



CITY OF HEMET

Riverside County

Risk Designation: High Risk

Summary

Our audit of the city of Hemet (Hemet) revealed that the city is addressing some key risks that have caused financial stress and affected the efficiency and effectiveness of its government, but significant work remains to ensure that the city is stable over the long term. Because of the considerable challenges still facing Hemet, we have placed it on our high risk list and will follow up with the city until its corrective action plan has been satisfactorily implemented and the deficiencies identified in this report have been adequately addressed.

Key Risks

- *Ongoing budget deficit:* Hemet has had deficits for eight of the past nine fiscal years, with its fiscal year 2015–16 budget projecting a \$5 million deficit. The city has also gradually spent down its reserves. Despite the continued deficits, Hemet has yet to develop an effective plan that fully closes its budget gap.
- *Underfunding of the Hemet fire department:* The fire department has been critically underfunded and now has considerable needs in terms of staffing and infrastructure, creating a risk to public safety. Additionally, the fire department has not been thorough in its efforts to recover its costs and currently charges for only a fraction of the services it provides.

Key Recommendations

- To address its budget deficit, we provided Hemet with various options to increase revenue or reduce costs and adopt sufficient measures until it has a balanced budget. For example, it could collect fees for services it currently provides without charge, such as library services and emergency medical services.
- To ensure that it can adequately fund its fire department operations and recover the costs of its services, we recommended that Hemet generate additional revenue, address the concerns identified in consultant reports, and seek to enhance the fire department's cost recovery efforts.

