

2020 - 2021 San Joaquin County Grand Jury



**City of Manteca:
A City Government in Turmoil
Case #0320**



Summary

The City of Manteca was the focus of several reports in local media that were critical of the mayor, city council, and the city manager's actions, which resulted in the loss of several city executives. There was also a growing concern for the state of the city's finances. Several complaints were lodged with the 2020-2021 Grand Jury.

Upon thorough review, the Grand Jury concluded that several basic administrative protocols were missing from the management of the city: lack of consistent and formal personnel practices, lack of training and succession planning, and absence of financial acumen which in turn led to insufficient checks and balances. There is also a need for improved internal employee grievance processes.

Overall lack of leadership from the council and inexperience in the city manager's office created the dysfunctional administration that is struggling to effectively manage city operations.

After examining the events of the City of Manteca's last three years, the 2020-2021 Grand Jury identified several practices that should be avoided, while recommending that new policies be implemented and followed. Future administrations should use this Grand Jury report as a road map for improvement of city management. The Grand Jury recommends that the city

- Develop, implement, and adhere to hiring, promotion, and termination policies;
- Utilize open recruitment, both internal and external, for all vacancies;
- Implement succession planning so that institutional knowledge is maintained;
- Develop and implement definitive onboarding and training plans for all employees;
- Develop a grievance procedure that provides an option to allow grievances against top administration to be dealt with by an external third party; and
- Ensure the management of the city's finances are transparent, current, and within the confines of budgetary constraints.

Glossary

- **Acting manager:** Acting managers are in essence substitute managers; therefore, they are expected to fulfill some of the same responsibilities as permanent managers, though they may not be given the full control as the actual manager.
- **City of Manteca Councilmember Orientation (December 10, 2020):** Orientation pamphlet created to give new councilmembers a basic understanding of the city's functions and roles of the City's departments to allow them to make better-informed decisions.
- **City manager:** An executive officer of a municipality who works outside of the political realm to keep the operations running smoothly. In the City of Manteca, the city manager is responsible for the day-to-day city operations.
- **City manager form of government:** Manteca has a city council elected by the people and charged with the basic responsibility of governing the community. The city manager is appointed by the council to manage the city's administrative responsibilities and day-to-day

operations. The city manager is an “at will” employee who serves and is retained at the pleasure of the city council.

- **External auditor:** An outside firm hired by the city council to conduct an annual review of the city’s financial records and procedures.
- **Interim manager:** Interim managers are temporary positions assigned when an unexpected management vacancy occurs. Interim managers are place-holder positions until the entity finds a viable candidate to fill the position permanently. Interim managers are typically given full control and power, and may be offered the position permanently.
- **Manteca City Council:** Comprised of four elected councilpersons and an elected mayor. The mayor serves as a figurehead for the city and as a moderator for council meetings. The mayor has no more influence than any other councilmember on any matter brought before the council. The city council sets policy and gives direction to the city manager.
- **Open recruitment:** A hiring process that includes a public announcement for an open position, inviting anyone qualified to apply.
- **Position control:** The process of tracking and maintaining personnel actions so that department budgets are monitored, ensuring there are sufficient funds to cover on-going employee salaries.
- **Public study session:** Informational gathering meetings for the city council which are open to the public. No official legislative actions are taken during the study sessions.
- **Succession plan:** A multi-year, on-going process of identifying and developing personnel for key positions. It provides a way to identify key roles, people with the right skills to fill those roles, and positions that may need filling quickly.

Background

The City of Manteca was founded by Joshua Cowell in 1861, who began developing 1000 acres in what is now the center of the city. On May 28, 1918, the City of Manteca was incorporated. The city now comprises 17.8 square miles and its population is approximately 83,000. Since 1980, the population has tripled, mainly due to people from the Bay Area looking for affordable homes.

The city government of Manteca is led by a mayor and city council, along with a city manager. The mayor and four councilmembers are elected to four-year terms. Election for councilmembers is staggered so that only two seats are up for election every two years. The city council’s main responsibilities are the oversight of the financial health of the city and all city improvement projects. Just as important, the city council is responsible for hiring the city manager. The city manager is a contracted employee and serves at will to the council. The city manager is responsible for overseeing all city employees, managing the day-to-day activities of the city, and implementing the vision of the council-approved strategic plan.

In November 2018, Manteca voters elected a new mayor and two new city councilmembers. With a newly elected mayor, two new members and two incumbent councilmembers, it was a relatively inexperienced council.

The new mayor campaigned on a platform to change the city government and rid the city of department heads that the mayoral candidate perceived to be slowing down progress. In less than a year, five department heads left their positions, either voluntarily or by termination. The first to go was the city manager. Subsequently, the position of acting city manager was filled by the new human resources manager, who lacked city manager experience. One of the first actions of the newly appointed acting city manager was to place other department heads on administrative leave, pending investigations and possible terminations. Soon after, many other key employees resigned.

Five months later, the acting city manager was appointed to serve as interim city manager, who then decided to restructure the city's organizational plan. The reorganization plan was presented to the city council, without the benefit of complete job descriptions or funding based on financial reports, as required by a detailed position control process. The council had some questions, but accepted the interim city manager's assurance that the plan was workable and that financial reports would be forthcoming. In June 2020, the city council made the interim city manager the permanent city manager by a four-to-one vote. There was no recruitment, and no other candidates were considered.

Many city positions went unfilled or were covered by persons that were either not qualified or experienced. Employees were overworked and fearful for their jobs, resulting in low morale. This was especially true for the finance department. A series of events exposed the new administrative leadership as lacking the political and financial acumen necessary to effectively run a city, which left the city's finances in a state of uncertainty. The new city manager committed a series of blunders that a more experienced city manager would have avoided.

Reason for Investigation

The 2019-2020 Grand Jury opened an investigation after receiving complaints but was unable to complete it in a timely manner. Since then, the City of Manteca has been the subject of numerous media reports about the loss of several key employees in a noticeably short period of time, and more recently, reports in reference to serious financial issues. The 2020-2021 Grand Jury received additional complaints from concerned residents and decided to open an investigation.

Method of Investigation

The Grand Jury conducted more than 20 interviews with city management and staff, past and present, and members of the city council. Additionally, the Grand Jury reviewed documents, media accounts, and relevant internet websites.

Documents Reviewed

- 2021 Provisional Budget
- Accounting records
- Brown Act (Ralph M. Brown Act, California Government Code sections 54950 – 54963)
- Capital Improvement Project documents

seen as being supportive of the city manager. Neither position went through any kind of recruitment process.

Generally accepted business practices show that open recruitment is the best way to find the most qualified candidates, yet this routinely did not happen in Manteca. Open recruitment does not preclude internal candidates from applying, provided they meet the minimum qualifications. Open recruitment assures that the candidate who is hired has the qualifications, and the process was open, fair, and honest. Currently, Manteca has no standard recruitment policies and procedures that assure a consistent approach.

Finding

F1.1 The city manager and the assistant city manager positions were filled without the benefit of an established recruitment process. This caused community-wide turmoil while they struggled to learn the job.

Recommendation

R1.1 By December 31, 2021, develop, adopt, and implement effective written recruitment policies and procedures, and strictly adhere to them for all executive hiring.

1.2 Insufficient Training & Development

There were concerns that employees in various departments were not sufficiently trained, particularly within the finance department. Employees were not provided periodic training to keep or improve current skills, nor were they updated on new processes or procedures. Leadership training was also noted as a critical need across departments. Due to a lack of qualified leadership in some departments, especially the finance department, and the absence of a training and development policy for city employees, there were few managers capable of identifying issues in order to provide necessary training and development for staff.



Findings

F1.2.1 Some managers were not capable of providing necessary training for staff, particularly within the finance department, which resulted in poor decision making.

F1.2.2 The city has no policy for employee training or professional development; therefore, employees lack the necessary skills to maintain efficient operations.

Recommendations

R1.2.1 By March 31, 2022, develop and implement a written policy requiring department heads to regularly evaluate staff performance, ensuring they have the knowledge and skillset to perform the job assignments, and provide training when necessary.

R1.2.2 By March 31, 2022, develop and implement a written policy requiring staff be trained or cross-trained, ensuring work can be covered during temporary absences.

1.3 Reorganization/Position Control

The newly appointed acting city manager quickly commenced with reorganization plans that included 27 new positions. A presentation was made to the city council in March 2020, without benefit of complete job descriptions or detailed funding sources, as required in a position control schedule. Nevertheless, the city council approved a partial reorganization in June 2020.

Finding

F1.3.1 City council approved the reorganization without the benefit of a detailed position control schedule, causing confusion and failure of the reorganization plan.



Recommendation

R1.3.1 By December 31, 2021, develop and implement a policy that requires a detailed position control schedule be presented to the city council for approval, prior to the execution of any reorganization.

1.4 Inconsistent Promotion Policy

Policies and procedures relating to promotions were not followed. Almost every department has a history of people who were promoted without meeting the minimum qualifications for the positions. City management communicated to city employees that promotions would be open and fair. Subsequently, several appointments were made that did not adhere to that commitment. Employees expressed a belief that to earn a promotion, **who you know** is more important than **what you know**.

Findings

F1.4.1 The City of Manteca has a history of unfair promotional practices which caused low morale and the loss of employees.

F1.4.2 Employees were ill-prepared for promotions, leading to inexperienced and unqualified employees being promoted.



Recommendations

R1.4.1 By March 31, 2022, develop and implement a revised written policy that ensures promotions are based on qualifications.

R1.4.2 By March 31, 2022, develop and implement an employee development program to assist candidates in acquiring education and/or training to help them gain skills that could lead to promotions.



1.5 Lack of Formal Succession Planning

The Grand Jury determined that the City of Manteca does not have a formal succession plan. Without a succession plan, continuity, and smooth transitions are virtually impossible. In addition, essential institutional knowledge is lost. Lack of succession planning became a glaring issue in view of the loss of many key employees, especially in the finance department.

Finding

F1.5.1 The city has no succession plan to fill management positions with qualified candidates. Without a transitional process, there was a delay in the preparation and completion of important reports, including the annual audit.



Recommendations

R1.5.1 By December 31, 2021, develop and implement a succession plan for all management positions.

R1.5.2 By March 31, 2022, department heads develop and implement a plan that ensures employees are sufficiently trained or cross-trained in multiple positions so that critical vacant positions can be filled with qualified personnel.

1.6 Inconsistent Administrative Leave and Employee Termination Process

In some cases, executives that left the city were placed on paid administrative leave pending outside investigations. The loss of personnel and the haphazard execution of administrative leaves was the catalyst for several complaints. Outside law firms were used to conduct investigations averaging \$40,000-\$60,000 per investigation. Paid leave, investigations, severance packages, and wrongful termination lawsuits have cost the city more than \$1,000,000 over the last two years.

The policy for placing personnel on administrative leave should only be implemented: "If the City Manager or Department Manager determines such suspension is necessary to protect the health, safety, and welfare of the residents or other employees of the city" (*City of Manteca Personnel Policies and Procedures*, section 11.05, 37). This language is ambiguous and was often extended to protect subordinates from retaliation that management was concerned

might happen. The rationale was that the department head was placed on administrative leave so there would not be retaliation against the perceived complainant.

Findings

F1.6.1 The policy for placing an employee on administrative leave, also called suspension, is ambiguous and subject to misinterpretation, leading to unfair practices.

F1.6.2 Investigations conducted by outside law firms are expensive and costly to taxpayers.

Recommendations

R1.6.1 By December 31, 2021, develop and implement a written administrative leave policy that is clear and concise.

R1.6.2 By March 31, 2022, develop and implement a written reciprocal agreement for an investigating team from a neighboring city or cities, to conduct internal investigations (similar to law enforcement agencies utilizing investigative staff from a neighboring community or department).

R1.6.3 By March 31, 2022, develop and implement a written policy for employing external resources, when necessary.

1.7 Flawed Grievance Procedure

There were several reports of top administrators bullying city employees, disparaging employees in open conversations, and denying opportunities for promotions. Many employees who were the subject of retaliation did not file a formal grievance under the current procedure, because it would ultimately be decided by the same administrators. Some did not feel safe coming forward until after they left city employment, at which time the city took the position that former employees had no standing to file a grievance. Many letters of complaint were submitted to the city manager and city council, but went unheeded, which ultimately led to external investigations.

Findings

F1.7.1 Employees were afraid that if they complained they would become the subject of harassment and retaliation by management, causing them not to avail themselves of the existing grievance procedure, resulting in increased denigration of morale.



F1.7.2 Complaints were not addressed and no action was taken until the large volume of complaints could no longer be ignored, resulting in frustration and low morale.

Recommendation

R1.7.1 By March 31, 2022, revise the current grievance procedure to include a reciprocal program, which would allow grievances to be reviewed by another city's administrators, assuring impartiality.

2.0 Ineffectual City Management

2.1 The Team Approach

In October 2019, the city council appointed an acting city manager who had no city management experience. In November 2019, the acting city manager promoted the city clerk, also with no executive city management experience, to be assistant city manager. The acting city manager and assistant city manager agreed to share the city manager duties. By creating an "administrative team," the city manager spread the duties between the city manager, the assistant city manager, and to some extent, the deputy city manager, which was a newly-created position. The team interviewed candidates for employment, attended meetings, and conferred on potential actions together, duplicating efforts. The new administrative team projected themselves as team-oriented leaders, who welcomed new ideas and exchanges. However, they were intolerant of any resistance to their ideas.

A recurring issue was inadequate administrative leadership due to inexperience and lack of political and financial acumen. It became clear that the management team was overwhelmed, and costly mistakes were made. One example was giving all employees three extra days off during the holidays in 2019, assuring the city council that there would be no cost to the city even though some city executives voiced concern over the proposal. The team failed to take into account the 24-hour staffing for vital public safety services, costing the city taxpayers more than \$240,000 in overtime compensation.



Findings

F2.1 A series of mistakes were made that more experienced managers could have avoided, costing the taxpayers undue financial expense.

F2.2 The team approach was inefficient, duplicating many efforts and requiring constant conferences to update other members of management. This cost unnecessary time and money.

Recommendation

R2.1 By December 31, 2021, the city council review the structure of the city manager's office to ascertain a management approach that is most efficient and cost-effective.

2.2 Qualifications of City Manager

Manteca city manager's job description includes the following minimum requirements

- Education - bachelor's degree in business administration, public administration, or related field; and
- Experience - eight years of increasing responsibility in city or other government administration.

The recent former city manager started working in Manteca on July 16, 2019, as the administrative services director (human resources), and within two months was appointed acting city manager. No other candidates were considered for the position.

Finding

F2.2.1 There currently is no explicit requirement for previous city management experience for the position of city manager, leading to the hiring of inexperienced and unqualified personnel.

Recommendation

R2.2.1 By December 31, 2022, develop and adopt new minimum qualifications in the city manager's job description, to include previous city management experience, city municipal finance experience, and capital improvement project management.

2.3 City Council Interference with Management

The Manteca Municipal Code is frequently violated by city councilmembers. The councilmembers **are mandated** to direct their orders to staff through the city manager in public meetings in accordance with Manteca Municipal Code section 2.08.080.

Relationship to City Council, "The City Council and its members shall deal with the administrative services of the City only through the City Manager, except for the purpose of inquiry, and neither the City Council nor any member thereof shall give orders to any subordinates of the City Manager. The City Manager shall take his or her orders and instructions from the City Council only when sitting in a duly held meeting of the City Council and no individual Councilmember shall give any order or instruction to the City Manager." (Manteca Municipal Code §2.08.080)

There were many instances of the mayor and some city councilmembers bypassing the city manager and directing city staff, even to the extent of providing fully developed plans for department heads to present to the city council. The only current remedy is for the city manager to reiterate that the mayor and councilmembers are mandated to direct requests through the city manager's office.

Finding

F2.3.1 The mayor and some councilmembers violated Municipal Code section 2.08.080. This circumvented the public's right to have city business conducted in public, and caused confusion among staff, subverting the required chain of command.

Recommendations

R2.3.1 By March 31, 2022, develop, adopt, and implement a written censure policy for municipal code violations by the mayor and city councilmembers.

R2.3.2 By March 31, 2022, include a review of Municipal Code section 2.08.080 during the annual ethics training for the mayor and councilmembers.



3.0 Faulty Financial Operations

The city, through its finance department, is responsible for maintaining all the city's funds and accounts in a manner consistent with laws, regulations, and accounting standards required by the Governmental Accounting Standards Board (GASB). The department

- monitors cash flow;
- maintains accounts payable and receivables for all city departments;
- prepares payrolls;
- prepares billings for city services;
- makes purchases for city departments;
- prepares financial analysis and projections;
- prepares reports required by state and federal laws; and
- monitors expenditures versus budget appropriations.

The City of Manteca's financial system is complex, with over 200 funds and thousands of accounts. The growth of the city, and the expansion of its full range of services, requires an expansive accounting system. Various state and federal laws and regulations, and generally accepted accounting principles, require different sources of revenue be placed into separate funds to accurately account for receipts and expenditures. The laws and regulations also require individual activities or programs be recorded separately, resulting in the large number of accounts. Management of these complex operations requires trained and qualified staff, and technology capable of handling the data.

The city's financial accounting software and computer hardware were never fully implemented. The inability to manage and extract information made it difficult to prepare timely financial reports in a format that was easily understood by elected officials and the public. There was a lack of personnel with advanced training or specific accounting skills which would enable them

to maintain accurate reconciliations, post accounts, and properly account for the various inter-fund transfers being directed by city management.

An additional impact on the finance staff was the reduction in the number of employees. A high turnover among remaining finance department staff created a loss of institutional knowledge. This required inexperienced employees to take on increased responsibility and workloads beyond their skill levels.

The cumulative impact of the conditions in the finance department was the lack of timely, accurate information being provided to the city council and department heads. With account reconciliations and fund balances in question, and numerous internal transfers implemented among restricted funds, the city council was working with a distorted and inaccurate understanding of the city's financial condition. The city councilmembers were unaware of these distortions and inaccuracies, or the extent of their fiduciary obligations to the city. They relied upon the information provided, asking few or no questions. Oftentimes, agendas and staff reports were not delivered with adequate time for public or council review.

Findings

F3.1 Councilmembers asked few questions of staff about the city's financial condition or the fiscal impacts of major expenditures they were being asked to approve. This caused ill-informed decision making.

F3.2 Major projects were presented to councilmembers with inadequate time to review the complex issues involved. This caused ill-informed decision making.

F3.3 The city council's approval of loans between restricted funds, without receiving any information or documents on the repayment requirements or fiscal impacts, created an unclear picture of the actual fund balances in the various accounts.

Recommendations

R3.1 Beginning October 1, 2021, the city council conduct public study sessions, at least quarterly, to receive and discuss complex financial issues. These sessions include, but not be limited to, the city's financial condition, long-term impacts of past, current, and proposed fiscal obligations of the city, major capital outlays, and employee contracts.

R3.2 By October 1, 2021, develop, adopt, and implement a policy which requires information regarding major new or existing complex projects or programs, including a detailed financial analysis, be provided to the city council and the public at least ten days in advance of the item being considered for approval at a city council meeting.

R3.3 By October 1, 2021, all proposals for the city council authorizing inter-fund loans be accompanied by loan documents detailing obligations of the loan by appropriate department heads or entities, including an analysis of impacts on the city's overall financial condition.

Conclusion

The nature of our democratic form of government is not static. Changes are inevitable, leaders change, laws change, people and ideas change, and cities grow. The same is true for city employees: periodic elections decide the mayor and city council, employees are hired, fired, transfer, or retire. These changes are common but are generally not crippling. However, when there is an extraordinary and unexpected loss of key personnel, it can be disconcerting to the city's employees and the public. This can lead to rumors and conspiracy theories about what is happening at "City Hall" and leaves remaining city employees uncertain about their futures. All these changes can also reveal problems that might otherwise go undetected. This is what happened in the City of Manteca.

Overall lack of leadership from the mayor and city council and inexperience in the city manager's office created a dysfunctional administration. Inconsistent employment practices and inadequate training compounded the problem.

It is incumbent upon all public employees, especially publicly-elected officials, to be properly prepared and adequately trained to be the custodians of the public's trust and taxpayers' finances. The Grand Jury's findings and recommendations reflect concerns that the city's financial operations need strengthening in personnel and procedures. Audit activities, both internal and external, need better oversight by elected and appointed officials. Information on fiscal matters must be given greater emphasis, clarity, and attention. The elected city council must become better prepared to understand and to address the complexity of local government finances in Manteca.

Acceptance of the Grand Jury's findings and adoption of the recommendations in this report will enable Manteca to mitigate their current issues. This will empower the City of Manteca to successfully meet the challenges of the future.

Disclaimer

Grand Jury reports are based on documentary evidence and the testimony of sworn or admonished witnesses, not on conjecture or opinion. However, the Grand Jury is precluded by law from disclosing such evidence except upon the specific approval of the Presiding Judge of the Superior Court, or another judge appointed by the Presiding Judge (Penal Code Section 911.924.1 (a) and 929). Similarly, the Grand Jury is precluded by law from disclosing the identity of witnesses except upon an order of the court for narrowly defined purposes (Penal Code Sections 924.2 and 929).

Response Requirements

California Penal Code Sections 933 and 933.05 require that specific responses to all findings and recommendations contained in this report be submitted to the Presiding Judge of the San Joaquin County Superior Court within 90 days of receipt of the report.

The Manteca city council shall respond to all findings and recommendations.

Mail or hand deliver a hard copy of the response to:

Honorable Xapuri B. Villapudua, Presiding Judge
San Joaquin County Superior Court
180 E Weber Ave, Suite 1306J
Stockton, California 95202

Also, please email a copy of the response to Ms. Trisa Martinez, Staff Secretary to the Grand Jury, at grandjury@sicourts.org.