

Knutson said, it was using COPs to pay off an operating deficit from the prior year. The COPs, he said, "were secured by nothing."

Knutson said he has no objection to the grand jury's suggestion that a committee be set up to review county COPs.

The grand jury echoed critics who have charged the county with using COPs as a way of avoiding Prop. 13. However, Knutson said part of the intent of Prop. 13 was to have the people who use government services pay for them. COPs do that, he said. He also noted that certificates of participation were used before Prop. 13 and are commonly used by other local governments.

The grand jury said the county has used COPs and Series A, B and C bonds to finance these projects (Most amounts involved were not listed by the Grand Jury):

- 1983 — Repair of flood-damaged roads, overlay roads, addition to main jail, construction of Boulder Creek Library, and reserve fund.

- 1983 — Computer equipment, vehicles, repairs to Santa Cruz courthouse and improvements at the San Andreas Road dump.

- 1985 — Heavy equipment, data-processing equipment, purchase of dump sites, construction of women's jail in Santa Cruz.

- 1987 — Re-financing of 1983 COPs. Improvements at Ben Lomond dump and purchase of Quail Hollow and Polo Grounds parks.

- 1988 — Heavy equipment and sheriff's communications.

- 1990 — Loaned \$17 million to Redevelopment Agency to re-finance 1988 tax allocation bonds; loaned \$40 million to Redevelopment Agency for Live Oak-Soquel redevelopment projects.

- 1990 — Park acquisition in Felton, Corralitos and summit areas, La Selva Beach library construction, new data-processing equipment, construction of new jail on Harkins Slough Road, material recovery at dump, vehicle lease and Zayante Fire District loan.

- 1991 — \$14 million for construction of new Heath Services Agency building on Emeline Street in Santa Cruz.

Grand jury would curb county funding method

By LANE WALLACE
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The grand jury has recommended that Santa Cruz County supervisors restrict use of certificates of participation, a method for funding major projects without voter approval.

The use of such certificates has been attacked by some conservative activists as a way to circumvent Prop. 13, the 1978 measure

that limits the taxing authority of local governments. In a certificate of participation, the county 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 to pay off the debt.

Since 1983, the county has borrowed \$155 million through certificates of participation or other

bonds (Series A, B and C) that don't require voter approval.

"Because there are few restrictions on use of funds generated by COPs, there is potential for abuse," the grand jury said in an interim report issued late yesterday.

The grand jury urges county supervisors to adopt an ordinance limiting COPs to loans of five years or less for purchase of

equipment only.

One reason, the jury said, is that the interest rate on COPs is generally 1 to 1.5 percent higher than general-obligation bonds, which require a two-thirds vote of the people.

The county's COPs include \$40 million loaned to the county Redevelopment Agency for projects in the Live Oak-Soquel redevelopment area.

County Auditor Gary Knutson said this morning the county has managed its COPs well, making sure there will be sufficient revenue to pay them off. If a computer with a 10-year life is purchased, Knutson said, the county makes sure there's a plan to pay off the debt before that.

The money to pay off new equipment or land comes at least in part from fees to use them — for

instance, dump fees are used to pay off COPs for improve county waste-disposal improvements, Knutson said.

"You always have to be cautious" when incurring debt, Knutson said, but he added, "it's not really necessary to prohibit COPs for major projects."

When the Richmond School District went bankrupt last year,

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