

COMPLAINT AGAINST THE CITY OF FORTUNA, CITY MANAGER

SUMMARY

The Grand Jury of Humboldt County received a complaint, identified as 14-AF-7, and assigned it to the Administration and Finance Committee for investigation. The complaint alleged a misuse of Fortuna city funds by the City Manager.

Upon thorough investigation, the Grand Jury found no misuse of funds by the City Manager, but did find that there was a lack of communication about the new City Manager's goals and objectives to revitalize the Fortuna business community. The Grand Jury found further that a written reimbursement policy for business expenses needs to be developed.

BACKGROUND

Accompanying the complaint were a number of expense receipts, credit card statements, reimbursement requests for relocation expenses, and copies of the subsequent reimbursement checks that the City of Fortuna issued to the City Manager. A city employee had obtained these documents through a Freedom of Information Act request. In addition to the aforementioned documents, the Administration and Finance Committee further requested and received a copy of the City Manager's employment contract. Additionally, the Grand Jury received testimony from two City Officials affirming the accomplishments of the City Manager during his first year, and that these were directly tied to his goals and objectives as set forth by the City Council.

The committee interviewed a number of city employees and city officials regarding business expense reimbursement policies and procedures for city employees.

Additionally, two members of the committee paid a visit to the City of Fortuna and requested to see the May and June expense packages in order to review the process of checks and balances the city uses for the reimbursement requests. The committee members found everything to be exactly as one would expect: a clear, concise and transparent reimbursement procedure, with triangulation procedures for all expenses, signed off by the appropriate department head, the City Manager himself, and a member of the finance department in charge of maintaining all reimbursement records.

During the interviews it became apparent that city employees were not aware of the details regarding the goals and objectives set forth by the City Council to the new City Manager. Since the City Manager was new to the area, it was incumbent upon him to be out in the community to build strong and trusting relationships with business owners, private community members and local government agencies.

In order to become acquainted with the needs of the City of Fortuna and to allow the business community to become acquainted with him, the City Manager set out to achieve this objective by personally visiting with the businesses in Fortuna city-proper and the surrounding areas. Many of these visits occurred during weekends and evenings. In an effort to remain above possible suspicion or appearance of receiving "favors" or gifts, the City Manager maintained a consistent

policy of paying for all entertainment transactions with community members he met over coffee or meals. All of those expense requests for meals with business owners and city officials were appropriate and budgeted.

Another part of the City Manager's obligation was to attend various training and development seminars, some of which required traveling out of the county. Expenses for those outings included food, lodging, and travel expenses. All expenses were budgeted and valid business expenses, for which there was always the supporting documentation attached to reimbursement requests.

The City Manager was given a relocation allowance of \$10,000. He was also given a monthly subsidy of \$350 plus mileage for his automobile expense.

Rather than hiring a moving company to transport his belongings to Fortuna, the City Manager rented a U-Haul truck and, over the course of several weekends, brought his household goods up by himself, thus saving the City of Fortuna several hundred dollars. In fact, the two committee members who visited the City Manager and his accounting clerk discovered that the City Manager saved the city over \$4,000 in moving expenses by doing it his way.

Shortly after being hired as City Manager, he re-clarified the terms of his contract regarding his monthly automobile expense, choosing to use city vehicles rather than use his personal car on a daily basis. This action saved the City of Fortuna several thousand dollars for the first year he was in office, but made some members of the community suspicious that he was wasting the city's resources.

The Grand Jury believes that most of the suspicion about the City Manager's "wasting the city's money" was due to two situations: 1) the lack of clear communication from the City Council to staff and members of the community regarding the goals and objectives set forth for the new City Manager, and 2) the way the new City Manager "did things differently" than his predecessors.

According to a Fortuna city official, the City Council sought a new City Manager who would be a "people person," who could work well with the business community, the citizens of Fortuna, and the members of city government. According to this official, the last two City Managers were more focused on public works, and it was the City Council's desire that the new City Manager be more directly involved with the business community, bring the staff together, and work on community development.

Since meeting with business owners and working to strengthen the Fortuna business community were not well communicated, some employees and/or community members questioned the expenses of the new City Manager, whose directed goals and objectives included ways to improve business in Fortuna.

APPROACH

To determine the accuracy of the citizen complaint against the new City Manager, the Grand Jury employed several methods upon which to make its findings:

- Interviews with staff and city government;
- Review of ten months of receipts and check requests supplied by the complainant;
- Review of the City Manager's employment contract;
- Review of the City Manager's appointment calendar;
- Review of two months of receipts in the City Manager's office with him and his Finance Clerk;
- Review of the City Managers accomplished Goals and Objectives which were presented through witness testimony who possess direct knowledge of his accomplishments;
- Review of expense documents obtained by a Fortuna city employee through a Freedom of Information Act request regarding the alleged misuse of funds.

DISCUSSION

After the Grand Jury collected receipts, conducted interviews with city officials and community members, and made an on-site inspection, it found that the office of the City Manager was efficiently organized and prudent in its approach to expenditures. While the calendar sent to the Grand Jury seemed incomplete, an examination of the City Manager's *personal calendar*, which he voluntarily submitted to the Grand Jury, matched the reimbursement requests submitted for meals, conferences, and transportation. The Grand Jury also discovered that rather than *costing* the city of Fortuna extra money, the policies and decisions of the City Manager actually *saved* the city money. For instance, the City Manager did, in fact, receive a \$350 allowance, plus mileage, for the use of his personal automobile. However, the City Manager decided to use city vehicles as often as possible for local destinations, thereby saving the city from having to reimburse him for mileage at the current government rate of \$.565 per mile, since the city's vehicles already had their fuel supplied. That saved the City of Fortuna thousands of dollars during the period investigated by the Grand Jury.

What seemed to stimulate the complaint against the City Manager re: use of automobiles was the employees and citizens lack of awareness that the City Manager had both the permission as well as the blessing for using city vehicles for his local travels, thus *saving* rather than *costing* the city extra money.

After all documents, interviews, and visitations were concluded, the Grand Jury could not find where the City Manager erred, other than not effectively communicating to city employees that there would be some changes in the way he would execute his duties and responsibilities.

FINDINGS

- F1. The Humboldt County Grand Jury found that the complaint against the Fortuna City Manager was without merit.
- F2. The Fortuna City Council and the Fortuna City Manager failed to adequately and or effectively communicate to city staff members the goals and objectives of the new City Manager, and how those goals would impact day-to-day expenses.
- F3. The City of Fortuna does not have a clear, written policy regarding reimbursement of business expenses for city employees.
- F4. The City Manager's submitted his office appointment calendar (Outlook) did not completely match the reimbursement requests submitted for meals, conferences, and transportation; however, the personal calendar he provided did.
- F5. The City Council of Fortuna sought a "people friendly" City Manager who would work to help revitalize the City of Fortuna's business interests.
- F6. The City Manager was fiduciarily responsible and actually saved Fortuna a substantial amount of money by executing his duties in the manner he did, especially as it regards his moving allowance and automobile stipend.
- F7. The new City Manager elected to use city vehicles rather than the monthly transportation stipend, thus saving the City of Fortuna a few thousand dollars in the first year of his tenure in that position.

RECOMMENDATIONS

- R1. The Grand Jury recommends that the Fortuna City Council and the Fortuna City Manager improve internal methods used to communicate with the city's staff. (F2, F3)
- R2. The Grand Jury recommends that the Finance Office of the City of Fortuna write a clear and transparent policy for all city employees using city-issued credit cards, explaining the procedural steps for reimbursement of business expenses. (F3)

WHO SHALL RESPOND

The Grand Jury requires that both the Fortuna City Council and the Fortuna City Manager respond to Recommendations 1 and 2.

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code § 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.
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