



CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

January 13, 1981

CITY HALL
915 I STREET - 95814
(916) 449-5704

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Sacramento Area Economic Opportunity Council

As a result of the Federal government's intent to cut off one million dollars in anti-poverty funds to the Sacramento Area Economic Opportunity Council effective February 1, 1981, the Board of Supervisors has been asked to intercede. Since a number of the programs operate within the City limits, I have participated with the County Executive and County Counsel in meeting with Community Services Administration representatives to seek a solution.

The attached report approved today by the Board of Supervisors calls for the SAEOC By-Laws to be amended so that an interim board can carry on the current program until a new agency is established. At the start of the Federal fiscal year on October 1, 1981, a new Agency would be created. In the interim the City staff would assist in developing the appropriate administrative structure.

RECOMMENDATION

It is recommended that the City Council concur in the action of the Board of Supervisors to create a new community action agency and instruct City staff to cooperate in that undertaking.

Respectfully submitted,

Walter J. Slipe
City Manager

APPROVED
BY THE CITY COUNCIL

JAN 13 1981

OFFICE OF THE
CITY CLERK

January 13, 1981

COUNTY OF SACRAMENTO
CALIFORNIA



Off Agenda:
January 13, 1981

To: Board of Supervisors
From: County Executive's Office
Subject: REPORT BACK: SACRAMENTO AREA ECONOMIC OPPORTUNITY COUNCIL
(1-6-80 AGENDA, ITEM #89)

RECOMMENDATIONS:

1. Notify the Community Services Administration that the County of Sacramento intends to withdraw its designation of SAEOC as a community action agency and designate a new community action agency to serve Sacramento County effective October 1, 1981.
2. Request the Community Services Administration to allocate or authorize use of federal funds to finance the transitional costs of establishing and organizing any new community action agency.
3. Request that SAEOC amend its By-Laws as soon as possible to provide:
 - a. For a Board of Directors during the period March 1 through September 30, 1981, which consists of five members who are appointed by the Board of Supervisors; and
 - b. For a Board of Directors after September 30, 1981, which is not, either in whole or in part, appointed by the Board of Supervisors.
4. Request the Community Services Administration to extend funding to SAEOC through February 28, 1981 to allow appointment of the new Board of Directors, pursuant to the above plan.
5. Request the Community Services Administration to extend funding to SAEOC through September 30, 1981 following appointment of the new Board of Directors, pursuant to the above plan.
6. Request the County Executive and County Counsel to report back to your Board regarding the available options and recommended course of action for a long-term solution.
7. Direct the County Executive to continue to work with the City of Sacramento, SAEOC, and the Community Services Administration in the interim.

DISCUSSION:

By letter to the Sacramento Area Economic Opportunity Council (SAEOC) dated January 2, 1981 (Attachment A), the Community Services Administration (CSA) Region IX Office notified SAEOC of its intent to terminate --effective February 1, 1981--its Title II (Community Action Program) grant of approximately \$1 million. This amount represents nearly one-eighth of SAEOC's budget, which totalled over \$8 million in 1980. (This budget is summarized in Attachment B, SAEOC's December 4, 1980 request for proposals for an audit of 1980 programs.) In the interim, CSA is allowing SAEOC the opportunity for an informal hearing before the Regional Director who issued the CSA notification. It also has directed SAEOC to make no commitments or contracts which presume an expenditure of CSA funds past January 31, 1981 and to reduce existing commitments which extend beyond that date.

On January 5, 1981, the Board of Directors of SAEOC requested that your Board take over the administration of SAEOC.

At your meeting on Tuesday, January 6, 1981, your Board referred this request to my office for a report back on January 20, 1981 regarding the County's options in this matter. Since immediate action is necessary to avoid termination of federal grant funds to SAEOC effective February 1, 1981, I am returning to your Board today with recommendations which address SAEOC's problems on an interim basis and allow time to consider and implement a long-term solution.

On January 7th, I met with two CSA officials--the chief regional field supervisor and the field representative to SAEOC--to discuss the CSA position in this matter and to propose interim measures to address the current situation. At that meeting--which included Supervisor Illa Collin, County Counsel Lee Elam and City Manager Walter Slipe--the CSA representatives stressed that the federal agency is resolute and firm regarding the established funding deadline and that termination of CSA funds can be averted only through corrective local action.

Two issues, thus, appear paramount at this point. First, what action should be taken in the short-term--between now and January 31, 1981--to address the potential loss of CSA grant funds to SAEOC? Second, what options are available to your Board and to the Sacramento City Council subsequent to January 31, 1981 for administration of the community action program and other services currently provided by SAEOC; and--of these alternatives--which would be the most effective and responsive in the provision of such programs?

With regard to the first issue, your Board may choose either to: 1) take no action and allow SAEOC to attempt the resolution of its current difficulties with CSA; 2) designate prior to February 1st an agency other than SAEOC to act as the community action agency for Sacramento County; or 3) act jointly with SAEOC to implement interim measures in order to maintain current CSA funding.

In light of the serious consequences which would follow termination of CSA funds and of the request for assistance by the SAEOC Board of Directors, I recommend that your Board pursue the third alternative. Immediate withdrawal of CSA grant funds not only would result in termination of community action programs for the poor

and displace many SAEOC employees but also would jeopardize SAEOC's ability to retain and administer over \$7 million in other existing grant programs for the poor, which are funded by agencies other than CSA. By taking interim steps to prevent these consequences, your Board would provide a period of relative program stability during which to evaluate and institute long-term measures. Designation of an alternate community action agency to begin serving Sacramento County by February 1, 1981 would allow an insufficient period for its selection and transition and may cause significant disruptions or interruptions in SAEOC's existing programs, with resulting hardships on its clientele.

At this time, the most appropriate interim measures for your Board would be the following actions:

With respect to the long term, your Board should immediately notify CSA of the County's intent to rescind its designation of SAEOC as a community action agency to serve Sacramento County effective October 1, 1981. Emphasis should be given to a joint powers authority--cooperatively established by your Board and the Sacramento City Council--which could provide closer oversight and policy direction. By allowing SAEOC to continue operations until the end of the current federal fiscal year, a sufficient transition time would be available to develop--with the City--an alternate agency and prepare it to assume control of SAEOC's community action programs.

Further, your Board should request that CSA allocate or authorize the use of federal funds to finance the transitional costs incurred by any new community action agency prior to October 1, 1981. Such costs not only would exceed the County's available resources, but also would be inappropriate given the extent of federal financing and control of community action programs.

CSA has made it clear it is unwilling to extend its grants beyond January 31, 1981, without an immediate change in the direction and control of the administration of SAEOC. Given this fact, and the January 5, 1981 action by the Board of Directors of SAEOC, the following short-term solution is recommended.

The Board of Supervisors should immediately ask SAEOC to amend its By-Laws to provide for a restructured Board of Directors during the period March 1 through September 30, 1981. The new Board of Directors should consist of five members, all of whom are appointed by the Board of Supervisors.

During this period, the new Board of Directors should perform two functions. First, it should provide for a wind-down of those functions of SAEOC which are funded with CSA grants, in order to close-out those grants effective September 30, 1981. Second, it should attempt to maintain the status quo with respect to all other programs and operations of SAEOC. Given the breadth of SAEOC's operations independent of the CSA grants, it would be inappropriate for a county appointed Board to make a determination concerning those operations except in relation to the CSA grants.

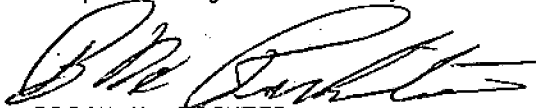
The By-Law amendments should also provide for a new and different Board of Directors to be established October 1, 1981. How that Board should be constituted is a matter which is most appropriately determined by SAEOC. However, no member of such a new

Board should be appointed by the Board of Supervisors. The only purpose of participation by Supervisors in appointment of the current Board is because of the existence of the CSA grants and federal requirements that one-third of the Board of Directors be appointed by the Board of Supervisors. Long-range decisions concerning the future of SAEOC and its operations should be made by the Board of Directors which assumes control of SAEOC on October 1st.

CSA has orally confirmed that it will maintain its grants to SAEOC in effect during the period until September 30, 1981, if the recommendations outlined above are implemented. CSA has indicated that creation of the new Board of Directors during the period March 1 through September 30, 1981, will have the effect of transforming SAEOC from a community action agency to a limited purpose agency. However, CSA has also advised that this change will not detrimentally impact existing programs during that period.

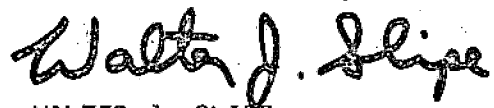
Under the by-laws of SAEOC, amendment thereof for the purpose of restructuring the Board of Directors is prohibited except: 1) through sponsorship of amendments by two members of the Board of Directors; 2) with thirty days advance notice of the "wording" of the amendments; and 3) enactment of the amendments by a two-thirds vote of those Directors present and voting. In view of the protracted process for amendment by the By-Laws and brief time remaining for action, the County Counsel has prepared a draft of the amendments for review by SAEOC's legal counsel and consideration of its Board of Directors and a letter for transmittal by the Board of Supervisors (Attachment C).

Respectfully submitted,



BRIAN H. RICHTER
County Executive

Reviewed and Concur,



WALTER J. SLIPE
City Manager
City of Sacramento

Attachments

cc: President and Members, Board of Directors, SAEOC
Essie Brown, Executive Directress, SAEOC
Clarence Brown, Legal Counsel, SAEOC
Richard White, Administrator, Community Services Administration
James Gonzales, Legal Counsel, Community Services Administration

(6A-B20)

Community Services Administration

Region IX

Box 36008 • 450 Golden Gate Ave.
San Francisco, California 94102

JAN 2 1981

Mr. Samuel Pannell
Chairman, Governing Board
Sacramento Area Economic
Opportunity Council
4170 Florin Road
Sacramento, California 95823

RECEIVED

JAN 5 1981

BOARD OF SUPERVISORS

Dear Mr. Pannell:

**NOTICE OF INTENT TO DENY REFUNDING (45 CFR 1067.2)
GRANTEE NUMBER 90465**

NOTICE IS HEREBY given that the Community Services Administration (CSA) Region IX is proposing to deny refunding to the Sacramento Area Economic Opportunity Council (SAEOC) (Grantee Number 90465) for its Title II grant effective February 1, 1981, for the reasons stated below. CSA is processing a one-month extension of the current SAEOC grant in order to carry SAEOC through January, 1981 and allow an opportunity for an informal hearing. In accordance with 45 CFR 1067.2-4 SAEOC is informed that this proposal is tentative pending a response by SAEOC to the reasons stated below. SAEOC may show cause to CSA why its grant should be refunded by submission of written material and an informal meeting with CSA Regional Director Alphonse Rodriguez. A request for an informal meeting must be made promptly and no later than 30 days of receipt of this notice. SAEOC may be represented by counsel or other authorized representative for the purpose of submitting written material and for an informal meeting with CSA officials. SAEOC may not obligate more than \$100 per day for counsel without prior CSA approval. During the period from receipt of this notice to final decision on this matter SAEOC:

- 1) will make no commitments or contracts which presume an expenditure of Community Services Administration funds past January 31, 1981;
- 2) will take all steps necessary to reduce any already existing commitments which extend beyond January 31, 1981.

REASONS FOR PROPOSED DENIAL OF REFUNDING

I

MISREPRESENTATION OF MATERIAL FACTS TO CSA.

By letter of June 20, 1980, Mr. Sam Pannell represented to Regional Director Alphonse Rodriguez that Executive Director Essie Brown had not authorized use of SAEOC materials and equipment for political purposes as had been determined earlier by CSA investigation.

Recently CSA Inspector Joe Thomas interviewed credible witnesses who support the earlier CSA report finding Essie Brown culpable for the unauthorized use of SAEOC resources. It appears quite clear that the conclusions of the SAEOC board stated in the July 20, 1980 letter were either arrived at through incompetence, concealment or indifference. In any event the incident justifies cessation of funding for SAEOC while under the leadership of the present board and staff director.

II

THE SAEOC BOARD OF DIRECTORS HAS EFFECTIVELY RELINQUISHED CONTROL OF SAEOC TO THE EXECUTIVE DIRECTOR WHO MAKES MAJOR DECISIONS WITHOUT PRIOR FULL BOARD CONSULTATION.

In recent months, the SAEOC Executive Director has planned and begun implementation of new space acquisition without first obtaining full board approval. Ms. Brown has agreed to major leases of new space and later asked for the board's approval. This is one example of this pattern of conduct.

In 1979, Ms. Brown retained the services of Attorney Nathaniel Colley without SAEOC board authorization for the purposes of defending litigation and then falsely represented to several board members and CSA that his services were donated. As a result, SAEOC has incurred several thousand dollars in attorney fees without board action.

In February, March, May, June and July of this year, Ms. Essie Brown retained the services of RBW and Associates for consulting work without authorization from the full Board of Directors.

Based on these several occurrences, it is clear that the SAEOC Board of Directors has defaulted in maintaining effective control of the agency.

III

THE SAEOC BOARD OF DIRECTORS AND EXECUTIVE DIRECTOR ESSIE BROWN HAVE BEEN DERELICT IN MANAGEMENT OF AGENCY STAFF.

In November and December 1980, CSA investigators uncovered improper conduct by employees of the Youth Community Conservation Improvement Program (YCCIP), a program administered by SAEOC. Executive Director Essie Brown was informed of the charges but took no action to discipline the subject employee, Mr. Hugh Johnson, other than a transfer.

On February 15, 1980, the SAEOC Board of Directors was informed of several charges of improper conduct by the Executive Director supported by an official CSA investigation report. The response provided by the SAEOC Board to the allegations concerning staff improprieties clearly displays indifference by the Board leadership. Based upon the November/December 1980 investigation it appears the SAEOC Board either did not think it necessary to interview staff having relevant information or ignored the information provided by these persons. Moreover, the SAEOC Board did not followup communications with Mr. Laird Harris of CSA in Washington, D.C. when Mr. Harris requested in his August 28, 1980 letter to Sam Pannell, Board President for SAEOC, that Pannell furnish details of the Board investigation of Essie Brown's conduct. Mr. Pannell has not provided the requested information.

These instances of incompetence, indifference and dereliction justify denial of further funding to SAEOC while it continues under the present board and staff leadership.

IV

BOARD CHAIRPERSON'S PERSONAL USE OF AGENCY PHONE SERVICE.

SAEOC Board Chairperson has repeatedly charged personal telephone calls to SAEOC telephones. Neither the staff of SAEOC or the Board has taken action to end this practice or to collect the charges.

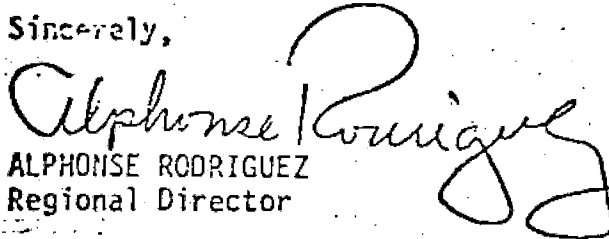
This improper use of agency resources and the failure to prevent abuse of the agency justify denial of further funding for SAEOC.

This improper use of agency resources and the failure to prevent abuse of the agency justify denial of further funding for SAEOC.

CSA encourages the responsible members of the SAEOC Board of Directors to take immediate action to correct these matters by removal of board and staff members responsible for the actions shown above.

Please direct all responses to this notice to the undersigned.

Sincerely,


ALPHONSE RODRIGUEZ
Regional Director

cc: Essie Brown, Executive Director
All SAEOC Board Members
Sacramento Board of Supervisors
Senator Alan Cranston
Senator S.I. Hayakawa
Congressman Matsui
California SEOO

SACRAMENTO AREA ECONOMIC OPPORTUNITY COUNCIL

MR. SAMUEL C. PANNELL

OFFICE OF THE EXECUTIVE DIRECTRESS

PRESIDENT

December 4, 1980

Gentlepersons:

The Sacramento Area Economic Opportunity Council, Inc., a Community Action Agency, incorporated as a private non-profit organization under the State Laws of California and described in Section 501 (c)(3) of the Internal Revenue Service Code, is entertaining proposals and bids for a complete audit of all funded programs administered by S.A.E.O.C. for the period January 1 - December 31, 1980 to be conducted by Certified Public Accountants.

These programs include: Community Services Administration, Energy Conservation, DOE Weatherization, CSOEO Weatherization, Crisis Intervention, Child Care Feeding, Regular and Special, Department of Health, Education and Welfare, Head Start, Handicap, Community Alcoholism, Sr. Citizens Nutrition and Recreation, Food Stamp Outreach, Department of Labor, On the Job Training, Youth Employment, Titles IIB and IV, Hire II, Minor Home Repair, Summer Youth, Area 4 Agency on Aging, Emergency Home Repair, Payroll Imprest Account, Administrative Services, CETA II, City and CETA VI, City and County, Consolidated Food and Clothes Closet and Economic Development totaling over eleven million dollars.

Please submit a general resume of the Certified Public Accountant firm or individual outlining the following:

1. Firm history,
2. Client history,
3. Type of organizations audited,
4. Gross of volume of organizations audited.

The following specifications of services are to be included:

1. The audit must be completed simultaneously for all programs in accordance with generally accepted audit standards prescribed in the Accounting System Survey and Audit Guides for CSA, HEW, DOL and all other applicable grantors,

12/4/80

2. Complete an organizational review,
3. Review accounting and internal control procedures,
4. Certify the accuracy of Grantee financial reports to funding sources,
5. Prepare all required organizational and tax forms for the Internal Revenue Service, Franchise Tax Board and Attorney General of the State of California,
6. Render a complete Consolidated Financial Statement and Management Report for the period directly to the Board of Directors and appropriate funding sources by the due dates each funding source requires.

Please respond no later than 5:00 p.m. January 15, 1981.

Sincerely,



Essie Brown
Executive Directress

EB:JC:vh
cc: Exec. Fin. Comm.
File

SACRAMENTO AREA ECONOMIC OPPORTUNITY COUNCIL

OFFICE OF THE EXECUTIVE DIRECTRESS

PRESIDENT

1980 AGENCY FUNDING

Community Services Administration	\$ 1,006,559	
	161,495	
	\$ 1,168,054	\$ 1,168,054
Health, Education & Welfare	\$ 2,135,355	
	606,397	
	\$ 2,741,752	2,741,752
<hr/>		
Community Alcoholism		
NIAAA	\$ 55,000	
County Mental Health	9,101	
County, Mental Health, CDUI	11,613	
County Mental Health	9,225	
	\$ 84,939	84,939
H.U.D. County		
Sr. Citizens Nutrition	\$ 74,630	
	82,577	
Sr. Citizens, City of Sacramento	2,500	
	\$ 159,707	159,707
CETA Titles II and VI		
County PSE's	\$ 52,234	
City PSE's	258,845	
	\$ 311,079	311,079
Nevada City CETA Balance of State)	\$ 484,288	484,288
State, CETA Balance of State)		
Food Stamp Outreach	\$ 20,250	20,250
D.O.L., Manpower		
QJT, HIRE II, Youth Employment,	1,842,763	1,842,763
Titles I and I, Minor Home Repair	\$	
Economic Development	\$ 113,328	113,328
U.S.D.A., Child Care, Regular	\$ 64,322	64,322
U.S.D.A., Child Care, Special	\$ 128,489	128,489

1980 AGENCY FUNDING

(2)

Area 4 Agency on Aging	\$ 3,183	\$ 3,183
DOE Weatherization	\$ 90,825	90,825
Emergency Home Repair	\$ 232,567	232,567
CSOEO Weatherization	\$ 53,971	53,971
Emergency Energy Assistance	\$ 488,701	488,701
Crisis Intervention	\$ 34,561	34,516
Family Planning	\$ 10,000	
	12,500	<u>22,500</u>
	Total Funding	\$ 8,045,234

Number of employees is 180, not including Head Start Delegate Agencies.



**BOARD OF SUPERVISORS
COUNTY OF SACRAMENTO**

SUITE 2450 / COUNTY ADMINISTRATION BUILDING
700 H STREET/SACRAMENTO, CALIFORNIA 95814/440-5411

CHAIRMAN OF THE BOARD
Illa Collin
Supervisor, 2nd District
440-5481

MEMBERS OF THE BOARD
Joseph E. (Ted) Sheedy
Supervisor, 1st District
Sandra R. Smoley
Supervisor, 3rd District
Bill Bryan
Supervisor, 4th District
C. Tobias (Toby) Johnson
Supervisor, 5th District

January 13, 1981

President and Members
Board of Directors
Sacramento Area Economic
Opportunity Council
4170 Florin Road
Sacramento, CA 95823

Members in Session:

On this date, the Board of Supervisors adopted recommendations numbered 1 through 7 of a memorandum to this Board by the County Executive dated January 13, 1981, a copy of which is attached.

Accordingly, the Board of Supervisors is by this letter requesting that in accordance with proper procedure the Board of Directors of SAEOC amend its By-Laws as soon as possible to provide for a five member Board of Directors appointed by the Board of Supervisors for the period March 1, 1981 through September 30, 1981. It is further requested that the Board of Directors amend its By-Laws to provide for a new and different Board of Directors for the period subsequent to September 30, 1981, which does not include appointees of the Board of Supervisors.

Also enclosed is the wording of amendments of the By-Laws which the Board of Supervisors is requesting. These amendments are presented for the convenience of the Board of Directors and its administration because of the extended period required for consideration of amendments in relation to the time available to act upon this request. You should not feel compelled to adopt either the exact wording or form of the amendments submitted.

Particular reference is made to the amendment of Section I of Article IV of the By-Laws pertaining to composition of the Board of Directors subsequent to September 30, 1981. The Board of Supervisors desires that provision for such

a Board be made in these amendments, and that such a Board not include appointees by the Board of Supervisors. However, the exact composition of that Board of Directors is a matter upon which the Board of Supervisors does not submit a request or recommendation. The provisions of the amendment enclosed herewith identifying a ten member Board which is representative of the poor and private community are submitted solely for purposes of illustration, and do not constitute an affirmative recommendation.

It is hoped that through a joint and cooperative effort between the Board of Supervisors and SAEOC this period of crisis will be surmounted.

Very truly yours,

Illa Collin, Chairperson
Board of Supervisors

Enclosures

cc: Essie Brown, Executive Directress, SAEOC
Clarence Brown, Legal Counsel, SAEOC
Richard White, Administrator, Community Services Administration
James Gonzales, Legal Counsel, Community Services Administration

PROPOSED AMENDMENTS TO
BY-LAWS OF SAEOC

RECOMMENDED BY BOARD OF SUPERVISORS
OF COUNTY OF SACRAMENTO

1. Amend Section I of Article IV to read as follows:

Section I - Composition of Directors.

During the period through and including February 28, 1981, the Board of Directors shall have fifteen (15) members. Five (5) shall represent the poor; five (5) shall represent the private community; and five (5) shall represent the public.

During the period March 1, 1981, through and including September 30, 1981, the Board of Directors shall have five (5) members. Each of the five (5) members shall be appointed by and serve at the pleasure of the Board of Supervisors of the County of Sacramento.

During the period October 1, 1981, and following, the Board of Directors shall have ten (10) members. Five (5) shall represent the poor; and five (5) shall represent the private community.

2. Add Section VIII to Article IV to read as follows:

Section VIII - Applicability.

The provisions of Paragraphs A, C, E and F of Section II, and Sections III through VII, inclusive, of this Article shall not be operable or applicable during the period March 1, 1981, through and including September 30, 1981. During the period March 1, 1981, through and including September 30, 1981, members of the Board of Directors may be reimbursed for actual and necessary expenses incurred in conduct of business of the Commission and with the foregoing exception, shall serve without compensation.

3. Add Section VIII to Article V to read as follows:

Section VIII - Interim.

During the period March 1, 1981, through and including September 30, 1981, the Board officers shall be President, Vice-President, Treasurer and Secretary. The officers shall

be appointed by the Board, the Board shall designate such of its members by committee or otherwise to supervise planning and evaluation, personnel, finance and affirmative action as it deems appropriate, and the Board shall act as a review panel for those grievances which cannot be resolved at the administrative level. The provisions of Sections II, IV, V, and VII of this Article shall not be operable or applicable during the period March 1, 1981, through and including September 30, 1981.