average Daily Attendance (ADA, the amount per student funded by the State to the schools). The remaining 15% covers administrative costs.
 37. The COE bills districts utilizing programs administered by the COE for excess costs.
 38. The COE has the primary responsibility of reviewing the yearly audits of the school districts' budgets.
 39. All school and district payrolls pass through the COE, which also passes along an administrative charge to the school districts.
 40. As of April 1st 2002, the county wide declining enrollment dilemma has not resulted in budget or staff reductions at the COE.

One-School Districts

41. These four one-school districts have a total student enrollment of 540:
 - Bonny Doon Union Elementary School District
 - Founded 1940. 170 students.
 - One school K-6.
 - Happy Valley Elementary School District
 - Founded 1864. 130 students.
 - One school K-6.
 - Mountain Elementary School District
 - Founded 1869. 158 students.
 - One school K-6
 - Pacific Elementary School District
 - Founded 1906. 82 students.
 - One school K-6
 - Yearly budget (combined): \$4,660,810
 - Total Number of Employees (combined): 122
42. Each district is a self-contained business entity, i.e., it includes hiring, budgeting, employee contract, curriculum and fund raising functions.
43. The Principal has the dual role of District Superintendent and School Administrator.
44. Since family income levels are generally above federal guidelines in these districts, very little grant money is available.

- 45. Due to the cost of special education programs, a very serious financial threat is posed to these small districts. If a student needs an aide or a tutor with him/her or if the student needs education outside of the district, the district must pay for it.
- 46. Test scores in these one-school districts lead the county, but the cost per student is much higher than the other six county school districts.
- 47. An Administrator stated, “Parental involvement and a dedicated, committed staff are a key component to the success of the district.”
- 48. Families are moving from the area, one of the least affordable in the nation, due to the high cost of housing.
- 49. Declining enrollment severely impacts small districts. A family with any children leaving the school district poses a serious financial loss due to the loss of payment for ADA for that student.

Six Multi-School Districts

- 50. The six multi-school districts range from 1,994 to 19,863 students.
- 51. Each District Office operates as an individual business entity.
- 52. Staff in each District Office consists of Administrative, Human Resources, Purchasing, Facilities, Food Service, Curriculum, and Staff Development personnel.
- 53. Each district negotiates its own union contacts.
- 54. The ten school districts set policy and administration for all schools within their jurisdiction.
- 55. Boundaries of school districts make it difficult for teachers and students to transfer between districts where declining enrollment is severely impacting a district’s financial viability.
- 56. With the multi-school districts in the North County, students from one family may attend K-6 in one district, middle school in another and high school in yet a third. This creates a lack of uniformity in the curriculum, transportation and family vacation schedules.

Live Oak School District

Founded	Number of Students	Yearly Budget	Number of District Employees
1872	1,994	\$13,226,298	267

Four Schools — Kindergarten (K) through 8th Grade

- Del Mar Elementary School
- Green Acres Elementary School
- Live Oak Elementary School
- Shoreline Middle School

57. Live Oak School District, surrounded by the Soquel and Santa Cruz school districts, has housing that is increasingly out of the reach of many working families. Consequently the Live Oak School District is experiencing declining enrollment.
58. Live Oak will face budget deficits within two years unless costs in the school district are lowered; additional funding is acquired or transfers of students from other districts are achieved.
59. The district has been proactive in addressing their budget issues by doing the following in an effort to attract more students:
 - Opened day care to all residents in the community
 - Opened a community center
 - Formed a parent/teacher committee to examine budget and declining enrollment issues.
 - Are preparing to open a magnet school (a school which emphasizes a specific area of study) and plan to enroll students who live anywhere in Santa Cruz County who are interested in that subject.

Soquel Union Elementary School District

Founded	Number of Students	Yearly Budget	Number of District Employees
1890	2,142	\$14,344,059	226

Five Schools — Kindergarten (K) through 8th Grade

- Capitola Elementary School
 - Main Street Elementary School
 - Santa Cruz Gardens Elementary School
 - Soquel Elementary School
 - New Brighton Middle School
60. Soquel suffers from declining student enrollment with approximately 140 students lost over the last five years.
 61. Lack of affordable housing and the high cost of special education severely impact this district. District Administrators expect budget deficits in the future.
 62. Family income levels tend to be above federal guidelines that make it very difficult for the district to qualify for grants.
 63. Administrators state that the cost of preparing grant applications greatly reduces the net amount funded to the district.

Scotts Valley Unified School District

Founded	Number of Students	Yearly Budget	Number of District Employees
1872	2,591	\$14,578,141	257

Four Schools — Kindergarten (K) through 11th Grade

- Brook Knoll Elementary School
- Vine Hill Elementary School
- Scotts Valley Middle School
- Scotts Valley High School

64. Scotts Valley High School was opened on September 3rd 1999. This increased the total enrollment for the school district. However, by doing so other districts lost enrollment.
65. Declining enrollment has not impacted the district, but the Scotts Valley district does not anticipate future growth.
66. The district is in the process of remodeling its middle school campus.
67. On November 8, 1994 voters approved two bond measure totaling \$22.7 million for a new high school.
68. On May 1, 1995, \$4.5 million was released with the remaining \$18.2 million released on August 1st 1997.
69. Voters rejected additional school bonds for the district in March 2002.

San Lorenzo Valley Unified School District

Founded	Number of Students	Yearly Budget	Number of District Employees
1952	3,996	\$27,086,531	447

Six Schools — Kindergarten (K) through 12th Grade

- One Charter Program
- Boulder Creek Elementary School
- Quail Hollow Elementary School
- Redwood Elementary School
- San Lorenzo Valley Elementary School
- San Lorenzo Valley Junior High School
- San Lorenzo Valley High School

70. San Lorenzo Valley School District is located in the mountainous region of Santa Cruz County.
71. The district faces numerous challenges with transportation and declining enrollment.

- 72. While district buses operate daily during school hours, late after-school activities pose a problem.
- 73. Missing scheduled morning pick-ups and return trips home often discourages students from attending school or participating in after school activities.
- 74. School officials feel free bus passes for public transportation would help daily attendance.
- 75. At the close of fieldwork, the Superintendent stated the budget would have a deficit in the 2002-2003 school year.

Santa Cruz City School District

Founded	Number of Students	Yearly Budget	Number of District Employees
1857	7,998	\$56,537,272	938

Twelve Schools — Kindergarten (K) through 12th Grade

- Two Ark Studies Schools: Ark School (9-12) and Home Studies AFE (K-12)
- Bayview Elementary School
- Branciforte Elementary School
- De Laveaga Elementary School
- Gault Elementary School
- Monarch Elementary School
- Natural Bridges Elementary School
- Westlake Elementary School
- Sojourn Charter Middle School
- Branciforte Junior High School
- Mission Hill Junior High School
- Delta Charter High School
- Harbor High School
- Santa Cruz High School
- Soquel High School

- 76. The district has lost approximately 720 students since 1999. 322 students were lost during the 2001 school year alone.
- 77. In order to remain solvent, the district must reduce its budget by \$3.2 to \$4.9 million dependent on receiving additional funding.
- 78. A parcel tax measure was recently passed. According to district officials, these amounts will not be sufficient to cover growing deficits.
- 79. In 1998, voters approved bond measures totaling \$86 million designated for school remodeling.
- 80. The District has been in the processing of renovating older school buildings in order to bring them into compliance with federal mandates.

- 81. The district recently announced that Strategic Construction Management Consulting Company would receive \$1.2 million to oversee these renovations.
- 82. Recently two high school principals resigned their positions citing the high cost of housing, declining enrollment, and budget concerns. One principal was quoted as saying; “I’ve been having to make budget decisions that honestly are difficult for me to deal with, reducing people’s work day, their work year. Unfortunately this is the beginning of a cycle that is not going to go away for a while.”
- 83. Many students from the Santa Cruz City School District were transferred to Scotts Valley High School, which opened in 1999. This negatively impacted the school district’s ADA.

Pajaro Valley Unified School District

Founded	Number of Students	Yearly Budget	Number of District Employees
1960	19,863	\$142,649,320	2,381

Schools — Kindergarten (K) through 12th Grade

- Three Charter Schools
 - Alianza Elementary Charter School
 - Linscott Charter School
 - Pacific Coast Charter School
- Amesti Elementary School
- Ann Soldo Elementary School
- Bradley Elementary School
- Calabasas Elementary School
- Freedom Elementary School
- H. A. Hyde Elementary School
- Hall Elementary School
- MacQuiddy Elementary School
- Mar Vista Elementary School
- Mintie White Elementary School
- Ohlone Elementary School
- Rio Del Mar Elementary School
- Salsipuedes Elementary School
- Starlight Elementary School
- Valencia Elementary School
- E.A. Hall Middle School
- Lakeview Middle School
- Pajaro Middle School
- Rolling Hills Middle School
- Aptos Junior High School
- Aptos High School
- Renaissance High School

- Watsonville High School

84. Pajaro Valley Unified School District is the largest school district in the County.
85. The migrant population and other non-English speaking students create unique expenses and challenges for PVUSD.
86. According to State of California statistics, thirteen schools in the district have unacceptably low-test scores.
87. The District is continuously initiating programs to reverse low academic achievement.
88. Overcrowding at the high schools is a major concern.
89. A new high school is scheduled to open in approximately two years.

Conclusions

1. Having ten different school districts in the county under the umbrella of the COE has resulted in duplication of staff and administrative duties and increased the districts' cost of doing business. Duplication of administrative staff drains the finances of the county school systems and threatens their financial viability.
2. The Special Education Local Program Administration program (SELPA) creates additional duplicated administrative staff when administered separately by both northern county and southern county.
3. The existing county education systems have not dealt adequately with the looming issues of deficits, declining enrollment, and duplication of staff.
4. The Parcel Tax Measures recently approved by voters in Santa Cruz and Live Oak School Districts will not be sufficient to cover existing deficits. Loss of students would mean a drop in average daily attendance (ADA) monies. These tax revenues will only postpone the time for deficit spending unless remedial steps are taken now.
5. Deficits will continue until the districts execute modern, efficient and well-proven approaches to stabilize their financial conditions.
6. Declining enrollment will affect the fiscal well being of every school district in Santa Cruz County.
7. Declining enrollment forces school districts to compete against each other for students and funds.
8. A consolidated school district would allow the district to manage declining enrollment by more easily moving teachers and students as needed.
9. A consolidated school district with or without magnet schools could draw students from the entire county and allow for flexibility in the use of facilities and resources throughout the county.
10. A consolidated school district would allow grant money to reach a larger portion of those students who are qualified to receive it.
11. A consolidated school district would ensure uniform policies and procedures in all schools throughout the county.

12. The existing high schools in the Pajaro Valley Unified School District are overcrowded.
13. County school districts could control costs of building and renovation projects by employing a professional project manager.
14. Students and taxpayers would be better served by the consolidation of educational institutions and resources in the County of Santa Cruz.
15. Parents should take great pride in and credit for the involvement and commitment they have shown to the schools and their children.

Recommendations

1. The ten school districts within the County of Santa Cruz should be combined into one Consolidated School District. The Grand Jury urges the County Board of Education and the County Office of Education to immediately initiate the process for consolidation outlined in the California Education Code.
2. The County Board of Education and the County Office of Education should empanel a Citizens' Committee to oversee Recommendation Number One. This committee should consist of members from the following groups:
 - Educators
 - Business Professionals
 - Union Representatives
 - Concerned citizens
3. The County Board of Education and the County Office of Education should obtain the services of an outside and independent senior level business executive to assist in a comprehensive review of the structure and administration of the County Office of Education and every school district.
4. The County Board of Education, the County Office of Education and Pajaro Valley Unified School District should examine and streamline the administration of the SELPA programs.
5. In order to address declining enrollment in north county schools, the County Board of Education and the County Office of Education should immediately authorize a study focused on alleviating overcrowding in south county classrooms.
6. The Santa Cruz City School District should retain on staff a professional project manager to oversee the refurbishing of their school buildings. This project manager should have a proven and verifiable track record in this industry.

Response Required

Entity	Findings	Recommendations	Respond Within
County Board of Education	1 – 27	1 – 5	60 Days (Aug. 31, 2002)
County Office of Education	1 – 27, 29 – 40	1 – 5	60 Days (Aug. 31, 2002)
Mountain Elementary School District	1 – 27, 41 – 49		90 Days (Sept. 30, 2002)
Pacific Elementary School District	1 – 27, 41 – 49		90 Days (Sept. 30, 2002)
Bonny Doon Union Elementary School District	1 – 27, 41 – 49		90 Days (Sept. 30, 2002)
Happy Valley Elementary School District	1 – 27, 41 – 49		90 Days (Sept. 30, 2002)
Live Oak School District	1 – 27, 57 – 59		90 Days (Sept. 30, 2002)
Soquel Union Elementary School District	1 – 27, 60 – 63		90 Days (Sept. 30, 2002)
Scotts Valley Unified School District	1 – 27, 64 – 69		90 Days (Sept. 30, 2002)
Santa Cruz City School District	1 – 27, 76 – 83	6	90 Days (Sept. 30, 2002)
San Lorenzo Valley Unified School District	1 – 27, 70 – 75		90 Days (Sept. 30, 2002)
Pajaro Valley Unified School District	1 – 27, 84 – 89	4	90 Days (Sept. 30, 2002)



Santa Cruz County

Grand Jury

Final Report:
Section 7
Special Districts Committee Reports

Investigation of the Salsipuedes Sanitary District

Background

The mission of a sanitary district is to collect, treat, store, and dispose of sewage. To support this mission, a sanitary district must obtain revenue from the customers it serves. The Salsipuedes Sanitary District is a small sanitation district, serving 486 residential and nine commercial or institutional connections. The Salsipuedes Sanitary District serves an area of 800 acres with a perimeter of approximately seven miles. Due to the District's small size, the District does not conduct any sewage treatment, instead transporting its sewage for treatment at the Watsonville Wastewater Treatment Plant².

Scope

The Grand Jury's purpose in preparing this report was to look into the operations, organization, and billing practices of the Salsipuedes Sanitary District. In order to accomplish these objectives, the Grand Jury undertook the fieldwork described below.

Fieldwork

- Interviewed employees and board members of the Salsipuedes Sanitary District
- Attended meeting of the District's board of directors
- Interviewed and corresponded with customer of the District
- Reviewed billing and permit records pertaining to the District's individual customers
- Reviewed documents of the Salsipuedes Sanitary District, covering employee issues and technical standards

As a point of comparison, the Grand Jury also interviewed personnel from the Santa Cruz County Department of Public Works. This was done to make a determination of how a sanitation district is typically run, of what day-to-day problems and approaches could be expected, and to obtain a benchmark of the practices of a sanitary district.

Findings

1. An elected five-member Board of Directors of the Salsipuedes Sanitary District is responsible for budgets, employee issues, and long-term decisions. The board meets monthly, and each board member is paid \$100 per month, contingent upon attendance of this meeting.
2. The District Manager takes care of other decisions and day-to-day coordination of work. The District Manager also serves as the secretary to the Board of Directors.
3. The district has two part time non-benefited employees and makes use of contract personnel for all other work. By comparison, the Santa Cruz County Sanitation District employs approximately fifty people: ten in the engineering department and the remainder in the operations department.
4. The District has technical people available on call to respond to emergencies that may arise.

5. The Salsipuedes Sanitary District charges its customers through an assessment collected concurrently with their property tax bills.
6. The District Manager has recommended for the coming fiscal year that the District maintain the lower fees established last year on a single-year temporary basis.
7. The District's costs and charges are low in comparison with other districts offering comparable services.
8. The Salsipuedes Sanitary District passes along charges for individual efforts (e.g., from the District's engineer or attorney) to the individual customer for whom the charge was incurred. The District offers the rationale that such charges are only incurred due to a customer's specific need.
9. Correspondence prepared and signed by the attorney for the District is sometimes mailed out on behalf of the Salsipuedes Sanitary District.
10. In performing an inspection, the Salsipuedes Sanitary District does not assume responsibility for the correct and complete installation performed on the building sewer (i.e., the plumbing on the customer's property). Rather, the District does what it feels is necessary to ensure the safe installation or modification of the customer's tie-in to the sanitary system.
11. Customers connecting to the District are required to obtain a Santa Cruz County encroachment permit, which allows for breaking into the county sidewalks and road, if necessary. This permit is required even though it may not ultimately prove necessary to perform these operations.
12. Salsipuedes Sanitary District procedures state that, "all work performed in relation to and for connection to the District sewer system requires a specific permit in accordance with the District rules and regulations³."
13. According to District officials, the Santa Cruz County Planning Department does not dependably notify customers of the need to obtain multiple permits. The District also reports that in cases where a sewage connection will clearly be required, the Planning Department does not consistently identify the need for a permit to be obtained from the Salsipuedes Sanitary District.

Conclusions

1. The District is run efficiently and economically. Board members and staffers are conscientious about minimizing costs in the operating details of the District.
2. Since the Salsipuedes Sanitary District cannot economically hire enough people to assure expertise in all areas, the District makes use of contract personnel for areas in which such expertise is needed.
3. Given its small size, the Salsipuedes Sanitary District has taken appropriate steps to handle its required business and to ensure that its mission is carried out in a thorough and economical fashion.
 - A. Part time non-benefited employees are used.

- B. Outside contractors and personnel are maintained on retainer to ensure that the District has access to expertise and decision-making resources as needed.
- 4. An individual customer may occasionally receive a larger bill than would be the case if the District did not employ the above practices. Nonetheless, the District’s charging practices and the use of an attorney apparently lead to the lowest overall costs to those served by the district.
- 5. It is inappropriate for the attorney for the District to prepare and sign correspondence on behalf of the Salsipuedes Sanitary District.
- 6. The Planning Department is in the best position to notify a citizen of the need for obtaining the required permits.
- 7. The Santa Cruz Planning Department does not consistently identify the need for a Salsipuedes sewage permit when permitting work at sites served by the Salsipuedes Sanitary District. This has sometimes contributed to confusion and difficulty for the District’s customers.

Recommendations

- 1. The Santa Cruz County Planning Department should establish a system and conduct employee training to identify instances that require an additional permit. Customers should be notified of this requirement when obtaining other required permits.
- 2. The attorney being used by the Salsipuedes Sanitary District is not an employee and should cease issuing formal correspondence from the District to its customers.
- 3. Correspondence prepared and signed by the attorney for the Salsipuedes Sanitary District should never be mailed out on behalf of the District. All correspondence should be signed by the board or by the District Manager.

Response Required

Entity	Findings	Recommendations	Respond Within
Salsipuedes Sanitary District	1 – 13	1 – 3	60 Days (Aug. 31, 2002)
Santa Cruz County Planning Department	11, 13	1	60 Days (Aug. 31, 2002)

Review of the Santa Cruz County Burial Services Program for Indigents

Background

The Indigent Burial Program is utilized when someone dies and there is no next of kin, or the family is very poor. The indigent fund has been used for transient and homeless people, the elderly poor, and those on Social Security Disability Insurance.

In accordance with the California Health and Safety Code, Chapter 3, Custody and Duty of Interment:

“The rights to control the disposition of the remains of a deceased person and conditions of the interment and arrangements for funeral services have been given by the decedent to either the Spouse, sole surviving competent adult child or public administrator.”

When a person dies and there is no qualified person who is willing or able to oversee the administration and distribution of that person’s remaining assets or estate, the matter may be assigned to the Santa Cruz County District Attorney’s Office. In this case, the Public Administrator provides for the protection, administration and final disbursement of the deceased’s estate. In Santa Cruz County, the Public Administrator’s Office has the responsibility of implementing the Indigent Burial Program. For many years, the elected District Attorney has held the title of Public Administrator. A Deputy Public Administrator now carries out the duties of this position.

Once determination of eligibility for the Indigent Burial Program has been made, the Coroner’s Office selects the funeral home. The Public Administrator processes the necessary paper work for the funeral home, and the Coroner’s Office communicates with the funeral home to assign an indigent case number and release the body. The funeral home sends the body to the Soquel Cemetery and Crematory. The funeral home and the Soquel Cemetery and Crematory send separate bills to the Sheriff-Coroner’s Office. The Sheriff’s Office receives the billing and pays the costs.

Scope

The task of this 2001-2002 Grand Jury Special Districts Committee was:

1. To evaluate the Indigent Burial Program.
2. To investigate its policies and the workings of the administrators.
3. To ensure that processes are in place to provide indigents with appropriate funeral arrangements.
4. To assure that public funds are used expeditiously.

Grand Jury fieldwork included:

1. Interviews with staff and tours of:
 - A local funeral home
 - The Santa Cruz County Morgue
 - The Soquel Cemetery & Crematory.

2. An interview with the staff of the Santa Cruz County Public Administrator’s Office.
3. A Review of printed materials from the Sheriff-Coroner’s Office.
4. A Review of printed materials from the Public Administrator’s Office, including the functions of the Public Administrator.
5. A Review of State of California Health and Safety Code Sections §7100-7117.

Findings

1. By law, a death certificate is required for every deceased person. The decedent’s physician completes this form if he/she has attended to the decedent during the past twenty days and can offer a plausible cause of death. The clause “death by natural causes” is not permitted on a death certificate. The decedent’s physician must record a definitive reason for death. If a death is caused by homicide, suicide, results from an accident (including drug overdoses), or if there is no attending physician, the case is turned over to the County Coroner.
2. Decedents are identified by means of:
 - Personal viewing of the remains by a family member or friend
 - Identification card
 - Driver’s license
 - Fingerprints
 - Dental records
 - DNA testing.
3. A cemetery authority, a licensed funeral director, a licensed hospital or its authorized personnel may initiate an autopsy of any remains in their custody with authorization by the deceased’s will or other recorded document, or by next of kin, or when required by law. The County Morgue has one physician who conducts all of the autopsies for Santa Cruz County.
4. In the Indigent Burial Program, once the cause of death has been determined, a Sheriff-Coroner’s Deputy contacts one of the funeral homes to arrange transportation of the remains. After receiving written notice of the cause of death, the funeral director or cemetery authority has the responsibility for disposition of the remains within seven days. Usually the body is kept no longer than three days. During this time, preparation is made for showing or cremation. If family is available and can afford the costs of a service, the deceased is not considered to be indigent.
5. In the Indigent Burial Program, due to the financial situation of the decedent, the body is typically placed in an approved cardboard box and transported to the crematory. At the crematory, the body passes through a detailed and rigorous system of identification. The cremation process is carried out according to standard protocol. The ash is then placed in an approved container, which is either returned to the responsible kin or to another responsible authority.
6. If the decedent is part of the Indigent Burial Program, the ashes may be given to the next of kin. If there is no next of kin, the ashes will be spread at sea by authorized

personnel from the Sheriff -Coroner's Office. California Health and Safety Code §7117 requires that human ash must be dispersed 500 yards offshore. This procedure is highly regulated.

7. The Deputy Public Administrator must determine whether or not the decedent had sufficient resources to pay for his or her cremation. To determine eligibility for the Indigent Burial Program, the Public Administrator will:
 - Use the Assessor's files to see if the decedent (or relatives) owned property
 - Speak with the relatives of the deceased (if any), to determine the ability of the estate to pay for the cremation
 - Discuss the decedent's source of income and any assets the person had (house, car, and belongings) that could be sold in order to pay for the cremation
 - Utilize available county indexes, i.e., court files, fictitious business names and voter registration, or Sheriff booking records
 - Consult with Parole Officers
 - Research state prison records
 - Search all computerized data resources
 - Search Veterans' records.
8. Annually, the County opens the bidding to determine the funeral homes that are willing to take bodies through the Indigent Burial Program. The funeral homes sign county contracts each fiscal year and receive the bodies on a rotational basis.
9. During the course of the past several contracts, the following funeral homes and Soquel Cemetery and Crematory have contracted with the Santa Cruz County to be vendors for the Indigent Burial Program:
 - Benito & Azarro Pacific Garden Chapel, Santa Cruz
 - Davis Memorial Chapel, Watsonville
 - Mehl's Colonial Chapel, Watsonville
 - Norman's Family Chapel, Santa Cruz
10. The annual funds allocated to this program are approximately \$25,000. As a courtesy, the Indigent Burial Program will pay an indigent's final expenses and allow the family to repay the fund. Arrangements can be made for an affordable payment as low as \$10 per month. A letter is mailed to the family as a reminder of their promise to repay the debt. If the family refuses to honor the loan, the case is forwarded to County Collections and the Treasurer's Office for handling.
11. During the 2000–2001 fiscal year, the Public Administrator received approximately fifty-seven referrals for Indigent Burial Program funding; forty-seven of these were actually processed through the Indigent Burial Program.

12. The table below indicates the total number of decedents that were accepted through the Indigent Burial Program from 1999 through February 2002, and for whom the County paid cremation expenses.

	1999 – 2000	2000 – 2001	2001 – 2002
Number of Indigents	56	47	Open
Cost per Indigent	\$548.50	\$548.50	\$595.50

13. At the end of fieldwork in February 2002, there were already sixty-two referrals to the Indigent Burial Program for the current fiscal year, seventeen of which occurred after January 1, 2002.
14. Typically, a funeral home will charge \$1500 to \$1800 for a cremation; the agreed County fee is \$595.50. The cost breakdown for indigent cremation is as follows:

Item	Cost
Funeral Processing	\$355.29
Carton	\$35.00
Sales Tax	\$2.71
Cremation	\$187.00
Processing Fee	\$8.50
Total	\$595.50

15. Another service offered by the County is burial services for victims of violent crimes through the Victim/Witness Program. The County will pay a maximum of \$5000 for a victim’s final expenses whether or not the family has sufficient funds. The Victim/Witness Program funds are not part of the Indigent Burial Program.

Conclusions

1. The Indigent Burial Program is small, works well and does not have a large budget. The funeral homes and crematory offer a significant discount to the County, which is beneficial to the budget. Overall, this is a very efficient program.
2. The identification of the decedent is accomplished through a careful and thorough process.
3. The funeral homes and crematory show a humanitarian concern for the family, are knowledgeable of procedures and respectful of the process.
4. The Sheriff-Coroner’s Office does an excellent job of working with the families, public administrator, and funeral homes.
5. The funds of the Indigent Burial Program used prudently.
6. The County should continue to fund at least \$25,000 for this program, and consider increases in funding to match rising costs and increased use of the program.

Recommendations

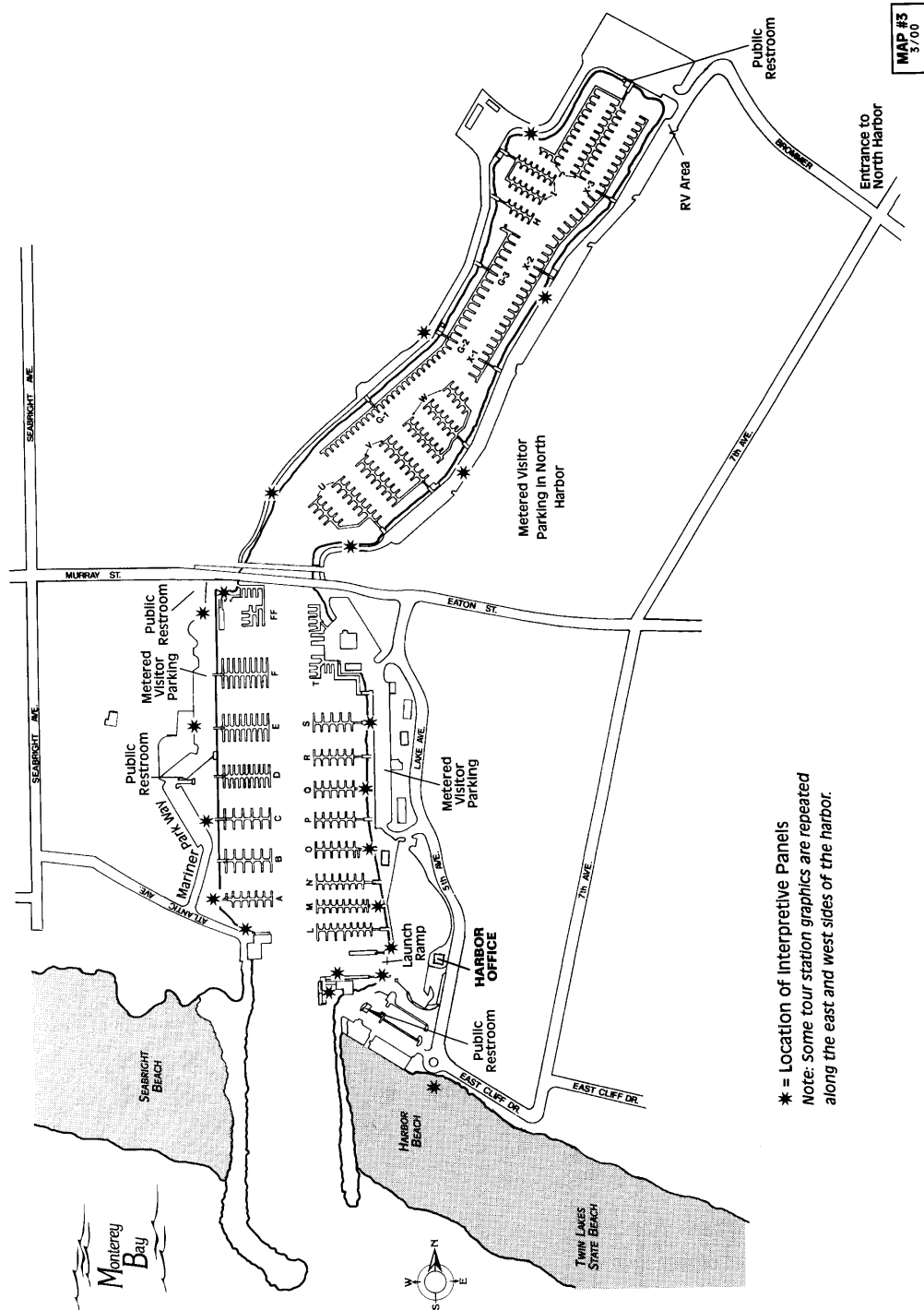
- 1. The Board of Supervisors should increase the budget for this program in order to cover the increased use and cost of the program.
- 2. The Grand Jury commends the Public Administrator, the Sheriff-Coroner’s Office and the funeral home and crematory services for their dedication to this program.

Responses Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz County Board of Supervisors	1 – 15	1	60 Days (Aug. 31, 2002)

Review of the Santa Cruz Port District

Map of the Santa Cruz Port District



Review of the Santa Cruz Port District

Background

The Santa Cruz Port District is one of many Special Districts within the County of Santa Cruz. It is an independent Special District of the State of California. It is not affiliated with either the County or City of Santa Cruz and receives no local tax revenues for its operation. The County of Santa Cruz does contribute \$33,000 per year for marine rescue services. The Port District is responsible for the daily operations of the Santa Cruz Yacht Harbor and its facilities. It is estimated that the Port District contributes \$40 million dollars annually to the local economy. About 1.3 million people visit the harbor every year. An elected Board of Commissioners as well as 23 full time and 20-25 part time employees manages the District. The District presently has 12 vehicles. The Port District and Santa Cruz Yacht Harbor maintain an Internet Web Site at: <http://www.santacruzharbor.org>.

The yacht harbor is located on Lake/5th Avenue just on the edge of the City of Santa Cruz. The harbor is a year round operation and maintains slips for about 1200 boats. Restaurants, bait and tackle supplies, boat sales and repair, kayak rentals, marine electronics, fresh fish retailers and wholesalers are some of the many commercial operations in the harbor. The Port District is responsible for leasing retail space to these merchants. The Port Commissioners must approve all retail outlets. There are about 1100 harbor related jobs.

In accordance with a 1958 federal mandate, the harbor operates as a regional facility for “recreation,” “commercial fishing,” and as a “harbor of refuge.” The Port District maintains a public launch for small craft. Between 10,000 and 15,000 vessels are launched annually at this facility. The Harbor Patrol performs about 100 ocean rescues annually. There is a dredging operation to ensure that the entrance to the harbor is open and navigable year round. Recently a new lighthouse has been constructed to mark the entrance to the harbor.

Scope

This review is intended to investigate:

- Operations of the District
- Revenues that are generated by the District
- Retail space rental
- Boat slip assignment
- Capital improvements at the harbor
- Dredging operation and environmental concerns
- Commercial Fishing.

The 2001-2002 Grand Jury review of the Port District included:

- Interview with Port Director and Business Manager
- Attendance of Port District meeting
- Interviews with boat owners
- Interviews with merchants

- Interviews with fishermen
- Inspection of the Port facilities

Findings

1. The jury visited the harbor three times during the course of this review:
 - A. Santa Cruz Yacht Harbor is a popular tourist destination.
 - B. Members of the Jury observed during these visits that the harbor area appears to be well maintained.
 - C. Public Port District meetings are held on the fourth Tuesday of every month starting at 7:30 p.m.. Public meetings are usually held at the Harbor Public Meeting Room, 365-A Lake Avenue, Santa Cruz. Members of the Grand Jury attended one of these meetings and observed that the meetings appear to be run in an orderly and professional manner.
 - D. The District is responsible for many ongoing maintenance projects as well as long term improvements to the harbor.
 - E. Revenues are generated from almost every aspect of the harbor operation. Launch fees, parking fees, slip fees, guest docking, RV parking, rent on retail space, boat storage all generate the money needed for daily operations and long term improvements. The District is also very active in obtaining grant money whenever possible.
2. Businesses are located throughout the harbor area:
 - A. The Harbor Business Association Member Directory is located on the Internet through the Port District site: http://www.santacruzharbor.org/visitor/bus_dir.html.
 - B. Retail shops must apply to the District for a lease. Upon approval, the District issues a lease for a determined amount of time. This is normally five years with the option to renew.
 - C. The Harbor Patrol presence also adds to security and there is very little crime in the area. This fact also enhances the good business climate.
 - D. There are many popular restaurants in the harbor attracting many locals as well as tourists to the harbor area.
 - E. The closeness to the harbor and to the beach sometimes creates parking problems for visitors to the harbor and to the local restaurants. Parking within the harbor area is in high demand during the summer months.
 - F. Other than minor complaints concerning restroom maintenance and dock repair, members of the Grand Jury found that the District has done an excellent job in making the harbor a favorable place for local merchants as well as their customers and other visitors.
3. Although there are about 1200 boat slips in the harbor, there are about the same number of boat owners waiting for slips. The District charges boat owners an annual fee to be placed on a waiting list. The waiting period for a slip in the South Harbor may be as much as 9-10 years. In the North Harbor the wait for a slip is much less,

about 3-6 years. The District tries to ensure that existing boat owners are, in fact, actually using the harbor and not merely parking a boat in a slip. The District has established a rule that a slip renter must take his boat out at least ten times per year or risk losing his place in the harbor. Slips are not transferable with the sale of a boat. When a boat is sold the new owner is given time to look for a new place to berth his boat. In the past, slips were transferred with the boat. This practice led to abuse of the slip rental policy. There are currently about 87 people who live on their boats in the harbor. The harbor provides non-metered electricity to these people and to the all other boat owners at a set rate of \$35.00 per month. Some boat owners who use small amounts of electricity would prefer metered electricity for a more equitable charge.

4. Because the harbor is such a large area with many facilities, there are many ongoing capital improvements planned by the District. Recently a new lighthouse was constructed to mark the entrance to the harbor. This was done with private funds at no cost to taxpayers. Charles Walton donated the initial \$60,000 to get this project started. Walton, a Los Gatos resident who is a semi-retired electronics businessman and fisherman, made the donation in honor of his late brother, Derek Walton, who served in the Merchant Marines. This new Lighthouse is known as the Walton Lighthouse and officially as the Santa Cruz Harbor Light.
5. Another project recently completed is the Joseph G. Townsend Maritime Plaza. The plaza is located just outside of the Crow's Nest Restaurant. This project was made possible through grants from the Economic Development Administration and the Federal Transportation Enhancement Act. Additionally, many private donors also helped to fund this project. Joseph G. Townsend has been a Port District Commissioner for the last 25 years. His leadership of the District has been instrumental in making the harbor what it is today. State Senator Bruce McPherson, Supervisors Mardi Wormhoudt and Jan Beautz, and Mayor Tim Fitzmaurice of the City of Santa Cruz dedicated the plaza in his honor on September 7, 2001.
6. Apart from the above mentioned projects are long range plans for replacing the deteriorating seawall near Aldo's Restaurant, increasing the number of visitor slips and general improvements to the North Harbor.
7. The District has recently installed an oil reclamation facility to protect the quality of the harbor's water.
8. Much planning goes into all capital improvements and the District appears to be very diligent in finding funding before the projects are undertaken.
9. Santa Cruz Harbor is dredged generally between November and April annually. This dredging operation is the most expensive daily operation at the harbor. The harbor owns and maintains the dredging vessel. Geographically, the mouth of the harbor is located in an area where sand is constantly building up. In order to ensure that the harbor is navigable, the entrance must be constantly dredged. Dredging removes the sand from the mouth of the South Harbor. The sand is then deposited through a dredge discharge line, into the inter-tidal zone in the bay where it drifts down the coast, and helps to replenish the sand to all beaches east of the harbor. Dredging of the North Harbor is a much different operation. The North Harbor drains Arana Gulch and much of the surrounding area. The sediment deposited in the North Harbor is far different

from the sand that is dredge from the channel entrance in South Harbor, and must be treated differently. The North Harbor’s sediment consists of only 40% sand and 60% silt. Although this sediment does not contain chemical pollutants, it does contain much organic material and silt. Instead of dredging this material it is removed by a clamshell bucket, deposited in the parking lot and left to drain. The material is then removed by dump trucks and deposited in a landfill site in Seaside. This is a costly operation.

10. The Port District would like to be able to take the sediment dredged from North Harbor and deposit it further out in the Monterey Bay. Because of environmental concerns and possible pollution of the Monterey Bay Wildlife Sanctuary, this method has not yet been approved. The District contracted with Moss Landing Marine Lab for a demonstration project to support its position that this sediment poses no threat to the Bay. The preliminary report of this project, issued in March of 2002, supports the Port District’s position that the sediment is not a threat to the Bay. Approval for depositing the sediment in the bay would result in a substantial savings of at least \$325,000 per year to the Port District, based on 5000 cubic yards of sediment, which is the average annual amount of sediment dredged. Before proceeding with depositing this dredged material in the Monterey Bay, the District needs to receive approval from a number of agencies. The District must demonstrate to the Army Corp of Engineers that they are in compliance with section 404 of the Federal Clean Water Act and compliant with EPA standards. Next the District will need a permits from the Coastal Commission, the California State Water Quality Control Board in San Luis Obispo and the Monterey Bay National Marine Wildlife Sanctuary
11. Santa Cruz Harbor is home to a commercial fishing fleet. Santa Cruz Harbor is primarily a salmon fishery. There is also a small crabbing operation along with albacore, halibut, and rockfish fisheries. Foreign imports of fish from South America and domestic farming compete directly with local fisheries. There are, however, enough local markets such as restaurants and fresh fish retail markets in the area to minimally sustain local fishing. The last several years have been abundant for salmon. Salmon season runs May through September, albacore usually from September through December.
12. There is a local fish buyer located in the harbor at the “S” and “T” docks. Having a local buyer in the harbor ensures that the fisherman have an available market for their catch. The Port District has recently upgraded the District-owned facility leased by the resident fish buyer. The facility has been upgraded to include a new ice-making machine that is capable of providing all the ice that is needed to run the facility.
13. It is essential to the fishing fleet that the mouth of the harbor remains open all year. The commercial fishermen welcome the dredging program. The Santa Cruz Local Fisherman’s Association maintains a very good relationship with the Port District. Both the Santa Cruz Harbor and the Fisherman’s Association are members of Alliance of Communities for Sustainable Fisheries. This Alliance is an organization that seeks to preserve currently threatened fisheries and fishing communities. They work closely with the Monterey Bay Wildlife Preserve in order to achieve this end. The Alliance can be found on the Internet at: <http://www.nfcc-fisheries.org/monterey/index.shtml>.

Conclusions

1. The Santa Cruz Port District is a well run, professionally administered revenue generating Special District. The facilities at the Santa Cruz are well maintained and functional year round. The Port District is responsible for attracting many visitors annually to Santa Cruz County.
2. Revenues generated by the Port District are adequate to operate and maintain all functions of the District.
3. Many retail outlets are located within the Port District and the retailers are generally happy with the District's operations.
4. There is and has been a long waiting list for slips in the Santa Cruz Yacht Harbor. Due to the limits of the harbor area and the demand for slips, the waiting time for a slip will most likely remain long for many years.
5. The Port District is solely responsible for all capital improvements within the Harbor. The District has done an excellent job of maintaining the harbor for recreation, commercial fishing and as a harbor of refuge. The Grand Jury commends the Port District Commissioners, Port Director, Business Manager and Port District Staff for all that they have done to ensure that Santa Cruz Harbor is a beautiful recreation and vacation destination in Santa Cruz County.
6. The Port District is responsible for dredging both the South and North Harbors. Continual dredging is necessary to ensure that the harbor is opened year round.
7. Santa Cruz Harbor supports a small local fishing community. The Port District maintains a good working relationship with the Santa Cruz Local Fisherman's Association. The Port District provides modern facilities for a local fish buyer. Both the Port District and the Fisherman's Association are members of the Alliance of Communities for Sustainable Fisheries. The Port District does an excellent job of providing for and supporting the local fishing community.

Recommendations

1. The Port District should continue to provide the same high level of maintenance at the harbor and all facilities including dock repair and restroom maintenance.
2. The Port District should continue to maintain and update the Port District's website located at: <http://www.santacruzharbor.org/>
3. The Port District should continue to pursue investigating the less expensive alternative disposal of the North Harbor sediment, while addressing environmental concerns.
4. The Port District should consider offering an optional plan for metered electricity.
5. The Port district should maintain the same high degree of professionalism and long range planning.
6. The Port district should continue to provide facilities and support for the local fishing community.

Responses Required

Entity	Findings	Recommendations	Respond Within
Santa Cruz Port District	1 – 13	3, 4	60 Days (Aug. 31, 2002)



Santa Cruz County

Grand Jury

Final Report:

Section 8

Corrections to the 2000-2001 Responses Report

Corrections to the 2000-2001 Responses Report

[Note: The following response was inadvertently omitted from the *Responses to the Final Report of the 2000-2001 Grand Jury* published in February of this year. The Grand Jury apologizes to the Santa Cruz City Chief of Police for this error.]

Review of the Citizens' Police Review Board of the City of Santa Cruz

2000-2001 Grand Jury Report — Page 77

Respondents: Santa Cruz City Chief of Police

For additional responses to this report see: *Responses to the final report of the 2000-2001 Grand Jury* – Page 101

Findings

[NOTE: No response to the findings was received from the Santa Cruz City Chief Police.]

Recommendations

1. The CPRB and the Police Department should examine the complaint review procedures and streamline the process. The CPRB should prioritize the complaints by their gravity and be allowed discretion over those complaints it investigates. Currently, each and every complaint is reviewed.

Response: Santa Cruz Chief of Police:

I agree with the finding in the Grand Jury Report. We are currently in the process of reviewing our policies as it relates to citizen complaints. I feel the complaint process in some instances is too lengthy. I will continue to work with the Review Board to try and make the process move along as rapidly as possible. We hope to complete this process by the end of the year.

2. The Santa Cruz City Council should research police review boards in other jurisdictions to study beneficial working relationships between the police department and the citizen police review boards.

Response: Santa Cruz City Chief of Police:

I cannot either agree or disagree on this recommendation, although you have asked me, as the Chief of Police to respond. This question or recommendation is made to the City Council. I am aware that considerable research, including on site visits to other review boards, occurred prior to forming the Santa Cruz Police Review Board. Myself and several members of my staff participated in those visits. On a continual basis, I speak to other police chiefs about police review, how their boards operate and their working relationships.

3. The Santa Cruz City Council should evaluate the benefit to the community of maintaining a review board.

Response: Santa Cruz City Chief of Police:

This recommendation is made specifically to the City Council. A Response to this recommendation is more appropriate for the City Council.

5. The **Citizen Comment** brochure should be made available on the CPRB and the Santa Cruz City Police Department's respective web sites.

Response: Santa Cruz City Chief of Police:

I agree that information should be easily accessed. As Chief of Police, I am not in charge of the CPRB website. Information on filing a complaint is on the Police Department's website. The complete information brochure is not. The website is periodically updated. When future updates occur, additional information may be added. A specific timeline is not available.

[Note: The Grand Jury received two responses to this report. The following response is the response of the Board of Directors of the District as a whole. Unfortunately, the responses of an individual member of the Board of Directors was inadvertently substituted for this response in the *Responses to the Final Report of the 2000-2001 Grand Jury* published in February of this year. The Grand Jury apologizes to the Board of Directors of the Boulder Creek Recreation and Park District for this error.]

Boulder Creek Recreation and Park District 2000-2001 Grand Jury Report – Page 116

Respondent: Boulder Creek Recreation and Park District Board of Directors

Findings

1. The district owns and operates parks and recreation areas for approximately 6,000 homes in and around the mountain town of Boulder Creek. Its revenue comes primarily from property taxes and to a lesser extent from user fees.

**Response: Boulder Creek Recreation and Park District Board of Directors
AGREES.**

2. This is a very small district and therefore does not have adequate resources to have clear separation of duties for the proper controls over financial functions.

**Response: Boulder Creek Recreation and Park District Board of Directors
PARTIALLY AGREES.**

Note that the chair and board should become more involved in process.

3. The June 30, 1999 and 1998 financial statements were not completed by the independent Certified Public Accounts Accountants until October 10, 2000. The board received this report over 15 months after the fiscal year ended June 30, 1999.

**Response: Boulder Creek Recreation and Park District Board of Directors
AGREES.**

4. The district compiles its financial statements every two years rather than annually. Two-year audits are acceptable for small districts, See Govt. Code §26909. However, two-year audits made the first year's audit arrive over 27 months after its year-end.

**Response: Boulder Creek Recreation and Park District Board of Directors
AGREES.**

5. The omission of fixed assets from the financial statements gave rise to a qualified opinion on the district's financial statements from its auditors. As a result, the assets and fund balance for the district are understated.

**Response: Boulder Creek Recreation and Park District Board of Directors
PARTIALLY AGREES.**

Note that items bought as long as 43 years ago are difficult to value and track.

6. The auditor's management recommendations have not been implemented. The same recommendations were made repeatedly in previous audit reports, without action from the district. One request for the district to update its fixed asset inventory has been made each year since before 1995.

**Response: Boulder Creek Recreation and Park District Board of Directors
PARTIALLY AGREES.**

Same note about difficulty with fixed asset identification.

Recommendations

7. Financial statements must be completed on time. This should be no later than 6 months after the year-end in the report.

**Response: Boulder Creek Recreation and Park District Board of Directors:
AGREES.**

Acceptable auditors were selected at the September meeting.

8. The district should update its fixed assets inventory to include all fixed assets. A possible solution to the fixed asset inventory issue is to survey all the property the district owns and make a detailed list with an estimated date of acquisition and estimated cost for each item. The result is a complete fixed assets inventory. The district should clear this approach with its own auditor before proceeding.

**Response: Boulder Creek Recreation and Park District Board of Directors:
PARTIALLY AGREES.**

The BCR&PD agrees that fixed asset reconciliation is an issue. We are seeking assistance from the auditor for dealing with the issue.



Santa Cruz County

Grand Jury

Final Report:

Section 9
Instructions for Respondents

Instructions for Respondents

Key provisions of Penal Code §933.05 require that responding officials or governmental entities must specifically comment upon each finding and each recommendation of the Grand Jury Report, rather than preparing a generalized response. Each published finding must be acknowledged by the respondents as correct or incorrect. Explanations for disagreements must be provided. Please use the format below to prepare your response. The full text of Penal Code §933.05 is provided below.

Response Format

1. Provide the title and page number from the original report.
2. Provide the date of the response.
3. Quote the text of the original finding.
4. Respond to the finding indicating if the entity
 - agrees
 - partially agrees
 - disagreesIf the entity partially agrees or disagrees with the finding, specify the section of the finding and include an explanation.
5. Quote the text of the original recommendation.
6. Respond to the recommendation indicating if the entity
 - has implemented the recommendation
 - has not yet been implemented, but will be implemented in the future, with a time frame for implementation
 - requires further analysis with an explanation, scope, parameters, and the time frame for completion which should not exceed six months
 - will not implement the recommendation because it is not warranted or is not reasonable, with an explanation
7. Respond to each report in a separate document or separate pages of one document to allow the easy distribution of the responses to the various committees.
8. For an example, see the Board of Supervisors responses to the 1999-00 Grand Jury Final Report: <http://www.co.santa-cruz.ca.us/grndjury>.

When to Respond

A table indicating which entities are required to respond follows each report. This table also includes the corresponding recommendation numbers requiring a response and the number of days each entity has to respond. Responses from elected officials or administrators are required no later than August 31, 2002, which is 60 days from the publication of this report. Responses from the governing body of any public entity are required no later than September 30, 2001, which is 90 days from the publication of this report.

Where to Respond

The Honorable Arthur Danner, III
Presiding Judge
Santa Cruz Superior Court
701 Ocean Street
Santa Cruz, CA 95060

Penal Code §933.05

- a) For purposes of subdivision (b) of Section 933, as to each grand jury finding, the responding person or entity shall indicate one of the following:
 5. The respondent agrees with the finding.
 6. 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.
- b) For purposes of subdivision (b) of Section 933, as to the each grand jury recommendation, the responding person or entity shall report one of the following actions:
 1. The recommendation has been implemented, with a summary regarding the implemented action.
 2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
 3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame 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 time frame shall not exceed six months from the date of publication of the grand jury report.
 4. The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.

- c) 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.
- d) 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.
- e) During an investigation, the grand jury shall meet with the subject of that investigation regarding the 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.
- f) 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.