



# **City of Blythe**

## **Corrective Action Plan**

**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”**

May 20, 2021

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

**Re: Corrective Action Plan – 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 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 Corrective Action Plan, the City has begun the implementation of 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.

The required six-month update will be submitted by September 23, 2011. Should you have any questions, please feel free to contact me via email at [msutterfield@cityofblythe.ca.gov](mailto: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.*

**City's Response:** The Blythe City Council adopted the City of Blythe Reserve Policy on December 12, 2019. The Reserve Policy is posted on the City's website at: <https://www.cityofblythe.ca.gov/DocumentCenter/Index/52>. The express purpose of the Reserve Policy is to establish the guidelines for: (1) financial reporting of reserves, (2) establishing reserve levels, (3) funding of reserves, and (4) use of reserves. The policy allocates budget surpluses to unfunded pension liabilities, future capital purchases, natural disasters, and three months of operating reserves to weather revenue shortfalls. Early estimates project the General Fund to have a budget surplus of \$1.1 million at year end for Fiscal Year 2020/21. The current fiscal year ends June 30, 2021. This budget surplus will provide the City with over two months of reserves. Although the City's goal is three months of operating reserves, the City will be 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. It should be noted, however, that the City's sales tax revenue from the passage of Measure K is trending well above original projections and is expected to exceed the City's Bradley Burnes sales tax allocation. The City's Sales, Transient Occupancy Tax and Cannabis Tax revenues are also trending above budget estimates, which has contributed to the surplus in the General Fund.

**Timing:** The City's Reserve Policy is already in place. The City will continue to allocate budget surpluses to its reserves in accordance with the guidelines set forth in the Reserve Policy. The City's Draft Audit Report for FY 2020/21, which will reflect the City's operating reserves as of June 30, 2021, will be available as early as December 2021.

**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.*

**City's Response:** 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. The first meeting will be held in June 2021.

**Timing:** 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.*

**City's Response:** During the FY 2021/22 budget planning process, the City developed a list of priorities needed over the next five years. The list includes capital and equipment purchases, facility and technology upgrades and items needed to address the City's deferred maintenance. Funding for some of these items was allocated in the City's Draft FY 2021/22 Operating and Capital Budget. The budget will be presented to Council for adoption at the June 8, 2021 City Council Meeting. The remaining items will be prioritized for purchase/completion over the next five years, as funding permits. Along with the five-year funding plan, the City will work on a strategic plan to address long-term financial, budgetary, and operational challenges as recommended in the State Auditor's Report.

**Timing:** 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.*

**City's Response:** The City has implemented a repayment plan for the Golf Course loan. Starting in FY 2021/22, the City will make annual payments in the amount of \$40,000 from the General Fund to the Golf Course Fund. These payments will be made until the deficit fund position has been addressed, and/or the Golf Course fund generates enough revenue to address its deficit. The Sanitation and Lighting District funds, however, have the ability to generate revenue. With a revenue mechanism, excess revenues generated in these funds will be used to offset their respective fund deficits. 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.

**Timing:** This item is complete.

**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.*

**City's Response:** At the April 13, 2021 City Council meeting, the Blythe City Council took action to repay the Golf Course Loan in its entirety.

**Timing:** This item is complete.

**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.*

**City's Response:** Blythe Police Department staff met with the Regional Manager of the Commission on Peace Officer Standards and Training for Region 7, which includes the City of Blythe Police Department regarding Management Counseling Services provided by the Commission. The Regional Manager assisted staff in revising the City's application for management consulting services. These revisions should strengthen the City's application and request for POST consulting services. The application was re-submitted for consideration. The City is awaiting a response from the Commission on its ability to provide consulting services for the Department which would include a study on the Department's organizational structure and staffing.

**Timing:** This item is complete.

**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.*

**City's Response:** As mentioned above, the City's FY 2021/22 annual budget process consisted of preparing 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. At the April 13, 2021 Council meeting, the Blythe City Council approved the purchase of a fire vehicle for the Fire Chief. This purchase will replace a 20+ year old vehicle currently used by the Fire Chief. City staff is working on the purchase and funding of a new ladder truck and brush truck/support vehicle. These vehicles have been identified as the top two priorities of the Fire Department. The City is researching various purchasing options for the vehicles and anticipates the purchase of the ladder truck and support vehicle by Fiscal Year 2022/23. 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.

**Timing:** This item is complete.

**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.*

**City's Response:** Although the City does not agree with the State's determination that the City has a high vacancy rate, or its method in determining said vacancy rate, the City implemented a plan to address vacant and abandoned buildings in 2020. The FY 2020/21 budget allocated \$80,000 for building abatement efforts. City staff has identified five properties for nuisance abatement. Staff is working with the City Attorney's Office to obtain abatement warrants for all five properties. Once the warrants are obtained from the court, the hazardous conditions and code violations at the properties will be abated. The City has prepared bid documents for the abatement of each property and has met with potential contractors. The City also recently started work on a receivership process with the City Attorney's Office. Some of the City's vacant properties have a useful life and do not necessarily need to be demolished. A receiver would bring the property up to code, enhancing the surrounding neighborhood vs. demolishing structures and leaving vacant lots scattered throughout the City. City staff identified two properties for the receivership process. Although the City has used State grant funds in the past, the City has not identified any new sources of grant funding to address the City's blighted properties. The City will continue to look for available grant dollars for these projects.

**Timing:** The City will continue 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.*

**City's Response:** With regard to fees for services provided by the City, as detailed in the State Auditor's report, the City last updated its User Fee Schedule in 2019. Specific to services provided by the Building Department, the City is on year two of the five-year rate schedule, through which fee increases are being implemented incrementally over a five-year period to achieve full cost recovery. With regard to utility rates, as detailed in the State Auditor's report, the City last updated its rates for water and sewer utility services in 2016 following a rate study. The budget for FY 2021/22 includes funding for rate studies for the City's water and sewer utility enterprise funds. Further, with the presentation of the FY 2021/22 budget at the June Council meeting, staff will present a resolution for approval detailing the City's policy for funding rate studies for service fees and utility rates.

**Timing:** The recommended policy will be presented to the City Council for adoption in June 2021.

**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.*

**City's Response:** The City's current financial software does not have the ability to track contracts as recommended by the State Auditor. Staff has, however, maintained the City's contracts in the prescribed manner for many years using staff reports and spreadsheets to track and monitor contracts which include some form of payment. At the May 11, 2021 Council meeting, the Blythe City Council conducted the first reading of an ordinance to repeal and replace the City's purchasing procedures, separating general purchasing and public works purchasing into two chapters, Chapter 2.65 and Chapter 2.66 of the Blythe Municipal Code. The ordinance delineates which City officers and employees have the authority to approve and execute contracts and purchase orders based upon the value of such contracts and purchase orders. The ordinance also requires the Finance Director, as the City's Purchasing Agent, to prepare a Purchasing Manual implementing the requirements of the updated Chapter 2.65 of the Blythe Municipal Code, subject to approval of the City Manager. The Purchasing Manual, as prepared, provides the necessary guidance relating to the roles, responsibilities and approval authority of staff when making City purchases and entering into or making changes to City contracts. Once approved, the Purchasing Manual will be distributed to all City departments. The staff report and proposed ordinance are available at <https://www.cityofblythe.ca.gov/AgendaCenter/ViewFile/Agenda/05112021-112> (New Business, Item 19). The City also plans to update its financial software as funding permits. This will include a contract module to tie City contracts to the City's financial software.

**Timing:** This item is complete. The ordinance will be presented to the City Council for adoption at the June 2021 Council meeting. The Purchasing Manual will be approved concurrently with adoption of the ordinance and will be posted on the City's website at <https://www.cityofblythe.ca.gov/DocumentCenter/Index/52> once approved.

**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.*

**City's Response:** City staff updated its process for tracking contracts including term, cost, and close out procedures. An agreement number is issued prior to contract approval. This number is used to track the agreement until it is fully executed and filed. The City Clerk continues to maintain a list of all City contracts, including the term and cost.

**Timing:** This item is complete.

**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.*

**City's Response:** As mentioned above, at the May 11, 2021 Council meeting, the Blythe City Council conducted the first reading of an ordinance to repeal and replace the City's purchasing procedures. Both the ordinance and the purchasing manual that will be established pursuant to the ordinance provide guidance for making changes to contracts and establish the roles, responsibilities and approval authority of staff when making City purchases. The Purchasing Manual will be provided to all City departments and Department Heads will ensure their staff have reviewed and are familiar with the requirements and procedures set forth in the Manual.

**Timing:** This item is complete.

**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.*

**City's Response:** The City does not agree with the recommendation of the State Auditor. The City Council is confident in the abilities of the Interim City Manager. The recruitment of a permanent City Manager will occur when deemed appropriate by the Blythe City Council.

**Timing:** This item is complete.