



Elaine M. Howle *State Auditor*

CONTACT: Margarita Fernández | (916) 445-0255 x 343 | MargaritaF@auditor.ca.gov

City of Irwindale

It Must Exercise More Fiscal Responsibility Over Its Spending So That It Can Continue to Provide Core Services to Residents

Background

Home to roughly 700 businesses, the city of Irwindale (Irwindale) is known for gravel and sand pit mines and currently has 16 pit mines—seven are active or in the process of being activated and produce millions in mining tax revenue while the other nine are not producing mining tax revenue. The city’s general fund is used to account for all revenue and expenditures necessary to carry out the basic governmental activities that are not accounted for through other funds, such as its two major special revenue funds which account for revenue and expenses related to mining and to developing housing opportunities for low-income households.

Key Findings

- Irwindale has significantly depleted its general fund reserves because it continues to spend more than it takes in.
 - » For years, Irwindale’s city council approved annual budgets in which budgeted general fund expenditures exceeded revenue. Thus, the city operated with this structural deficit each year since fiscal year 2011–12 and expects to incur a deficit of \$735,000 in fiscal year 2016–17.
 - » The city has not developed a long-term financial plan and has relied on one-time gains, such as the sale of a pit mine, to help it overcome its structural deficits.
 - » The city directs over 50 percent of its general fund budget to personnel expenses which include salaries, fringe benefits, and overtime pay.
 - It offers its employees generous health benefits—in 2015, it spent \$18,400 per employee which is about \$6,000 per employee higher than the city paying the highest health benefits among 12 comparable cities.
 - The police department works a significant amount of overtime and most of the overtime pay goes to five of its 17 officers—not only is this costly, but it could also be unsafe.
 - » It provides increasingly costly prescription medications and vision benefits to its city residents—in fiscal year 2015–16, the city spent nearly \$1 million for these benefits.
- Because the city exempts many types of its contracts from competitive bidding, it cannot always ensure that it receives the best value—16 of the 25 contracts we reviewed were exempt and had a total value of \$1.7 million.
- The city’s Housing Authority has forgiven \$9.1 million and may forgive another \$10.2 million it loaned to low-income residents for rehabilitating or purchasing their homes.

Five Officers Received More Overtime Pay Than All Other Officers Received



Our Key Recommendations

- Address its structural general fund deficit and develop long-term solutions to balance its budget, reduce its employee benefits costs by negotiating with bargaining groups and key management employees, and reduce the cost of its prescription drug benefit program it offers residents by taking steps such as enacting limits.
- Implement a rotational order for scheduled overtime to prevent some police officers from working excessive shifts.
- Ensure it receives the best value for contracts it exempts from competitive bidding by requiring evidence that staff determined the price is fair and reasonable.
- Revise the housing programs to ensure all residents have an equal chance to participate and examine available funding mechanisms before funds are exhausted.