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LEAGUE
OF CALIFORNIA
CITIESSM

10 YEARS AFTER THE BELL SCANDAL
**ARE WE MORE
ETHICAL?**

Sponsored by California JPIA

Panelists:

Thaddeus McCormack
City Manager-Lakewood
Chair, California JPIA City Manager's Committee

Mike Flad
City Manager, City of South Gate

Ali Saleh
Mayor, City of Bell

Dave Aleshire
City Attorney, City of Bell
Aleshire & Wynder



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CHRONOLOGY OF A SCANDAL

NATIONAL NEWS



“Bell city manager might be highest paid in nation: \$787,637 a year”

(LA Times, July 14, 2010)

“Our city is one of the best in the area. That is the result of the city manager. It's not because I say it. It's because my community says it.” (Mayor Hernandez, LA Times, July 15, 2010)

“If that’s a number people choke on, maybe I’m in the wrong business. I could go into private business and make that money. This council has compensated me for the job I’ve done.” (CAO Rizzo, LA Times, July 14, 2010)



“In a troubled city, the city council should get paid a little more.”

(Mayor Hernandez, LA Times, June 24, 2010)

“The city of Bell charter did not make Bell a sovereign nation not subject to the general penal laws of the State of California.” (Judge Kathleen Kennedy LA Times December 1, 2011)



BELL BACKGROUND: BY THE NUMBERS



United States™
Census
2010

- Population: 35,477
- 93% Hispanic
- Medium income of \$38,477
- 30.2% living below the Federal Poverty rate
- Incorporated: 1927

And Yet...

- Its residents were heavily taxed with utility tax and one of the highest tax rates in L.A. County
- Its City Manager was paid an exorbitant salary nearly twice that of then President Obama

CHRONOLOGY OF A SCANDAL



November 2005

Bell becomes a charter city, clearing the way for council members to exempt themselves from state salary limits. Fewer than 400 people vote in the election.

June 2010

After losing its insurance, Maywood decides to lay off nearly all its city employees, disband its Police Department and turn operations over to Bell.

“We want to help our neighbor,” says Bell Mayor Hernandez.

August 1993

Bell hires Robert Rizzo as city administrator at a salary of \$72,000.

“He’s probably the lowest-paid city manager in the area, probably in the county,” says then-Councilman George Cole.

March 2009

Council members Luis Artiga and Teresa Jacobo are reelected, beating reform candidates. A few months later, Councilman Victor Bello resigns, and Lorenzo Velez is appointed to replace him, joining Oscar Hernandez and George Mirabal on the council.



CHRONOLOGY OF A SCANDAL

July 15, 2010

The Times reports that Rizzo is paid \$787,637, Police Chief Randy Adams \$457,000 and Assistant City Manager Angela Spaccia \$376,288.

July 26, 2010

Council members agree to cut their near-\$100,000 salaries to match that of Velez, who makes \$673 a month.

Aug. 18, 2010

The Times reports that the city of Bell gave nearly \$900,000 in loans to Rizzo, Spaccia, Hernandez and Artiga over the last several years.

July 23, 2010

Rizzo, Spaccia and Adams resign. Rizzo stands to become the highest-paid retiree in California's pension system, entitled to \$600,000 a year for the rest of his life.

Aug. 8, 2010

The Times reports that Rizzo received a lucrative benefits package, including 28 weeks for vacation or sick leave, making his total compensation more than \$1.5 million.

CHRONOLOGY OF A SCANDAL



Aug. 24, 2010:
Petitions to recall council members Artiga, Hernandez, Jacobo and Mirabal are submitted to the city clerk. 4,000 signatures gathered in 30 days

Sept. 15, 2010
State Atty. Gen. Jerry Brown files a lawsuit accusing eight city officials of concealing their lucrative compensation and plotting to enrich themselves.

Sept. 21, 2010
Eight Bell city officials are arrested on felony charges. All are jailed. Rizzo's bail is set at \$3.2 million.

Sept. 9, 2010
The U.S. Department of Justice launches an investigation into possible civil rights violations in Bell.

Sept. 16, 2010
State Controller John Chiang estimates that Bell wrongly collected more than \$5.6 million in local taxes.

CHRONOLOGY OF A SCANDAL: GOVERNANCE MELTDOWN

- As scandal develops, Council fires City Manager and City Attorney but takes Rizzo recommendation for Interim City Manager/City Attorney in August 2010
- With arrest of 4 of 5 Councilmembers in September, City Council stops meeting
- Period of Government without Council: October 2010 to March 2011 Election
- Attorney General commences action to take over City
- Some \$12M in warrants paid by Interim City Manager with opinion from Interim City Attorney. Interim City Attorney paid \$1M in five months
- State Controller prepares 3 audits published November 2010 finding numerous violations ultimately allowing \$3M recovery against audit firm
- Recall and General Election March 2011
 - Resulted in five new councilmembers
 - New City Manager, City Attorney
 - All upper managers replaced

RESULTS OF CRIMINAL PROSECUTION AGAINST THE BELL 8

- Five of six of the former Council were convicted of numerous felonies in March 2013.
- In April 2014, Robert Rizzo was sentenced to 12 years in prison and he was ordered to pay approximately \$8.8 Million in restitution to the City of Bell.
- Also, in April 2014, Angela Spaccia was sentenced to 11 years, 8 months, in prison and she was ordered to pay approximately \$8.2 Million in restitution to the City of Bell.
- The former city council defendants that were convicted were also ordered in June and July of 2014 to pay a combined total of approximately \$1 Million in restitution to the City of Bell.



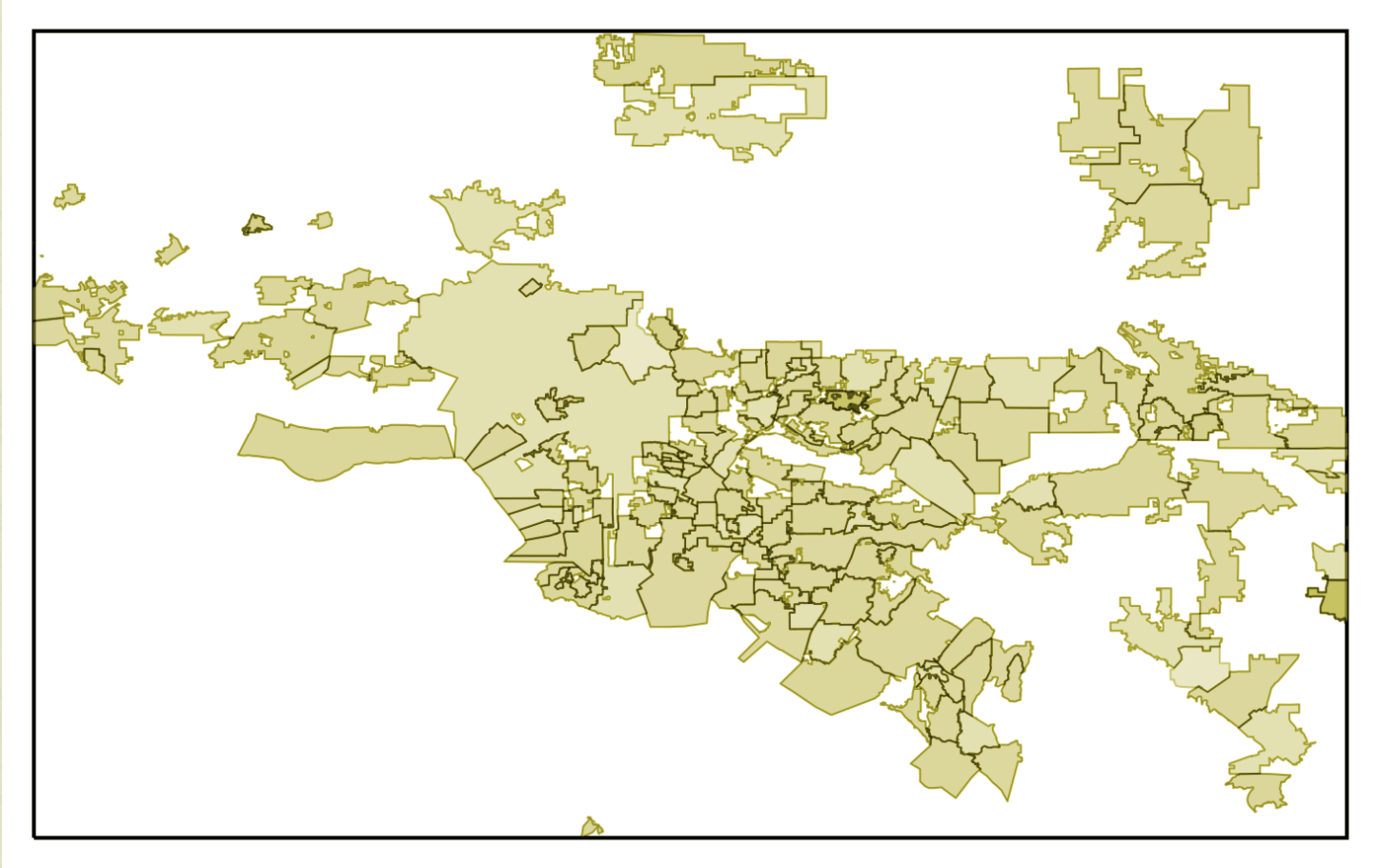


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FOR WHOM THE BELL TOLLS...

Not just Bell:
Pat West Presentation
Corruption in Southeast L.A.

COULD BE ANY CITY



WHAT WERE DEFICIENCIES IN GOVERNANCE STRUCTURE WHICH ALLOWED BELL TO HAPPEN AND CAN THEY EXIST IN OTHER COMMUNITIES?

- **Bad leadership vested in personal control**
- **Lack of Institutional Control:** Financial Controls, Competitive Bidding and Hiring; Legal Process; Transparency
- **Civic Engagement:** Bell had pride about schools and youth sports but no business organization, no private clubs or associations, no civic commissions such as planning, parks/recreation, etc.
- **Media:** Newspaper, media coverage was being scaled back 25 years ago, even before the internet began to destroy print journalism. Print media coverage is now sporadic and internet is reactive and unfocused.
- **Corrections:** What can City Manager, City Attorney, City Councilmember, Employee do about these conditions? Are you stuck with the community as you find it?

RECOGNITION OF ETHICS ISSUES: WARNING SIGNS

■ The Three Core Principles

1. Public officials cannot use their office for personal financial gain. Bell special retirement program set for management; Amended policies so that indemnification for criminal acts
2. No personal advantages or perks for public office
3. Public business must be conducted openly and fairly. Bell lack of transparency. Businesses treated differently.

■ League training programs: **Knowledge** is critical (AB 1234)

■ Basic formula: Personal Integrity + Courage + Dedication to Community and Public Service

■ Choice: Be actor or Bystander?

ONCE YOU RECOGNIZE, HOW DO YOU MOVE FORWARD?

- Find someone you trust
- Internal Options
 - Chain of command
 - Legal Advisor
 - Political: Council/Mayor/Other Elected Officials (Clerk/Treasurer)
- External
 - Criminal: D.A.
 - State: FPPC, Attorney General, State Controller, Department of State
 - Federal: Responsible Department; HUD, EPA, SEC
 - Media

WHAT DOES GOOD GOVERNANCE LOOK LIKE?



Good institutional controls rather than dominant personalities



Institution transparency



Engaged community



Engagement in region



Reasonable understandable outcomes



Solution-oriented rather than kicking can down road



Require Accountability



What is the role of City Manager, City Attorney, Council, Employee in the above?

TEN YEARS LATER: LONG TERM CORRECTIONS FROM BELL

■ Improvements in Bell

- 3 years resolved 60 lawsuits, \$78M in claims, recovered \$10M
- Council experienced; Management Team; Created Commissions; New Ordinances/Procedures (Purchasing, etc.); Audits;
- COVID 20% drop in revenue leads to 15% cuts FY 2021

■ Improvements State-wide: Changes in Law

- Bell v. Superior Court I, II (2013). Rizzo not entitled to recover attorney fees for defense despite resolution because contrary to public interest
- Ethics Training 1234
- AB 1344 Executive compensation, regular meeting with 72-hour notice
- Gov't Code 3511.2 CM no automatic increase above CPI; limits on severance
- Gov't Code 7622.70 Pension forfeiture if felony arising from official duties
- Reporting on activities, Council compensation
- TRANSPARENCY

LESSONS LEARNED

- Duties matter.
- Transparency matters.
- Governance matters.



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WHERE TO TURN WHEN YOU NEED HELP

ETHICS SUPPORT RESOURCES

The Institute for Local Government, an affiliate of the League of California Cities, California State Association of Counties and California Special Districts Association has broad resources available on their website, including assessment tools and training to help provide guidance on ethical issues, and more importantly build an ethical culture - <https://www.ca-ilg.org/>

- What to do when you suspect an ethics problem
<https://www.ca-ilg.org/node/3366>
- Ethics Rules every public official should know
<https://www.ca-ilg.org/resource/five-ethics-rules-every-public-official-must-know>
- Good governance checklist
<https://www.ca-ilg.org/post/good-governance-checklist-good-and-better-practices>
- Ethics vs. Ethics Laws
<https://www.ca-ilg.org/video/ethics-principles-ethics-v-ethics-laws>
- Assessing an agency's ethics culture
<https://www.ca-ilg.org/post/assessing-agencys-ethics-culture-tool>

The California Joint Powers Insurance Authority provides both onsite and offsite training on a wide array of municipal topics, as well as a substantial library of online training options, free to its members. <https://cjpia.org/>





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THANK YOU
