

# **2023-2024 KERN COUNTY GRAND JURY**



**CITY OF CALIFORNIA CITY**  
**A City in Trouble, A City in Ongoing Crises**

**Release Date**  
**March 7, 2024**

# CITY OF CALIFORNIA CITY

A City in Trouble, A City in Ongoing Crises



Photo By: Kern Council of Governments

## SUMMARY:

Will the City of California City (City) ever become more responsive to the citizens' concerns regarding the need for more effective and efficient governance? The operation and performance of the City has been documented in four previous Kern County Grand Jury reports in the last six years. Terms such as: financial crisis, leadership crisis, budget crisis, dysfunction, and mistrust were used in these reports. The situation is much the same today.

Some findings from previous Grand Jury reports that persist today include the constant turnover of city managers, a lack of stabilized leadership, and significant delays in approving the annual budget. There is a need to improve strained relationships and reestablish trust among City Council, department heads, and the citizens. There is also a need to address a lack of transparency, especially with regard to City Council meeting minutes not being approved and published on a regular basis. These issues have been raised in citizen complaints and by various media outlets. The crises noted above may be even worse than previously reported given the City's current negative financial outlook.

Issues contributing to the City's negative financial outlook include the loss of revenues due to the expiration of the Measure C Public Safety Special Tax, the closing of the California City

Correctional Facility<sup>1</sup>, failure to collect outstanding cannabis industry fees and taxes<sup>2</sup>, and issues related to potential and ongoing litigation against the City, which have caused significant legal fees. These complex and pervasive issues will need to be addressed as soon as possible to mitigate the financial burden on City operations and on the citizens.

## **PURPOSE OF INQUIRY:**

The 2023-2024 Kern County Grand Jury (Grand Jury) was tasked with investigating complaints from citizens of the City. Pursuant to California Penal Code §925(a), the Grand Jury investigated issues regarding the general operations and performance of the City.

## **METHODOLOGY:**

The Grand Jury visited the City to attend a City Council meeting and conduct interviews. Interviews were also conducted by telephone and in the Grand Jury Hearing Room in Bakersfield. Those interviewed were citizens, City Councilmembers, department heads, and city staff. The Grand Jury reviewed previous City Council meetings, agendas, and minutes of meetings (when available). Also reviewed were City financial statements, previously published Grand Jury Reports, the City Municipal Codes, California Government Codes, and various newspaper articles concerning the City.

## **DISCUSSION OF FACTS:**

The City is located in the northern Antelope Valley in southeast Kern County. Incorporated in 1965, its population has grown to 14,973 according to the 2020 US Census. Covering 203.63 square miles, it is the third-largest land area of any city in the State of California. The City has a park, a Professional Golfers' Association (PGA) golf course, and a municipal airport. The City also allows for the cultivating, manufacturing, and transporting of cannabis products in accordance with its municipal codes.

- A. In the past two years, there have been seven City Managers, including acting and interim; four of them since February 2023.
- B. The City's Annual Budgets have not been approved on time for at least the last three years.
  - The City's Annual Budget for Fiscal Year (FY) 2021-2022 was not adopted until December 22, 2021 (6 months after the start of the year)
  - The FY 2022-2023 Budget was not adopted until March 14, 2023 (more than 8 months after the start of the year)
  - Finally, as of the end of December 2023 (6 months after the start of the current year), the FY 2023-2024 Budget had not been adopted

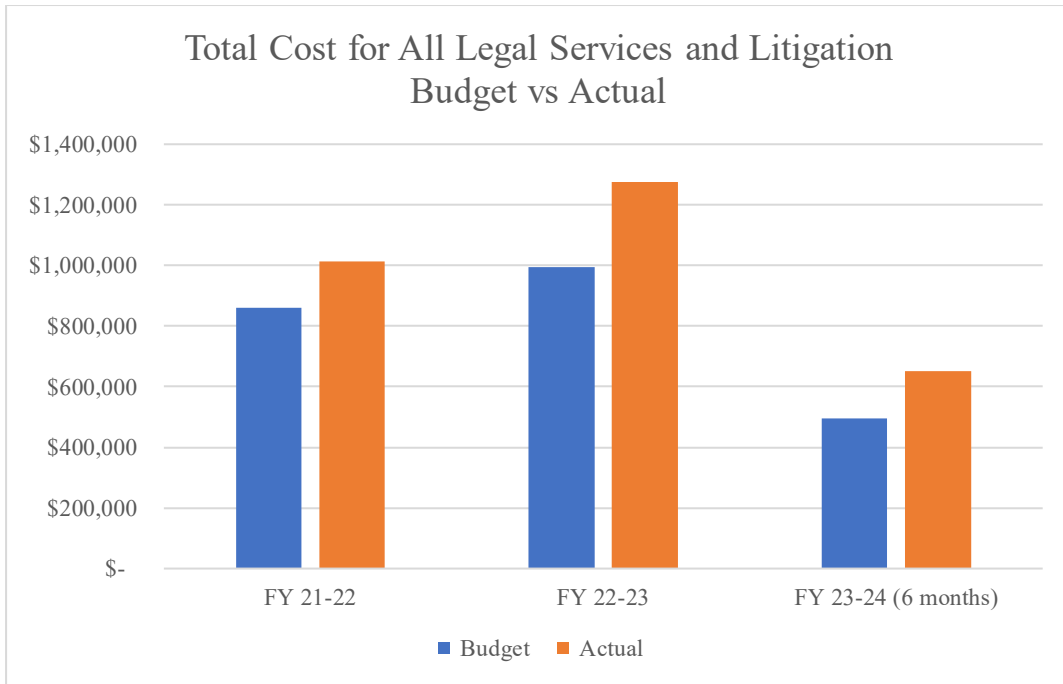
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<sup>1</sup> CDCR News Release 12/06/2022 Planned Closure of Chuckawalla Valley State Prison

<sup>2</sup> Item P 1 in the August 22, 2023 City Council Meeting Agenda, Core Compliance Quarterly Report, April 1, 2023 through July 31, 2023

C. The City’s total costs for legal services and litigation have increased over the last two fiscal years and continue to escalate. In Figure 1 below, the budget data is from the City’s approved budgets and the actual data is taken from the City’s monthly check registers. The City is now operating on a month-to-month basis, using its adopted FY 2022-2023 budget as the “Preliminary Budget” for FY 2023-2024. The budget and actual amounts are shown only for the first six months of this fiscal year.

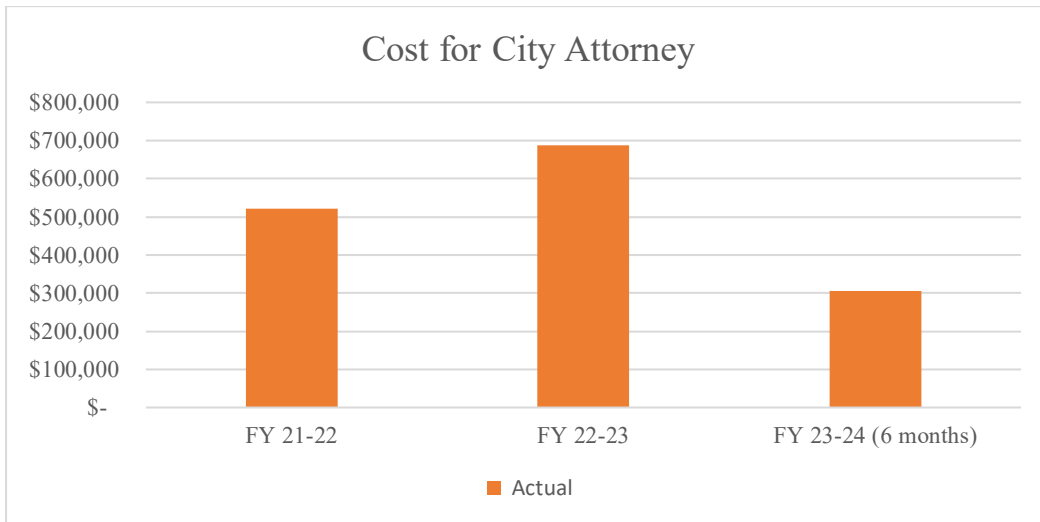
Figure 1



Graph by: Grand Jury

D. Figure 2 below shows the actual costs for the City Attorney.

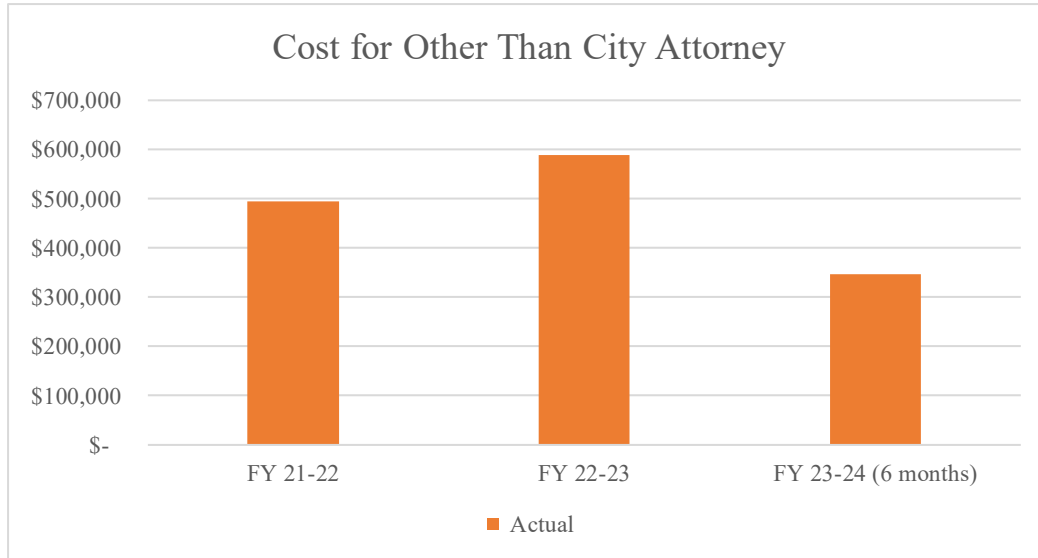
Figure 2



Graph by: Grand Jury

E. Figure 3 below shows the actual costs for law firms other than the City Attorney.

Figure 3



Graph by: Grand Jury

- F. The City’s memberships in the California Intergovernmental Risk Authority (CIRA) and the Employment Risk Management Authority (ERMA), which are statewide risk sharing Joint Powers Authorities providing general and employment liability coverage, have been terminated by those authorities.
- G. The City has not been keeping up with monitoring compliance with, and enforcement of, its municipal codes regarding licensing, permitting, and taxing of the cannabis industry<sup>3</sup>.
- H. The California Department of Corrections and Rehabilitation (CDCR) announced in a news release on December 6, 2022, that it will terminate its lease with the owner of the facility operated as the California State Prison at California City by March 2024, effectively ending the use of that facility as a state prison.
- I. The City had contracted with an engineering company in May of 2020 to update the Water and Wastewater Master Plan, as well as to update its Water and Sewer rate schedules (Plan Updates). The Plan Updates were dated March 2023, but were not presented to City Council for approval until their meeting on September 26, 2023. The Plan Updates did not include the potential impact of the closing of the prison.
- J. At a Town Hall Meeting on October 26, 2023, the 2023 Water, Recycled Water, and Sewer Rate Study Final Report (Final Report) was presented to the City Council and public. The Final Report, dated September 26, 2023, reflected the potential impacts of the prison closure, including a revenue shortfall of approximately \$1.1 million for the water and sewer enterprise funds.

<sup>3</sup> January 10, 2023 City Council Meeting Agenda, Staff Report

- K. California City Measure C, the Public Safety Only Special Tax passed in 2018, will expire on June 30, 2024. The projected revenue shortfall for police and fire is approximately \$6.14 million for FY 2024-2025.
- L. The City’s website indicates that the City has not posted the minutes of its public meetings since April 2022.
- M. At the December 12, 2023 City Council Meeting, Council Resolution No. 12-23-3012 was approved establishing a new Deputy City Manager classification. The responsibilities of this person would be to: ... *conduct a meticulous operational review, identify areas for improvement, and implement necessary changes. Additionally, the Deputy City Manager will oversee special projects, allowing the City Manager to focus on key initiatives and ensure their successful execution.*

**FINDINGS:**

- F1. The constant turnover of City Managers has been very disruptive to the effective and efficient governance of the City.
- F2. In accordance with Council Resolution No. 12-23-3012, the City has recognized the need to add a Deputy City Manager classification to its staffing plan. If the City fills the position, it will go a long way toward alleviating the excess burden on the City Manager and allow the City Manager to better focus on key issues related to more efficient governance.
- F3. The City has recognized the need to hire a Finance Director but has yet to fill the position. The lack of a qualified and experienced Finance Director means that the City has not established and maintained financial stability and long-term planning city-wide.
- F4. The City is consistently late in developing and approving its annual budget and filing it with the Kern County Auditor-Controller-County Clerk in accordance with CA Government Code §53901. For this reason, the City does not have a clear picture of its finances and is unable to effectively plan for both current operations and for the drastic revenue shortfalls it is facing.
- F5. The City does not regularly develop and review budget variance reports. Since the City does not measure its actual performance against its projected performance, it prevents the City from developing appropriate strategies to mitigate variances.
- F6. The City has consistently escalated its budget amounts for Legal Services and Litigation, and its expenditure for these has consistently far exceeded the budgeted amounts. This causes a significant fiscal concern regarding City operations and is also a source of frustration for the citizens since the reasons for these apparently excessive costs are not always transparent.
- F7. Billings from the City Attorney are based on hourly rates. Unfiltered access to the City Attorney by city staff and citizens contributes to excess City Attorney fees for legal services.

F8. The reasons for termination of the City’s CIRA and ERMA memberships are of significant concern with respect to the City’s ability to manage its liability risks. The Grand Jury asked for, but did not receive, the actual letters of termination. However, both CIRA and ERMA advised the City that they were considering termination unless the City entered into respective Performance Improvement Plans. In accordance with a staff report from the City Manager in June of 2022:

- CIRA was considering termination due to ... *significant concerns regarding the City's governance and risk management practices, public works, contractual risk transfer, accident investigation, law enforcement use of [a private consulting firm] and hiring practices for department heads.*
- ERMA was considering termination due to ... *significant concerns regarding the City's governance, risk management practices, claims history, and employment practices.*

The termination of the CIRA and ERMA memberships leaves the City unable to take advantage of the cost savings inherent in a statewide pooled risk management solution.

F9. The City now carries property insurance, worker's compensation insurance, and insurance for its Police Department. The City has been unable to acquire a general liability insurance policy, causing significant concern as to whether the City is able to adequately mitigate its potential risks.

F10. Public meetings are not fully integrated with the software platform developed by a technology and services company for that purpose. The video cameras and microphones for video streaming and voice recordings of most meetings have not been indexed in the technology platform with the meeting agendas and minutes. This means that the City’s public meetings have not been fully accessible or transparent to the citizens.

F11. The City Council does not approve meeting minutes on a regular basis and the minutes are either not published in a timely manner or made available to the public on the City’s website. This means that the City’s public meetings are not fully accessible and transparent to the public.

F12. Since meeting minutes from previous City Council meetings are not regularly placed on the agenda for approval by the City Council, it is not clear how the City Council reconciles the resolutions posted in the agendas against the actual resolutions voted on in open session.

F13. The City’s inability to keep up with monitoring compliance and enforcement of the cannabis industry is largely due to lack of City staff. For this reason, on January 10, 2023, the City contracted with an outside consultant to provide ... *a thorough analysis of the existing cannabis ordinances and to make recommendations based on gaps of compliance that can help improve the overall success of enforcement.*

The consultant released an update report in August 2023 indicating that, among other findings, there was a total of approximately \$507,000 in unpaid license and permit fees and uncollected excise taxes. This outstanding revenue remains uncollected, and this has a significant negative impact on the financial outlook of the City.

F14. The City does not have a clear path forward to address the budget shortfalls due to the expiration of the Measure C Public Safety Tax and the closing of the California State Prison.



Photo from: California City Correctional Wikimedia Commons

### **COMMENTS:**

The City of California City provided its responses to the Recommendations of the 2021-2022 Grand Jury Report in accordance with Penal Code §933.05(b). However, it did not provide its responses to the Findings of that report in accordance with Penal Code §933.05(a). The Grand Jury looks forward to the City's responses to both the Findings and the Recommendations of this 2023-2024 Grand Jury Report.

The Grand Jury would like to thank all interviewees, including City officials, staff, and citizens for their assistance with our investigation and for their time and cooperation.

### **RECOMMENDATIONS:**

The Kern County Grand Jury recommends that the City Council of the City of California City:

- R1. By June 1, 2024, hire a full-time, permanent, qualified, and experienced City Manager. (Finding 1)
- R2. By July 1, 2024, direct the City Manager to hire a Deputy City Manager in accordance with Council Resolution No. 12-23-3012. (Finding 2)
- R3. By July 1, 2024, direct the City Manager to hire a full-time, permanent, qualified, and experienced Finance Director. (Finding 3)
- R4. By July 1, 2024, direct the Finance Department, in collaboration with all City departments, to initiate a process to develop the Preliminary Annual Budget for the next fiscal year to be presented to the City Council for review by June 1, 2025. (Finding 4)



- R5. By August 1, 2024, direct the Finance Director to begin a process whereby all City departments help to develop, manage, and maintain their respective department budgets throughout the fiscal year. The Finance Director should oversee and coordinate this process. (Finding 4)
- R6. By July 1, 2024, direct the Finance Department to ensure that the Adopted Annual Budget include a narrative of an overview of significant changes to the previous budget, the major elements and issues of the current budget, and a fiscal outlook for the future. (Finding 4)
- R7. By September 1, 2024, direct the Finance Director to ensure that a copy of the Adopted Annual Budget has been filed with the Kern County Auditor-Controller-County Clerk in accordance with the requirements of CA Government Code §53901 regarding the filing of financial reports. (Finding 4)
- R8. By October 1, 2024, cause quarterly variance reports to be generated and develop an action plan to make appropriate changes to either the budget or expenditures to reconcile or mitigate differences. (Finding 5)
- R9. By July 1, 2024, develop and implement a plan to reduce or eliminate excessive costs for legal services and litigation. (Finding 6)
- R10. By July 1, 2024, review the City's expenditure rates for legal services and litigation, and direct the Finance Department to include more accurate amounts in its annual budget proposal. (Finding 6)
- R11. By July 1, 2024, review all detailed costs for legal services and litigation on a monthly basis to verify that all billings are necessary and appropriate. (Finding 7)
- R12. By August 1, 2024, direct the City Manager to begin a process to review and approve all interactions between City staff and the City Attorney and eliminate unnecessary interactions. (Finding 7)
- R13. By September 1, 2024, review, revise, and develop as appropriate, its governing policies, procedures, trainings, contracts, and practices to manage liability risks to avoid or mitigate potential litigation. (Finding 8)
- R14. By September 1, 2024, review and revise as appropriate, its hiring and employment policies, procedures, and practices to avoid potential litigation. (Finding 8)
- R15. By September 1, 2024, review its insurance policies and assess its potential risks. If deemed to be inadequate, seek additional coverage. (Finding 9)
- R16. By August 1, 2024, fully integrate all meetings with the City's media management software and ensure that the appropriate staff are trained to manage the process on an ongoing basis. (Finding 10)
- R17. By June 1, 2024, establish a process whereby every agenda for City Council meetings includes an item for the approval of the minutes of the previous meeting. (Findings 11 and 12)

- R18. By June 1, 2024, establish a process to regularly and timely upload the approved minutes of its meetings to its website for public access. (Findings 11 and 12)
- R19. By July 1, 2024, develop an action plan, including qualified personnel, to recover the approximately \$507,000 in outstanding revenue from the cannabis industry. (Finding13)
- R20. By July 1, 2024, establish a managed, coordinated, and consistent approach to cannabis industry code compliance and enforcement. (Finding 13)



Photo from: 23ABC News Video

**NOTES:**

- The City of California City should post a copy of this report where it will be available for public review.
- Persons wishing to receive an email notification of newly released reports may sign up at: <https://www.kerncounty.com/government/other-agencies/grand-jury>
- Present and past Kern County Grand Jury Final Reports and Responses can be accessed on the Kern County Grand Jury website at: <https://www.kerncounty.com/government/other-agencies/grand-jury>

**RESPONSE DEADLINES:**

- **REQUIRED WITHIN 90 DAYS FROM:**
  - **City of California City, City Council to Findings 1 to 14 and Recommendations 1 to 20**

**RESPONSES ARE REQUIRED PURSUANT TO CAL. PENAL CODE §§933(c) AND 933.05 TO:**

- **PRESIDING JUDGE  
SUPERIOR COURT OF CALIFORNIA  
COUNTY OF KERN  
1415 TRUXTUN AVENUE, SUITE 212  
BAKERSFIELD, CA 93301**
- **FOREPERSON  
KERN COUNTY GRAND JURY  
1415 TRUXTUN AVENUE, SUITE 600  
BAKERSFIELD, CA 93301**

Reports issued by the Grand Jury do not identify individuals interviewed. Cal. 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.