

Executive Summary of Confidential Investigation Report

Client: City of Stockton

Complainant: Audit Committee

Subject: City Manager's Office

Investigators: Karen C. Carrera, Esq., AWI-CH
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I. INTRODUCTION

This executive summary presents the results of a confidential investigation requested by the City of Stockton into decisions made within the City Manager's Office during early 2025 regarding the dissolution of the Office of Performance & Data Analytics (OPDA), the formation of the Office of Public Transparency, Information, and Communication (OPTIC), and the hiring and compensation decisions associated with OPTIC.

II. SCOPE AND STANDARD OF REVIEW

The investigation examined whether City personnel engaged in misconduct, violated City policy, or violated state law when: (1) funding OPTIC by reallocating or repurposing budgeted full-time equivalent (FTE) positions and related savings from OPDA, and (2) hiring OPTIC personnel, including the appointment of a Public Information Officer (PIO), without a competitive recruitment process. The applicable standard was the preponderance of the evidence, meaning the facts supporting a conclusion must be more likely than not.

III. METHODOLOGY

Investigators conducted nine interviews. Interviews included Vice Mayor Jason Lee; Deputy City Manager Courtney Christy; Human Resources Director and former Deputy City Manager Rosemary Rivas; Executive Assistant to the City Manager Patty Vasquez; Senior Budget Analyst and Interim Budget Officer Brandon Sepulveda; City Clerk Katherine Roland; Senior Budget Analyst Vanessa Martinez; Deputy City Manager William (Will) Crew; Senior Management Assistant Nicole Mamorno; and Chief Financial Officer Gilbert Garcia. Former Interim City Manager Steve Colangelo did not respond to investigators' requests for an interview.

The documentary record reviewed in this investigation included the City Charter and Municipal Code; the City Council Policy Manual; human resources directives governing executive employment, discrimination and harassment, and progressive discipline (including HR-08, HR-15, and HR-66); the full suite of 2025–2026 budget materials such as the May 15 proposed budget book, the adoption resolution, and the minutes, presentations, memos, and video from the June 4–5 budget study sessions; internal finance policies addressing accounting, financial reporting, internal audits, and financial misconduct; organizational charts and spreadsheets reflecting the restructuring of the City Manager's Office; personnel actions relating to OPDA staff, including transfers, demotions, and terminations; class specifications for the Public Information Officer and the other OPTIC positions; applicant materials; and email

correspondence concerning OPTIC hiring, advanced salary step requests, and the use of vacancy savings.

IV. FACTUAL BACKGROUND

Following the January 2025 resignation of the former City Manager, the Council appointed an Interim City Manager in February. During a compressed budget season marked by turnover in key fiscal roles, the Interim City Manager pursued a restructuring of the City Manager's Office. That restructuring eliminated OPDA through a combination of reassignments, demotions, and terminations, and created OPTIC with four at-will positions, including the PIO.

While OPTIC did not appear as a discrete line item in the proposed budget book, the funding associated with the OPTIC positions was included within the City Manager's appropriation and was discussed at public budget study sessions in early June 2025. Multiple witnesses described the process as rushed and at times confusing; however, they also acknowledged that the City Charter grants the City Manager broad authority to organize the office, implement the adopted budget, and appoint at-will personnel.

V. EVIDENCE

Budget Reallocation and OPTIC Formation

Witness accounts and contemporaneous records describe an April 2025 plan to wind down OPDA and to utilize existing Full-Time Equivalents (FTEs) and vacancy savings within the City Manager's Office to fund four OPTIC positions. Personnel records corroborate that OPDA staff were reassigned or separated in early June 2025, coinciding with approvals to proceed with OPTIC hires.

Email communications between leadership and budget staff reflect a deliberate decision to rely on vacancy savings generated by delaying other recruitments, with the Interim Budget Officer noting the absence of a formal written policy governing the use of vacancy savings and agreeing to proceed subject to closer scrutiny going forward.

The May 15, 2025, proposed budget book presented the City Manager's overall appropriation and organizational description without delineating OPTIC as its own line, while the June 4, 2025, budget study session materials and discussion included OPTIC's purpose and placement within the City Manager's Office (see **Figure 1** below). The totality of this evidence supports that the funding mechanism for OPTIC remained within the City Manager's adopted budget and

that the subject was publicly addressed prior to adoption, albeit briefly and without the level of narrative clarity that would ordinarily accompany a structural change of this kind.



Figure 1- A screenshot from a recording of the June 4, 2025, Budget Study Session shows OPTIC in the City Manager's Office Budget Presentation

General Fund

After the initial submission of the report and executive summary, Assistant City Attorney Taryn Jones requested to expand the scope of the investigation to include the issue of the potentially improper use of the General Fund by the City Manager's office, as raised by the City Council. Investigators interviewed Chief Financial Officer Gilbert Garcia to better understand the General Fund and its role in the budget process.

The interview clarified the City Council's concerns regarding the General Fund and the policies governing its use. Within the General Fund, the City Manager's budgetary control is limited to transferring money within a department, but the City Manager may not transfer funds between departments. Based on previous interviews, a review of documents, and Garcia's testimony, it does not appear that any funds were transferred between departments, because funding for OPTIC and OPDA were both within the City Manager's office, and were not separate departments for budget purposes. Additionally, no new positions were added to the City Manager's office; the new OPTIC positions were reallocated from within the authorized FTEs

and available appropriations. Thus, there was no evidence that the General Fund was used improperly.

Hiring Practices and the PIO Appointment

The hiring of OPTIC personnel departed from customary competitive practices, as noted by witnesses. Three OPTIC positions were filled without public postings or panel interviews, and entry salaries were set at advanced steps, which are not typically used in the absence of documented market justification. Human Resources and Budget nevertheless reviewed and approved the advanced-step requests.

For the PIO role, the class specification in effect included a substitution pattern that permitted additional years of qualifying experience to substitute for a degree; under that pattern, the appointee satisfied minimum qualifications. Because the OPTIC roles were at-will and within the City Manager's Office, they were not subject to Civil Service examination requirements.

Witnesses expressed understandable concern that process norms were bypassed, yet none identified a codified City policy prohibiting the City Manager from making at-will appointments under these circumstances or requiring competitive recruitment for these positions.

Legal Considerations

Under the City Charter, the City Manager serves as the City's chief administrative officer, is responsible for implementing the adopted budget, and possesses broad authority to appoint and manage officers and employees serving at pleasure. The Charter also establishes the Public Information Office and provides that the Public Information Officer is appointed by, and serves at the pleasure of, the City Manager.

With respect to Penal Code section 424 (misappropriation of public funds), the evidence does not show an unauthorized appropriation, falsification of accounts, or other conduct indicative of criminal misuse; OPTIC funding was derived from existing appropriations and was discussed in open session before budget adoption, and compensation decisions underwent internal review and approval.

VI. FINDINGS

Applying the preponderance of the evidence standard, the investigation does not substantiate that the City Manager's Office violated City policy or law in funding and forming OPTIC or in appointing OPTIC personnel, including the PIO. The creation of OPTIC relied on repurposed

FTEs and vacancy savings within the City Manager's appropriation and was addressed at public study sessions preceding budget adoption.

The hiring process departed from best practice—particularly in foregoing competitive posting and awarding advanced salary steps—but remained within the City Manager's discretionary authority for at-will positions and complied with the applicable class specification for the PIO. No facts support a criminal misuse of public funds.

Governance Observations for the Audit Committee and Council

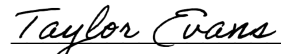
While the record does not support findings of policy or legal violations, the process exposed governance vulnerabilities. The absence of a clear, explanatory narrative in the budget book concerning OPDA's dissolution and OPTIC's creation fueled perceptions of concealment and complicated oversight. The timing of the restructuring, during a leadership transition and amid fiscal staff vacancies, reduced process discipline. On the hiring side, reliance on at-will discretion without contemporaneous documentation of market conditions, justification for advanced steps, or consideration of competitive posting undermined confidence in the fairness and sustainability of the approach.

Process Improvements

To strengthen transparency and controls without constraining lawful executive discretion, the City should issue a short administrative directive within the City Manager's Office that describes when competitive posting will be used, what documentation is required for advanced salary placement, and how minimum qualifications and substitution patterns are verified. Future reorganizations that materially affect programs or public-facing functions should be accompanied by a plain-language explanation in the budget book and a simple crosswalk showing how positions are reclassified or repurposed so that elected officials and the public can readily understand the change.

The City should adopt a concise written policy governing vacancy-savings use, including approval pathways, documentation standards, and periodic reporting to the Council. Finally, reinstating one-on-one budget briefings and refresher sessions for newly elected members will improve shared understanding of the budget's structure and reduce the risk of confusion when organizational changes are proposed late in the cycle.

Respectfully submitted,



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