

2001-2002 GRAND JURY REPORT

City of Lake Elsinore

Background

The City of Lake Elsinore was incorporated in 1888. It covers 38 square miles with a population of approximately 30,000. The city council consists of five members who select the mayor from its members. There are eleven managers and department heads whose annual salaries and benefits total \$1,638,821.

The city's major attraction is Lake Elsinore, which is the largest natural lake in Southern California. The State of California owned what was formerly called the Lake Elsinore Recreation Area and Campground, which is one of several recreation areas around the lake. After the state negotiated and assigned that area and the concessionaire's contract to the city in 1993, it became known as the City Campground. (see Attachment) The concessionaire continued operating the campground until his contract was terminated by the city, in 1996, for violations of city health and safety codes.

The City of Lake Elsinore has a history of financial difficulties. These difficulties include the financing of the Lake Elsinore Diamond Stadium. Those financing issues about the stadium were the focus of a 1994-1995 Grand Jury Report. The city responded to one of the findings with the following:

"...a feasibility study which indicated that the construction of the Stadium would have substantial spin-off redevelopment and economic benefits for the City and Redevelopment Agency, more than justifying the expenditures of the funds for construction. It was not indicated in that feasibility study, nor indicated by the Agency at any time, that the Stadium would "pay for itself" in the sense that revenues generated by the Stadium would equal the debt service."

Findings

1. Anticipated spin off and economic benefits from the stadium have not occurred.
2. After removal of the concessionaire, the City of Lake Elsinore pledged the Lake Elsinore Recreation Area and Campground as collateral for refinancing of the financial obligation for the Lake Elsinore Diamond Stadium.
3. There was a settlement of \$1,500,000 by the city for a breach of contract with the Lake Elsinore Recreation Area and Campground concessionaire. Insurance covered only one-half of that settlement amount.

4. Large legal fees include a city attorney fee of \$500,000 for 2001-2002 and a projected city attorney fee of \$450,000 for 2002-2003. Those extraordinary legal expenses for the city in 2001 included but were not limited to:
 - The Camelot Theater Project
 - Proposed development for the flood channel
 - The stadium management contract
 - Litigation associated with drownings
5. A licensing agreement by the City of Lake Elsinore for the City Campground with a private corporation was entered into on December 11, 2001. The agreement required that the corporation conduct an "...Aquatic Safety Study within 120 days that shall include recommendations for maintaining and potentially improving the level of aquatic safety."
6. Lake Elsinore City Council adopted a Code of Ethics with an effective date of October 14, 1986, which has not always been followed.

Recommendations

Riverside County Board of Supervisors Lake Elsinore City Council Lake Elsinore City Manager

1. The Lake Elsinore City Council submit a request to the Board of Supervisors for the assistance of a Municipal Response Team in accordance with the Board of Supervisors' Policy Number A-54.
2. The Board of Supervisors respond favorably to a request from the Lake Elsinore City Council for a Municipal Response Team.
3. The Lake Elsinore City Council engage an outside firm to perform a complete and in-depth audit of city finances and practices.
4. The Lake Elsinore City Council require the immediate completion of the Aquatic Safety Study and, once completed, develop policies and procedures for ensuring that all provisions of the study are met.
5. The Lake Elsinore City Council review and make a commitment to conduct all city business according to their Code of Ethics.