



City of Blythe

Corrective Action Plan – Update March 2022

Response to State Auditor's Report 2020-802

**“Inadequate Planning and Other Ineffective Management Practices Hinder
Its Ability to Provide Needed Services to Its Residents”**

March 25, 2022

Elaine M. Howle, CPA
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Re: Corrective Action Plan – Update March 2022 – State Auditor’s Report 2020-802: “The City of Blythe: Inadequate Planning and Other Ineffective Management Practices Hinder Its Ability to Provide Needed Services to Its Residents”

Dear Ms. Howle:

Enclosed, please find the City of Blythe’s six-month update to the Corrective Action Plan in response to the above-referenced State Auditor’s report as required by California Code of Regulations, Title 2, section 61140. As detailed in the enclosed update and in the City’s Corrective Action Plan submitted on May 20, 2021 and in the City’s update provided on September 23, 2021, the City has implemented a number of items identified in the State Auditor’s report. I believe you will be pleased with the progress made to comply with the findings of the report since it was issued on March 23, 2021 and since the City’s last update.

Should you have any questions, please feel free to contact me via email at msutterfield@cityofblythe.ca.gov.

Sincerely,

Mallory Crecelius
Interim City Manager

AUDIT ISSUE: BLYTHE'S FINANCIAL STABILITY REMAINS UNCERTAIN EVEN WITH RECENT IMPROVEMENTS

State Auditor's Recommendation No. 1: *To ensure that the City is able to continue increasing the funds in its General Fund and thereby operate with an adequate reserve, Blythe should develop a plan to ensure it has needed resources in the event that revenues from the sales tax and commercial cannabis activities are below estimates.*

March 2022 Update: As outlined in our previous update, the 2020/21 audited financial statements provide a General Fund budget surplus of \$3.8 million. Of this, \$1.9 million is assigned per the City's Reserve Policy. A budget surplus of \$3.8 million provides the City with well over three months of reserves. This is above the GFOA's best practice of two months of reserves. These reserves will be in place should sales tax and/or commercial cannabis taxes come in below budget. As previously stated, the City's sales tax revenue from the passage of Measure K continues to trend well above original projections and has exceeded the City's Bradley Burns sales tax allocation. The City's Sales Tax, Transient Occupancy Tax and Cannabis Tax revenues are also trending above budget estimates, which has contributed to a surplus in the General Fund. Since the Corrective Action Plan was submitted in May 2021, the City has licensed additional cannabis businesses, which will provide enhanced cannabis tax revenue for the City of Blythe. In January 2022, the City's second Dispensary opened and is reporting tax revenues to the City.

State Auditor's Recommendation No. 2: *To attract retail businesses and increase revenue, the City should develop a plan to engage with stakeholders, such as City residents and local business owners, to initiate a formal economic development effort.*

March 2022 Update: As mentioned in the City's previous update, the City is a member of the Palo Verde Economic Alliance which was formed with the purpose of promoting the City of Blythe and surrounding Palo Verde Valley. The Alliance is comprised of many community members and stakeholders including the City, Chamber of Commerce, and Riverside County Economic Development Agency. The Blythe Area Chamber of Commerce recently revitalized its organization, and the City has partnered with them on several beautification projects and events. In 2019, the Palo Verde Economic Alliance engaged the Development Management Group, Inc. for an Economic Development Planning Brief. This plan was presented at the City's 2019 Annual Economic Outlook Conference. The City is open to updating the plan for current market conditions. As recommended in the Economic Development Planning Brief, the City established the 2+2+2+2 Committee comprised of representatives of the City, Palo Verde Unified School District, Palo Verde College and Palo Verde Health Care District. Three Committee meetings have been held since the Corrective Action Report was submitted in May. In January 2022, the City entered into a three-year agreement with Retail Strategies, LLC to attract new retail development to the City.

The City will continue its on-going economic development efforts.

State Auditor's Recommendation No. 3: *To ensure that the City is adequately prepared to address long-term financial, budgetary, and operational challenges—such as deteriorating infrastructure—it should develop a five-year strategic plan by June 2022. Following the GFOA guidance, this strategic plan should define the City's priorities, adopt a small number of broad goals, establish agreement about intended outcomes, and outline strategies and actions that align with these priorities and goals. The strategic plan can be separate from the other plans recommended in this report, or the City can choose to include elements of the other plans in its strategic plan.*

March 2022 Update: The City will work to develop a strategic plan by June 2022.

AUDIT ISSUE: BLYTHE MUST ADDRESS DEFICITS IN ITS ENTERPRISE FUNDS AS WELL AS UNMET SAFETY AND INFRASTRUCTURE NEEDS

State Auditor's Recommendation No. 1: *To ensure that the City is accurately representing its financial condition, it should record its internal loans to the golf course, trash collection, and lighting district funds as transfers. The City should include these updated transactions in its Fiscal Year 2021-22 financial statements.*

March 2022 Update: None. As indicated in the City's previous update, the City does not agree with the State Auditor's opinion that the deficits should be recorded as internal loans, beginning with the Fiscal Year 2021-22 Financial Statements. The City will not record these deficit fund positions as internal loans as recommended.

State Auditor's Recommendation No. 2: *To eliminate its outstanding golf course loan owed to the Successor Agency, by June 2021 the City should adopt a payment schedule for paying down the loan in a timely fashion.*

March 2022 Update: None. This recommendation has been fully addressed.

State Auditor's Recommendation No. 3: *To better assess the Police Department's efficiency and effectiveness, the City should follow through with its plan to reapply to obtain management consulting services from the commission.*

March 2022 Update: The City's application for management consulting services through POST was accepted. POST began the organizational study of the Blythe Police Department in January 2022.

State Auditor's Recommendation No. 4: *To ensure that Blythe Fire Department has equipment that meets industry standards, the City should develop a long-term plan to schedule and fund replacement of its fire vehicles.*

March 2022 Update: The City's FY 2021/22 annual budget process consisted of preparing a 5-year needs list. This list includes the vehicle and equipment needs of the Blythe Fire Department. The City has allocated funding for safety equipment in the FY 2021/22 budget. On December 14,

2021, the Blythe City Council approved the purchase of two fire apparatuses totaling \$1.2 million. The purchase consists of a 75' Pierce Enforcer Ladder Truck and a Rescue Truck. These vehicles have been identified as the top two priorities of the Fire Department and will replaced aging equipment in the fleet. Other needs will be prioritized over the next five years as funding permits. To address the long term and on-going needs of the Fire Department, City staff will prepare a vehicle and equipment replacement schedule. The schedule will aim to replace the City's fleet in accordance with industry standards.

State Auditor's Recommendation No. 5: *To address the risks associated with its high vacancy rate, the City should identify initiatives it could implement—such as programs to demolish or rehabilitate vacant buildings—to reduce the number of vacant buildings. To support its effort, the City should identify and apply for available federal, state or county grants.*

March 2022 Update: None. The City continues its on-going efforts to address vacant and blighted buildings.

AUDIT ISSUE: THE CITY NEEDS MORE EFFECTIVE MANAGEMENT PRACTICES TO IMPROVE ITS FINANCIAL STABILITY AND ITS ABILITY TO PROVIDE SERVICES TO RESIDENTS

State Auditor's Recommendation No. 1: *To ensure that the City is adequately recovering its costs of providing services to residents, it should develop a policy to assess the need to update its utility rates and service fees at least every five years and adjust them if necessary.*

March 2022 Update: On January 11, 2022, the Blythe City Council adopted the City of Blythe User Fee Cost Recovery Policy which requires user fee studies to be conducted every five (5) years. The policy is posted on the City's website at: <https://www.cityofblythe.ca.gov/DocumentCenter/View/1783/Blythe-User-Fee-Cost-Recovery-Policy---Updated-1112022?bidId=>. In February 2022, the City released a Request for Proposal for a consultant to conduct comprehensive water and sewer rate studies.

State Auditor's Recommendation No. 2: *To ensure that it can effectively monitor contracts, the City should develop procedures to clearly identify in its financial system the contract authority for a contract-related purchase and procedures to close out expired contracts.*

March 2022 Update: None. As outlined in the City's previous update, this item has been addressed.

State Auditor's Recommendation No. 3: *To ensure that it can properly manage its contracts, City management should develop a system for tracking contracts that identifies the total contract amount, the time period and any relevant special terms.*

March 2022 Update: None. As outlined in the City's previous update, this item has been addressed.

State Auditor's Recommendation No. 4: *To ensure that changes to contracts are appropriate, City management should develop a policy that provides guidance for making changes to existing contracts and clearly establishes roles, responsibilities, and approval authority for designated city representatives.*

March 2022 Update: None. As outlined in the City's previous update, this item has been addressed.

State Auditor's Recommendation No. 5: *To ensure that the City has a critical administrative component in place that will allow it to plan its next steps to improve its financial stability and continue providing services to residents, it should begin the process for hiring a permanent city manager by June 2021.*

March 2022 Update: None. As indicated previously, the City will hire a permanent City Manager when deemed appropriate by the City Council.