

CP Grand Jury

Grand Jury urges advisory board on public-project funding

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An advisory committee should be appointed to oversee a method of funding major government projects without voter approval, the county Grand Jury recommended in its annual report this morning.

The Grand Jury urges "oversight committees" of people with expertise to review certificates of participation in the city and county governments.

In a certificate of participation,

the local government borrows money for a project, such as buying park land or computer equipment, and puts up the land or equipment as collateral. The county then has a plan and specific revenue source to pay off the debt.

"Who is in control of these processes and who determines which projects will be built, or when and how much money will be borrowed?" asked the Grand Jury, which raised similar concerns in an interim report last fall.

"Due to the intricacies of these

projects and their financing, our elected officials often do not know all the details," the report said, adding that certificates of participation usually don't get much public attention.

The Grand Jury is an advisory panel of 19 people. It can make recommendations, but has no enforcement power.

Santa Cruz County has incurred \$155 million in debt through certificates of participation in the last 10 years, the report said.

The jury criticized the county

for spending \$3.8 million in certificates of participation money for buying park land. "Most of these park lands are unimproved, not widely used by the public and produce little or no revenue to help redeem the certificates," the report said.

County Auditor Gary Knutson said today the county has managed its certificates of participation well, making sure it has the ability to pay them off.

Knutson said public officials must understand the basics of certificates of participation, "but need

not have a detailed understanding" of how they work.

The county has not taken out any certificates of participation since 1990 and does not have any in the works.

Supervisor Jan Beautz said today certificates of participation "are not an end run around Proposition 13," which limits the taxing authority of governments. "It doesn't raise taxes," she said. "There's got to be some way to do the building" of capital-improvement projects.

The Grand Jury report said the city of Watsonville "has taken a conservative approach in its use of certificates of participation and tax allocation bonds," with \$6.4 million in debt.

The Grand Jury said it wants to see the law that requires two-thirds of the voters to approve general-obligation bonds reduced to a simple majority.

That would make it easier to pass bond issues, the jury said, and eliminate the need for certificates of participation.