

CITY OF VERNON ONE-YEAR RESPONSE TO  
CALIFORNIA STATE AUDIT REPORT 2011-133  
JULY 2013

1. (Vernon Reform Matrix No. 83):

*To increase accountability and transparency in its governance, the city should ensure that specific reforms are appropriately implemented. Specifically, it should develop an implementation plan containing sufficient detail to establish the activities and coordination required to successfully implement an alternative new employment system so that its nonunion employees are no longer at-will employees of the city council.*

Status: Fully Implemented

On March 5, 2013 (effective April 4, 2013), the City Council adopted Ordinance No. 1202, which established a Personnel Merit System to replace the previous at-will system. The Personnel Merit System centralizes hiring and other personnel administration authority with the City Administrator and requires the development of a Personnel Policies and Procedures Manual. Under the Personnel Merit System, appointments and promotions are made on the basis of merit demonstrated through appropriate examination or other evidence of competence, with due regard for equal opportunity in employment. Resolution No. 2012-231 (11/20/12) adopted a Personnel Policies and Procedures Manual that included the following policies: Requesting and Recruiting for Personnel (I-2); Testing, Certification, and Eligibility Lists (I-3); and Acting/Interim Appointments (I-4). Resolution No. 2013-42 (3/19/13) added the following policies to the Manual: Terms of Employment (I-1); Probation and Training Periods (I-6); Secondary Employment or Business Activity (I-7); and Employee Separation (I-8). All policies are posted on the Human Resources Department page of the City's website (<http://cityofvernon.org/departments/human-resources/226-personnel-policies-procedures-manual>). The Director of Human Resources and City staff are currently meeting with all six recognized bargaining units in the City on additional policies that are proposed to be included in the Manual.

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**2. (Vernon Reform Matrix No. 84):**

***To increase accountability and transparency in its governance, the city should determine whether it will continue to own housing and communicate its decision to the public as soon as appropriate. Should the city decide to retain ownership of the housing, it should continue the effort to develop policies and procedures that are necessary to ensure fairness and impartiality in its management of city-owned housing.***

Status: Fully Implemented

The Housing Commission has recommended on several occasions that the City Council sell the City-owned housing units in Huntington Park. Each time, the Council has deliberated on the recommendation at a public meeting and communicated its determination and reasons thereto back to the Commission via staff report at a public meeting of the Commission. The Commission has never recommended the sale of any City-owned units in Vernon. In order to ensure fairness and impartiality in the management of City-owned housing, the Housing Commission worked extensively over the last two years to develop and implement a number of policies, procedures, and related forms. Paramount among these are the Vernon Rental Housing Policy, which requires compliance with all applicable federal and state fair housing laws, all rents to be set at a market valuation based on multiple independent appraisal sources, and a new, standard one-year form lease; and Lease-Up Procedures for New Tenants, which includes a standard Expression of Interest Form and Application, advertising requirements, and the public lottery process for randomly rank ordering prospective tenants onto a wait list. Other procedures developed relate to transitional issues for pre-existing tenants and enforcement of key lease provisions. As of July 1, 2013, over 25% of the City's housing stock is leased at the full market rents established by the Housing Commission. As of August 1, 2013, all pre-existing tenants will reach the second level increase of a four-tiered annual market rent implementation schedule designed to effectuate full market rents for all City-owned units by 2015.

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### 3. (Vernon Reform Matrix No. 85)

***To increase accountability and transparency in its governance, the city should continue the effort to develop a comprehensive plan to construct additional housing in the city.***

Status: Fully Implemented

On February 19, 2013, the City Council adopted Resolution No. 2013-33, approving a Disposition and Development Agreement (DDA) with Meta Housing Corporation (Meta). The DDA serves as the City's comprehensive plan for the construction of Vernon Family Apartments, a 45-unit affordable housing development located at the southeast tip of the City of Vernon (4675 52<sup>nd</sup> Drive), which borders a heavily residential community. The DDA sets forth the necessary milestones and respective timetable to complete construction and lease-up of the project by February 2015. Said milestones include a 65-year ground lease for the project site, the application and award of tax credits from the California Tax Credit Allocation Committee, and all necessary studies, plans, and permits. Meta was selected as the developer for the City's housing project through an extensive and well-advertised RFP process conducted in 2012 that included the issuance of the RFP to 32 developers, posting of the RFP on the City's website, a pre-submission informational meeting, and a selection panel consisting of City staff, outside counsel, and representatives of Senator De Leon's Office.

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#### 4. (Vernon Reform Matrix No. 86)

*To increase accountability and transparency in its governance, the city should develop a formal policy that describes the circumstances under which revenues can be transferred from its power department, and the limits and permissible uses of transferred revenue.*

Status: Fully Implemented

On November 15, 2011, the City Council adopted Resolution No. 2011-185, authorizing the issuance of the City of Vernon Electric System Revenue Bonds, 2011 Series A and B. The January 1, 2012 Bond Indenture limits transfers from the City's Light & Power Department to the City's General Fund to 11.5% of retail sales each fiscal year, and specifies how transfers are to be determined. The City's bond counsel and financial advisors review the City's compliance with said provisions annually as required by the Indenture, and more frequently as requested by City staff. As part of the budget management process, the Finance Director, Light & Power Director, and City staff meet monthly to review the City's compliance with the Indenture requirements and limitations respecting transfers. Further, by December 2013, separate from, but consistent with the 2012 Bond Indenture, the Finance Director, in coordination with the City's new financial advisors, the City Administrator, the Director of Light & Power, and outside bond counsel, will develop and present for City Council adoption, a formal policy respecting the transfer of revenues from the Light & Power Department in accordance with City policy and applicable law.

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5. (Vernon Reform Matrix No. 88)

*To ensure that it develops complete and appropriate personnel policies and procedures, the new human resources director should ensure that the city's policies and procedures include, at a minimum, requirements for performing and documenting the analyses and justifications for appointments, including promotions, to management positions.*

Status: Fully Implemented

On November 20, 2012, the City Council adopted Resolution No. 2012-231, creating a Personnel Policies and Procedures Manual to be completed and maintained by the HR Director. The policies and procedures relating to appointments include Terms of Employment (I-1); Requesting and Recruiting for Personnel (I-2); Testing, Certification, and Eligibility Lists (I-3); and Acting/Interim Appointments (I-4), all of which contain a step-by-step approval and document routing sequences, and all of which are posted on the City's website. Additionally, the proposed Performance Evaluation Policy (IV-1) and related Performance Evaluation Form are currently under review by all City Department Heads and all six recognized bargaining units in the City for subsequent inclusion in the Manual upon adoption by the City Council. All policies are designed to establish and define employment terms and practices for uniform, citywide interpretation and application, and provide a fair, objective, and measureable process by which all existing and prospective employees are granted equal opportunity in employment matters.

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6. (Vernon Reform Matrix No. 88)

*To ensure that it develops complete and appropriate personnel policies and procedures, the new human resources director should ensure that the city's policies and procedures include, at a minimum, requirements for minimum qualifications, desirable qualifications, and job duties for all city executive positions.*

Status: Fully Implemented

On November 20, 2012, the City Council adopted Resolution No. 2012-231, creating a Personnel Policies and Procedures Manual to be completed and maintained by the HR Director. Under the Requesting and Recruiting for Personnel Policy (I-2), the HR Director is responsible for ensuring that all job bulletins, including those for executive positions, contain the essential job functions and duties of the position, the minimum qualifications required, and desirable qualifications. On May 13, 2013, through an open and competitive RFP process, the City engaged Public Sector Personnel Consultants (PSPC) to conduct a Citywide Classification and Compensation Study of all City positions and staff, including executives. The study will include a review of all current job duty statements for existing classifications and recommendations for new and revised job duty statements as needed.

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7. (Vernon Reform Matrix No. 88)

***To ensure that it develops complete and appropriate personnel policies and procedures, the new human resources director should ensure that the city's policies and procedures include, at a minimum, a periodic appraisal process for executives.***

Status: Fully Implemented

On November 20, 2012, the City Council adopted Resolution No. 2012-231, creating a Personnel Policies and Procedures Manual to be completed and maintained by the HR Director. On May 7, 2013, the City Council approved form At-Will Employment Agreements (Safety and Non-Safety) to be used for all executive positions, except the City Administrator and City Attorney, at terms not to exceed three years. Section 5 of said agreements requires a written performance evaluation, defining goals and performance objectives, to be conducted six months after the hire date specified in the agreement, and annually thereafter. The City Administrator may conduct more frequent evaluations at his/her discretion. As of June 3, 2013, all applicable executives are under this provision. Additionally, the proposed Performance Evaluation Policy (IV-1) and related Performance Evaluation Form are currently under review by all City Department Heads and all six recognized bargaining units in the City for subsequent inclusion in the Manual upon adoption by the City Council.

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**8. (Vernon Reform Matrix No. 88)**

***To ensure that it develops complete and appropriate personnel policies and procedures, the new human resources director should ensure that the city's policies and procedures include, at a minimum, an improved methodology for and analysis of future salary surveys, ensuring that they are performed by staff or a consultant with experience and expertise in the area of salary surveys.***

Status: Fully Implemented

On May 13, 2013, through an open and competitive RFP process, the City engaged Public Sector Personnel Consultants (PSPC) to conduct a Citywide Classification and Compensation Study of all active City classifications (approximately 158), including executives. PSPC has more than thirty (30) years of experience in conducting classification and compensation studies, specializing in human resources for public employers. The President of PSPC, Matthew Weatherly, possesses over fifteen (15) years of human resources management experience and has personally conducted over 150 classification and compensation projects with more than 75 cities nationwide. On June 11, 2013, PSPC held informational meetings with all City employees, including executives, to begin the study. PSPC has also recommended the comparator cities to be used for the compensation portion of the study based on criteria approved by the City Council. The proposed comparator cities have been provided to all City Department Heads and recognized bargaining units for review, comment, and discussion. Additionally, proposed classification and compensation policies have been distributed to all six recognized bargaining units in accordance with the meet and confer process, and will subsequently be presented to City Council for adoption. Said policies define the procedures that will be established to maintain the City's Classification and Compensation Plan. Consistent with said policies, the HR Director will be responsible for conducting future salary surveys on a triennial basis using the comparator cities established through the 2013 Classification and Compensation Study.

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**9. (Vernon Reform Matrix No. 89)**

***The city should determine whether employees have a vested right to longevity payments and whether it can legally reduce or discontinue the original longevity program as a means to reduce its costs.***

Status: Not Fully Implemented

Because the City's original longevity program applies to employees hired prior to July 1, 1994, as of July 1, 2014, all qualified employees will have achieved their full benefit under the program, and the program will continue to phase itself out over subsequent years without incurring any new costs. Further, of the thirty-five (35) employees who retired in January and June 2013 as part of the City's 2012-2013 Early Retirement Incentive Program, thirty (30) were under the City's original longevity program. On May 13, 2013, through an open and competitive RFP process, the City engaged Public Sector Personnel Consultants (PSPC) to conduct a Citywide Classification and Compensation Study of all active City classifications (approximately 158), including executives. Longevity benefits will also be reviewed as part of this study. If any changes to the City's original longevity program are recommended by PSPC as a result of the study, the City Attorney and outside labor law counsel will determine whether employees have a vested right to longevity and whether the City can legally discontinue the original longevity program. If determined to be legally permissible and in the City's best interests, the City will negotiate with affected bargaining units in accordance with MMBA, POBOR, and FOBOR, regarding any recommendations or proposals to discontinue the original longevity program.

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10. (Vernon Reform Matrix No. 90)

***To ensure accurate reporting and payment of retirement benefits, the city should work with California Public Employees' Retirement System (CalPERS) to resolve the reported findings and observation noted in CalPERS April 2012 audit report within a reasonable period of time.***

Status: Fully Implemented

On October 16, 2012, the City Council adopted Resolution No. 2012-192, correcting the City's contract with CalPERS to revoke the erroneous 2005 inclusion of Local Prosecutors as local safety members. No members of the City Attorney's Office retired during the time the erroneous provision was in place. The City is working with CalPERS to receive a refund of contributions that were overpaid during the 7.5 years that the erroneous provision was in place. In April 2011, the City implemented the EDEN Payroll Module to ensure that reportable compensation is limited to the maximum rates established by the IRS and that premium and specialty pays are reported under their proper pay codes. Effective December 29, 2012, the individual who previously held the Fire Chief and City Administrator positions simultaneously, resigned as Fire Chief and, effective December 30, 2012, entered into an at-will employment agreement to serve exclusively as the City Administrator. As of June 26, 2013, the HR Director has provided all corresponding documentation requested by CalPERS Compensation Review Division to resolve this matter. As of May 29, 2013, the HR Director has confirmed with CalPERS Membership Division that there are no outstanding issues with current employees' membership status. The HR Director continues to work with CalPERS and the City's Payroll Division to correct any previous reporting errors and to resolve the remaining findings in the CalPERS report related to uniform allowance for miscellaneous employees and reportable compensation for certain City Council members.

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11. (Vernon Reform Matrix No. 91)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should require that all city contracts be entered into its enterprise resource planning (ERP) system so that the contract managers and the city can more efficiently and effectively track the city's contract expenditures.*

Status: Fully Implemented

All City contracts are now required to be entered into the City's ERP system, EDEN, which assigns each contract a unique contract number for effective tracking of expenditures under a particular contract. The ERP system limits aggregate payments under a particular contract to the total contract amount. As of October 2012, contract managers for each department have been trained to run queries to track contract expenditures. On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system. It includes a method of contract routing (Contract/Amendment Signature Routing Form) that ensures every affected department receives information about each contract before it is signed or approved pursuant to the City's good governance contract requirements.

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12. (Vernon Reform Matrix No. 91)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should also begin using the ERP system's uniquely assigned contract numbers for tracking and generating a list of contracts.*

Status: Fully Implemented

All City contracts are now required to be entered into the City's ERP system, EDEN, which assigns each contract a unique contract number for effective tracking of expenditures under a particular contract. The ERP system limits aggregate payments under a particular contract to the total contract amount. As of October 2012, contract managers for each department have been trained to run queries to track contract expenditures. On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system. It includes a method of contract routing (Contract/Amendment Signature Routing Form) that ensures every affected department receives information about each contract before it is signed or approved pursuant to the City's good governance contract requirements.

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13. (Vernon Reform Matrix No. 92)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should require all contracts to have expenditure limits and starting and ending dates for services performed.*

Status: Fully Implemented

On December 18, 2012 (effective January 17, 2013), the City Council adopted Ordinance No. 1200, the Competitive Bidding and Purchasing Ordinance. Section 2.17.30(A) of the Ordinance requires all contracts, including professional service contracts, to include ending dates and/or expenditure limits. On February 25, 2013, the City Council adopted Resolution No. 2013-23, approving the general forms of personal service contract, types of insurance and indemnity, purchase order contracts, requests for proposals, and attorney services contracts. All of these forms of document contain the recommended good governance provisions, including expenditure limits and time limits not to exceed three years. On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system. It includes a method of contract routing (Contract/Amendment Signature Routing Form) that ensures every affected department receives information about each contract before it is signed or approved pursuant to the City's good governance contract requirements.

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14. (Vernon Reform Matrix No. 93)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should require contract managers to use logs to monitor payments and the contractor's progress toward completion of required deliverables.*

Status: Fully Implemented

As of October 2012, contract managers in all City departments have been trained by the IT Department on the use of the City's ERP system to run periodic queries in order to log and monitor payments under a particular contract.

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15. (Vernon Reform Matrix No. 94)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should require that all contracts contain a well-defined scope of work and deliverables that a sufficiently detailed invoice can be measured against.*

Status: Fully Implemented

On February 25, 2013, the City Council adopted Resolution No. 2013-23, approving the general forms of personal service contract, types of insurance and indemnity, purchase order contracts, requests for proposals, and attorney services contracts. All of these forms of document contain the recommended good governance provisions, including well-defined scopes of work and deliverables. Requests for Proposals are required to contain well-defined scopes of work and deliverables prior to City Attorney approval as to form and City Administrator approval to issue. The appropriate form of contract is attached as an exhibit to the RFP and, ultimately, the RFP and selected proposal are attached in their entirety as exhibits to the final contract. Since the adoption of the Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200) in December 2013, ten RFPs have been issued. On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system. It requires invoices to be measured against the scope of work and deliverables in the respective contract.

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16. (Vernon Reform Matrix No. 95)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should ensure that contracts include language requiring contractors to provide invoices with sufficient detail so that contract managers can determine whether the services provided are consistent with the scope of work.*

Status: Fully Implemented

On February 25, 2013, the City Council adopted Resolution No. 2013-23, approving the general forms of personal service contract, types of insurance and indemnity, purchase order contracts, requests for proposals, and attorney services contracts. All forms of contract contain the recommended good governance provisions, including specific requirements respecting invoice detail, supporting documentation, and methods of billing. The appropriate form of contract is attached as an exhibit to the RFP and, ultimately, the RFP and selected proposal are attached in their entirety as exhibits to the final contract. Since the adoption of the Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200) in December 2013, ten RFPs have been issued. On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system. It requires invoices to be measured against the scope of work and deliverables in the respective contract.

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17. (Vernon Reform Matrix No. 95)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should also require the finance department to review invoices to identify those that lack sufficient detail and return such invoices to the appropriate contract manager to obtain a revised invoice that is sufficiently detailed.*

Status: Fully Implemented

On February 25, 2013, the City Council adopted Resolution No. 2013-23, approving the general forms of personal service contract, types of insurance and indemnity, purchase order contracts, requests for proposals, and attorney services contracts. All forms of contract contain the recommended good governance provisions, including specific requirements respecting invoice detail, supporting documentation, and methods of billing. The appropriate form of contract is attached as an exhibit to the RFP and, ultimately, the RFP and selected proposal are attached in their entirety as exhibits to the final contract. Since the adoption of the Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200) in December 2013, ten RFPs have been issued. On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system. It requires invoices to be measured against the scope of work and deliverables in the respective contract.

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18. (Vernon Reform Matrix No. 96)

*To better control contract expenditures and ensure that it receives the best value for the services it purchases, the city should continue its efforts to develop and implement policies and procedures for a competitive bidding process, including clearly defining the circumstances under which forgoing competitive bidding is appropriate.*

Status: Fully Implemented

On December 18, 2012 (effective January 17, 2013), the City Council adopted Ordinance No. 1200, the Competitive Bidding and Purchasing Ordinance. Section 2.17.12 of the Ordinance provides eleven (11) exemptions from competitive bidding and competitive selection. Among them are, labor or services rendered by one City department to another City department, contracts for proprietary or sole-source labor, material, supplies, or services, contracts for or relating to the acquisition of real property, and contracts for emergency work. On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system.

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19. (Vernon Reform Matrix No. 97)

***To the extent that the city implements policies that affect contracts, the city should also ensure that it reviews all current contracts and amends them, if necessary, to comply with newly established policies.***

Status: Fully Implemented

On December 18, 2012 (effective January 17, 2013), the City Council adopted Ordinance No. 1200, the Competitive Bidding and Purchasing Ordinance. Section 2.17.30 of the Ordinance provides the following terms and procedures for all contracts specific to Vernon's good governance reforms: (1) ending dates and/or expenditure caps; (2) rebidding every three years; (3) prohibition on rate increases during the contract term, except where necessary due to external factors and tied to most appropriate index, cost-of-living rate, or pass through; (4) competitive governmental rates; and (5) published on the City's website at least seven days prior to contract award. On February 25, 2013, the City Council adopted Resolution No. 2013-23, approving the general forms of personal service contract, types of insurance and indemnity, purchase order contracts, requests for proposals, and attorney services contracts. All forms of contract contain the required good governance provisions. In January 2013, the Finance Director and City Attorney conducted a citywide review of all open contracts in the City's EDEN system to identify contracts that were not in compliance with new policies. Since the adoption of the Competitive Bidding and Purchasing Ordinance, ten RFPs have been issued, all of which were posted on the City's website: (<http://cityofvernon.org/rfps-for-city-services>). Seven of the ten were for contracts that had previously been in effect for more than three years. Additionally, the EDEN Bid & Quote Module will be purchased and implemented in fiscal year 2013-2014, which will help City staff more effectively and efficiently track and maintain compliance with the City's good governance contract requirements.

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20. (Vernon Reform Matrix No. 98)

***To improve its internal controls, better control costs, and prevent abuse from occurring, the city should require the finance department to review credit card expenditures for appropriateness.***

Status: Fully Implemented

On June 25, 2013, the Finance Department issued the City of Vernon Purchasing Manual to all City departments, as adopted by the City Administrator pursuant to the City's Competitive Bidding and Purchasing Ordinance (Ordinance No. 1200). The Purchasing Manual was prepared by the Finance Department, with significant input from the City Attorney's Office and all City departments. The Purchasing Manual sets forth all of the requirements of the Purchasing Ordinance as they apply in a practical manner to the day to day operation of the purchasing system, including ten pages detailing the City's credit card policies and procedures.

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21. (Vernon Reform Matrix No. 99)

*To improve its internal controls, better control costs, and prevent abuse from occurring, the city should revise its travel and expense reimbursement policy to be clear about the expenditure limits for meals, and add a limit for lodging accommodations.*

Status: Not Fully Implemented

By the August 20, 2013 City Council meeting, the Finance Director will prepare and present for City Council adoption, an amendment to the City of Vernon Travel and Expense Reimbursement Policy (Resolution No. 2011-187), to provide greater clarity and enhance provisions regarding meal and hotel costs, and ensure that the City's guidelines are consistent with those of the Federal Government.

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**22. (Vernon Reform Matrix No. 100)**

***To comply with the Political Reform Act (reform act), the city should ensure that the city administrator and city clerk are appropriately trained to administer its conflict-of-interest code (conflict code).***

Status: Fully Implemented

Vernon's current Interim City Clerk is a principal of Reed & Davidson, the firm retained by the City in May 2011 to review the City's conflict of interest codes and assist in the preparation of necessary amendments and new codes, as well as provide all compliance-related training. Among other governmental ethics and election compliance-related matters, Reed & Davidson specializes in conflicts of interest compliance, including the preparation and filing of statements of economic interests (Form 700s). On November 20, 2012, upon the recommendation of the Interim City Clerk, the City Council adopted an amended Conflict of Interest Code for the City of Vernon (Resolution No. 2012-225), establishing the "designated positions" required to file Form 700s along with the respective disclosure categories for each, requiring the City Administrator to determine which City consultants (beyond those filling a designated position), if any, are required to file Form 700s, and delegating the City Clerk as the Filing Officer responsible for receiving, retaining, and making available for public inspection all required Form 700s. As of April 2013, all City employees and consultants filling designated positions, and all ten other consultants determined by the City Administrator to perform a range of duties requiring disclosure under the City's Conflict of Interest Code have filed their required Form 700s for calendar year 2012. Additionally, of the 35 individuals who retired in January and June 2013 under the City's Early Retirement Incentive Program, eight (8) were required to file Form 700s, and all timely filed their respective Leaving Office Forms, or have been reminded of their filing obligations in the case of more recent retirees.

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23. (Vernon Reform Matrix No. 100)

*To comply with the reform act, the city should continue to ensure that all city executives file statements of economic interests, as its conflict code requires.*

Status: Fully Implemented

As of April 2013, all City employees, including executives, consultants filling designated positions, and all ten other consultants determined by the City Administrator to perform a range of duties requiring disclosure under the City's Conflict of Interest Code, have filed their required Statements of Economic Interests (Form 700s) for calendar year 2012.

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24. (Vernon Reform Matrix No. 100)

*To comply with the reform act, with regard to consultants, the city should review its existing contracts and have the city administrator determine which consultants should file statements of economic interests. The city should retain documentation of the city administrator's determinations and also forward them to the city council for review.*

Status: Fully Implemented

In January and February 2013, the City Administrator and City Attorney met with all City Department Heads to review all active professional service contracts and the specific duties and scope of each principal or representative under the respective contracts. Based on those meetings, the City Administrator made a preliminary determination to establish a list of individuals that were believed to have the potential to be considered consultants required to file Statements of Economic Interests (Form 700s) under the City's Conflict of Interest Code. On February 28, 2013, the Interim City Clerk notified all such individuals via email of the preliminary determination, and each was invited to comment on and provide the basis for any perceived inaccuracies in the determination. On March 12, 2013, based upon the comments received and reviewed in consultation with the City Attorney, the City Administrator concluded his final determination of the consultants required to file Form 700s for calendar year 2012, including the respective disclosure categories for each. The final determination identified eleven consultants required to file Form 700s, including one filling a "designated position." The City Clerk notified all individuals via email of the City Administrator's final determination and instructed the consultants required to file Form 700s to do so with his office by April 2, 2013. On May 7, 2013, as part of a public City Council meeting agenda and as required by the City's Conflict of Interest Code, the City Administrator issued a written report of his final determination to the City Council, which indicated that all eleven consultants identified had filed their respective Form 700s.

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25. (Vernon Reform Matrix No. 100)

*To comply with the reform act, the city should ensure that any consultants identified by the city administrator as needing to file statements of economic interests submit the forms as soon as possible.*

Status: Fully Implemented

On May 7, 2013, as part of a public City Council meeting agenda and as required by the City's Conflict of Interest Code, the City Administrator issued a written report to the City Council detailing the process taken to determine which consultants are required to file Statements of Economic Interests (Form 700s) and to ensure that all timely file such statements. Said report indicated that all eleven consultants identified had filed their required Form 700s for calendar year 2012.

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26. (Vernon Reform Matrix No. 101)

*To address the structural deficit in its general fund, the city should seek long-term solutions to balance the general fund's expenditures and revenues and lessen its reliance on transfers from other city funds. These solutions could include revenue increases, such as the proposed increased and new parcel tax, as well as looking for ways to reduce expenditures.*

Status: Fully Implemented

Since early 2011, the City has worked diligently and extensively with the Vernon Chamber of Commerce and other members of the business and residential communities to develop a long-term, stable solution consisting of equal parts expenditure reductions and increased revenues to address the structural deficit in the City's General Fund. Included in the most efforts to reduce expenditures were: (1) an Early Retirement Incentive Program expected to save the City approximately \$1.8 million annually - resulted in 35 retirements as of June 30, 2013; (2) reduction of all City Council member salaries by 64% as recommended by the City's Reform Monitor; and (3) further reductions to outside legal, consultant, and lobbying costs. These reductions were in addition to those made to employee retirement and health benefits in 2010 (saving \$3 million dollars annually), and previous workforce reductions and consultant contract terminations. The efforts to develop long-term revenue solutions began with the tax consulting services of NBS, who specializes in assisting local governments, to analyze, evaluate, and make recommendations regarding funding options and tax formulas for Vernon. Among the most viable of those explored were parcel and utility user taxes. Ultimately, in April 2013, Vernon voters overwhelmingly approved the following three-pronged tax proposal expected to generate approximately \$8 million annually: (1) increase and recalculation of the existing business license tax (Measure K); (2) a new special parcel tax of \$0.03 per square foot for Police, Fire, and Health services and projects (Measure L - sunsets in 10 years); and (3) a new utility user tax of 1% (Measure M - sunsets in 10 years).

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27. (Vernon Reform Matrix No. 102)

***The city should clearly present the general fund structural deficit to the city council and the public in a budget that includes narrative and summary information to help users understand the city's budget process and its priorities and challenges, and that incorporates the elements for improved budgeting practices recommended by the Government Finance Officers Association (GFOA).***

Status: Fully Implemented

On numerous occasions throughout the two-year, collaborative process the City engaged in to address the structural deficit in the City's General Fund, staff presented numerous PowerPoint presentations to the City Council and the public at public meetings of the City Council and Business Development Committee, and at public workshops held specifically for that purpose. The presentations included graphs, charts, and narrative summaries of the City's expenses and revenues (current and projected), as well as detailed information on the City's goals, challenges, and proposed solutions. As part of the budget preparation process for the 2013-2014 fiscal year budget, City staff conducted three separate study sessions at public meetings of the City Council on May 7, May 21, and June 4, 2013, prior to the public hearing on subsequent adoption on June 18, 2013. A form PowerPoint was used by each department to provide revenue, expenditure, and staffing level comparisons to the prior two fiscal years, along with summaries of accomplishments, goals, and challenges. All meetings were properly noticed in accordance with the Brown Act and were well publicized through the City's website and the Vernon Chamber of Commerce.

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28. (Vernon Reform Matrix No. 102)

*To better guide its budget preparation and improve transparency, the city should develop budget policies, particularly for long-term planning, that incorporate the elements that the GFOA recommends and make these policies available to the public on its Web site.*

Status: Fully Implemented

The Finance Director provides quarterly budget updates to the City Council at its regular, public meetings. The updates include current status, year-end forecasts, and recommended budget amendments where appropriate. City Department Heads receive budget reports in advance of the briefings to City Council and are asked to provide explanations for deviations of 10% or greater. Longer term financial modeling will be undertaken with existing staff or outsourced and will be incorporated as part of the budget planning process.

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29. (Vernon Reform Matrix No. 102)

*The city should ensure that its budgets include the information required in the city code.*

Status: Fully Implemented

The City continues to comply with all budget-related requirements outlined in the City Charter and City Code. The Finance Director provides quarterly budget updates to the City Council at its regular, public meetings. The updates include current status, year-end forecasts, and recommended budget amendments where appropriate. City Department Heads receive budget reports in advance of the briefings to City Council and are asked to provide explanations for deviations of 10% or greater. Longer term financial modeling will be undertaken with existing staff or outsourced and will be incorporated as part of the budget planning process.

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30. (Vernon Reform Matrix No. 102)

*The city should improve the monitoring of expenditures against the approved budget by establishing a centralized process to regularly monitor and report to the city administrator and the city council on the status of the budget.*

Status: Fully Implemented

The Finance Director provides quarterly budget updates to the City Council at its regular, public meetings. The updates include current status, year-end forecasts, and recommended budget amendments where appropriate. City Department Heads receive budget reports in advance of the briefings to City Council and are asked to provide explanations for deviations of 10% or greater.

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31. (Vernon Reform Matrix No. 103)

*To ensure that it issues debt when doing so is in the best interests of the city and is consistent with its long-term financial goals, the city should establish a comprehensive debt policy that includes the elements that the GFOA recommends and make the debt policy it establishes available on its Web site.*

Status: Not Fully Implemented

By September 2013, the Finance Director will present for City Council adoption, a comprehensive debt policy that includes elements recommended by GFOA. Upon City Council adoption, the policy will be posted on the City's website.

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32. (Vernon Reform Matrix No. 104)

***To ensure that the city council and public are well informed regarding proposed debt decisions, the city should provide summary information that clearly explains the costs, risks, and benefits related to the proposed decisions in its agenda packets, and should provide these in advance on its Web site.***

Status: Fully Implemented

On May 7, 2013, as part of the first of three public City Council study session meetings for the proposed 2013-2014 fiscal year budget, the Finance Director provided an up-to-date analysis of the City's debt structure. The update included recent activities on his ongoing exploration of potential refunding opportunities. If any viable opportunities present themselves, detailed summary information that clearly explains the costs, risks, and benefits related to any proposed actions will be included in the respective agenda packet. The full agenda packets for all public City meetings, including City Council meetings, from January 2012 forward, are posted on the City's website.

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33. (Vernon Reform Matrix No. 105)

*To ensure that it can demonstrate sufficient analysis and provide justification for its decisions on significant energy-related transactions, the city should develop an integrated energy strategy that examines all elements of its energy needs, sources, and objectives.*

Status: Not Fully Implemented

In early 2014, the Finance Director and Director of Light & Power expect to present a proposed integrated energy strategy to City Council for adoption. This will be part of the long term financial modeling for the Light & Power Department. The Finance Director, Director of Light & Power, and Electric Rates Committee will continue to work together to develop the proposal based on an updated rate study to be completed by Michael Bell Management Consulting later in the year. Among other specialized services for local governments, Michael Bell Management Consulting specializes in municipal electric utility management and planning.

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34. (Vernon Reform Matrix No. 105)

*To ensure that it can demonstrate sufficient analysis and provide justification for its decisions on significant energy-related transactions, the city should create a formal process and guidelines that include the following: identifying the benefits and risks of proposed transactions, quantifying the benefits and risks of proposed transactions, evaluating and comparing proposed transactions against alternative proposals, quantifying the impact of proposed transactions on short-term and long-term rates paid by the city's energy customers, seeking an independent validation of the fair market value of proposed transactions, and documenting and communicating the findings of the evaluation process to the city council.*

Status: Not Fully Implemented

In early 2014, the Finance Director and Director of Light & Power expect to present a proposed integrated energy strategy to City Council for adoption. This will be part of the long term financial modeling for the Light & Power Department. The Finance Director, Director of Light & Power, and Electric Rates Committee will continue to work together to develop the proposal based on an updated rate study to be completed by Michael Bell Management Consulting later in the year. Among other specialized services for local governments, Michael Bell Management Consulting specializes in municipal electric utility management and planning.

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35. (Vernon Reform Matrix No. 106)

*If the city plans to continue to rely on the advice of its consultants when entering significant energy-related transactions, it should develop a process for the consultants to provide written documentation that would enable the city to satisfy the process and guidelines outlined in the previous two recommendations.*

Status: Fully Implemented

On February 25, 2013, the City Council adopted Resolution No. 2013-23, approving the general forms of personal service contract, types of insurance and indemnity, purchase order contracts, requests for proposals, and attorney services contracts. All of these forms of document contain the recommended good governance provisions, including well-defined scopes of work and deliverables. Requests for Proposals are required to contain well-defined scopes of work and deliverables prior to City Attorney approval as to form and City Administrator approval to issue. The appropriate form of contract is attached as an exhibit to the RFP and, ultimately, the RFP and selected proposal are attached in their entirety as exhibits to the final contract. The City has restructured most of its contracts with energy related consultants and the Finance Director now requires consultants to provide, as appropriate, written documentation and spreadsheet models to enable updates to be performed by staff in order to reduce reliance on consultants.

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36. (Vernon Reform Matrix No. 107)

*To minimize the continuing financial losses on the two currently outstanding interest rate swaps, the city should develop a clear process for deciding how it will terminate these swaps based on the cost and future risk to the city.*

Status: Fully Implemented

On September 4, 2012, the City Council adopted Resolution No. 2012-178, approving the termination of the portion of cash flow exchanges under the 2004 Series A Swap scheduled to occur through December 1, 2015, and entering into an Amended and Restated Confirmation with a new effective date of December 1, 2015. On May 7, 2013, as part of the first of three public City Council study session meetings for the proposed 2013-2014 fiscal year budget, the Finance Director provided an up-to-date analysis of the City's debt structure. The Finance Director is continuing to monitor the swap transactions to determine the appropriateness of partial or full terminations of the agreements.

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37. (Vernon Reform Matrix No. 107)

*To ensure that any future decisions to enter into interest rate swaps are carefully considered, the city should develop and follow a process that thoroughly analyzes the risks and benefits of the potential swap transaction.*

Status: Not Fully Implemented

On May 7, 2013, as part of the first of three public City Council study session meetings for the proposed 2013-2014 fiscal year budget, the Finance Director provided an up-to-date analysis of the City's debt structure. The Finance Director is currently evaluating a comprehensive debt policy to be proposed to City Council that includes: (1) prohibition of swap transactions for speculative purposes; (2) full presentation to City Council prior to entering into any future swap transactions; and (3) retention of all supporting documentation and reference material during the life of the swap agreement.

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38. (Vernon Reform Matrix No. 107)

*To ensure that any future decisions to enter into interest rate swaps are carefully considered, the city should specifically disallow the use of derivatives for speculative purposes and should require the retention of the documents and analyses that support the decision to enter into the swap.*

Status: Fully Implemented

On May 7, 2013, as part of the first of three public City Council study session meetings for the proposed 2013-2014 fiscal year budget, the Finance Director provided an up-to-date analysis of the City's debt structure. The Finance Director is currently evaluating a comprehensive debt policy to be proposed to City Council that includes: (1) prohibition of swap transactions for speculative purposes; (2) full presentation to City Council prior to entering into any future swap transactions; and (3) retention of all supporting documentation and reference material during the life of the swap agreement. Further, the City Clerk's Office, in conjunction with the City Attorney's Office, is currently conducting a comprehensive review and proposed update of the City's Records Retention Schedule.

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