

CITY OF PALM DESERT, CALIFORNIA

Report on Agreed-Upon Procedures
Applied to Measure A – Local Streets and Roads

Fiscal Year Ended June 30, 2024



Independent Accountant's Report On Applying Agreed-Upon Procedures

The Board of Commissioners
Riverside County Transportation Commission
Riverside, California

We have performed the procedures enumerated below on Measure A - Local Streets and Roads Program of the City of Palm Desert, California ("City") as of and for the year ended June 30, 2024.

Riverside County Transportation Commission ("RCTC") has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose on whether the City was in compliance with the Measure A - Local Streets and Roads Program grant terms and conditions for the year ended June 30, 2024. Additionally, RCTC and the City have agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all of the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and related findings are as follows:

1. Obtain the 2009 Measure A ("Ordinance 02-001") compliance requirements. Western County jurisdictions are required to participate in the Transportation Uniform Mitigation Fee ("TUMF") program and in the Multiple Species Habitat Conservation Plan ("MSHCP") which are administered by the Western Riverside Council of Governments ("WRCOG") and the Western Riverside County Regional Conservation Authority ("RCA"), respectively. Coachella Valley jurisdictions are required to participate in the TUMF program administered by the Coachella Valley Association of Governments ("CVAG"). Indicate participation in TUMF and/or MSHCP programs.

Finding: No exceptions were noted as a result of applying this procedure. The City participates in the TUMF program administered by CVAG.

2. Obtain the City's approved 5-Year Capital Improvement Plan ("CIP") from RCTC for the fiscal year ended June 30, 2024.

Finding: No exceptions were noted as a result of applying this procedure.

3. Obtain a detailed general ledger and balance sheet from the City for the fiscal year ended June 30, 2024.
 - a. Identify the amount of Measure A cash and investments recorded at June 30, 2024. Compare amount to Measure A fund balance and provide an explanation for any difference greater than 25% fund balance.

Finding: Measure A cash and investments were \$23,344,068 at June 30, 2024. The difference between Measure A cash and investments of \$23,344,068 and fund balance of \$23,386,003 is \$41,935 or 0.2% of the fund balance.

- b. Identify amounts due from other funds.

Finding: There were no amounts due from other funds at June 30, 2024.

- c. Identify the components of ending fund balance for Measure A activity.

Finding: Ending fund balance for Measure A activity was restricted in the amount of \$23,386,003 at June 30, 2024.

- i. Identify the existence of any restatement of Measure A fund balance and inquire of management as to the reason for any restatement.

Finding: We noted no restatement of Measure A fund balance at June 30, 2023.

- ii. Compare ending fund balance to total revenues for the current year and prior two years. If ending fund balance is greater than sum of total revenues for the three-year period, inquire of management as to the reason(s) for the accumulation of fund balance.

Finding: We noted that the City's ending fund balance was greater than the cumulative total revenues for the 3-year period as illustrated below.

Revenue for year ended June 30, 2024	\$ 4,816,963
Revenue for year ended June 30, 2023	4,398,556
Revenue for year ended June 30, 2022	<u>3,744,760</u>
 Total Revenue for the 3-year period	 <u>\$ 12,960,279</u>
 Fund balance for year ended June 30, 2024	 <u>\$ 23,386,003</u>

The City management stated that the accumulation of funds will be depleted based on the city adopting an aggressive 5-year CIP plan that anticipates spending the majority of the accumulated Measure A funds by FY 2027/28. The City has also recently established a Capital Projects Department which has been tasked with the completion of several projects.

The City’s plan to use the fund balance of \$23,386,003 in the next year is illustrated below.

	<u>Estimated Measure A Allocation</u>	<u>Estimated Measure A Expenditure</u>	<u>Ending Fund Balance</u>
Fund balance at 6/30/2024	\$ -	\$ -	\$ 23,386,003
5-year CIP for 2024/25	3,508,000	23,657,964	3,236,039
5-year CIP for 2025/26	3,578,000	3,700,000	3,114,039
5-year CIP for 2026/27	3,650,000	3,600,000	3,164,039
5-year CIP for 2027/28	3,723,000	3,700,000	3,187,039
5-year CIP for 2028/29	\$ 3,797,000	\$ 3,700,000	\$ 3,284,039

Based on the approved 5-year CIP for FY 2023/24, the City estimated current year expenditures to be \$16,740,879. However, the current year actual expenditure was \$3,029,345, which resulted in a shortfall of estimated expenditures of \$13,711,534. The estimated unspent expenditure of \$13,711,534 is primarily due to industry delays for construction projects due to materials and labor availability, resulting in some of the anticipated Measure A spending delays.

4. Obtain an operating statement for Measure A activity for the fiscal year ended June 30, 2024 (see Exhibit A), including budget amounts.

a. Review the revenues in the operating statement.

i. Inquire of management as to what fund was used to record Measure A revenues received from RCTC and document total revenues for the fiscal year ended June 30, 2024.

Finding: The City accounts for Measure A revenues in its Measure A Fund (“Fund #213”). The City recorded total revenues in the amount of \$4,816,963 for the fiscal year ended June 30, 2024.

ii. Obtain a listing of Measure A payments made from RCTC to the City. Compare the Measure A revenues recorded by the City to the listing of payments made by RCTC.

Finding: We identified no variances. The Measure A revenue recorded by the City and RCTC Measure A payment schedule was \$3,469,376 for the fiscal year ended June 30, 2024.

iii. Determine the amount of interest allocated to Measure A activity for the fiscal year ended June 30, 2024.

Finding: The City allocated interest in the amount of \$1,226,499 to the Measure A activity for the fiscal year ended June 30, 2024. Allocated interest income of

\$1,226,499 is made up of interest income of \$1,030,678 and Government Accounting Standard Board ("GASB") 31 fair market value adjustment of \$195,821.

- b. Review the expenditures in the operating statement.
- i. Inquire of management as to what fund is used to record Measure A expenditures and document total expenditures for the fiscal year ended June 30, 2024.

Finding: The City accounts for Measure A expenditures in its Measure A Fund ("Fund #213"). The City recorded total expenditures in the amount of \$3,029,345 for the fiscal year ended June 30, 2024.

- ii. Select expenditures for testing that comprise at least 20% of total Measure A expenditures.

Finding: The City recorded Measure A expenditures in the amount of \$3,029,345. We selected \$743,504 or 25% for testing.

1. For the expenditures selected for testing, compare the dollar amount recorded in the general ledger to the supporting documentation.

Finding: No exceptions were noted as a result of applying this procedure.

2. For the expenditures selected for testing, review the 5-Year CIP and note whether the projects claimed were included in the 5-Year CIP and whether they constitute allowable costs.

Finding: Expenditures selected for testing were included in the 5-Year CIP and were allowable costs. No exceptions were noted as a result of applying this procedure.

- iii. Inquire of management as to the nature of any transfers (in and out) recorded in the Measure A Fund. For any transfers out, determine if nature of transfer out was included in the 5-Year CIP.

Finding: There were no transfers recorded in the Measure A Fund that were noted as a result of applying this procedure.

- iv. Inquire of management as to the amount of general or non-project-related costs, if any, included in expenditures. If indirect costs exceed 8% of Measure A revenue, inquire of management as to the basis for indirect costs charged to Measure A. If indirect costs are identified, determine if such costs are included in the 5-Year CIP.

Finding: Per discussion with management, there were no indirect costs recorded for the fiscal year ended June 30, 2024.

- v. Inquire of management as to the amount of debt service expenditures recorded in the Measure A fund and determine if such costs are included in the 5-Year CIP.

Finding: There were no debt service expenditures recorded in the Measure A Fund that were noted as a result of applying this procedure.

1. Compare the debt service expenditures to prior year amount. If debt service expenditures have increased or decreased at least 25%, inquire of management as to the reason for the change in debt service expenditures.

Finding: There were no debt service expenditures recorded in the Measure A Fund that were noted as a result of applying this procedure.

5. Obtain from RCTC a listing of jurisdictions that participate in the Western County or Coachella Valley TUMF programs.
 - a. If the jurisdiction is a participant in the TUMF program, select at least one disbursement for validation as to the amount remitted to WRCOG or CVAG, as applicable.

Finding: We selected one disbursement of \$105,594 for validation. The payment selected for testing indicated that the TUMF is collected and remitted to CVAG as required.

- b. Indicate the total amount of TUMF fees collected and remitted during the fiscal year ended June 30, 2024.

Finding: The total amount of TUMF collected and remitted during fiscal year ended June 30, 2024, were \$466,498 and \$828,984, respectively. The difference of \$362,486 is illustrated below.

	<u>Collected</u>	<u>Remitted</u>
Total TUMF recorded for FY 2024	\$ 466,498	\$ 828,984
June 2023 TUMF remitted in July 2023	-	(372,090)
May 2024 TUMF remitted in July 2024	-	9,604
TUMF reconciled	<u>\$ 466,498</u>	<u>\$ 466,498</u>

The \$362,486 variance between TUMF collected and remitted was due to the City remitting June 2023 TUMF payment of \$372,090 to CVAG in July 2023 and the City remitting May 2024 TUMF payment of \$9,604 to CVAG in July 2024.

6. Obtain from RCTC a listing of jurisdictions that participate in the Western County MSHCP program.
 - a. If the jurisdiction is a participant in the Western County MSHCP program, select at least one disbursement for validation as to the amount remitted to RCA.

Finding: The City is not a participant in the Western County MSHCP program.

- b. Inquire of management as to the existence of any fees collected in prior years that were not remitted to RCA by the end of this fiscal year.

Finding: The City is not a participant in the Western County MSHCP program.

- c. Indicate the total amount of Western County MSHCP fees collected and remitted during the fiscal year.

Finding: The City is not a participant in the Western County MSHCP program.

- 7. Obtain from RCTC the Maintenance of Effort (“MOE”) base year requirement, including its supporting detail calculations for the City, and the carryover amount allowed as of the beginning of the fiscal year.

- a. Obtain from the City a calculation of its current year MOE amount in a format similar to its base year calculation. See Exhibit B.

Finding: No exceptions were noted as a result of applying this procedure.

- b. Compare the current year MOE amounts from the General Fund to the general ledger.

Finding: No exceptions were noted as a result of applying this procedure.

- c. Scan the General Fund general ledger to determine if there were any transfers in to fund any MOE amounts.

Finding: No transfers in were noted as a result of applying this procedure.

- d. Compare the amount of current year MOE expenditures to the MOE base requirement and add any excess to, or subtract any deficiency from, the carryover amount.

Finding: We noted that current year MOE expenditures of \$5,459,746 were greater than the MOE base requirement of \$2,398,146 resulting in an excess of \$3,061,600 for fiscal year ended June 30, 2024.

- e. If the amount of discretionary funds spent is less than the MOE base requirement (“MOE deficiency”), determine the amount of any prior year MOE carryover using the information obtained from RCTC and reduce the MOE deficiency by any available MOE carryover to determine an adjusted current year expenditure amount.

Finding: No exceptions were noted as a result of applying this procedure. The City’s discretionary funds spent in the fiscal year ended June 30, 2024, exceeded the MOE base year requirement.

The City's MOE carryover at June 30, 2024 is calculated as follows:

MOE excess at July 1, 2023	\$ 18,157,121
Current year MOE expenditures	5,459,746
Less: MOE base requirement	<u>(2,398,146)</u>
Excess MOE for fiscal year ended June 30, 2024	<u>3,061,600</u>
MOE excess at June 30, 2024	<u>\$ 21,218,721</u>

We were engaged by RCTC to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively on the Measure A - Local Streets and Roads Program compliance. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of RCTC and the City to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Commissioners and management of RCTC and the City Council and management of the City of Palm Desert and is not intended to be, and should not be, used by anyone other than these specified parties.



Lake Forest, California
November 1, 2024

CITY OF PALM DESERT, CALIFORNIA

Measure A Operating Statement
 Fiscal Year Ended June 30, 2024
 (Unaudited)

	<u>Budget</u>	<u>Actual</u>	Variance From Final Budget Favorable (Unfavorable)
Revenues:			
Measure A	\$ 3,263,000	\$ 3,469,376	\$ 206,376
Reimbursements from other agencies	1,663,000	121,088	(1,541,912)
Interest income	<u>100,000</u>	<u>1,226,499</u>	<u>1,126,499</u>
Total revenues	<u>5,026,000</u>	<u>4,816,963</u>	<u>(209,037)</u>
Expenditures:			
Construction and maintenance	<u>14,159,925</u>	<u>3,029,345</u>	<u>11,130,580</u>
Total expenditures	<u>14,159,925</u>	<u>3,029,345</u>	<u>11,130,580</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ (9,133,925)</u>	<u>\$ 1,787,618</u>	<u>\$ 10,921,543</u>

CITY OF PALM DESERT, CALIFORNIA
Measure A MOE Calculation
For the Fiscal Year Ended June 30, 2024
(Unaudited)

EXHIBIT B

FY 2023/24 Construction and Maintenance Expenditures Report as of June 30, 2024
(Round to nearest dollar)

Project Expenditures Included in General Ledger	Funding Breakdown						
	Total Cost	General Fund	Meas A	Federal	State	City Funds Special Revenue	Other
Construction:							
4250 - Haystack @ Hwy 74 (CST00003)	\$ 12,615	\$ -	\$ 12,615	\$ -	\$ -	\$ -	\$ -
4256 - Underground Utilities - Neighborhood (P830-15)	801						801
4300 - Safe Routes to School Plan (MST00003)	190,427		190,427				
4317 - Road Safety Improvements (CTS00004, CTS00005)	102,878		102,878				
4327 - Haystack Improvements (CST00006)	67,081		67,081				
4385 - Cook Street Improvements (CTS00001)	75,425		75,425				
4385 - Vitalia Improvements (CTS00002)	51,323		51,323				
4565 - Traffic Calming Program (CST00004)	139,098		139,098				
4565 - Haystack Traffic Calming (CST00005)	5,552		5,552				
4633 - Bikeway & Pedestrian Improvements (CST00002)	360,544		360,544				
4633 - Bike Roadway Improvements (MST00004)	1,334		1,334				
4670 - CV Link (CST00005, CST00021)	505,034		138,853			5,910	360,271
4679 - El Paseo Roadway Improvements	536		536				
Maintenance:							
4250 - Traffic Signal Maintenance	1,370,909	1,370,909					
4250 - Traffic Operations & Capacity Imp (P553-20) (MST00001)	315,596		315,596				
4250 - Traffic Signal Hardware Upgrade Program (569-XX) (MTS00001)	1,031,634		1,031,634				
4330 - Corporation Yard Facility	196,727	196,727					
4310 - Street Maintenance	2,347,262	2,347,262					
4311 - Street Resurfacing (CST00021, CST00024)	3,791,877		153,446			3,638,431	
4314 - Drainage Maintenance (P501-XX, P502-XX, P509-XX)	171,135					171,135	
4359 - Bridge Maintenance Program (P759-20) (MFA00007)	383,003		383,003				
4370 - Drainage (CDR00004)	289,332					147,723	141,609
4396 - Drainage Maintenance	76,124	76,124					
4614 - Median Landscape Maintenance	1,468,724	1,468,724					
Engineering/Administrative Overhead Not Allocated to Specific Projects:							
	1,897,288	1,897,288					
Expenditure Totals	\$ 14,852,259	\$ 7,357,034	\$ 3,029,345	\$ -	\$ -	\$ 3,963,199	\$ 502,681
Deductions for Special Consideration (Deductions Must Also Be Included in Project Expenditures Above):							
	Total Project Cost	General Fund	State Reason Why Project Expenditure Should Be Deducted from MOE				
Construction:	\$ -	\$ -					
Maintenance:							
Engineering/Administrative Overhead Not Allocated to Specific Projects:	1,897,288	1,897,288					
Deduct Totals	\$ 1,897,288	\$ 1,897,288					

Total GF Expenditures	\$ 7,357,034
Minus Deductions	1,897,288
MOE Current Year	5,459,746
MOE Base Year Requirement	(2,398,146)
MOE Excess For Fiscal Year Ended June 30, 2024	<u>\$ 3,061,600</u>