

**OROVILLE: CITY IN TURMOIL**



**SUMMARY**

The City of Oroville continues to struggle with the fact that the higher cost of doing business continues to outpace the modest increases in its income. A recent attempt (Measure R in 2016) to increase revenues by raising the general sales tax failed. Drastic staffing cuts taken over the past five years have reduced City staff to a “skeleton” crew with many employees taking on additional duties and responsibilities that were assigned to the vacated positions. During the past year, City staff accepted a 10% cut in their pay and/or benefits. These actions have had a severe and negative impact on staff morale and on the ability to provide services to the community.

The Oroville City Council urgently needs to identify and pursue additional sources of revenue. The City Council must carefully reconsider how they and the City staff operate.

**GLOSSARY**

**CalPERS** - California Public Employees’ Retirement System

**PSD** - Public Safety Director

**HR** - Human Resources

## **BACKGROUND**

After conducting a preliminary review of all five incorporated cities in Butte County, the Grand Jury focused on Oroville because of lengthy and numerous vacancies in the Oroville City staff as well as the concentration of City management into the hands of so few employees. Our research revealed that one employee was the head of four of the City's six departments while also serving as Acting City Administrator.

Several recent Grand Jury reports addressed budgeting, city operations, and staff issues in Oroville (see the 2014-2015, 2012-2013 and 2009-2010 Butte County Grand Jury Reports). Many of the concerns raised in these reports continue to be a problem.

Towards the end of our investigation, the Acting City Administrator, who also headed four departments, resigned to take a position elsewhere. Furthermore, the employee that the City Council selected as the new Acting City Administrator, also resigned to take a position elsewhere. These events highlight the turmoil that the Grand Jury encountered within the City of Oroville.

## **METHODOLOGY**

To carry out this investigation, the Grand Jury interviewed the Acting City Administrator, the Public Safety and Human Resources Director, the Finance Director, all members of the City Council including the Mayor, and several mid-level City employees. The Grand Jury attended a number of City Council meetings in person and viewed others online.

In addition, the Grand Jury reviewed the following documents:

- The Charter for the City of Oroville
- The Oroville Municipal Code
- Oroville's Comprehensive Annual Financial Report (CAFR) for Fiscal Year 16-17
- City of Oroville organizational charts
- City of Oroville Adopted Annual Budget for the Fiscal Year 2017-2018
- Prior Grand Jury final reports covering the City of Oroville
- Numerous newspaper articles

## **DISCUSSION**

Oroville was incorporated as a Charter City in 1906. The City Charter provides for an elected Mayor and six other City Council members. The Charter empowers the City Council to appoint a City Administrator who oversees the day-to-day operations of the City and is responsible for implementing the policies of the City Council.

A history of events outside of Oroville's control created budget imbalances that continue to plague the City. These events include the 2008 recession, the 2012 statewide dissolution of the Redevelopment Agencies and, most significantly, the precipitous rise in costs of the California Public Employees' Retirement System (CalPERS). While all of the cities in Butte County are

facing these problems, Oroville has been the most severely impacted because of a lack of fiduciary planning. The City of Oroville will become insolvent in three to four years if it does not address its budget imbalances.

### **City Staff Organization**

The City staff is divided into six departments supervised by directors who report to City Administration. The directors, in accordance with the City Charter, “serve at the pleasure of the city council”.

The six City departments are:

- Business Assistance and Housing Development
- Finance
- Police and Fire
- Parks and Trees
- Planning and Development Services
- Public Works

In 2013 and 2014 the City of Oroville carried out a series of layoffs to bring its budget into balance. All positions that became vacant due to the layoffs were “frozen” and left unfilled. Positions vacated after the layoffs are subject to a review to determine whether the position should be filled or “frozen”. In 2018, 46 positions are frozen out of a total of 143 authorized positions. This represents a 32% reduction in staffing levels from 2013.

DEPARTMENT SUMMARY	Approved Positions	Frozen Positions	16-17 Approved Positions	16-17 Funded Positions	Change from prior year	17-18 Funded Positions
DEPARTMENT:						
ADMINISTRATION	6.80	2.00	4.80	5.00	(0.05)	4.95
BUSINESS ASSISTANCE AND HOUSING DEV.	10.00	4.00	6.00	6.08	(0.03)	6.05
FINANCE DEPARTMENT	7.00	2.00	5.00	5.00	-	5.00
FIRE DEPARTMENT	25.00	5.00	20.00	20.91	(2.00)	18.91
POLICE DEPARTMENT	53.50	8.50	45.00	44.09	(6.00)	38.09
PARKS & TREES DEPARTMENT	11.93	5.00	6.93	6.99	(1.96)	5.03
PLANNING & DEVELOPMENT SERVICES	9.00	2.00	7.00	6.40	(0.50)	5.90
PUBLIC WORKS	20.00	4.00	16.00	16.26	(2.96)	13.30
<b>DEPARTMENT TOTALS:</b>	<b>143.23</b>	<b>32.50</b>	<b>110.73</b>	<b>110.73</b>	<b>(13.50)</b>	<b>97.23</b>

**Table extracted from City of Oroville Adopted Annual Budget for the Fiscal Year 2017-2018**

A reduced staff has a direct impact on the services provided by the City. Fewer police officers result in a higher crime rate. When an employee is sick or takes personal time off, there is often no one available to perform his or her duties. Several City employees told the Grand Jury that they found the lack of backup to be extremely stressful. Anyone seeking City services faces longer waits.

As positions become vacant, duties and responsibilities are reassigned to the remaining members of the City staff. Some members of the City staff are more willing to accept the additional duties than others.

When three Department Director positions became vacant (Public Works, Parks and Trees, and Business Assistance and Housing Administration), the Planning Director assumed these roles. In 2015, after the City Council terminated the contract of the City Administrator, the Planning Director also became the Acting City Administrator. This was thought to be a temporary measure, however, this structure remained in place for three years. The stress of managing four

departments while serving as Acting City Administrator, who tried to keep seven City Council members happy, contributed to his decision to seek a position elsewhere.

The Public Safety Director, who already was Director for the recently consolidated Police and Fire Departments, agreed to add “Director of Human Resources” to his portfolio despite a lack of experience and training in that field.

These are just two examples that illustrate the breakdown in the structure of the Oroville City staff. Oroville would benefit greatly by having a systematic review of its staffing and organizational structure. The review would help identify authorized, unfunded positions that are no longer needed, leading to a logical consolidation of departments. Such a review should also help identify the priority for filling positions as funding becomes available.

### **City Administrator vs. City Manager**

The difference between a City Administrator and a City Manager is that an Administrator *follows* policies established by the City Council, while a City Manager *establishes* policies with the guidance of the City Council. Furthermore, hiring and firing of City department heads is controlled by a City Manager while this authority resides with the City Council under a City Administrator. City Council members are elected officials who may or may not have any experience in city management.

Oroville has had difficulties attracting good candidates for the City Administrator position. Between 2010 and 2015, Oroville had five City Administrators in five years. The turnover of

City Administrators created a negative impact on City staff morale. Each time a new City Administrator is put in place, the staff has to adjust to a new set of priorities and a different management style.

The Grand Jury found that all of the Oroville City Council members were deeply committed to making Oroville a better place. However, none of them have the background or experience to manage a city. The City Council needs to amend the City Charter to allow for a City Manager and find a strong, experienced candidate who can provide the leadership needed to bring a bright future to Oroville.

### **Human Resources Director**

The City of Oroville's Public Safety Director (PSD) supervises the Police Department and the Fire Department and also briefly served as the Acting City Administrator. The PSD is also tasked with supervising the Human Resources (HR) Department. Apart from the HR Director, there is a single employee in HR.

The Grand Jury finds there is an appearance of impropriety for the PSD to be supervising the HR Department given the large number of unionized Police and Fire staff. Oroville contracts with an external negotiator/consultant for collective bargaining. The question must be asked: what does the PSD do for the HR department? If the PSD has no direct experience in labor negotiations, contract review, hiring/termination procedures, or evaluating benefits (i.e. medical, dental, retirement, etc.) then this specific area of oversight should be assigned to the Director of the Finance Department. The Finance Director is much more suited to working with the human

resources areas mentioned above, due to the focus on fiscal controls, procurement, and the contractual review process.

### **New Sources of Revenues**

Oroville's revenues have experienced a modest increase over the past few years. However, those increases have not kept pace with the increases in mandatory CalPERS contributions. The cost for withdrawing from CalPERS is prohibitive. To alleviate the situation, in 2016 the City Council put a local measure (Measure R) on the ballot to temporarily increase sales tax by 1%. The measure failed. Repeated attempts to attract new industry to Oroville have also failed.

Recognizing the continued shortfall in revenues, the City Council is exploring any and all possibilities for additional revenue including allowing "Seed to Sale" cannabis and proposing another sales tax increase measure. The Council is carefully studying all aspects of the cannabis industry before voting on the required ordinances to permit it. Council members and City staff visited Lake Shasta, California to learn about that city's experience, both positive and negative, with the cannabis industry. To maximize the benefit to Oroville from cannabis, the City Council will have to gain voter approval for a measure to place an additional tax on cannabis and all its products. If the City Council decides to pursue another sales tax measure, it must do all that it can to support that measure by providing a united front in favor of the measure and by explaining the need for the additional funds to the electorate. The Grand Jury applauds the Oroville City Council's efforts in considering all possibilities for resolving its financial problems.

## **City Council Operations**

During the course of our interviews with the City Council, the Grand Jury discovered a profound sense of distrust among its members. Accusations of collusion and unethical or illegal behavior were leveled against each other. The City Council has a great deal of diversity among its members. That diversity should be a source of strength and creativity.

Interactions between the City Council members outside of the City Council meetings are limited. The Brown Act prohibits official interactions between four or more City Council members outside of public meetings. However, social activities, during which government business cannot be discussed, are allowed. Team-building activities and social interactions would break through the barriers of mistrust that the Grand Jury witnessed.

All of the City Council members are sincerely interested in the betterment of Oroville and all shared similar concerns about the City. Rising crime rates and public safety issues are high priorities for all of them. Finding a solution to budgetary problems is also a common concern. In the past, the City Council devoted some of its public meeting time to establishing a “priority list” for the year. Continuing this exercise would help the Council establish common goals and provide a guideline that Council actions could be measured against during the course of the year.

## **City Council Accessibility**

One episode that occurred during our investigation sheds light on the disarray and confusion that was found in the Oroville City government. When Grand Jurors attempted to set up interviews with the City Council members, there was a significant delay before the first interview could be scheduled.

An initial email message was sent to one of the council members using the address posted on the City's website. When there was no response, a follow-up message was sent a week later, and no response was received. A phone number from the "Contact City Council" web page, on the City of Oroville website, connected to the voicemail of a former employee who hadn't worked for the city for several months; messages left went unanswered. Several jurors inquired at City Hall about how best to contact the City Council and were given business cards that each had an email address (some of them different than the ones on the website) and a phone number. The phone number on five of the seven business cards was the same number from the website which had already been tried without success.

Eventually, after intervention by Butte County Counsel, the Grand Jury succeeded in setting up the interviews. All City Council members were very cooperative during the interviews. Two Council members reported problems using the city-issued laptops. Given the delays encountered, the Grand Jury concludes it must be difficult for constituents to communicate with the Oroville City Council. City officials must be willing and able to use established means of communicating (i.e., email, voicemail, cell phones, etc.).

## **Conclusion**

Oroville continues to face many problems that were not adequately addressed by the City Council over the past ten years: rising costs coupled with insufficient revenue; the inability to find a strong, qualified candidate who would remain in the position of City Administrator for a reasonable period of time; and disagreements and mistrust among the members of the City Council. In addition, recent steps taken by City management to cut staffing to balance the budget have left the City with a demoralized, depleted staff. The City Council needs to take drastic measures to break out of this vicious cycle.

## **FINDINGS**

F1. Over the past few years, as City staff positions have become vacant, the decisions about whether to fill a position or leave it vacant have been made “on the fly”. There is no overall plan regarding City staffing. Conducting an internal review of the City staff is simply not practical under the current circumstances given the shortage of staff.

F2. Having one employee act as the City Administrator while also directing four City departments created an unhealthy situation.

F3. Oroville has had five City Administrators during the past eight years. The turnover has had a negative impact on City staff morale.

F4. Having the Oroville City Director of Public Safety also serving as the Director of Human Resources creates an appearance of impropriety.

- F5. Although the City of Oroville has taken a number of drastic steps to reduce spending, the growth of general fund expenditures continues to greatly outpace the growth of current revenue.
- F6. There is mistrust and misunderstanding among the current members of the City Council leading to an unusually high level of dysfunction.
- F7. All of the members of the Oroville City Council are striving to do what they think is best for the City. There is, however, disagreement among the City Council members over how to achieve these goals.
- F8. The Oroville City web page for “Contact City Council” did not provide the Grand Jury access to the City Council members.

## **RECOMMENDATIONS**

- R1. The City of Oroville should contract with a consultant prior to the end of 2018 to perform a comprehensive analysis of the current City staff to ensure that the city has the appropriate number and types of positions to perform the services required for a city the size of Oroville. The analysis should propose reassignment of duties where warranted. The analysis should include a prioritization for filling each position.
- R2. The Oroville City Council should amend the City Charter prior to the end of 2019 to provide for a City Manager position in place of the City Administrator position.
- R3. The Oroville Finance Director should be designated as the Human Resources Director no later than October 31, 2018.

R4.The Oroville City Council should explore all possible sources of additional revenue and implement those that will allow the City to fill all of its high priority positions.

R5.The Oroville City Council should work towards better collaboration by participating in periodic social and team-building activities.

R6.The Oroville City Council should meet annually to establish a list of priorities for the City to serve as a guideline throughout the year for Council actions.

R7.The City Council needs to be more accessible and responsive to the citizens of Oroville through operational and valid emails and phone numbers.

R8. The City of Oroville should provide basic technology training for the City Council members.

R9.The Oroville website should be checked and updated frequently for accuracy and maintained for the benefit of its constituents.

## **REQUEST FOR RESPONSES**

Pursuant to Penal Code section 933.05, the Grand Jury requests responses as follows:

- The Oroville City Council respond to F1, F2, F3, F4, F5, F6, F7, F8, R1, R2, R3, R4, R5, R6, R7, R8, and R9 within 60 days.
- The Oroville Acting City Administrator respond to F1, F3, F4, F5, F8, R1, R3, R4, R7, R8, and R9 within 90 days.

The governing bodies indicated above should be aware that comment or response must be conducted subject to the notice, agenda, and open meeting requirements of the Brown Act.

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 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.

## **2017-2018 MEMBERS OF THE GRAND JURY**

- Keith Barrett
- Sue Bechtol
- Jensine Brown
- Lorinda Bruen
- Mark Carter
- Cheryl Cozad
- Jamie Dahlberg
- Robert Ichishita
- Samuel Knoche
- Cynthia Robinson-Hightower
- Sarah Santana
- Dave Stephens
- Elisabeth Stewart
- Kevin Tokunaga
- Moria Vinay
- Susan Struble
- Marcia Wilhite
- Diane Williams