

City of Capitola Agenda



Mayor: Kristen Petersen
Vice Mayor: Yvette Brooks
Council Members: Jacques Bertrand
Ed Bottorff
Sam Storey

CAPITOLA CITY COUNCIL REGULAR MEETING

THURSDAY, SEPTEMBER 10, 2020

7 PM

PLEASE REVIEW THE NOTICE OF REMOTE ACCESS AT THE END OF THE AGENDA FOR HOW TO PARTICIPATE IN THIS MEETING & SUBMIT PUBLIC COMMENT

REGULAR MEETING OF THE CAPITOLA CITY COUNCIL - 7 PM

All correspondences received prior to 5:00 p.m. on the Wednesday preceding a Council Meeting will be distributed to Councilmembers to review prior to the meeting. Information submitted after 5 p.m. on that Wednesday may not have time to reach Councilmembers, nor be read by them prior to consideration of an item.

All matters listed on the Regular Meeting of the Capitola City Council Agenda shall be considered as Public Hearings.

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Members Jacques Bertrand, Ed Bottorff, Yvette Brooks, Sam Storey, and Mayor Kristen Petersen

2. PRESENTATIONS

Presentations are limited to eight minutes.

A. Children's Cancer Awareness Month Proclamation

3. ADDITIONAL MATERIALS

Additional information submitted to the City after distribution of the agenda packet.

4. ADDITIONS AND DELETIONS TO AGENDA

5. PUBLIC COMMENTS

Please review the Notice of Remote Access for directions on submitting public comment.

6. CITY COUNCIL / STAFF COMMENTS

City Council Members/Staff may comment on matters of a general nature or identify issues for staff response or future council consideration. No individual shall speak for more than two minutes.

7. CONSENT CALENDAR

All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Council votes on the action unless members of the City Council request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Government.

Note that all Ordinances which appear on the public agenda shall be determined to have been read by title and further reading waived.

- A. Consider the August 27, 2020, City Council Regular Meeting Minutes
RECOMMENDED ACTION: Approve minutes.
- B. Receive Update on the City's Pandemic Response
RECOMMENDED ACTION: Make the determination that all hazards related to the worldwide spread of the coronavirus (COVID-19) as detailed in Resolution No. 4168 adopted by the City Council on March 12, 2020, still exist and that there is a need to continue action.
- C. Grand Jury Response - Homelessness in our Community
RECOMMENDED ACTION: Approve the responses to the Grand Jury Report and direct the City Clerk to submit the completed response packet pursuant to California Penal Code Section 933.05.
- D. Grand Jury Response - Risk Preparedness
RECOMMENDED ACTION: Approve the responses to the Grand Jury Report and direct the City Clerk to submit the completed response packet pursuant to California Penal Code Section 933.05
- E. Accept the Park Avenue Storm Damage Repair Project as Complete and Approve a Notice of Completion
RECOMMENDED ACTION: Approve the Notice of Completion for the Park Avenue Storm Damage Repair Project constructed by Earthworks Paving Contractors with a final cost of \$273,168.36 and direct the Public Works Department to record the Notice of Completion.

8. GENERAL GOVERNMENT / PUBLIC HEARINGS

All items listed in "General Government" are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each General Government item: 1) Staff explanation; 2) Council questions; 3) Public comment; 4) Council deliberation; 5) Decision.

- A. FY 2019-20 Budget Update
RECOMMENDED ACTION: Receive Fiscal Year 2019-20 budget update and adopt proposed resolution amending the Fiscal Year 2020-21 Budget.

- B. Code of Conduct for Council Members
RECOMMENDED ACTION: Consider City Council and Commission Code of Conduct Policy recommended by the City Council ad hoc subcommittee.

- C. Onboarding Process Update
RECOMMENDED ACTION: Receive update and provide feedback.

9. ADJOURNMENT

NOTICE OF REMOTE ACCESS

In accordance with the current Santa Cruz County Health Order outlining social distancing requirements and Executive Order N-29-20 from the Executive Department of the State of California, the City Council meeting is not physically open to the public and in person attendance cannot be accommodated.

To watch:

- 1. Online <http://capitolaca.ig2.com/Citizens/Default.aspx>
- 2. Spectrum Cable Television channel 8
- 3. Join the Zoom Meeting
 - A. With internet and a computer:
 - § <https://us02web.zoom.us/j/89933376457?pwd=ZVBuWXlBWNjOUl1WndQUUNpR3FXUT09>
 - § If prompted for a password, enter **432002**
 - B. With a landline or mobile phone, call one of the following numbers:
 - § **1 669 900 6833**
 - § **1 408 638 0968**
 - § **1 346 248 7799**
 - § Enter the meeting ID number: **899 3337 6457**
 - § When prompted for a Participant ID, press #

To submit public comment:

When submitting public comment, one comment (via phone **or** email, not both), per person, per item is allowed. If you send more than one email about the same item, the last received will be read.

- 1. Zoom Meeting (Via Computer or Phone) Link:
 - A. IF USING COMPUTER:
 - § Use participant option to "raise hand" during the public comment period for the item you wish to speak on. Once unmuted, you will have up to 3 minutes to speak
 - B. IF CALLED IN OVER THE PHONE:

CAPITOLA CITY COUNCIL REGULAR MEETING AGENDA
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- § Press *9 on your phone to “raise your hand” when the mayor calls for public comment. Once unmuted, you will have up to 3 minutes to speak
- 2. Send Email:
 - A. During the meeting, send comments via email to publiccomment@ci.capitola.ca.us
 - § Emailed comments on items will be accepted after the start of the meeting until the Mayor announces that public comment for that item is closed.
 - § Emailed comments should be a maximum of 450 words, which corresponds to approximately 3 minutes of speaking time.
 - § Each emailed comment will be read aloud for up to three minutes and/or displayed on a screen.
 - § Emails received by publiccomment@ci.capitola.ca.us outside of the comment period outlined above will not be included in the record.

Note: Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that court action within ninety (90) days following the date on which the decision becomes final as provided in Code of Civil Procedure §1094.6. Please refer to code of Civil Procedure §1094.6 to determine how to calculate when a decision becomes “final.” Please be advised that in most instances the decision become “final” upon the City Council’s announcement of its decision at the completion of the public hearing. Failure to comply with this 90-day rule will preclude any person from challenging the City Council decision in court.

Notice regarding City Council: The City Council meets on the 2nd and 4th Thursday of each month at 7:00 p.m. (or in no event earlier than 6:00 p.m.), in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

Agenda and Agenda Packet Materials: The City Council Agenda and the complete Agenda Packet are available for review on the City’s website: www.cityofcapitola.org and at Capitola City Hall prior to the meeting. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue, Capitola. Need more information? Contact the City Clerk’s office at 831-475-7300.

Agenda Materials Distributed after Distribution of the Agenda Packet: Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

Americans with Disabilities Act: Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk’s office at least 24 hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

Televised Meetings: City Council meetings are cablecast “Live” on Charter Communications Cable TV Channel 8 and are recorded to be rebroadcasted at 8:00 a.m. on the Wednesday following the meetings and at 1:00 p.m. on Saturday following the first rebroadcast on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed “Live” on the City’s website at www.cityofcapitola.org by clicking on the Home Page link “**Meeting Agendas/Videos.**” Archived meetings can be viewed from the website at any time.



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: City Manager Department

SUBJECT: Children's Cancer Awareness Month Proclamation

DISCUSSION: Mayor Petersen will present a proclamation declaring September as Children's Cancer Awareness Month and honoring Jacob's Heart Children's Cancer Support Services.

ATTACHMENTS:

1. Childhood Cancer Awareness Proclamation

Report Prepared By: Chloe Woodmansee
Interim City Clerk

Reviewed and Forwarded by:

A handwritten signature in black ink, appearing to be "JG", written over a horizontal line.

Jamie Goldstein, City Manager

9/3/2020

City of Capitola

Mayor's Proclamation

Honoring Jacob's Heart Children's Cancer Support Services and Declaring September 2020 as Childhood Cancer Awareness Month

WHEREAS, the character of our community is revealed in how we treat our most vulnerable; and

WHEREAS, each year, one in every 285 children in our community will be diagnosed with cancer; and

WHEREAS, cancer remains the leading cause of death by disease among children— more than asthma, diabetes, cystic fibrosis, congenital anomalies, and AIDS combined; and

WHEREAS, during the COVID-19 crisis, Jacob's Heart has kept medically fragile children and families housed, fed and emotionally supported by steadfastly adhering to the following commitments: 1) Parents of children with cancer and other serious illnesses will be relieved of financial fears and be able to focus attention to their children; 2) No child undergoing intensive treatment in our community will be homeless; 3) Families of seriously ill children will not experience food insecurity during and after the pandemic; and 4) No seriously ill child in our community will ever miss a medical appointment because of lack of transportation; and

WHEREAS, Jacob's Heart holds the memories and honors legacies of hundreds of children from our local community who have been lost to cancer, ensuring that their memories will never be forgotten; and

WHEREAS, the oncology department at Lucile Packard Children's Hospital at Stanford has worked closely with Jacob's Heart for the past 22 years as a trusted community partner in providing family-centered care that addresses the emotional, practical, and financial struggles of families of children with cancer in the City of Capitola; and

WHEREAS, it is important for all Capitola residents to recognize the impact of pediatric cancer on families within our community and honor the children in our community whose lives have been cut short by cancer.

NOW, THEREFORE, I, Kristen Petersen, Mayor of the City of Capitola, in the state of California, hereby declare September 2020, as Childhood Cancer Awareness Month in Capitola, honor Jacob's Heart Children's Cancer Support Services for outstanding support to our community, and acknowledge the organization's contributions to Childhood Cancer Awareness Month.

*Kristen Petersen, Mayor
Signed and sealed this 10th day of September, 2020*



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: City Manager Department

SUBJECT: Consider the August 27, 2020, City Council Regular Meeting Minutes

RECOMMENDED ACTION: Approve minutes.

DISCUSSION: Attached for City Council review and approval are the minutes of the regular meeting of August 27, 2020.

ATTACHMENTS:

1. 8-27-20 draft

Report Prepared By: Chloe Woodmansee
Interim City Clerk

Reviewed and Forwarded by:

A handwritten signature in black ink, appearing to be "J. Goldstein".

Jamie Goldstein, City Manager

9/3/2020

**CAPITOLA CITY COUNCIL
REGULAR MEETING ACTION MINUTES
THURSDAY, AUGUST 27, 2020 - 7 PM**

CALL TO ORDER AND ROLL CALL

Mayor Petersen called the meeting to order at 6 p.m.

Council Member Ed Bottorff: Remote, Council Member Jacques Bertrand: Remote, Council Member Sam Storey: Remote, Mayor Kristen Petersen: Remote, Vice Mayor Yvette Brooks: Remote.

No members of the public were present, and the Council adjourned to the virtual meeting with the following items to be discussed in Closed Session:

**CONFERENCE WITH LEGAL COUNSEL - SIGNIFICANT EXPOSURE TO
LITIGATION**

(Gov't Code § 54956.9(d)(2).)

one potential case

REGULAR MEETING OF THE CAPITOLA CITY COUNCIL - 7 PM

1. ROLL CALL AND PLEDGE OF ALLEGIANCE

Council Member Ed Bottorff: Remote, Council Member Jacques Bertrand: Remote, Council Member Sam Storey: Remote, Mayor Kristen Petersen: Remote, Vice Mayor Yvette Brooks: Remote.

2. REPORT ON CLOSED SESSION

There was no reportable action.

3. ADDITIONAL MATERIALS

A. Item 8.A – 2 emails supporting the beach closure

B. Item 8.D – 1 in favor, 95 against staff recommendation for Policy 5

C. Item 8.F – 1 supporting document

4. ADDITIONS AND DELETIONS TO AGENDA

5. PUBLIC COMMENTS

There was no public comment.

6. CITY COUNCIL / STAFF COMMENTS

Vice-Mayor Brooks commented on the Black Lives Matter movement and thanked local protest coordinator Joyce Flynn.

Councilmember Bertrand spoke about the outbreak of the CZU Lightning Complex Fires and thanked local first responders.

Mayor Petersen also thanked local first responders, fire fighters, and Capitola PD for their help during

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
August 27, 2020

the local emergency caused by the CZU Lightning Complex Fire. She encouraged members of the public to heed the visitor advisory and stay away from Santa Cruz County while the community responds to the fire disaster. The Mayor also said that August 31 is Overdose Awareness Day and spoke to the importance of destigmatizing substance addiction. She dedicated the meeting to the memory of Emil Edgren, a local resident who recently passed away.

Requested Items for Future Agendas:

- 1) New Councilmember onboarding (Vice-Mayor Brooks)

7. CONSENT CALENDAR

MOTION:	APPROVE, ADOPT, AND REJECT AS RECOMMENDED
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Sam Storey
SECONDER:	Ed Bottorff
AYES:	Bottorff, Bertrand, Storey, Petersen, Brooks

- A. Consider the July 23, 2020, City Council Regular Meeting Minutes
RECOMMENDED ACTION: Approve minutes.
- B. Approval of City Check Registers Dated June 5, June 12, June 19, June 29, July 9, July 17, July 24 and July 31.
RECOMMENDED ACTION: Approve check registers.
- C. Liability Claim of Scholine Slikker[Claims Binder]
RECOMMENDED ACTION: Reject liability claim.
- D. Liability Claim of Jamison Rea[Claims Binder]
RECOMMENDED ACTION: Reject liability claim.
- E. Grand Jury Response - Website Accessibility
RECOMMENDED ACTION: Approve the responses to the Grand Jury Report and direct the City Clerk to submit the completed response packet pursuant to California Penal Code Section 933.05.
- F. Update Part-Time Seasonal Salary Schedule
RECOMMENDED ACTION: Adopt the proposed resolution amending the Hourly/Seasonal Pay Schedule and including the Out-of-School Time positions.
- G. Replace Police Video Evidence System
RECOMMENDED ACTION: Approve \$29,400 contract with WatchGuard Video to replace hardware and upgrade software for Capitola Police Department’ s Evidence Library system.
- H. Accept the Park Avenue Sidewalk Project as Complete and Approve a Notice of Completion
RECOMMENDED ACTION: Approve the Notice of Completion for the Park Avenue Sidewalk Project constructed by Anderson Pacific Engineering Contractors with a final cost of \$943,154 and direct the Public Works Department to record the Notice of Completion.

Attachment: 8-27-20 draft (Approval of City Council Minutes)

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
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- I. Accept the Brommer Complete Street Project as Complete and Approve a Notice of Completion
RECOMMENDED ACTION: Approve the Notice of Completion for the Brommer Street Complete Street Improvement Project constructed by McKim Corp. with a final cost of \$567,383.06 and direct the Public Works Department to record the Notice of Completion.

8. GENERAL GOVERNMENT / PUBLIC HEARINGS

- A. Receive Update on the City's Pandemic Response
RECOMMENDED ACTION:
 - 1) Determine all hazards related to the worldwide spread of the coronavirus (COVID-19) as detailed in Resolution No. 4168 adopted by the City Council on March 12, 2020, still exist and that there is a need to continue action
 - 2) Approve the proposed resolution ratifying Emergency Order 5-2020; making violation of the County Mask Order subject to either an administrative citation or infraction, each carrying fines
 - 3) Provide direction to the Director of Emergency Services regarding a potential Beach Closure. If directed, the Director of Emergency Services will sign the prepared Emergency Order 6-2020; closing Capitola Beach to the public for the Labor Day holiday weekend from September 5 through September 7
 - 4) If consistent with direction, approve the proposed resolution ratifying Emergency Order 6-2020

City Manager Goldstein presented the staff report and explained Emergency Order 5-2020 and the proposed Emergency Order 6-2020.

Vice-Mayor Brooks asked if further beach closures are expected and if the money received from mask violation citations could be restricted for certain City uses. The City Manager answered no to both questions.

MOTION:	1) DETERMINE ALL HAZARDS CONTINUE TO EXIST; 2) ADOPT RESOLUTION RATIFYING EMERGENCY ORDER 5-2020; 3) DIRECT THE DIRECTOR OF EMERGENCY SERVICES TO SIGN EMERGENCY ORDER 6-2020: CLOSING BEACH FOR THE LABOR DAY HOLIDAY WEEKEND AS PROPOSED; AND 4) ADOPT RESOLUTION RATIFYING EMERGENCY ORDER 6-2020
RESULT:	AMENDED
MOVER:	Yvette Brooks
SECONDER:	Jacques Bertrand

Councilmember Storey asked about Emergency Order 5-2020 and the difference between an infraction and an administrative citation; Chief McManus explained that Officers would only issue infractions, though other members of City Staff could enforce the order by issuing administrative citations. He explained that this would not likely happen, but the Emergency Order was written to cover all possibilities allowed by Code.

Mayor Petersen asked how the City was prepared to enforce the proposed beach closure. City Manager Goldstein and Chief McManus said that extra help will be provided by a contract security firm and that electronic message boards would be strategically placed the week prior to the closure.

Attachment: 8-27-20 draft (Approval of City Council Minutes)

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
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There was no public comment.

Councilmember Bottorff proposed a friendly amendment to the Vice-Mayor's earlier motion.

MOTION:	1) DETERMINE ALL HAZARDS CONTINUE TO EXIST; 2) ADOPT RESOLUTION RATIFYING EMERGENCY ORDER 5-2020; 3) DIRECT THE DIRECTOR OF EMERGENCY SERVICES TO SIGN EMERGENCY ORDER 6-2020: CLOSING BEACH FOR THE LABOR DAY HOLIDAY WEEKEND WITH OPEN HOURS SATURDAY AND SUNDAY 6PM TO 8PM; AND 4) ADOPT RESOLUTION RATIFYING EMERGENCY ORDER 6-2020
RESULT:	ADOPTED AS AMENDED [UNANIMOUS]
MOVER:	Yvette Brooks
SECONDER:	Jacques Bertrand
AYES:	Bottorff, Bertrand, Storey, Petersen, Brooks

B. Discussion on the Lighting of the Village Palm Trees

RECOMMENDED ACTION: Provide direction to staff regarding the Village palm tree lights.

Public Works Director Jesberg presented the staff report.

During public comment, Carin Hanna spoke about the unusual challenges faced by local businesses due to COVID-19 and said the tree lights provide lots of nighttime light in the otherwise dark Village. Rodney, Capitola Candy Company, said that the lights help make the Village safer and asked that they stay in place.

Councilmember Bottorff commented that the lights have been an issue in Capitola for more than two years and spoke to his frustration with the BIA not following through on the project. He said he'd like the lights taken down until a new and approved program is created.

MOTION:	REMOVE EXISTING LIGHTS
RESULT:	DIED FOR LACK OF SECOND [4 TO 1]
MOVER:	Ed Bottorff

Councilmember Bertrand thanked the BIA for taking the initiative in paying for sidewalk cleaning.

MOTION:	KEEP THE EXISTING LIGHTS IN PLACE, CITY STAFF TO REPLACE STRANDS THAT ARE NOT OPERATING
RESULT:	ADOPTED [4 TO 1]
MOVER:	Jacques Bertrand
SECONDER:	Sam Storey
AYES:	Jacques Bertrand, Sam Storey, Kristen Petersen, Yvette Brooks
NAYS:	Ed Bottorff

C. BIA Amended Budget

RECOMMENDED ACTION: Conduct a public hearing and adopt the proposed resolution levying the revised Fiscal Year 2020/2021 Capitola Village and Wharf Business Improvement Area (CVWBIA) Assessments and accepting the revised CVWBIA Annual Plan and budget.

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
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Finance Director Malberg presented the staff report.

During public comment, Carin Hanna, BIA Representative spoke and was available for questions. Devon, BIA Treasurer, said that the BIA has money left over to spend on further Village enhancements, despite the financial struggle caused by the pandemic.

MOTION:	ADOPT THE RESOLUTION AND ACCEPT THE REVISED BUDGET
RESULT:	ADOPTED [3 TO 1]
MOVER:	Yvette Brooks
SECONDER:	Jacques Bertrand
AYES:	Jacques Bertrand, Kristen Petersen, Yvette Brooks
NAYS:	Ed Bottorff
RECUSED:	Sam Storey

D. Amendment to Inclusionary (Affordable) Housing Ordinance
RECOMMENDED ACTION: Accept staff presentation and provide direction on key policy issues for the City’s Inclusionary Housing Ordinance Update.

Community Development Director Herlihy presented the staff report on the Inclusionary Housing Ordinance (IHO) update. She requested Council direction on six affordable housing policies, to be reflected in a future revised ordinance. Council asked questions by policy:

Policy 1:

Councilmember Storey asked why the need for low and very low-income housing has changed since 2011, Director Herlihy noted this was likely due to gentrification. Councilmember Bertrand asked if the policy should increase the threshold to 20%. Vice-Mayor Brooks asked about the City’s Regional Housing Needs Assessments (RHNA) numbers.

Policy 2:

Councilmember Storey asked how much the City would lose in fees by eliminating the in-lieu fees for rental housing.

There were no questions for Policy numbers 3 through 5.

Policy 6:

Vice-Mayor Brooks asked for more explanation. Councilmember Bertrand clarified that most planning and building permits are for home upgrades, single family homes, and remodels.

During public comment, David from Loma Vista Estates reminded Council that they received more than 90 signed petition letters on the asset limit issue (Policy 5) and asked Council to read the letter from their attorney. Karen asked that Council lift restrictions on 55+ parks. Two public comment emails were read in opposition to Policy 5. Councilmember Bottorff said that alternatives to RHNA numbers must be considered, as Capitola is built out. Vice-Mayor Brooks said her priority is affordable housing for families in Capitola.

Council provided comments by policy:

Policy 1:

Vice-Mayor Brooks agreed with staff recommendation. Councilmember Bertrand asked that

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CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
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the fee be increased to 20%. Councilmember Bottorff asked that the fee be 15%. Councilmember Storey supported the 15% fee and said he was alright with offering in-lieu fees.

Policy 2:

Councilmember Bottorff, Councilmember Storey, and Vice-Mayor Brooks agreed that rental units should be exempt from the IHO. Councilmember Bertrand asked if lowering the fee rather than getting rid of it altogether was worth discussing.

Policy 3:

Vice-Mayor Brooks, Councilmember Bottorff, and the Mayor supported implementing a nexus study. Councilmember Storey asked Staff to develop in-lieu fees for 2 to 6-unit developments. Councilmember Bertrand proposed a tax or fine for those with second homes, who do not live in the Capitola community. The Mayor was also interested in this idea. Councilmember Bottorff did not agree with this type of tax or fine.

Policy 4:

Councilmember Bottorff supported IHO requirements to allow developers to pay in-lieu fees. The Mayor agreed. Vice-Mayor Brooks was not in favor of in-lieu fees, Councilmember Storey asked for more information on what the fees would be.

Policy 5:

The Council agreed with staff recommendation to modify the asset limits. Vice-Mayor Brooks asked how the new number was decided upon.

Policy 6:

Councilmember Bertrand suggested further allowances for ADUs and rental properties. Vice-Mayor Brooks agreed and asked Staff to investigate a land trust. Councilmember Bottorff said that the IHO is a significant amount of work to update, and due to COVID-19 community development is already down. He proposed postponing major changes until 2023. Councilmember Storey agreed with putting off changes to the IHO to 2023, when the Housing Element is renewed. He asked for an update at the next meeting on how well the new ADU and density bonus policies have been received.

Mayor Petersen asked staff if Council could get more information and fully revisit in 2023. City Manager Goldstein replied that all topics brought up by Council did not fit into the context of the IHO, and suggested that if the scope was kept broad, Staff's return timeline would have to be longer.

Councilmember Bertrand said that acting sooner rather than later was preferred.

Director Herlihy clarified that she sought direction on alternatives within the IHO and that a discussion of ADUs would be separate from the IHO.

RESULT: PROVIDED DIRECTION

- E. Adopt a Resolution Declaring an Emergency Condition Pertaining to the CZU Lightning Complex Fire
RECOMMENDED ACTION: Adopt the proposed resolution declaring an emergency condition continues to exist as addressed in the proclamation of existence of a local

Attachment: 8-27-20 draft (Approval of City Council Minutes)

CAPITOLA CITY COUNCIL REGULAR MEETING MINUTES
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emergency issued by the Director of Emergency Services on August 20, 2020 pertaining to the CZU Lightning Complex Fire.

City Manager Goldstein presented a staff report and provided a timeline of the fire event.

Leah Samuels, Community Care Alliance, reminded Council that non-profits are also first responders during community emergencies such as this fire, and that non-profits should be considered essential services.

MOTION	ADOPT RESOLUTION, DECLARE AN EMERGENCY CONDITION PERTAINING TO THE CZU LIGHTNING COMPLEX FIRE
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Sam Storey
SECONDER:	Ed Bottorff
AYES:	Bottorff, Bertrand, Storey, Petersen, Brooks

F. Designation of the Voting Delegate and Alternate for the 2020 League of California Cities Annual Conference [150-50]

RECOMMENDED ACTION: Designate Capitola's voting delegate and alternate(s), if desired.

There was no public comment.

MOTION:	DESIGNATE MAYOR KRISTEN PETERSEN AS VOTING DELEGATE AND COUNCILMEMBER BERTRAND AS ALTERNATE
RESULT:	ADOPTED [UNANIMOUS]
MOVER:	Ed Bottorff
SECONDER:	Sam Storey
AYES:	Bottorff, Bertrand, Storey, Petersen, Brooks

9. ADJOURNMENT

The meeting was closed at 9:44 PM.

Kristen Petersen, Mayor

ATTEST:

Chloé Woodmansee, Interim City Clerk

Attachment: 8-27-20 draft (Approval of City Council Minutes)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: City Manager Department

SUBJECT: Receive Update on the City's Pandemic Response

RECOMMENDED ACTION: Make the determination that all hazards related to the worldwide spread of the coronavirus (COVID-19) as detailed in Resolution No. 4168 adopted by the City Council on March 12, 2020, still exist and that there is a need to continue action.

BACKGROUND: On June 24, 2020, the County Health Officer issued a health order requiring the continued use of face coverings and reaffirming social distancing requirements. This health order is in place indefinitely, and failure of the public to comply is a misdemeanor. As of July 6, 2020, all Santa Cruz County shelter in place orders have expired. All beaches in the county are open to the public. The County Health Officer has incorporated all Orders of the State Public Health Officer which set baseline statewide restrictions on travel and non-residential business activities.

On July 13, 2020, California Governor Newsom called for the following sectors to close indoor activities statewide: restaurants, wineries and tasting rooms, movie theaters, family entertainment centers, zoos and museums, and cardrooms. Bars must cease all activity both indoor and outdoor.

On July 27, 2020, Santa Cruz County was placed on the State Monitoring List, and on August 14, 2020, Santa Cruz County was removed from the State Monitoring List.

On August 28, 2020, the State Monitoring List was replaced by the Blueprint for a Safer Economy. In this new system, every county in California is assigned to a tier based on its rate of new cases and positivity. At a minimum, counties must remain in a tier for at least 3 weeks before moving forward. Data is reviewed weekly and tiers are updated on Tuesdays. To move forward, a county must meet the next tier's criteria for two consecutive weeks. If a county's metrics worsen for two consecutive weeks, it will be assigned a more restrictive tier. Public health officials are constantly monitoring data and can step in if necessary. The tiers are: Purple – Widespread; Red – Substantial; Orange – Moderate; Yellow – Minimal.

COVID-19 Emergency- Update 10
September 10, 2020

Measures*	Higher Risk → Lower Risk of Community Disease Transmission			
	Widespread Tier 1	Substantial Tier 2	Moderate Tier 3	Minimal Tier 4
New cases**/100,000 population per day (7 day average; 7 day lag)	>7	4-7	1-3.9	<1
Testing % Positivity (7 day average; 7 day lag)	> 8%	5-8%	2-4.9%	<2%

As of August 31, 2020, Santa Cruz County was in the Purple – Widespread tier of the Blueprint. A chart outlining activity and businesses allowed to open/operate under each tier is included as Attachment 1.

As of September 4, 2020, there are 1923 cases of COVID-19 in Santa Cruz County and 48 cases in the City of Capitola. There have been seven deaths due to COVID-19.

DISCUSSION: Due to the City’s emergency declaration and the County’s Health Order, City departments continue to implement strategies to protect the community and employees while maintaining essential levels of service to the public.

On August 27, Council adopted a resolution ratifying Emergency Order 6-2020, which closed Capitola Beach for the Labor Day Holiday weekend. According to plan, digital signs were placed at Park Avenue and Kennedy Drive and Bay and Capitola Avenues to notify the local public of the beach closure. Social media messaging was targeted at accounts registered as living within 35+ and 50+ miles from Capitola; messages reached more than 6,000 people.

If significant changes occur within Santa Cruz County between the date of agenda publication and the City Council meeting, further updates on the regional and local coronavirus response can be provided in a verbal report at the meeting.

FISCAL IMPACT: As previously stated, reductions in Sales Tax and Transient Occupancy Tax as a result of the pandemic and shelter in place order is substantial. The City will review and assess budget and revenue assumptions quarterly throughout the fiscal year.

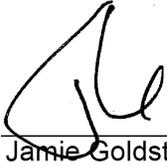
ATTACHMENTS:

1. Dimmer-Framework-August_2020

Report Prepared By: Chloe Woodmansee
Interim City Clerk

COVID-19 Emergency- Update 10
September 10, 2020

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

9/3/2020

SECTORS	Widespread Tier 1	Substantial Tier 2	Moderate Tier 3	Minimal Tier 4
Critical Infrastructure	Open with modifications	Open with modifications	Open with modifications	Open with modifications
Limited Services	Open with modifications	Open with modifications	Open with modifications	Open with modifications
Hair Salons & Barbershops	Open Indoors with modifications	Open indoors with modifications	Open indoors with modifications	Open indoors with modifications
All Retail (including critical infrastructure, except standalone grocers)	Open Indoors with modifications <ul style="list-style-type: none"> • Max 25% capacity 	Open Indoors with modifications <ul style="list-style-type: none"> • Max 50% capacity 	Open Indoors with modifications	Open Indoors with modifications

Attachment: Dimmer-Framework-August_2020 (COVID-19 Emergency- Update 10)

SECTORS	Widespread Tier 1	Substantial Tier 2	Moderate Tier 3	Minimal Tier 4
Shopping Centers (Malls, Destination Centers, Swap Meets)	Open Indoors with modifications <ul style="list-style-type: none"> • Max 25% capacity • Closed common areas • Closed food courts 	Open indoors with modifications <ul style="list-style-type: none"> • Max 50% capacity • Closed common areas • Reduced capacity food courts (see restaurants) 	Open indoors with modifications <ul style="list-style-type: none"> • Closed common areas • Reduced capacity food courts (see restaurants) 	Open Indoors with modifications <ul style="list-style-type: none"> • Reduced capacity food courts (see restaurants)
Personal Care Services	Outdoor Only with modifications	Open indoors with modifications	Open indoors with modifications	Open indoors with modifications
Museums, Zoos, and aquariums	Outdoor Only with modifications	Open indoors with modifications <ul style="list-style-type: none"> • Indoor activities max 25% capacity 	Open indoors with modifications <ul style="list-style-type: none"> • Indoor activities max 50% capacity 	Open indoors with modifications

Attachment: Dimmer-Framework-August_2020 (COVID-19 Emergency- Update 10)

SECTORS	Widespread Tier 1	Substantial Tier 2	Moderate Tier 3	Minimal Tier 4
Places of Worship	Outdoor Only with modifications	Open indoors with modifications <ul style="list-style-type: none"> • Max 25% capacity or 100 people, whichever is fewer 	Open indoors with modifications <ul style="list-style-type: none"> • Max 50% capacity or 200 people, whichever is fewer 	Open indoors with modifications <ul style="list-style-type: none"> • Max 50% capacity
Movie theaters	Outdoor Only with modifications	Open Indoors with modifications <ul style="list-style-type: none"> • Max 25% capacity or 100 people, whichever is fewer 	Open indoors with modifications <ul style="list-style-type: none"> • Max 50% capacity or 200 people, whichever is fewer 	Open indoors with modifications <ul style="list-style-type: none"> • Max 50% capacity
Hotels and lodging	Open with modifications	Open with modifications <ul style="list-style-type: none"> • +Fitness centers (+10%) 	Open with modifications <ul style="list-style-type: none"> • +Fitness centers (+25%) • +Indoor pools 	Open with modifications: <ul style="list-style-type: none"> • +Fitness Centers (50%) • +Spa facilities etc
Gyms and Fitness Centers	Outdoor Only with modifications	Open indoors with modifications <ul style="list-style-type: none"> • Max 10% capacity 	Open indoors with modifications <ul style="list-style-type: none"> • Max 25% capacity • +indoor pools 	Open indoors with modifications <ul style="list-style-type: none"> • +Saunas • +Spas • +Steam rooms • Max 50% capacity

Attachment: Dimmer-Framework-August_2020 (COVID-19 Emergency- Update 10)

SECTORS	Widespread Tier 1	Substantial Tier 2	Moderate Tier 3	Minimal Tier 4
Restaurants	Outdoor Only with modifications	Open indoors with modifications <ul style="list-style-type: none"> Max 25% capacity or 100 people, whichever is fewer 	Open indoors with modifications <ul style="list-style-type: none"> Max 50% capacity or 200 people, whichever is fewer 	Open indoors with modifications <ul style="list-style-type: none"> Max 50% capacity
Wineries	Outdoor Only with modifications	Outdoor Only with modifications	Open indoors with modifications <ul style="list-style-type: none"> Max 25% capacity indoors, or 100 people, whichever is fewer 	Open indoors with modifications <ul style="list-style-type: none"> Max 50% capacity or 200 people indoors, whichever is fewer
Bars, Breweries, and Distilleries (where no meal provided) (follow restaurants where meal is provided)	Closed	Closed	Open Outdoors with modifications	Open indoors with modifications <ul style="list-style-type: none"> Max 50% capacity
Family Entertainment Centers	Outdoor Only with modifications e.g. <ul style="list-style-type: none"> Kart Racing Mini Golf Batting Cages 	Outdoor Only with modifications e.g. <ul style="list-style-type: none"> Kart Racing Mini Golf Batting Cages 	Open Indoors for naturally distanced activities with modifications <ul style="list-style-type: none"> Max 25% capacity Bowling Alleys Climbing Walls 	Open indoors for activities with increased risk of proximity and mixing with modifications <ul style="list-style-type: none"> Max 50% capacity Arcade Games Ice and roller skating Indoor playgrounds

Attachment: Dimmer-Framework-August_2020 (COVID-19 Emergency- Update 10)

SECTORS	Widespread Tier 1	Substantial Tier 2	Moderate Tier 3	Minimal Tier 4
Cardrooms, Satellite Wagering	Outdoor Only with modifications	Outdoor Only with modifications	Open indoors with modifications • Max 25% capacity	Open indoors with modifications • Max 50% capacity
Offices	Remote	Remote	Open indoors with modifications • Encourage telework	Open indoors with modifications • Encourage telework
Professional sports	Open • Without live audiences • With modifications	Open • Without live audiences • With modifications	Open • Without live audiences • With modifications	Open • Without live audiences • With modifications

Attachment: Dimmer-Framework-August_2020 (COVID-19 Emergency- Update 10)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: Community Development

SUBJECT: Grand Jury Response - Homelessness in our Community

RECOMMENDED ACTION: Approve the responses to the Grand Jury Report and direct the City Clerk to submit the completed response packet pursuant to California Penal Code Section 933.05.

BACKGROUND: On June 30, 2020, the Santa Cruz County Civil Grand Jury released a report titled *Homelessness: Big Problem, Little Progress. It's Time to Think Outside the Box.*

The City of Capitola staff reviewed the findings and recommendations of the report and prepared the attached responses.

DISCUSSION: The Grand Jury completed its investigation and posted its 22 findings and 18 recommendations on June 30, 2020. The report includes findings and recommendations to the County of Santa Cruz and the four cities in the County. A copy of the report (Attachment 1) is available on the City's website. The report highlights 18 recommendations (R):

City staff has drafted responses to the Grand Jury findings and recommendations (Attachment 2).

FISCAL IMPACT: None

ATTACHMENTS:

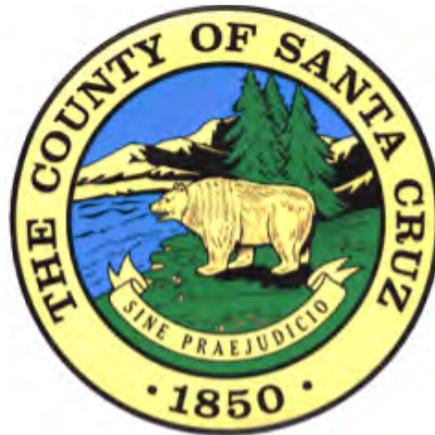
1. Grand Jury Report. Homelessness. Big Problem, Little Progress. It's time to think outside the box._ small
2. GrandJuryHomelessnessResponse_Capitola

Report Prepared By: Katie Herlihy
Community Development Director

Reviewed and Forwarded by:

Jamie Goldstein, City Manager

9/3/2020



Homelessness: Big Problem, Little Progress

It's Time To Think Outside The Box

Summary

It is no secret homelessness is a significant issue for Santa Cruz County (SCCO). What may not be fully understood is the amount of time, money, and energy that has been devoted to the search for solutions. Even with all the efforts, very little progress has been made in reducing the number of individuals and families affected by homelessness. Why? The Grand Jury identified five main reasons the homeless problem persists.

First, the community views homelessness as a problem that should be addressed by elected officials; however, whatever “political will” that exists to propose housing solutions is often overcome by community resistance. Second, the County lacks an effective governance structure with the authority to manage the complexity and size of the homeless problem. Third, there are insufficient resources to support those affected by homelessness. Fourth, there is an under utilization of existing resources in the County. And fifth, the County lacks comprehensive and effective data collection and analysis systems.

Solutions to these problems are complex. However, steps can be taken to enable Santa Cruz County to more effectively manage the homeless crisis, which has become even more of a challenge due to the COVID-19 pandemic. This report illuminates local barriers to homelessness relief, and proposes potential solutions. Ending homelessness will provide significant benefits to the entire community far beyond the relief to the individuals receiving services. Together we can care for and restore dignity to some of the most vulnerable in our community, but it will take a renewed commitment on the part of all stakeholders in our County.

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Background

Santa Cruz County has long struggled with managing its homeless population. There has been a seemingly endless number of action plans and ideas developed for shelter and housing of the homeless. The County and City agencies, faith-based organizations, nonprofit organizations, homeless advocates, local law enforcement, and even the County Probation Department have all been a part of the discussion and effort to end homelessness. You could construct the alphabet with all the acronyms that make up the organizations and County agencies that account for the millions of dollars dedicated each year to finding a solution. Each year's new solutions and ideas seem to be variations of the same old ideas that have been reworked and usually include expanding shelter hours/days, and looking for more ways to provide resources to the homeless (e.g. the new housing Navigation Centers).^[01] Currently, the "best practice" is a "Housing First" approach, which contends the priority is to provide a roof over a homeless person's head and then work to address the individual's specific needs.

The Point-in-Time Count (PIT Count) homeless survey, mandated by the U.S. Department of Housing and Urban Development (HUD), is conducted every two years, generally on a single night in January, and provides a "snapshot" of people experiencing homelessness. The PIT Count is important as it is used to determine federal funding for homeless relief. According to the January 2019 PIT Count^[02] there are 2,167 homeless individuals in Santa Cruz County of which 1,700 are unsheltered.^[03] The PIT Count states the causes of homelessness are difficult to determine, but it does identify the top six events that lead to homelessness: Loss of Job (26%), Eviction (18%), Increased Rent (10%), Drug and Alcohol Abuse (13%), Family/Domestic Violence (10%), and Divorce/Separation/Break-up (9%).^[04] It is worth noting that the accuracy of the PIT Count is frequently questioned,^[05] and community agencies and government officials believe the numbers are significantly underreported.

Despite all the money, effort, activity and planning, it has been extremely challenging to find effective and acceptable solutions. The County's homeless are ignored by many until the issue dominates the news headlines. Typically, this occurs when the homeless become more visible and cannot be ignored at parks, beaches, and business locations; and/or their presence has created a potential health hazard to the community. The homeless are then usually encouraged to "move along," without regard to where they might go, the cost to their dignity, health, financial resources, or the fiscal and societal costs to the surrounding community.^[06]

Scope and Methodology

The Grand Jury investigation involved conducting interviews with 16 individuals, including members of the SCCO Board of Supervisors (BOS) and the Santa Cruz City Council, and officials from County and City homeless services providers, the Housing Authority, law enforcement, nonprofit and faith-based organizations. In addition, the Grand Jury reviewed a wide variety of local, state and national reports, as well as other county grand jury reports, to help understand the depth and breadth of homelessness

and the impact it has on our County. Additional interviews desired by the Grand Jury, such as those with homeless individuals, were not possible due to the occurrence of the Covid-19 pandemic.

The focus of the investigation centered on understanding why, after spending tens of millions of dollars, the number of homeless remains high. In addition, the Grand Jury sought to understand the extent of the homeless problem, and identify areas needing improvement. Extensive research was conducted on housing solutions that have been deployed elsewhere, including the use of tiny homes, converted shipping containers, and the maximization of underutilized buildings and parking lots to provide shelter and safe overnight parking. The investigation examined current data collection and reporting systems used to track the cost of homelessness and program results. These results are used to shape policy decisions, legislation and to make funding decisions at multiple levels. In addition, research was done on effective services that could be utilized to provide support to homeless individuals with mental health and substance abuse issues.

Investigation

Community Engagement and Political Will

“Santa Cruz, We Have A Problem”

There is a wide spectrum of views about homelessness in Santa Cruz County, all the way from a strong feeling that homeless people are all lazy drug addicts, to the other end where there is incredible compassion for those affected by homelessness. In order for politicians to be able to “move the needle” on the problem of homelessness, local leaders need to take the initiative to better educate residents, and help them understand the extent of the community wide problem.

If the only images the public has of the homeless issue are those created in the media, on the streets, and by the lack of an effective, coordinated response in SCCO, then their opposition to having homeless individuals and projects in their neighborhoods might seem reasonable.

The image that has been projected is chaotic and it often appears no one is in charge of the response. City and County projects are often funded temporarily and shelter sites secured on a temporary basis. As a result, uncertainty is created as shelters open and close, and homeless individuals are forced back out onto the street to spread out across the County’s parks and other areas^[07] as they seek out parcels of land for a place to create a community. Examples of positive and negative homeless encampments illustrate the challenge in changing public perceptions.

A Dark Example - The Ross Camp

In 2019, Santa Cruz County watched the legal, political, and public health and safety battles unfold surrounding the unsanctioned homeless encampment that developed behind the Gateway Plaza shopping center in the City of Santa Cruz. The encampment, known as the “Ross Camp,” became home to approximately 200 homeless individuals.

The Grand Jury read media reporting and heard testimony from City and County officials, law enforcement, and nonprofit personnel regarding the conditions inside the Ross Camp. Testimony stated the community was established by local homeless residents, but was infiltrated by a criminal element that introduced theft, drugs, and sexual assault into the camp.^[08] The primary inhabitants in the Ross Camp became individuals from outside of the County, which was unexpected as, according to the PIT Count, 74% of the homeless in Santa Cruz County were residents of the County prior to becoming homeless.^[09] The Camp became a fire hazard and a public health risk, receiving an unusual number of public safety calls (76). In the 6 months the encampment was open, there were three tent fires, five fatalities and 59 medical-related emergency response calls.^[10]

After multiple local and federal court actions the court deemed the Ross Camp a “nuisance” and it was ordered closed.^{[11] [12]} The cost to the City of Santa Cruz for cleanup and very basic services to the camp, for that 6 month period, was \$266,000.^[13] This amount does not include legal fees and staff expenses incurred during that time.

A Brighter Example - 1220 River Street

Grand Jury witnesses stated that if the criminal elements were kept out, rules and boundaries established, and the numbers of individuals kept at reasonable levels, homeless encampments could be part of a viable solution. The encampments could be peer monitored and maintained by the residents, and would provide a sense of community, belonging and safety, and they would help to restore the dignity that is often stripped from homeless individuals.^[14]

In 2018, when the City of Santa Cruz was examining the idea of tent encampments as a solution to homelessness, one City official described the program as:

a temporary phase of a longer term plan to get people off the streets. The model we are working on is a closed campus, fully staffed, high level of accountability, so really we are setting this up not just as a place for people to be, but rather a place where they can stabilize and start their journey out of homelessness.^[15]

In February of 2018 the City of Santa Cruz and the Salvation Army opened the 1220 River Street homeless tent encampment (“River Street Camp”), and by all accounts it was a well run and functioning facility. Many who had not previously accessed County services, began receiving services while at the encampment. The shelter was a quiet facility with many residents keeping to themselves, but coming together to play Cornhole and board games. Residents stated the shelter provided a sense of community and family, something that is often lacking when living on the streets.^[16]

Unfortunately, the shelter was plagued with issues, but not the stereotypes and prejudice that drive “Not in my back yard,” (NIMBY) issues which bring neighbors out in droves to protest homeless projects. The issues were logistical in nature belonging to the City and County of Santa Cruz, and mostly focused on funding.^[17]

The River Street Camp which was originally funded for three months, but received multiple extensions, closed for the first time in November 2018, right at the start of the winter months,^[18] but then reopened in May of 2019^[19] as the City of Santa Cruz moved to shut down the Ross Camp.

On June 12, 2019 the County's Homeless Action Partnership (HAP) issued a public statement^[20] committing to keep the River Street Camp open until March 15, 2020, which, according to research, cost \$75,000 per month to operate.^[21] However, by January 2020, the River Street Camp had been closed due to a necessary pipe repair.^[22] The encampment tents and residents were moved to the National Guard Armory which was previously used as a winter shelter, but closed to the homeless in 2016. The official statement in 2016 was that the Armory was being closed for a year-long renovation, but media reports state it was closed amid "community concerns."^[23] As of January 2020, witness testimony indicated that no renovations had been performed on the Armory.

A majority of the River Street Camp residents participated in the Downtown Street Teams (discussed later in the report), and earned a stipend for cleaning up the streets of Santa Cruz. One resident described his experience after 4 weeks; praising the program for helping him to build his resume, secure job interviews, and get his life in order, "you've got to start somewhere. I just call this a grooming ground for better things to come."^[24]

Although the River Street Camp was closed, it serves as an example of how a well run encampment can be an asset in the effort to manage and ultimately reduce homelessness.

"Not In My Backyard" (NIMBYism) and Political Will

While well run encampments help to manage the immediate homeless problem, they are obviously not a long term solution. Multiple witnesses testified that two of the major components needed to end homelessness are creating housing and the political will to do so. They also testified to the intersection between political will and NIMBYism. Lack of political will, on the part of elected officials, is frequently tied to a desire to please constituents. Attempts to approve and build homeless and affordable housing projects are often stymied by NIMBYism.^[25] When there is strong public opposition to projects, political will to approve those projects often evaporates.

Bending to Pressure

Bending to the pressure of voters is something all politicians do; after all, they were voted into office to represent their constituents. However, the question is: how far to bend in accommodating the needs of some groups over those of other groups?

The Grand Jury heard testimony from multiple witnesses, including elected officials, about the pervasive lack of political will to build homeless and affordable housing projects and its direct link to NIMBYism. However, given the COVID-19 pandemic, and the current efforts by the County of Santa Cruz and Cities in Santa Cruz County (Santa Cruz, Scotts Valley, Watsonville, Capitola) (hereinafter "Cities") to enact solutions, even

if only on a temporary basis, the Grand Jury decided now was not the time to point fingers. Instead, the Grand Jury encourages all elected officials to look beyond these temporary measures to more permanent ones in each of their jurisdictions. Elected officials should look for ways to create more political will within themselves and their governing bodies, and work to reduce NIMBYism through public outreach, effective education, and community engagement. Ending homelessness is a goal that should unite our leaders and community members because solving the problem has the potential to benefit all of Santa Cruz County.

Polarizing Terms

It is worth noting that Corporation for Supportive Housing (CSH) encourages engaging with those who may have opposing views, and argues that “NIMBY” is a polarizing term that does not contribute positively to the solution:

We may depict the NIMBY crowd as narrow-minded, self interested, sometimes violent home owners who are resistant to reason and uncaring about those less fortunate. While this may be true about some people in some struggles, more often what underlies resistance to supportive housing are fears — some legitimate, some not. You should try to understand those fears so that you can respond to them appropriately.^[26]

In CSH’s publication, “*Family Matters: A Guide to Developing Family Supportive Housing*,” CSH offers methods for addressing the most common community fears.^[27] It would be beneficial for the leadership of Santa Cruz County and Santa Cruz Cities to reference documents such as this when encountering housing opposition in their communities.

Public Outreach

In early 2019 the Santa Cruz City Council worked through the research, planning, and approval process for a safe parking program in the Santa Cruz City-owned parking lots.^[28] The City worked with a “small neighborhood group.” Notices were sent to neighboring property owners to notify them of the proposed project, which was set to run from July through the end of August, and “Temporary, no parking” signs were placed in the selected lot to inform the community the lot would be closed during safe parking hours. Despite these measures, in September 2019, when the City Council voted unanimously to approve the project, there was pushback from the neighbors.^[29] The community’s immediate reaction was “How come we weren’t informed?” The Santa Cruz Sentinel quoted the Assistant to the Santa Cruz City Manager:

The challenge is because there are existing RVs that park there, people thought that the program had started and were reacting strongly to the fact that (they believed) it had started already and outreach had not happened. I think it went on a few social media outlets and then there were a lot of questions and concerns about how we’re engaging the community on this. Unfortunately, sometimes that happens, where information that is not exactly accurate gets out and then we’re trying to catch up a little bit.^[30]

The County and Santa Cruz Cities would benefit from a more robust County-wide public outreach to engage and build trust with residents. Regular community meetings focused on the issue of homelessness could provide the opportunity for open communication. The goal of these meetings should be to provide a forum for sharing ideas and discussing potential neighborhood projects, in order for neighbors to not feel blindsided, be able to air their concerns, and for the County and City Officials to respond to questions.

Community meetings and outreach projects would be an ideal space to introduce residents to the good work already being done by nonprofit entities such as Housing Matters,^[31] Downtown Streets,^[32] and various Faith-Based Organizations (FBOs),^[33] as well as private groups, who have established records of success. It is essential to not only keep residents informed, but to share positive outcomes and successes.

While these actions do not guarantee a positive outcome, community buy-in on homeless and low income projects is imperative, and failure to conduct community outreach has resulted in negative outcomes by allowing “rumors” and “concerns” to circulate, fueling opposition among “blindsided” residents.^[34]

Calling Community Members to the Table

The Homeless Services Coordinator for Santa Cruz County stated, “*Community is a really big part of what we can and can’t do—what are people willing to accept in their community.*”^[35]

As discussed, engaging the community to alleviate fears, and to earn support for proposed homeless facilities and developments is essential. Community members should be helped to understand the realities of homelessness and the homeless individuals, who would be served by these projects and services. Creating a community task force that brings everyday community members to the table with frontline workers and homeless individuals could help shift the conversation away from community opposition and toward community solutions. Bringing the community to the table would also provide a space where the false narratives and mythologies surrounding the homeless^[36] could be dispelled and addressed. These false narratives and myths include:

- Homelessness is a choice, and many who live on the streets are there by choice.^[37]
- Homeless people move to the Bay Area for the weather.
- Homeless people don’t need cell phones. Cell phones are a luxury.
- Why don’t they just get a job? Sleep in a shelter? And more.^[38]

The Grand Jury heard testimony from multiple witnesses about the importance of community buy-in on homeless and affordable housing projects and the necessity of engagement and education prior to, and as part of the planning process.

Building Compassion through Education

Some realities discovered through research and testimony which the County and the Cities of Santa Cruz should introduce to the community include:

- Many homeless individuals look just like everyone else in the community.
- Approximately one third of the homeless are employed.^[39]
- Approximately one third have mental health or addiction problems for which there are inadequate treatment options (See Table 1).
- Jails have become the last resort for dealing with the most serious mental health problems of the homeless, but the jail is not adequately equipped to provide treatment.^[40]
- Thousands of children in the County, who do not have secure housing, were not counted in the 2019 PIT Count because they do not meet the HUD’s limited definition of homelessness.^[41]
- The cost of failing to effectively cope with homelessness is greater than the cost of the solutions.^[42]

Table 1: 2019 Homeless Subpopulations

2019 Homeless Subpopulations ³	Sheltered	Unsheltered	TOTAL	Percent of Total Population
Chronically Homeless Individuals	123	280	403	18.6%
Persons in CH Families	32	17	49	2.3%
Veterans	23	128	151	7%
Severely Mentally Ill	71	249	320	14.8%
Chronic Substance Abuse	32	249	281	13%
Persons with HIV/AIDS	5	24	29	1.3%
Victims of Domestic Violence	20	59	79	3.6%

(3) Subpopulation categories are not mutually exclusive, so these figures do not sum to the total homeless population. People may be represented in multiple categories.

Source: Focus Strategies Report, page 4^[43]

In order to make advancements in the effort to end homelessness, community involvement and education are paramount. With increased community support, politicians will have more ability to move forward with housing solutions which are so desperately needed in Santa Cruz County.

Effective Governance Structure Needed

Effective governance is vital when attempting to solve a problem as complex, vast and challenging as homelessness. Leadership, programs, data, funding, and accountability are just a few of the elements required in order to move the needle. According to

witness testimony, Santa Cruz County does not have the data collection mechanisms necessary to answer the most basic question, "What is the cost to our county due to homelessness?"

However, Santa Clara County performed a six-year study, the results of which were referenced by this Grand Jury to aid in understanding the scope of the homeless problem.^[44]

The Santa Clara County report identified the primary areas where the costs to the county are borne, shown in Figure 1.

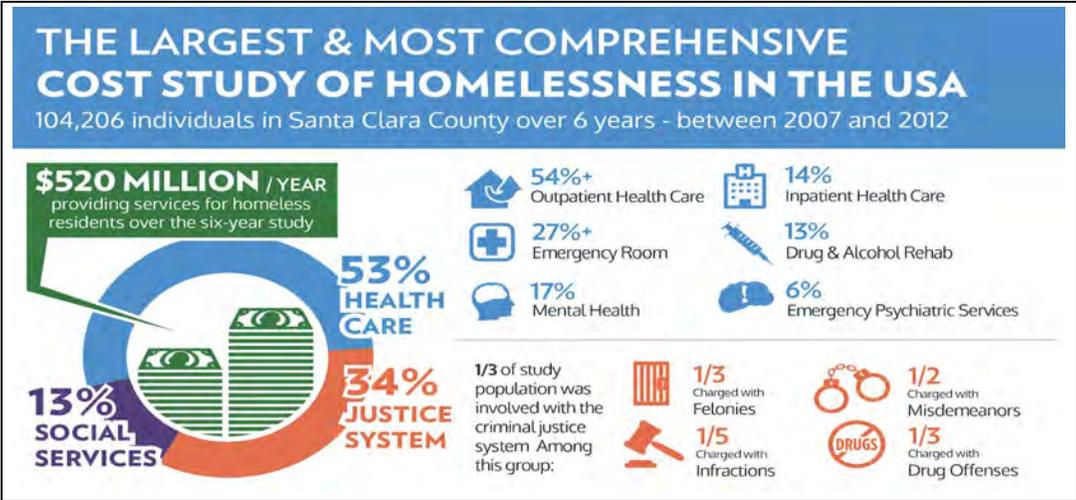


Figure 1. Homelessness Cost Study^[45]

It is significant to note in the graphic that 87% of the expenditures were for healthcare and the justice systems, with only 13% spent on social services. Although not stated, one can imagine if more funding was placed on social services upfront, these back-end expenditures would be reduced.

Interestingly, the report states:

Homeless costs are heavily skewed toward a comparatively small number of frequent users of public and medical services. For example, for all county residents experiencing homelessness in 2012, the average annual cost per person was \$5,148. However, individuals with costs in the top 5% accounted for 47 percent of all costs and had average costs of over \$100,000 per year.^[46]

Public perception often assumes a majority of homeless individuals are "chronically homeless," (defined as "a person with a disability who lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and has been homeless continuously for at least 12 months or on at least 4 separate occasions in the last 3 years.").^[47] Although this segment of the population accounts for a significant portion of the costs, they are a relatively small percentage of the homeless population.^[48]

Therefore, identifying and prioritizing ways to assist these individuals is an important element of this report.

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It's time to think outside the box. small (Grand Jury Response

Funding Today, Gone Tomorrow

A frequent problem identified during witness testimony, is the ongoing inconsistent funding sources and processes. With regard to funding for Permanent Supportive Housing (PSH), the National Academies of Sciences, Engineering and Medicine states:

Funding streams and policy regulations for PSH are siloed and often impose substantive restrictions on how the funds may be used. This lack of coordination creates complications for combining or blending funds from different sources, and works against efforts to most efficiently use available funding. [49]

A lack of consistent funding makes it extremely challenging for organizations to plan more than a year in advance, nor does it allow for agencies to fund projects that may require many years to implement. As a result, a myriad of temporary fixes tend to receive emergency funding, inhibiting the effective implementation of long term planning solutions leading to reactive and tactical rather than strategic planning. As stated by CalMatters with regard to funding of shelters,

The untold dollars spent on these failed shelters and policies would have been better invested in permanent housing. [50]

Improved governance and leadership has the potential to improve the funding and planning processes. For an example of an inefficient use of funding, one can look to the opening and closing of various homeless encampments and shelters in Santa Cruz over the last few years shown in Figure 2.

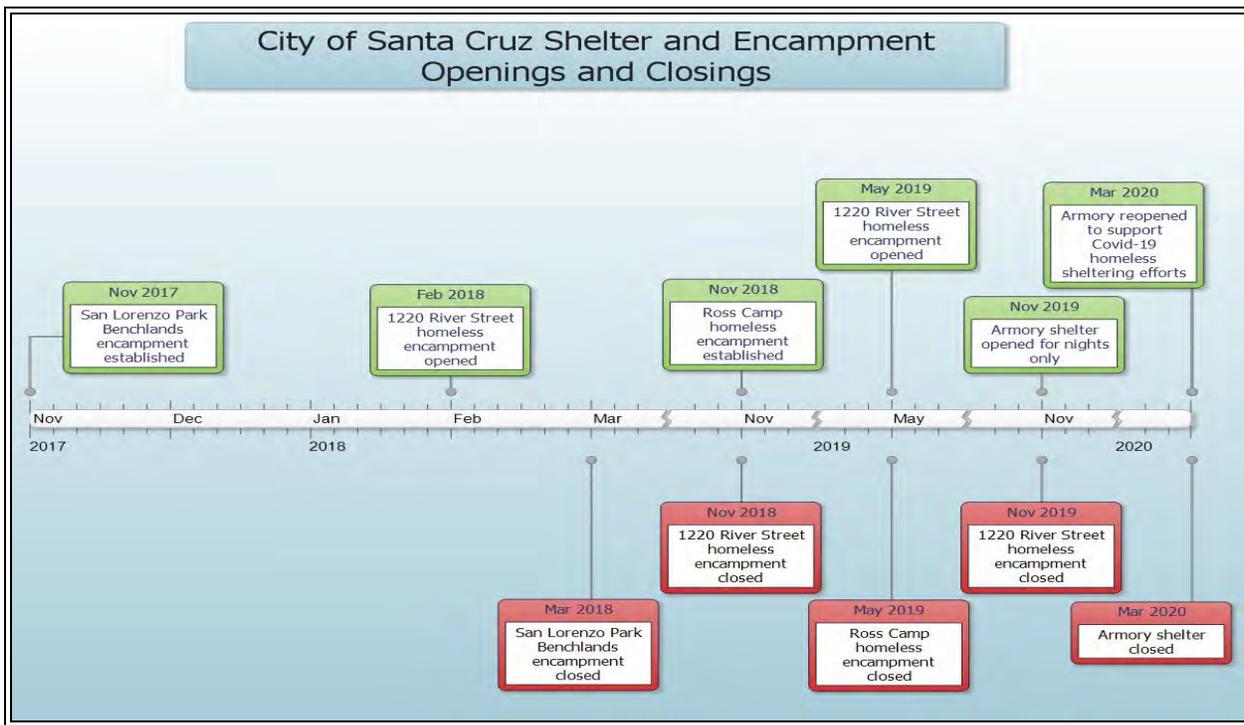


Figure 2. Encampment Openings and Closings [51] [52] [53] [54]

Managing the myriad of service providers and inconsistent available funding is a challenging task which is the responsibility of a County-wide organization, the Homeless Action Partnership, or HAP.^[55]

Homeless Action Partnership (HAP)

HUD requires that each county assign an organization to be its Continuum of Care (CoC) organization, the agency that receives federal homeless funding and manages the allocation of funds. HAP is Santa Cruz County’s CoC, and is a collaboration of the five jurisdictions in Santa Cruz County: the County and the Cities of Watsonville, Capitola, Scotts Valley and Santa Cruz, along with a number of homeless housing and services providers.^[56] It is notable that “HAP is a collaborative planning body that does not hold legal status as an entity (i.e. it is not a nonprofit organization or formally seated governmental Board).”^[57] HAP receives roughly \$2.3 million from the state each year for housing subsidies and supportive services.^[58]

In 2018, HAP received a one-time \$10 million grant from the state of California’s HEAP (Homeless Emergency Aid Program) and CESH (California Emergency Solutions and Housing) programs.^[59] These funds were to be allocated throughout the County to organizations and agencies working to reduce homelessness. According to documents received, “a highly comprehensive, countywide, collaborative process was followed in order to identify priorities and estimated budget amounts for HEAP and CESH eligible activities.”^[60] However, according to witness testimony, HAP was not organizationally equipped with the appropriate structure, staff, or training to develop an effective strategic plan, or process for allocating and tracking funding performance. The \$10 million was distributed by HAP among 26 projects countywide ([Appendix A](#)) and witnesses stated that selecting fewer projects with bigger grant amounts would have resulted in a better “bang for the buck.”

So, What Bang Did The County Get For Ten Million Bucks?

Analyzing the effectiveness of the \$10 million in funding is challenging due to the lack of consistency in the entities reporting and the accuracy of the reported data. In addition, grant money was to be spent over a two year period, and from documents provided it was stated some projects that were funded in June 2019 had not been started as of early 2020. A summary of the status reports (Table 2) provided by the funded agencies shows what services had been provided as of January 2020.

Table 2. Summary of Outcome Responses Provided by Grant Recipients – 2019

Number of homeless persons served	376
Number of persons at imminent risk of homelessness served	223
Number of persons served with a prior living situation of “place not meant for habitation”	122
Number of persons exiting to a permanent housing destination	46
Number of persons exiting to a safe exit, other than permanent housing	145
Instances of services	593
Instances of services - showers & toilets (Watsonville Navigation Center)	6811

Source: Santa Cruz County Office of Administration via document request^[61]

The status reports consisted of spreadsheets with quantitative and qualitative information which was challenging to comprehend and lacked a signature of the reporting party. There is no clear and concise way to measure the information provided to track progress toward goals and objectives of the funded agency. The significance of this ineffective data reporting method speaks to the inability of HAP to effectively disperse and manage the funding received, and is further addressed in the data analysis section of this report.

Gaining an Outside Perspective

Focus Strategies, a consulting firm hired by Santa Cruz County to analyze the manner in which the County manages its homeless population, published the “Santa Cruz County Homeless System Baseline Assessment Report” in August 2019, summarizing the issues with HAP:

*At the system level, well-informed members of the community actively participate in efforts to reduce homelessness and many examples of successful coordination exist. However, robust system-wide alignment around priorities and goals, capacity for data-driven decision making, and a more refined and empowered governance and implementation structure are needed. This aligned system will also need increased staffing capacity to support the system structure and see goals to fruition. Without these elements in place Santa Cruz cannot be said to have a fully realized homeless crisis response system in which all the parts work together toward a common set of measurable goals. **And without such a system, progress on reducing homelessness will remain elusive** (emphasis added).^[62]*

All for one, one for all

Homelessness requires a countywide solution, but not all key stakeholders are actively engaged on the HAP Board and therefore countywide solutions are more challenging. Witness testimony stated the cities of Capitola and Scotts Valley take a minimal participatory role in HAP, and are not present when strategic planning for addressing homeless solutions occurs. To the Grand Jury’s knowledge, neither city offers homeless shelter to its residents.

As can be seen by Table 3, the vast majority of homeless individuals reside in the cities of Santa Cruz and Watsonville, and in the unincorporated areas of Santa Cruz County. Capitola and Scotts Valley, which each have roughly 1% of the homeless population, send or refer their residents to the homeless service providers in Santa Cruz or Watsonville.

Table 3. Total Unsheltered Persons by Jurisdiction

Jurisdiction	Unsheltered in 2017	Percent of Unsheltered Population
Total Incorporated	1,314	73%
City of Capitola	21	1.1%
City of Santa Cruz	934	51.9%
City of Scotts Valley	19	1%
City of Watsonville	340	18.9%
Total Unincorporated Confidential Scattered Site	485	27%

Source: Focus Strategies Report^[63]

The majority of homeless service providers and low income housing exists in two districts within the County, District 1 and District 4, which is understandable as they include the two largest cities in the County. (See [Appendix B.](#)) Identifying ways for the other three districts in the County to share in the responsibility to address homelessness is paramount and more equitable (See Figure 3 for district boundaries).

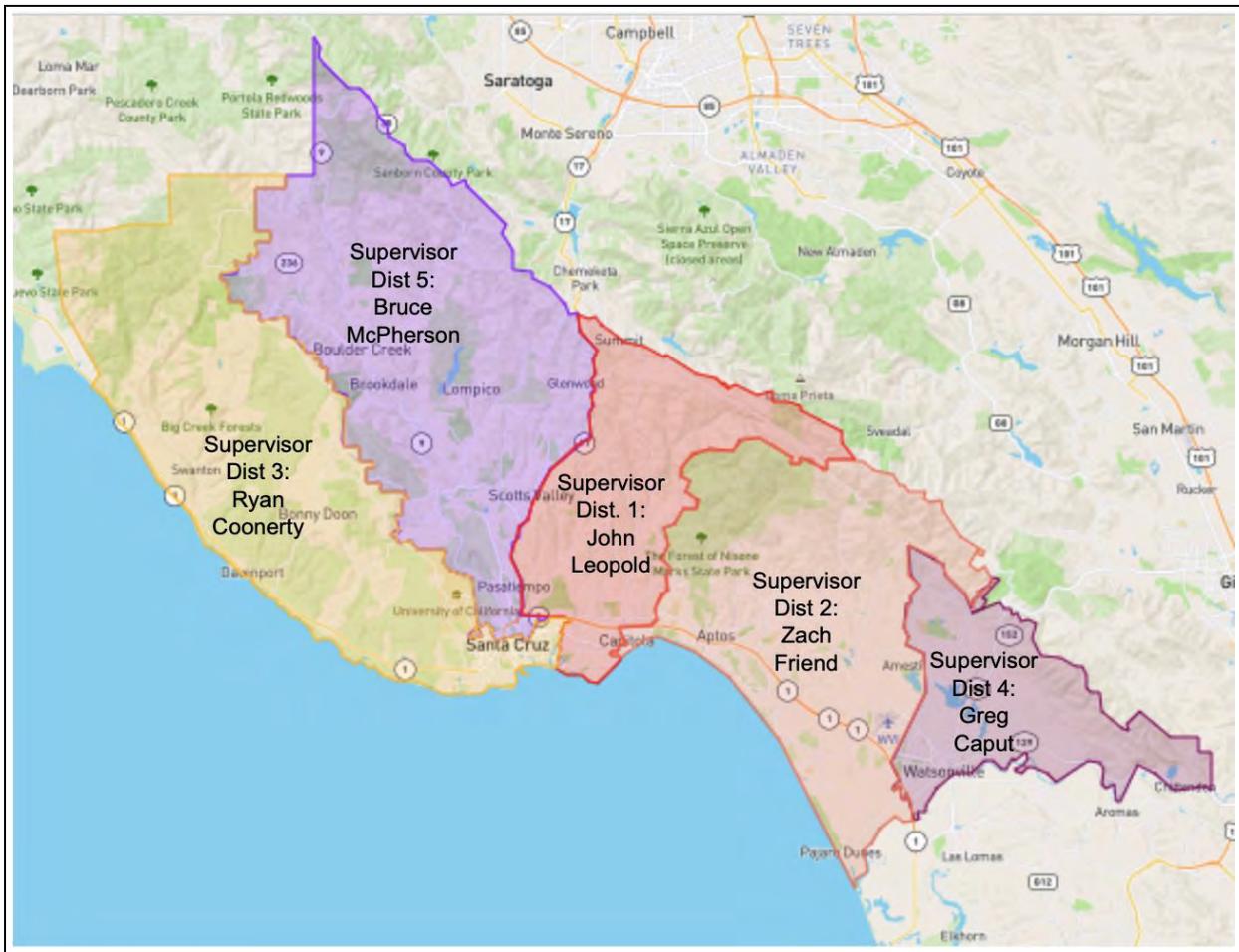


Figure 3. Santa Cruz County District Map as of January 2020^[64]

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It's time to think outside the box... small (Grand Jury Response

Access to Funding

HAP published an application policy and guidelines document for homeless service providers to utilize when requesting funds from the \$10million grant.^[65] However, several witnesses emphasized a lack of a clear decision making and ranking process, stating HAP did not appear to provide equal access or opportunity to each applicant group seeking funding. This contention is further supported by the following statement in the Focus Strategies report:

In general, our information gathering revealed concerns among stakeholders about a perceived lack of transparency in decision-making relating to homelessness. In our view, the problem is not primarily a lack of transparency per se on the part of decision-makers, but rather that there are many fragmented and uncoordinated planning and decision-making processes in Santa Cruz County. The absence of a well-understood and clear decision-making process generates a sense among some stakeholders that the process is mysterious or intentionally obscured.^[66]

Accidental Adversaries

Ideally, nonprofit and faith-based groups should be working together. However, competition for funding among these groups can result in them becoming Accidental Adversaries.^[67] Accidental Adversaries develop when groups working toward a common goal unintentionally obstruct each others' goals in the competition for funding. A perceived opaqueness of the process, and adversarial relationships could lead to an environment of distrust and disable the effective implementation of homelessness solutions.

Homeless Governance Study Committee

Challenges facing HAP have been known for some time. In 2017-2018, Santa Cruz County convened a Homeless Governance Study Committee to evaluate three problems that were identified:^[68]

1. Lack of a regional decision-making body and structure
2. Lack of overall coordination
3. Insufficient capacity and resources

After 18 months of analysis, the recommendations of the committee were:^[69]

1. *Restructure the existing HAP Board into an Interagency Policy Council (IPC) tasked with being the primary decision-maker for the homeless system and not limited to HUD activities.*
2. *Retain the Jurisdictional Executive Committee but rename it to "the Jurisdictional Coordinating Committee" and continue to coordinate interjurisdictional budgeting and cost sharing for homeless activities, such as winter shelter.*
3. *Retain the existing HAP but rename it as the General*

Membership/Operations group.

Their evaluation went on to state:

While the recommendations were generally welcomed by most stakeholders, the work of the Committee was paused in 2018 before the recommendations could be finalized and adopted. As new funding streams were rolling out into the community from the State, there were some questions about appropriate membership for the IPC as envisioned, and whether this was the right approach for allocating these or other new resources. Some members of the HAP raised a question as to whether the proposed structure would need refining to ensure compliance with HUD Continuum of Care (CoC) Governance requirements. People involved in the process also became very busy with preparing for the new resources, and lack of adequate staffing capacity made it impossible to proceed on both action areas at the same time.^[70]

It was disheartening to discover this committee, whose recommendations were agreed to in principle, was ultimately disbanded. This is just another example of a study performed with the best of intentions and yet resulted in no useful outcome. **From the Grand Jury's research, it is abundantly clear, the current HAP structure is inadequate and a new structure is desperately needed.**

Of note: On March 10, 2020 the Santa Cruz County BOS received an update from Focus Strategies on their research and recommendations, and a description of a proposed new governing structure was scheduled for June 2020 (albeit this timing was pre-COVID-19).^[71] As Focus Strategies are experts in their field, the Grand Jury believes the BOS should give significant consideration to their recommendation; however, they should also consider the new governing body recommendation described in the following section.

Time for a Joint Powers Authority (JPA)

In evaluating the governance structure, the Grand Jury's initial suggestion was for the County to create a "Czar," or single person within the County, with sole responsibility for managing the homeless problem. However, witness testimony pointed to the fact that such a person would not have the authority or buy-in from all agencies necessary to be successful in such a position.

Rather, it is clear from testimony that the governing structure should have legal authority and power to create and execute on a strategic plan to measure, track, fund and hold programs accountable in order to effectively manage the homeless situation.

The Grand Jury researched other communities to identify what types of governing structures have been utilized to manage homeless services. JPAs, or Joint Powers Authorities (also called Joint Powers Agencies), can be an effective structure when dealing with broad complex issues such as homelessness. In 2018, Orange County established a JPA to manage its permanent supportive housing problem and created the Orange County Housing and Finance Trust.^[72] In 1999 Solano County established a

JPA to, among other things, provide oversight and coordination of homeless and safety net services.^[73] Although the Orange County JPA is relatively new, and therefore it is difficult to measure its success, Figure 4 shows the 2019 achievements from the Solano JPA.

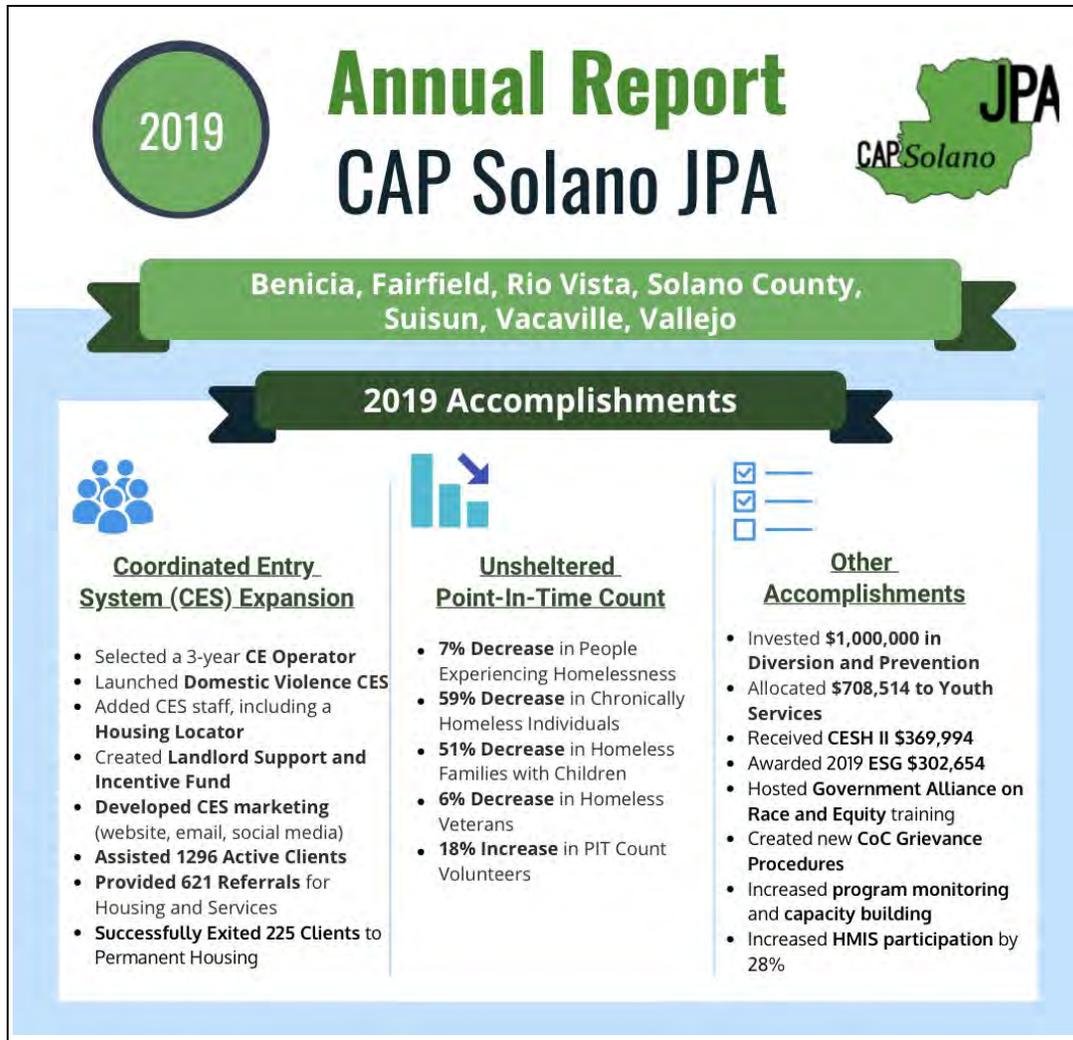


Figure 4. CAP Solano JPA Annual Report^[74]

An important element of a JPA is that it is a legal entity with clearly defined governing bodies that possess the power to make decisions.^[75] Establishing a JPA will require time and a significant coordinated effort between the County and Santa Cruz Cities. Of note, Santa Cruz County has had success with a JPA in the Public Library JPA.^[76] **It is the opinion of this Grand Jury that an entity such as a JPA should be seriously considered as a County governance option to move forward and effectively manage the significant homeless problem in Santa Cruz County.**

Insufficient Resources Available

A variety of housing and social services are needed to effectively support the variety of issues that exist in the homeless community. The following section identifies the areas where resources are needed, outlines options to increase resources, and highlights the impact to the community of NOT having sufficient resources to support the homeless.

Mental Health and Substance Abuse Disorder

The mental health and drug and alcohol problems plaguing those living on the streets of Santa Cruz are often on display for the public to view, but how widespread are these issues among the homeless? Homelessness can be the end result of substance abuse and addiction, but it can also be the consequence of it. Studies show that approximately 33% of homeless individuals have struggled with drug and alcohol problems, and of those, 67% have a documented history of lifelong substance use disorder (SUD).^[77]

Mental illness is another common thread running through the homeless population. Approximately 33% are suffering from untreated severe mental illness, 60% of chronically homeless have a history of lifelong mental illness, and 50% have a dual diagnosis of SUD and mental illness.^[78] According to the nationally recognized Treatment Advocacy Center (TAC) many of these individuals suffer from disorders such as bipolar disorder, schizophrenia, major depression, and schizoaffective disorder, and are subject to “abysmal” lives.^[79] They are also 10 to 20 times more likely to be homeless than the general population.^[80] Mentally ill homeless individuals are 2.7 times more likely to be the victim of a violent crime such as sexual assault or murder.^[81]

The nationally reported numbers are consistent with what is reported in Santa Cruz County. The 2019 PIT Count indicated 32% of homeless individuals self-reported some form of “psychiatric or emotional condition,” 30% reported problems with drugs, alcohol, or both, and 30% reported having Post Traumatic Stress Disorder.^[82]

Many experts and studies blame the closing of state mental hospitals, beginning in the 1980’s, for a rise in homelessness. These closures resulted in an estimated 26-37% of former state mental hospital patients ending up on the street within six months of hospitals closing.^[83] This long term, ongoing deficit of mental health treatment continues to have consequences. It is estimated that in the United States there are **383,000** jail and prison inmates living with mental illness, and **169,000** homeless individuals have untreated severe mental illness (SMI).^[84] A New York Times article described the situation in Berkeley, CA in the 1990s:

...on any given night there are 1,000 to 1,200 people sleeping on the streets. Half of them are deinstitutionalized mentally ill people. It’s like a mental ward on the streets.^[85]

Note: The Grand Jury recognizes some of the information referenced above is dated, which is the result of federal funding having been eliminated to federal agencies performing research on mental illness and homelessness. The Grand Jury is making the assumption the data is still relevant today.

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It’s time to think outside the box... small (Grand Jury Response

In 2014, at the request of the Santa Cruz County BOS, the Mental Health and Substance Abuse Services Division of the County Health Services Agency developed a mental health strategic plan to identify needs and gaps in providing mental health services to the community. This plan was titled “A Community Roadmap to Collective Mental Health Wellness.”^[86]

The strategic planning group included stakeholders, mental health clients, families, community partners, and other community members. This team worked to identify needs and gaps and to develop priorities. In addition to identifying needs, the plan offered solutions and potential ways to implement them.^[87] The five strategic priorities identified included:

- Communication, Collaboration, and Community Education
- Programs and Services
- Program Staffing
- Timely Access to Treatment
- Integrated Models of Care

Many areas of the strategic plan addressed the issue of affordable housing, but it did not specifically address the issue of homelessness. However, the strategic plan identified “Housing First” as a best practice that is effective in ending and preventing homelessness in individuals with a history of SUD, severe mental illness, or both. The plan cited a four year study, conducted by the Journal of Primary Prevention, which concluded that when placed in permanent supportive housing, a majority of those served under the best practice of Housing First, were able to achieve independent living.^[88]

Lack of Facilities

The Santa Cruz County Mental Health and Substance Abuse Services Agency’s 2015 Strategic Plan, (mentioned in the above section) did not address one issue that was highlighted in Grand Jury interviews and research: the staggering lack of county facilities to treat mental health, substance abuse, and co-occurring disorders.^[89]

In 2009 the SCCO BOS and Dominican Hospital administrators came to an agreement to close Dominican Hospital’s Behavioral Health Unit (BHU).^[90] This decision was made based on reported losses by the hospital, a sum that was not publicly available.^[91] During the negotiation, the County looked for alternative ways to allow Dominican Hospital to continue to provide mental health services, including ways to reduce BHU losses. It was determined, by an outside agency, that, “Dominican’s losses would increase to \$4 million per year ... within 5 years.” The outside agency determined none of the alternative options were viable.^[92]

The County opted instead to open a 16-bed Psychiatric Health Facility (PHF). The size of a PHF is regulated by federal Medi-Cal funding and limited to 16 beds.^[93] Mental health facilities with more than 16 beds must be connected to an acute care treatment hospital.^[94]

Telecare, a PHF, opened in 2013 and currently serves the entire County of 273,000 residents with priority given to Medi-Cal patients. Telecare's 16 mental health beds are a steep decline from the 28 beds that were previously provided by Dominican Hospital's BHU in 2013.^[95]

In 2013, County Mental Health Services in Santa Cruz County provided services in total to 5,360 individuals for mental illness or thought disorders. Dominican's BHU saw 1,625 individuals in 2012. Of those seen, more than 1300 were placed on involuntary holds (California Welfare and Institutions Code (WIC) § 5150) and 266 voluntarily pursued help.^[96]

To be involuntarily committed to a psychiatric facility via a WIC § 5150 hold, individuals must meet at least one of three criteria, danger to self, danger to others, or gravely disabled.^[97] Gravely disabled is defined as: unable to provide food, shelter or clothing for themselves because of a mental disorder or impairment by chronic alcoholism, per WIC § 5008(h). If a homeless individual has a severe thought disorder, yet they have some access to shelter or food, they do not necessarily meet the criteria for grave disability.^[98]

In SCCO, where over 9,100 County residents have been identified as suffering from severe mental illness, 16 beds seems woefully inadequate.^[99] To the Grand Jury's knowledge, there is nothing prohibiting the County from building multiple 16 bed PHF facilities. The challenge would be to identify funding and locations to build such facilities.

Advocating for the Mentally Ill

The National Alliance on Mental Illness Santa Cruz County (NAMISCC) is an advocacy group whose primary focus is advocating for individuals suffering from severe mental health conditions, and providing support to families seeking services and treatment for a loved one.^[100] In their role as advocate, NAMISCC heard frequently from families regarding their deep dissatisfaction with the lack of treatment available for the mentally ill in the community.^[101]

In 2017, in response to these complaints, NAMISCC developed an Acute Crisis Services Task Force.^[102] The Task Force specifically focused on the Crisis Stabilization Program at Telecare. NAMISCC did a deep dive into the history of County and private hospital closures, funding stream changes, and policy changes that shifted care from the State into the hands of the County. Throughout the report NAMISCC points to the severe lack of mental health beds and services, and concludes Santa Cruz County is seen as having "a range of different levels of care, but the capacity is insufficient at most levels of care."^[103] The report states the insufficiency is "due to a lack of options for development of new housing beds."^[104] This lack of beds creates pressure to move patients out quickly, avoid admissions to the hospital, and to stick to the "prevailing philosophy" that hospitalization should be avoided.^[105] This mental health bed deficit leads to one-third of Crisis Stabilization Program patients who are determined to need hospitalization, being sent out of the County to other locked facilities^[106] which requires

door to door transportation by ambulance.^[107] Placing Santa Cruz County mental health patients outside of the County creates a greater financial burden on the County and exacerbates the burden on the individual's family.

The NAMISCC report stated that:

One truth that independent analysts, county mental health directors, and others seem to fully agree on is that the funding necessary to provide enough capacity and flexibility to meet individual patient needs from inpatient care to community outpatient services has not been sufficient. This is especially true in regards to housing needs – it is an incredibly difficult process for an individual with a serious mental illness and chronic homelessness to achieve recovery, absent a pathway to affordable and supported housing.^[108]

A Step in the Right Direction

Expanding Existing Services

Of note, in December 2019, South County Behavioral Health was opened in Watsonville. This new facility took the place of a much smaller facility and brought expanded services to the community.^[109] This 13,500 square-foot facility offers ambulatory (walk-in) services. Some of the services provided by the facility include: “SUD services, walk-in crisis help, occupational therapy services, a team for transition-age youth and older adults, and other health services.”^[110]

The opening of the new South County Behavioral Health facility is a step in the right direction; however, much more capacity is still needed in the County for mental health services, and specifically in the area of inpatient facilities as detailed above. Santa Cruz County should also look to build strong regional partnerships to create additional mental health and SUD treatment beds outside of the County. And, as detailed in the Under Utilized Resources section of this report, Santa Cruz County should also look at under utilized properties, such as the SCCO Juvenile Hall, to create space for treatment facilities and supportive housing.

Creating Housing

The Santa Cruz County BOS, in November 2019, voted to approve an affordable housing project in Live Oak. This development, which will be located at 17th Avenue and Capitola Road, will have 57 low rent apartments. There will also be an 11,000 square-foot dental clinic operated by low income dental provider Dientes Community Dental, and Santa Cruz Community Health Centers will operate an 18,000 square-foot medical clinic on the property as well. This development will combine low income housing and services.^[111]

The Grand Jury commends the Santa Cruz County Board of Supervisors for these significant steps, but also realizes that neither of the projects directly addresses the immediate problem of homelessness. While these are important steps in the right direction, more needs to be done.

Drain on Emergency Personnel

The lack of services for the homeless has an impact, not only on the homeless, but also on the institutions and the personnel providing emergency and crisis services throughout the community as detailed below and throughout this report.

The Grand Jury heard from witnesses that one of the most impacted providers of emergency services, by the homeless crisis, is law enforcement, and in the City of Santa Cruz, a majority of the calls that the police department responds to, are related to homelessness. One witness in law enforcement described the impact as a “drip, drip, drip that leads to a PTSD effect” on officers which leads to an impact on moral and officer recruitment and retention.

In 2019, mental health cases accounted for one third of the bookings into the Santa Cruz Main Jail and contributed significantly to the overcrowding.^[112]

The 2017 NAMISCC report acknowledged the large role law enforcement plays in crisis management for some mentally ill individuals and their families. They noted:

They are active participants in assisting our families, and have shared that they experience similar difficulties with shortage of crisis services, lack of beds, etc.^[113]

SCCO Sheriff Jim Hart has shared his concerns publicly. In January 2019, his deputies responded to 293 calls regarding “emotionally distressed” individuals in the unincorporated areas of Santa Cruz County, (this does not include cities), and most of those calls involved substance abuse. As Sheriff Hart describes it, “drug and alcohol abuse are so interwoven with behavioral health cases, there is no easy distinction for deputies.”^[114] Mental health, substance abuse, and the criminal justice system go hand in hand. The Grand Jury heard testimony from other law enforcement, City, and County officials, and County stakeholders, confirming mental illness, drug addiction, and homelessness are being criminalized because there is a lack of resources to treat these individuals appropriately. Families often call 911 as a last resort to seek help for a family member who is in crisis, and 911 is often called for those on the street who are in a crisis mode. The lack of resources, and the utilization of the emergency response system as the alternative, has required law enforcement and correction officers to step into the role of social worker. This is a nationwide problem that has led to local and national law enforcement agencies requiring officers to undergo training to learn how to deescalate tense situations that might involve mentally ill or intoxicated individuals.^{[115] [116]}

The Grand Jury has concluded that the County should seek ways to take this burden off the County’s law enforcement and corrections officers. Even if officers have been provided de-escalation training, they are not professional mental health workers; thus they lack the resources to assist individuals who are in crisis due to homelessness, addiction, mental health issues, or at times all three. These issues should be treated like the social, psychiatric, and medical conditions they are. The Grand Jury believes the County should look to our neighbors in the North for a solution.

CAHOOTS (Crisis Assistance Helping Out On The Streets)^[117] is a mobile crisis intervention team that operates 24 hours a day, 7 days a week in Springfield and Eugene, Oregon (the two largest cities in Lane County, Oregon). The crisis team is dispatched “through the Eugene police-fire-ambulance communication center” as well as through a non-emergency number. The CAHOOTS team consists of a “medic” or nurse and a crisis worker who is an experienced mental health worker. “This team responds to calls that do not appear to be related to legal issues or threats of violence. CAHOOTS provides immediate stabilization in case of urgent medical need or psychological crisis.”^[118] Services include: crisis counseling, suicide prevention, substance abuse services, housing crisis services, resource connection and referrals, advocacy and “(in some cases) transportation to the next step in treatment.”^[119]

CAHOOTS costs Lane County \$2.1 million annually. But crisis workers estimate there is “over \$15 million a year in cost savings, both through our ER diversion, through picking up calls that would otherwise have to be handled by law enforcement or EMS - a more expensive response.” CAHOOTS’ crisis workers stated that out of roughly 24,000 calls in the last year (2019) they only had to escalate and call in law enforcement 150 times.^[120]

The Grand Jury believes a program in our county, such as CAHOOTS, would be beneficial to those receiving its services, as well as the County’s law enforcement and medical personnel. The BOS should work with City and the County law enforcement agencies to identify funding in their budgets, and launch a program similar to CAHOOTS to reduce the overall costs of homelessness to the County.

Mental health, substance abuse, incarceration, and chronic homelessness have a large impact on public cost. (See Figure 5.) When homeless individuals are discharged from jails and hospitals, they are usually not provided with the care and services needed to prevent another series of medical, psychiatric, or social crises. They are also not given the resources needed to make the changes that would interrupt the use of acute care services and detention facilities as primary care providers.^[121] The County does not collect similar information as provided in Figure 5, but the Grand Jury assumes a similar usage of our EMS, healthcare facilities, and County jail creates a significant financial burden on the County of Santa Cruz and the Cities. And, as mentioned above, it takes a significant toll on our emergency personnel.

Attempting to track the expenses to the County for emergency services related to homelessness is challenging because, as mentioned, this data is not collected in the County. Research from Santa Clara County indicates that among their homeless population over 25% used the emergency room; 17% used mental health services; 14% were hospital inpatients; 13% used drug and alcohol rehabilitation services; and 6% used emergency psychiatric services.^[122] Outpatient healthcare services were the most commonly used services by the homeless as shown in the research conducted in Santa Clara County.^[123] The Economic Roundtable chart below breaks down the annual financial cost of homelessness in Santa Clara County (2007-2012).^[124]

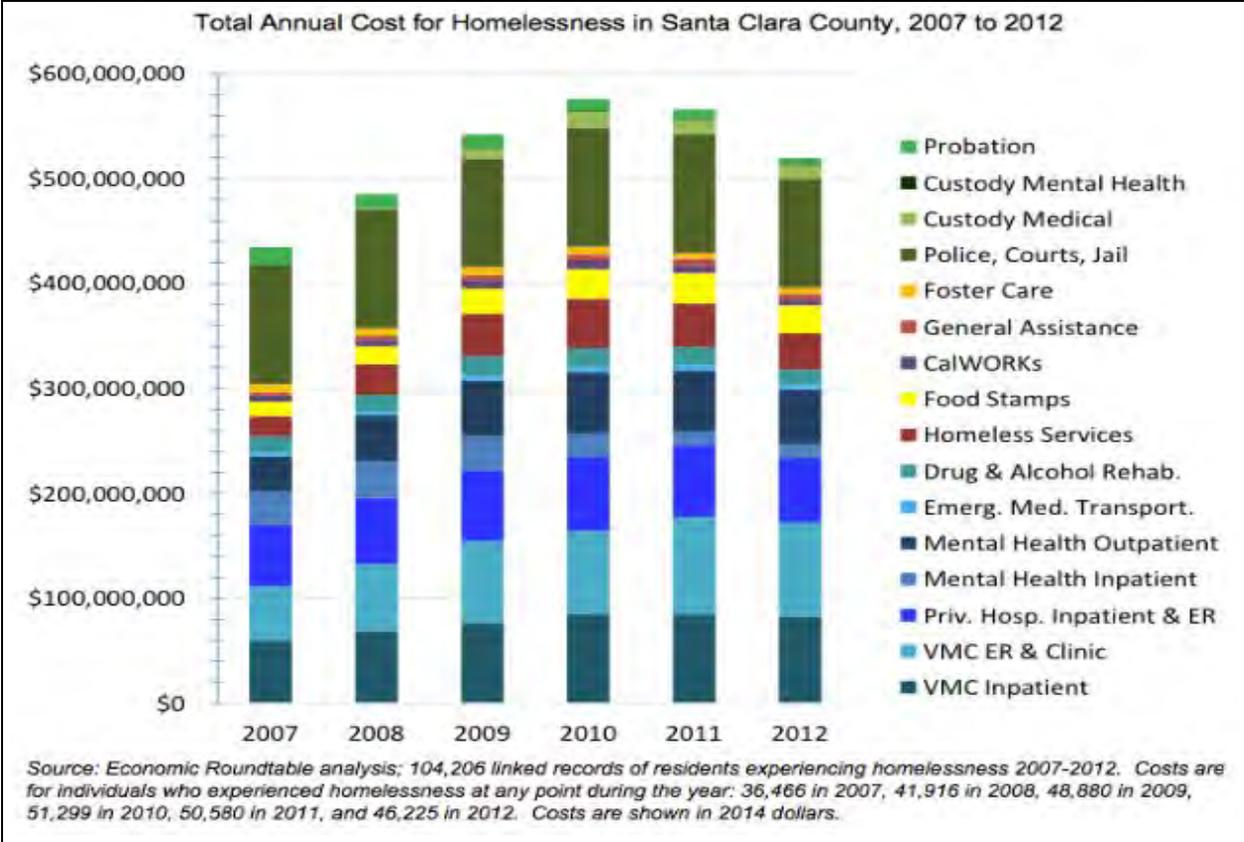


Figure 5. Santa Clara County Cost of Homelessness, 2007–2012^[125]

It is reasonable to assume that Santa Cruz County expenses would be relatively similar, and that a large financial burden is placed on a variety of County agencies and stakeholders. When Santa Cruz County has the ability to effectively track this financial burden, the County will be better able to allocate resources more efficiently, and measure progress.

Providing Assistance When and Where Needed

The Grand Jury heard testimony about individuals who sought treatment but were unable to receive it when they were ready. One such example was a homeless woman seeking treatment on a Thursday, and being told to come back on Monday because the County did not have the resources available at the time. By Monday the opportunity to get her treatment was lost because she could not be located. We heard the frustration from the agencies seeking to help individuals, but often finding there were no services available.

The Grand Jury believes if the County broke down the silos between Santa Cruz and other counties, and expanded contracts to allow more individuals to be treated outside of our county, more services would be available when needed. Ideally, there would be an emergency case manager or team to respond to emergency calls from individuals on the street who wanted help getting into a mental health or SUD treatment facility, and there would actually be someplace for them to go.

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It's time to think outside the box. small (Grand Jury Response

Surrounding the Vulnerable with Support

Case Management

Case managers assist homeless individuals, and families at risk of becoming homeless. They provide assistance in acquiring the skills and resources necessary to access medical, mental health, housing, employment, and educational resources. Case managers can assist with accessing County services and obtaining critical documents such as a Social Security card, drivers license, or birth certificate. Case managers also assist with preventative services. These resources are an essential element in preventing homelessness and helping the existing homeless, especially the chronically homeless, to achieve and maintain stability.^[126]

Santa Cruz County should allocate the funding and resources necessary to ensure case managers are available to help all individuals in need, and to provide extended services to those identified by the County as high needs individuals. Case managers providing long term supportive services can help identify issues and implement problem-solving solutions, before housing becomes at risk. Based on testimony and research cited throughout this report, the Grand Jury believes the investment in case managers would not only benefit the homeless individuals, but would minimize the chance the County would need to spend resources on re-housing.

Permanent Supportive Housing

The United States Interagency Council on Homelessness defines Permanent Supportive Housing (PSH) as housing that:

links decent, safe, affordable, community-based housing with flexible, voluntary support services designed to help the individual or family stay housed and live a more dignified and productive life in the community. There is no time limitation, and tenants may live in their homes as long as they meet the basic requirements of tenancy. While participation in services is encouraged, it is not a condition of living in housing. Housing affordability is ensured either through a rent subsidy or by setting rents at affordable levels.^[127]

Unfortunately, witness testimony and research indicates that in SCCO there is a severe shortage of PSH and case managers. Witnesses also stated that oftentimes case managers were unavailable at shelters and navigation centers when needed to assist with housing needs.

In 2012, the Homeless Services Center (now Housing Matters) began the 180/180 initiative^[128] in collaboration with other nonprofits and the County. The goal was to house 180 of the most vulnerable homeless individuals and assist them in creating a 180 degree change in their lives. By July, 2014, the successful initiative led to 200 people housed and the creation of the 180/2020 initiative.^[129] According to witness testimony and research, as of April 2020, this program had housed 950 people, with at least 350 individuals permanently housed.

The 180/2020 initiative was also instrumental in working with the Santa Cruz Housing Authority to create the Disabled and Medically Vulnerable (DMC) Program, a program meant to rapidly house the most vulnerable homeless population using housing vouchers.^[130] This program provides up to 120 vouchers on a rolling basis and allows those who are eligible to bypass the usual Section 8 waiting list.^[131]

The Grand Jury received testimony, from multiple witnesses, that described housing and service programs that were working successfully, but were lacking in number and supportive services. In addition to a limited number of vouchers, housing options, and case managers, witnesses testified to problems related to supportive services that ended after a year. For some individuals, terminating services too soon allows problems, such as drug and alcohol relapses, to go unnoticed until housing is at risk or lost, and leads to individuals having to be rehoused multiple times. This results in an ineffective use of resources.

Shelter Shortage

Shelters are temporary emergency solutions for families and individuals that are intended to provide relief from an immediate crisis. Shelters provide protection and safety from the elements of living outdoors and on the streets. The 2019 Focus Strategies report identified a total of 439 shelter beds currently available in the County, down from 481 in 2015 (Figure 6).^[132] Of the 439 beds identified, only 279 have year round capacity. The other 160 beds are seasonal beds, thus only available during the winter months.^[133]

	Total Capacity 2019 HIC (Beds)	Total Capacity 2018 HIC (Beds)	Total Capacity 2017 HIC (Beds)	Total Capacity 2016 HIC (Beds)	Total Capacity 2015 HIC (Beds)
Emergency Shelter	439	435	387	475	481

Figure 6. **Emergency shelter capacity**^[134]

The Grand Jury heard testimony and reviewed evidence that confirms SCCO has a significant lack of shelter beds. On January 31, 2019, when the PIT Count was conducted, only 22% of homeless individuals were sheltered.^[135] Given the sheltered population in 2009 was 32% and in 2019 it was 22%, it is clear that in 10 years no significant progress has been made in increasing the number of homeless individuals residing in shelters.^[136] (See Figure 7.)

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It's time to think outside the box. small (Grand Jury Response

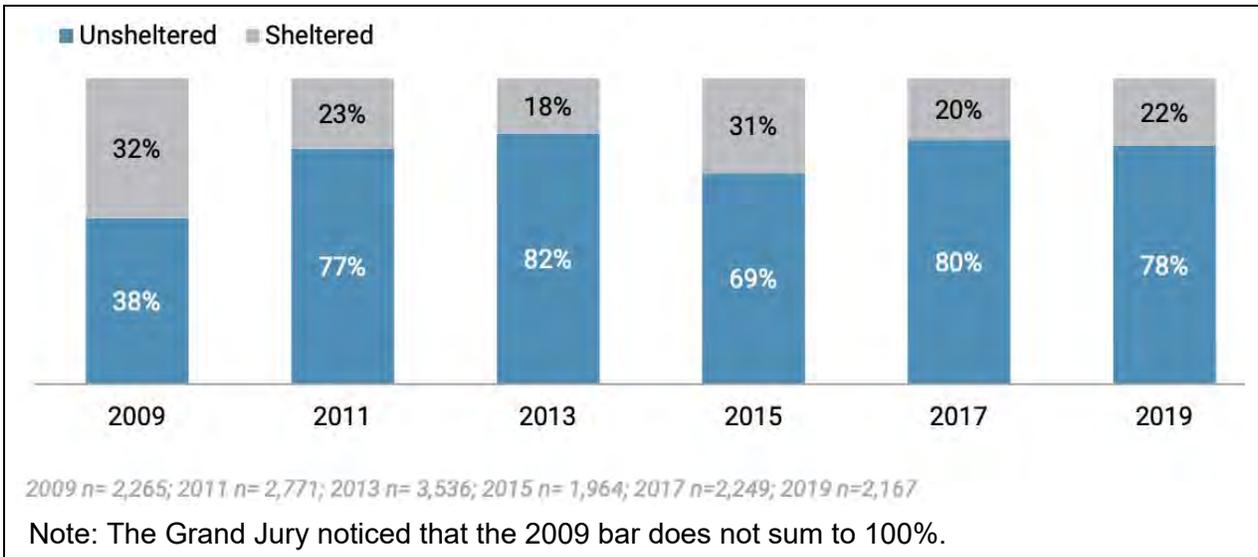


Figure 7. Total Homeless Population by Shelter Status^[137]

Asking the Question

If Santa Cruz County has only enough shelter beds to house 22% of the homeless population (Figure 7), where are these individuals supposed to go? This becomes an even more pressing question when the emergency winter shelters are closed and the capacity to shelter the homeless drops even further.

Diversion and Prevention Programs

Diversion and prevention programs can be local, state, federal, and/or nonprofit programs designed to help individuals who are at risk of falling into homelessness. These programs offer assistance with emergency rental payments, eviction defense, rental deposits, and utility bill payments for those at risk of losing housing, and rapid re-housing for those newly homeless.^[138]

The Focus Strategies Report assessed the County’s prevention and diversions options:

The community lacks a strong and fully integrated diversion/problem-solving practice that deploys problem-solving as an important tool to be used at multiple touchpoints in the community. Diversion/problem-solving is an intervention that can work with people seeking assistance to help some identify immediate alternatives and reduce the inflow of people into homelessness.^[139]

The research performed by this Grand Jury supports the findings of Focus Strategies and agrees that more emphasis should be placed on increasing the resources allocated to diversion programs.

CalMatters describes the problem of homelessness as complex and difficult “with options that range, at best, from imperfect to limited.”^[140] Many of the options identified were described as being expensive to build, taking a long time to implement, and lacking in

political will.^[141] Prevention did **not** suffer from any of those shortcomings. Rather, prevention was rated as an inexpensive option that could be implemented quickly, and one that enjoys strong political will.^[142] Santa Cruz County currently provides funding to nonprofits such as the Community Action Board (CAB),^[143] Families in Transition (FIT), and the Housing Authority (HA).^[144]

The HA offers rental deposit assistance equal to one month's rent in the cities of Santa Cruz and Capitola where the assistance is considered a loan, and in unincorporated Santa Cruz County where it is provided via a grant.^[145] All HA assistance is income dependent and is based on area median income (AMI). In Santa Cruz County AMI is \$98,000 (2019). To qualify for HA rental deposit assistance in Capitola, the applicant's AMI must be at or below 80% (\$78,400), and in the City of Santa Cruz, AMI must be at or below 60% (\$58,800). In unincorporated Santa Cruz County, AMI must be at or below 50% (\$49,000), and applicants must also be homeless, or in danger of becoming homeless.^[146]

Rapid Rehousing

Rapid rehousing is a targeted intervention and rent subsidy program that assists newly homeless individuals and families. The program provides short term case management services, assistance in the procurement of housing in the community, and rent subsidies. This program can help prevent individuals and families from falling into long term homelessness, needing shelter beds, or becoming unsheltered. Although SCCO increased the number of rapid rehousing beds from 131 in 2015 to 204 in 2019, witnesses stated that this amount is still insufficient. Without data to understand the extent of the need, it is difficult to propose the needed number of additional beds.^[147]

Based on the 2019 PIT Count,^[148] 40% of homeless individuals self-identified as being homeless for the first time, suggesting Santa Cruz County could do more in the area of Diversion and Prevention and Rapid Rehousing.

Barriers to Providing Support

Case managers can only do so much without adequate housing for those they support. It is evident from research and witness testimony that the County of Santa Cruz and Cities must provide more shelter, housing, and services for the homeless. Many interviewees spoke to the challenge of housing the homeless, and specifically the chronically homeless.

No to Shelter, Yes to Housing

The Grand Jury asked multiple witnesses about the chronically homeless, and those we often read and hear about who are unwilling to go to shelters. We were told that while these individuals would say “no” to a shelter bed, most would say “yes” to housing. Witnesses identified the “3 P’s” – possessions, pets, and partners, and not being able to bring them into a shelter, as the most common reason given for not wanting to enter a homeless shelter.^[149] Sadly, for women, it is often a fear of violence that prevents them from accepting a bed in a shelter. Domestic violence is the leading cause of

homelessness for women, and homeless women are more likely to be, or have been, victims of violent physical and sexual assaults than women who are housed.^[150]

Creating Space

The often cited barrier to building housing and creating space for homeless projects are the lack of space and land. Many homeless people congregate on and around Coral Street in Santa Cruz, where Housing Matters and the County offer many of the County's homeless services. The Grand Jury believes that Coral Street is an ideal location for the City and County of Santa Cruz to collaborate with Housing Matters to create additional housing and services. This could be accomplished by permanently closing Coral Street to through traffic and building structures that are relatively inexpensive and easy to construct, for example, tiny homes (which are typically 600 square feet or less).

Thinking Outside of the Box to Build Homes - Innovative Housing Alternatives

CalMatters rated tiny home communities and cabin communities, built using "tough shed structures," as being relatively inexpensive and quick to build.^[151]

Oakland has created 4 such communities containing 20 cabins, each capable of housing two individuals. Each cabin has an estimated building cost of \$5,000 per unit and annual operational cost of \$21,250.^[152] In addition to housing, these communities provide meals, case managers, and supportive services.^[153]

Many Grand Jury witnesses agreed that tiny home communities would be an innovative and creative idea. Such a community could be useful in serving those who are more challenging to house and need more intensive support. Tiny home communities vary in size and population, e.g., Hope Village^[154] in Oregon, Betty's Blue Angel Village^[155] in Eureka, California, and Community First Village^[156] in Texas. These tiny home communities can also be used as transitional programs that bridge into permanent housing.

Sacramento Mayor Darrell Steinberg, who leads the California state commission focused on the state's homeless crisis has stated that, "*cities will never produce the volume of affordable housing needed by subsidizing only standard-sized apartments.*"^[157] The Mayor is calling on the City of Sacramento to make a \$30 million investment into the rapid expansion of tiny homes.^[158]

In February 2020 the City of San Jose opened the doors to their first tiny home community. The forty-unit transitional housing community will house up to 80 individuals.^[159] Residents comply with stringent criteria and a thorough background check. They are expected to work toward meeting the goal of permanent housing, and must pay a percentage of their income toward rent.^[160] San Jose has another 40 unit tiny home community slated to open in the summer of 2020, and in the wake of the COVID-19 pandemic has committed to building an additional 500 units to house the homeless in their community.^[161] Tiny homes can be an attractive housing option as they tend to be less expensive and faster to build than multi story facilities.

CalMatters puts the upfront cost for building apartment structures at hundreds of thousands of dollars.^[162] Cabin communities (total building cost of \$5,000/unit), like tiny homes, trailers, and low cost projects are a very reasonable alternative.^[163] Two features that make these alternatives great options for our County are their small size, and the fact that some are built on wheels and can be moved from location to location as needed. (See Figure 8.)



Figure 8. **Tiny House Examples**

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It's time to think outside the box... small (Grand Jury Response

It Takes a Village and a Community

Santa Cruz County and Cities' agencies and our community members should look to Humboldt resident and homeless advocate Betty Chinn for inspiration when tackling the issue of homelessness. Ms. Chinn immigrated to the United States as an orphaned child from China after surviving the Cultural Revolution, living homeless on the streets and having to search for food in a local dump. After immigrating she eventually found herself married, with children, and living in Humboldt County. Spotting signs of homelessness within her children's school, she started providing services in the form of blankets and meals to the students and families at the school, but she did not stop there. Recognizing community-wide issues she built her services up one step at a time using her own money and community donations. Ms. Chinn credits the community with the success of her mission and makes the case that it really does take a village to solve the issue of homelessness. As stated on the nonprofit's website:

As Betty likes to say, she is the 'middle man,' simply helping people realize the joy of giving and making sure everyone gets what they need. At a time of increasing need, the community is coming together to sustain Betty's growing endeavor. When Betty takes on a new project, contractors volunteer their services, businesses donate supplies and people line up to help. Community members offer their time to help cook, while others sort clothes, pick up donations, organize events, and more. Over the last decade, Betty's mission has become a community mission.^[170]

The Betty Kwan Chinn Foundation now consists of many services and programs: showers, a day center, a 32-bed family shelter, and a tiny home village.^[171]

Betty's Blue Angel Village is a tiny home transitional living community. The tiny homes were constructed from Conex shipping containers that were retrofitted into double bedrooms,^[172] and the Village now houses up to 40 people.^[173] This 90-day program helps to restore self-worth, dignity, and offer a sense of community, while providing supportive services and helping homeless individuals save money, get into stable housing, and receive other services needed to stabilize their lives.^[174]

The Grand Jury believes that SCCO needs a "Betty Chinn." It is our hope that Santa Cruz County will step up or engage someone who is capable of being that person. In addition, we believe, and heard from many witnesses, that SCCO would benefit from small permanent and transition communities similar to Betty's Blue Angel Village, located throughout the County. We also heard testimony that, much like safe parking programs which are peer managed, PSH communities could be quite successful if they too were peer managed.

ADUs (Accessory Dwelling Units)

The Urban Institute found that in the United States for every 100 very low income households there are only 29 affordable housing units, and for a family of 4, where both parents are earning minimum wage, it could take years to get into an affordable home.^[175]

The lack of affordable housing in Santa Cruz County significantly affects the homeless.^[176] With the extreme need for more affordable housing, increasing the number of ADUs would add to the housing inventory and potentially provide more low income housing, keeping more individuals from entering homelessness.

There are new financial building incentives from the County of Santa Cruz, such as reduced or waived permit fees and the Forgivable Loan Program for homeowners to build ADUs.^[177] Homeowners with ADUs should be encouraged to participate in the rental program offered by the Santa Cruz County Housing Authority. Under this program, landlords are paid a market rate amount of rent if their property is part of the Section 8 Program housing pool.^[178]

In January 2020 California housing law AB 68 passed calling for changes to the Building Codes of ADUs.^[179] These changes include faster approval processing times and the relaxing of certain building restrictions or requirements. Cities such as San Jose have embraced the need for the development of ADUs for affordable housing by rethinking their approach and system. Their Planning Department streamlined their systems and services,^[180] which is showcased in their user-friendly Planning, Building and Code Enforcement website.(See Figure 9.)

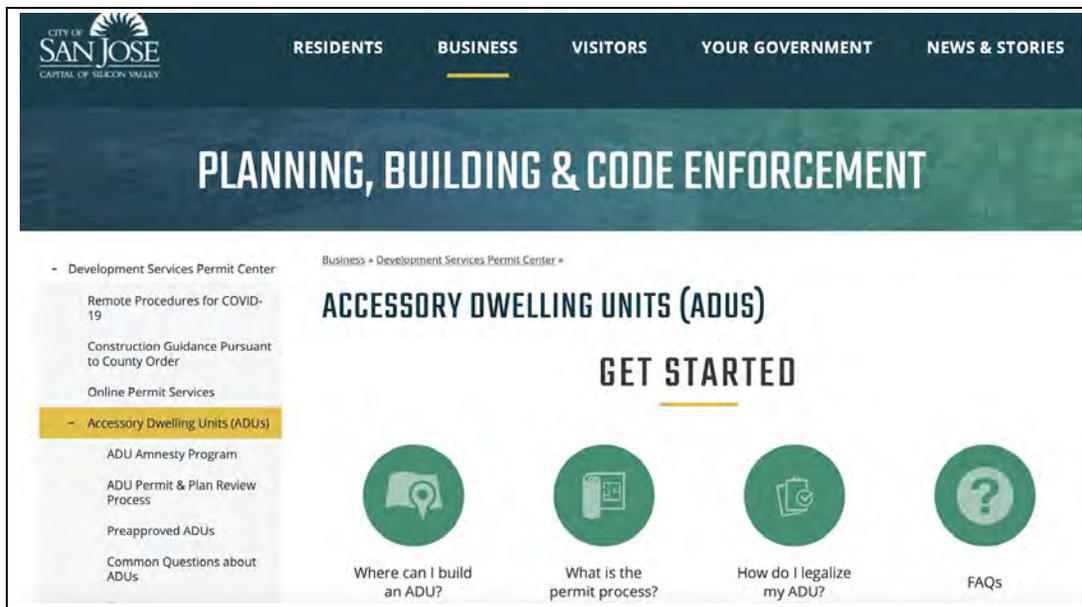


Figure 9. San Jose City ADU Website^[181]

San Jose’s approach is to provide financial incentives and support to those persons interested in building affordable housing on their private property. Their website lists pre-approved vendors for faster plan approval, financial incentives such as forgivable loans and “ADU Tuesdays” to help prospective owners fast track through the permit process.^[182]

The SCCO Planning Department ADU website also highlights many changes to the building requirements to comply with AB 68, along with waived or reduced fees and forgivable loans of up to \$40,000 for owners agreeing to rent to low income renters.^[183]

However, the website is not user friendly,^[184] and would benefit from a redesign to clarify services and resources. (See Figure 10.) The County of Santa Cruz Planning Department should consider offering a version of San Jose’s “ADU Tuesdays”^[185] to help prospective owners fast track through the permit process.

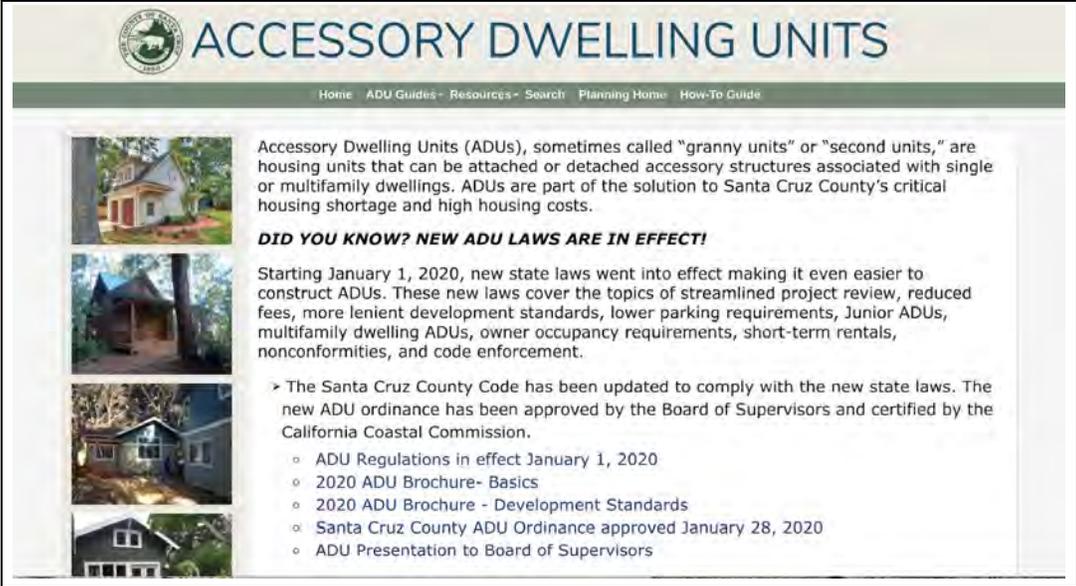


Figure 10. Santa Cruz County ADU Website^[186]

It’s A Win-Win

Rountree Detention Facility in Santa Cruz County offers a variety of skills classes to inmates.^[187] On a recent Grand Jury tour of the facility, jurors learned that inmates assemble small home-like structures in one of these classes. As an option, to create more housing and possibly ADUs, the Grand Jury suggests the SCCO Sheriff utilize the Rountree Jail’s skills classes to build structures that could assist in housing the homeless population. Such a program could be a win-win by improving the skills of inmates and building much needed housing for the county.

It Can Be Done

While some Santa Cruz County and City officials were quick to throw out the standard, “It can’t be done,” “There is nowhere to build,” and other excuses, many were in favor of these outside of the box solutions and several identified land where PSH and tiny home communities could be built if there was the political and community will to support these solutions. Interviewees from nonprofit organizations and FBOs were very enthusiastic and the Grand Jury heard testimony that some nonprofit organizations in SCCO have either looked at and/or have implemented some variation of some of these options. From the FBOs and nonprofits, the Grand Jury heard a willingness to partner with the County on these projects.

As outlined above, other communities have been able to implement successful alternative housing options. The Grand Jury believes some of these could be viable options for SCCO, and should be implemented in scales that are appropriate.

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It’s time to think outside the box. small (Grand Jury Response

Utilization of Existing Resources

The County of Santa Cruz is rich with resources; the key is to more effectively utilize what is available.

Underutilized Parking Lots

Looking around Santa Cruz County, one cannot help but notice there are many parking lots that sit almost entirely empty overnight, with parking forbidden. These lots could provide a safe place to sleep for people living in their vehicles, offering an alternative to parking in residential neighborhoods, where there are no accommodations for security or sanitary facilities. Overnight parking in neighborhoods generates antagonism and opposition to the homeless when what is needed is understanding and community support for programs designed to resolve problems related to homelessness.^[188]

Select County and City owned parking lots would be logical locations for safe parking programs for homeless individuals living in their vehicles. Portable toilets, hand washing stations, and showers could be made available and safely provided. Success of such arrangements, like those run by the Association of Faith Communities (AFC), involve vetting of participants and providing supervision.^[189] In addition to the AFC Safe Spaces, witness testimony stated the Santa Cruz City Police Department provides an overnight parking program for three vehicles on a nightly basis in their downtown parking area. Increased flexibility in the planning and permitting process by Cities and the County could assist FBOs to more effectively utilize parking resources available to them. Limits imposed on the numbers of vehicles allowed to park overnight in parking lots, should be reasonable and not so restrictive as to be prohibitive.

College campus parking

The impact and costs to Santa Cruz caused by UCSC on-campus housing shortages is widely acknowledged and is part of the ongoing crisis of local homelessness.^[190] Providing appropriate accommodation for students living in vehicles would address a small part of the University's burden on the community at large.

Overnight parking is prohibited on both UCSC and Cabrillo College campuses. Students attempting to sleep in their vehicles on the UCSC campus are roused and forced to move off campus to sleep in residential and business neighborhoods. The situation has become so dire a group of students calling themselves the "Snail Movement" have been in discussion with UCSC officials to design a safe parking program on campus.^[191] In addition, in an attempt to mandate safe parking programs on community colleges such as Cabrillo, a bill introduced in the California legislature, AB 302, states:

If a community college campus has parking facilities on campus, the governing board of the community college district shall grant overnight access to those facilities to any homeless student for the purpose of sleeping in the student's vehicle overnight, provided that the student is enrolled in coursework, has paid enrollment fees if not waived, and is in good standing with the community college district without requiring the student to enroll in additional courses.^[192]

Note: A number of amendments were added to the bill as it was being reviewed by the California legislators, and as of the printing of this report, AB 302 was, “Ordered to inactive file at the request of Senator Hill.”^[193] However, should AB 302 pass at some point, more parking for students on community college campuses would go far in helping alleviate the problem, at least temporarily.

College campuses spend funding on enforcement personnel to remove students who are sleeping in their vehicles. A better utilization of these resources might be to create a peer monitored safe parking program that provides sanitation facilities such as showers and portable restrooms. Although a temporary and hopefully short term solution, and no substitution for true housing, safe parking is preferable to no safe overnight parking when those are the only two choices.

Santa Cruz County and Cities should work in cooperation with our local colleges, emphasizing the need for them to commit to participating in creating solutions such as safe parking programs for the short term and more affordable student housing in the longer term.

“Land, They’re Not Making Any More Of It”

The lack of land on which to place shelters or permanent housing for the homeless was stated as a problem by multiple witnesses. It is true that land is scarce; however, the Grand Jury, through a document request, obtained a listing of several hundred County owned vacant or undeveloped parcels (not including City owned parcels). Attempting to identify parcels that might be utilized for building tiny home communities, temporary housing or more permanent supportive housing is outside the expertise of this Grand Jury.

The parcel shown in Figure 11 was utilized following the 1989 Loma Prieta earthquake.^[194] This lot held 43 3-bedroom trailers that were supplied to the County by FEMA (Federal Emergency Response Agency) for a term of sixteen months.^[195] Families lived in the trailers until they found housing, or until FEMA reclaimed the trailers. Those living in trailers when they were reclaimed were given temporary housing and housing vouchers.^[196]

This is one example of open land that the Grand Jury believes should be considered for a tiny home community or other temporary or permanent housing. It should be noted, multiple “FEMA parks” were opened following the Loma Prieta Earthquake, but the Grand Jury only evaluated this one location.

The Grand Jury encourages all city and county planning departments to analyze vacant and/or undeveloped land within their jurisdictions to identify parcels that could be utilized to build shelter for the homeless.



Figure 11. **Google Map showing vacant land adjacent to the County Government Mental Health Building, at 1430 Freedom Blvd, Watsonville.** [\[197\]](#)

Who's Not Sleeping In Those Beds?

Every year the Grand Jury is required to inspect the detention facilities in Santa Cruz County, and in January 2020, the Grand Jury inspected the Santa Cruz County Juvenile Hall in Felton. During that inspection the Grand Jury discovered the SCCO Juvenile Hall is following the state wide trend of lower youth incarceration rates. [\[198\]](#) In California the youth crime rate has decreased so dramatically that from the first quarter of 2018 to the first quarter of 2019 the bookings in California Juvenile Halls decreased by 11%. [\[199\]](#) In March 2019, 70% of California juvenile detention beds were unoccupied. [\[200\]](#) This has led to other counties consolidating, closing, and reconsidering the future of their juvenile facilities. [\[201\]](#) [\[202\]](#) [\[203\]](#)

On the day the Grand Jury inspected the SCCO Juvenile Hall, the staff provided the Grand Jury with details about the facility, staff, and inmates. The Grand Jury learned that at the time of the inspection, there were 10 youth incarcerated, with 22 full time staff and 16 additional on-call staff to support the facility. The Grand Jury also learned the average number of youth incarceration at the SCCO Juvenile Hall is 15 per day, and in addition, the facility supports roughly 300 youth receiving probation services. [\[204\]](#)

With a budget of nearly \$5,000,000,^[205] a large facility with very low usage, and the trend toward consolidating juvenile halls and even closing them down, the Grand Jury suggests the County consider transitioning the use of SCCO Juvenile Hall and the surrounding property into a treatment and multi-faceted supportive services center for homeless individuals (Figure 12). The Grand Jury believes this would be a better use of resources and more appropriate than using the County Jail to house addicted and mentally ill individuals.

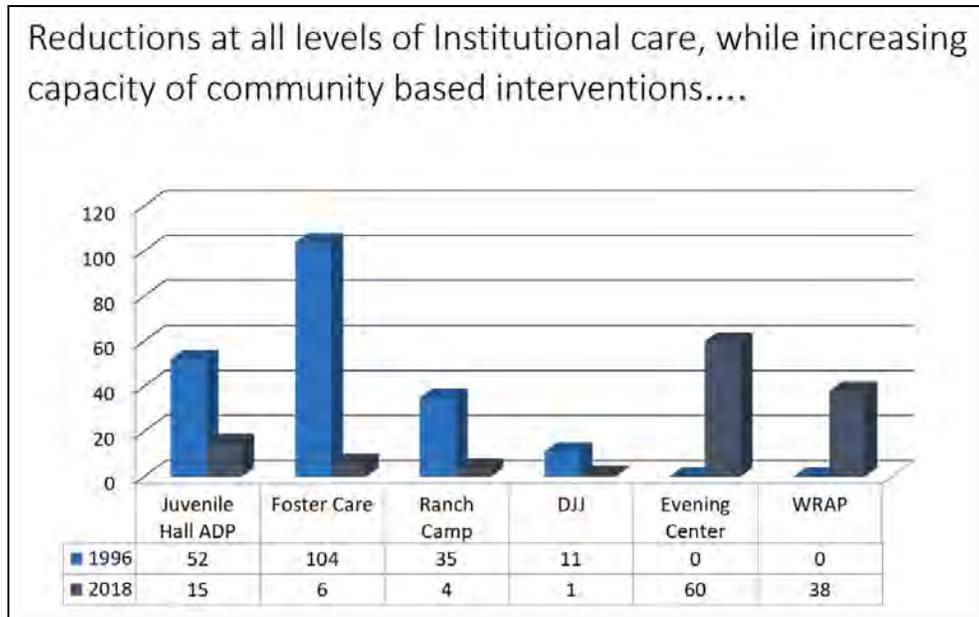


Figure 12. SCCO 2018 Juvenile Probation Report, page 5^[206]

Engaging the Business Community

Santa Cruz County is filled with creative, talented people who should be invited to help develop successful solutions to homelessness. Witness testimony stated there is virtually no outreach performed to encourage local businesses to engage in solving the homeless problem. Outreach to the Santa Cruz County Chamber of Commerce, and the Santa Cruz Cities’ Chambers of Commerce, would be a good place to start as many of the County’s innovative thinkers are not currently seated at the table. There are a variety of businesses, such as those in construction, marketing, and data sciences that should be encouraged to add to or increase their participation in homeless solutions in the community. In failing to engage with local businesses, our City and County leaders squander the opportunity to learn from and leverage this valuable local resource.

Faith-based Organizations

SCCO has a large faith-based community and many of the FBO are doing admirable work to help the homeless in their communities, but testimony from witnesses made it clear that the County's FBOs are an underutilized resource in the community. Witnesses also testified to the power of the church in the community and the impact and influence faith leaders can have on their congregations. When members of the faith community were asked if that influence could include garnering support for local homeless projects and getting congregants onboard to donate time, services, land, and money to build projects such as tiny homes to house the homeless, the answer was a resounding yes. The Grand Jury was surprised to learn, through witness testimony, that one of the County's largest FBOs allocates only 17% of their outreach funding for local outreach projects. However, an official from this FBO stated more support could and would be provided if asked.

The Grand Jury was further surprised to discover the one organization that is trying to bring together the FBOs in an organized fashion is a small nonprofit operating with limited resources and support. According to witness testimony, the AFC is an organization with a small staff and base of volunteers.^[207]

AFC was awarded grants totaling \$685,642 from HAP in 2019 and did the best they could with the resources they had at the time. (See [Appendix A](#).) The Grand Jury heard testimony that AFC felt ill prepared to receive the large grant because they did not have the infrastructure in place to support the large grant, and they did not feel adequately supported by the County. It is worth noting the similar testimony, mentioned earlier in this report, that HAP also felt ill-prepared to receive the 2019 \$10 million grant because of a lack of organizational infrastructure.

The Grand Jury also heard testimony that if given adequate resources and funding, AFC possesses the knowledge and skills to help the County establish the foundation of permanent supportive housing communities throughout the County.

Other California cities and counties, recognizing the value of the FBOs, have formed collaborations. The City of Riverside in Southern California, held a Faith Summit to bring together many of their community FBOs and created the "Love Thy Neighbor" Initiative.^[208] San Diego formed the Interfaith Shelter Network: 70 FBOs that provide shelter and services to homeless individuals utilizing 4,000 volunteers per year to provide those services, working in partnership with San Diego County.^[209]

FBOs services complement those of governmental agencies and having a group of faith leaders to help guide solutions will be a valuable resource at the table and in the community.

Santa Cruz County and Cities should include FBOs in homeless solutions by creating a Countywide team to reach out to the leaders in our faith-based communities. Outreach to these organizations should include planning a retreat where ideas for solutions and

collaboration can be shared, and the work on building a partnership between the County, Cities, and FBOs can begin.

Ashley Fischer said it best in her 2017 article:

FBO homeless ministries are at the forefront of program innovation and organizational transformation for improving positive outcomes for the homeless individuals and families served. Partnering with their local communities and sometimes government, faith-based organizations are often able to work toward effectively treating the issue of homelessness because they recognize humans as spiritual and relational beings, in addition to beings with material needs. According to this case study,^[210] faith-based organizations provide 60% of the emergency shelter beds for the homeless population in America. Faith-based organizations' unique capacity to identify the interdependence of spiritual, physical, relational, mental-health, and vocational well-being has, sadly, often been overlooked.^[211]

Data Collection and Analysis Tools Required

Challenges to Accurate Data and Reporting

As mentioned, based on the PIT Count Survey, Santa Cruz County has 2,167 homeless individuals.^[212] Multiple witnesses testified that these counts are not accurate and only reflect a percentage of the homeless population, and that the extent of the homeless population in our County remains difficult to verify.

The high cost of rent in Santa Cruz County leads to a severe shortage of affordable housing. As a result, many homeless families and individuals end up:

- “Doubled up”
- “Couch surfing”
- Living in their vehicles
- Camping in remote areas
- Living in motels or hotels

These individuals are under-counted in the PIT Count as they do not technically qualify as homeless due to HUDs limited definition of homelessness, as described earlier.

Counting the Students

Another significantly under-counted population appears to be homeless students. While the SCCO 2019 PIT Count states 303 (14%) of the homeless counted were under the age of 18, data from the Santa Cruz County Office of Education tells a different story.^[213] (See Table 4.)

Under the McKinney-Vento Homeless Assistance Act, schools in the United States identify homeless students based on a broader definition of homelessness than the definition used by HUD.^[214] This federal law requires each state to come up with a plan on how to give homeless children the same access and opportunity as housed children

to achieve the state's academic standards.^[215] As can be seen in the chart below, the number of homeless students, especially those “doubled-up,” is significant, far more than the 303 homeless youth identified in the PIT Count survey.

The McKinney-Vento Act does provide some federal funding to states. The funds are targeted for homeless students “for the purpose of facilitating the identification, enrollment, attendance, and success in school of homeless children and youths.”^[216] Funds may only be used to benefit homeless students and for very specific purposes such as extra-curricular activities, academic enrichment classes, and school uniforms.

Table 4. Santa Cruz County Homeless Student Count 2018-2019 School Year

School District	Living Situation				
	Shelters	Doubled-up	Unsheltered	Hotel/Motel	Total
*Independent Schools	1	49	3	0	53
Live Oak School District	17	286	3	12	318
San Lorenzo Valley Unified School District	2	23	2	1	28
Santa Cruz City School District	27	43	1	5	76
Scotts Valley Unified School District	8	18	4	13	43
Soquel Union Elementary School District	1	5	1	1	8
Pajaro Valley Unified School District	120	3855	14	23	4012
Santa Cruz County Office of Education Alternative Education Schools	0	21	0	0	21
Pre-Schools	53	123	14	0	190
TOTALS:	229	4423	42	55	4749
*Independent Schools include: Mountain School, Bonny Doon Elementary, Pacific Elementary, and Happy Valley Elementary					

Source: Santa Cruz County Office of Education Document request^[217]

The United States Homelessness Institute for Children, Poverty, and Homelessness, explains this discrepancy best:

...the United States lacks a unified federal definition of homelessness, leading to discrepancies in how families experiencing homelessness are counted, as well as what types of assistance they can qualify for. While the U.S. Department of Education (ED) uses an inclusive definition of homelessness to guide the annual count of students experiencing homelessness, the Department of Housing and Urban Development (HUD), which funds most programs and services available to families that experience homelessness, limits its definition to those living in shelter or

unsheltered on the street. This means that the majority of these families, including more than 80% of students experiencing homelessness—those living doubled-up and those staying in paid out-of-pocket hotels or motels—are excluded from the annual HUD homeless counts.^[218]

The impact on the 80% of students that are excluded from the annual HUD homeless count is that their needs go unmet, they do not receive targeted resources, and they are not considered eligible for all homeless services.^[219]

Fragmented Data Management

Currently in our county information tracking of homeless services provided is recorded/tracked by using the HMIS (Homeless Management Information System).^[220] HUD requires the use of the HMIS system in order for organizations to receive federal funding for homeless programs. According to witness testimony, the HMIS program is not available or used by all of the various organizations providing homeless services in the County, nor does it include a dashboard with up to date data. The system is fragmented with some agencies collecting only select data and then having only limited access to information. The inaccuracy of the data makes it virtually impossible for city and county agencies, nonprofits and FBOs focused on homeless issues to coordinate and collaborate. As a result, effective decision making is severely hampered.

Data Matters

In order to measure the effectiveness of various programs, a dashboard is needed to enable providers to easily see what services are available at any given time. There are a number of tools available, but none fit the needs of the service providers. In February 2020, the County of Santa Cruz launched "Vision Santa Cruz," a dashboard that documents the Attainable Housing objectives, goals, and progress.^[221] Designed as an informational tool for the public, and updated every six months, this dashboard represents a significant improvement in educating the public. However, it is not the dashboard needed by homeless service providers. **The providers need a more robust dashboard that contains up to date, accurate Countywide information with all providers inputting their respective data to enable service providers to operate more efficiently, and to enable the generation of meaningful metrics to measure progress.** Currently the primary data entry tool utilized in the County is Smart Path.^[222]

Smart Path to Housing and Health

HUD mandates that Continuum of Care (CoC) service providers such as the Homeless Action Partnership (HAP) create a Coordinated Entry System (CES) to help streamline access to housing and housing assistance.^[223] These entry systems must "be easily accessible no matter where or how people present," (i.e. no matter the location, whether in person, virtually, or on the phone),^[224] and the same tool be used in all CES locations where an individual or family is assessed. In Santa Cruz County this community wide CES is called the Smart Path to Housing and Health (Smart Path).

Smart Path was launched in Santa Cruz County in 2018 and uses the Smart Path Assessment, which is also known as the Vulnerability Index Service Prioritization Decision Assistance Tool (VI-SPDAT),^[225] to assess the needs of homeless individuals. Those in need of services can go to homeless services providers throughout the County, or call 2-1-1, to access Smart Path and have their needs assessed. The assessment is used to prioritize decision making and to determine how best to deploy and target scarce resources.^[226] Those who have the highest needs and vulnerabilities are prioritized to receive services. The Smart Path assessment includes four main categories: A History of Housing and Homelessness, Risks, Socialization and Daily Functioning, and Wellness.^[227]

Although Smart Path has improved the ability to identify those with the greatest needs and get them services, Focus Strategies highlighted some significant issues with the system. First, it lacks a diversion component. Second, emergency shelter bed availability is not included. Third, there is no ability to recategorize an individual's needs once they have been assessed. These shortcomings reinforce the need for a more robust management system.^[228]

Silicon Valley Triage Tool

The California League of Cities maintains that collecting data and understanding the cost of homeless are critical in addressing the issue of homelessness and in targeting resources.^[229] The Grand Jury believes SCCO should be tracking the impacts on Santa Cruz County and Cities and its stakeholders more effectively. The Silicon Valley Triage Tool, used in Santa Clara County, could be a resource to help Santa Cruz County achieve that goal.

The Silicon Valley Triage Tool collects a variety of types of information including demographics, criminal history, medical and behavioral health information, etc. and calculates the probability a homeless individual will have high ongoing costs.^[230] This allows for in-depth engagement with these individuals via a case manager who enrolls them into a permanent supportive housing program, regularly monitors their progress, and arranges additional services as needed.^[231] The result has been a dramatic improvement in outcomes, and a reduction in costs from a pre-housing cost of \$56,366 to a post-housing cost of \$37,083 representing a cost reduction of \$19,282 per person per year (after accounting for the costs of housing and services).^[232] Of note, 10% of the homeless individuals accounted for 61% of the expenses. When those high needs individuals were supplied with permanent supportive housing and supportive services, the cost savings to Santa Clara County were significant, dropping from an annual average of \$62,475 to \$19,767.^[233]

Conclusion

The issue of homelessness in Santa Cruz County is not new, nor is it going to be solved overnight. Santa Cruz County has a lot of challenging work ahead. There are five key areas this Grand Jury has identified that are in need of attention.

First and foremost is the need for the community and the elected leadership to work more closely together to come up with solutions to address the multitude of issues faced by the County. Education of the community to the realities of the homeless problem, and engaging the community more into the process would allow elected officials to exercise the political will needed to provide additional housing and services throughout the County.

Second, there is a need for a new governance structure to be accountable for managing the complexity of the homeless problem, and it is recommended the County consider the formation of a JPA, a legal entity with representation from all the Cities in the County. The JPA would need strong leadership to oversee the allocation of funding, take responsibility for measuring and tracking effectiveness, and hold organizations accountable for non-performance.

Third, additional funding must be allocated to improve services and increase case managers available to homeless individuals. To minimize the cycling in and out of the judicial and medical systems due to illnesses such as mental health and substance abuse, and to reduce burden on law enforcement, the county should adopt a 24-hour crisis response team similar to Oregon's CAHOOTS team. Funding is also needed to increase the number of shelter beds and permanent supportive housing if Santa Cruz County is ever to make a dent in the overall number of homeless persons in the County. The promotion of ADUs to increase the supply of affordable housing would reduce the strain on the housing market which is forcing so many to live on the streets, in their cars, or on someone's couch.

Fourth, Santa Cruz County and Santa Cruz Cities should be more effective in utilizing existing resources. County and City owned land should be made available to provide safe parking, and to build easily constructed homeless communities, transitional housing, and permanent supportive housing using a variety of shelter options such as tiny homes and trailers. In addition, there is a need for closer engagement with local businesses and faith-based organizations who can be significant assets in providing solutions to the homeless crisis.

And finally, all participants in the homelessness effort must be rowing in the same direction. New data gathering and measuring mechanisms need to be adopted by all agencies supporting the homeless. Consistent and accurate data is vital to enable the entire system to work effectively for all.

Findings

- F1.** The inaccuracy of the HUD PIT Count results in significant numbers of homeless adults and children not being counted and therefore not receiving needed services.
- F2.** The lack of coordination between key stakeholders is a significant barrier to the efficient and capable implementation of homelessness solutions.
- F3.** The public opposition to homeless solutions is partially due to a lack of education, engagement and political will by City and County leadership.
- F4.** Santa Cruz County elected officials have been unable to combat NIMBYism, which is a significant barrier to getting projects approved and built to support the homeless.
- F5.** Inconsistent and unclear funding sources and processes inhibit the effective implementation of solutions that require long term planning and sustained operations.
- F6.** The Homeless Action Partnership (HAP) is not organizationally equipped with the appropriate authority, structure, leadership, staff, training or processes and as a result is ineffective in its mission of reducing homelessness.
- F7.** An insufficient number of treatment facilities in Santa Cruz County for mental health and substance use disorders leaves homeless individuals without necessary treatment options.
- F8.** Because Santa Cruz County lacks adequate prevention and diversion programs, individuals who could remain in their homes with minimal cash assistance are ending up homeless.
- F9.** The lack of Permanent Supportive Housing (PSH) results in the significant compounding of the homeless issue.
- F10.** Supportive services are limited to one year; this limitation can contribute to instability, a loss of housing, and a return to homelessness.
- F11.** A lack of case managers and outreach results in homeless individuals not having timely access to necessary supportive services.
- F12.** There are parcels of land throughout the county that appear to be unused or underutilized, and could possibly be used to build housing for the homeless.
- F13.** Santa Cruz County law enforcement response to homeless, addiction, and mental health issues has the potential to criminalize social, medical, and psychological conditions. This requires law enforcement to perform the role of social worker; a role for which they lack the resources and mental health training.
- F14.** There is a lack of leadership from County and City officials to engage the business community in exploring potential solutions to homelessness.

- F15.** The Rountree Detention Center provides inmates with construction skills training. This training could be effectively applied to the building of tiny homes or other structures that could provide much needed housing.
- F16.** Santa Cruz County and Cities, despite owning numerous parking lots, choose not to utilize their parking lots for safe parking programs, which results in an underutilization of resources that could help reduce homeless parking in neighborhoods and business districts.
- F17.** Faith-Based Organizations are an underutilized resource in the effort to end homelessness.
- F18.** Due to the inconsistent collection of Homeless Management Information System (HMIS) data, the accuracy of funding decisions for service providers is negatively impacted.
- F19.** Santa Cruz County lacks an organization that is accountable for tracking the cost of homelessness, allocating funding, and measuring the effectiveness of funding which results in the inability to make progress toward solving the homeless problem.
- F20.** There are tools available, such as Santa Clara County's "Silicon Valley Triage Tool," that could be applied to Santa Cruz County to allow the County to better understand the true cost of homelessness enabling the County to use public resources more efficiently.
- F21.** If underutilized parcels of land throughout Santa Cruz County were identified, such as the area near Coral Street in Santa Cruz, and the parcel adjacent to the County Government Mental Health Building in Watsonville, these parcels could potentially be used to increase the number of beds and services to support the homeless.
- F22.** The information provided in the ADU section of the Santa Cruz County Planning Department's website is not user friendly, and therefore not as encouraging as it could be to homeowners looking to build much needed housing for the County.

Recommendations

- R1.** Santa Cruz County and Cities should coordinate to perform a count of the number of homeless individuals in the County annually, and use that contact opportunity to encourage individuals to enroll in the Smart Path system. (F1)
- R2.** The Santa Cruz County Board of Supervisors and City Councils should jointly develop programs, services, and housing equitably distributed throughout each district and city in the County, communicating to the public an itemized list of such and broken down by supervisorial district by July 1, 2021. (F2)
- R3.** By December 31, 2020, the Santa Cruz Administrative Officer (CAO) and Cities should create a Community Task Force that includes City Managers, nonprofit leaders, former homeless individuals, media personnel, community members, and political leaders to create good will, and encourage collaboration in solving homeless issues. (F3, F4)
- R4.** Santa Cruz County and Cities should collaborate to develop a JPA that would be responsible for setting short and long term goals to reduce homelessness, measuring the cost of homelessness, allocating funding, and tracking the effectiveness of funding, by July 1, 2021. (F5, F6, F19)
- R5.** The Santa Cruz County Health Services Agency should expand relationships with regional psychiatric hospitals to identify more beds and treatment options when they are unavailable in Santa Cruz County by December 31, 2020. (F7)
- R6.** The Santa Cruz County Administrative Officer (CAO) and the County's City Managers should identify parcels of land within their jurisdictions that could be utilized to supply homeless services and/or temporary or permanent housing, and report such sites to their governing bodies by December 31, 2020. (F9, F21)
- R7.** In the Fiscal Year 2021-2022 budget, the Santa Cruz County Board of Supervisors should direct the agencies that provide grant funding for homeless services to prioritize more funding for case managers, diversion and prevention programs, and the extension of supportive services to more than one year when appropriate. (F8, F10, F11)
- R8.** Santa Cruz County should redesign their Planning Department's ADU web page to showcase and direct interested visitors to begin the ADU process online, using the San Jose or Santa Clara Planning Department's web sites as a model by December 31, 2020. (F22)
- R9.** By December 31, 2020, the City of Santa Cruz should evaluate whether closing Coral Street permanently to thru traffic, to make more space available for additional housing and services for the homeless, would be a viable option. (F13)

- R10.** Beginning in December of 2020, the Santa Cruz County Administrative Officer and the County's City Managers should direct their agencies involved with homelessness to engage with local business leaders including Chambers of Commerce, to collaborate on innovative solutions that could reduce the number of homeless. (F14)
- R11.** The Santa Cruz County Sheriff should assess the viability of instituting a program at the Rountree Detention Center to train inmates to build small housing structures such as tiny homes or ADUs, to increase the amount of homeless housing. The results of this should be reported to the Santa Cruz County Board of Supervisors by December 31, 2020. (F15)
- R12.** By December 31, 2020, the Santa Cruz County Board of Supervisors and the County's City Managers should direct appropriate agencies and staff to implement a city and county wide safe parking program using the successful model of the Association of Faith Communities (AFC). This should include investigating whether college campus parking lots could be incorporated into this program. (F16)
- R13.** Santa Cruz County and Cities should coordinate a retreat for all Faith Based Organizations (FBOs) in the County to collaborate on how to work cohesively on the issue of homelessness. (F17)
- R14.** Effective with fiscal year 2021-2022, the Santa Cruz County Administrative Office should work with the Homeless Action Partnership (HAP) to ensure that grants awarded to homeless service providers require a contract that mandates the use of the Homeless Management Information System (HMIS). (F18)
- R15.** By the beginning of fiscal year 2021-2022, Santa Cruz County Administrative Officer should develop and implement a system for tracking the cost of homeless, fashioned after the Silicon Valley Triage Tool, and require it be utilized by all agencies receiving funding for homeless services of any kind. (F20)
- R16.** Santa Cruz County Board of Supervisors should request the Santa Cruz County Administrative Officer investigate and report on the viability of converting the underutilized County Juvenile Hall campus, located at 3650 Graham Hill Rd, Felton, CA into a facility focused on fulfilling crucial homeless, mental health and substance abuse needs by December 31, 2020. (F7)
- R17.** By December 31, 2020, Santa Cruz County Planning Department should evaluate whether using the parcel of land adjacent to the County Mental Health Building to provide more temporary or permanent housing for the homeless would be a viable option, and report the results to the Board of Supervisors by December 31, 2020. (F21)

R18. Santa Cruz County should create a 24-hour mobile crisis response unit that includes medical staff and an experienced crisis worker to respond to emergency 911 calls and non-emergency police calls that do not involve legal issues or threats of violence. The Santa Cruz County Board of Supervisors should work with the County's law enforcement agencies to identify funds in their budgets that could be allocated to this program. The Grand Jury recommends the County consider using CAHOOTS (Crisis Assistance Helping Out On The Streets) in Eugene, Oregon as a model. (F13)

Commendations

- C1.** The Grand Jury would like to commend the Santa Cruz County Board of Supervisors and the Santa Cruz County Human Services Agency for building the South County Behavioral Health facility, thereby expanding behavioral health services in the South County.
- C2.** The Grand Jury would like to commend the vast number of individuals, non-profits, faith-based organizations and County agencies, who are dedicated and working hard to support and reduce the homeless population in Santa Cruz County.

Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Board of Supervisors	F1–F22	R1–R18	90 Days September 28, 2020
Santa Cruz County Sheriff	F13, F15	R11	60 Days August 31, 2020
Capitola City Council	F1–F6, F12–F14, F16–F17, F19, F21	R1–R4, R9, R12–R13	90 Days September 28, 2020
Santa Cruz City Council	F1–F6, F12–F14, F16–F17, F19, F21	R1–R4, R9, R12–R13	90 Days September 28, 2020
Scotts Valley City Council	F1–F6, F12–F14, F16–F17, F19, F21	R1–R4, R9, R12–R13	90 Days September 28, 2020
Watsonville City Council	F1–F6, F12–F14, F16–F17, F19, F21	R1–R4, R9, R12–R13, R17	90 Days September 28, 2020

Requested Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
Santa Cruz County Administrative Officer	F7–F11, F14, F16–F18, F20–F21	R5–R7, R13–R16	90 Days September 28, 2020
Santa Cruz County Human Services Agency	F7–F8, F10–F11, F21	R5–R7, R15, R17–R18	90 Days September 28, 2020
Santa Cruz County Information Services Department	F22	R8	90 Days September 28, 2020
Santa Cruz County Planning Department	F21–F22	R8, R17	90 Days September 28, 2020
Capitola City Manager	F3–F6, F9, F12–F14, F16–F17, F19, F21	R3–R4, R6, R9–R10, R12–R13	90 Days September 28, 2020
Santa Cruz City Manager	F3–F6, F9, F12–F14, F16–F17, F19, F21	R3–R4, R6, R9–R10, R12–R13	90 Days September 28, 2020
Scotts Valley City Manager	F3–F6, F9, F12–F14, F16–F17, F19, F21	R3–R4, R6, R9–R10, R12–R13	90 Days September 28, 2020
Watsonville City Manager	F3–F6, F9, F12–F14, F16–F17, F19, F21	R3–R4, R6, R9–R10, R12–R13	90 Days September 28, 2020
City of Capitola Chief of Police	F13	R18	60 Days August 31, 2020
City of Santa Cruz Chief of Police	F13	R18	60 Days August 31, 2020
City of Scotts Valley Chief of Police	F13	R18	60 Days August 31, 2020
City of Watsonville Chief of Police	F13	R18	60 Days August 31, 2020

Definitions

- **Accidental Adversaries:** When groups of people who ought to be in partnership with each other become enemies. This can occur when each group is competing for the same vital resources.
- **Accessory Dwelling Units (ADU):** sometimes called “granny units” or “second units,” are housing units that can be attached or detached accessory structures associated with single or multifamily dwellings.
- **Association of Faith Communities (AFC):** is an incorporated association of local faith communities in Northern Santa Cruz County banding together to alleviate suffering through interfaith action.
- **California Welfare and Institutions Code (WIC) § 5150):** an individual can be placed involuntarily in a locked psychiatric facility, for an evaluation for up to 72 hours. Any peace officer or specific individuals authorized by a county government may place the hold. Three criteria apply – the individual is assessed to be: a danger to themselves, a danger to others, or "gravely disabled". Defined by an individual's lack of ability, due to their mental illness, to provide for their food, clothing, or shelter. In the case of children, it is the inability to use food, clothing, or shelter even if it is supplied.
- **California Welfare and Institutions Code (WIC) § 5008(h):** defines the term “gravely disabled” an individual's lack of ability, due to their mental illness, to provide for their food, clothing, or shelter. In the case of children, it is the inability to use food, clothing, or shelter even if it is supplied.
- **California Emergency Solutions and Housing (CESH):** A state-funded block grant program to address the needs of homeless individuals and families and assist them in regaining stable housing.
- **Chronically Homeless:** A “homeless individual with a disability,” as defined in the Act, who:
 1. Lives in a place not meant for human habitation, a safe haven, or in an emergency shelter; and has been homeless (as described above) continuously for at least 12 months or on at least 4 separate occasions in the last 3 years where the combined occasions must total at least 12 months.
 - a. Occasions separated by a break of at least seven nights.
 - b. Stays in institution of fewer than 90 days do not constitute a break.
 2. An individual who has been residing in an institutional care facility for fewer than 90 days and met all of the criteria in paragraph (1) of this definition, before entering that facility; or
 3. A family with an adult head of household (or if there is no adult in the family, a minor head of household) who meets all of the criteria in paragraphs (1) or (2) of this definition, including a family whose composition has fluctuated while the head of household has been homeless.

- **Continuum of Care (COC):** A system to reduce the incidence of homelessness in CoC communities by assisting homeless individuals and families in quickly transitioning to self-sufficiency and permanent housing.
- **Coordinated Entry System (CES):** A community-wide system that seeks to effectively and efficiently match people experiencing homelessness to available housing and services that best fit their specific needs and situation. An emerging best practice for conducting assessments and referrals that provides a “no wrong door” approach to addressing homelessness.
- **Corporation for Supportive Housing (CSH):** A corporation with the mission to advance solutions that use housing as a platform for services to improve the lives of the most vulnerable people, maximize public resources and build healthy communities.
- **Crisis Stabilization Program:** A direct service that assists with deescalating the severity of a person's level of distress and/or need for urgent care associated with a substance use or mental health disorder.
- **Disabled and Medically Vulnerable (DMC):** a housing voucher program with a limited waiting list preference for disabled and medically vulnerable homeless persons.
- **Diversion Program:** A strategy that prevents homelessness for people seeking shelter by helping them identify immediate alternate housing arrangements and, if necessary, connecting them with services and financial assistance to help them return to permanent housing.
- **Doubled-up:** The informal wording used to describe a concept included in the McKinney-Vento Act’s definition of homeless. It refers to shared living arrangements, some of which may be considered homeless, while others may not be, depending on various factors.
- **Emergency Shelter:** Any facility, the primary purpose of which is to provide a temporary shelter for the homeless in general or for specific populations of the homeless and which does not require occupants to sign leases or occupancy agreements.
- **Federal Emergency Management Agency (FEMA):** an agency of the United States Department of Homeland Security. The agency's primary purpose is to coordinate the response to a disaster that has occurred in the United States and that overwhelms the resources of local and state authorities
- **Faith-based Organization (FBO):** An organization whose values are based on faith and/or beliefs, which has a mission based on social values of the particular faith, and which most often draws its activists (leaders, staff, volunteers) from a particular faith group.

- **Families in Transition (FIT):** Provides housing, education programs and services created specifically to help South County families who are homeless or at risk of becoming homeless.
- **Homeless Emergency Assistance Program (HEAP):** A \$500 million block grant program designed to provide direct assistance to cities, counties and Continuums of Care (CoCs) to address the homelessness crisis throughout California.
- **Homeless Action Partnership, HAP:** A collaboration of the five jurisdictions in Santa Cruz County (the County and the Cities of Santa Cruz, Watsonville, Capitola and Scotts Valley) along with homeless housing and services providers.
- **Homeless Definitions - HUD Exchange**
 - **Category 1 Literally Homeless:** An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:
 - (i) Has a primary nighttime residence that is a public or private place not meant for human habitation;
 - (ii) Is living in a publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state and local government programs); or
 - (iii) Is exiting an institution where (s)he has resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution.
 - **Category 2 Imminent Risk of Homelessness:** An individual or family who will imminently lose their primary nighttime residence, provided that:
 - (i) Residence will be lost within 14 days of the date of application for homeless assistance;
 - (ii) No subsequent residence has been identified; and
 - (iii) The individual or family lacks the resources or support networks needed to obtain other permanent housing.
 - **Category 3 Homeless under other Federal statutes:** Unaccompanied youth under 25 years of age, or families with Category 3 children and youth, who do not otherwise qualify as homeless under this definition, but who:
 - (i) Are defined as homeless under the other listed federal statutes;
 - (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing during the 60 days prior to the homeless assistance application;
 - (iii) Have experienced persistent instability as measured by two moves or more during in the preceding 60 days; and
 - (iv) Can be expected to continue in such status for an extended period of time due to special needs or barriers.

- **Category 4 Fleeing/ Attempting to Flee DV:** Any individual or family who:
 - (i) Is fleeing, or is attempting to flee, domestic violence;
 - (ii) Has no other residence; and
 - (iii) Lacks the resources or support networks to obtain other permanent housing.
- **Homelessness Management Information System (HMIS):** A local information technology system used to collect client-level data and data on the provision of housing and services to homeless individuals and families and persons at risk of homelessness.
- **Housing First:** An approach that offers permanent, affordable housing as quickly as possible for individuals and families experiencing homelessness, and then provides the supportive services and connections to the community-based supports people need to keep their housing and avoid returning to homelessness.
- **Housing Urban Development (HUD):** A U.S. government agency that supports community development and homeownership. The Fair Housing Act prevents discrimination in housing based on sex, race, color, national origin, and religion.
- **Joint Powers Agreement (JPA):** A formal, legal agreement between two or more public agencies that share a common power and want to jointly implement programs, build facilities, or deliver services. Officials from those public agencies formally approve a cooperative arrangement.
- **Joint Powers Authority or Agency (JPA):** A new, separate government organization created by the member agencies, but is legally independent from them. Like a joint powers agreement (in which one agency administers the terms of the agreement), a joint powers agency shares powers common to the member agencies, and those powers are outlined in the joint powers agreement.
- **Jurisdiction:** The power to exercise authority over persons and things within a defined geographical territory or field of responsibility.
- **National Alliance on Mental Illness Santa Cruz County (NAMISCC):** The Santa Cruz chapter or a national advocacy group that is dedicated to building better lives for the millions of Americans affected by mental illness.
- **Navigation Centers:** Low-threshold, high-service temporary shelter programs for adults experiencing homelessness.
- **Not In My Back Yard (NIMBY):** A person who objects to the siting of something perceived as unpleasant or potentially dangerous in their own neighborhood, such as a landfill or hazardous waste facility, especially while raising no such objections to similar developments elsewhere.

- **Permanent Supportive Housing (PSH):** A proven, effective means of reintegrating chronically homeless and other highly vulnerable homeless families and individuals with psychiatric disabilities or chronic health challenges into the community by addressing their basic needs for housing and providing ongoing support.
- **Point In Time Survey (PIT):** A HUD mandated biannual count of sheltered and unsheltered people experiencing homelessness on a single night in January.
- **Political Will:** Political intention or desire (in early use not as a fixed collocation); (later) specifically the firm intention or commitment on the part of a government to carry through a policy, especially one which is not immediately successful or popular.
- **Post Traumatic Stress Disorder (PTSD):** A mental health condition that is triggered by a terrifying event — either experiencing it or witnessing it. Symptoms may include flashbacks, nightmares and severe anxiety, as well as uncontrollable thoughts about the event.
- **Prevention Programs:** Provides financial assistance to individuals and families at imminent risk of becoming homeless to maintain their housing or find suitable alternative housing before becoming homeless.
- **Rapid Re-housing:** Permanent housing, but the assistance is meant to be temporary.
- **Request For Proposal (RFP):** A document that solicits proposals, often made through a bidding process, by an agency or company interested in procurement of a commodity, service, or valuable asset, to potential suppliers to submit business proposals.
- **Safe Parking:** A program that gives a temporary, overnight, safe location to park for individuals and families living in a vehicle while providing access to services that will transition them into more stable housing.
- **Section 8 Program:** Allows private landlords to rent apartments and homes at fair market rates to qualified low income tenants, with a rental subsidy administered by Home Forward. “Section 8” is a common name for the Housing Choice Voucher Program, funded by the United States. Department of Housing and Urban Development.
- **Sheltered:** An individual/family living in a supervised publicly or privately operated shelter designed to provide temporary living arrangement.
- **Shelter:** A building set up to provide for the needs of homeless people; often including shelter, food, sanitation and other forms of support.

- **SMART PATH, Housing and Health: Coordinated Assessment and Referral System:** A coordinated entry system that streamlines access to housing assistance and services for all people experiencing homelessness. Individuals and families will complete uniform assessments at a variety of easy to access locations throughout the county.
- **Stakeholders:** Any person, organization, social group, or society at large that is invested in the success or outcome of an enterprise, project, or endeavor. Thus, stakeholders can be internal or external to the business. A stake is a vital interest in the business or its activities.
- **Substance Use Disorder (SUD):** A disease that affects a person's brain and behavior and leads to an inability to control the use of a legal or illegal drug or medication. Substances such as alcohol, marijuana and nicotine also are considered drugs.
- **Treatment Advocacy Center (TAC):** A non profit organization dedicated to eliminating barriers to the timely and effective treatment of severe mental illness
- **Tiny Home:** a small house, typically sized under 600 square feet. While they can be built on foundations, most tiny homes are built on trailers. This style of tiny house is often referred to as a THOW (tiny house on wheels).
- **Transitional Housing:** Temporary housing for certain segments of the homeless population, including working homeless people who are earning too little money to afford long-term housing. Transitional housing is set up to transition residents into permanent, affordable housing.
- **Unsheltered:** An individual or family whose primary nighttime residence is a public/private place not designed for or ordinarily used as a regular sleeping accommodation for human beings. These are people living on the street or in makeshift shelters (tents, boxes), motorhomes (RV), vans, or cars.

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236. Kara Myerberg Guzman. December 18, 2019. "Santa Cruzans share input on homeless shelters." Santa Cruz Local. Accessed June 15, 2020.
<https://santacruzlocal.org/2019/12/18/santa-cruzans-share-input-on-homeless-shelters/>

Site Visits

Housing Matters, Coral Street, Santa Cruz, CA
 Juvenile Hall, Felton, CA
 Rountree Detention Center, Watsonville, CA
 Land surveys, Watsonville, CA

Websites

Butte County Departments <http://www.buttecounty.net/departments>
 County of San Luis Obispo <http://www.slocounty.ca.gov/site4.aspx>
 Curry TB Center, UCSF
https://www.currytbcenter.ucsf.edu/sites/default/files/product_tools/homelessn essandtbtoolkit/general.html

Appendix A HEAP & CESH 2019 Award Decisions

Table A1. HEAP & CESH 2019 RFP Award Decisions

Applicant/Project	Activities Funded	HEAP Amount	CESH Amount	Total
City of Santa Cruz Land Purchase	Land Purchase for: Emergency Shelter, Hygiene Day Services	\$1,400,000	\$0	\$1,400,000
Reservation of Funds for North County Navigation Center/Year Round Shelter Operations	Navigation Center Year-Round Emergency Shelter Day Services Hygiene Services	\$1,030,294	\$177,888	\$1,208,182
Salvation Army South County Navigation Center	Shelter Case management Housing navigation Hygiene services Basic needs services Rental assistance	\$822,112	\$177,888	\$1,000,000
Encompass CS YHDP Youth Resource Center	Youth/young adult day center services Respite beds	\$787,003	\$0	\$787,003
Adobe Services Rapid Rehousing Program	Rapid rehousing Financial assistance Housing navigation	\$382,383	\$217,617	\$600,000
Homeless Services Center Paul Lee Loft Shelter Operations	Shelter Case management Hygiene services	\$555,000	\$0	\$555,000
Community Action Board Watsonville Works!	Case management Transitional work experience	\$459,182	\$0	\$459,182
Community Action Board Rental Assistance Program	Prevention Case Management Rental assistance	\$381,985	\$69,833	\$451,818
Community Action Board YHRT (Youth Homeless Response Team)	Youth and young adult: Case management Housing navigation Employment & education referrals Benefits referrals Emergency vouchers	\$422,835	\$0	\$422,835
Association of Faith Communities (AFC) Faith Community Shelter	Shelter Case management Hygiene services	\$402,692	\$0	\$402,692
Monarch Services DV Emergency Shelter Capital Improvements	Capital improvements Domestic violence shelter Motel vouchers	\$350,000	\$0	\$350,000
Santa Cruz County Housing Authority Landlord Incentives & Move In Costs	Financial assistance Landlord bonuses Unit repair fund	\$251,700	\$68,315	\$320,015

Table A1. HEAP & CESH 2019 RFP Award Decisions, continued				
Applicant/Project	Activities Funded	HEAP Amount	CESH Amount	Total
Community Bridges Mountain Community Resources	Case management Hygiene services Basic needs services	\$240,478	\$0	\$240,478
Association of Faith Communities (AFC) SafeSpaces Parking	Parking Hygiene services Volunteer meals	\$237,950	\$0	\$237,950
Cabrillo College Emergency Housing Services Program	Rental assistance	\$137,724	\$0	\$137,724
MHCAN Shower	Showers	\$110,994	\$0	\$110,994
Congregational Church, Soquel MCHC Shower the People	Portable showers Hygiene services	\$61,270	\$0	\$61,270
Bill Wilson Center Shared Housing for Youth	Youth/young adults: Shared housing Case management Financial assistance Host incentives	\$58,300	\$0	\$58,300
Santa Cruz County CoC Lead Planning	CoC planning/coordination	\$0	\$44,471	\$44,471
Community Technology Alliance Santa Cruz County HMIS	HMIS services	\$0	\$44,471	\$44,471
Santa Cruz County HSD Smart Path to Housing and Health	Coordinated entry services	\$0	\$44,471	\$44,471
Wings Homeless Advocacy Vital Identification Records	Birth certificates and other ID services	\$38,700	\$0	\$38,700
TOTAL				\$8,975,556

Source: Santa Cruz County HEAP and CESH Awards 2019^[234]

Table A2. 2019 HEAP LOI and Emergency Allocation Award Decisions

Applicant/Project	Activities Funded	HEAP Amount	CESH Amount	Total
Emergency Sheltering LOI (Letter Of Intent)				
Association of Faith Communities (AFC) SafeSpaces Parking	Parking Hygiene Services Volunteer Meals etc.	\$45,000	\$0	\$45,000
Homeless Services Center Paul Lee Loft and Hygiene Bay	Shelter Case management Hygiene services	\$120,000	\$0	\$120,000
Salvation Army Santa Cruz Emergency Shelter	Shelter Case management Hygiene services Basic needs services	\$195,000	\$0	\$195,000
Salvation Army Watsonville Emergency Shelter	Shelter Case management Hygiene services Basic needs services	\$110,000	\$0	\$110,000
Emergency Allocations - immediate public health & safety hygiene and urgent sheltering needs				
City of Santa Cruz - River Street		\$64,677	\$0	\$64,677
City of Santa Cruz Hygiene at Gateway Plaza		\$100,000	\$0	\$100,000
Homeless Services Center Hygiene Bay		\$18,000	\$0	\$18,000
Salvation Army - River Street Camp		\$206,323	\$0	\$206,323
TOTAL				\$859,000
TOTAL including EMERGENCY AWARDS				\$9,834,556
TOTAL including 5% set aside for admin				\$10,362,771
Balance available from grants of \$10,564,307				\$201,536

Source: Santa Cruz County HEAP and CESH Awards 2019^[235]

Appendix B Homeless Services Information

Table B1. Partner agencies participating in the HMIS system by District

District 1	District 3
Association of Faith Communities	Homeless Garden Project
VFW Halls	District 4
Encompass	Community Action Board
Front Street	VFW Halls
Homeless Persons Health Project	Pajaro Rescue Mission
Housing Matters	Pajaro Valley Shelter Services
Veterans Resource Center	Salvation Army
Adult Protective Services	Behavioral Health
Behavioral Health	Housing Choices
Downtown Streets Team	Families In Transition
Janus of Santa Cruz	Salud Para La Gente
Mental Health Client Action Network	District 5
The Housing Authority	Mountain Community Resources
District 2	Wings Homeless Advocacy
Association of Faith Communities	

Source: Compiled from documents requested of the Human Services Department that covered 2018.

Table B2. Low income housing comparisons

City	Number of Housing Complexes	Webpage with the Information
Capitola	3	https://www.lowincomehousing.us/CA/capitola.html
Santa Cruz	27	https://www.lowincomehousing.us/CA/santa_cruz.html
Scotts Valley	2	https://www.lowincomehousing.us/CA/scotts%20valley
Watsonville	16	https://www.lowincomehousing.us/CA/watsonville.html

Source: The webpage for each city is linked above.



Figure B1. Homeless Shelters in Santa Cruz County^[236]

Attachment: Grand Jury Report. Homelessness. Big Problem, Little Progress. It's time to think outside the box. small (Grand Jury Response



**The 2019–2020 Santa Cruz County Civil Grand Jury
Requires that the
City of Capitola City Council
Respond to the Findings and Recommendations
Specified in the Report Titled
Homelessness: Big Problem, Little Progress
It's Time To Think Outside The Box
by September 28, 2020**

When the response is complete, please

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

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

Instructions for Respondents

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

Response Format

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

Validation

Date of governing body's response approval: September 10, 2020

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

Findings

F1. The inaccuracy of the HUD PIT Count results in significant numbers of homeless adults and children not being counted and therefore not receiving needed services.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Agree. However, this is the HUD count methodology which we are required to utilize and while not ideal, the use of this consistent methodology allows for the ability to track progress over time. Our partners throughout Santa Cruz County have also successfully advocated for changes to the methodology in the past and we intend to support these continued efforts in order to better refine the tool.

F2. The lack of coordination between key stakeholders is a significant barrier to the efficient and capable implementation of homelessness solutions.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Coordination between key stakeholders exists but is insufficient. There is regional coordination through the Homeless Action Partnership (HAP) that acts as the HUD mandated Continuum of Care (COC.) The HAP is a collaboration of the five jurisdictions in Santa Cruz County (the County and the Cities of Santa Cruz, Watsonville, Capitola, and Scotts Valley) along with homeless housing and services providers. However, not everything related to homelessness and addressed in this report is under the jurisdiction of the HAP. There are regional efforts to develop enhanced regional homeless governance options and we are in support of those efforts continuing to move forward.

F3. The public opposition to homeless solutions is partially due to a lack of education, engagement and political will by City and County leadership.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Over the past 10 plus years, City leadership has worked to understand and tackle the complex issue of homelessness. Beginning with participation in the HAP to a leadership role in the preparation of the 2015 regional “All In” plan to end homelessness and ongoing participation in the COC/HAP. City leadership has staffed, or participated in multiple efforts to educate and engage the public on the topic of homelessness and worked in an effort to reduce opposition to a wide variety of possible solutions in our community.

The County’s commitment to taking a leadership role in the issue by expanding beyond the creation of the Homeless Services Coordinator position into developing a full division devoted to leading and coordinating homelessness related activities is beneficial for all jurisdictions and is anticipated to provide clearer education, engagement and coordination.

Generally speaking, a lack of political will is defined retrospectively when looking at failed programs and initiatives. However, it is important to point out that while not all of recommendations from various regional efforts over the years were able to gain traction, some of the solutions have been accepted and even embraced by the public. These are demonstrated by the City’s long-standing support for emergency housing assistance programs and regional sheltering options, and regional success with the Homeless Garden Project, homeless outreach and engagement efforts, such as the Santa Cruz Downtown Outreach Workers, and homelessness diversion efforts.

F4. Santa Cruz County elected officials have been unable to combat NIMBYism, which is a significant barrier to getting projects approved and built to support the homeless.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Elected leaders are responsible for making difficult policy decisions for our community. Difficult policy decisions, by their nature, involve tradeoffs between competing interests. Homeless issues often involve those difficult policy decisions. While a number potential homeless programs or projects have not been implemented some have been implemented. Those decisions were made based on policy tradeoffs and competing community interests. To categorize those decisions to not implement some of those proposed programs or projects as simply a response to NIMBYism appears overly simplistic and unfair.

F5. Inconsistent and unclear funding sources and processes inhibit the effective implementation of solutions that require long term planning and sustained operations.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

There are funding challenges associated with homelessness that are partially due to lack of control at the local level. A significant portion of homelessness funding comes through the state and federal government, which the City has limited ability to control. There is currently no funding for homeless services that goes directly to the cities in Santa Cruz County

F6. The Homeless Action Partnership (HAP) is not organizationally equipped with the appropriate authority, structure, leadership, staff, training or processes and as a result is ineffective in its mission of reducing homelessness.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Partially disagree. The HAP is a federally required COC for HUD recipients. Many of the homeless issues are outside the scope of the HAP. The ongoing work to develop a county-wide governance structure for homelessness related policies is envisioned to strengthen local homelessness response and administration thereof.

F12. There are parcels of land throughout the county that appear to be unused or underutilized, and could possibly be used to build housing for the homeless.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

F13. Santa Cruz County law enforcement response to homeless, addiction, and mental health issues has the potential to criminalize social, medical, and psychological conditions. This requires law enforcement to perform the role of social worker; a role for which they lack the resources and mental health training.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

The Capitola Police Department is committed to providing proper care and services to individuals exhibiting non-criminal behavior resulting from social issues or behaviors resulting from medical and psychological conditions. All police officers have completed Crisis Intervention Training hosted by the Santa Cruz Sheriff's Office, focusing on the need for collaborative efforts and the formation of effective partnerships with all available County resources to effectively provide assistance to less fortunate individuals suffering from homelessness, addiction and mental health issues.

The Capitola Police Department utilizes "best practice" policing models to guide our responses and interactions with any individuals or groups in need of law enforcement services including those described above. Our well-established commitment to a professional and collaborative relationship with the mental health, social service and substance abuse professionals throughout the County is a key component to success.

The primary focus of Capitola police officers related to enforcement will always be an assessment of known or potential criminal behavior rather than social, medical or psychological factors.

F14. There is a lack of leadership from County and City officials to engage the business community in exploring potential solutions to homelessness.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Some engagement has occurred and more is welcome.

F16. Santa Cruz County and Cities, despite owning numerous parking lots, choose not to utilize their parking lots for safe parking programs, which results in an underutilization of resources that could help reduce homeless parking in neighborhoods and business districts.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Safe parking program are in place with the County and the City of Santa Cruz through state HEAP funds. There is an ongoing effort countywide to expand and develop the project further.

F17. Faith-Based Organizations are an underutilized resource in the effort to end homelessness.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Faith-Based Organizations are and have been very engaged and partner strongly throughout the region. They have had roles in county-wide and city committees and task forces to address the issue of homelessness and have brought solutions to the table that have been utilized including safe parking, temporary shelters, food, hygiene and clothing support in addition to other activities. As future opportunities arise, we welcome continued and increased engagement.

F19. Santa Cruz County lacks an organization that is accountable for tracking the cost of homelessness, allocating funding, and measuring the effectiveness of funding which results in the inability to make progress toward solving the homeless problem.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Currently, there isn't a single organization with this role and responsibility. Capacity to provide this level of analytics is limited. Efforts to build capacity for accountable for tracking the cost of homelessness, allocating funding, and measuring the effectiveness of funding is ongoing. The County Human Services Department is launching a new Housing for Health Division in Fall 2020. The new Housing for Health Division will develop and track housing data and increase evaluation capacity.

F21. If underutilized parcels of land throughout Santa Cruz County were identified, such as the area near Coral Street in Santa Cruz, and the parcel adjacent to the County Government Mental Health Building in Watsonville, these parcels could potentially be used to increase the number of beds and services to support the homeless.

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

There are underutilized parcels of land throughout Santa Cruz County not all of which could be used to increase the number of beds and services to support the homeless due to underlying zoning. The County and the City of Santa Cruz have partnered with Housing Matters to explore potential additional uses as well as reconfiguration and expansion of current services in the Coral Street area some of which have already occurred in response to COVID. Capitola has no land use control or regulatory authority over the examples cited in the finding. The City of Capitola's Housing Element identifies underutilized parcels of land within the City that could potentially be used to increase housing supply.

Recommendations

R1. Santa Cruz County and Cities should coordinate to perform a count of the number of homeless individuals in the County annually, and use that contact opportunity to encourage individuals to enroll in the Smart Path system. (F1)

HAS BEEN IMPLEMENTED – summarize what has been done

HAS NOT BEEN IMPLEMENTED BUT WILL BE IMPLEMENTED IN THE FUTURE – summarize what will be done and the timeframe

REQUIRES FURTHER ANALYSIS – explain scope and timeframe (not to exceed six months)

WILL NOT BE IMPLEMENTED – explain why

Response explanation, summary, and timeframe:

Budget and cost is a consideration for modifying to an annual count. Currently the County and cities participate in the bi-annual census of homeless individuals. This count involves a significant expenditure of limited public resources. This report does not cite any data indicating how performing a count more frequently would result in better information to inform local policy decision making processes. Additionally, as referenced above, utilizing the HUD PIT methodology, while imperfect, is consistent throughout and across jurisdictions which does provide for a consistent tool with which to track progress.

R2. The Santa Cruz County Board of Supervisors and City Councils should jointly develop programs, services, and housing equitably distributed throughout each district and city in the County, communicating to the public an itemized list of such and broken down by supervisorial district by July 1, 2021. (F2)

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

Response explanation, summary, and timeframe:

There is no existing plan to implement. Planning work on a regional scale is happening on a broad-based engagement process. A 3-year strategic plan is under development and set for adoption in October by the County. A Santa Cruz County 6-month action plan has been adopted and underway through December and a second plan will be implemented in January 2021.

R3. By December 31, 2020, the Santa Cruz Administrative Officer (CAO) and Cities should create a Community Task Force that includes City Managers, nonprofit leaders, former homeless individuals, media personnel, community members, and political leaders to create good will, and encourage collaboration in solving homeless issues. (F3, F4)

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

Response explanation, summary, and timeframe:

Governance work is ongoing. An advisory commission to the Board of Supervisors is under consideration. An interjurisdictional community task force is not under discussion at this time. Jurisdictions are partnering on immediate need matters through the COVID-19 Shelter and Care Taskforce with a limited scope to COVID response.

R4. Santa Cruz County and Cities should collaborate to develop a JPA that would be responsible for setting short and long term goals to reduce homelessness, measuring the cost of homelessness, allocating funding, and tracking the effectiveness of funding, by July 1, 2021. (F5, F6, F19)

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

Response explanation, summary, and timeframe:

A JPA is not feasible at this time. A governance structure is being developed. On August 4, 2020, the County Board of Supervisors approved a Santa Cruz County Homeless System Planning Six-Month Work Plan (attached) and directed County staff to coordinate with local municipalities and community partners for further consideration and implementation. The six-month work plan reflects the primary strategies and activities planned for the community-wide homelessness response for the period from July to December 2020. The first six-month work plan for the Homeless Response System includes 6 goals, the 6th of which, includes standing up a new governance, planning, evaluation, and communications structure.

R9. By December 31, 2020, the City of Santa Cruz should evaluate whether closing Coral Street permanently to thru traffic, to make more space available for additional housing and services for the homeless, would be a viable option. (F13)

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

Response explanation, summary, and timeframe:

Capitola has no land use control or regulatory authority over the examples cited in the finding. The City of Santa Cruz, County of Santa Cruz, and Housing Matters are working collaboratively to evaluate the programmatic and design needs to increase access to services and shelter on Coral Street and in adjacent private property. These plans include changing traffic patterns and parking requirements on Coral Street while ensuring that current business operations remain viable and life safety requirements are met.

Attachment: GrandJuryHomelessnessResponse_Capitola (Grand Jury Response - Homelessness)

R12. By December 31, 2020, the Santa Cruz County Board of Supervisors and the County’s City Managers should direct appropriate agencies and staff to implement a city and county wide safe parking program using the successful model of the Association of Faith Communities (AFC). This should include investigating whether college campus parking lots could be incorporated into this program. (F16)

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

Response explanation, summary, and timeframe:

Safe Parking program is implemented county-wide and utilizes City of Santa Cruz and is expanding to County of Santa Cruz lots. Campuses have been engaged, not interested at this time.

Attachment: GrandJuryHomelessnessResponse_Capitola (Grand Jury Response - Homelessness)

R13. Santa Cruz County and Cities should coordinate a retreat for all Faith Based Organizations (FBOs) in the County to collaborate on how to work cohesively on the issue of homelessness. (F17)

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

Response explanation, summary, and timeframe:

FBOs do collaborate through existing associations and ongoing efforts. Cities and County welcome participation in an FBO organized and hosted event should they decide to put one together.

R18. Santa Cruz County should create a 24-hour mobile crisis response unit that includes medical staff and an experienced crisis worker to respond to emergency 911 calls and non-emergency police calls that do not involve legal issues or threats of violence. The Santa Cruz County Board of Supervisors should work with the County's law enforcement agencies to identify funds in their budgets that could be allocated to this program. The Grand Jury recommends the County consider using CAHOOTS (Crisis Assistance Helping Out On The Streets) in Eugene, Oregon as a model. (F13)

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

Response explanation, summary, and timeframe:

The Capitola Police Department agrees that it would be ideal if Santa Cruz County could create a 24-hour mobile crisis response unit that includes medical staff and an experienced crisis worker to respond to emergency 911 calls and non-emergency police calls that do not involve legal issues and violence, which require specific training and expertise not possessed by law enforcement. Additionally, the 24-hour mobile crisis response unit could also be available when requested by law enforcement, to respond and assist at 911 calls and non-emergency police calls involving legal issues and the threat of violence once law enforcement on the scene have mitigated the legal issues and threat of violence.

However, given the current fiscal crisis faced by local governments it is unclear if resources for such an initiative will be available in the near term. The City of Capitola looks forward to working with the County to identify county-wide funding in support of this program.

Penal Code §933.05

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



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: Finance Department

SUBJECT: Grand Jury Response - Risk Preparedness

RECOMMENDED ACTION: Approve the responses to the Grand Jury Report and direct the City Clerk to submit the completed response packet pursuant to California Penal Code Section 933.05

BACKGROUND: On June 17, 2020, the Santa Cruz County Civil Grand Jury released a report titled *Managers of Risk or Victims of Risk, Rocked by the Shocks*.

The City of Capitola staff reviewed the findings and recommendations of the report and prepared the attached responses.

DISCUSSION: The Grand Jury completed its investigation and posted its thirteen findings and eleven recommendations on June 17, 2020. The report includes findings and recommendations four incorporated cities within Santa Cruz County; however, the Grand Jury did not perform an investigation of Santa Cruz County or any of the Special Districts within the County. A copy of the report is attached (Attachment 1) as well as staff's draft responses (Attachment 2). The report includes thirteen findings (F) and eleven recommendations (R).

FISCAL IMPACT: None

ATTACHMENTS:

1. Grand Jury Report - Risk
2. Grand Jury Report Risk - Responses

Report Prepared By: Jim Malberg
Finance Director

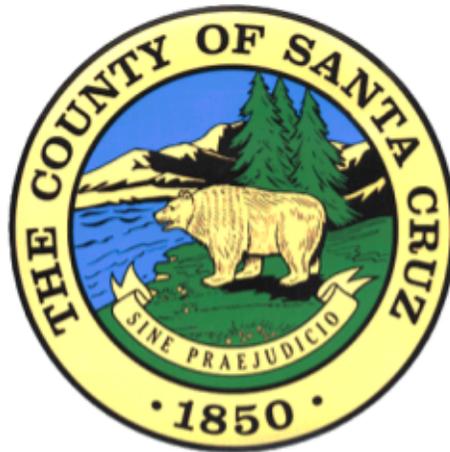
Grand Jury Response - Risk
September 10, 2020

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

9/3/2020



Managers of Risk or Victims of Risk Rocked by the Shocks

Summary

In 2008 and 2009 the world experienced an economic shock called the Great Recession. Impacts to local governments included layoffs and furloughs of workers, deferred maintenance and postponed development of critical infrastructure. Another consequence was an explosion of long term debt due to ballooning unfunded pension liabilities. Despite benefiting from the longest period of economic expansion in our country's history, local governments are just one economic shock away from significant financial distress. The emergence of the Coronavirus pandemic will likely trigger a new economic shock leading to the loss of key services, and continued deterioration of critical infrastructure.

This report examines the current level of financial risk for Santa Cruz County (SCC) Cities, the causes and likely impacts of that risk, and the risk management practices of our Cities. We find that the cities of SCC do not practice formal, integrated risk management for the range of risks and impacts that they regularly confront. We recommend that the cities study ways to implement more comprehensive practices with regard to risk identification, evaluation, mitigation, and communication.

The Grand Jury does recognize that the cities have limited resources and that the implementation of new practices have a cost. However, there are ways to tailor risk management processes for the city's specific size and need. **Our world has been rocked by two once-in-a-lifetime shocks in the last 12 years; perhaps investment in risk management is a wise consideration.**

Background

In the lead up to the Great Recession of 2008 there were significant economic risks lurking over all levels of government. Most stakeholders were either unaware of these risks and their potential impacts, or did not effectively plan mitigation strategies for their constituents. The effects from that economic shock still reverberate in the form of continued financial risk for local governments due to rising employer pension costs. Several sources from the media, government accountability advocacy groups, and grand jury investigations have sounded the alarm for the pension time bomb. This is best reflected in the following observation made in a commentary in the New York Post (2019);

The second-longest bull market in American history hasn't stopped the deterioration of state and local pension funds, whose unfunded debt has almost quadrupled, by their own accounting, from about \$360 billion in 2007 to \$1.4 trillion today. Having relied on overly optimistic financial assumptions for decades, public-pension administrators are now forced to acknowledge that the systems owe much more than previously thought. Even as local governments struggle to pay for this debt, it keeps growing.^[1]

This raises important questions: Are local governments prepared for another economic shock? What is the state of their risk and readiness to mitigate the impacts of its arrival? Do the city leaders who make decisions on spending, borrowing, taxing, or cutting services understand the risk impact of their decisions? Finally, do the citizens understand the implications to their services and quality of life? Local government can be a “risky business” if citizens, elected officials, and agency employees are not practicing due diligence with regard to risk management.

If you don't invest in risk management, it doesn't matter what business you're in, it's a risky business.^[2]

Risk to local government operations are inflated by broad social, economic, and political issues, including: increasing volatility in financial markets; an economic expansion that has ended suddenly; socio-economic inequality; climate change impacts that are increasing in frequency; persistent levels of homelessness; and less availability of affordable housing. The level of risk to local government operations is arguably at a historic high.

The Grand Jury conducted an initial review of risk-related documentation from SCC Cities to assess their level of capabilities and practices in place. Specific concerns included:

- Financial risk, especially that driven from pension costs, was recognized and discussed in budget documents but there appeared to be no formal projections and mitigation planning in the event that CalPERS could not meet its investment targets going forward.

- We could not find a slate of formally defined risk indicators, that were tracked, managed, and communicated regularly.
- Risk management activities appeared to be in multiple places in the organization and without a formally defined process to create an integrated understanding of risk and how to manage it.
- Except perhaps in the context of contractor executed projects, there appeared to be no risk management tools employed.
- It seemed the only categories of risk managed in formal ways were those associated with hazard/liability losses.

Based on this initial assessment, we decided to take a deeper look into risk management concepts and requirements, and how well they are utilized by SCC Cities.

The four cities analyzed are home to about 51% of the residents in SCC. As of 2019, the total population of the county is 273,213. The population of each city is given below:^[3]

- Santa Cruz - 64,608
- Capitola - 10,010
- Scotts Valley - 11,757
- Watsonville - 53,856

Scope and Methodology

The Grand Jury investigated the level of risk for cities in SCC, their broader risk management practices, and the level of transparency in their reporting on these issues to their citizens. Although we did not analyze the County jurisdiction, special districts, and school districts, we believe similar challenges exist for them.

During the investigation we performed extensive reviews of the following:

- defined-benefit pension systems
- CalPERS actuarial reports
- city budgets and audit documents
- policy documents
- websites
- previous grand jury reports, media articles, and webinars on pension liabilities
- academic research of risk management processes, local government behavior in periods of fiscal distress, and transparency in government.

Some research material came from documents provided by local agencies, but most came from extensive literature searches.

Interviews were conducted with key city staff and experts with knowledge concerning the investigation topic and relevant practices within the agencies.

One element of our methodology deserves special mention. In our search to find a common way to assess financial risk for the cities, we found a published study and database done by the California's State Auditor's Office (Auditor's Office) that addressed this need.^[4] Using 2017 audited and unaudited data, the study calculated, scored, and categorized the risk of fiscal distress using several financial indicators. This was done for 471 cities in the state of California, including SCC Cities. We duplicated their methodology extending the risk assessment through 2018 and 2019, creating 3-year trends.

Investigation

I. *Risk, Risk Management, and Transparent Government - Key Concepts and Requirements*

Risk Management is a long established, but evolving discipline. To assess the current practices in place at local government agencies, a common set of concepts and requirements must be described and used as a baseline of comparison for each agency's practices. The following subsections summarize our best understanding of sound risk identification, risk management, and transparent reporting of the risk environment. Mainstream government and research sources were used to inform our descriptions.

A. *Identifying Risk and Their Interactions - Key Concepts and Requirements*

All organizations, especially local governments, are subject to risks that may affect the accomplishment of their objectives. In order to understand and manage these risks, we first must select a way to define them. In the research literature, risk has many definitions; we choose to adopt a blend from many of these sources and define *risk* as:

an uncertain event or sequence of events that if realized may inhibit or **enhance** the accomplishment of an organization's objectives.

Local government organizations face many risks and categories of risk due to the type and scope of their activities. Just as there are several definitions of risk, there are multiple ways to categorize risk. We choose to use categories defined in association with a risk management framework called *Enterprise Risk Management* (ERM). The following list, derived from the source, summarizes the categories of risk faced by organizations, including local government:^[5]

- Hazard Risk: property loss, personal injury, theft, and disease/disability events; and their associated causes and impacts.
- Financial Risk: revenue, cost, debt, and reserve events; and their associated causes and impacts.
- Operational Risk: human/process/system failure or degradation events; and their associated causes and impacts.
- Strategic Risk: business environment and/or governance environment change events; and their associated causes and impacts.

In addition to being able to name risks, there must be a means to characterize the potential magnitude of their impacts. A standard way to do this is to assign numbers to two variables: *likelihood* and *consequence* of occurrence. Using these numbers, officials can decide which risks require continued attention in the form of monitoring, assessment, and mitigation management, and which can be ignored.

Figure 1 depicts an example of a risk register that defines a possible portfolio of risks confronting local city government. It shows assessments of likelihood and consequence for each risk, and provides an assessment of potential magnitude of the risk for the city government. In this fictional scenario, a risk manager may decide that all risks with a “low” risk assessment can be tolerated without additional management attention.

Category	Risk	Likelihood	Consequence	Mitigation	Risk Magnitude Score	Risk Assessment
Strategic	Global Economic Downturn	3	2	Monitor Key Economic Indicators	6	Medium
Strategic	Global Economic Shock	1	9	Increase Reserve Levels	9	Extreme
Strategic	Expected Intergovernmental Funds Slashed	2	3	Increase Local Revenue	6	Medium
Strategic	CalPERS Return Collapse	1	9	Pursue Pension Reform	9	Extreme
Strategic	CalPERS Return Lower than Expected	2	2	Establish Section 115 Trust	4	Medium
Financial	Unexpected Local Revenue Downturn	1	2	Initiate Cost Reduction Plan	2	Low
Financial	Unexpected Employer Pension Debt	2	2	Pension Obligation Bond	4	Medium
Financial	Inadequate Reserves to Cover Critical Costs	2	2	Initiate Cost Reduction Plan	4	Medium
Operational	Increase in Deferred Maintenance	2	2	Identify Low Risk Capital Assets	4	Medium
Operational	Critical CIP Unfunded	3	3	Initiate Infrastructure Capacity Reduction Plans	9	Extreme
Operational	Loss or Significant Degradation of Service Levels	1	3	Initiate Service Level Impact Reduction Plans	3	Low
Hazard	Infrastructure Failure - Storm Drain	1	3	Deploy Rainy Day Funds	3	Low
Hazard	Personal Injury Liability	1	2	Risk Transfer via Insurance	2	Low
Hazard	Wildfire Property Losses	3	3	Risk Transfer via Insurance	9	Extreme
		Probability: Low = 1 Medium = 2 High=3	Impact: Low=1 Medium=2 High=3 Extreme=9			

Figure 1 An Example of a Risk Register^[6]

Recognizing individual risks are important. However, to really understand the risk faced by an organization, a risk manager must understand how risks may be interrelated. In reality, one occurring risk event may cause the occurrence of a sequence of others. Risk managers have several tools to help them understand these relationships. One such tool is the *Bowtie Analysis* method.^{[7] [8] [9] [10]}

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

Figure 2, shown below, depicts the results of applying the method and illustrates the reason for the name. A Bowtie diagram is built by performing the following steps:

- Identify a main risk event, one probably selected from the risk register (as depicted in Figure 1). This event goes at the center of the diagram and becomes the knot in the bowtie.
- Construct the left side by asking “why could this main risk event occur?” This will identify a set of preceding causal events to the main event. By asking the same question for each of these preceding events, earlier causal events are identified. Eventually, the process produces a set of root cause events. These are external events that are outside the control of your organization.
- Construct the right side of the bow tie by asking “what could happen after the main risk event?” This will identify possible succeeding events. By asking the same question for each succeeding event, later risk events are identified. This process is complete when specific impacts to organizational objectives are identified.

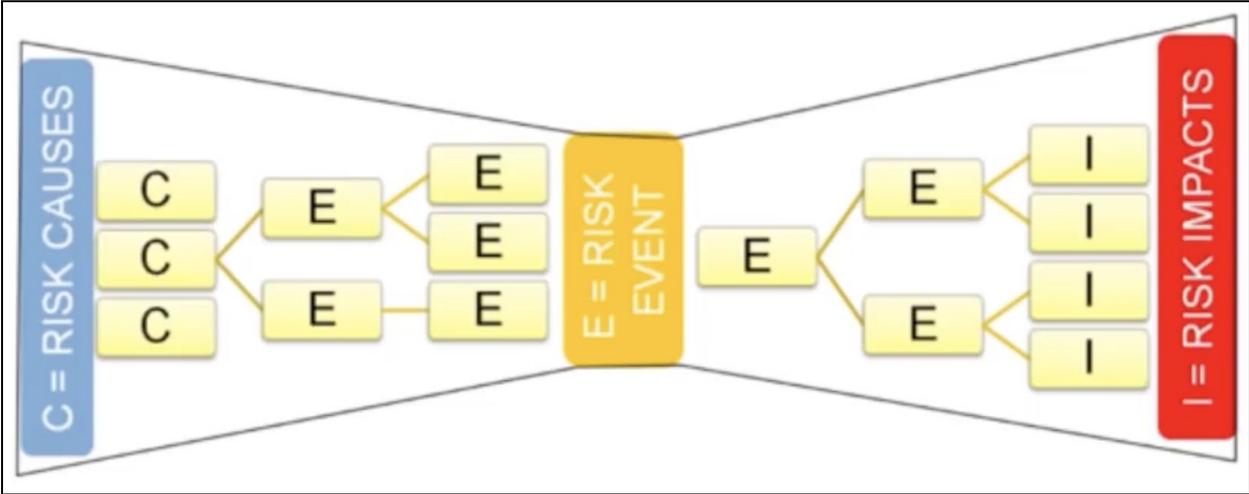


Figure 2. A Conceptual Risk Bowtie^[11]

Once root causes, risk events, and ultimate impacts are identified, paths from root causes, through intervening risk events, and finally to organizational impacts can be constructed that tell a story of how risk may unfold in an organization.

To make things a little more concrete, we developed a Bowtie diagram based upon one of the risks from the risk register above. Although this is a fictional risk story for a fictional agency, it could be a realistic scenario for any local government.

Figure 3 (below) depicts the fictional risk story unfolding around the financial risk called Significant Budget Deficit (current & projected).

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

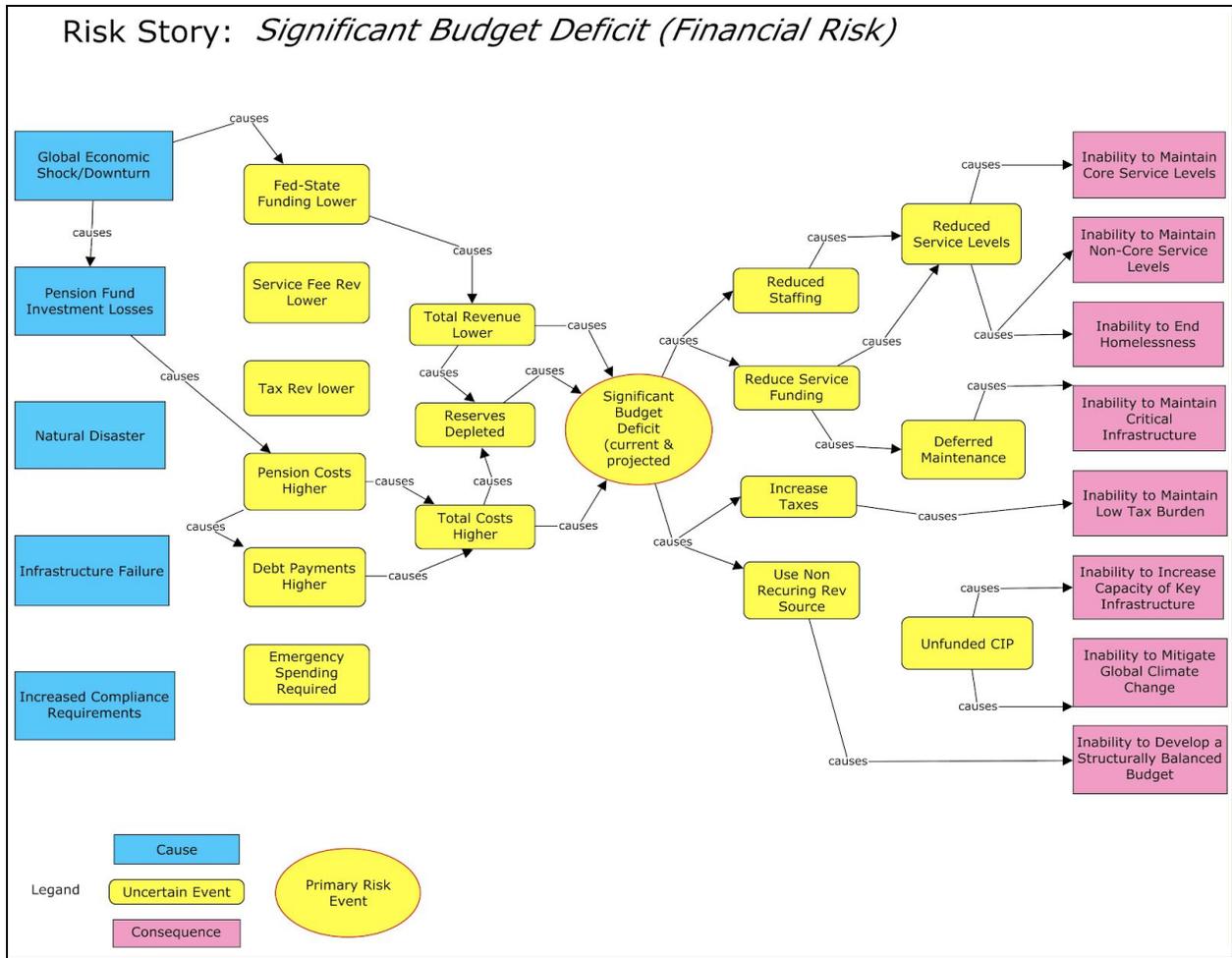


Figure 3 An Agency Risk Story - Bowtie Analysis^[12]

This specific risk story captures the possible ways a global economic shock or downturn could create a significant budget deficit (current and projected). It then maps the various paths such an event could trigger to impact the objectives of the agency (represented by the pink boxes on the far right). The path followed would depend on decisions made by agency management before and after the event occurs. As an example:

- One path (lowest right) would be to use a non-recurring funding source to balance the budget for the current year; thereby not meeting the goal of producing a structurally-balanced budget.
- Another path (lower right) would be to increase taxes, or still another (upper left) to reduce funding for services.

Each of these paths would produce different results. Creating a plan to guide these decisions would be part of a risk management plan.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

RISK IDENTIFICATION REQUIREMENT: To adequately understand and manage the risks confronting their communities, local government decision-makers need a comprehensive approach to defining all types of risk and their interactions.

B. Controlling, Monitoring, and Communicating Risk - Key Concepts and Requirements

Without a clearly defined and comprehensive practice of integrated risk management, an organization may be unpleasantly surprised by an emerging risk. If so, this restricts its response to reactive management actions to mitigate consequences. Such mismanagement of risk can result in financial instability, ineffective planning and execution, degradation or loss of services, deterioration of infrastructure, and ultimately public safety. Fortunately, there are best practices, frameworks, and tools available to support effective risk management. Additionally, a risk management process can be lean and right sized for an organization. It is not a defined position but is built into the business rhythms and culture of the organization

Risk Management is defined as: *coordinated activities to direct and control an organization with regard to risk*. The coordinated activities are usually designed within the context of a standard process that includes the following tasks:^[13]

- task 01 - establishing the risk context
- task 02 - identifying, analyzing, and evaluating risk
- task 03 - establishing controls or treatments for mitigating risk
- task 04 - monitoring risk indicators
- task 05 - communicating risk

In the previous section we defined a framework for tasks 01 and 02. We now apply the Bowtie Analysis methodology to support the execution of tasks 03, 04, and 05. A risk manager will not have a complete picture of risk until the various paths through the risk story are evaluated for the application of risk management controls.

Controls of different types are designed and attached to the parts of the risk story where they have one of two intended purposes. First, controls prior to the occurrence of the main risk event are designed to *reduce likelihood* of the realization of the event. Second, controls in place after the occurrence of the main risk event are designed to reduce the impact or consequence of the event.

Figure 4 depicts the placement and type of controls available to the risk manager. A description is provided below the figure.

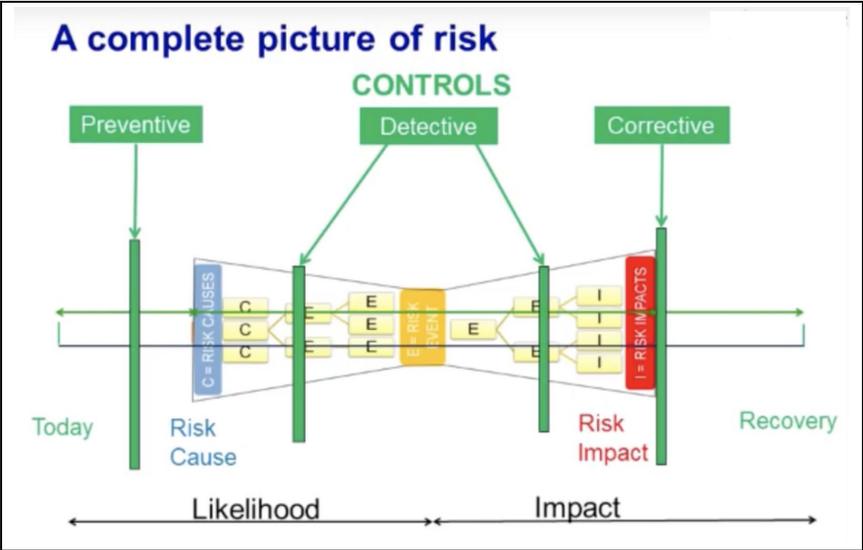


Figure 4 Complete Picture of Risk^[14]

- Preventative Controls (left): designed to prevent root causes or the immediate follow-on events from occurring, thus reducing the likelihood of the main risk event.
- Detective Controls (center): designed to sense when leading risk events are unfolding and then apply remedies for reducing likelihood of ultimate realization of the main risk event. They are also designed to sense when risk events that follow the main event engage and then to apply management actions to reduce ultimate impact.
- Corrective Controls (right): developed to kick-in once an ultimate impact has been realized. Hopefully, previous controls will have reduced the severity of the impact and thus the needed corrective measures will be minimized.

Control measures on the left side of the diagram are less expensive to implement than those on the right side. In other words, proactive measures provide the most cost-effective way to manage risk. Without the Bowtie Diagram, or something equivalent, it would be impossible to develop the optimal risk management plan for the agency.

Thus far, we have discussed requirements for defining and identifying risk, and evaluating the overall risk environment for the local government agency. These requirements have been derived under the basic assumption that traditional risk management techniques are not as effective as a more integrated approach to risk management. For the remainder of this section we will discuss the rationale for this assumption, the concept of Enterprise Risk Management (ERM), and how it differs from traditional risk management.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

Rationale: Changes to the Risk Environment

As the world entered the 21st century there were many changes to the risk environment for all types of organizations. According to the Casualty Actuarial Society (CAS), this is best characterized as “*treating the vast variety of risks in a holistic manner, and elevating risk management to a senior management responsibility.*” The forces behind this shift include:^[15]

More Risks and Complexity of Risk - The advance of technology, the accelerating pace of business, globalization, increasing financial sophistication and the uncertainty of irrational terrorist activity all contribute to the growing number and complexity of risks. It is reasonable to expect that this trend will continue.... Even seemingly insignificant risks on their own have the potential, as they interact with other events and conditions, to cause great damage.

A Portfolio Point of View - Another characteristic force is the increasing tendency toward an integrated or holistic view of risks... A number of principles follow from this thinking, including:

- *Portfolio risk is not the simple sum of the individual risk elements.*
- *To understand portfolio risk, one must understand the risks of the individual elements plus their interactions.*
- *The portfolio risk, or risk to the entire organization, is relevant to the key risk decisions facing that organization.*

More Quantification - ...the growing tendency to quantify risks. Advances in technology and expertise have made quantification easier, even for the infrequent, unpredictable risks that historically have been difficult to quantify... The attempt at quantification allows the organization to analyze “what if” scenarios. They are able to estimate the magnitude of risk or degree of dependency with other risks sufficiently to make informed decisions.

Risk Seen as Opportunity - ...pertains to the outlook organizations have toward risk. In the past, organizations tended to take a defensive posture towards risks, viewing them as situations to be minimized or avoided. Increasingly, organizations have come to recognize the opportunistic side, the value-creating potential of risk.

Rationale: Government is Inherently Risky

Some may assert that sophisticated risk management is not needed in the typically “risk averse” environment of government organizations. There are multiple authoritative sources on risk management that challenge this assertion. The Government Finance Officers Association (GFOA) observes:^[16]

- *Risk permeates just about every aspect of government, and as a result is an unavoidable part of governance. Managing these risks not only may prevent them from happening in the first place, but will also prepare the organization financially for those events outside anyone's reasonable control.*
- *Governments face unique risks not found in the private sector. This is true for a number of reasons:*
 - *Some public sector services are inherently high risk (i.e. police and firefighters). Additionally, most governments cannot discontinue a service such as road maintenance because it is high risk.*
 - *The scope of government is enormous. Even small municipalities provide a wide array of services, such as law enforcement, waste disposal, and regulatory oversight. This is also true geographically. The “footprint” of a government is massive and includes parks and government property, often making it the largest landowner in a jurisdiction.*
 - *A government typically lacks total control over its physical environment. During normal business hours, governments do not restrict citizen access to many government buildings. City halls, state capitol buildings, and motor vehicle offices must be accessible to the public. Some public spaces like parks and roadways for example are open 24/7.*

Another source has recently described the risk environment for the Federal Government. In a cover letter for a Government Accountability Office (GAO) report, [117](#) The Honorable Jason Chaffetz, Chairman and the Honorable Elijah E. Cummings, Ranking Member of the Committee on Oversight and Government Reform, House of Representatives stated:

Federal government leaders manage complex and inherently risky missions across their organizations, such as protecting Americans from health threats, preparing for and responding to natural disasters, building and managing safe transportation systems, advancing scientific discovery and space exploration, maintaining a safe workplace, and addressing security threats. Managing these and other complex challenges, requires effective leadership and management tools and commitment to delivering successful outcomes in highly uncertain environments.

The referenced report identifies authoritative guidance documents that require agencies in the Federal Government to implement ERM processes.

Concept: Enterprise Risk Management (ERM)

The GAO report referenced above also defined the essential elements of the ERM process. Their text and graphical guidance is provided here:

We identified six essential elements to assist federal agencies as they move forward with ERM implementation. Figure 5 below shows how ERM's essential elements fit together to form a continuing process for managing enterprise risks. **The absence of any one of the elements below would likely result in an agency incompletely identifying and managing enterprise risk.** For example, if an agency did not monitor risks, then it would have no way to ensure that it had responded to risks successfully. There is no "one right" ERM framework that all organizations should adopt. However, agencies should include certain essential elements in their ERM program.[emphasis added]

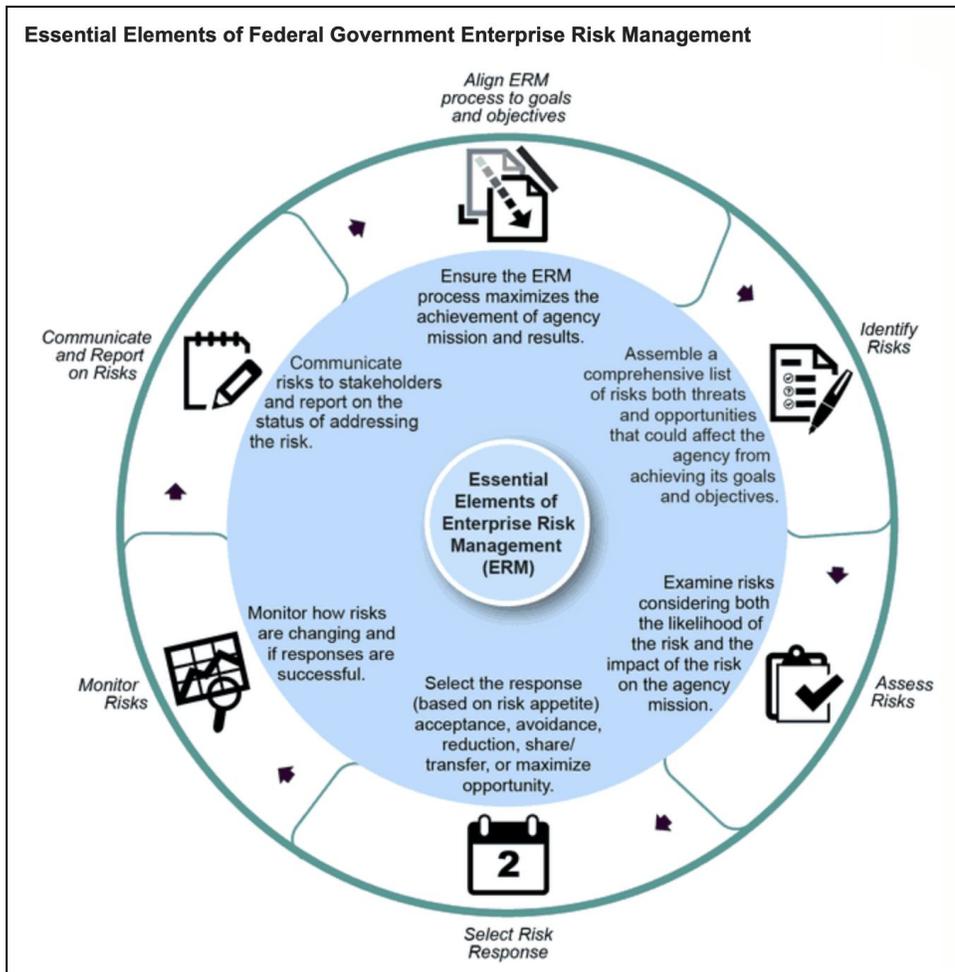


Figure 5. GAO Guidance on Federal Government Implementation of ERM^[18]

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

Surprisingly, despite a broad understanding of the complexity of the risk environment for government agencies at all levels, only at the federal level is an integrated risk management framework required. Recent studies show that the United States lags far behind other countries in the implementation of ERM at the local government level.^[19] Except for funding scientific discovery and exploration, the scope of local government activities is the same as the federal government, including: protecting citizens from health threats, preparing for and responding to natural disasters, building and managing safe transportation systems, maintaining a safe workplace, and addressing security threats. These activities are subject to a similar complex risk environment, perhaps even more so due to the lack of control of external factors (e.g. intergovernmental funding).

RISK MANAGEMENT REQUIREMENT: Local government risk management requires the same rigor for managing (i.e. controlling, monitoring, and communicating) risk as the Federal Government. However, the process can be tailored to the size and scope of activities of the local agency.

C. Being Transparent About Risk - Key Concepts and Requirements

There is significant evidence in the research literature that indicates the importance of trust between government entities and the citizens they serve.^{[20] [21] [22]} Government requires the support of citizens in the creation of policies, subsequent compliance with those policies, and funding of programs and services. Without trust, this support is minimal and the job of governance becomes less effective. A critical element in the creation and maintenance of public trust is **transparency**. We adopt a definition for transparency provided by American Legislative Exchange Council (ALEC).^[23]

Government's obligation to share information with citizens that is needed to make informed decisions and hold officials accountable for the conduct of the people's business.

This definition provides the intended result of any government effort to achieve transparency. In order to achieve this result, specific requirements must be met. The Institute for Local Government (ILG) states that

...there are two dimensions to public agency transparency; information transparency, and process transparency. With respect to both kinds of transparency, a website is an opportunity to provide raw information (budget numbers and meeting dates) and also to provide the public with background information on what the numbers mean for the services they receive and how they can participate in the decision-making process if they choose.^[24]

With regard to financial transparency, the author Mark Mack of GFOA states:

Many governments look to online financial transparency as a way to educate the public about what government does and how it arrives at the decisions it makes. Other motivations include the desire to improve public

service and accountability, and to maintain or improve professional ethics. Governments that concentrate on financial transparency report improved legitimacy and support, and general improvements in their organization’s reputation. [25]

In a more general statement of requirements for financial transparency, the author offers the matrix in Figure 6 that shows what is required to inform and educate stakeholders with regard to the financial status of local government.

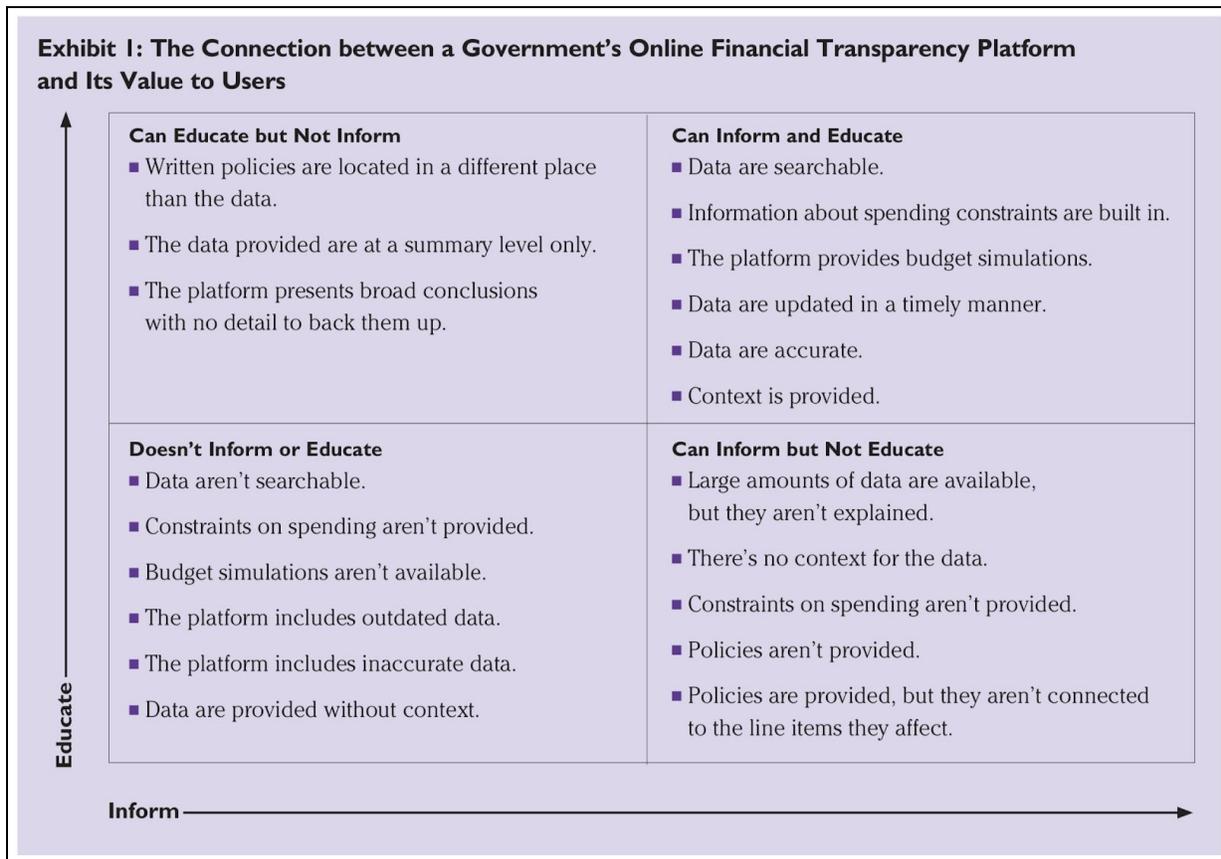


Figure 6. Characteristics of Financial Transparency Capabilities to Educate and Inform [26]

In the discussion on ERM in the previous section, one of the essential elements of ERM was to Communicate and Report on Risks. The cited GAO report states:

Communicating and reporting risk information informs agency stakeholders about the status of identified risks and their associated treatments, and assures them that agency leaders are managing risk effectively.... Communicating risk information through a dedicated risk management report or integrating risk information into existing organizational performance management reports, such as the annual performance and accountability report, may be useful ways of sharing progress on the management of risk. [27]

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

TRANSPARENT GOVERNMENT REQUIREMENT: Transparency is required for local governments to build and maintain trust with its citizens. To succeed, the methods used must both inform and educate the public about public business areas including finance, human resources, planning, permits, strategic initiatives, etc. In addition, any effective risk management practice requires transparent communications about inherent risk and the plans to control its consequences.

II. Santa Cruz County Cities - Risk Profiles

In this section, we develop a *risk profile* for the cities of SCC. Because of the centrality of financial risk to the overall risk profile, we start with a detailed assessment of a financial risk called *fiscal distress* done for the years 2017, 2018, and 2019 for Capitola, Santa Cruz, Scotts Valley, and Watsonville. We then analyze the general strategic and hazard risk environment that could trigger the realization of financial risk events and follow-on operational risk events. Finally, we discuss the ultimate impacts to city objectives that could follow the occurrence of a sequence of risk events.

A. Financial Risks for SCC Cities

In 2018, the California State Auditor's Office (Auditor's Office) released a report that analyzed financial information for 471 California cities for the year 2017. Their goal was to identify cities that may be at risk for *fiscal distress* in the short or long term. Fiscal distress can be defined as:

From a short-term perspective, fiscal [dis]stress can be defined as the [in]ability to make payments in a timely manner. In the long-term, fiscal [dis]stress is expressed as a gap between a local government's tax base or revenues relative to its expenditures and commitments.^[28]

The Auditor's Office developed a methodology to calculate, score, and categorize the risk of fiscal distress around the following financial indicators: liquidity, debt burden, general fund reserves, revenue trends, pension obligations, pension funding, pension costs, future pension costs, Other Pension Employee Benefits (OPEB) obligations, and OPEB funding. The results provide an assessment of a high, medium, or low probability that fiscal distress will occur based upon the state of the financial indicator. Finally, a combined overall financial indicator was created by weighting all of the other indicators. This was used to establish an overall probability for the risk of fiscal distress for each city. The methodology and results can be found at the Auditor's Office website.^[29] Figure 7a, based on the Auditor's Office's report, provides a summary of the risk for financial distress for each of our cities for the year 2017.

State Auditor Financial Risk Assessment Dashboard Data					Basis: 2016-2017 reporting
Category	Santa Cruz	Scotts Valley	Capitola	Watsonville	Maximum
Overall Risk Designation	MODERATE HIGH	MODERATE	MODERATE LOW	MODERATE HIGH	
Overall Rank *	82	157	216	84	471
Fiscal Year CAFR	2016-17	2016-17	2016-17	2016-17	
Overall Points	53.86	61.6	67.64	54.43	100
Liquidity Points	10	10	10	5.45	10
Debt Burden Points	11.75	13.66	15	15	15
General Fund Reserves Points	6.75	14.21	17.43	5.92	30
Revenue Trends Points	3.25	3.75	2.75	3.13	5
Pension Obligations Points	4.8	2.72	3.84	6.56	10
Pension Funding Points	3.7	3.65	3.6	3.65	5
Pension Costs Points	2.78	3.06	3.61	3.33	5
Future Pension Costs Points	0.83	1.11	0.56	1.39	5
OPEB Obligations Points	10	9.44	10	10	10
OPEB Funding Points	0	0	0.85	0	5

* lower scores represent higher degrees of fiscal risk

LOW	MODERATE LOW	MODERATE	MODERATE HIGH	HIGH
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Figure 7a. 2017 Overall Risk for Fiscal Distress for SCC Cities^[30]

Of particular note in these results are the following:

- All of our cities carried a MODERATE amount of overall risk for fiscal distress, even after the longest period of economic expansion in our country’s history (2009-2019).
- All of our cities have registered *revenue trends* as a HIGH-risk indicator; this will be exacerbated as we move towards a likely recession.
- All of our cities have registered *future pension costs* as a HIGH-risk indicator; this will be worsened by an almost assured shortfall in CalPERS Pension Fund investments in 2020 and beyond.

In discussions with city officials on the validity of the Auditor’s Office approach, there were some concerns with parts of the methodology. For example, one official indicated that the type of revenue sources should have been more clearly accounted for in the scoring. However, in this particular case, that scoring would have only served to increase the level of risk for the city. Overall, we feel that this assessment methodology, or one like it, provides a valuable risk management tool that should be considered in city planning and execution decisions. It would also support government transparency goals in communicating risk to city residents.

The Grand Jury was able to reverse engineer the calculation and scoring system used by the Auditor’s Office and produce the same risk assessments for 2018 and 2019 for the risk indicators. [Appendix A](#): “City Fiscal Distress Risk Assessment Trends - by Financial Indicator” shows how all the cities risk indicators trended between 2017 and 2019. Figure 7b provides a graphical depiction of the Overall Risk Indicator trend in the same time period.

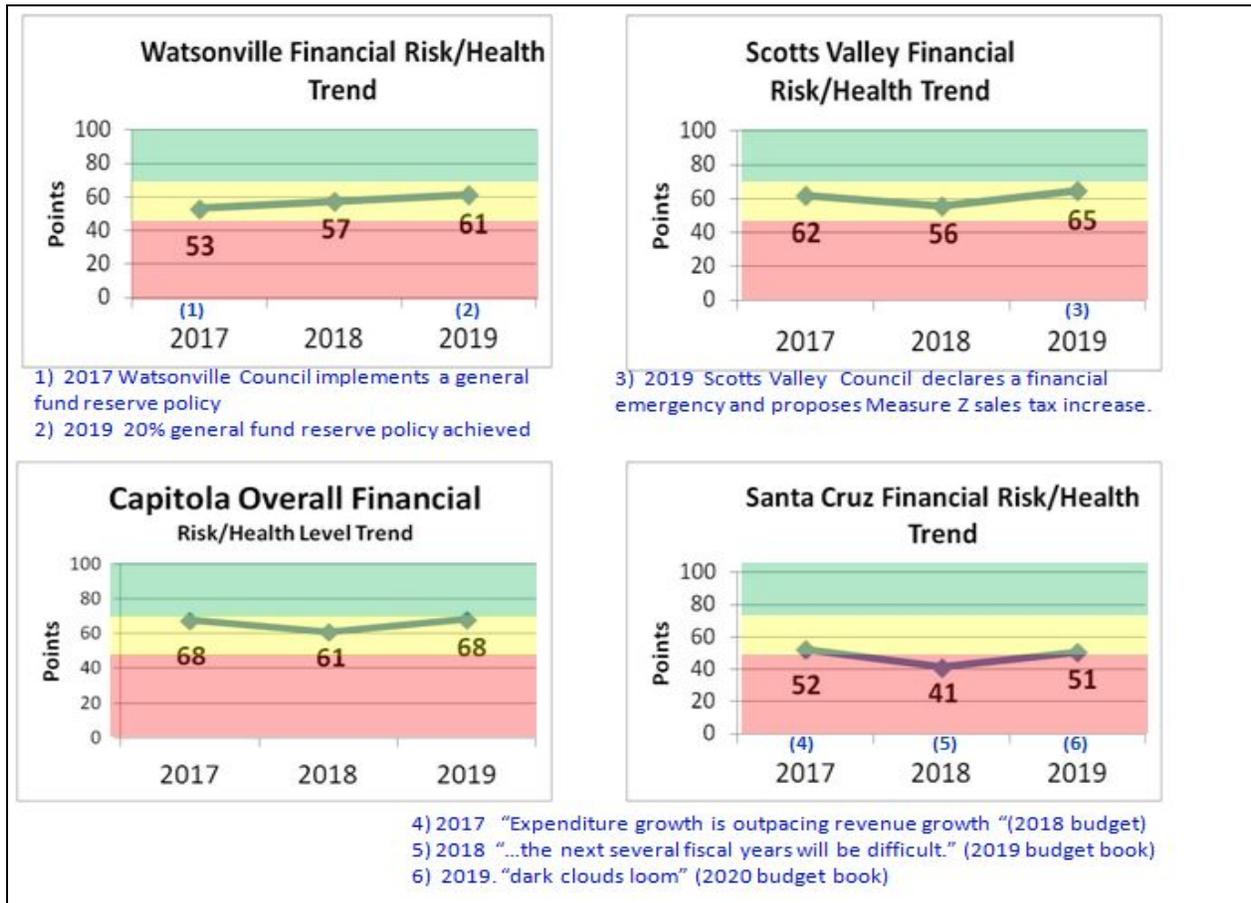


Figure 7b. Overall Risk Trend of Financial Distress for SCC Cities (2017-2019)^[31]

The following summary is provided for the figure above:

- Watsonville reduced its risk for fiscal distress, largely due to increasing the size of its general fund reserve.
- Scotts Valley improved its risk posture slightly. In addition, in March 2020, Measure Z was approved to provide increased revenue.
- Capitola maintains a MODERATE risk for fiscal distress based upon the overall indicator.
- Santa Cruz remains on the edge of a HIGH risk for fiscal distress.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

Two of the contributing factors to this overall financial risk deserve special mention; *future pension costs*; and *general fund reserves*. In the following paragraphs we do a deep analysis of future pension cost risk. However, it is important to note the importance of adequate reserves. Another GFOA study states:^[32]

Reserves are the cornerstone of financial flexibility. Reserves provide a government with options to respond to unexpected issues and afford a buffer against shocks and other forms of risk. Managing reserves, though, can be a challenge. Foremost is the question of how much money to maintain in reserve. How much is enough and when does a reserve become too much? This can be a sensitive question because money held in reserve is money taken from constituents and the argument could be made that excessive reserves should be returned to citizens in the form of lower taxes.

The level of reserves is not only a sensitive question, but one whose answer can vary across individual local governments. According to the study referenced above, to set an appropriate and defensible policy, a risk analysis should be done against the following risk factors: revenue volatility, infrastructure risk, and extreme events. Performing an assessment of this for SCC Cities is beyond the scope of this report. However, due to the importance of right-sizing reserve funds, this should become a standard practice in risk management.

The Auditor's Office methodology consistently shows that pension related indicators indicate higher risk for fiscal distress, especially the *future pension costs* indicator. These costs are driven by the contributions that are required of cities to pay for the accrued benefits of their current and past employees. According to CalPERS, "the factor that is likely to have the largest impact on future contribution requirements is the investment return of the Public Employees' Retirement Fund (PERF)". To fully understand what could happen with these returns and what impact they would present to city pension costs we reviewed a 2019 risk assessment of PERF.^[33] In the CalPERS report, the potential impacts of higher or lower returns in the short-term and long-term are examined with regard to *funded ratio* and future *employer contribution rates*. We will focus on the predicted impacts on employer contribution rates.

Figure 8a below shows a risk scenario of a range of extreme single year returns for the year ending June 30, 2020. In addition, it assumes that there will be no correction in the opposite direction. As demonstrated in the chart, if there were a single year return of -15.8 percent, after a five year phase-in of the resulting uncovered pension liability, the total employer contribution rates would increase to 36 percent for a sample Miscellaneous Pension Plan and 66 percent for a sample Safety Pension Plan.

In our interviews, multiple witnesses indicated that this would result in unsustainable distress in city budgets, resulting in significant loss of staff and services. As of the publication date of the CalPERS report, the chances of such an extreme negative return was considered to be under 5 percent. As of the writing of this Grand Jury report, the probability of such an event occurring in 2020 or 2021 has increased significantly due to the Coronavirus health crisis and its associated economic impacts.

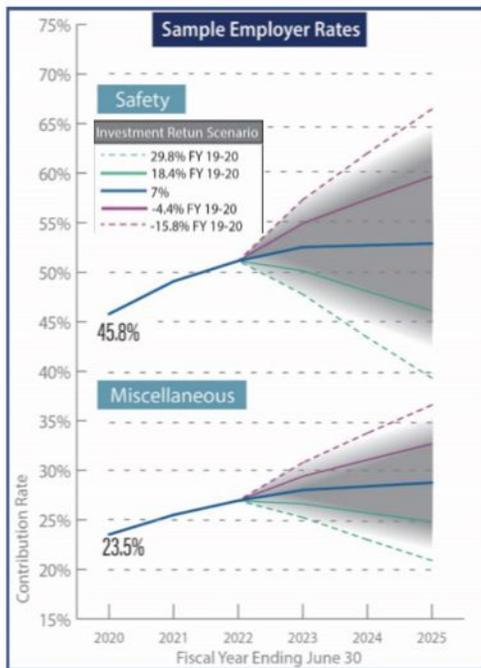


Figure 8a. **Single Year Exceptional Return**

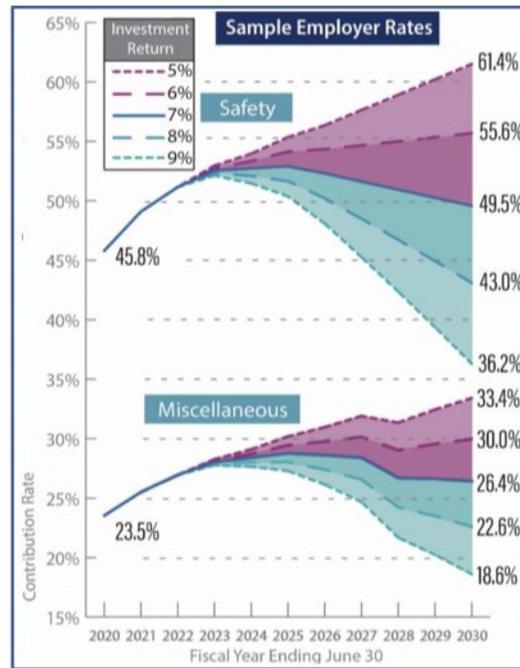


Figure 8b. **Sustained Average Return**^[34]

Figure 8b above provides the impact on employer contribution rates for sustained return rates between five percent and nine percent. The *assumed rate of return* used by CalPERS for PERF is 7 percent. If the actual return is less, say 5 percent, then by the year 2030 the total employer contribution rates would increase to 33.4 percent and 61.4 percent for the sample Miscellaneous and Safety Pension Plans. This scenario would also have devastating impacts on city budgets, services, and infrastructure.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

So, what are the chances that CalPERS will hit the average investment target of 7 percent over the next decade? According to most investment managers this will probably not happen. In one actuarial survey done in 2019,^[35] the probability of hitting the 7 percent return mark ranged between 19.2% and 51.9% (see Figure 9).

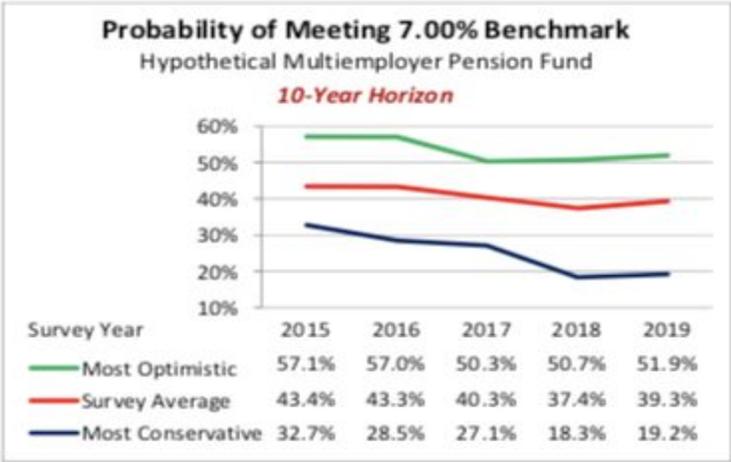


Figure 9. Financial Advisor Survey^[36]

A more recent expert assessment in January 2020,^[37] predicted the rate of nominal return for stocks and bonds for the next 7-10 years. Nominal returns for stocks ranged from -2 percent to 6 percent and bonds ranged from 0.5 percent to 3.5 percent. If we use the numbers at the high end of the range, and assume a balanced portfolio of 50 percent stocks and 50 percent bonds, the nominal return rate would be 4.75 percent. Although the assets comprising the PERF allocation are far more diversified (e.g. *Equity, Private Equity, Fixed Income, Real Assets, Cash*) it is fair to say that without taking on too much risk in the fund, the 5 percent return result looks very realistic.

At this point it seems likely that a combination of the above will occur: a single year shock in returns (i.e. large negative returns) as well as a sustained period of low returns that will not match PERF assumed rate of returns (i.e. 5% versus 7% respectively). We wanted to assess what this could mean for our cities' pension plans. Without the ability to run our own economic/investment models, we searched for and found a recent study that modeled similar scenarios. The study evaluated the expected impacts of the following scenarios on the pension plans of ten states.

Shortfalls in investment performance, relative to expected returns, explain approximately 50 percent of the increase in unfunded pension liabilities reported by states in 2016. As a result, examination of downside investment risk is at the heart of stress test analysis of public pensions. The analytic framework applied in our model includes two downside investment return scenarios: a fixed 5 percent return scenario and a scenario that accounts for an asset shock — a steep decline in asset values [-20%], as typically occurs during the onset of a recession — followed by low returns [5%].^[38]

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

It is this second scenario that best matches our probable economic future and can provide potential impacts on our fiscal future. The assumed return profile is shown in Figure 10.

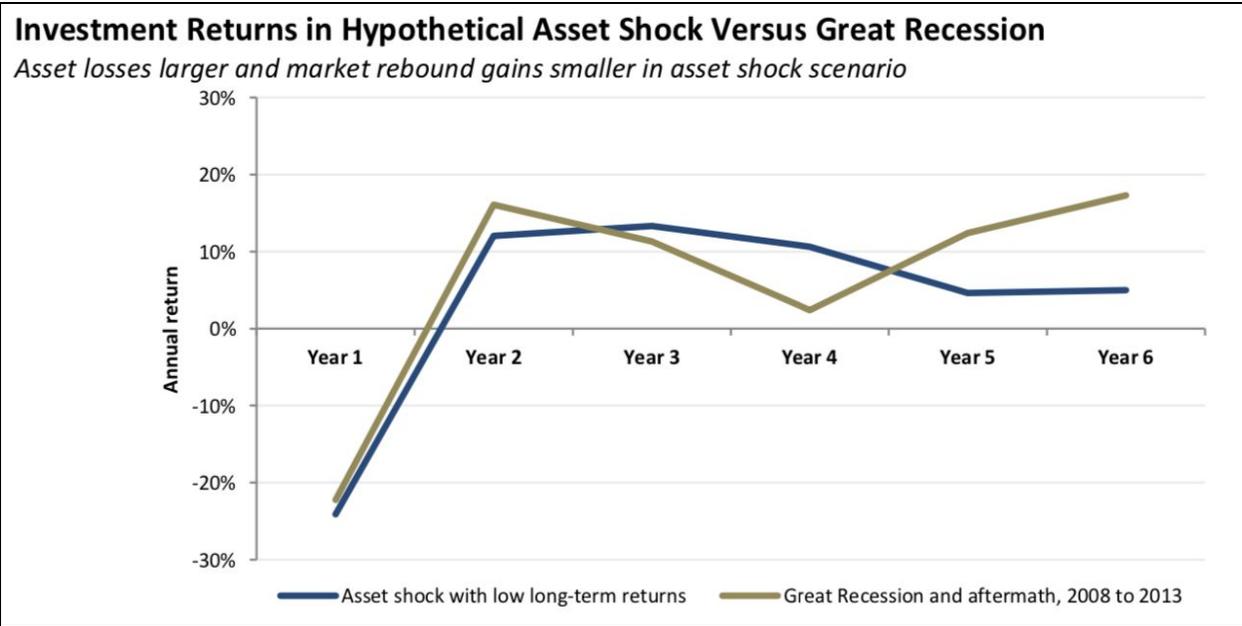


Figure 10. **Asset Shock Scenario - Assumed Returns for a Typical Portfolio** ^[39]

California was not one of the states modeled in the study. Therefore, we could not obtain a detailed model output of PERF under the Asset Shock Scenario. However, the study is informative about impacts across a range of states. This provides two comparative opportunities: 1) How does a similar state (in terms of funded ratio of the pension plan and funding policies) perform in the face of the shock scenario? and; 2) What general conclusions are drawn based upon the overall analysis?

With regard to the first question, Virginia was the most comparable of the 10 states in the study to California. Under the Asset Shock Scenario, the models showed that Virginia would not be able to significantly reduce unfunded liability debt over the next 25 years and would significantly increase its required employer contribution rate over that same time. Figure 11 (below) shows the model outputs for the scenario. This is in alignment with the CalPERS PERF risk profile discussed above. Pension costs for California public agencies will significantly increase beyond the currently expected peak in 2025.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

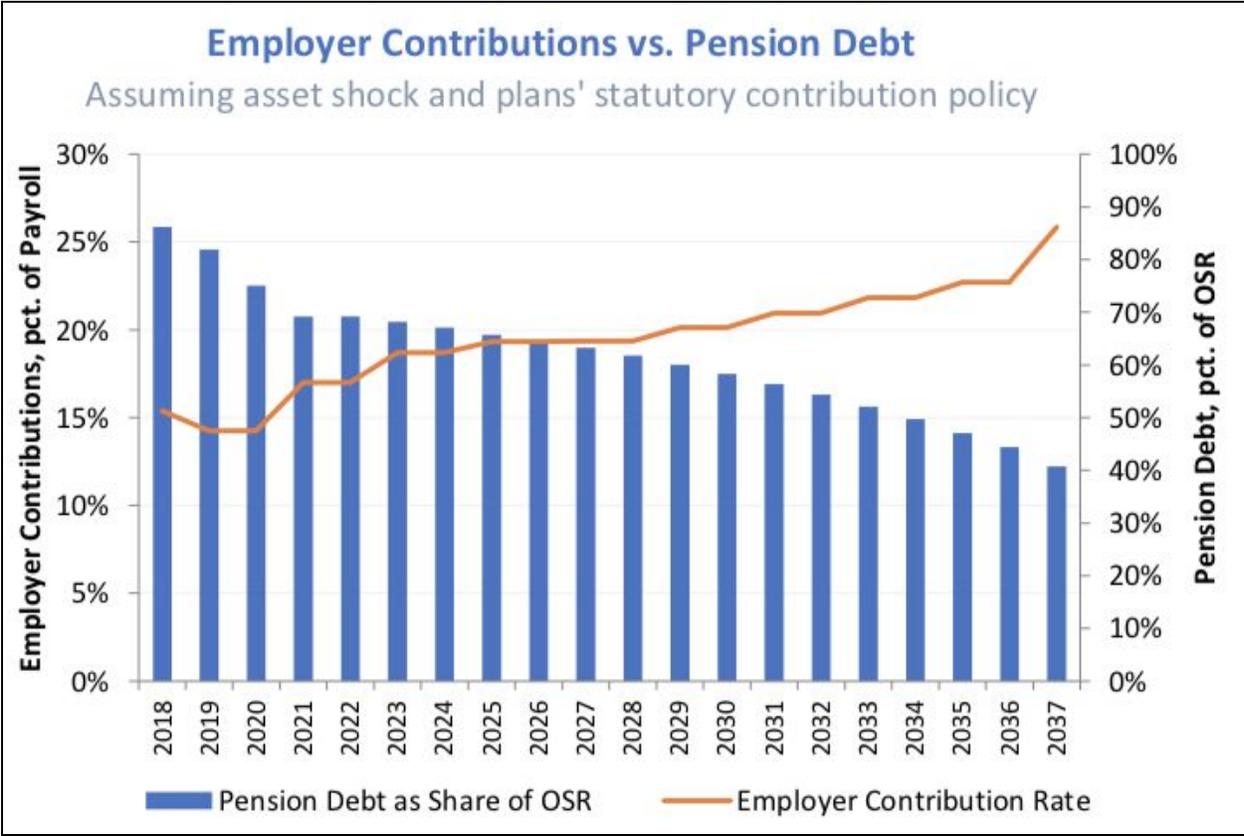


Figure 11. Virginia Model Output - Asset Shock Scenario^[40]

On the second question, these are the relevant conclusions to be considered with regard to financial risk due to pension costs:^[41]

In aggregate, state and local pension systems have never been more exposed to market volatility, based on fiscal measures and economic outlook

- *State and local governments report a larger total pension debt in both absolute terms and as a share of U.S. GDP than any time before the Great Recession.*
- *Pension costs have nearly doubled as a percentage of available state revenue since 2001, when the pension deficit reported by state and local governments in aggregate was approximately zero.*
- *Since the early 1990s, measures of investment risk for pension portfolios have more than tripled, as has the use of higher cost alternative investments, including real estate, private equity, and hedge funds.*
- *As the population ages, and larger shares of public pension plan participants move into retirement, benefit payments will take up a growing share of plan assets and state funds will be less able to absorb unexpected costs and investment shortfalls.*

The current fiscal position and outlook for state pension systems warrant careful attention. Our analysis demonstrates how vulnerable many state pension systems are to an economic downturn or extended period of low investment returns.

*In contrast with current reporting practices, stress testing allows states to better assess the likelihood of fiscal distress, the potential for permanent high costs, and the effects of market volatility and contribution policies. We find stress test results that are evaluated in relation to state revenues or payroll provide an intuitive benchmark with which to assess costs. **Stress testing should be a standard reporting practice for all public retirement systems.**^[42]*

In summary, despite a decade-long period of economic expansion after the economic shock of 2008, there was still significant risk that SCC Cities would encounter fiscal distress in the short and/or long term. A significant contributor to this risk was pension costs. Through our interviews we determined that SCC Cities had not planned for the risk of continued shortfalls in CalPERS investment goals. Although they had planned for the constraints of already accrued pension debt through 2025-2026, there were no risk stories developed or management controls established for the pension risk described above.

Now, with the advent of another economic shock, fiscal distress is real. What are the likely impacts on city residents in SCC? Are there management controls or strategies in place that help prepare decision makers to soften these impacts as much as possible? Could more have been done between the economic shocks to prepare for a softer landing? Formal analysis of the possible risks and their interdependencies provide visual cues as to where management controls make sense. Preventative controls at the city level could not have stopped the onset of this new economic shock, but perhaps mitigation and corrective controls, if already designed and in place, could have softened the coming impacts for city residents.

B. Mapping Strategic, Hazard, Financial and Operational Risks for SCC Cities

A complete risk profile requires the identification of strategic, hazard, financial, and operational risk events that have a high likelihood of occurrence and/or a high impact on city objectives. The Grand Jury performed interviews and document reviews of budgets, Local Hazard Mitigation Plans (LHMP), Emergency Operations Plans (EOP), job descriptions, and policies of the cities in SCC in an attempt to find systematic identification and evaluation of risk within a formal risk management framework. We had limited success in our searches. The most prevalent risks discussed include:

- Earthquake/Liquefaction (Hazard)
- Flood (Hazard)
- Fire (Hazard)
- Landslide/Erosion (Hazard)
- Sea Level Rise (Hazard)

- Tsunami (Hazard)
- Extreme Weather (Hazard)
- Drinking Water (Hazard)
- Liability (Hazard)
- Infrastructure Deterioration/Failure (Hazard and/or Operational)
- Continuity of Operations (Operational)
- Financial Sustainability (Financial)

You will note that except for the last three risks, these are all Hazard Risks. The Grand Jury did find references to *Global Economic Downturns* and *Pension Fund Investment Shortfalls*. However, there are no significant discussions on Strategic Risks like *Increased Compliance Requirements* or *Federal-State Funding Reduction*. There are also additional key financial and operational risks that should be formally documented in a risk management framework by SCC Cities. In summary, the Grand Jury was not able to find evidence of a complete risk profile for the cities of SCC. Except for the area of hazard (i.e. loss) risk management, there is no formal method to define, track, and manage risks at the enterprise level of city government.

Table 1 provides a summary of what the evidence shows with regard to risk identification and analysis in the cities of SCC. Without recognizing all the types of risk and how they interact, a complete risk profile cannot be created. Without a risk profile, comprehensive risk management cannot be accomplished.

Table 1 SCC City Capabilities for Risk Identification and Analysis

	Hazard Risk	Financial Risk	Operational Risk	Strategic Risk	Risk Interaction Analysis
Capitola	Yes	Yes	No	Partial	No
Santa Cruz	Yes	Yes	No	Partial	No
Scotts Valley	Yes	Yes	No	Partial	No
Watsonville	Yes	Yes	Partial (Policing Policy)	Partial	No

Source: Santa Cruz County Grand Jury^[43]

In order to demonstrate the potential value of comprehensive risk profiling, the Grand Jury created a generalized profile for the cities of SCC. The profile is based upon our interviews, document requests, and risk management research literature. The profile presented may not match what a specific SCC city would create on their own analysis, but we feel it is a useful example that is consistent with the concerns of each SCC city.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

We started with a Bowtie Analysis that was introduced in the concepts and requirements section above. As a reminder the goals of the analysis are:^[44]

- Provide a structure to systematically analyse a hazard.
- Help make a decision whether the current level of control is sufficient.
- Help identify where and how investing resources would have the greatest impact.
- Increase risk communication and awareness.

The first 3 steps of the Bowtie Analysis method are: 1) identify the central risk event, 2) trace to root causes, and 3) trace to consequences. By following these steps, we were able to produce a map of strategic, hazard, financial, and operational risk events typically at play in SCC Cities. To complete step 3, we reviewed strategic goals and objectives for all of the cities and selected common key elements as the ultimate consequences in our Bowtie diagram. The diagram, shown in Figure 12, depicts the results of our analysis. It provides a canvas for us to trace risk scenarios for the cities from root cause to consequence. Each scenario, called a Risk Story, can then be used to think about preventive as well as corrective controls to respond to risks.

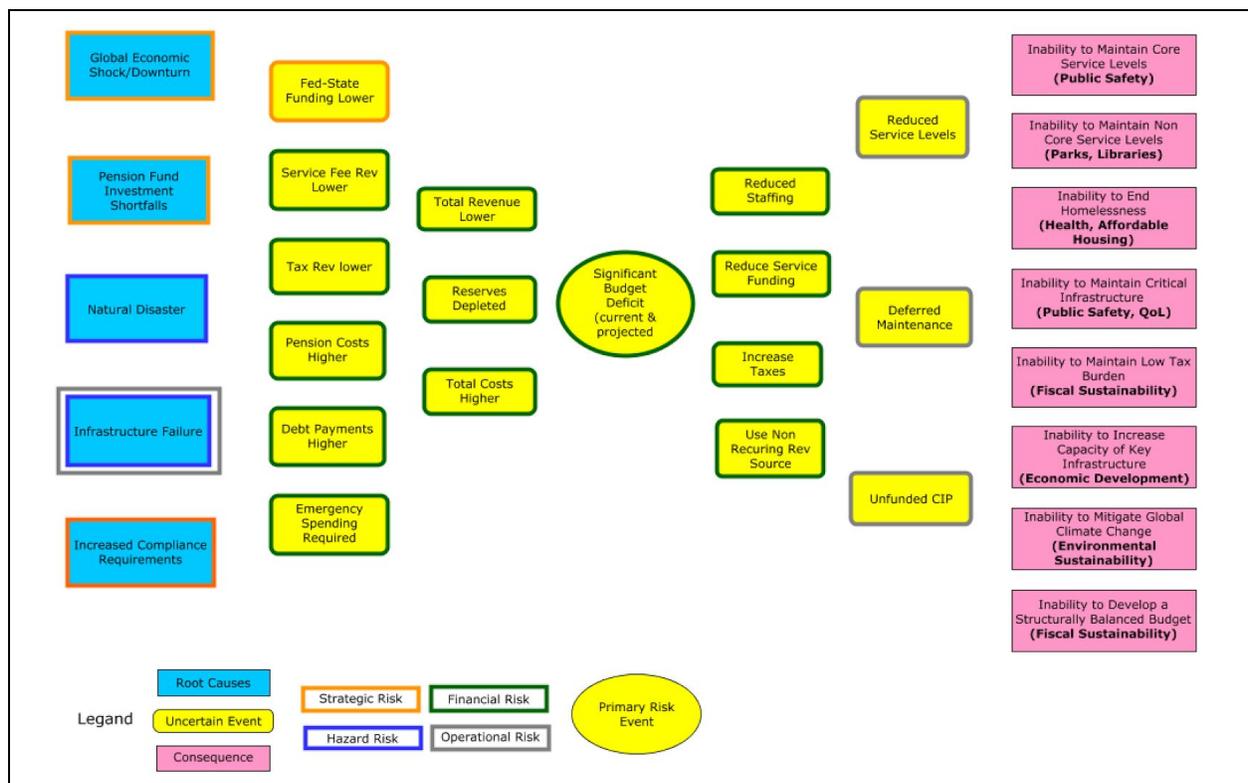


Figure 12. Bowtie Diagram of SCC City Risks^[45]

There are many potential paths through this canvas of risks. A set of related paths tell a risk story that must be managed by risk managers. To demonstrate this concept, we will tell a story that is emerging as this report is being written. We name this risk story “Pandemic Causes Budget Shock”. To construct this story, we started with the occurrence of a root cause event, a Natural Disaster Pandemic, and developed all the

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

possible paths of cause and effect through the risk map. Figure 13 illustrates the results of this process. As might be expected, every major objective for SCC Cities can possibly be impacted by this event.

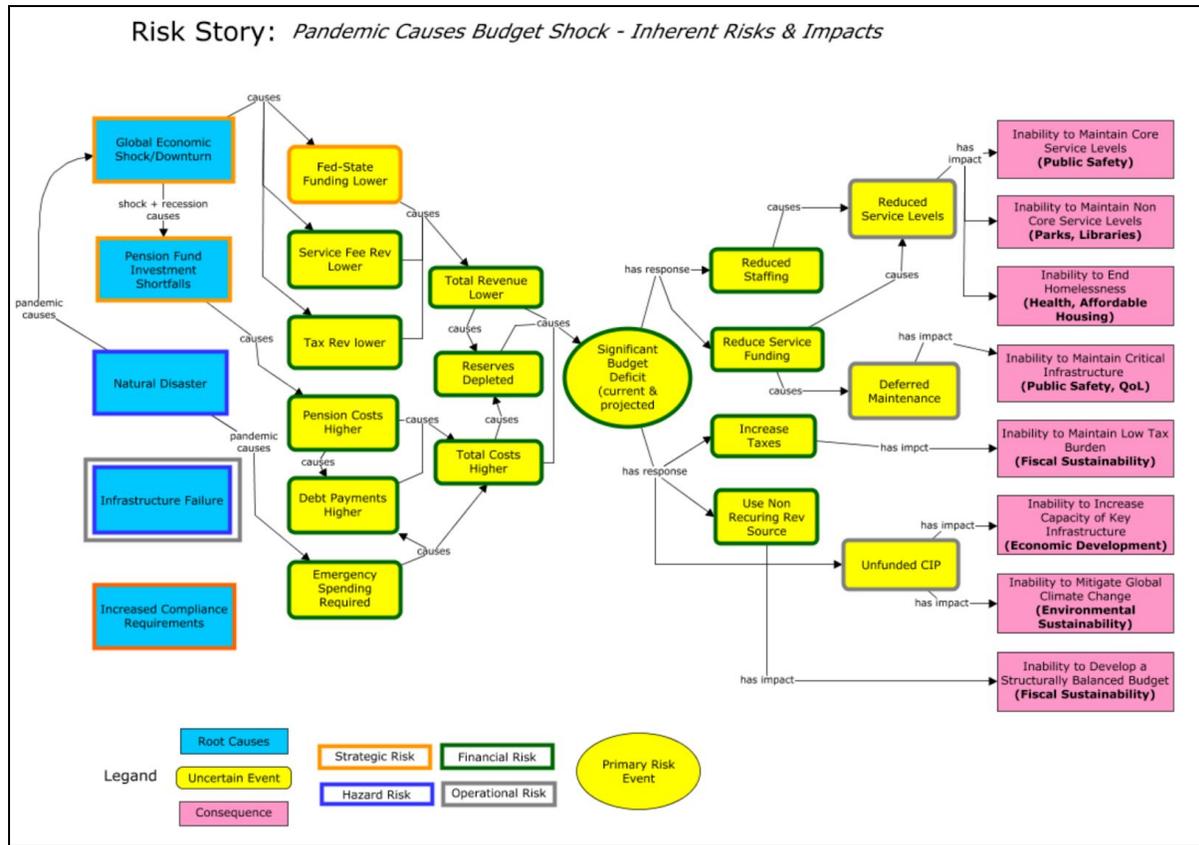


Figure 13. Risk Story: Pandemic Causes Budget Shock - Inherent Risks and Impacts [46]

C. Impacts to Key City Objectives

One possible approach to using this full risk story is to pass this diagram into a risk management process to design management controls. Each control would either prevent the emergence of the *Significant Budget Deficit* event or minimize the impact on organizational objectives after it has occurred. Another approach is to create a sequence of risk stories that may emerge over time after the original pandemic outbreak. Our discussion now explores this approach with a more specific risk story that emerges in the first year of a pandemic crisis.

In Figure 14 (below), the initial pandemic outbreak emerges with immediate implications to SCC Cities. Only the paths relevant to this story are shown in this figure. It is through the analysis of these pathways that potential risk management controls become apparent. A description of the paths and hypothetical risk controls are identified below Figure 14.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

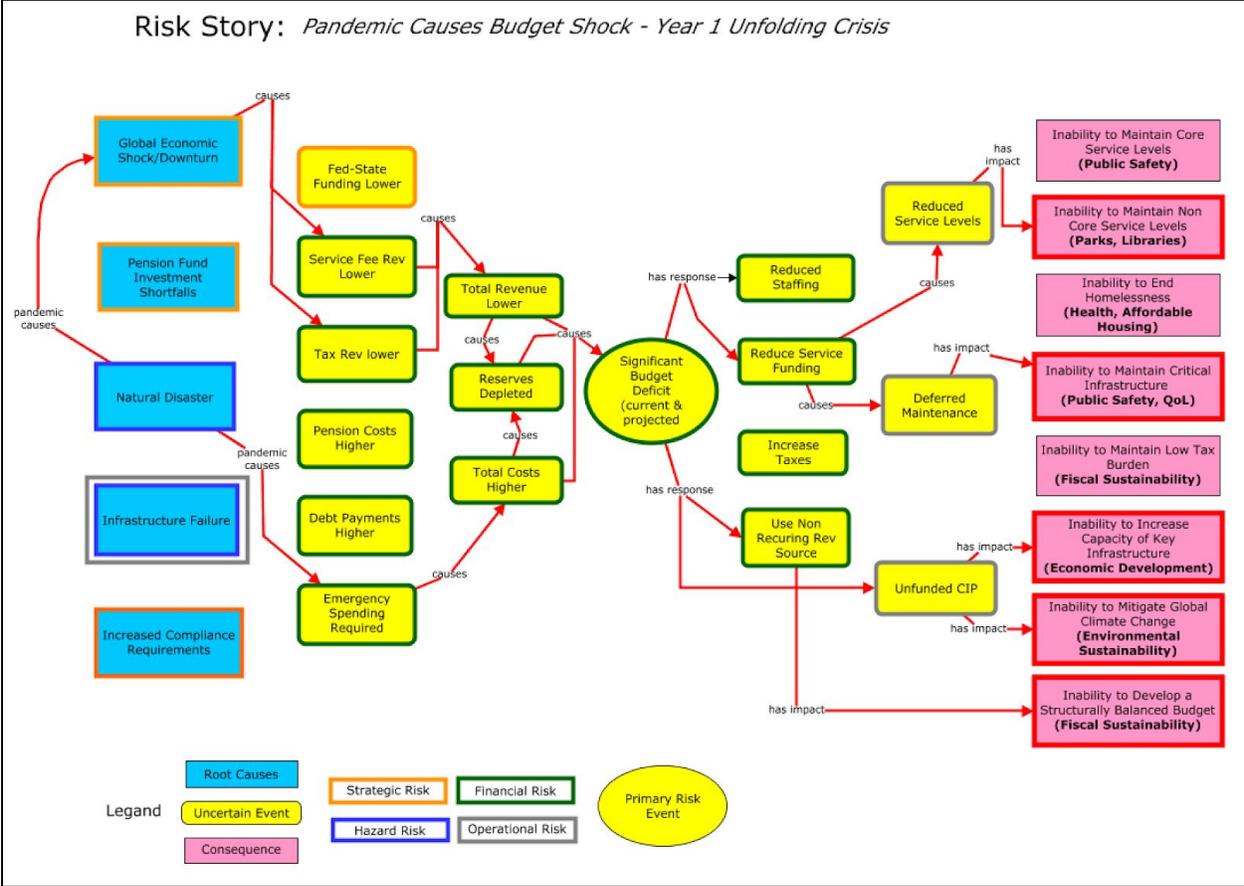


Figure 14. Risk Story - Pandemic Causes Budget Crisis - Year 1 Unfolding Crisis^[47]

Starting on the bottom-left side of this map:

- The pandemic causes the city to begin *Emergency Spending* in coordination with the County health officials to cope with the local impacts. Neither of these external risk conditions can be prevented by city controls. The results of the economic shock is the realization of *Lower Service Fee Revenue* and *Lower Tax Revenue*. Again, the city has no power to stop the occurrence of these events.
 - **Possible Risk Control: None**
- *Emergency Spending* could cause *Total Higher Costs* to the regular budget.
 - **Possible Risk Control - RC 1: Substantive Rainy Day Fund**
- *Total Higher Costs* could cause a *Reserve Fund Depletion* that together could cause the central risk event, *Significant Budget Deficit*.
 - **Possible Risk Control - RC 2: Shock Adequate Reserve Funds**

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

Starting on the top-left side of the map:

- The pandemic causes another strategic risk to become realized, Global Economic Shock. This in turn makes the likelihood of *Service Fee Revenue Lower* and *Tax Revenue Lower* events emerge due to loss of park usage and tourist sales taxes.
 - **Possible Risk Control: None**
- These two lower revenue events will likely cause the *Total Revenue Lower* event to become realized. It could possibly be softened with a mitigation control.
 - **Possible Risk Control - RC3: Emergency Hike in Core Service Fees**
- *Total Revenue Lower* could cause a *Reserve Fund Depletion* that together could cause the central risk event, *Significant Budget Deficit*.
 - **Possible Risk Control - RC2: Shock Adequate Reserve Funds**

If the primary risk event is realized (i.e. Significant Budget Deficit) then the risk manager will want to identify risk controls that correct or reduce the impacts on city objectives. In general, this is done based upon the relative priorities of the objectives. In other words, which paths, from the primary risk event to consequence, does the city want to inhibit or enhance. These are the paths where the strongest risk controls are placed.

Starting at the primary risk event and following the lower-right paths:

- To inhibit the *Use of a Non-Recurring Revenue Source* to address a *Significant Budget Deficit* a city could make it illegal to use such sources above certain limits. This would deflect the paths to *Reduced Service Funding* or *Unfunded CIP*.
 - **Possible Risk Control - RC4: Illegal Limits on Use of Non-Recurring Revenue Sources**
- To enhance the *Use of a Non-Recurring Revenue Source* to address a *Significant Budget Deficit* a city could maintain an emergency donor fund to cover specific types of expenses in the emerging crisis. This would actually deflect the path away from *Reduced Service Funding* or *Unfunded CIP*.
 - **Possible Risk Control - RC5: Emergency Donor Network**

Starting at the primary risk event and following the upper-right paths:

- If *Reduced Service Funding* is realized, either *Reduced Service Levels* will have to occur or *Deferred Maintenance* will be required. Generally, deferred maintenance is chosen in these sorts of scenarios. However, there could be times where this entails too much risk due to critical infrastructure deterioration. In these cases, this path should be inhibited by risk control.
 - **Possible Risk Control - RC6: Critical Infrastructure Deterioration Test**

Finally, Figure 15 labels the places in the risk map where the controls discussed above would be executed. By producing these risk stories as part of a city’s risk profile it is possible to meet the goals identified at the top of this section.

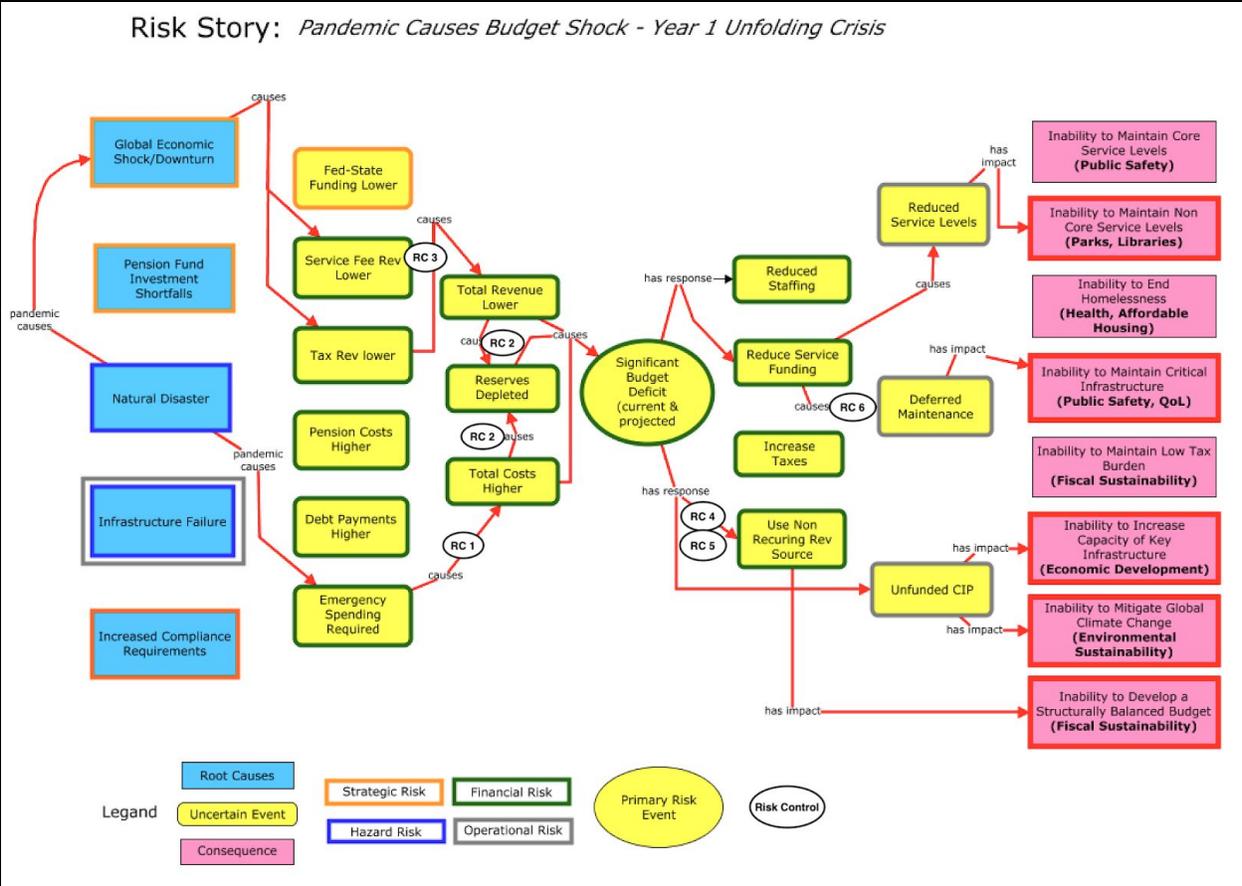


Figure 15. Risk Controls for Pandemic Year 1 [48]

Here, we do not develop a follow-on risk story called “*Pandemic Causes Sustained Fiscal Distress: Years 2-10*”. In this story the global recession following the initial economic shock takes hold and causes sustained *Pension Fund Investment Shortfalls*. Our discussion in the financial risks section above indicates there is a range of possible severe risks that should be assessed. Perhaps a robust risk profile and risk management process would help the cities not be “rocked by the shocks”.

III. City Risk Management Practices

A. Description of Current Practices

Much of what the Grand Jury learned about risk management practices is reflected in the previous discussion. Through our interviews and review of documentation we were also able to determine the following:

- SCC Cities identify and manage risks either within formal silos (e.g. Local Hazard Management Planning) or through a series of cross-departmental conversations without the benefit of a formal process or suite of risk tools/practices.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

- SCC Cities focus on Hazard and Financial Risks without full consideration of Strategic and Operational Risks. It is possible that Operational Risks are considered within the context of individual departmental projects, but they are not elevated to an integrated risk management process at the enterprise level.
- SCC Cities do not maintain an accessible, enterprise-wide risk register that tracks the likelihood of risk occurrence, magnitude of risk impacts, and status of mitigation controls.
- The most formal integrated approach used for risk management and control by SCC Cities is risk transfer of pure risk (i.e. loss) via self-insurance or risk pooling. Risk pooling for public agencies are “... *collaborating partners that help public entities create, foster, and manage safe environments in order to minimize personal, physical, and property damages and losses.*”^[49]

Review of the research literature shows the concepts of risk and risk management have a long history. However, as a formal discipline it is relatively young (30-40 years) and is still undergoing significant changes.^[50] Aside from the standard process of discipline maturation, there are many external factors that are driving the creation and extension of new risk frameworks, processes, and tools. To name three key factors:

- Increasingly complex risk environment due to globalization, societal changes, economic turbulence, global climate change, greater exposure to surprising and extreme events (i.e. Black Swan), etc.
- Developments in applied science and technology, including: the mathematics of uncertainty, probabilistic modeling capabilities, predictive data analytics, explosion of the availability of monitoring data, automated process tools, etc.
- Developments in behavioral economics that document the human weaknesses in decision making when significant uncertainties are present. These include: Availability Bias, Confirmation Bias, Overconfidence Bias.^[51]

One of the relevant questions raised by this report is which of the new risk management approaches and tools should be considered for implementation by SCC cities. In our earlier discussion of concepts and requirements we made the case for consideration of the Enterprise Risk Management (ERM) framework. Minimally, the cities could look for ways to tailor ERM to enhance current practices with the following goals:

- Goal: Understand how risks across department silos may be connected through direct or indirect influence.
- Goal: Expand the types of risks identified, assessed, monitored, and managed to include strategic and operational risks.
- Goal: Establish a formal risk register that quantifies and communicates risks and progress in their management.
- Goal: Adopt the use of tools and practices (e.g. Bowtie Analysis) that support the analysis and broad communication of risk stories in the organization.

B. Comparison of Traditional Risk Management to ERM

Finally, the current risk management practices of SCC Cities are more aligned to Traditional Risk Management than to an ERM framework. Here, we provide a summary comparison of the characteristics of Traditional Risk Management to Enterprise Risk Management. Figure 16 highlights 8 key facets of risk management and should illuminate potential advantages to the adoption of ERM.



Figure 16. **Eight Facets of Risk Management - Comparison of TRM to ERM**^[52]

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

The following is a summary description of this diagram, derived from the source blog for Figure 16.^[53]

- Insurable vs. Non-insurable (mostly)

In a traditional risk management framework, an organization only looks at things that are insurable...

ERM, on the other hand, goes beyond insurable hazards to include areas of risk that cannot be transferred through insurance.

- One-dimensional assessment (severity) vs. Multidimensional assessment

Besides only looking at an issue from a loss prevention perspective, traditional risk management also only considers the impact or severity of a given issue at a certain point in time...

ERM also considers impact and probability, and it peels the onion layers back to understand more about potential events (i.e. risks) and how they relate to the strategic plan, organizational mission, or a specific operation.

- Manages risks one-by-one vs. Analyzes material risks and how they relate

In a traditional silo environment, the management of risks occurs as needed on an individual basis. Departments will only look at risks within their areas and not communicate with other parts of the organization. Approaching risk management this way can expose an organization to much bigger risks at worst, and at best, causes the organization to miss out on opportunities to meet or exceed strategic goals...

ERM combines these activities and uses a variety of tools to examine interdependencies, understand triggers between risks and cumulative effects of risks, and more. These tools help senior management better allocate resources and prioritize risks.

- Occurs within one business unit (“siloed”) vs. Spans the entire organization (“holistic”)

Traditional risk management occurs within one department, or put another way, occurs in its own “silo” or “stove pipe.” Most organizations are going to be well experienced with this basic level of risk management. Another shortcoming of the stove-pipe approach is that it often leads to wasted resources. A particular risk may have a big impact to a department but minimal impact to the organization as a whole. What also occurs when risks fall between silos is no one department wants to take ownership...

ERM ties these disparate silos together to give executives and departments a holistic view of risk and opportunities. It is a top-level process that overrides any autonomy a particular department may have by bringing together a multi-functional group of people to discuss risk at the organizational level.

- Reactive and sporadic (Rear-view) vs. Proactive and Continuous (Forward-view)

A rear-view will also not consider risks to objectives. While there may be a list of risks.... they often have nothing to do with the organization's top value creation objectives... Traditional risk management activities are often borne out of a particular event that management responds to. Executives, managers and support staff will go into a scramble mode when something comes up. A reactive approach can also result in organizational failure altogether...

ERM helps the organization get out in front of risk or seize opportunities to achieve strategic objectives. Proactive can take two approaches: preparing for current day risks and identifying emerging risks that could affect the organization down the road.
- Disjointed vs. Embedded in culture and mindset

Although every organization manages risks to one extent or another, these activities tend to be "disjointed" or ad-hoc with no rhyme or reason, no connection to strategic objectives, or other business areas. The risk activities are more of a "CYA" documentation exercise... Besides not providing any value to the enterprise as a whole, a disjointed approach also causes risks to be missed, new risks to be created, or a duplication of effort.

A mature ERM process that is a valuable decision-making tool is systematic and ingrained in processes and ways of thinking. This is not to imply that every action or decision requires a formal process for identifying and assessing risks – in many cases, this will be an informal process where a manager or even an employee will stop for a minute and think about how their actions may create reputation, talent, strategic, or some other risk to the enterprise.
- Standardized vs. More nuanced and requires soft skills

Risk management in its traditional or basic form has been common practice for companies and non-profit organizations for many years. There are also numerous international standards around traditional risk management activities...

An ERM journey also is reflected in appropriate standards. However, ERM that focuses on enabling success requires a bit more finessing in order to be a valuable tool for decision-making.
- Risk Averse vs. Risk Taking

Up to this point, you may have noticed how the word "risk" has been used in the negative sense – in other words, seeing risks as threats and something to avoid or mitigate.... But, risk management is really about increasing the likelihood of achieving your objectives.

ERM recognizes that any organization has to take risks in order to be successful. At the current pace of change in our world, which will only accelerate as time goes on, organizations who simply avoid risks and fail to take calculated, informed risks to improve performance will not remain relevant in the long-term.

IV. City Transparency Practices

In this section we describe our observations on how well SCC Cities comply with the transparency requirement defined in our concepts and requirements section above. We restate the requirement here:

TRANSPARENT GOVERNMENT REQUIREMENT: Transparency is required for local governments to build and maintain trust with its citizens. To succeed, the methods used must both inform and educate the public about public business areas including finance, human resources, planning, permits, strategic initiatives, etc. In addition, any effective risk management practice requires transparent communications about inherent risk and the plans to control its consequences.

In the context of this report we are most concerned with SCC Cities' communication of risks, all types of risks, and the status of risk management efforts. SCC Cities all currently communicate risk and risk management information in the following documents: Comprehensive Annual Financial Reports (CAFRs), Budgets, Local Hazard Management Plans, Strategic Plans, and Agenda Packets for public meetings. If we evaluate the efficacy of these communication sources with regard to the requirement to "educate and inform", they fall well below the bar of transparency. The following criteria are derived from the GFOA report on financial transparency;^[54] to both educate and inform the following criteria are required:

- Data and information are searchable.
- Data and information are current, accurate, and complete.
- Contextual information (metadata) is easily accessible (e.g. glossaries, constraints, assumptions, policies, process descriptions, summaries, appendices and sources).
- Contact information provides access to the content custodian.
- Projections of possible futures are available.
- Data and information are understandable.

The path of our investigation started with a significant effort to understand financial risk associated with the defined-benefit pension plans offered to local government employees. Our Grand Jury was the beneficiary of several previous grand jury reports on the subject of pensions between 2012 and 2019. There have been several, repeated observations or findings with regard to risk and transparency of risk. Table 2 provides a summary of relevant observations/findings.

Table 2. Summary of Risk and Risk Transparency Observations and Findings from Local Grand Jury Reports

Year	County	Topic	Observation/Finding
2012	Santa Clara	Risk	...Taxpayers in the public sector bear the risk of [Return on Investment] ROI and actuarial assumptions associated with the pension plan, whereas employees in the private sector bear the risk of market performance.
2012	Santa Clara	Risk	...the clear trend in the private sector is to transition away from defined benefits in favor of defined contributions, thereby transferring the risks associated with market performance from the employer to the employee.
2015	Santa Cruz	Risk	...Continually rising retirement costs and obligations put funding of jurisdictions' services and projects at risk.
2015	Santa Cruz	Risk Transparency	...A clear and complete statement of the total retirement costs and obligations has not been provided in the budget narrative for either the public or elected officials.
2016	Santa Cruz	Risk Transparency	...No single summary document shows all retirement costs and obligations. Prudent fiscal management should include a clear understanding of both shortterm and longterm retirement costs in the budget.
2018	San Mateo	Risk	...To the extent that projected costs of Benefits increase unexpectedly, or Returns on Investment fall short of projections, pension plans will have Unfunded Liabilities. The Agencies rather than CalPERS are responsible for paying down all Unfunded Liabilities through increased contributions and the Agencies bear all the risk of CalPERS' projections being wrong. Agencies have no control over CalPERS' determinations and must pay all contribution increases mandated by CalPERS.

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

Table 2, continued. **Summary of Risk and Risk Transparency Observations and Findings from Local Grand Jury Reports**

Year	County	Topic	Observation/Finding
2018	San Mateo	Risk	...defined contribution (as opposed to defined benefit) plans such as 401k plans relieve municipalities of the risks and uncertainties of below-projected investment returns and other assumptions about the future (for example, mortality rates).
2018	San Mateo	Risk and Risk Transparency	...The financial documents for each City reviewed by the Grand Jury show that no City has adopted a long-term financial plan with at least a 10-year time horizon to address rising Normal Costs and Amortization Costs.
2018	San Mateo	Risk Transparency	...Despite the fact that rising pension costs and Unfunded Liabilities are a significant problem for each City, no City (except for Redwood City, the City of San Mateo, the City of Burlingame, the City of Belmont and the City of Menlo Park) includes specific, annual projections of future pension contribution costs in their budgets published in the finance section of their websites.
2019	Santa Clara	Risk	...The City of San José’s mandatory required contributions to pension plans are putting an ever- increasing burden on the City’s General Fund, which impedes the ability of the City to provide essential services to its residents.

Source: Previous grand jury reports on the subject of pensions, 2012 – 2019. [\[55\]](#) [\[56\]](#) [\[57\]](#) [\[58\]](#) [\[59\]](#)

These observations and findings are supported by multiple research and media documents.

- Novy-Marx and Rauh observe; *We note that current rules contain incentives for states to invest their pension funds in risky assets with higher expected rates of return, as higher expected rates of return allow them to discount liabilities at higher rates. In turn, this arrangement could allow the state to present lower liability estimates to the public. States probably face some limits, set by political economy and the risk of public outrage, on the extent to which they can invest pension funds in risky assets and claim the expected value as a justification.* [\[60\]](#) [emphasis added]

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

- Maudlin observes; *If you make more realistic assumptions on future returns the unfunded liability becomes \$6 trillion according to the American Legislative Exchange Council. A more conservative and realistic approach would force the state and local governments to fund those pension plans at a much higher level. They have only two ways to do that: either raise taxes or reduce services. **That may be the reason policymakers have turned a blind eye to this.***^[61]
[emphasis added]
- Mitchell and Friedberg say to start with transparency, they strongly believe; *...that governments need to be **more open with employees, citizens and investors about how they handle their pension plans. In turn, those stakeholders need to engage.***^[62] [emphasis added]

From the summary above, we can see that with regard to pension liabilities, there is **high risk and low transparency**. In our attempts to fully understand the current pension risk posture of SCC Cities we wanted to find the following data items for the previous 5 years, current year, and projections for the next 5 years:

- Total Pension Liability (\$)
- Total Fund Assets (\$)
- Unfunded Liability - Net Pension Liability (\$)
- Funded Rate (%)
- Discount Rate Used to Calculate Total Liability (%)
- General Fund Total Expenditures (\$)
- Covered Payroll (\$)
- Employer Total Normal Costs (\$)
- Employer Total Amortization Costs (\$)
- Total Employer Contribution Payments - Normal + Amortization Costs (\$)
- Pension Employer Contribution Rate (%)
- Unfunded Liability - @ 1% reduced discount rate (\$)

CalPERS has identified two of these items as key variables in modeling risk for the pension plan; Funded Rate and Employer Contribution Rate.^[63] As discussed in our section on financial risk, CalPERS evaluated these two variables over a range of investment return scenarios for “typical” pension plans; we wanted to do this for SCC cities. The Grand Jury was able to eventually figure out how to find and calculate these data items, **but it was far from easily accessible and understandable**. It required finding and searching for the items across multiple documents; previous year CAFRs and current year budget documents for each city, and CalPERS Actuarial Reports for each separate pension plan held for each city. Further, Scotts Valley CAFR documents were not even searchable. Given the magnitude of the risks posed by unfunded pension liabilities, and the likely need for political will to effectively mitigate their impacts, we believe that SCC Cities’ CAFR documents and budget documents should have a section devoted to pension risk that contains the data items above as well as an accounting of risk mitigation plans and actions.

There is one other area of non-transparency with regard to pension risk. This relates to the *discount rate* used to calculate the *total liability* of pension funds. Promises to pay workers based on defined-benefit formulas are essentially guaranteed, deferred compensation. Many finance experts say that since this is a guaranteed promise, the discount rate used to calculate the current liability of guaranteed cash flow payments should align to the *risk-free rate of return*. Since accounting practices allow funds to use the *assumed rate of return* to make this calculation, total liabilities are significantly underestimated. Mitchell and Friedberg say “*the fundamental flaw is that over the years employees were offered a future benefit that was not properly collateralized.*”^[64] This leads to the possibility of the following effects:

- Future taxpayers (in 20 to 30 years) will have to pay for services rendered today through reduction in available funding for their service needs due to unfunded liability debt payments.
- Current local government workers may not receive the benefits they were promised due to failing jurisdictions.
- Loss of public sector competitiveness for employment of skilled workforce, due to unfulfilled pension promises.

The Grand Jury believes that transparency requires the public tracking of this debate in local government communications.

As we expanded our scope of risk assessment for cities beyond pension costs, we were unable to find documentation, prepared by the SCC Cities, for a broader systemic treatment of financial risk. As documented in our section on financial risk, the assessment published by the Auditor’s Office provided a transparent framework to evaluate and communicate financial risk.^[65] Data, maps, methodologies, and sources were provided for user interaction. We believe this approach to financial risk transparency should be emulated by SCC Cities.

Finally, as we looked for even broader assessments of varying types of risk (strategic, hazard, financial, operational), we found nothing except for liability risk funding and financial risk narratives in budget documents and local hazard mitigation plans. There were no risk profiles or risk registers to communicate the full measure of risk facing SCC Cities or the status of risk mitigation actions.

The message from this section is that effective transparency may provide the understanding and political will to actually take effective action. This is especially critical with regard to the residents of each SCC city. Perhaps if they could view understandable data and information showing what they and their children will have to give up for overly generous pension benefits, then political action would be possible.

Effective transparency creates an opportunity for action at times when there is no crisis. From the summary above, we can see that there were plentiful signals of financial distress from Grand Jury reports, media stories, research papers. However, little action was taken to reduce the actual level of risk for financial distress. Now, in the emerging financial crisis we have to ask what we can do, now and in the future, to avoid being rocked by the shocks.

Conclusion

In this report, the Grand Jury has articulated authoritative and consensus requirements for robust risk identification, assessment, management, and communication. These requirements and standards were then used to evaluate the risk profile for each of the cities in SCC and the state of risk management practices currently in place. Our findings indicate that all of our cities are just one economic shock away from serious financial distress and that their current approach to risk management is not adequate to effectively manage and mitigate the range of risks that are typically confronted by local governments. With the emergence of the COVID-19 pandemic and the resulting economic consequences, the financial risk and associated operational risks we discussed will likely be realized. We will soon see how the cities move forward to minimize the impacts of the current crisis. It is also the time to ask if there are ways that we can better prepare for the future shocks that will come our way. The Grand Jury hopes that our findings and recommendations contribute positively to this discussion.

Findings

- F1.** RISK ASSESSMENT: As the Auditor's Office is an authoritative source of studies and assessments for the State Legislature, we find that the risk assessment methodology used by the Auditor's Office is a valid and valuable approach to assessing financial risk for all SCC city jurisdictions and communicating that risk to stakeholders.
- F2.** RISK ASSESSMENT: All SCC Cities did not fully consider the calculated high risk indicators from the Auditor's Office and their potential impacts on city operations, services, and capital assets/infrastructure.
- F3.** RISK ASSESSMENT: The state of risk determined for all SCC Cities by the Auditor's Office in 2017 remained largely unchanged through 2019.
- F4.** RISK ASSESSMENT: Pension costs contribute a higher level of financial risk to all SCC Cities than is accounted for by city documents.
- F5.** RISK ASSESSMENT: Financial Risk Indicators alone are not adequate to effectively understand the risks facing all SCC Cities.
- F6.** RISK ASSESSMENT: All SCC Cities do not fully identify, assess, track, and report key risk indicators that reflect the state of strategic, financial, operational, or hazard risk.
- F7.** RISK ASSESSMENT: All SCC Cities do not adequately evaluate the possible interactions between risks that may inhibit or enhance the objectives of each city.
- F8.** RISK ASSESSMENT: All SCC Cities either do not maintain or do not publish a report card on the state of key infrastructure that can be used to set funding priorities and manage operational and hazard risk.

- F9. RISK MANAGEMENT:** Although all of the cities of SCC are preparing for increased pension costs due to current amortization schedules, they are not adequately preparing for risk associated with significant or sustained investment shortfalls in CALPERS due to economic shocks (e.g. caused by Coronavirus) or a recession.
- F10. RISK MANAGEMENT:** Except for the area of hazard (i.e. loss) risk management, in all SCC Cities, there is no formal method to define, track, manage, and communicate risks at the enterprise level of SCC city government.
- F11. GOVERNANCE:** All SCC Cities do not have a publicly articulated pension Unfunded Actuarial Accrued Liability (UAAL) funding policy that recognizes potential pension cost risks and community expenditure/revenue priorities.
- F12. TRANSPARENCY:** All SCC Cities do not adequately meet key requirements for transparency as defined by the GFOA.
- F13. TRANSPARENCY:** All SCC Cities do not provide standard and understandable reporting with regard to: Pension Costs and Associated Impacts (past, current, and projected); Service Level Performance Metrics; State of Key Infrastructure; Risk Assessments and Mitigation Plans for Finance, Operational, and Hazard Risks.

Recommendations

- R1.** By June 30, 2021: all SCC Cities should become familiar with and adopt the Auditor's Office risk assessment framework or a similar framework to assess financial risk. (F1)
- R2.** By June 30, 2021: all SCC Cities should evaluate and communicate the implications of the financial risk trends indicated in the analyses calculated from the Auditor's Office methodology. (F2, F3)
- R3.** By June 30, 2021: all SCC Cities should publish a standard report annually that is an understandable summary of pension risk, including a narrative on the implications of market valuation versus actuarial valuation of accrued total liabilities. (F4, F12, F13)
- R4.** By June 30, 2021: all SCC Cities should identify a suite of risk indicators that support an integrated assessment of all risk types that can inhibit the ability of the city to meet its objectives. Enterprise Risk Management (ERM) provides an example of the risk types that should be considered. (F5, F6)
- R5.** By June 30, 2021: all SCC Cities should adopt the practice of Bowtie Analysis, or an equivalent method, to support the understanding of risk interactions, the establishment of risk controls, and the communication of a city risk profile. (F7, F10, F12, F13)
- R6.** By June 30, 2021: all SCC Cities should publish their own infrastructure risk report cards and any data they make available to county and state level risk assessments. (F8)

- R7.** By June 30, 2021: all SCC Cities should evaluate the costs and benefits of implementing an Enterprise Risk Management Framework to better integrate risk management across all types of risks (Strategic, Financial, Operational, Hazard). This could take many forms, one being a shared capability through a risk sharing Joint Powers Authority (JPA). The key will be designating clear authority and responsibility for integrated risk management. (F10)
- R8.** By June 30, 2021: all SCC Cities should develop financial models that project the possibilities of realistic financial scenarios; and use these projections in their risk management practices. (F13)
- R9.** By January 1, 2021: all SCC Cities should develop or adopt contingency plans for realistic negative financial performance scenarios associated with CALPERS investment shortfalls (for shock and sustained downturns). (F9)
- R10.** By June 30, 2021: all SCC Cities should develop and publish a policy regarding control of retirement costs (pension and Other Pension Employee Benefits) and funding remedies for unexpected bills presented by CalPERS. (F11)
- R11.** By June 30, 2021: all SCC Cities should develop a plan to align with the Government Financial Officers Association (GFOA) Financial Transparency Initiative. This should be extended to risk management transparency. (F6, F8, F10, F12, F13)

Required Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
City Council of Capitola	F1–F13	R1–R11	90 Days September 17, 2020
City Council of Santa Cruz	F1–F13	R1–R11	90 Days September 17, 2020
City Council of Scotts Valley	F1–F13	R1–R11	90 Days September 17, 2020
City Council of Watsonville	F1–F13	R1–R11	90 Days September 17, 2020

Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

Requested Responses

<i>Respondent</i>	<i>Findings</i>	<i>Recommendations</i>	<i>Respond Within/ Respond By</i>
City Manager of Capitola	F1–F13	R1–R11	90 Days September 17, 2020
City Manager of Santa Cruz	F1–F13	R1–R11	90 Days September 17, 2020
City Manager of Scotts Valley	F1–F13	R1–R11	90 Days September 17, 2020
City Manager of Watsonville	F1–F13	R1–R11	90 Days September 17, 2020
City Finance Director/Risk Manager of Capitola	F1–F13	R1–R11	90 Days September 17, 2020
City Finance Director/Risk Manager of Santa Cruz	F1–F13	R1–R11	90 Days September 17, 2020
City Finance Director/Risk Manager of Scotts Valley	F1–F13	R1–R11	90 Days September 17, 2020
City Finance Director/Risk Manager of Watsonville	F1–F13	R1–R11	90 Days September 17, 2020

Defined Terms

- **Actuary:** A professional who assesses and manages the risks of financial investments, insurance policies and other potentially risky ventures. ^[66]
- **Actuarial Accrued Liability (AAL):** The present value of projected benefits for retirees plus a portion of expected OPEB for active members that have been earned but are not going to be paid in the current year. ^[67]
- **Actuarially Determined Employer Contribution (ADEC):** The amount actuarially calculated each year that is required to be contributed by an employer to a pension plan's pool of assets in order to ensure there will be enough funds to pay promised pension benefits. The contribution rate can be reported either in dollars or a percent of salary. Actuaries annually determine how much should be paid by employers in a given year in order to properly fund a pension plan. This amount is a combination of the employer's share of normal cost plus the unfunded liability amortization payment.

- **Actuarial Required Contribution (ARC):** Using pension plans' own economic and demographic assumptions, the calculation includes the expected cost of benefits earned for the current year and an amount to reduce some of the unfunded liability. Under prior rules, the ARC calculation included in governmental financial statements had to conform to the Governmental Accounting Standards Board's (GASB) regulations, but it is no longer a required disclosure.^[68]
- **Asset Shock Scenario:** An initial adverse shock followed by low returns over the long term. The scenario is based on the Federal Reserve's scenarios for stress testing under the Dodd-Frank Act.^[69]
- **Assumed Rate of Return:** The investment return target and the result that a pension plan estimates its investment allocation mix will deliver.^[70]
- **Assets:** Tangible or intangible items obtained for producing additional income or held for speculation in anticipation of a future increase in value. Examples of classes of assets include: equity (public stocks), fixed income (bonds), private equity (private stocks), real assets (real estate), complex financial instruments (hedge funds), cash or cash equivalents (money market funds).
- **Asset Allocation:** Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance, and investment horizon. The three main asset classes - equities, fixed-income, and cash and equivalents - have different levels of risk and return, so each will behave differently over time.^[71]
- **Availability Bias:** Details that are more easily recalled (because they occurred recently or were attached to a particularly vivid experience) are overweighted when assessing risk. For example, when preparing for future potential extreme events, a city government might over-prepare for an event that has happened in the recent past or that happened somewhere else and received a lot of media coverage. As a result, the city might then under-prepare for a different kind of extreme event that is actually more likely to occur in the future.^[72]
- **Black Swan:** An unpredictable event that is beyond what is normally expected of a situation and has potentially severe consequences. Black swan events are characterized by their extreme rarity, their severe impact, and the widespread insistence they were obvious in hindsight.^[73]
- **Bonds:** An instrument of indebtedness of the bond issuer to the holders. It is a debt security, under which the issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay them interest (the coupon) and/or to repay the principal at a later date, termed the maturity date.^[74]
- **Bowtie Analysis:** A risk evaluation method that can be used to analyse and demonstrate causal relationships in high risk scenarios. The method takes its name from the shape of the diagram that you create, which looks like a men's bow tie.^[75]

- **CalPERS:** California Public Employees' Retirement System. The mission of the organization is “Deliver retirement and health care benefits to members and their beneficiaries” A significant portion of their task is the management of investments and risk to assure future benefits can be paid.
- **Confirmation Bias:** Random patterns will be taken as solid evidence if they match a preconceived expectation. For example, if school administrators implement a new program and student test scores go up by even a small amount, it might be interpreted as evidence of the program’s success rather than just the product of random variation in student test scores that naturally occurs from year to year.^[76]
- **Consequence:** Outcome of an event affecting objectives that can be expressed qualitatively or quantitatively.^[77]
- **Defined Benefit (DB) Plan:** The employer promises a specific amount of monthly retirement income based on a formula that typically considers the employee’s salary, years of service, and age.^[78]
- **Defined Contribution (DC) Plan:** Provides employees with an individual retirement account that grows through investment of accumulated employer and employee contributions. Annual returns are generally based on investment performance and are not typically guaranteed. DC plans can provide workers with access to annuities upon retirement.^[79]
- **Discount Rate:** Used to discount future cash flows in discounted cash flow (DCF) analysis.^[80]
- **Enterprise Risk Management (ERM):** An effective agency-wide approach to addressing the full spectrum of the organization’s significant internal and external risks by understanding the combined impact of risks as an interrelated portfolio, rather than addressing risks only within silos.
- **Economic Shock:** Any change to fundamental macroeconomic variables or relationships that has a substantial effect on macroeconomic outcomes and measures of economic performance, such as unemployment, consumption, and inflation.^[81]
- **Employer Contribution Rates:** Total amount paid by local government for pension costs, expressed as a percentage of payroll.
- **Equities:** Stocks held by investors that represent ownership in a piece of a company. They can be domestic or international. Equities do not guarantee a specific rate of return and thus are generally riskier than fixed-income investments. But equities also have the potential for higher returns, and shareholders’ investments may grow rapidly with the market.^[82]
- **Financial Distress:** From a short-term perspective, fiscal [dis]stress can be defined as the [in]ability to make payments in a timely manner. In the long-term, fiscal [dis]stress is expressed as a gap between a local government’s tax base or revenues relative to its expenditures and commitments.^[83]

- **Future Pension Cost:** A financial indicator that measures the future financial burden of a city's pension costs by comparing its projected annual required contributions to its present level of annual revenues. Rising pension costs may supplant a city's other spending priorities and potentially cause it to curtail critical services, unless it is able to generate additional revenues to offset these increasing costs.^[84]
- **Fixed Income:** Investments in which returns are predictable and paid at designated times. These can include domestic or international bonds. Because fixed-income investments generate predictable streams of income, they are generally considered low risk.^[85]
- **Funded Ratio:** The level of assets at market value in proportion to accrued pension liability. This is an annual point-in-time measure, as of the valuation date.^[86]
- **GAO:** Government Accountability Office.
- **GASB:** Governmental Accounting Standards Board.
- **GFOA:** Government Finance Officers Association.
- **Hybrid Retirement Plan:** Combines a defined benefit based on the employee's final average salary with a separate defined contribution savings account.^[87]
- **Likelihood:** Refers to the chance of something happening, whether defined, measured or determined objectively or subjectively, and described using general terms or mathematically (such as a probability or a frequency over a given time period).^[88]
- **Level of Risk:** Magnitude of a risk expressed in terms of the combination of consequences and their likelihood.^[89]
- **Miscellaneous Pension Plans:** Provides defined-benefit deferred compensation to retirees from public agencies (except police and fire).
- **Net Pension Liability:** Current-year pension debt calculated as the difference between the total value of pension benefits owed to current and retired employees or dependents and the plan assets on hand. Pension plans with assets greater than accrued liabilities show a surplus.^[90]
- **Normal Cost:** The cost of benefits earned by employees in any given year. Also called service cost.^[91]
- **Own Source Revenue (OSR):** Revenues raised directly by state and local governments, generally excluding funds from the federal government.^[92]
- **Overconfidence Bias:** A tendency to be overconfident in our ability to predict the future and to underestimate the degree of uncertainty we face. Experimental evidence has shown people usually underestimate uncertainty by approximately 50 percent.^[93]
- **Pay-as-you-Go:** Contributions pay for benefits as they come due, rather than pre-funding benefits as they are earned.^[94]

- **Pension Debt/Unfunded Liabilities:** The difference between the total value of pension benefits owed to current and retired employees or dependents and the plan assets on hand. This is an unfunded obligation for past service. The data reflect the Governmental Accounting Standards Board (GASB) standards in effect at the time. Before 2014, the data represent the unfunded actuarial accrued liability. In 2014 and after, this is reported as the net pension liability. Pension plans with assets greater than accrued liabilities show a surplus. ^[95]
- **PERF:** Public Employees' Retirement Fund.
- **Private Equity:** An asset class consisting of equity securities and debt in operating companies that are not publicly traded on a stock exchange.
- **Real Assets:** Physical or tangible assets, such as precious metals, commodities, or oil, as opposed to financial assets. ^[96]
- **Revenue Trends:** A measure of the extent to which a city's general fund revenues are increasing or declining over time.
- **Risk:** An uncertain event or sequence of events that if realized may inhibit or enhance the accomplishment of an organization's objectives.
- **Risk Register:** A record of information about identified risks. ^[97]
- **Risk Management:** Coordinated activities to direct and control an organization with regard to risk. ^[98]
- **Risk Management Processes:** Systematic application of management policies, procedures and practices to the tasks of communicating, consulting, establishing the context, identifying, analyzing, evaluating, treating, monitoring and reviewing risk. ^[99]
- **Risk Pool:** An intergovernmental arrangement through which a group of public entities – the members – contribute to a shared fund that pays for claims and thus distributes the burden of risk across all members of the pool, reducing the burden to any individual member. ^[100]
- **Risk Profile:** A description of a set of risks. ^[101]
- **Risk Transfer:** Sharing with another party the benefit of gain, or burden of loss, from the risk; passing a risk to another party. ^[102]
- **Risk-Free Rate of Return:** The theoretical rate of return of an investment with zero risk. ^[103]
- **Safety Pension Plans:** Provides defined-benefit deferred compensation to retirees from public safety agencies (police and fire).
- **SCC:** Santa Cruz County.
- **SCC Cities:** Capitola, Santa Cruz, Scotts Valley, Watsonville.
- **State Policy (behavioral) Assumption:** Condition applied to Pew's stress test analysis that assumes strict adherence to current actuarial funding requirements based on states' written contribution policy. ^[104]

- **Total Liabilities:** Total value of pension benefits owed to current and retired employees or dependents based on past years of service; sometimes referred to as the actuarial accrued liability (AAL).^[105]
- **Transparency:** Government's obligation to share information with citizens that is needed to make informed decisions and hold officials accountable for the conduct of the people's business.^[106]
- **Unfunded Actuarial Accrued Liability (UAAL):** Calculated by subtracting the actuarial value of the assets from the actuarial accrued liability (AAL) of each fund.^[107]

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Site Visits

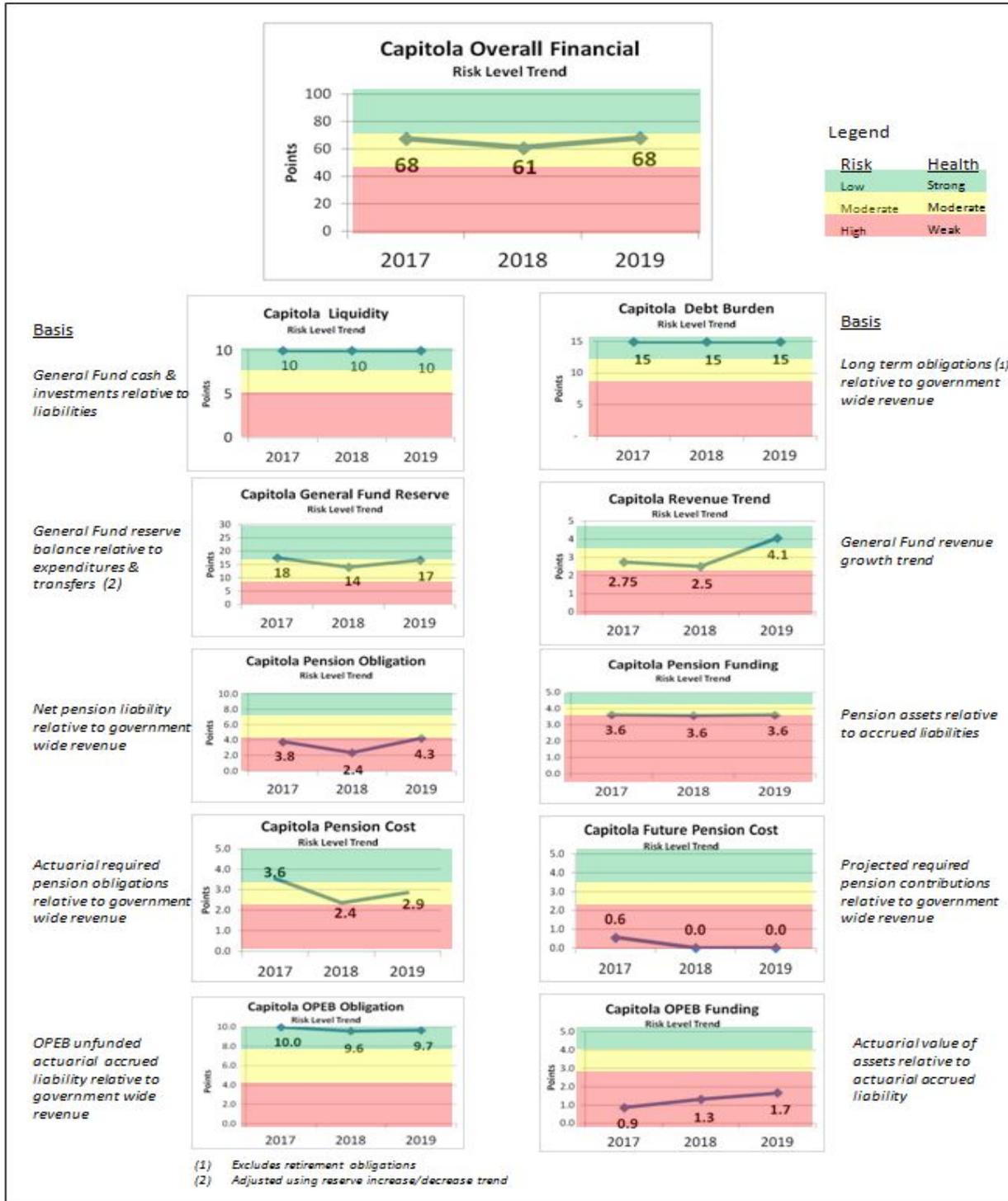
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Websites

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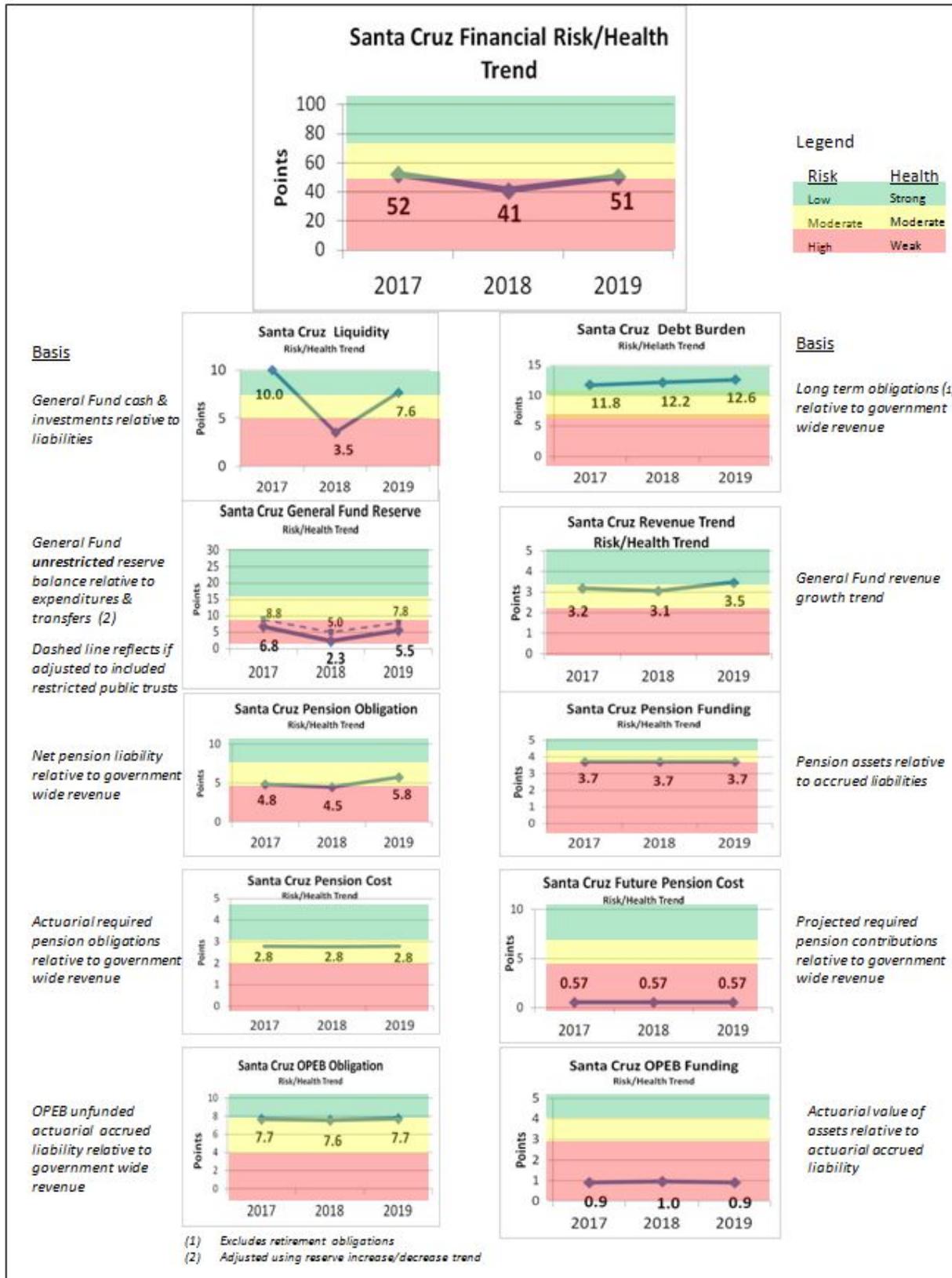
Appendix A City Fiscal Distress Risk Assessment Trends by Financial Indicator^[108]

City of Capitola Financial Risk Trend



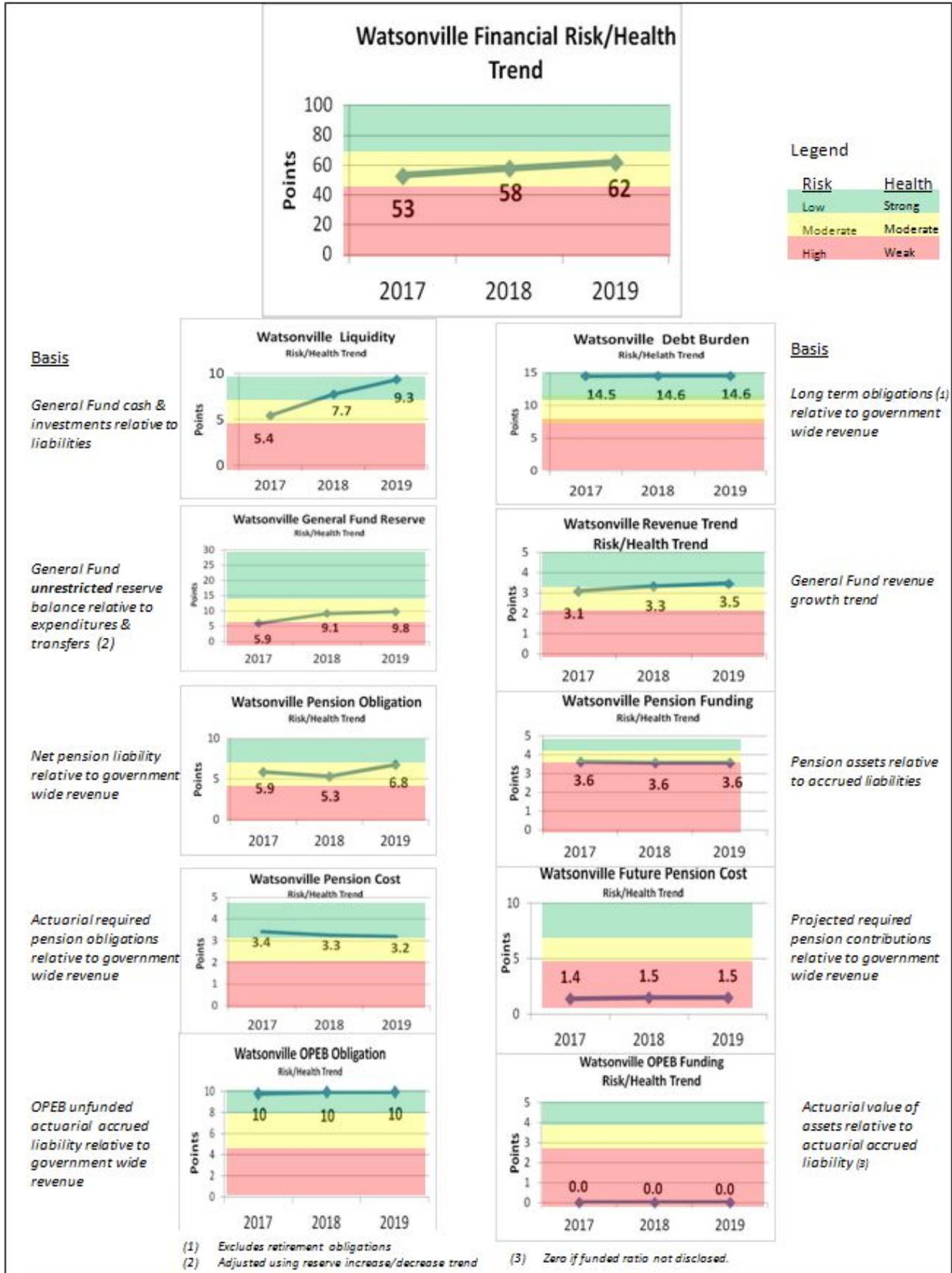
Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

City of Santa Cruz Financial Risk/Health Trend



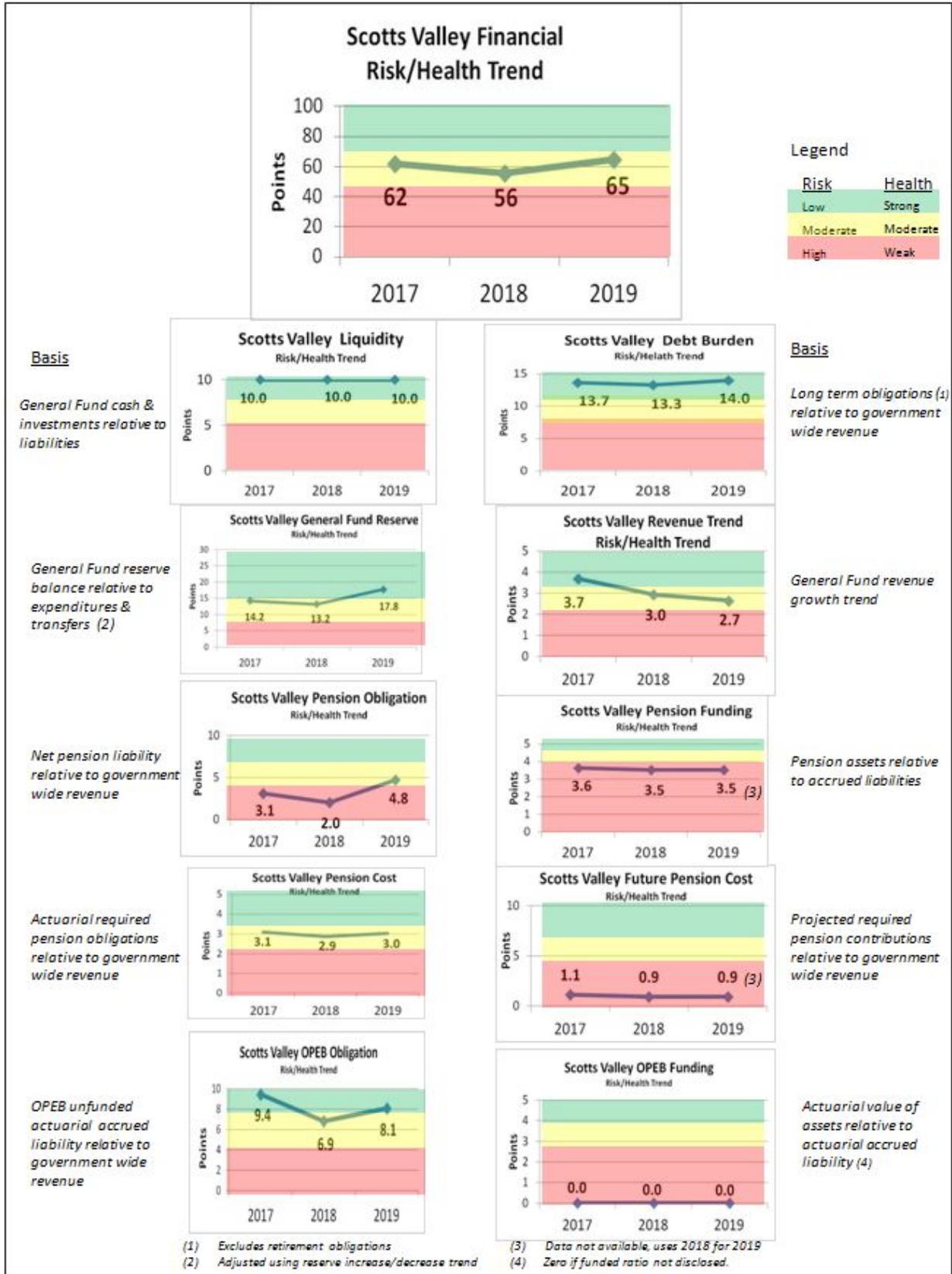
Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

City of Watsonville Financial Risk/Health Trend

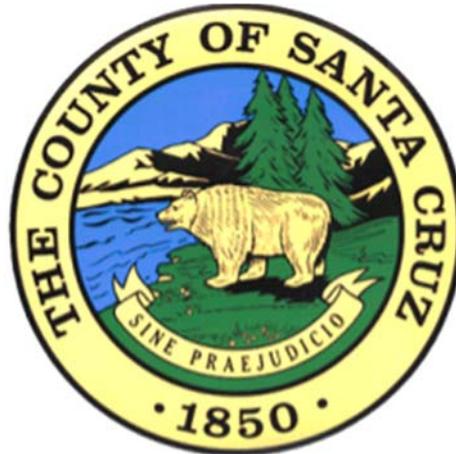


Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)

City of Scotts Valley Financial Risk/Health Trend



Attachment: Grand Jury Report - Risk (Grand Jury Response - Risk)



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

When the response is complete, please

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

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

Instructions for Respondents

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

Response Format

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

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

Findings

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

The City of Capitola agrees that the assessment methodology used by the Auditor's Office is a valid and valuable data point in assessing financial risk but does not find it to be authoritative or all inclusive. It contains a set of useful data points and a way to compare across jurisdictions, but each jurisdiction has unique profiles, revenue and expenditure characteristics, and ability to change or modify those characteristics. That is not captured by this methodology. Furthermore, we find the tool to be heavily focused on pension obligations and risks. It also heavily focuses on factors that are often beyond the control of the jurisdiction, like pension assets or liabilities. It also does not include other forms of "risk" that each city faces and needs to balance, like maintenance of facilities or capital improvements, revenue mix, service needs of the community. These types of risks/ liabilities are less easily quantifiable but are known by the professionals working in their communities,

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

The City of Capitola’s high-risk indicators from the SCC Grand Jury Report are Revenue Trends, Pension Obligations, Future Pension Funding, and Other Post Employment Benefits (OPEB) Funding. The City has made deliberate and concerted efforts over the past few years to stabilize Future pension contribution increases including adopting an official Financial Management policy as well as establishing both a Pension Trust as well as an OPEB Trust. Future pension obligations are always at the forefront of financial planning conversations and modeling. We again have made concerted efforts to pay down our obligation in a way that has the biggest impact during recent years, and CalPERS is always discussed in the City’s budget and 5-year plan. Managing our CalPERS future obligation is also a stated strategic goal of the city council as identified in the City’s annual budget. To say we do not consider the risk of this is untrue. Finally, we disagree with the auditors’ assignment of a high risk to Capitola’s funding of our OPEB obligations. As can be seen by the OPEB obligations indicator we have a very low OPEB obligation and annual contribution, therefore, our lack of a funding plan for this is not an indication of risk in this area.

The SCCGJ report incorrectly listed Capitola as being high risk in the areas of revenue trends and pension funding. Those areas are listed by the state controller as areas of moderate risk.

Attachment: Grand Jury Report Risk - Responses (Grand Jury Response - Risk)

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

City documents report pension contributions and liabilities as required by the Governmental Accounting Standards Board (GASB). In some ways the delayed impact of losses or market shocks to City costs allow for planning time and are therefore a comparatively reduced risk, as compared to risks from natural disasters and economic recessions.

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Adequately is an objective term. Could the City of Capitola do better, perhaps, but the City believes we are properly evaluating interactions between risks. Each year in the City's budget there is a discussion of long-term risk to the City where various factors that could affect the City are highlighted for public review and discussion. In addition, the annually required Comprehensive Annual Financial Report (CAFR) includes a mandated section that evaluates risk management as well as providing detailed information on defined benefit pension plans and other post-employment benefits.

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

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

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

The LHMP process included extensive public outreach and participation, and the community has been kept well-informed about both the types of risks that could happen in our community, and the steps needed to reduce the impacts of those risks.

Climate Action Plan (CAP). The City Council adopted Capitola's first Climate Action Plan (CAP) on October 22, 2015. The CAP identifies strategies and actions to reduce greenhouse gas emissions (GHG) from City government operations and community activities to support the State of California's efforts to mitigate the effects of climate change. The CAP fulfills several General Plan goals and bring the City into conformance with Assembly Bill 32, Senate Bill 375, and Executive Order S-3-05. The CAP includes an inventory of existing GHG emissions, a forecast of future GHG emissions, identification of GHG reduction targets, and a list of GHG reduction measures necessary to achieve identified reduction targets.

The CAP includes actions and strategies to reduce GHG emissions generated by transportation and mobile sources, residential and non-residential energy consumption, water and wastewater treatment and conveyance, solid waste generation, and open space, parks, and agriculture.

The proposed CAP establishes a 4.9% GHG reduction target from 2010 levels by 2020 and projects an 18% reduction through implementation of various reduction strategies. The CAP further sets a 42.9% reduction target from 2010 levels by 2035 and an 81% reduction by 2050.

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

Our community is well-informed about the state of critical infrastructure, and the additional measures being suggested by this report seem both redundant, burdensome, and unnecessary.

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

The City of Capitola has spent several years deliberately building up reserves and making payments into the trust accounts for pension and OPEB Unfunded Actuarial Liabilities (UAL) to be better prepared for if / when we are impacted by CalPERS shock and / or other types of shocks. Our contingency reserve was established to provide a prudent level of financial resources to protect against temporary revenue shortfalls or unanticipated operating costs such as CalPERS, and/or to meet short-term cash flow needs. Furthermore, as stated above, the two-year delay in CalPERS returns and their impacts on City finances allows Cities time to plan and adjust in the case of a shock.

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

The annual budget is adopted through a formal, open to the public process in which various risks are communicated and discussed. The largest financial risk to the City in the unfunded actuarial pension liability which has been one of the most discussed topics over the past 10 -15 years.

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

Adequate is a subjective term. The City believes data and information is available and communicated to the public adequately.

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

AGREE

PARTIALLY DISAGREE – explain the disputed portion

DISAGREE – explain why

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

All information and reports on the above topics are made available to the public and are reported on as required.

Recommendations

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

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

Response explanation, summary, and timeframe:

As explained in finding F1 the City believes the State controller's assessment framework is a starting point for looking at risk but has its limits in that it is too heavily focused on pension risk and many of the reporting elements are beyond the control of the Cities. We do not believe going through this exercise annually is the best use of our extremely limited resources.

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

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

Response explanation, summary, and timeframe:

The Auditor's risk analysis very heavily focuses on reserves, pension funding and outlook, and revenue trends. We already report on, calculate and discuss these very points in every budget and Comprehensive Annual Financial Report (CAFR). Creating another platform to discuss these same indicators is not the best use of the City's extremely limited resources.

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

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

Response explanation, summary, and timeframe:

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

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

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

Response explanation, summary, and timeframe:

Staffing limitations as well as resource limitations due to the COVID-19 pandemic make this impossible to implement by June 30, 2021.

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

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

Response explanation, summary, and timeframe:

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

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

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

Response explanation, summary, and timeframe:

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

Attachment: Grand Jury Report Risk - Responses (Grand Jury Response - Risk)

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

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

Response explanation, summary, and timeframe:

The City believes its' current risk management efforts is adequate to properly assess and plan for the various kinds of risks facing the City. While the City appreciates the thoughtfulness of the report, applying such an extensive and complex model to small city government would not provide enough value to justify the staff and direct costs of implementation.

The additional administrative burden and critical funding losses created by the COVID-19 pandemic leave the City with minimal resources to implement any new programs. We have already had to cut staff positions, been forced to cut critical community programming, and until we have a better understanding of the long-term economic outlook, we simply cannot afford to take on any additional programming efforts, without further cutting other important community services.

Attachment: Grand Jury Report Risk - Responses (Grand Jury Response - Risk)

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

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

Response explanation, summary, and timeframe:

This is done each year as part of the budget process. Our budget process includes a 5-year projection for the general fund as well as our Capital Improvement Program. Special Revenue Funds are equally though less formally evaluated each year when developing the City's budget.

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

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

Response explanation, summary, and timeframe:

The City of Capitola's contingency and emergency reserves policy includes provisions to be used in case of a CalPERS shock.

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

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

Response explanation, summary, and timeframe:

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

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

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

Response explanation, summary, and timeframe:

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

Penal Code §933.05

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



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: Public Works Department

SUBJECT: Accept the Park Avenue Storm Damage Repair Project as Complete and Approve a Notice of Completion

RECOMMENDED ACTION: Approve the Notice of Completion for the Park Avenue Storm Damage Repair Project constructed by Earthworks Paving Contractors with a final cost of \$273,168.36 and direct the Public Works Department to record the Notice of Completion.

BACKGROUND: The Park Avenue Storm Damage Repair Project involved re-constructed of a portion of Park Avenue that was damaged in a storm in 2017. The scope of work included excavation and construction of the roadway embankment and replacing failed pavement. Earthwork Paving was awarded the project on May 1, 2020, with a contract price of \$316,655.

DISCUSSION: The final cost of construction was \$273,168.36, which is \$43,486.64 less than the contract amount. The reduction between the bid amount and final cost was primarily due to the slope requiring less excavation than originally estimated and the fact that railroad flagging was not necessary during construction. The bid item for tree removal and Hot Mix Asphalt required more work and material than estimated.

The Notice of Completion is included as Attachment 1, and a Final Cost Summary as Attachment 2.

FISCAL IMPACT: This project is primarily funded by the Federal Highway Administration at an approved reimbursement percentage of 89% of costs.

The following tables indicate the current and anticipated revenues and expenditures for the project:

Revenue:

General Fund (2017 allocation)	\$100,000. 00	
CalOES Reimbursement	\$ 6,834. 00	(emergency response costs from 2017)
Future Caltrans Reimbursement	\$485,619. 10	(approved maximum amount)
Total Funding	\$592,453. 10	

Final Expenses:

Park Avenue Storm Damage Repair NOC
September 10, 2020

Design and Caltrans Coordination	\$120,000.00
Construction	\$ 273,168.36
Project Inspection Services	\$ 35,000.00
Total Expenses	\$ 428,168.36

Anticipated Federal Reimbursement (89%)	\$381,069.84
Reimbursement received to date	\$ 83,023.42
City share (11%)	\$ 47,098.52

Based on these final costs the City will be reimbursed \$52,901.48 of the original \$100,000 general fund allocation made to this project. This funding will be available for allocation to a future capital improvement project.

ATTACHMENTS:

1. Notice of Completion Park Ave Storm Damage
2. Final Cost Summary Park Ave Storm Damage

Report Prepared By: Steve Jesberg
Public Works Director

Reviewed and Forwarded by:



Jamie Goldstein, City Manager 9/3/2020

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Capitola
Public Works Department
Attn: Steven Jesberg
420 Capitola Avenue
Capitola, California 95010

SPACE ABOVE THIS LINE FOR RECORDER'S USE

THIS INSTRUMENT IS BEING RECORDED FOR THE BENEFIT OF THE CITY OF CAPITOLA
NO RECORDING FEE IS REQUIRED PURSUANT TO GOVERNMENT CODE §27383

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN that the City of Capitola, owner of the property hereinafter described, whose address is 420 Capitola Avenue, Capitola, California, has caused a work of improvements more particularly described as follows:

PROJECT NAME: Park Avenue Storm Damaged Bike Path and Shoulder

PROJECT DESCRIPTION: Slope and pavement repair on Park Avenue

to be constructed on property more particularly described as follows:

DESCRIPTION: Park Avenue between Coronado St. and Kennedy Dr.

ADDRESS: N/A

APN: N/A

The work of the improvement was completed by:

CONTRACTOR: Earthworks Paving Contractors, Inc.

ADDRESS: 310A Kennedy Drive, Capitola CA 9501

The work of the improvements was actually completed on the 5th day of August 2020, and accepted by the City Council of Capitola on the 10th day of September 2020.

Attest:

Interim City Clerk: _____
Chloé Woodmansee

The undersigned certifies that he is an officer of the City of Capitola, that he has read the foregoing Notice of Completion and knows the content thereof; and that the same is true of his own knowledge, except as to those matters which are therein stated on information or belief, and as to those matters that he believes to be true. I certify under penalty of perjury that the foregoing is true and correct. Executed at the City of Capitola, County of Santa Cruz, State of California.

Public Works Director: _____
Steven E. Jesberg

Date: _____

Attachment: Notice of Completion Park Ave Storm Damage (Park Avenue Storm Damage Repair NOC)

City of Capitola
Final Cost Summary

Project: Park Avenue Storm Damager Repairs

Item No.	Item Description	Unit	Bid Quantity	Actual Final Quantity	Diff	Unit Cost	Final Cost	Difference	
1	Mobilization & Demobilization	LS	1.00	1.00	0.00	\$ 10,000.00	\$ 10,000.00	\$ -	
2	Temporary Construction Fencing (4' Height)	LF	135.00	0.00	-135.00	\$ 15.00	\$ -	\$ (2,02	
3	Construction Staking	LS	1.00	1.00	0.00	\$ 11,000.00	\$ 11,000.00	\$ -	
4	Traffic Control	LS	1.00	1.00	0.00	\$ 2,000.00	\$ 2,000.00	\$ -	
5	Temporary Stormwater Pollution Control	LS	1.00	1.00	0.00	\$ 2,000.00	\$ 2,000.00	\$ -	
6	Remove Surfacing and Base (10-inch Depth)	CY	29.00	29.00	0.00	\$ 276.00	\$ 8,004.00	\$ -	
7	Clearing and Grubbing	SY	561.00	561.00	0.00	\$ 28.50	\$ 15,988.50	\$ -	
8	Tree Removal (12" Diameter)	EA	1.00	5.00	4.00	\$ 2,000.00	\$ 10,000.00	\$ 8,00	
9	Fallen Tree Removal (Approximately 6' Diameter)	EA	1.00	1.00	0.00	\$ 2,000.00	\$ 2,000.00	\$ -	
10	Structural Excavation	CY	880.00	587.00	-293.00	\$ 90.00	\$ 52,830.00	\$ (26,37	
11	Structural Backfill	CY	1280.00	1,200.00	-80.00	\$ 84.50	\$ 101,400.00	\$ (6,76	
12	Geogrid Reinforcement	SY	1000.00	1,000.00	0.00	\$ 6.00	\$ 6,000.00	\$ -	
13	Revegetation (Erosion Control Blanket and Hydroseeding)	SY	496.00	496.00	0.00	\$ 12.50	\$ 6,200.00	\$ -	
14	Aggregate Base (4-Inch Depth)	TON	39.00	45.41	6.41	\$ 154.00	\$ 6,993.14	\$ 98	
15	Hot Mix Asphalt (6-Inch Depth)	TON	62.00	83.41	21.41	\$ 242.00	\$ 20,185.22	\$ 5,18	
16	Storm Drain Catch Basin (Caltrans Type G1)	EA	1.00	1.00	0.00	\$ 8,500.00	\$ 8,500.00	\$ -	
17	AC Dike	LF	257.00	257.00	0.00	\$ 27.50	\$ 7,067.50	\$ -	
18	Thermoplastic Striping and Markings	LS	1.00	1.00	0.00	\$ 3,000.00	\$ 3,000.00	\$ -	
19	Railroad Flagging [Revocable Bid Item]	DAY	45.00	0.00	-45.00	\$ 500.00	\$ -	\$ (22,50	
Total							\$ -	\$ -	\$ -
Total							\$ 273,168.36	\$ (43,48	\$ (43,48

Summary

Original Bid:	\$	316,655.00
Changes:	\$	(43,486.64)
Final Cost:	\$	273,168.36

Attachment: Final Cost Summary Park Ave Storm Damage (Park Avenue Storm Damage Repair NOC)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: Finance Department

SUBJECT: FY 2019-20 Budget Update

RECOMMENDED ACTION: Receive Fiscal Year 2019-20 budget update and adopt proposed resolution amending the Fiscal Year 2020-21 Budget.

BACKGROUND: The Fiscal Year (FY) 2019-20 Budget report provides an update on the City's financial status as of June 30, 2020 and recommends budget adjustments in FY 2020-21 to better reflect current projections.

At the on-set of the Coronavirus (COVID-19) Pandemic, staff projected major declines in sales tax, transient occupancy tax (TOT), recreation, and parking revenues for the fourth quarter of FY 2019-20 as well as all of FY 2020-21. The projected revenue shortfall in FY 2019-20 was \$2.4 million and the shortfall in FY 2020-21 was estimated to be \$4 million. Additionally, the planned FY 2020-21 budget included \$449,000 of expenditures in excess of revenues; making the total FY 2020-21 budget gap approximately \$4.5 million. In order to close the budget gap, staff eliminated all non-essential expenditures and froze six vacant positions.

DISCUSSION: To date, General Fund revenues during COVID-19 have performed better than originally anticipated which appears to be the case in most jurisdictions throughout the State. Sales tax, recreation, and parking revenues are performing close to expectations while TOT revenues are performing a little better than anticipated. In addition, the City has been allocated \$124,805 of CARES Act funding to assist with COVID-19 related expenses.

Staff had projected a General Fund balance at June 30, 2020 of approximately \$151,000 however due to the better than anticipated revenue receipts staff now estimates the June 30, 2020 ending General Fund balance to be approximately \$679,000.

Sales Tax:

The FY 2019-20 adopted budget included approximately \$8 million of sales tax revenue. Due to COVID-19 this estimate was reduced to \$6.7 million, representing a shortfall of \$1.3 million or 16%. This assumption was based on the sales tax revenue that had been received prior to COVID-19 and a 50% reduction during the fourth quarter of FY 2019-20.

Staff had budgeted \$1,991,332 of sales tax revenue for the fourth quarter of FY 2019-20, which was reduced to \$995,666. Actual sales tax revenue received totaled \$1,724,328 and consisted of \$1,362,170 of current payments and \$362,158 of prior period adjustments. Staff believes that approximately \$300,000 of the prior period adjustments were related to the 90-day payment

FY 2019-20 Budget Update
September 10, 2020

deferral program implemented by the State and will not be included in future payments. Removing the \$300,000 of one-time payments would put fourth quarter sales tax revenue at \$1,424,170, or 29% below budget. While this is considerably better than the 50% reduction staff anticipated, it is in line with FY 2020-21 revenue projections which anticipated a 21% reduction over the course of the fiscal year.

Staff will meet with the City's sales tax consultant on October 7, 2020, to review the fourth quarter sales tax revenues and seek more information on the deferral program implemented by the State. While the fourth quarter performance was better than anticipated, staff does not believe that a budget amendment to sales tax revenues is warranted at this time. Staff will be returning to City Council in December, with another update on sales tax revenues and a possible budget amendment at that time.

Transient Occupancy Tax (TOT):

The FY 2019-20 adopted budget included approximately \$1.6 million of TOT revenue. Due to COVID-19 this estimate was reduced to \$1.2 million representing a shortfall of \$477,000, or 30%. This assumption was based on TOT revenues received prior to COVID-19 and a 95% reduction in the fourth quarter of FY 2019-20.

Staff had budgeted \$410,164 of TOT revenue for the fourth quarter of FY 2019-20 which was reduced to \$20,508. Actual TOT revenues received totaled \$119,481; representing a reduction of approximately 76% from the prior year. Staff has seen TOT revenues improving each month, and the month of July's revenues were roughly 31% below the prior year. In addition, staff has contacted some hotel operators and have heard that August TOT receipts will be similar to July. While we do not anticipate every future month performing as well as July, the data is promising that TOT revenues will out-perform staff's original projections.

Due to the performance of TOT revenues through the last five months, staff is requesting to amend the TOT revenue budget to equal 50% of the originally budgeted amount in FY 2019-20. This would increase the FY 2020-21 TOT revenue budget from \$475,800 to \$820,329, or an increase of \$344,529.

This will result in an increase in general fund revenues of \$320,929, an increase in restricted TOT revenue for early childhood/youth programming of \$11,000 and increase the restricted TOT revenue for local business groups by \$12,600. While the restricted TOT for local business groups is disbursed based on actual receipts, the restricted TOT revenue for Early Childhood & Youth Programs must be appropriated by the City Council. Staff is therefore requesting a budget amendment of \$11,000 for Outside School Time (OST) scholarships. This would increase the FY 2020-21 OST scholarship funding from \$14,500 to \$25,500.

Recreation Fees:

At the on-set of COVID-19 and due to all the uncertainties surrounding recreation programs, staff reduced recreation revenue from \$769,000 to \$500,000, which was only slightly more than the revenue already received prior to COVID-19.

The Recreation Division was able to offer modified Junior Guard and Camp Capitola programs this past summer and the total recreation revenue received was approximately \$528,000, which basically offset expenditures incurred for those programs.

The FY 2020-21 adopted budget did include recreation fee revenue based on the new parameters under which recreation has to operate under during COVID-19. Therefore, staff is not currently recommending a budget amendment to recreation fee revenue.

FY 2019-20 Budget Update
September 10, 2020

Parking Revenue:

The FY 2019-20 adopted budget included approximately \$274,000 of parking revenue for the fourth quarter, which was reduced by 50% to \$137,200 due to COVID-19. Actual parking revenue received during the fourth quarter of FY 2019-20 totaled \$114,600; a 58% reduction. Staff did see improved parking revenues in July, however, due to the CZU Lightning Complex Fire, we do not anticipate the same trend in August.

At this point, staff is not recommending a budget amendment to reduce parking revenues and instead will revisit the topic in December during the next budget update.

Staffing:

One of the first actions taken by the City at the beginning of COVID-19 was to institute a hiring freeze of six vacant positions. Additionally, during negotiations with the Association of Capitola Employees (ACE), the Receptionist, Accountant I, and a Recreation Coordinator position were vacated. The nine frozen positions were not included in the FY 2020-21 budget; however, all other approved positions were included in the budget. Since the start of FY 2020-21, one police officer has resigned, and the City has received notification of two potential retirements; a parking enforcement officer and the senior mechanic. All three of these positions are critical to the on-going operations of the City and as mentioned were included in the FY 2020-21 adopted budget.

Staff is requesting to modify the current hiring freeze to obtain authorization to recruit for and fill the police officer, parking enforcement officer, and senior mechanic positions. Staff will not fill the parking enforcement officer or senior mechanic positions until the pending retirements are finalized.

At this time, staff is not requesting to fill the other nine positions frozen in the budget as the savings from these vacant positions was included in budget savings to assist in closing the FY 2020-21 budget gap.

Additionally, the City Clerk position and Building Inspector positions are currently filled with new employees that have not completed all training associated with these positions. Staff is requesting an increase in the training budgets by \$6,000 in the City Manager's Department and the by \$5,000 in the Community Development Department - Building Division, to allow these two employees to continue their training.

CARES Act Funding:

The City of Capitola was allocated \$124,805 of CARES Act funds to assist with COVID-19 related expenses incurred between March 1, 2020 and Dec. 31, 2020. The California Department of Finance has informed staff that public safety salaries and benefits are a reimbursable expense under the CARES Act. The City has incurred approximately \$424,500 in public safety salary and benefit costs between March 1st and June 30th. Therefore, staff is requesting to increase Federal/State grant revenue by \$124,805 to help offset public safety costs.

In addition, staff is requesting to increase the City Facilities Janitorial budget by \$10,000 to enhance the level of service currently provided. This budget has traditionally been about \$45,000 annually and if approved this would make the FY 2020-21 budget amount \$32,000, still \$13,000 below pre-pandemic levels. This increase would allow for enhanced cleaning at all city public restrooms including the Esplanade, Wharf, Jade Street restrooms as well as increasing the number of cleaning days from one to two in the Police Dept. This action will free up Public

FY 2019-20 Budget Update
September 10, 2020

Works staffing to complete other important tasks to prepare for winter.

Next Budget Review - December 10, 2020:

Staff recommends holding off on further budget amendments until the next budget review scheduled for December 10. At that hearing the City will have received sales tax data for the first quarter of the current fiscal year and almost half the year's TOT.

FISCAL IMPACT: If approved, these requested budget amendments would increase general fund revenues by roughly \$445,700 and general fund expenditures by \$32,000 as well as structurally balancing the FY 2020-21 Budget. This action would result in the FY 2020-21 revenues exceeding budgeted expenditures by \$314,000 and leave an estimated budgeted general fund balance at June 30, 2021 of approximately \$993,000. This action would also increase the OST Scholarship budget by \$11,000 to \$25,800.

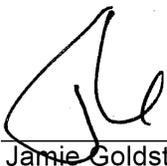
These actions will allow the City to maintain current operations and will position the City well to navigate the impacts of COVID-19 during the first quarter of FY 2020-21.

ATTACHMENTS:

1. amending the 2020-21 budget
2. Exhibit A- 2021 COVID Budget - Summary section basic charts 1
3. Exhibit B- City Org Chart retirement and frozen 2020
4. Exhibit C- 1st Qtr 2021 change requests

Report Prepared By: Jim Malberg
Finance Director

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

9/4/2020

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CAPITOLA
AMENDING THE 2020/2021 FISCAL YEAR CITY BUDGET AND CAPITAL IMPROVEMENT
PROGRAM BUDGET**

WHEREAS, it is necessary to adopt the 2020/2021 Fiscal Year Budget for all City funds and Capital Improvement Program; and

WHEREAS, the City Council conducted budget study sessions, heard and considered public comments, had modified and proposed a budget accordingly, and on June 11, 2020 adopted such budget for the Fiscal Year July 1, 2020, through June 30, 2021; and

WHEREAS, since the adoption of the budget the City has received CARES Act funding in addition to revenue greater than anticipated, and wishes to amend the Fiscal Year 2020/2021 budget to more accurately reflect current projections; and

NOW, THEREFORE, BE IT HEREBY RESOLVED by the City Council of the City of Capitola that the 2020/2021 Fiscal Year Budget is hereby amended, including Exhibit A (2021 Budget Summary), Exhibit B (City Organization Chart), and Exhibit C (Budget Amendment) to this Resolution; and

BE IT FURTHER RESOLVED that the Finance Director is directed to enter the budget into the City's accounting records in accordance with appropriate accounting practices, and the City Manager, with the Finance Director's assistance, shall assure compliance therewith.

I HEREBY CERTIFY that the foregoing Resolution was passed and adopted by the City Council of the City of Capitola on the 10th day of September 2020, by the following vote:

- AYES:**
- NOES:**
- ABSENT:**
- ABSTAIN:**

Kristen Petersen, Mayor

ATTEST:

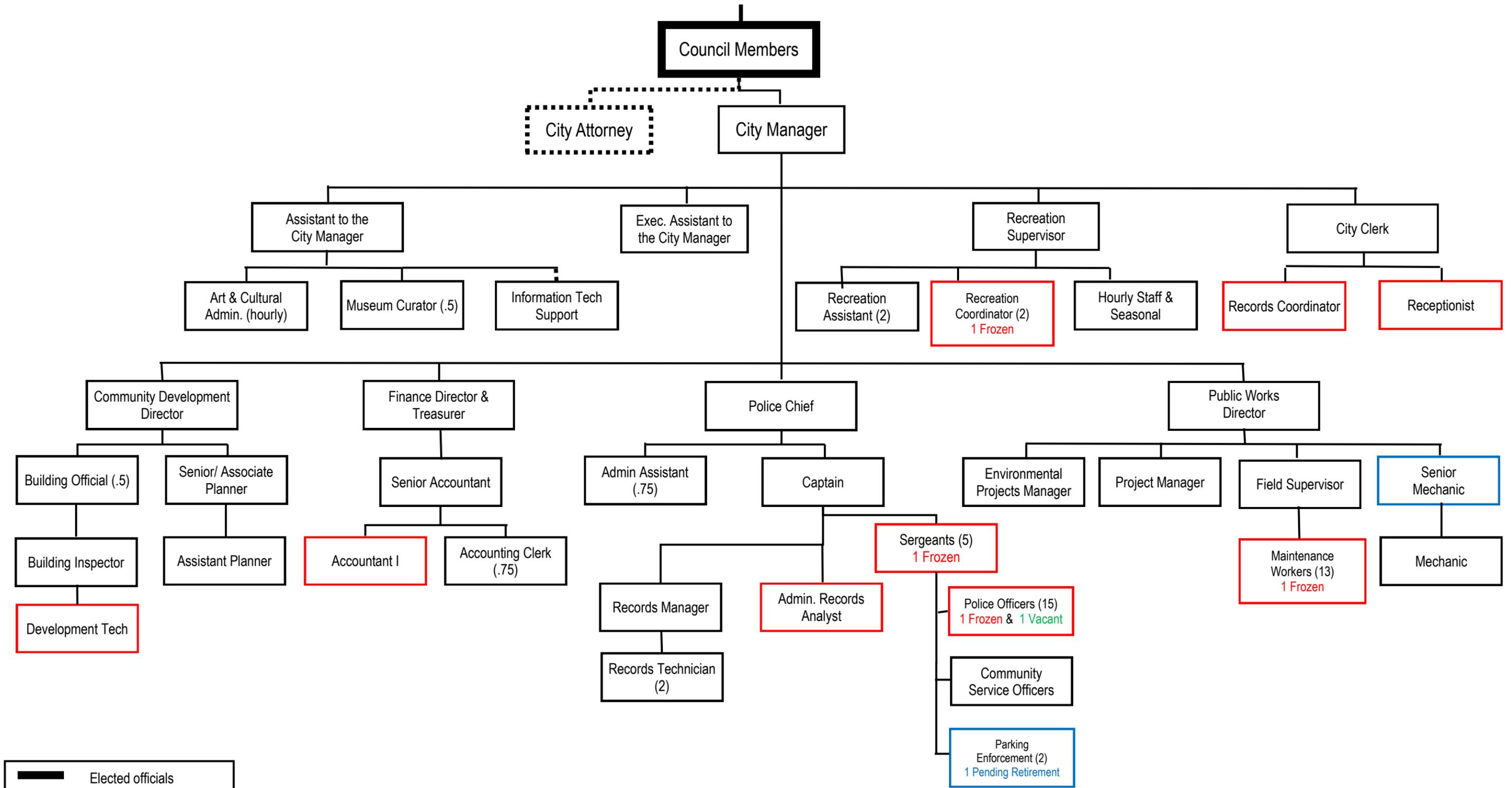
Chloe Woodmansee, Interim City Clerk

Attachment: amending the 2020-21 budget (FY 2019-20 Budget Update)

General Fund Summary

Major Categories	FY18/19 Actual	FY 19/20 Adopted	FY19/20 Estimated	FY19/20 Actual	FY20/21 Adopted	FY21/22 Planned
Revenues						
Taxes	\$ 12,833,834	\$ 13,104,469	\$ 11,113,257	\$ 11,988,155	\$ 10,542,632	\$ 11,916,278
Licenses and permits	623,076	607,300	620,935	673,832	566,100	576,100
Intergovernmental revenues	119,637	108,000	115,305	139,470	62,200	60,200
Charges for services	1,855,473	2,055,925	1,657,437	1,636,853	1,300,831	1,761,954
Fines and forfeitures	521,939	563,500	517,104	519,754	482,900	582,900
Use of money & property	157,624	96,200	115,857	106,706	36,500	41,700
Other revenues	182,987	111,000	78,896	110,523	76,500	43,400
Revenues Totals	\$16,294,570	\$16,646,394	\$14,218,791	\$15,175,294	\$13,067,663	\$14,982,532
Expenditures						
Personnel	\$8,982,043	\$9,866,884	\$9,422,431	\$9,761,056	\$9,027,303	\$9,495,611
Contract services	2,714,577	2,906,368	2,676,237	2,770,747	2,310,399	2,547,730
Training & Memberships	89,851	128,570	82,644	87,559	80,050	92,850
Supplies	589,981	543,911	500,223	500,016	478,875	493,500
Grants and Subsidies	243,432	269,647	269,647	241,612	0	249,479
Internal service fund charges	1,209,105	1,176,081	1,176,081	1,176,081	911,210	1,304,859
Other financing uses	1,733,843	2,304,344	2,004,344	2,023,418	359,383	1,691,144
Expenditures Totals	\$15,562,832	\$17,195,805	\$16,131,607	\$16,560,489	\$13,167,220	\$15,875,173
Impact on Fund Balance	\$ 731,738	\$ (549,411)	\$ (1,912,816)	\$ (1,385,195)	(\$99,557)	\$ (892,641)
Budgetary Fund Balance	\$ 1,764,013	\$ 1,214,602	\$ (148,804)	\$ 378,818	\$ 579,261	\$ (313,381)
Employee Down Payment Assistance			\$ 300,000	\$ 300,000		
Revised Budgetary Fund Balance			\$ 151,196	\$ 678,818		

Citizens of the City of Capitola



- Elected officials
- Contract employee (s)
- City staff
- Frozen Position
- Vacant After July 1
- Pending Retirement

MYE - Summary of Changes				
General Fund				
Incr / (Decr.)\$	Fund	Account	Purpose	
Revenue				
\$ 124,805.00	1000-00-00-000	3310.xxx	Federal Grants - Operating	
\$ 320,929.00	1000-00-00-000	3170.xxx	Transient Occupancy Tax	
\$ 445,734.00				
Restricted Revenues				
\$ 11,000.00	1000-00-00-000	3170.xxx	Transient Occupancy Tax - Early Childhood/Youth	
\$ 12,600.00	1000-00-00-000	3170.xxx	Transient Occupancy Tax - Local Business Groups	
\$ 23,600.00				
\$ 469,334.00				
Expenditures				
\$ 6,000.00	1000-10-11-000	4400.xxx	City Manager - Training Registration/Material	
\$ 10,000.00	1000-30-31-310	4375.xxx	CS-Property & Equip Janitorial Services	
\$ 5,000.00	1000-40-41-000	4400.xxx	CDD - Training Registration/Material	
\$ 11,000.00	1000-50-50-525	3700.xxx	Recreation OST Program - Scholarships	
\$ 32,000.00				
\$ 437,334.00				
Other Funds				

Attachment: Exhibit C- 1st Qtr 2021 change requests [Revision 1] (FY 2019-20 Budget Update)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: City Manager Department
SUBJECT: Code of Conduct for Council Members

RECOMMENDED ACTION: Consider City Council and Commission Code of Conduct Policy recommended by the City Council ad hoc subcommittee.

BACKGROUND: At the September 26, 2019, meeting, City Council directed staff to bring back options for a Code of Conduct for City Council members and appointed officials of City Boards and Commissions members. Staff, in conjunction with the City Attorney, reviewed existing codes of conduct from other jurisdictions.

At the January 23, 2020, City Council meeting, staff presented options for developing a Code of Conduct. The City Council formed an ad-hoc subcommittee to work with staff to create a draft Code of Conduct policy that would then be reviewed by the full Council. City Council appointed Vice-Mayor Brooks and Councilmember Storey to the subcommittee.

The subcommittee met in February and was scheduled to but did not meet in March due to the COVID-19 public health crisis. The subcommittee met again in July and August 2020.

DISCUSSION: The draft Code of Conduct Policy (Attachment 1) is recommended by Vice-Mayor Brooks and Councilmember Storey for consideration by the whole City Council. The draft was developed after the subcommittee meetings, comprised of staff, the City Attorney, and both Vice-Mayor Brooks and Councilmember Storey, were held.

The sub-committee recommended Code of Conduct includes;

- Core values for City Council members and Appointed Officials
- Transparency and decision-making standards
- Standards for how City Council and Appointed Officials are expected to interact with City staff
- Standards of relations with other councilmember and decorum at public meetings
- Standards for communications with the public, boards and commissions, other governmental agencies, staff, and media
- Procedures to investigate violations of the set standards, and penalties for doing so

The Code of Conduct also includes appendices with references and guidelines to assist the City Council and Commissioners in understanding the goals of the Code of Conduct. The Code of Conduct Policy also includes a signature page for Councilmembers and Appointed Officials, indicating that they have read the Handbook and accept the standards.

Code of Conduct
September 10, 2020

The Code of Conduct does not supersede any other legal requirements for councilmembers and appointed officials; it is intended to work in conjunction with other requirements and provide a framework to guide how elected and appointed officials should conduct themselves, and a structure in which to consider violations of the Code of Conduct or the law.

FISCAL IMPACT: No anticipated financial impact.

ATTACHMENTS:

1. Draft I-42 Admin Policy Council and Board Code of Conduct

Report Prepared By: Larry Laurent
Assistant to the City Manager

Reviewed and Forwarded by:



Jamie Goldstein, City Manager

9/4/2020



ADMINISTRATIVE POLICY

Number: I-42
 Issued: September 10, 2020
 Jurisdiction: City Council

**CITY COUNCIL AND COMMISSIONER
 CODE OF CONDUCT**

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1.0 Preamble

The Capitola City Council declares that citizens of the City of Capitola are entitled to have fair, open, ethical, efficient and accountable local government and that City officials should continually strive to earn the public's confidence. Toward that end, these Protocols establish higher standards of conduct for members of the City Council and members of City boards and commissions (collectively "Members") than are currently required under the laws of the State of California.

The Members pledge to hold themselves and other Members responsible for observing the standards set forth in these Protocols, and to enforce these Protocols when necessary to preserve the integrity of City government.

2.0 Core Values

Responsibility

- I conduct myself in a courteous and respectful manner at all times during the performance of my official City duties.
- I will keep the common good as my highest purpose and focus on achieving constructive solutions for the public benefit
- I will avoid and discourage conduct which is divisive or harmful to the best interests of Capitola
- I make decisions based on the merits of an issue, including research and facts.
- I am a prudent steward of public resources and actively consider the impact of my decisions on the financial and social stability of the City and its residents.

Integrity

- I am honest with my fellow City officials, City staff, members of the community, and others.
- I promote equity and non-discrimination in public agency decision-making.
- I encourage diverse public engagement in our decision-making processes and support the public's right to know.
- I do not accept gifts, services or other special considerations for personal benefit because of my public position.
- I excuse myself from participating in decisions when my or my immediate family's financial interests may be affected by my actions as a City Official

Respect/Value others

- I recognize the worth and dignity of individual members and appreciate their individual talents, perspectives and contributions; value in others.
- I treat my fellow officials, staff and the public with patience, courtesy and civility, even when we disagree on what is best for the community.

- I help create an atmosphere of respect and civility where individual members, City staff and the public are free to express their ideas and work to their full potential.
- I understand that I am one of five members of the City Council and will work towards consensus building and gain value from diverse opinions.
- I respect the distinction between the role of office holder and staff.

Accountability

- I am prepared to make decisions when necessary for the public's best interests, whether those decisions are popular or not.
- I do not make promises on behalf of the City without concurrence from the City Council at a duly noticed public meeting.
- I take responsibility for my actions, even when it is uncomfortable to do so.
- I do not use public resources, such as City staff time, equipment, supplies or facilities, for private gain or personal purposes.
- I refrain from disclosing confidential information concerning litigation, personnel, property, or other affairs of the City, without proper legal authority, nor use such information to advance my financial or other personal interests.

3.0 Setting a Higher Standard within the Existing Framework

By adopting these Protocols, the Council intends to supplement and not to supersede California's existing legal framework applicable to local governments. Similarly, the Council intends that these Protocols will not merely restate existing legal obligations but will establish a higher standard of conduct for Members in the governance of the City. Members are referred to Appendix "A" (Legal Framework & Resources) for pertinent resources. Members are expected to be familiar with and to seek guidance about the applicability of the legal framework.

4.0 Transparency in decision making.

Transparency in decision making is of the utmost importance in maintaining ethical, representative local governance. Toward that end, Members will adhere to the following standards:

4.1 Public Meetings.

Members will hold public meetings in accordance with the Ralph M. Brown Act (the "Brown Act"). Members will seek guidance from the City Attorney as to the Brown Act requirements and will apply those provisions conservatively in favor of the public's right to participate in public decisions.

4.2 Council Communications & Serial Meetings.

Members will not engage in "serial meetings" with colleagues – a discussion of City issues among a majority of Councilmembers or Commissioners either collectively (i.e. all meeting together) or in a sequence (A talks to B who talks to C). Members

will not use other persons as intermediaries to accomplish a serial meeting or to circumvent the Ralph M. Brown Act.

4.3 Closed Session Discussions.

As part of a properly agendized meeting, Members may only hold sessions closed to the public, pursuant to the advice of the City Attorney, in accordance with the commonly accepted interpretation of Brown Act requirements. Discussions held in closed session are to be directly limited to the matter at hand. Such discussions, along with materials reviewed, are confidential and shall not be disclosed except as the City Attorney may advise.

4.4 Closed Session Materials.

Confidential materials provided in preparation for and during closed sessions must be returned to the City Attorney at the conclusion of the closed session.

5.0 Fairness of Process

Members will comply with the meeting and hearing procedures set forth by these protocols, the Brown Act, and Rosenberg's Rules of Order. Additionally, in order to cultivate an environment of fairness and to encourage public confidence in City decisions, Members will adhere to the following standards of conduct:

5.1 Decisions on the Merits.

Members will base their decisions on the facts and merits of each matter, not upon personal or other biases, and will strive to make decisions that are in the best interests of the community as a whole.

5.2 Disclose Information.

Prior to any deliberations on a project or matter at a public meeting, Members shall publicly disclose information about the matter that they have obtained from sources, not presented in the staff report (e.g. their own site visit, from the public, from the applicant, etc.), which may influence their decision or that of Members.

Remain neutral on quasi-judicial hearings. A quasi-judicial hearing occurs when;

- a) a hearing is held to apply a rule or standard to an individual person, project or circumstance;
- b) it involves the taking of evidence;
- c) it results in the rendering of a written decision issued by the hearing officer or tribunal (including adoption of findings); and

d) the written decision is based on the facts and arguments submitted at the hearing.

Elected and appointed officials are obligated to remain neutral and unbiased regarding quasi-judicial matters prior to their vote on the matter.

5.3 Consider All Sides.

Members should consider the various viewpoints related to a project or matter and afford project applicants and interested persons an adequate opportunity to comment upon a project or matter before action is taken.

5.4 Decorum.

To ensure the fairness and integrity of the deliberative process, the presiding officer should preserve decorum and conduct meetings in an orderly manner. Members should remain attentive of the business at hand and conduct themselves in a manner that is civil, polite and respectful. Members should refrain from unnecessarily interrupting speakers and not engage in abusive conduct, personal charges or verbal attacks upon the character or motives of other Members, City staff and/or the public.

5.5 Attentiveness.

Members should remain attentive at meetings. Members should not make or receive phone calls, text messages or e-mails from the dais. Members should place cellphones and other communication devices in “off” or “silent” mode. Members should refrain from side-bar conversations with other Members while at the dais.

6.0 **Ethical Decision Making**

Members should observe the highest standards of ethical conduct in dealing with the community and carrying out their official duties. In every action and decision, Members should avoid even the appearance of impropriety and apply the guidelines for “Making Ethical Decisions” provided below:

6.1 Avoiding the Appearance of Impropriety.

6.1.1 Make Ethical Decisions. Members are referred to Appendix “B” (Guidelines for Making Ethical Decisions) for the process Members are encouraged to utilize in making City related decisions.

6.1.2 You May Need to Refrain from Participating. Conflict-of-interest issues are complex. Some situations are not “legal” conflicts of interest but may nevertheless pose the “appearance of impropriety” to the public. If a Member believes they have a conflict, the Member should contact the City

Attorney or FPPC for advice as soon as possible. The Member should not participate in any matter in which they have a conflict.

- 6.1.3 Get Help. To assist in making a decision not to participate, Members should consult the guidelines for Making Ethical Decisions (below), the City Attorney or the FPPC helpline, and/or their constituents.

6.2 Ethical Principles to Follow.

6.2.1 **Avoid Personal Interests.**

Members are prohibited from using their official positions to influence decisions in which they have a personal financial interest, are members of an interested organization, or have a personal relationship that would be affected.

6.2.2 **No Personal Gain.**

Members shall not take advantage of, or use, public property and equipment, public services, confidential public information, public resources, or other opportunities afforded by their office, for personal gain.

6.2.3 **City Stationery.**

City letterhead or stationery or other City resources may not be used by Members to promote personal interests.

6.2.4 **Appearing before Council.**

Members shall not appear before the City Council or other City board or commission representing any private interest or community group. Members are permitted to speak as a member of the public on any matter related solely to the Council Member's personal interest but may not participate in the matter as a Member.

6.2.5 **Gifts.**

Members will refrain from accepting gifts, favors or promises of future benefits that might compromise their independence, or the appearance that they are independent and unbiased.

7.0 **Efficiency and Accountability**

The City of Capitola operates under a council-manager form of government under which the Council's role is to provide legislative direction, set City policy and monitor its implementation. The City Manager serves as the City's administrative head and is

responsible for directing the day-to-day operations of the City and for administering all City business.

7.1 Members Should Not Interfere with Operations.

Implementing this Rule:

- a) City Manager is responsible for City Personnel Members will not interfere with the appointment, evaluation, discipline, or removal by the City Manager of any Department Head or employee of the City.
 - (i) *Exception – City Attorney.* The City Attorney is hired, appointed, evaluated, and removed directly by the Council.
- b) Orders and Direction to Employees. Only the City Manager or applicable Department Head may give orders and direction to City employees. Members may not direct the work or actions of City employees. (CMC Section 2.08.090)
 - (i) *Requests for Information.* All Members should direct requests for information, research, or reports to the City Manager or applicable Department Head. If there is a legal question it should be directed to the City Attorney. Questions regarding elections and disclosure statements may be addressed to the City Clerk.
 - (ii) *Responses.* Substantive responses to Member’s information inquiries will be provided to all Members of the legislative body (e.g. a response to a request by a Councilmember will be provided to all Councilmembers).
 - (iii) *Notifications.* Where the City Manager or Department Head provides general facts or information about the City, a program, or a City event to one Member, the information should be provided to all Members of the legislative body.
- c) Staff Liaisons to City Commissions / Committees and Outside Agencies. Members serving as the City’s representative to a City Commission or Committee or to an outside agency may interact directly with the City employee assigned to that effort by the City Manager.
- d) Operations and Service Levels. Criticisms of City operations and service levels may be made only to the City Manager and not to City employees or Department Heads, unless first cleared through the City Manager or expressed in general during a regular Council, board or commission meeting.

- e) Political Solicitation & Activities. Members will not solicit political support from City employees (e.g., financial contributions, display of posters or lawn signs, name on support list, etc.). Members will not engage in political activities at City Hall or other City facilities. This provision is not intended to impair the free exercise of federal and state constitutional and statutory rights by City employees.

7.2 Interaction of Members.

7.2.1 **Positions of Mayor and Chairperson.**

- a) Honorary Presiding Officer. The positions of Mayor and Mayor Pro Tempore on the City Council and the positions of chairperson and vice chairperson on City boards and commissions are generally considered honorary and ceremonial, but also serve an important procedural role as the presiding officer at meetings of their body. Persons appointed to those positions by a majority of their council, board or commission serve at the pleasure of their appointing body.
- b) Maintain Order, Decorum & Procedure. The Mayor and chairperson are responsible for maintaining order and decorum of their body's meetings and enforcing these policies where necessary. They are responsible for the order of business at meetings, the efficient flow of business during meetings, and for preserving the right of the public to be heard in an orderly fashion.
- c) Ceremonial Head. The Mayor is the ceremonial head of the City and signs all proclamations, officiates at all City functions, and welcomes visiting dignitaries.
- d) Spokesperson. The Mayor is the official spokesperson for the City and has the primary responsibility for communications with the press and public on official City business, with the exception of a state of emergency. During a state of emergency, the Director of Emergency Services may serve as the primary contact for the public, other governing officials and the press. The Mayor will work on press releases and statements to the press with the City Manager and will report the majority position adopted by the Council, and not his or her personal opinion on matters.

7.2.2 **At Public Meetings**

- a) Follow Rules of Order, Decorum and Procedure. Members should adhere to the rules of order, decorum and procedure for the conduct of public meetings adopted by the City Council from time to time. Abiding by these rules will maintain civility and the orderly conduct of business.

- b) Keep Conduct Professional. Members should conduct themselves in an orderly, professional, and business-like manner to ensure that the business of the City shall be attended to efficiently and thoroughly.
- c) Keep Comments On-Topic. Public meetings are to attend to and resolve City business. Members should avoid being overly repetitious and should endeavor to limit their comments to the subject matter at hand. Members are encouraged to fully express their views and to explore the views of others, but Members should also be mindful of avoiding lengthy or unproductive debates.
- d) Ask Questions in Advance. When preparing for public meetings, Members are encouraged to provide their questions far enough in advance to the City Manager or City employee responsible for the meeting so that meaningful information and responses can be shared at the meeting.

7.2.3 Relations with Fellow Members

- a) Civility. Members should always practice civility. By doing so, Members help the City to fulfill its potential by putting the common good ahead of personal rivalries or irritations. Civility is best fostered by a collective commitment to following established rules of procedure.
- b) Different Points of View. Members should exercise tolerance for the different opinions, perspectives, and points of view of their colleagues and recognize their right to express these views on matters of City business within the established rules of decorum and order of business.
- c) Managing Conflict. Members should manage disagreement with civility and professionalism and not allow disagreement to turn into open conflict or hostility. Members should refrain from abusive conduct, personal charges or verbal attacks upon the character or motives of other Members, City employees and/or members of the public.

7.2.4 Public Communication and Appearance

- a) Personal versus City Positions. It is an important part of each Member's responsibility to communicate with the public. In communications regarding City business, it is important to distinguish a Member's personal views and opinions and the adopted City position. When appearing before another governmental agency or organization, the Member should clearly set forth the City's official position, and then may express their own position.

- (i) *Expressing Dissent.* Each Member has a right under the First Amendment to express their views and opinions, even if contrary to the official position of the City. However, Members should express their dissenting views with tact and civility.
- b) Use of Official Titles. Members may use their official title only when conducting official City business, for informational purposes, or as an indication of background and expertise, after having carefully considered whether they are exceeding or appearing to exceed their authority.
- c) Response to Public Communication. Members are encouraged to respond promptly to letters, telephone calls, electronic communication, and other communications received from member of the Public who have requested a response. Members are not required to respond to commercial solicitations or to anonymous, obnoxious or harassing communications.

8.0 Enforcement

8.1 Member Responsibility.

Upon assuming office each Member shall sign a statement affirming that they have received and reviewed these Protocols. Each Member is responsible for adhering to these Protocols as well as the laws that comprise the basic legal framework for local government.

8.2 Council Authority.

The City Council has authority, but not the legal obligation, to monitor each Member's adherence to these Protocols and to take corrective action for violations, as provided below.

8.2.1 **Training and Education.**

The City Council may sponsor or require periodic training opportunities for Members to become more familiar with the Protocols and the legal framework (See Appendix "A").

8.2.2 **Councilmembers.**

Under California law, the Council does not have the legal authority to remove Members elected or appointed to the City Council or to otherwise deprive them of their office. However, as provided in Section 8.4.3, a majority of the Councilmembers may remove a Councilmember from all Council honorary and/or ceremonial positions and ad-hoc and standing committees, as well as from positions with other governmental agencies or other organizations they hold by virtue of appointment by the City Council.

8.3 Violation of Oath of Office.

8.3.1 **Oath of Office.**

All Members take an oath upon assuming office, pledging to uphold the constitution and laws of the City, the State and the Federal government. In addition, Members commit to disclosing to the appropriate authorities and/or to the City Council any behavior or activity that may qualify as corruption, abuse, fraud, bribery or other violation of the law.

8.4 Violation of Protocols.

8.4.1 **Complaint.**

Where any Board or Commission Member, Councilmember, City employee, or resident of the City believes that a Member has violated these Protocols or their Oath of Office, they may file a written complaint with the City Clerk who will then provide it to the City Manager and City Attorney. The complaint shall be considered confidential until the City Attorney has determined the appropriate next action.

8.4.2 **Investigation.**

Within thirty (30) days of receipt of a Complaint as provided in Section 7.4.1., the City Manager and City Attorney shall review the complaint. If, in the City Attorney's determination, the complaint alleges a violation of law, the City Attorney shall determine appropriate next steps.

For example, a complaint alleging theft of public funds or bribery, or a complaint from a purported whistle-blower (pursuant to California Labor Code Section 1102.5) may be forwarded to the Office of the District Attorney. Complaints alleging other violations of the law may be forwarded to the City's risk-management pool for a determination. The City Attorney shall have the authority to retain an outside investigator to investigate complaints from employees alleging violations of the Fair Employment and Housing Act.

All complaints, including complaints alleging violations of these protocols and any other City policy or procedure, at the appropriate point in the process as determined by the City Attorney shall be forwarded to the City Council for consideration in open session. The City Council may order an investigation.

8.4.3 **Enforcement.**

The City Council may use any of the following to respond to any and all violations of these protocols: (i) a warning (ii) a written reprimand; or (iii) censure. In addition, the City Council shall have the authority to remove

Board or Commission Members from office as a remedy for violations. (CMC 2.12.020 for Planning Commissioners).

The City Council, Boards and Commissions shall use the following procedure to consider complaints forwarded by the City Attorney:

- a) *Receipt of Complaint.* Upon receipt of the complaint, the Council will hold a public meeting at which it will determine whether the complaint should be dismissed for the reasons stated in section b)(i), below, or added to a future agenda for further discussion and determination. If the complaint is added to a future agenda, the subject Member shall have the opportunity to address the allegations in the complaint at the future meeting.
- b) *Determination.* The Council shall make a determination on the allegations in the complaint based on the following:
 - (i) *Dismissal.* Where the Council determines that no violation occurred or that only a trivial violation occurred, or that the complaint does not have merit for any other reason, the Council may dismiss the complaint.
 - (ii) *Reprimand.* The Council may adopt a verbal or written statement reprimanding the subject Member for their conduct. The subject Member may file a rebuttal to the Reprimand with the City Clerk which will become a matter of public record.
 - (iii) *Censure.* Where the Council, based on the Report, any statement from the subject Member, and other evidence accepted at a public hearing of the matter, determines that there is substantial evidence that the Member has materially violated one or more provisions of these Protocols, and that such violation(s) impugn the integrity or dignity of the City or that such violations are egregious or chronic in nature, then the Council may adopt a resolution censuring the subject member by condemning their actions, removing the Member from all appointive positions representing the City in front of other governments and agencies, demoting them if they hold a position of mayor, mayor pro tempore, chairman or vice chairman, stating that the violations shall cease, and demanding corrective actions. The subject Member may file a rebuttal to the Censure with the City Clerk which will become a matter of public record.
- c) *Commissioner and Board Member Removal from Office.*
 - (i) Planning Commissioner - Notwithstanding any of the provisions in this Section 9.0, the City Council may remove a

Planning Commissioner by following procedure in CMC Section 2.12.020. Nothing in these Protocols affects or diminishes such power nor vests Planning Commissioners with any additional rights, including, without limitation, rights of procedural due procession.

- (ii) Other Commissioners and Board Members - Notwithstanding any of the provisions in this Section 9.0, the City Council may remove any commissioner or board member appointed by the City Council. Nothing in these Protocols affects or diminishes such power nor vests such commissioners or board members with any additional rights, including, without limitation.

APPENDIX A – LEGAL FRAMEWORK & RESOURCES

1.0 Legal Framework

<u>Law or Regulations</u>	<u>Citation</u>
<i>California Laws</i>	
California Constitutions <i>General City Authority</i>	Article XI §§ 2, 5, 7, & 11.
Ralph M. Brown Act <i>Open Meeting Laws</i>	Government Code §§ 54950 <i>et seq.</i>
California Public Records Act <i>Public Records Disclosure</i>	Government Code §§ 6250 <i>et seq.</i>
California Political Reform Act <i>Conflicts, Disclosures & Campaigns</i>	Government Code §§ 81000 <i>et seq.</i>
FPPC Regulations <i>Conflicts, Disclosures & Campaigns</i>	2 Cal. Code Regs. §§ 18109 <i>et seq.</i>
<i>Legally Required Participation</i>	2 Cal. Code Regs. §18708
California Anti-Self Dealing Law <i>Self Interest in Contracts</i>	Government Code §§ 1090 <i>et seq.</i> ,
California Incompatibility of Office Law <i>Holding Two Public Offices</i>	Government Code § 1126 & § 1099
<u>City of Capitola Documents</u>	
City’s Charter	
City Municipal Code	
City Council Rules of Order and Protocols	
Reimbursement Policy	
Social Media Policy	
Handbook	
Anti-Harassment and Ethics Training	

Attachment: Draft I-42 Admin Policy Council and Board Code of Conduct (Code of Conduct)

2.0 Online Resources

<u>Resource</u>	<u>Web Address</u>
State of California <i>Portal to State Websites</i>	www.ca.gov/index.asp
Official Cal Legislative Information <i>California Bills & Codes Online</i>	www.leginfo.gov
Cal. Fair Political Practice Commission <i>Conflict of Interest Info</i>	www.ca.fppc
Cal. Attorney General <i>See AG Opinions</i>	www.ag.ca.gov
Cal. Senate <i>Bill Information Online</i>	www.senate.ca.gov
Cal. Secretary of State <i>Election Information</i>	www.sos.ca.gov
League of California Cities <i>Municipal resources</i>	www.cacities.org
Institute for Local Government <i>Municipal resources</i>	www.ca-ilg.org
Cal. Joint Powers Insurance Authority <i>Risk Management & Training</i>	www.cjpia.gov
Marrkula Institute for Applied Ethics <i>Ethical Decision Making</i>	www.scu.edu/ethics/practicing/decision
Institute for Local Self Government <i>Government Ethics</i>	www.ilsg.org

APPENDIX B – GUIDELINES FOR MAKING ETHICAL DECISIONS

[Please visit the Markkula Center for Applied Ethics at the University of Santa Clara]

How to Make an Ethical Decision. When presented with an opportunity to participate in making a decision for the City, the City Official should:

A. Recognize whether an ethical issue is involved.

1. Will the decision result in damage or injury to people?
2. Is there a clear good or bad result?
3. Is the result compelled under the law or does it hinge on budgetary, efficiency, or other community concerns?
4. Ethical decisions are often not the easiest decision nor the most popular.

B. Get the facts.

1. Read the staff report and get questions answered by the City Manager in advance.
2. Are there alternatives that would lead to better or worse results?
3. What are the viewpoints of the stakeholders? Are some more important than others?
4. Are there any unanticipated consequences?

C. Evaluate alternative actions. Which option will:

1. Produce the most good and do the least harm? (See the Markkula Center's Utility Test.)
 - a. Identify the *alternative actions* that are *possible* and the persons and groups (the stakeholders) *who will be affected* by these actions.
 - b. For each of the most promising alternatives, determine the *benefits and costs* to each person or group affected.
 - c. Select the action in the current situation that *produces the greatest benefits over costs for all* affected.
 - d. Ask *what would happen if* the action were a *policy for all similar situations*.
2. Best respect the rights of all who have a stake? (See The Markkula Center's Rights Test.)

- a. *Identify the right* being upheld or violated.
 - b. Explain why it *deserves the status* of a right.
 - c. Ask whether that *right conflicts with the rights* of others.
3. Treat people equally or proportionately? (See The Markkula Center's Justice Test.)
- a. What is the *distribution of benefits and burdens*? Is the distribution *fair*?
 - b. If disagreement persists over which outcome is fair, select a *fair process* to decide the issue.
4. Best serve the community as a whole. (See The Markkula Center's Common Good Test.)
- a. *Identify* what parts of the *common good* are involved.
 - b. Explain obligations to *promote or protect* the common good.
 - c. Discern whether the proposed action *conflicts with* an obligation to promote or protect the *common good*.
5. Lead the City Official to act as the sort of person or official as they want to be? (See The Markkula Center's Virtue Test.)
- a. Will the action help to *make you the kind of person you want to be*?
 - b. Will the action fit the City's reputation or vision of what it would like to be?
 - c. Will the action maintain the right balance between *excellence and success* for the City?

D. Make a decision and test it.

1. Which approach best suits the situation and arrives at the *most ethical decision*?
2. Which option is likely to be *most respected* by the Member's colleagues and constituents?

E. Act and reflect on the outcome.

1. How can the decision be *implemented to best reflect the intention and reasons* for the decision?
2. What was the end result of the decision and what feedback has the City Official received?

APPENDIX C – Receipt of Code of Conduct

I affirm that I have read and that I understand, accept and support the City of Capitola City Council and Commissioner Code of Conduct

Board, Commission, Committee Position

(Print Name)

Signature

Date

Attachment: Draft I-42 Admin Policy Council and Board Code of Conduct (Code of Conduct)



CAPITOLA CITY COUNCIL AGENDA REPORT

MEETING OF SEPTEMBER 10, 2020

FROM: City Manager Department
SUBJECT: Onboarding Process Update

RECOMMENDED ACTION: Receive update and provide feedback.

BACKGROUND: Vice-Mayor Brooks has expressed interest in City staff developing a more structured onboarding procedure to welcome and educate new Council and Board and Commission members upon their election or appointment to office.

DISCUSSION: In response to this request, the City Manager Department and City Attorney have collaborated to determine the best approach to providing pertinent information to newly elected members of Council, as well as appointed members of the City's Boards and Commissions. The following list indicates scheduled and potential plans that staff believes will be helpful resources for those newly involved in the City of Capitola's governing bodies:

- *Candidate Orientation:* In September, all official candidates running for Capitola City Council are invited to attend a Candidate Orientation, where the City Manager and City Attorney provide background on City operations, financial standing, and existing Capitola projects.
- *Clerk Training:* The Interim City Clerk will attend the training: "After the Election: a Clerks' Guide to Managing the Orientation Process for Newly Elected Officials", held on September 30 and October 1. Best practices and applicable ideas learned will be implemented by Capitola Staff.
- *New Council Workshop:* Staff proposes a Council meeting workshop after new Council member(s) are elected and begins their term (sometime in January 2021) for staff to present the Council Handbook, Code of Conduct, and relevant Administrative Policies.
- *City Attorney One-on-Ones:* The City Attorney will meet with all newly elected Council members to answer questions and provide an overview of the attorney's role in the City of Capitola.
- *Welcome New Board and Commission Members:* A similar workshop to the New Council Workshop will be scheduled for new board and commission members to attend

*all workshops will be conducted virtually, or as appropriate based on the most relevant health requirements at the time of the events

Onboarding Discussion
September 10, 2020

FISCAL IMPACT: No significant impact.

Report Prepared By: Chloe Woodmansee
Interim City Clerk

Reviewed and Forwarded by:



Jamie Goldstein, City Manager 9/3/2020