

2008-2009 GRAND JURY REPORT

City of Hemet

Background

The City of Hemet is located in the San Jacinto Valley of Riverside County, approximately 35 miles southeast of the City of Riverside. Major activity in the area first took place in 1895 when the Hemet Dam was completed. It supplied much needed water to farmers and ranchers, whose agriculture included orange and apricot groves, olives, peaches and walnuts.

It was January of 1910 that the City of Hemet was incorporated. For the next several decades, Hemet remained the primary trading center for the neighboring agricultural region. After World War II, the city's rural character began to change significantly. Post war growth was booming, and developers discovered Hemet. Sierra Dawn, the country's first to feature mobile homes situated on their own lots, placed Hemet in the nation's spotlight. Seasonal residents nicknamed "snowbirds" made Hemet their winter headquarters. Some regular visitors traveled from as far as Canada and the Middle West. Rentals and purchases of senior property increased exponentially.

Additional developments dedicated to the senior population included both mobile home parks and permanent housing. The population of Hemet soon reflected a majority of seniors as year-round residents. By the 1980's, estimates placed the percentage of seniors age 65 plus at 70 percent. The area's economy also reflected the types of services, which evolved to serve seniors. These included all health care professions a significant increase in the numbers of board and care homes, assisted living facilities and retirement communities. This increase in the senior population impacted representation on the Hemet City Council.

This was the atmosphere in 1991 when the Hemet City Council contracted with Prime of Life, a nonprofit agency incorporated in 1987 qualified as a charitable organization under section 501(c)(3) of the Internal Revenue Code. Prime of Life's mission was to provide services to senior citizens of Hemet and the surrounding community. Basic provision of the 1991 contract committed the City of Hemet to the sum of \$20,800 annually, paid in monthly increments of \$1,733.33.

Findings

1. The City of Hemet successfully applied for funds from the California Senior Center Bond Act of 1984, which provided for the sale of \$50 million of general obligation bonds to finance acquisition, construction and expansion of senior center programs throughout the state. The City of Hemet sought the funds to add a senior wing to its neighborhood facility, the James Simpson Memorial Center. As part of its application for funds, the City of Hemet agreed to provide an array of senior services, two of which (outreach services and routine information and referral services) were to be provided by Prime of Life.

The City of Hemet and Prime of Life signed an agreement for services, dated August 13, 1991. The City of Hemet failed to monitor the contract with Prime of Life to provide senior citizen referral services in the Hemet area. For example, Prime of Life's operating hours and days open were significantly reduced at least twice, while the City of Hemet continued to pay the contracted amount for services. The contract was never modified to reflect changes in Prime of Life's operation.

2. There is a requirement which calls for written reports to be provided to the City Manager by Prime of Life every 60 days; however, testimony revealed there is no evidence of oversight by the City of Hemet.
3. The Prime of Life Executive Director was/is a longtime member of the Hemet City Council. This was well known in the community and by the Hemet City Council. As a member of the council, she participated in budget deliberations and approval of the entire city budget, including funding for the operation of Prime of Life. This is a conflict of interest.
4. As examination of the FY 2008-2009 budget figures provided by the executive director of Prime of Life revealed that out of a total projected income of \$48,300, over 77 percent was allocated to four items: salary of the executive director (\$28,000); employment taxes (\$5,000); accounting services (\$2,000); insurance (\$2,500). These expenditures left little for other discretionary operating expenses. On the revenue side, in addition to the City of Hemet's contractual obligation, the primary funding source has been Central County United Way (whose funding has decreased in the recent past).
5. The Riverside County Office on Aging has been instrumental in supporting Prime of Life by providing referral operator trainees through its Senior Employee Training Program to answer calls from senior citizens in the Hemet area and refer them to appropriate agencies for assistance. The Riverside County Office on Aging also provides an 800 line for callers as backup to their efforts through Prime of Life.

6. For several years Prime of Life (without the necessary city monitoring) failed to submit required annual reports to appropriate state and federal tax agencies. This failure led the Franchise Tax Board to suspend the tax exempt status of Prime of Life until/unless Prime of Life could correct the filing deficiencies. In order to regain tax-exempt status, Prime of Life had to expend approximately \$20,000 in back payments and accounting fees.

Recommendations

City of Hemet – City Council City of Hemet – City Manager

1. The City of Hemet should formally cancel the contract with the Prime of Life organization.
2. The Hemet City Council should perform due diligence and exercise oversight of all organizations to which it approves funding.
3. The City of Hemet should:
 - Acknowledge publicly that a sitting Hemet City Council member has a conflict of interest with Prime of Life.
 - Immediately move to prevent any future conflict and/or appearance of a conflict of interest.
4. The City of Hemet should develop written policies and procedures to ensure requisite oversight on expenditures and immediately cease funding any non-compliant entities.
5. The City of Hemet should spearhead an effort to retain a relationship with the Riverside County Office on Aging, so Office on Aging trainees can continue to handle referral calls.
6. The City of Hemet should examine its contracts and agreements with other tax-exempt organizations in the community to confirm that those organizations are currently with their tax filing fiduciary responsibilities.

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