



Media Release

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State Audit Confirms City's Need for Additional Revenue, Continued Investment in Public Safety

Auditor finds no evidence of financial mismanagement, fraud or abuse

HEMET, CA - The much-anticipated final report of the California State Auditor's management audit of the City of Hemet has finally been released. The final report, released August 4th, confirms the city's need for additional revenue in order to continue providing essential services such as public safety.

"Although we did not observe any conditions related to fraud or abuse, we did identify concerns regarding Hemet's consistent budget deficits...", the report concludes.

The report identifies the ongoing "risk to public safety" created by the historic underfunding of the Hemet Fire Department. The report also puts to rest any speculation that the city should consider outsourcing either of its public safety departments to the County.

"[The city's] financial condition has the potential to impair its ability to efficiently deliver essential services, specifically in the area of public safety," the report states. "Hemet should identify additional sources of revenue and reduce costs..." according to the report. A significant section of the report is dedicated to acknowledging increasing crime issues and outlining the need to invest in the Hemet Fire Department.

"This independent report further supports the need for the additional revenue that will be generated by Measure U, going to voters in November," said Hemet Mayor Bonnie Wright. The State Audit Report recommends charging additional fees to non-residents users of the Hemet Public Library and to residents requiring fire and paramedic services. "We think that unfairly burdens Hemet residents, especially our senior citizens," the mayor added. "Measure U addresses the auditor's public safety and revenue concerns without unfairly burdening a handful of Hemet residents."

In spite of major staffing and spending cuts over the past several years, the City of Hemet, like many surrounding cities, is seeing the rising cost of providing services outpace revenues. Hemet has taken extraordinary steps to address this imbalance including eliminating 30% of the city's workforce, cutting salaries, eliminating retiree health insurance for new hires, shifting pension costs to employees and franchising refuse services to a private entity. Additionally, the Hemet City Council approved a 5-year Financial Management Plan in October 2015 that will eliminate the deficit and balance the budget by 2020.

"Hemet has reduced its structural deficit from \$5 million last fiscal year to a mere \$350,000 this year. The City Council has adopted a nearly balanced budget. Unlike most cities, Hemet has no on-going debt. This accomplishment must be noted. Hemet is moving in the right direction," City Manager Alex Meyerhoff reported recently to the city council. The city is actually ahead of its own schedule to balance the budget, spending less from reserves this year than predicted in the 5-year plan. Also, the city's conservative revenue projections were right on the mark. Acknowledging these efforts, the State Auditor highlighted the on-going need to increase revenues in order to improve safety services in Hemet.

Officials Question the Appropriateness of Targeted Library and Paramedic Fees

Hemet officials disagree with auditor's recommendation to establish new fees targeting senior citizens and county residents. The report suggests that Hemet should charge county residents as much as \$50 per year for the privilege of using its public library. "We think that's outrageous!" Mayor Wright noted. "Our library is a central piece of our community fabric. Limiting access to important services such as early childhood education, literacy and job search to low-income families, senior citizens and children just because they don't live within our city limits hinders future economic and workforce development within the community," she added.

Another fee suggested by the audit report would unfairly target senior citizens. The report recommends imposing a paramedic subscription fee that includes large fines for calling paramedics without a subscription. "We reject the notion that seniors should be penalized for using the life-saving services of the Hemet Fire Department," said Mayor Wright.

City Manager Alex Meyerhoff further noted that the full council will have an opportunity to evaluate the auditor's recommendations for fee increases, but suggested the council has already given the voters the opportunity to address the revenue issue in November. "The council majority believes the voters should have the opportunity, as allowed for under state law pursuant to prop 218, to address the level of public service at the ballot box," Meyerhoff said.

Audit Urges Retention and Investment in Police and Fire Departments

The state auditor's office thoroughly assessed the Hemet Police and Fire Departments. Their conclusions mirror those presented by the Hemet police and fire chiefs to the community and council. The audit report effectively ends any discussion of outsourcing public safety. The report concludes, "Maintaining [Hemet's] police department appears to be a more practical option at this time...." Additionally, the report

states, “eight cities that currently contract with the Riverside County Sheriff for police services are currently working with a consultant to determine if there are more cost-effective ways to deliver police services due to increases in the amounts charged by the sheriff....” “Essentially, those cities are trying to figure out how to get what Hemet residents have; local control over the cost and delivery of their public safety services,” said Hemet Police Chief Dave Brown.

In regards to the assessment of the Hemet Fire Department, the audit report reiterates the conclusions and recommendations of Hemet Fire Chief Scott Brown and the independent Service Delivery Assessment conducted in 2015 by Emergency Services Consultants International. “Hemet has consistently underfunded its fire department...creating a risk to public safety,” the report confirms.

Fire Chief Brown said of the report, “I look forward to working with the mayor and city council, our Leadership Team and the community to transform these important recommendations into sound policy that supports the critical needs of our Fire Department. These changes that will ensure the Hemet Emergency Fire and EMS Department will not only be efficient, it will be a system that our residents can count on, now and well into the future.

City Already Addressing Retire Health and Pension Costs

The audit report points to “projected pension costs and a large unfunded liability” that are stressing Hemet’s budget. City officials have implemented a number of aggressive reforms to address these issues. In 2010, Hemet employees agreed to pay much larger percentages of the city’s costs related to the Public Employee’s Retirement System, or “Cal PERS.” Unlike county employees and many other inland cities, Hemet employees did not receive pay increases to offset these contributions.

In 2012, the city adopted the tenants of the CA Public Employee Pension Reform Act that effectively standardized all public employees’ pensions at a lower formula, reducing on-going costs by millions. Furthermore, in 2015, the Hemet City Council adopted an additional policy reforming the city’s retiree health insurance program which is projected to save the city over \$1 million a year.

At their July 26th meeting, the Hemet City Council approved placement of ballot measure on the November 2016 ballot which would provide a general purpose sales tax of 1%, generating approximately \$10 million annually.

This action was consistent with the actions of a number of neighboring cities including Temecula and Riverside, that have reported similar budget challenges.

Restructuring of City Operations Could be Considered by City Council

The auditors reported concerns with the structuring of some city operations. For example, they were concerned with the fact that eight individuals (mostly department directors) report directly to the city manager. Some recommendations were made to restructure the management team, potentially consolidating departments.

Another recommendation is to consider moving the code enforcement function to one of the public safety departments in order to “better serve the needs of the community.” While both public safety chiefs have taken an open-minded approach to this, they agree that the code enforcement division under the direction of the community development direct provides “excellent and responsive attention to the needs of both departments and the community.”

Finally, the audit report suggests the city may “reduce costs by outsourcing parks maintenance.” This potential savings was explored in light of the service levels provided by the city parks department in 2009 and the city council determined the service was most efficiently provided internally. The city will continue to explore the cost/benefit equation in its provision of all public services.

City Publishes Corrective Action Plan Ahead of Deadline

In response to the audit findings, the city is required to submit a ‘corrective action plan’ to the State Auditor’s Office. The plan is a detailed account of all proactive steps being taken by the city to address the “key risks” outlined in the report. According to the report, the most pressing risks facing the city are the “ongoing budget deficit” and the “underfunding of the Hemet Fire Department.” The risk posed by ongoing crime and quality of life concerns is also identified as key risk factor in the report.

The city agrees entirely with those findings and has put the best solution to the voters in November. Measure U addresses both of those concerns head-on.

“Our corrective action plan is clear and concise. It outlines the steps we are taking to address the auditors concerns,” said City Manager Meyerhoff. “I’m very proud to report that we have already made great progress on some of the most important initiatives.”

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