



CITY OF PALM DESERT
CITY MANAGER'S OFFICE
INTEROFFICE MEMORANDUM

Date: April 24, 2025
To: Honorable Mayor and Councilmembers
From: Anthony J. Mejia, City Clerk
Subject: City Council Meeting of April 24, 2025

Below you will find questions received from the Mayor or Councilmembers and answers provided by City staff regarding tonight's City Council meeting:

ITEM 13m: PALM DESERT RECREATIONAL FACILITIES CORPORATION AUDITED FINANCIAL REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2024

- Q: a. What was the source of funding used to eliminate the \$1.06 million position deficit?**
b. How many times has the corporation been in arrears in the past 10 years?
c. How many times has the City intervened to eliminate the deficit?
c. Is a City contribution of \$1.3 million considered typical?

A: The Palm Desert Recreation Facilities Corporation (PDRFC) was established to manage the food and beverage (F&B) operations at Desert Willow Golf Course (GC), as the City as owner is not permitted to hold an alcoholic beverage license. PDRFC operates as a 501(c)(3) nonprofit entity and, as such, requires a separate component unit audit to comply with regulatory and tax requirements.

Historically, the F&B operations at Desert Willow have reported a net operating loss. A key contributing factor is the annual rent charged by Desert Willow to PDRFC in order to maintain the necessary legal separation for tax purposes—despite the fact that the facility functions operationally as a single unit. Over nearly 30 years, this rent—coupled with the structural requirement to show PDRFC as a distinct entity—has resulted in an accumulated paper loss exceeding \$1 million.

It is important to note that the overall Desert Willow operations, inclusive of the PDRFC-reported losses, continue to generate positive operating income annually. However, the appearance of a substantial loss within the PDRFC audit has raised concerns among residents, particularly in FY 2023–24. These concerns stem largely from a lack of clarity around the legal distinction between Desert Willow and PDRFC.

To improve transparency and better communicate the financial reality to residents—especially those without an accounting background—for FY 2023-24, staff was directed to reflect in the audit(s) the inter-entity transfer that would occur if golf course and F&B operations were accounted for as a single entity (how operations would typically be reflected). In the past, a book entry was not completed but the lease was recognized in the Notes Section of the City's financials and not clear in the PDRFC financials. The "Transfer from City" reflected in the FY 2023-24 PDRFC Financials are from the Desert Willow Enterprise Fund, not the General

Fund. While PDRFC exists solely due to licensing requirements, its financial results are inherently tied to and part of the broader Desert Willow operations.

ITEM 14a: APPROVE FINAL CONCEPT PLAN AND NAME FOR NORTH PALM DESERT COMMUNITY PARK (PROJECT NO. CPK00002)

Q1: What other names were considered for the North Palm Desert Community Park, and could you provide a copy of Resolution 2015-33?

A1: Below are the other names that the subcommittee considered.

- Ernie Hahn
- Cliff Henderson
- Buford Crites
- Hal Rover

Option 2 was College Mascots

- Aztec Park
- Bulldog Park
- Bear Park
- Mustang Park
- Roadrunner Park

Option 3 was Landscape names

- Acacia Park
- Lantana Park
- Ocotillo Park
- Golden Barrel Park
- Brittlebush Park

Q2: Please provide a copy of Resolution 2015-33.

A2: Staff has attached a copy of Resolution 2015-33 for reference.