

# 2004-2005 GRAND JURY REPORT

## City of Lake Elsinore

### Background

The City of Lake Elsinore is a General Law City incorporated on April 23, 1888 and operates within the parameters and guidelines of California Law relating to Municipal Government. This form of government provides for a City Council and City Manager. The City Council establishes policy and acts upon legislative matters, approving and adopting ordinances, contract resolutions, and annual budgets. The City Manager is hired by the City Council to supervise staff and serves under a contract. The total adopted operating budget for Lake Elsinore for fiscal year 2003-04 was \$34,953,397.

The City Council also sits as the executive board of the Lake Elsinore Redevelopment Agency (RDA). The purpose of the RDA is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational and public facilities. It has the authority to enter into contracts and incur debt. The RDA was established July 15, 1980 under the State of California Health and Safety Code Section 33000 entitled "Community Development Law."

#### General Statistics for 2003-2004:

|                                    |          |
|------------------------------------|----------|
| Population:                        | 35,358   |
| Average person per household:      | 3.27     |
| Average age:                       | 28.7     |
| Average household income per year: | \$58,663 |
| Area square miles:                 | 38       |

#### Recreation:

|   |       |
|---|-------|
| Lake Elsinore Lake/surface area (acres) | 3,000 |
| Public Parks                            | 20    |
| Diamond Stadium capacity:               | 6,200 |
| Sky diving school:                      | 1     |
| McVicker Alliance Skate Park:           | 1     |
| Motocross Track                         | 1     |

## City General Plan Vision:

"A General Plan is a city's statement of its vision for its own future. The vision of the future is a compilation of basic community values, ideals, and aspirations as to how the city's natural and man made environments should be organized and managed."

The City of Lake Elsinore has a history of ongoing financial problems as pointed out in two previous Grand Jury Reports dated 1994-1995 and 2001-2002.

## Findings

1. The City Attorney's contract is renewed annually without the open bid process. The City of Lake Elsinore has continually contracted with one legal firm for the last seven (7) years, without competitive bid. For the year 2004 the legal firm required a \$7,000 per month retainer in addition to \$155 per hourly fee for other non-specific legal services. The amount of legal services for 2004 exceeded \$500,000.
2. The Grand Jury referred to the California State Attorney General's opinion 02-711, dated October 23, 2002, to clarify purchases of third party meals by a City Administrator. The attorney representing the City of Lake Elsinore disagreed with the Attorney General's opinion and stated that this law applied only to the City Council members.
3. As of January 1, 2005, Lake Elsinore City Council did not have formal adopted and updated policies and procedures that pertain to the following:
  - HWBP (Program terminated January 2005)
  - Credit Card use
  - Cell Phone use
  - Travel Reimbursement
  - City Vehicle Benefits
  - Car Allowance
  - Petty Cash Reimbursement
  - Per Diem Reimbursement
  - Meal Reimbursement

The City's financial division accepted and approved significant discrepancies in the above programs.

4. As of October of 2004:

(a) The City Council has not had Town Hall Meetings on subjects important to the citizens.

(b) Some Lake Elsinore citizens have expressed concern regarding the current indebtedness of the City, concluding that they will ultimately be responsible for repayment of the debts from the general funds, which include:

- Cost to operate the Diamond Stadium
- Cost to subsidize the McVicker Skate Board Park
- Bond and Tax Debt (in excess of \$170 million)
- Attorney and Consultant fees
- Salaries for executives, staff and managers.

(c) The first of three (3) Redevelopment Agency (RDA) Bonds was issued October 1, 1994, to finance the Diamond Stadium. The bonds were issued to finance cost overruns of the general fund account, which includes the cost to operate the Diamond Stadium. The City Council passed an ordinance to refinance the bonds by allowing the City to issue "Certificate of Participation Bonds" with the RDA. As indicated above in Finding #4b, general funds are being used for the repayment of the bonds. The stadium, since its inception has been operating at a loss. In fiscal year 2003-2004 the stadium expenses exceeded income in excess of \$700,000. This situation contributed to the financial problems of the City, causing funds to be diverted from RDA's low and moderate-income housing development program.

(d) The City of Lake Elsinore's RDA, as stated in Health and Safety Code Section 33334.2 thru 33334.6, requires redevelopment agencies to set aside twenty percent (20%) of the property tax increment receipts to a low and moderate income housing fund. This has been validated by Superior Court Case #CIV271683, dated November 14, 1995. This lawsuit petitions the courts for relief of all city indebtedness by allocating RDA's twenty percent (20%) set aside designated monies to reduce that indebtedness.

5. The City of Lake Elsinore does not have a salary plan that includes job definition and stated criteria for advancement.

6. In 1997 land was donated for a potential site of the Diamond Stadium. During the 2004-05 Grand Jury investigation of the donated land, a supplemental agreement document was discovered. This agreement disclosed that fair market compensation would not be realized by the donor if the land was sold to a non-governmental agency within fifty (50) years of the date of donation and the original intent of the donation was not kept.
7. Based on investigations, one person performs both the duties of City Clerk and Human Resources Director. Some annual personnel evaluations have not been done since 1998. One employee has not received an evaluation for seventeen (17) years.
8. The City Council has renewed some local contracts annually rather than using the open bid process. Some contracts are incomplete and amendments are unsigned.
9. The McVicker Skateboard Park is located several miles from downtown Lake Elsinore in McVicker Canyon. The park is operated under contract to a private company. At the present time it is operating at a loss. The location of the park and lack of public transportation for park users has contributed to this loss and has required the City to subsidize the operation of the park to keep it open.
10. The preliminary procedure for an Employee Development Program (educational training) does not have appropriate requirements and approvals.
11. In reviewing the Lake Elsinore General Plan it was discovered:
  - (a) The City General Plan, in total, has not been updated since June 1995, but does have a goal to update the land use element/development codes. California State Law, Government Code Section 65300, requires every City and County to adopt a comprehensive, long-term general plan for physical development of the community.

(b) The Housing Element was updated in July 2002. The Circulation Element of the General Plan has not been amended since March 1995. The Traffic Study Report, which is a part of the Circulation Element, has not been updated since March 1994.

(c) California State Law, Government Code Section 65400 (b), requires local governments to provide an annual report to the legislative body on the status and implementation of the original General Plan, which was adopted on November 27, 1990 and reprinted in March 1995. California Government Code Section 65302 requires planning of the following areas:

- Land Use
- Circulation / with Congestion Management Plan
- Housing
- Conservation
- Open Space
- Noise
- Safety

(d) In April 2005, the Grand Jury requested the City's Status Report for the year of 2004 and/or prior years. The Report for 2004 was not submitted to the Grand Jury as requested. It was stated by the Planning Department, "They did not have the required Status Reports, because the department was inadequately staffed."

12. The Grand Jury requested information on safety rules and regulations for the use of the lake. The brochures, written only in English, contain important information regarding, boating, fishing, and swimming.
13. As of January 2005, the City Clerk stated that the City of Lake Elsinore had no Mission Statement.

## **Recommendations**

**Lake Elsinore City Council**

**Lake Elsinore City Manager**

**Lake Elsinore City Director of Planning**

1. The City Council initiate an independent audit of all monetary charges for fiscal year 2003-2004 submitted to the City by the City Attorney.
2. The City Council consider making the City Attorney a staff position.
3. The City Council establish a Policy and Procedure Committee within the next sixty (60) days to review and revise current policies for formal adoption. Policies and procedures must be reviewed and published on an ongoing basis and/or when there is a change of procedures in staff duties.
4. The City Council, in order to be more cost effective, replace all car allowances with the City's approved rate per mile for actual miles driven; and adopt policies and procedures to prevent the misuse of, but not limited to, the following:
  - Credit Card use
  - Cell Phone use
  - Travel Reimbursement
  - Use of City Vehicles
  - Car Allowances
  - Petty Cash Reimbursement
  - Per Diem Reimbursement
  - Meal Reimbursement
5. The City Council improve its level of community outreach through Town Hall Meetings with the Citizens of Lake Elsinore.
6. Human Resource Department develop a plan to include job definitions and associated criteria for advancement.
7. In the event the City of Lake Elsinore decides to sell the Diamond Stadium and the land on which it sits, a fair market appraisal should be made to determine an adequate price.

8. The City of Lake Elsinore needs to determine if agreement is valid before transferring.
9. The City Manager review all existing contracts to assure completeness of application forms that require information pertaining to licenses and other pertinent data.
10. The City Council of Lake Elsinore investigate the availability of a local "Community Development Block Grant Fund," and specialized transit fund to provide a transportation system that could bring city youth to the skateboard park.
11. The City Manager must first approve an educational course that is job related and taken at an accredited institution. Subsequently, the employee must provide proof of a passing grade before receiving reimbursement for tuition costs.
12. The Planning Department of the City of Lake Elsinore update the General Plan that meets California State requirements for General Plans Section 65300 of the Government Code. Produce annual reports in accordance with California State Law, Government Code Section 65400(b). Copies of the plan and report must be available for public review at the City's local library and City Hall.
13. The City Council produce lake brochures in both English and Spanish.
14. The City Council prepare and approve a formal written Mission Statement that states the mission and the vision of the city for its future.

***Report Delivered: 06/23/05***  
***Report Public: 06/27/05***  
***Report Response Due: 09/21/05***