

RESOLUTION NO. 2024-034

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA EXPRESSING ITS INTENT TO PRIORITIZE SPENDING OF TRANSACTIONS AND USE (SALES) TAX (TUT) REVENUE FOR FIRE PREVENTION, PUBLIC SAFETY, PARKS, LIBRARY, AND INFRASTRUCTURE PURPOSES.

WHEREAS, the City Council of the City of Palm Desert (“City”) is authorized to levy a Transactions and Use (Sales) Tax (TUT) for general purposes pursuant to California Revenue and Taxation Code section 7285.9, subject to approval by a majority vote of the electorate pursuant to Article XIII C, Section 2 of the California Constitution (“Proposition 218”); and

WHEREAS, pursuant to California Elections Code Section 9222, the City Council has authority to place local measures on the ballot to be considered at a Municipal Election; and

WHEREAS, based upon the above, on June 13, 2024, the City Council of the City of Palm Desert called a General Municipal Election to be held on November 5, 2024, for the purpose of submitting to the voters the question of whether to adopt an ordinance adding Chapter 3.26 to the Palm Desert Municipal Code, which would enact a one percent (1%) TUT until it is ended by voters; and

WHEREAS, pursuant to the proposed measure/ordinance, the TUT is a general tax enacted solely to raise revenue for the general governmental use of the City and all of the proceeds from the tax shall be placed in the City’s general fund and used for the usual current expenses of the City; and

WHEREAS, the general fund pays for important City services such as police and public safety services, street and public right-of-way operations, maintenance and improvement, community center and recreation services, and other general municipal services to the public; and

WHEREAS, the City Council desires to adopt this resolution expressing this City Council’s intent, if the TUT measure is enacted by the voters, to commit to spend future TUT revenue for various purposes, with certain priorities for fire prevention, public safety, parks, library, and infrastructure purposes as outlined in the 5-Year Spending Plan and Priorities.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PALM DESERT DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

SECTION 1. Findings. The City Council finds that all of the preceding recitals are true and correct.

SECTION 2. Priorities for Spending TUT Revenue. The City Council hereby expresses its intent, if the TUT measure is enacted by the voters, to prioritize spending of future TUT revenue as outlined in the “5 Year Spending Plan and Priorities”, attached

hereto as Exhibit "A" and incorporated herein by reference.

SECTION 3. TUT Not Deemed a Special Tax. The adoption of this Resolution shall not be construed, and it is not the City Council's intent, to convert the proposed TUT into a "special tax", as that term is defined Article XIIC §1(d) of the California Constitution, or California Government Code sections 53721 and 53724, or any combination thereof. Although this Resolution expresses the intent of the current City Council to prioritize spending future TUT revenues for certain purposes, the TUT shall remain a "general tax" as that term is defined in Article XIIC §1(a) of the California Constitution and as set forth in the proposed TUT ordinance. In the event this Resolution is determined to convert the proposed TUT into a special tax, it shall be deemed void for all purposes.

SECTION 4. Certification. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

ADOPTED ON JUNE 13, 2024.

DocuSigned by:
Karina Quintanilla
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KARINA QUINTANILLA
MAYOR

ATTEST:

DocuSigned by:
Anthony J. Mejia
8063A189723D437...
ANTHONY J. MEJIA
CITY CLERK

APPROVED AS TO FORM:

DocuSigned by:
Isra Shah
3820DDF2EAC84B0...
ISRA SHAH
CITY ATTORNEY

I, Anthony J. Mejia, City Clerk of the City of Palm Desert, hereby certify that Resolution No. 2024-034 is a full, true, and correct copy, and was duly adopted at a regular meeting of the City Council of the City of Palm Desert on June 13, 2024, by the following vote:

AYES: HARNIK, KELLY, NESTANDE, TRUBEE, AND QUINTANILLA
NOES: NONE
ABSENT: NONE
ABSTAIN: NONE
RECUSED: NONE

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Palm Desert, California, on 6/14/2024.

DocuSigned by:
Anthony J. Mejia
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ANTHONY J. MEJIA
CITY CLERK

EXHIBIT "A"

5 Year Spending Plan and Priorities

[attached behind this page]

PALM DESERT TRANSACTION AND USE TAX - 5 YEAR SPENDING PLAN AND PRIORITIES

PRIORITY - FIRE PREVENTION/EMERGENCY RESPONSE

Project #1: Fire Station 102 Construction and Staffing

The City has reallocated bond proceeds intended for lower priority projects to build Fire Station 102. Upon its opening, the Fire Services costs are estimated to increase \$7.5M in the first year to operate the new station and ladder truck. Additionally, Cal-Fire who provides the staffing for fire services in Palm Desert through the contract with the County of Riverside, has implemented new requirements that require additional staffing to accommodate the various changes including limiting the max number of hours each fire person is permitted to work. The associated costs immediately increase costs by an additional \$3M annually beginning in 2025-26. Revenues associated with the growth in the North Sphere grow at a much slower pace and will not be able to support the increased staffing needs to maintain current emergency service levels. Funding from the tax measure could be used for these costs.

Project #2: Fire Station 33 Rehabilitation

Over a period of years, the City has transferred funds from the General Fund to reserve funds necessary to rehabilitate the 30+ year old Fire Station 33. Current estimates are at \$6M. Costs to house the staff during rehabilitation have not been included in the budget. Funding from the Tax could be used to pay these costs, while not limiting service to the community or risking the safety of the staff during that time.

Project #3: Fire Station 71 Reconstruction

Over a period of years, the City has transferred funds from the General Fund to reserve funds necessary to rehabilitate the 30+ year old Fire Station 71. Current estimates are at \$7M. Costs to house the staff during rehabilitation have not been included in the budget. Funding from the Tax could be used to pay these costs, while not limiting service to the community or risking the safety of the staff during that time.

PRIORITY - PUBLIC SAFETY

Project #1: Increase Public Safety Patrol Staffing (3)

The Public Safety Committee has identified additional patrols in the City as a priority to address traffic issues and rising crime rates. The cost for 3 additional police officers is \$1.3M in FY 2024-25. Overall public safety costs typically increase at approximately 3-5% annually. As the City continues to grow, we anticipate the need for an additional 3 police officers in Year 4 of the plan.

PRIORITY - INFRASTRUCTURE REPAIR AND EQUIPMENT REPLACEMENT

Project #1: North Sphere Flood Control Infrastructure and Emergency Plan

As a result of Tropical Storm Hilary, City staff has analyzed ways to address those areas of the City that were adversely impacted. The North Sphere was impacted by flooding, silt, and debris that moved eastward from the Morongo basin. The \$6M in cleanup costs were covered by City emergency reserve funds. Staff hopes to recover approximately \$3-4M of those costs through insurance and FEMA claims. However, maintaining and improving infrastructure, expanding retention basin areas, and ensuring the city's storm water infrastructure network is properly maintained and improved will be paramount to managing long-term impacts for residents.

Project #2: North Sphere Public Works Staffing (3)

As the City continues to grow, additional public works crews are required to maintain the city's infrastructure network. Staff estimates the cost for 3 additional crew members to be roughly \$360,000 in 2024-25 dollars. The growth in north PD including new roadways, sidewalk, drainage and park infrastructure and additional staffing or contracts will be required to maintain new assets. The tax could pay for these costs.

PRIORITY - PARKS, RECREATION, AND LIBRARY EXPANSION

Project #1: Palm Desert Library Construction and Staffing

The City has reallocated bond proceeds intended for lower priority projects to help build the Palm Desert Municipal Library. Costs are currently estimated at \$30M for construction. There currently is approximately \$20M in proceeds available, with the remaining \$10M requiring the use of reserves and/or funding from another source such as the sales tax.

Project #2: North Sphere Regional Park and Staffing

A small portion of the costs for the construction of the North Palm Desert Regional Park is currently covered by bond proceeds. However, the majority of the \$20M estimated costs would be paid through the use of reserve funds, or funding from another source, such as the sales tax to complete construction. Depending on the ultimate design and use of the park facilities, additional staffing will be required, which could be paid from the sales tax funding.

PRIORITY - FINANCIAL RESERVES

Project #1: Replenishment of Emergency and Operation Reserves

The City may be required to use reserve funds to pay for numerous facility maintenance and capital improvement costs over the next 5 years. Additionally, planning and preparing for natural disasters, by reserving for emergencies is important, as evidenced by the swift response to Tropical Storm Hilary. Palm Desert's ability to recover from such events is necessary to support community resiliency. Sales tax revenue would be allocated to replenish the reductions to reserve in accordance with the reserve policy. This standard supports the City's continued effort to maintain fiscal responsibility and not having to rely on debt financing.

PALM DESERT TRANSACTION AND USE TAX (TUT) - 5 YEAR SPENDING PLAN AND PRIORITIES

Category	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	Total 5-Yr Plan
1 cent sales tax	25,164,510	25,869,116	26,515,844	27,311,320	27,311,320	104,860,790
Current Planned Costs						
New Fire Services Staffing	900,000	10,657,440	10,971,472	11,232,818	11,496,338	45,258,067
Fire Station 33 Renovation/Temp Site		1,200,000				1,200,000
Fire Station 71 Renovation/Temp Site		1,200,000				1,200,000
New Police Services Staffing	1,300,000	1,352,000	1,406,080	2,812,160	2,924,646	9,794,886
Storm Channel and Retention Basin Imps	5,508,000	8,000,000	5,000,000			18,508,000
City-Wide Facility and Equipment Replacement	8,397,001	9,944,665	7,798,734	12,865,305	9,264,802	48,270,506
New Public Works Staffing	360,000	370,800	381,924	786,763	810,366	2,709,854
Library Construction (\$20M Pd from Bonds)				10,000,000		10,000,000
North Sphere Regional Park			15,000,000	15,000,000		30,000,000
Spending Contingency/Reserve Replenishment					2,815,167	2,815,167
Total Planned Costs	16,465,001	32,724,905	40,558,210	52,697,046	27,311,319	169,756,480
Additional Amount needed from Reserve or Other Source	(16,465,001)	(7,560,395)	(14,689,094)	(26,181,202)	0	(64,895,690)

*Annual allocations are subject to City Council approval through the annual budget process. Spending will be audited annually.

** Priority 1 costs will be implemented upon TUT (Sales Tax) Measure approval and Priority 2 costs will follow in years 2-5

Priority 1**

Priority 2