

August 12, 2003

Honorable Clifford R. Anderson, III
Presiding Judge
Santa Barbara County Superior Court
P.O. Box 21107
Santa Barbara, CA 93121-1107

Dear Judge Anderson,

The purpose of this letter is to submit an official response to the Santa Barbara Grand Jury Report for the 2002-2003. This response was presented to the Guadalupe City Council on August 12, 2003, voted upon and approved by a majority of the City Council members under Resolution No. 2003-34 (See Attachment A).

In addition to the actions set forth below, the City of Guadalupe will consult with the Santa Barbara County District Attorney in order to pursue all appropriate criminal sanctions against parties involved.

Response to Findings and Recommendations:

1. MAYOR'S CITY ISSUED CELL PHONE:

During Budget hearings for 2003/2004, the mayor's cell phone and/or any related cell phone stipend was ordered cancelled. The cell phone issued to Mayor Arca was discontinued with the provider effective July, 2003. A policy [**City of Guadalupe Cell Phone Policy**] which sets forth rules and guidelines for City-issued cell phones and the review and approval process is in progress. As part of a new cell phone policy, no elected official will be issued a cell phone.

The City of Guadalupe will seek reimbursement from the mayor for personal calls. The mayor will be invoiced for the total amount due to the City. If the mayor proves the calls were for city business, this amount can be deducted from the amount due and payable to the City of Guadalupe.

The City of Guadalupe will authorize the City Attorney to seek appropriate legal remedies if the City is not reimbursed within a reasonable amount of time.

2. CITY'S PROCUREMENT POLICIES:

The [**City of Guadalupe Purchasing Policy**] was approved in draft form by the City Council in January, 2003, however, it will be ratified by a Resolution of the City Council in the near future. The City has prepared Requests For Proposals (RFP's) for the fiscal year 2003/2004 for Landscaping and computer services. Nepotism is addressed in the

[City of Guadalupe Purchasing Policy]. This type of impropriety will be clearly defined and the City has a zero tolerance stance on this issue. Full public disclosure to avoid the appearance of nepotism for staff and public officials at all levels will be a means to forgo any impropriety.

The **[City of Guadalupe Business License Policy]** provides for sanctions against noncompliance of the city code. Although it is useful to update the current policy, the real problem is the lack of a step by step process from start to finish accompanied by code enforcement followup. A check-off list is in progress with a system of checks and balances prior to issuance of the license. Contractors License requirements are not considered in this initial process, however, a code enforcement officer will monitor the business, notify staff to cancel the license and follow the check list. Staff training, communication and clear lines of accountability are key to the success of the process. A procedure is in progress to set this in place.

3. **REDEVELOPMENT AGENCY'S FACADE PROGRAM:**

The City of Guadalupe is committed to beautifying its downtown. Future application processes will differ from past programs in that the City will follow the **[City of Guadalupe Purchasing Policy]**. Licensed contractors will be used to perform services on behalf of the city and guidelines for approval of invoices for payment will be clear. Notice inviting applications for programs from the City's business owners will be in the form of Public Notices or other common form of notification. Applications will be written in conjunction with the **[City of Guadalupe Purchasing Policy]** under the review of the City Attorney. Program guidelines will be clear to staff and grant recipients. Contracts and agreements will be written in a consistent form for all applicants. Staff will communicate the status of the program periodically to the City Council or Agency

The City will not implement the new Facade program until it is satisfied all work is completed and problems resolved with the former program. A letter will be sent to each participant requesting information on the status of their business storefront. City staff will investigate the complaints and the City Council will authorize the City Attorney to seek all appropriate legal remedies.

4. **REDEVELOPMENT AGENCY'S PARKING LOT MURAL:**

[**The City of Guadalupe Purchasing Policy**] does not allow elected officials to act as department heads or project directors in conducting day to day operations of city business. Although discussions leading to financial transactions are appropriate, staff executes the transactions and follows the proper channels within the guidelines of [**The City of Guadalupe Purchasing Policy**]. For example, procurement of artists or other professional services is executed only by staff.

Real property transactions, whereby city funds are leveraged and private property interests are involved, require contracts which protect the public interest. The City's legal counsel will be consulted and contracts will be reviewed and approved by the City Attorney. In accordance with [**The City of Guadalupe Purchasing Policy**], execution of the contract requires City Council action.

5. **ROLE OF MAYOR, CITY COUNCIL MEMBERS AND CITY ADMINISTRATOR:**

The City of Guadalupe Resolution No. 2003-04 adopted a Code of Ethics on March 25, 2003. The Brown Act provides staff and City Council a guide with established rules for interaction between staff and elected officials. Training is available with the Joint Powers Insurance Authority and a multitude of classes concentrating on elected officials and staff, respectively. An open communication and understanding among the elected officials allows for conflict resolution, but only works if cooperation exists. The City Attorney plays a key role in helping define the roles of each member and proper interaction among the council and staff. The City Administrator will assist in scheduling classes and seminars which have been budgeted in the City's 2003/04 training budget.

6. **"GUAD-4" TELECOMMUNICATIONS GRANT:**

The City of Guadalupe has set forth policies which prevent elected officials from acting as project directors on grants. The City Administrator is the only staff member designated to be Project Director.

Mayor Sam Arca was the Project Director on the GUAD-4 Telecommunications Grant. A formal request will be issued to the Mayor requesting documentation of expenditures with original invoices. Additionally, included in this formal request will be demand for the list of inventory purchased with the grant monies which details the type, quantity and location. The city will place the City of Guadalupe equipment tags on the equipment and add it to the 2002/2003 equipment inventory listing.

If the City is not satisfied with the response, a demand for reimbursement of the total grant monies in the amount of \$70,800 plus associated costs paid out of the General Fund for GUAD 4 grant bills, i.e., Nextel and AT&T, will be submitted

to the appropriate parties. The City of Guadalupe will authorize the City Attorney to seek all appropriate legal remedies.

The city was made aware of another Telecommunications Grant, which will bring an additional \$113,000 for 2002/2003 and \$87,000 for 2003/2004 to the City from the Department of Transportation. On July 1, 2003, the city was informed that Mayor Arca and the grant consultant for the City of Guadalupe requested cancellation of the grant on behalf of the city. The City of Guadalupe has since talked to the agencies sponsoring the grant and cleared any misinformation given by these individuals. The City Council adopted Resolution No. 2003-29 on July 22, 2003 approving the grants and replacing the Project Director with the City Administrator. The funding agency is aware of this and supports the city in its efforts. In fact, this grant is clearly separate from the GUAD - 4 Grant and, in no way was it intended to be linked, according to the funding agency.

The [**City of Guadalupe Purchasing Policy**] will be used to procure consultants, equipment, supplies and software. Any requirements of the grant will be followed using grantee manuals and guidelines, as necessary.

7. **GUADALUPE CHAMBER OF COMMERCE AND CITY OF GUADALUPE**

[**The City of Guadalupe Purchasing Policy**] will outline rules regarding donations, subsidies, gifts or other type of monetary assistance. A contract agreement is being drafted by the City Attorney and will provide for the City to review the books and records of entities funded by the city in this capacity. It sets forth the expectation of how expenditures should be accounted for, i.e., the same way the City handles its expenditures. If the city is not satisfied with the findings of a review, the City Administrator will recommend discontinuance of funding. Payments to the Guadalupe Chamber of Commerce will not resume until certain criteria are met.

Donation from outside agencies were received by the city and given to the Guadalupe Chamber of Commerce. In the future, if the city receives donations, those funds will be kept by the City. The city will use the funds as requested by the donor and will not act as a passthrough in any capacity. Donations should not be solicited by elected officials on behalf of the city or any organization in accordance with [**The City of Guadalupe Purchasing Policy**]

A formal request will be submitted to all pertinent parties, asking for an inventory of equipment purchased with public funds via grant monies received from Santa Maria Valley Economic Development. The grant was sought on behalf of the City of Guadalupe and were it not for the city, there would be no grant. Additionally, the request will include documentation of the expenditures for staffing, rent, services and supplies paid relative to the Guadalupe Chamber of Commerce using public funds from the grant(s).

If the city is not satisfied with the response, a demand for reimbursement to all parties for monies owed to the City of Guadalupe will be submitted. The City of Guadalupe will authorize the City Attorney to seek legal remedies if reimbursement is not received within the set time period.

CONCLUSION:

Our goal is to earn the respect of our citizens and gain credibility with our community. The City respects the Grand Jury's recommendations and we hope this response demonstrates our desire to maintain policies and procedures to protect the financial interests of our citizens. Please accept our sincere thanks and appreciation.

Sincerely,

Carolyn Galloway-Cooper, CPA
City Administrator

Enclosures

c: Thomas Sneddon, Santa Barbara County District Attorney
Honorable Mayor and City Council
Randy Risner, City Attorney