

2008-2009 GRAND JURY REPORT

Palo Verde Cemetery District

Background

The Palo Verde Cemetery was incorporated as a non-profit organization in 1897. It converted to a cemetery district in January 1951, under provisions of the California Health and Safety code. The Palo Verde Cemetery District, located in Blythe, is one of the largest public cemetery districts in California, serving 1,033 square miles in the southeastern portion of Riverside County.

This district is an independent political subdivision governed by a three-member board of trustees, appointed by the Riverside County Board of Supervisors. (A special district must conform to democratic safeguards such as the Ralph M. Brown Act, the Public Records Act, and the Political Reform Act.) The district relies on funding from burial fees and a property tax allotment. Burials now number approximately 85 per year.

At the time of its founding the district owned a developed ten-acre cemetery site. The district purchased an additional 25 acres in 1956 and developed five acres of that land in 1998, bringing the total to 15 developed acres.

Findings

1. Prior to September 2008, district trustees were negligent in their oversight of the financial affairs of the district. The trustees failed to demand financial accountability from the general manager, who signed blank checks and permitted improper expenditures of district funds. No formal orientation and training program for trustees exists. Testimony from former trustees revealed they were unaware of their basic fiduciary responsibilities. Minutes of their meetings were either incomplete or reflected inadequate decision-making for a governing body.

2. The prior general manager of the district failed in his basic management responsibilities to the district, by:
 - a. not providing appropriate orientation and training to the trustees
 - b. making questionable expenditures for personal use from district funds
 - c. improperly borrowing funds from the district endowment fund to finance operating expenses
 - d. using poor record keeping practices, he ignored recommendations from the outside auditor.
3. The Riverside County Board of Supervisors, as the appointing authority for district trustees, failed to provide instruction to trustees in their areas of responsibilities and fiduciary obligations.
4. Over several years the district faced a shortage of revenue to meet increasing operating costs. In an effort to correct this deficit, the board of trustees and general manager borrowed more than \$253,000 from the endowment fund principal. This was a violation of California Health and Safety Code Section 9065(e), which states: "The board of trustees shall not spend the principal of the endowment care fund." The fund is nearly depleted. The fund establishes in perpetuity the care and maintenance of the cemetery.
5. The district does not have a policies and procedures manual. This absence of written policies and procedures allowed for the careless implementation of financial and other decisions, which resulted in arbitrary and inappropriate actions taken by the prior general manager. An outdated card system identifying burial plots and financial records contained many errors. Burials were sometimes reserved for plots already occupied.
6. The prior general manager failed to increase revenue or reduce operating costs over a six-year period, thus leaving the district in a vulnerable financial position. In June 2008, the district placed Measure "I" on the election ballot. This proposition called for an increased property tax assessment of \$100 per parcel from voters in the district in order to finance district operations. The measure was defeated by nearly 86 percent of those voting.
7. Financial records are kept in a manual format, thus leading to difficulties in documentation and reconciliation between bank balances and the general ledger.

8. The district has a long-term bonded indebtedness, incurred in 1999, and financed through the Palo Verde Cemetery Financing Authority. According to a recently prepared advisory report from the Riverside County Auditor-Controller, “the district is facing a risk of not meeting its bond obligations. Financing will be required to facilitate the district’s recovery and prevent defaulting on forthcoming bond payments.”
9. California Government Code Section 23010 (a) allows the County of Riverside to provide a loan to the Palo Verde Cemetery District with certain provisions.
10. Since September 2008, the district has been governed and maintained by three newly appointed trustees and a corps of Blythe community volunteers. Their efforts over these months of financial uncertainty should be commended. According to testimony, three employees should be placed on staff when it is financially able to do so, as volunteerism may not be sustainable.
11. Provisions of the Ralph M. Brown Act were ignored. This act guarantees the rights of members of the public to attend and participate in meetings of local governmental entities, including special districts.

Recommendations

**Riverside County Board of Supervisors
Palo Verde Cemetery District Board of Trustees
Blythe City Manager
Blythe Redevelopment Agency**

1. The district should immediately establish an orientation and training program for trustees to include proper handling of finances, fiduciary responsibilities, management hiring practices and employee benefits.
2. The district should seek recoupment of funds improperly paid to and/or by the former general manager, including but not limited to: vacation time, compensatory time, sick leave, cell phone expenses, gasoline allotments and other inappropriate expenditures.
3. The Riverside County Board of Supervisors should improve its vetting process for potential district trustees and provide them with written basic instructions on their fiduciary responsibilities.

4. The district board of trustees should cease any further borrowing from the endowment fund, and establish a repayment program to replenish it with currently available revenue.
5. The district should develop written policies and procedures for the cemetery's business affairs, particularly financial items. This should include a computerized, updated burial plot-mapping plan.
6. The district should prepare a realistic detailed budgeting plan to provide for revenue and expense to be more balanced. An allotment for repayment to the endowment fund should be included.
7. Financial records should be computerized with an accounting program, thus permitting easier tracking and reconciliation of district financial affairs and correlation with the plot mapping system.
8. The district should request assistance from the Blythe Redevelopment Agency to meet part or all of the cemetery district's ongoing bonded indebtedness.
9. District trustees should ask the Riverside County Board of Supervisors to provide a bridge loan to help the district recover from its financial distress.
10. Hire a maximum of three employees (an office manager/bookkeeper, two maintenance personnel) as soon as financial arrangements are made, thus alleviating the burden on community volunteers.
11. Trustees should adhere to the provisions of the Ralph M. Brown Act, thereby communicating the problems of the district to the Blythe community.

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