

**CITY OF PALM DESERT, CALIFORNIA**

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

Fiscal Year Ended June 30, 2025



## **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, 2025.

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, 2025. 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. Review 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 from RCTC the approved Five-Year Capital Improvement Plan ("CIP") for the fiscal year.

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

3. Obtain from the jurisdiction a detail general ledger and balance sheet for the fiscal year.
  - a. Identify the amount of Measure A cash and investments recorded at the end of the fiscal year. Compare amount to Measure A fund balance and provide an explanation for any differences greater than 25% of fund balance.

Finding: Measure A cash and investments were \$17,640,933 at June 30, 2025. The difference between Measure A cash and investments of \$17,640,933 and fund balance of \$17,107,013 is \$533,920 or 3.12% of the fund balance.

- b. Identify amounts due from other funds.

Finding: There were no amounts due from other funds at June 30, 2025.

- c. Identify the components of ending fund balance for Measure A activity (e.g., nonspendable, restricted, assigned, committed, unassigned).

Finding: Ending fund balance for Measure A activity was restricted in the amount of \$17,107,013 at June 30, 2025.

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

Finding: We noted the restatement of Measure A fund balance at June 30, 2024 in the amount of \$4,211 due to an interest allocation adjustment. Due to this adjusting journal entry, the fund balance and revenue increased as follows:

	Amount per FY <u>2024 Report</u>	<u>Adjustment</u>	Amount Restated <u>for FY 2024</u>
Fund balance	\$ 23,386,003	\$ 4,211	\$ 23,390,214
Revenue	\$ 4,816,963	\$ 4,211	\$ 4,821,174

- 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 (e.g., status of specific projects included in the 5-Year CIP).

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, 2025	\$ 4,461,600
Revenue for year ended June 30, 2024	4,821,174
Revenue for year ended June 30, 2023	<u>4,398,556</u>

Total Revenue for the 3-year period	<u>\$ 13,681,330</u>
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Fund balance for year ended June 30, 2025	<u>\$ 17,107,013</u>
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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 in FY 2025/26. The City established a Capital Projects Department in fiscal year 2022/23, which has been tasked with the completion of several of these projects.

The City’s plan to use the fund balance of \$17,107,013 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 6/30/2025	\$ -	\$ -	\$ 17,107,013
5-year CIP for 2025/26	3,129,000	18,525,000	1,711,013
5-year CIP for 2026/27	3,192,000	3,100,000	1,803,013
5-year CIP for 2027/28	3,256,000	3,200,000	1,859,013
5-year CIP for 2028/29	3,321,000	3,275,000	1,905,013
5-year CIP for 2029/30	\$ 3,387,000	\$ 3,300,000	\$ 1,992,013

Based on the approved 5-year CIP for FY 2024/25, the City estimated current year expenditures to be \$21,960,000. However, the current year actual expenditure was \$10,744,801, which resulted in a shortfall of estimated expenditures of \$11,215,199. The estimated unspent expenditure of \$11,215,199 is primarily due to industry-wide delays for construction projects, including continued challenges with materials and labor availability, which have delayed some of the anticipated Measure A spending into subsequent periods. There is a concerted effort internally by the City to drawdown the accumulated surplus through planned and programmed projects.

4. Obtain an operating statement for Measure A activity for the fiscal year, including budget amounts; include the operating statement as an exhibit to the report.
  - 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 identify total revenues were for the fiscal year.

Finding: The City accounts for Measure A revenues in its Measure A Fund (“Fund #213”). The City recorded total revenues in the amount of \$4,461,600 for the fiscal year ended June 30, 2025.
    - ii. Obtain from RCTC a listing of Measure A payments to the jurisdiction.
      1. Compare the Measure A sales tax revenues recorded by the jurisdiction 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 \$3,337,580 for the fiscal year ended June 30, 2025.
    - iii. Obtain from the jurisdiction an interest allocation schedule for the fiscal year.

1. Identify the allocation amount of interest income to Measure A activity and what the amount of interest income was for the fiscal year. If no interest was allocated. Inquire of management as to reason for not allocating interest income.

Finding: The City allocated interest in the amount of \$1,124,020 to the Measure A activity for the fiscal year ended June 30, 2025. Allocated interest income of \$1,124,020 is made up of interest income of \$1,019,922 and Government Accounting Standard Board (“GASB”) 31 fair market value adjustment of \$104,098.

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

Finding: The City accounts for Measure A expenditures in its Measure A Fund (“Fund #213”). The City recorded total expenditures in the amount of \$10,744,801 for the fiscal year ended June 30, 2025.

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

Finding: The City recorded Measure A expenditures in the amount of \$10,744,801. We selected \$2,179,073 or 20% for testing.

1. For the expenditures selected for testing, compare the dollar amount listed on 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 if the project is included in the 5-Year CIP and is an 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 or 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 indirect 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, 2025.

- 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 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 \$164,563 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.

Finding: The total amount of TUMF collected and remitted during fiscal year ended June 30, 2025, were \$508,725 and \$502,705, respectively. The difference of \$6,020 is illustrated below.

	<u>Collected</u>	<u>Remitted</u>
Total TUMF recorded for FY 2025	\$ 508,725	\$ 502,705
May 2024 TUMF remitted in July 2024	-	(9,604)
June 2025 TUMF remitted in July 2025	<u>-</u>	<u>15,624</u>
TUMF reconciled	<u>\$ 508,725</u>	<u>\$ 508,725</u>

The \$6,020 variance between TUMF collected and remitted was due to the City remitting May 2024 TUMF payment of \$9,604 to CVAG in July 2024 and the City remitting June 2025 TUMF payment of \$15,624 to CVAG in July 2025.

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 MSHCP program, select at least one disbursement for validation as to the amount remitted to RCA, as applicable.

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 and not remitted to RCA as of the end of the fiscal year.

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

c. Indicate the total amount of 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 MOE base year requirement, including supporting detail of the calculations for its 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 the 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. Review 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 \$6,456,732 were greater than the MOE base requirement of \$2,398,146 resulting in an excess of \$4,058,586 for fiscal year ended June 30, 2025.

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, 2025, exceeded the MOE base year requirement.

The City's MOE carryover at June 30, 2025 is calculated as follows:

MOE excess at July 1, 2024	\$ 21,218,721
Current year MOE expenditures	6,456,732
Less: MOE base requirement	<u>(2,398,146)</u>
Excess MOE for fiscal year ended June 30, 2025	<u>4,058,586</u>
MOE excess at June 30, 2025	<u>\$ 25,277,307</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.

*Conrad LLP*

Lake Forest, California  
November 19, 2025

## CITY OF PALM DESERT, CALIFORNIA

Measure A Operating Statement  
 Fiscal Year Ended June 30, 2025  
 (Unaudited)

	<u>Budget</u>	<u>Actual</u>	Variance From Final Budget Favorable (Unfavorable)
Revenues:			
Measure A	\$ 3,328,000	\$ 3,337,580	\$ 9,580
Reimbursements from other agencies	-	-	-
Interest income	<u>875,600</u>	<u>1,124,020</u>	<u>248,420</u>
Total revenues	<u>4,203,600</u>	<u>4,461,600</u>	<u>258,000</u>
Expenditures:			
Construction and maintenance	<u>14,510,000</u>	<u>10,744,801</u>	<u>3,765,199</u>
Total expenditures	<u>14,510,000</u>	<u>10,744,801</u>	<u>3,765,199</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>\$ (10,306,400)</u>	<u>\$ (6,283,201)</u>	<u>\$ 4,023,199</u>

CITY OF PALM DESERT, CALIFORNIA  
Measure A MOE Calculation  
For the Fiscal Year Ended June 30, 2025  
(Unaudited)

EXHIBIT B

**FY 2024/25 Construction and Maintenance Expenditures Report as of June 30, 2025**

(Round to nearest dollar)

Project Expenditures Included in General Ledger	Total Cost	Funding Breakdown			
		General Fund	Meas A	City Funds Special Revenue	Other
<b>Construction:</b>					
4134 - CV Link (CST00021)	\$ 400	\$ -	\$ 400	\$ -	\$ -
4134 - Traffic Calming Program (CST00004)	4,144		4,144		
4250 - Cook Street Improvements (CTS00001)	404,866			404,866	
4250 - Haystack @ Hwy 74 (CST00003)	373,245		373,245		
4300 - Safe Routes to School Plan (MST00003 & CST00018)	132,380		132,380		
4300 - Vision Zero Strategy Program (GSS00001)	647,834		647,834		
4311 - CV Link (CST00021)	2,372,501		1,704,823	667,678	
4370 - Stormwater and Drainage Infrastructure Assessment (CDR00006)	412,448		412,448		
4385 - Cook Street Improvements (CTS00001)	96,310		96,310		
4385 - Vitalia Way Improvements (CTS00002)	673,600		673,600		
4565 - Haystack Traffic Calming (CST00006)	629,876		629,876		
4565 - Traffic Calming Program (CST00004)	39,697		39,697		
4633 - Bikeway & Pedestrian Improvements (CST00002 & MST00004)	359,911		359,911		
4670 - Bikeway & Pedestrian Improvements (CST00005)	1,317,757		1,317,757		
4670 - CV Link (CST00021)	329,927			329,927	
<b>Maintenance:</b>					
4134 - Street Resurfacing Program (CSL00001, CST00023, CST00024, MST00008, & MST00014)	913,914		625,318	288,596	
4250 - Traffic Signal Maintenance	1,525,071	1,525,071			
4250 - TS Hardware Upgrade Program (MTS00001)	655,526		655,526		
4250 - TS Operations & Capacity Project (MST00001)	260,270		260,270		
4250 - TS System Replacement (STS00001)	70,452				70,452
4310 - Street Maintenance	2,716,903	2,716,903			
4311 - El Paseo Curb Ramp Modifications (CST00025)	1,010,440		1,010,440		
4311 - Street Maintenance (SST00001)	345,580			243,449	102,131
4311 - Street Resurfacing Program (CST00023 & CST00024)	65,974		65,974		
4312 - ADA Curb Ram Mods (MST00013)	596,310	50,000	546,310		
4314 - Drainage Maintenance (MDR00004)	134,936				134,936
4315 - Street Striping Program (MST00002)	886,800		886,800		
4315 - TS Operations & Capacity Project (MTS00004)	29,155		29,155		
4317 - Traffic Signal Maintenance (CTS00004 & CTS00005)	163,567		163,567		
4330 - Corporation Yard Facility (n/a)	348,914	215,989			132,925
4359 - Bridge Inspection & Repair Program (CST00011 & MFA00007)	109,016		109,016		
4370 - Drainage (CDR00003 & CDR00004)	162,402			11,718	150,684
4370 - Street Maintenance (SST00001)	24,114				24,114
4374 - Drainage (CDR00004)	243,565				243,565
4396 - Drainage Maintenance	140,060	140,060			
4614 - Median Landscape Maintenance	1,808,709	1,808,709			
<b>Engineering/Administrative Overhead Not Allocated to Specific Projects:</b>					
	1,909,389	1,909,389			
<b>Expenditure Totals</b>	<b>\$ 21,915,963</b>	<b>\$ 8,366,121</b>	<b>\$ 10,744,801</b>	<b>\$ 1,946,234</b>	<b>\$ 858,807</b>
<b>Deductions for Special Consideration (Deductions Must Also Be Included in Project Expenditures Above):</b>					
	Total Project Cost	General Fund	State Reason Why Project Expenditure Should Be Deducted from MOE		
<b>Construction:</b>					
	\$ -	\$ -			
<b>Maintenance:</b>					
	-	-			
<b>Engineering/Administrative Overhead Not Allocated to Specific Projects:</b>					
	1,909,389	1,909,389			
<b>Deduct Totals</b>	<b>\$ 1,909,389</b>	<b>\$ 1,909,389</b>			

Total GF Expenditures	\$ 8,366,121
Minus Deductions	1,909,389
MOE Current Year	6,456,732
MOE Base Year Requirement	(2,398,146)
<b>MOE Excess For Fiscal Year Ended June 30, 2025</b>	<b>\$ 4,058,586</b>