



January 13, 2020

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The Honorable Rudy Salas, Chairman  
Joint Legislative Audit Committee  
1020 N Street, Room 107  
Sacramento, California 95814

**RE: Local Government High Risk Audit Program – City of Blythe**

Dear Chairman Salas:

Government Code section 8546.10 permits the California State Auditor's Office (office) to develop a high-risk local government agency audit program for the purpose of identifying, auditing, and issuing reports on any local government agency, including a city, county, special district, or other publicly created entity, that the office identifies as being at high risk for the potential of waste, fraud, abuse, or mismanagement or that has major challenges associated with its economy, efficiency, or effectiveness. Pursuant to this provision, I am respectfully requesting the committee's approval of an audit of the City of Blythe.

Blythe is a city in Riverside County with a population of about 20,000. Blythe is geographically isolated, with the closest California cities—Coachella and Needles—located nearly 100 miles away. The poverty rate in Blythe is more than double the statewide rate. Additionally, Blythe has been unable to address the numerous abandoned structures located throughout the city that provide no tax revenue and, according to the city, are often occupied by squatters, which can result in public safety concerns such as fires.

In October 2019, my office identified Blythe as the third most fiscally challenged city in the State due to its general fund currently having a positive fund balance of about \$600,000. We are concerned with its ability to sustain such a balance in the long term because of its recent history of operating at a deficit during most of the past decade. Further, the city has more than \$500,000 in negative balances in other funds that support core functions, including its solid waste and utility services, and its lighting district. These deficits have increased in size for nearly a decade. Moreover, Blythe has incurred substantial debt and increasing liabilities pertaining to its city employee retirement costs, which could result in the city needing to divert more of its general fund resources to cover these costs in lieu of providing essential public services. Blythe's external financial auditors have continuously raised substantial doubts about the city's ability to continue to operate, in part due to these obligations.

Further, Blythe struggles to generate sufficient revenue to fund its operations. Blythe's annual general fund revenue has increased over the past 10 years, from \$6.9 million in fiscal year 2009–10 to \$8.0 million in fiscal year 2018–19. During this time, Blythe reduced expenditures to balance its

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budget, but in doing so experienced challenges in providing core services with limited resources. For example, Blythe reduced its workforce by 25 percent from fiscal years 2009–10 through 2018–2019. In addition, the city’s public safety equipment appears to be outdated, and its roads are in need of repair. City residents have also expressed concerns over homelessness and blight.

An audit of the city of Blythe will determine whether the city has an effective plan in place to address its ongoing financial and operational deficiencies. The proposed audit will address the following questions:

- What is the extent of the city’s financial problems and its ability to deliver services effectively?
- Has the city developed effective forecasts to assess its ability to meet its long-term financial obligations?
- Does the city use revenue generated for specific purposes appropriately?
- Does the city have effective controls over its finances and operations to mitigate the risk for waste, fraud, and abuse and ensure efficient and effective operations?
- Have the city’s efforts to fill key management positions and maintain leadership been effective?
- Have the actions that the city has undertaken to minimize the impact of budget reductions on its residents been effective?
- Are there any potential additional sources of revenue available to the city or best practices for generating revenue that the city could implement?
- Are the city’s public safety efforts effective, and does it have the necessary infrastructure and equipment to fulfill its responsibilities?

If you have any questions regarding this audit proposal, please contact me or Paul Navarro, Chief Deputy State Auditor, Operations, at (916) 445-0255.

Sincerely,



ELAINE M. HOWLE, CPA  
California State Auditor