

Nevada City Government

Reason for Investigation

Nevada City (City) is a California General Law City (California Government Code §3400 et seq.) incorporated on April 19, 1856. Under California Penal Code §925a, Grand Juries may investigate and report upon the operations, accounts and records of the officers, departments and functions, and the method or system of performing the duties of any city and make such recommendations as it may deem appropriate.

The previous Nevada County Grand Jury (2006-2007) reported extensively on major deficiencies in the Nevada City Government in five areas: Records Management, Finances, City Clerk's Office, City Management Practices and Accountability, and City Council Oversight [*Nevada City Government: 'Asleep at the Wheel'*]. The report drew upon information gathered by specialist consultants hired by the City to investigate City operations. At the time of last year's Grand Jury report the City had already begun to correct a number of the deficiencies summarized in the report. The position of City Finance Manager had been created and a qualified individual had been hired for the position.

The current Grand Jury (Jury) decided that it would be appropriate to review progress made by the City as a follow-up to the 2006-2007 Jury report.

Background

Nevada City is a small city, population slightly under 3,100, with a long history. Because of its small size, many functions and responsibilities in government are shared among a small number of employees.

The City has a city manager form of government. The powers and duties of the City Manager, established by City Ordinance, include administration of all city operations under his/her control. The five member City Council, with staggered four-year terms, is responsible for overseeing City functions including selecting and directing the City Manager. There is an elected City Treasurer, elected City Clerk and an appointed City Attorney. The City has had only two City Managers in the last 40 plus years.

Until April 2006, City office operations and financial matters were managed by an Office Operations Supervisor, a position created in the late 1980s without apparent documentation as an additional job to be carried by the individual who was already the elected City Clerk. This individual had no documented expertise in the area of financial management. The Office Operations Supervisor position was eliminated in April 2006. The incumbent Office Operations Supervisor was relieved of those duties and the position of Finance Manager created. The former Office Operations Supervisor continued to be responsible for the City

Clerk duties. The City Clerk is an elected office with a four-year term, which currently expires on March 31, 2010.

Procedure Followed

The Jury conducted its investigation through interviews with Nevada City elected officials, a consultant to the City, and employees of the City. The Jury also reviewed materials furnished by the individuals interviewed. The Findings and Conclusions in the present report cover only the main points and are not intended to address all aspects of the 2006/07 report.

Records Management

Last year's report noted stacks of unorganized records, many boxes containing unopened mail and unorganized City records, all of which were unsecured. There was no apparent record retention/disposal policy and procedure in place despite a 2001-2002 Jury report citing a lack of a record management policy and procedure.

Findings

1. Records management policy and procedures, based on State guidelines, are now in place, including a records destruction schedule.
2. All boxes and stacks of records and mail have been examined and properly filed.
3. The Municipal Code documentation is now complete and current.
4. All new documents are filed properly in a timely manner.
5. Record digitization has yet to begin.

Conclusions

City records management has been significantly improved.

Recommendations

1. The City should continue the improved practices in the management of current records.
2. The City should establish and complete digital storage of archived records to facilitate access by city staff and the public.

Finances

Last year's Jury report concluded that the City's financial management practices and record keeping were inadequate and lacked proper oversight and meaningful audits.

Findings

1. Prior to the hiring of the Finance Manager, a financial consultant had made substantial progress in inaugurating proper financial practices, as noted in last year's Jury report.
2. The new Finance Manager is a credentialed professional.
3. Updated financial software is in place and four City employees have been trained in its use.
4. A process to identify and track new businesses is being developed to assure appropriate business license billing.
5. An on-going program is in place to inventory water and sewer connections to assure proper billing.
6. Automated collection processes are in place for water, sewer and other receivables. This includes automation of late payment and shut-off notices.
7. Transient Occupancy Tax receipts are being monitored on a trend basis.
8. The City is now in compliance with Government Accounting Standards Bulletin 34 (GASB 34).
9. The Finance Manager meets regularly with the Finance Committee, and with the City Council on financial matters, as needed.
10. A new auditing firm has completed the most recent annual audit and has provided a substantive management letter to the City Council.
11. All City departments now prepare annual budgets.
12. A five-year projection of general and special fund revenues and grants has recently been completed.

Conclusions

1. The City's financial operations are significantly improved with major progress having been made toward instituting modern financial practices.

1. For the first time in many years a meaningful audit of the City's finances has been done.

Recommendations

The City should continue and institutionalize the progress made to date.

City Clerk's office

Last year's Jury report concluded that the City Clerk was not performing the duties imposed by California Government Code.

Findings

1. The elected City Clerk resigned on January 10, 2008.
2. The City Council appointed one of its members as interim Clerk and placed the election of a replacement to fill out the existing term ending March 31, 2010 on the June 2008 ballot. An office staff person has been deputized to perform the hands-on work of the Clerk.
3. At this time, it has not been determined whether to hold an election to make the City Clerk an appointive position.

Conclusions

It appears that the City Clerk duties are now being performed adequately.

Recommendations

The City should place on the ballot a measure to make the City Clerk an appointed position, as is the case in most California cities.

City Management Practices and Accountability

Among the findings in last year's Jury report were: no evidence of office policy and procedures manuals; improper employee classifications; inconsistent application of City Ordinances. The report concluded that the City Manager had fallen short in the performance of his duties.

Findings

1. Personnel policy and procedures, including grievance and discipline policies and procedures are being developed. It is expected that an employee manual will be completed by June 2009. All personnel are now receiving timely performance appraisals and job descriptions are being updated.
2. Financial policies and procedures are being developed.
3. The Finance Manager has recently been assigned the additional responsibility for human resources management.
4. The City Manager resigned February 15, 2008.
5. A part time Interim City Manager was appointed to fill the position until a replacement is found. A search for a permanent replacement has begun.

Conclusions

1. The City is developing needed policies and procedures.
2. With the addition of responsibility for human resources, there is a very real risk of overloading the Financial Manager.

Recommendations

1. The interim City Manager and the new City Manager should immediately and periodically review the organizational structure to assure that responsibilities and staffing are appropriate for effective and efficient operation and employee morale.
2. The interim City Manager and the new City Manager should assure that the new policies and procedures developed over the last year, or currently in development, are completed, documented and implemented to avoid recurrence of the problems of the past.
3. The interim City Manager and the new City Manager should take care to assure that the Finance Manager is not overloaded with too many responsibilities and that backup is provided to cover absences.

City Council Oversight

Among the issues identified in last year's Jury report:

- Apparently the Council had never conducted a comprehensive performance evaluation of the City Manager.

- The Council’s accommodation of the City Clerk, to assure performance of the City Clerk duties, after that person was relieved of the Office Operations Supervisor duties, did not appear to be working.
- The City had contracted with the same auditing firm for the past 14 years for an annual audit of the City’s finances. Comprehensive audits were not performed. Only one Audit Management Letter had been located from the past seven years.

Summarizing the conclusions, last year’s Jury report stated “It is evident the City has been suffering from a lengthy chronic malady and has become the victim of institutionalized inertia. Whatever the cause of the City’s difficulties, it is inescapable that ‘the buck stops’ with the City Council”.

Findings

1. The City Council performed a comprehensive performance review of the City Manager. The review included setting of future goals.
2. 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.
3. The City Finance Manager meets regularly with the Finance Committee and occasionally with the Council and provides financial summaries for review at the appropriate levels.
4. A new auditing firm performed a comprehensive audit of last year’s finances and provided a substantive Management Letter to the Council.
5. The City Clerk function has been assigned to a Council member and a staff person deputized to perform much of the work. Selection of a new City Clerk for the remaining two years of the current term has been placed on the June 2008 ballot.
6. The incumbent City Manager resigned February 15, 2008. The Council appointed a part-time interim City Manager to serve until a replacement is found.
7. There will be at least three, and possibly four, new Council members after the next election.

Conclusions

1. The City Council has become more involved in the City’s business and appears to have assumed a greater level of responsibility and accountability.

2. The engagement of a new audit firm is welcome and was long overdue.
3. The City Clerk function is currently being performed adequately.
4. The level of financial oversight by the City Council appears appropriate.

Recommendations

1. The City Council should assure that the positive momentum of the past year continues and becomes institutionalized in a system that is independent of incumbents.
2. All Council members should receive comprehensive training in their oversight responsibilities as well as ethics and legal requirements. In view of the substantial coming turnover on the City Council, it will be especially important to promptly assure that newly elected Council members understand their duties fully.
3. The Council should assure that the interim City Manager and the pending permanent City Manager are required to review the City's organizational structure to assure that responsibilities and staffing are appropriate for effective and efficient operation and employee morale.

Required Responses

City Council of Nevada City August 8, 2008



City of Nevada City

JUL - 9 2008

July 3, 2008

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

Dear Judge Tamietti:

We appreciate the opportunity to respond to the 2007-2008 County of Nevada Grand Jury report. As required by Penal Code section 933(c), we are commenting on the report's findings, conclusions and recommendations within the time period specified. Our comments follow.

Finding and Conclusions:

Grand Jury Findings: We agree with the findings and conclusions of the Grand Jury regarding **Records Management:**

Regarding the Grand Jury Recommendations, we will continue to implement the recommendations and continue to improve practices in the management of current records and serious efforts will be made to establish and complete digital storage of archived records to facilitate access by City staff and the public.

Findings and Conclusions:

Grand Jury Findings: We agree with the findings and conclusions related to the City's **Financial Management** practices and that many of the findings have been addressed this past year and significant improvements have been made toward instituting modern financial practices.

Findings and Conclusions:

Grand Jury Findings: We agree with the Grand Jury findings and conclusions related to the **City Clerk**. A new City Clerk was elected on June 3, 2008. Following up on the Grand Jury recommendation, on June 11, 2008, the City Council took action to place on the November 2008 ballot a question to the voters about making the position of City Clerk an appointed position.

In addition, the City Council has also placed this same question to the voters on the November 2008 ballot for making the position of City Treasurer an appointed position.

Findings and Conclusions:

Grand Jury Findings and Conclusion: We agree with the findings and conclusions of the Grand Jury regarding **City Management Practices and Accountability**.

On April 23, 2008, the City Council approved Resolution No. 2008-12 adopting Management and Budget Policies.

On June 11, 2008, the City Council approved Resolution No. 2008-25 adopting an Employer-Employee Relations Resolution bringing the City into compliance with the Meyers-Milias-Brown Act.

Following up on the Grand Jury recommendations, the City Manager has reviewed the organizational structure to assure responsibilities and staffing for effective operations and employee morale, consolidated several operations (water, wastewater, engineering, parks and recreation and public works) into the Public Works Department.

As noted above, several policies are in progress and several have already been completed. The current City Manager will serve as backup to provide coverage in the event of absences of the Finance Director

Findings and Conclusions:

Grand Jury Findings and Conclusions: We agree with the findings and conclusions of the Grand Jury in regard to **City Council Oversight**.

Following up on the Grand Jury recommendations, the new City Manager convened an orientation program for City Council candidates in May 2008. The program included a Summary of Nevada City, How Cities Differ from other Forms of Government, Summary of the Brown Act, Meyers-Milias-Brown Act, AB 1234 Ethics Training Compliance, Local Government 101 Resources, Strategic Planning, Code of Conduct for City Council and City Planning Commissioners and City Council Goals for the City Manager. Three of the four candidates along with City department representatives attended and there was a good exchange during the question and answer period.

The City Council, through its Mayor, will make certain that periodic reviews of the City's organizational structure and responsibilities, along with staffing, are appropriate for effective operations and employee morale. The Mayor and City Manager meet weekly as their schedules allow.

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

Sincerely,



Sally Harris, Mayor

cc: City Council Members
Administration & Finance Committee
Gene Albaugh, City Manager
Jim Anderson, City Attorney
Catrina Andes, Finance Director
Barbara Coffman, City Clerk