

CITY OF PALM SPRINGS, CALIFORNIA

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

Fiscal Year Ended June 30, 2019

**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, which were agreed to by the Riverside County Transportation Commission ("RCTC"), solely to assist RCTC in determining whether the City of Palm Springs, California ("City") was in compliance with the Measure A – Local Streets and Roads Program grant terms and conditions for the year ended June 30, 2019. The City's management is responsible for the accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested, or for any other purpose.

Our 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 Multi-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, 2019.

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, 2019.
 - a. Identify the amount of Measure A cash and investments recorded at June 30, 2019. 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 \$5,004,156 at June 30, 2019. The difference between Measure A cash and investments of \$5,004,156 and fund balance of \$5,627,094 is \$622,938 or 11% of the fund balance.

- b. Identify amounts due from other funds.

Finding: There were no amounts due from other funds at June 30, 2019.

- 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 \$5,627,094 at June 30, 2019.

- d. 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, 2018.

- 4. Obtain an operating statement for Measure A activity for the fiscal year ended June 30, 2019 (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, 2019.

Finding: The City accounts for Measure A revenue in its Measure A Improvements Fund (Fund #134). The City recorded total revenues in the amount of \$4,839,066 for the fiscal year ended June 30, 2019.

- 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 between the Measure A revenues recorded by the City and the RCTC Measure A payment schedule, which totaled \$2,308,021.

- iii. Determine the amount of interest allocated to Measure A activity for the fiscal year ended June 30, 2019.

Finding: The City allocated interest in the amount of \$164,641 to the Measure A activity for the fiscal year ended June 30, 2019.

- 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, 2019.

Finding: The City accounts for Measure A expenditures in its Measure A Improvements Fund (Fund #134). The City recorded total expenditures in the amount of \$5,088,486 for the fiscal year ended June 30, 2019.

- 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 \$5,088,486. We selected \$1,086,222 or 21% 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, 2019.

- v. Inquire of management as to the amount of debt service expenditures recorded in the Measure A fund.

1. For cities with advance funding agreements with RCTC, compare debt service expenditures to Measure A payments withheld by RCTC.

Finding: There was no advance funding agreement with RCTC noted.

2. For cities with other indebtedness, determine if such costs are included in the 5-Year CIP.

Finding: The City recorded Measure A debt service expenditures in the amount of \$1,102,350. We noted that the debt service expenditures were included in the 5-year CIP.

5. Compare budgeted expenditures to actual amounts and inquire of management as to the nature of significant budget variances.

Finding: The following schedule compares budgeted expenditures to actual amounts.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Debt service expenses	\$ 1,102,000	\$ 1,102,350	\$ (350)
Bond construction	11,549	1,500	10,049
Construction and maintenance	<u>23,292,910</u>	<u>3,984,636</u>	<u>19,308,274</u>
Total	<u>\$ 24,406,459</u>	<u>\$ 5,088,486</u>	<u>\$ 19,317,973</u>

Per discussion with management, the budgeted amount for bond construction expenditures represents the remaining balance of unspent funds from the 2015 Pavement Rehabilitation Project. The variance of \$10,049 is carried forward and used for capital projects. During the fiscal year ended June 30, 2019, the variance of \$19,308,274 for construction and maintenance was attributed to the budget representing the cumulative amount available to expend rather than the anticipated spending.

6. 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 \$34,563 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 ended June 30, 2019.

Finding: The total amount of TUMF collected was \$450,666, and the amount remitted during the fiscal year ended June 30, 2019 was \$428,521. The difference was due to a TUMF collection of \$22,145 in June 2019 remitted in fiscal year 2020.

7. 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.

8. 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 \$7,238,780 were greater than the MOE base requirement of \$1,498,732 resulting in an excess of \$5,740,048 for fiscal year ended June 30, 2019.

- 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 result of applying this procedure. The City's discretionary funds spent in the fiscal year ended June 30, 2019, exceeded the MOE

base year requirement. The City's MOE carryover at June 30, 2019 is calculated as follows:

MOE excess at July 1, 2018	\$ 23,147,890
Current year MOE expenditures	7,238,780
Less: MOE base requirement	<u>(1,498,732)</u>
Excess MOE for fiscal year ended June 30, 2019	<u>5,740,048</u>
MOE excess at June 30, 2019	<u>\$ 28,887,938</u>

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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 Springs and is not intended to be, and should not be, used by anyone other than these specified parties.

Conrad LLP

Lake Forest, California
November 13, 2019

CITY OF PALM SPRINGS, CALIFORNIA

Measure A Operating Statement
 Fiscal Year Ended June 30, 2019
 (Unaudited)

	<u>Budget</u>	<u>Actual</u>	Variance From Final Budget Favorable (Unfavorable)
Revenues:			
Measure A	\$ 2,337,422	\$ 2,308,021	\$ (29,401)
Coachella Valley Association of Governments	16,817,049	2,344,258	(14,472,791)
Investment income	47,000	164,641	117,641
Transportation Uniform Mitigation Fee	<u>-</u>	<u>22,146</u>	<u>22,146</u>
Total revenues	<u>19,201,471</u>	<u>4,839,066</u>	<u>(14,362,405)</u>
Expenditures:			
Debt service expenses	1,102,000	1,102,350	(350)
Bond construction	11,549	1,500	10,049
Construction and maintenance	<u>23,292,910</u>	<u>3,984,636</u>	<u>19,308,274</u>
Total expenditures	<u>24,406,459</u>	<u>5,088,486</u>	<u>19,317,973</u>
Deficiency of revenues under expenditures	<u>\$ (5,204,988)</u>	<u>\$ (249,420)</u>	<u>\$ 4,955,568</u>

CITY OF PALM SPRINGS, CALIFORNIA

Measure A MOE Calculation
For the Fiscal Year Ended June 30, 2019
(Unaudited)

FY 2018/19 Construction and Maintenance Expenditures
(Rounded to nearest dollar)

Project Expenditures Included in General Ledger	Total Cost	Funding Breakdown				
		General Fund	Measure A	Federal	State	City Funds
Construction:						
NMTP Biking Issues (260-4500-59445)	\$ 172	\$ 172	\$ -	\$ -	\$ -	\$ -
CMAQ/CVAG Bike Lanes (260-4500-59469)	126,190	126,190				
Street Reconstruction (260-4493-5XXXX)	3,134,058	3,134,058				
Community Sidewalks (260-4494-5XXXX)	87,590	87,590				
Maintenance:						
Street Maintenance (001-4201-4XXXX)	2,254,978	1,654,978			Annual Gas Tax Contribution	600,000
Signal Maintenance & Repair (001-4171-43200 (St Francis))	380,000	380,000				
Sidewalk Cleaning/Downtown (001-4210-4XXXX)	1,356,653	1,356,653				
Street Light Operation and Overhead (001-4301-4XXXX)	860,660	860,660				
Streets 19 - Recon O Seal (261-4490-50812)	995,132	995,132				
Engineering/Administrative Overhead Not Allocated to Specific Projects (4171):						
	2,262,969	2,262,969				
Expenditure Totals	\$ 11,458,402	\$ 10,858,402	\$ -	\$ -	\$ -	\$ 600,000

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:			
Sidewalk Cleaning/Downtown	\$ 1,356,653	\$ 1,356,653	Costs included in Department 4210 are not related to maintenance of street lighting.
Engineering/Administrative Overhead Not Allocated to Specific Projects:			
	2,262,969	2,262,969	
Deduct Totals	\$ 3,619,622	\$ 3,619,622	

Total GF Expenditures	\$ 10,858,402
Less: Deductions	(3,619,622)
MOE Current Year	<u>\$ 7,238,780</u>
MOE base year requirement	<u>1,498,732</u>
MOE excess for fiscal year ended June 30, 2019	<u>\$ 5,740,048</u>