

# **Nevada City's Financial Oversight Committee – Asset or Annoyance?**

## **Summary**

The City Council of Nevada City abolished their Finance and Administration Committee in favor of taking on this role themselves. Although the Council was within its authority to take this action, the Nevada County Grand Jury (Jury) believes the citizens of Nevada City have lost a valuable resource. The Jury urges the Council to take a second look at the benefits this type of committee can provide. Other actions are also recommended.

## **Reason for Investigation**

The Jury received a citizen complaint regarding the Nevada City Council's decision to abolish its Finance and Administration Committee (Finance Committee). In addition, the Jury was interested in following up on two previous Jury investigations of Nevada City government, particularly the City Council's oversight of City finances cited in the two previous reports.

## **Background**

Nevada City is a General Law City with a city manager form of government. A five-member City Council is responsible for overseeing operations of the City.

In its report on Nevada City Government the 2006-2007 Jury found the City deficient in a number of areas, including financial practices and the City Council's oversight of administration and operations. The City had already begun to address these deficiencies and had hired a qualified Finance Manager who has worked to bring the City's financial systems up to high standards.

The 2007-2008 Jury in a follow-up investigation found marked improvement in the City's operations and noted that *"Detailed oversight of City finances is provided by the Finance Committee..."* and concluded that this *"...financial oversight by the City Council appears appropriate."*

## **Procedure Followed**

The Jury conducted this investigation through interviews with various Nevada City officials and former and current City Council members. The Jury reviewed materials provided by the interviewees, and also reviewed the 2006-2007 & 2007-2008 Grand Jury Reports regarding management issues with Nevada City government.

## Findings

1. There has been a “Finance Committee” in Nevada City government in one form or another for at least 15 years.
2. On 2/25/09 the City Council of Nevada City voted unanimously to prepare Resolution No. 2009-09, consenting to the dissolution of the Finance and Administration Committee.
3. As a result of the City Council’s dissolution action on 2/25/09 (above), the City Treasurer tendered his resignation to the City Council on 3/6/09, citing an inability to make further contributions without the Finance Committee.
4. On 3/11/09 the City Council of Nevada City voted unanimously to pass and adopt Resolution 2009-09, abolishing its Finance and Administration Committee, which was made up of the City Treasurer, three appointed members of the public, and two City Council members.
5. The Jury was not provided with clear and/or compelling rationale to explain the City Council’s action to abolish its Finance Committee.
6. The Jury was told that the City Council, City Manager and City Financial Officer will fill the void left by the Finance Committee.
7. In the 2006-2007 Grand Jury Report entitled NEVADA CITY GOVERNMENT: Asleep at the Wheel, which was generally critical of overall city management, the Jury made the following recommendation under the section titled “Finances”: ***“The City Council should exercise diligent oversight of the City’s financial resources and take steps to assure its members understand the relevant processes and are given timely periodic reports.”***
8. Both the City Manager and Mayor responded to the above Recommendation with the following statement: ***“The City agrees and is in the process of implementing. Diligent oversight of the financial resources is being provided by the Council directly through two finance-experienced Council members serving full-time on the Finance Committee and Finance Manager and City Treasurer reports to the City Council, and additionally through the Finance Committee’s citizen expertise and detailed oversight and reporting back to City Council.”***
9. The 2007-2008 Grand Jury Report entitled Nevada City Government, which was a follow-up to the previous year’s Report, applauded the City in finding that, ***“Detailed oversight of City finances is provided by the Finance Committee, consisting of the Mayor, one other Council member, the elected City Treasurer, and three citizens appointed by the Mayor.”***
10. Although the Mayor has the authority to establish or abolish any standing or Ad Hoc Committee, the Finance Committee was dissolved by action of the full City Council.

11. The Mayor has the discretion to name the Chair and appoint members to the City's various committees.
12. The Finance Committee had no written charter or mission statement from the City Council. It was clear and broadly recognized that the Committee could make recommendations only, and did not have decision-making authority.
13. The City Treasurer has no written description of duties or responsibilities other than the generic description that exists in State Code.
14. Persons interviewed by the Jury had diverse opinions regarding the role and responsibilities of the City Treasurer.
15. For at least the past several years, Finance Committee meetings were publicly noticed and open to the public, complying with the Brown Act and the Committee was transparent in its business.
16. Other than the City Treasurer, members of the Finance Committee were not paid.
17. City staff time to prepare information requested by the Finance Committee may have added to the workload, but did not significantly add cost.
18. In the past several years the Finance Committee spent time reviewing City and Department budgets as well as other aspects of City finances. The Committee also brought important financial matters, some of them previously unknown, to the attention of the City Council and others.

## **Conclusions**

1. Apparently the current Mayor and City Council feel that the Finance Committee is no longer necessary, despite endorsement by two previous councils and the previous City Manager.
2. The City Council was well within its authority to abolish the Finance Committee.
3. The City Council is responsible to provide a written description of duties, responsibilities, limitations and expectations for all its various Committees and Chairpersons in order for them to be effective.
4. The Finance Committee provided a valuable oversight function between the City Council and Staff, in addition to providing citizen involvement and transparency.
5. The services provided by a credible and efficient Finance Committee can be a valuable asset to City government and its citizens.
6. Conceptually, a Finance Committee has the unique expertise, time and ability to focus

greater energy and attention to complex financial matters than does the City Council as a body.

7. It may appear that a Finance Committee could cause additional workload for City staff due to the necessity to provide requested data and information for the Finance Committee to research and analyze; however, this oversight effort should be taken with or without a Finance Committee.
8. The Grand Jury believes that largely because of public meeting laws and their own time restrictions, it is impractical for the City Council – as a body – to research, analyze, deliberate and allow for public comment on the complex financial matters faced by City government, without assistance.
9. Proper financial oversight requires unique expertise and generous commitment of time for the necessary detailed research and analysis in today’s economy and complex financial world.
10. Proper and effective financial oversight from the City Council can best be accomplished through the assistance of a third party group, in addition to that coming from City staff.

## **Recommendations**

The City Council should:

1. Consider a reconstituted oversight group, with written and well defined duties and parameters, made up of members with special financial skills and available time, to assist the City Council in its financial oversight responsibilities, while also gaining the benefits of greater transparency and additional citizen involvement.
2. Prepare a written description of duties and responsibilities for the City Treasurer.
3. Review its financial oversight responsibilities, realistically recognizing how much time it (the Council as a body) has to devote to researching, studying, analyzing, and deliberating on complex financial matters, and what level of individual expertise and experience Council members have to contribute to that effort. Following that evaluation, devise and implement a system by which it will effectively fulfill its financial oversight responsibilities.

## **Required Response**

The City Council of Nevada City October 16, 2009



# City of Nevada City

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September 24, 2009

Honorable Robert L. Tamietti  
Presiding Judge of the Grand Jury  
201 Church Street  
Nevada City, California 95959

Dear Judge Tamietti:

We appreciate the opportunity to respond to the 2008-2009 County of Nevada Grand Jury report. As required by Penal Code section 933(c), we have commended on the report's findings, conclusions and recommendations within the time period specified. Our comments follow:

**Findings:**

1. There has been a "Finance Committee" in Nevada City government in one form or another for at least 15 years.

**Agree**

2. On 2/25/09 the City Council of Nevada City voted unanimously to prepare Resolution No. 2009-09, consenting to the dissolution of the Finance and Administration Committee.

**Agree**

3. As a result the City Council's dissolution action on 2/25/09 (above), the City Treasurer tendered his resignation to the City Council on 3/06/06, citing an inability to make further contributions without the Finance Committee

**Agree**

4. On 3/11/09 the City Council of Nevada City voted unanimously to pass and adopt Resolution 2009-09, abolishing its Finance and Administration Committee, which was made up of the City Treasurer, three appointed members of the public, and two City Council Members.

**Agree**

5. The Jury was not provided with clear and/or compelling rationale to explain the City Council's action to abolish the Finance Committee.

**Disagree**

**While this statement is a matter of opinion, it is important to consider the following: Then Mayor, Barbara Coffman, explained to the Jury members present the reasons the Finance Committee had been dissolved. Ms. Coffman urged the Jury to speak with Councilmember Sally Harris who had served on the Finance Committee for several years, had been a citizen member of the Finance Committee, had been the chairman during her time as mayor, and had a background in finance. Ms. Coffman explained that Ms. Harris would be able to be more articulate on the subject and better able to answer the Jury's questions. The Jury chose not to speak to Ms. Harris, or any other sitting council member. The jury also chose not to speak to the City Manager or the Finance Director as requested by Ms. Coffman. Ms. Coffman also urged the Jury to obtain video of the meeting and listen to each councilmember's reasoning. Apparently, the Jury chose not to avail themselves of that video. It would appear the Jury elected not to pursue the council's rationale for the dissolution of the Finance Committee.**

6. The Jury was told the City Council, City Manager and City Financial Officer will fill the void left by the Finance Committee.

**Disagree**

**While it is unknown as to what others told the Grand Jury, Ms. Coffman did not state that dissolution of the Finance Committee created a void. Rather, she informed the Grand Jury that the City Finance Director, City Manager, and City Council currently performed all of the finance and budget requirements of the City. The City Manager and Finance Director ensured that the Council remained well informed.**

7. In the 2006-2007 Grand Jury Report entitled NEVADA CITY GOVERNMENT: Asleep at the Wheel, which was generally critical of overall city management, the Jury made the following recommendation under the section titled "Finances": *"The City Council should exercise diligent oversight of the City's financial resources and take steps to assure its members understand the relevant processes and are given timely periodic reports."*

**Agree**

8. Both the City Manager and Mayor responded to the above recommendation with the following statement: *"The City agrees and is in the process of implementing. Diligent oversight of the financial resources is being provided by the Council directly through two finance-experienced council members serving full-time on the Finance Committee and Finance Manager and City Treasurer reports to the City Council, and additionally through the Finance Committee's citizen expertise and detailed oversight and reporting back to City Council."*

**Agree**

9. The 2007-2008 Grand Jury Report entitled Nevada City Government, which was a follow-up to the previous year's report, applauded the City in Finding that, *"Detailed oversight of City Finances is provided by the Finance Committee, consisting of the Mayor, one other Council Member, the elected City Treasurer and three citizens appointed by the Mayor."*

**Agree**

10. Although the mayor has the authority to establish or abolish any standing or Ad Hoc Committee, the Finance Committee was dissolved by action of the full City Council.

**Agree in part and Disagree in part.**

**Committees established by the Mayor may be dissolved by the Mayor. Committees established by vote of the entire council should be dissolved by vote of the entire council. Generally in Nevada City, committees are established by the Council.**

11. The Mayor has the discretion to name the Chair and appoint members to the City's various committees.

**Agree in part and Disagree in part.**

**While the Mayor has such discretion, in some cases committee members are chosen by the councilmember chairman assigned to the committee, and in yet other cases the chairperson may be chosen by the committee.**

12. The Finance Committee had no written charter or mission statement from the City Council. It was clear and broadly recognized that the Committee could make recommendations only, and did not have decision-making authority.

**Agree in part and Disagree in part.**

**The Finance Committee did not have any written guidelines, mission statement, or duties. However, the Finance Committee did believe that it was to act as a sort of clearinghouse for City finances, any policy related to City finances, and budget policy. As such it directed the Finance Director and others who came before it to make changes to proposed actions before the matter went to the City Council. As such it made policy decisions that were solely within the purview of the City Council. This was explained to the Grand Jury by Ms. Coffman as one of the reasons for its dissolution.**

13. The City Treasurer has no written description of duties or responsibilities other than the generic description that exists in State Code.

**Disagree**

**The City Treasurer has a job description adopted by the City Council at their May 13, 2009 regular City Council meeting.**

14. Persons interviewed by the Jury had diverse opinions regarding the role and responsibilities of the City Treasurer.

**Unknown.**

**We cannot know the opinion of those interviewed by the Grand Jury. However, because the Jury chose not to interview the City Manager, the City Finance Director, and four Council members it is doubtful that the Grand Jury learned what the City believed the role and responsibilities of the City Treasurer were.**

15. For at least the past several years, Finance Committee meetings were publicly noticed and open to the public, complying with the Brown Act and the Committee was transparent in its business.

**Agree in part and Disagree in part.**

**The meetings of the Finance Committee complied with the notice requirements of the Brown Act and were open to the public. However, given that they were held in the afternoon, no press was present, no video or audio tapes were made and no formal minutes were taken, the conduct of the Finance Committee was not "transparent" in the manner "transparency" has come to mean.**

16. Other than the City Treasurer, members of the Finance Committee were not paid.

**Agree**

17. City staff time to prepare information requested by the Finance Committee may have added to the workload, but did not significantly add cost.

**Agree in part and Unknown in part.**

**City staff time to prepare and post agendas, prepare staff reports, and provide information requested by the Finance Committee, as well as meeting individually with committee members added to staff workload. The actual dollar cost of the lost staff time is unknown.**

18. In the past several years the Finance Committee spent time reviewing City and Department budgets as well as other aspects of City finances. The Committee also brought important financial matters, some of them previously unknown, to the attention of the City Council and others.

**Agree to the extent that such took place before the current City Manager and City Finance Director were in place.**



**Conclusions:**

1. Apparently the current Mayor and City Council feel that the Finance Committee is no longer necessary, despite endorsement by two previous councils and the previous City Manager.

**Agree**

**That the Finance Committee is no longer needed. The City has a City Manager and a Finance Director well versed in government finance, a new City Treasurer, and a new Audit Committee made up of those three individuals. In creating the Finance Director position and an Audit Committee, as well as eliminating the Finance Committee, Nevada City has adopted the model of most California cities. Neither Grass Valley, Truckee nor most California cities have finance committees.**

2. The City Council was well within its authority to abolish the Finance Committee.

**Agree**

3. The City Council is responsible to provide a written description of duties, responsibilities, limitations, and expectations for all its various Committees and Chairpersons in order for them to be effective.

**Agree. However, the amount of specificity may vary from committee to committee.**

4. The Finance Committee provided a valuable oversight function between the City Council and Staff, in addition to providing citizen involvement and transparency.

**Agree in part and Disagree in part.**

**At times in the past when there was no staff member with a government finance background, the Finance Committee provided a useful oversight function. However, that responsibility ultimately belonged to the City Council. While some citizens were able to become involved, the functions of the Finance Committee, as stated above, were not transparent.**

5. The services provided by a credible and efficient Finance Committee can be valuable asset to City Government and its citizens,

**Conceptually a committee could be specifically charged with reviewing a certain aspect of a city's finances and thus could be a valuable asset to a city.**

6. Conceptually, a Finance Committee has the unique expertise, time and ability to focus greater energy and attention to complex financial matters than does the City Council as a body.

**Disagree**

**It is the City Council's legal responsibility to pay attention to and understand the complex financial matters that come before it. It is the City Council that the citizen's look to and hold responsible for the finances of the City. The responsibility and sense of duty that comes with holding the office of City Councilmember is uniquely different from that of being a non-elected committee member.**

7. It may appear that a Finance Committee could cause additional workload for City staff due to the necessity to provide requested data and information for the Finance Committee to research and analyze; however, this oversight effort should be taken with or without a Finance Committee.

**Agree in part and Disagree in part.**

**The oversight of the City's finances is an ongoing process involving every staff member as well as the Council. Having a separate Finance Committee making demands on staff time and diverting attention from matters at hand is counterproductive.**

8. The Grand Jury believes that largely because of public meeting laws and their own time restrictions, it is impractical for the City Council – as a body – to research, analyze, deliberate and allow for public comment on the complex financial matters faced by City government, without assistance.

**Disagree.**

**It is unfortunate that the Grand Jury has such a belief in that such an undertaking is indeed the responsibility of each councilmember. This Council, individually and collectively, does have assistance in the form of a very knowledgeable City Manager and City Finance Director, conscientious staff members, and an outstanding audit firm.**

9. Proper financial oversight requires unique expertise and generous commitment of time for the necessary detailed research and analysis in today's economy and complex financial world.

**Agree**

10. Proper and effective financial oversight from the City Council can best be accomplished through the assistance of a third party group, in addition to that coming from the City staff.

**Disagree.**

**A City Council must be able to rely upon its City Manager, City Finance Director and other staff members for sound financial information and oversight. For very specific matters outside consultants are occasionally employed.**

**There is nothing preventing any number of citizens from forming an oversight committee if they are so-minded. All of the relevant information is available and city staff would cooperate fully. It is also worthy to note that no interest was shown for that idea and, that no one showed up for the long Saturday budget workshop or to comment/participate at any of the council meetings that had the Finance Director's detailed and informative presentations.**

**Recommendations:**

1. Consider a reconstituted oversight group, with written and well defined duties and parameters, made up of members with special financial skills and available time, to assist the City Council in its financial oversight responsibilities, while also gaining the benefits of greater transparency and additional citizen involvement.

**The City declines to reconstitute a finance committee. However, the City has put in place an Audit Committee consisting of the City Manager, City Finance Director and City Treasurer. These individuals have years of accounting and finance experience, they understand the rules and regulations of Generally Accepted Accounting Principles and Generally Accepted Audit Principles, the numerous Government Accounting Standards Board requirements, and the Unqualified Audit Opinion received by the City on the 2007-2008 audit of the City's financials. An annual four to five hour budget workshop has been held on a Saturday for the past two years in order that the public may view and participate in the budget process.**

2. Prepare a written description of duties and responsibilities for the City Treasurer.

**A job description for the City Treasurer was adopted on May 13, 2009.**

3. Review its financial oversight responsibilities, realistically recognizing how much time it (the Council as a body) has to devote to researching, studying, analyzing, and deliberating on complex financial matters, and what level of individual expertise and experience Council members have to contribute to that effort. Following that evaluation, devise and implement a system by which it will effectively fulfill its financial oversight responsibilities.

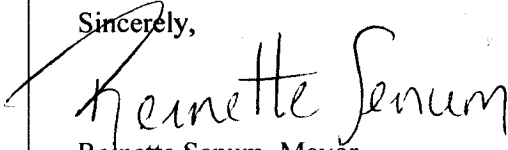
**As set forth above, the City Council is aware of its responsibility as elected officials for the financial condition of the City. The City Council continues to have faith in and rely upon the expertise of our City Manager, Finance Director, City Treasurer, Audit Firm, and public input to provide the information necessary to make reasoned choices in these difficult financial times and to undertake the financial oversight necessary to keep the City solvent.**

**Financial reports are presented monthly or more frequently if needed along with quarterly financial condition reports related to the current economic conditions along with three year projections. This information is presented at public meetings. In addition to the budget workshops, public hearings are held prior to the adoption of the annual City budget.**

**Additionally, as part of the council's three-year strategic goals, the Finance Director has an ongoing written objective to provide financial education and training to the city council.**

We thank you again for the opportunity to clarify and respond to the Grand Jury report. Please let us know if there is anything further that you require.

Sincerely,

  
Renette Senum, Mayor

cc: City Council