MID-YEAR BUDGET REPORT
For Fiscal Year 2017 - 2018
SUBJECT: FY 17/18 Mid-Year Budget Report

Attached is the FY 17/18 Mid-Year Budget Report. We continue to believe that Indio is poised for positive growth. The information compiled in this report supports that conclusion—at least on the revenue side of the equation. Economic trends are favorable. Local unemployment is at its lowest level (4.3%) since the recession. In August of 2010 it was 15.4%. The City’s General Fund revenues continue to rise, consumer confidence is high, and there is new interest in investment in Indio (Walmart food store, The Palms, COD, Loma Linda and hopefully the Indio Fashion Mall site).

On the other hand, there is uncertainty in the mortgage and home sales market with the rise in interest rates. We hope the recent renewed interest in new home starts will continue. We will do our part to support this welcome growth.

While Indio’s financial condition is solid, our Capital Improvement Program (CIP) needs are far higher than revenues currently available—even with Measure X receipts coming in at the high end of projections. Thus, the City Council and staff will need to spend considerable time during the upcoming months to establish realistic CIP priorities and an efficient plan for implementation.

As detailed in the attached report, staff recommends a midyear budget adjustment to recognize $1.6 million in higher than budgeted revenues, bringing total revenue to $72.7 million. This adjustment derives from $400,000 in greater TOT receipts, $200,000 in Property Tax, and $1 million in better than anticipated Measure X revenues. Upon City Council adoption, staff will recognize these extra revenues, isolate the $1 million in Measure X funding for future Council-approved projects, and dedicate the remainder to various departmental needs identified in the report.

Estimating, tracking, and reporting Measure X resources is an evolving effort. As we move forward and expand our expenditure plan into a multiyear vision, the Council will be asked to reaffirm its approval of current-year projects and commit to a limited number of future priorities. As projects are prioritized, it will not take long to understand that Measure X is not the complete solution to all of our municipal needs, but rather an opportunity to move forward on only the most critical. Upon approval of the recommended $1 million increase in Measure
X revenue, the balance of available resources will total $11.4 million, inclusive of $1.9 million rolled forward from last year. As detailed in Attachment C, the City Council has already dedicated $10.2 million from that total. On page 13, staff has made an effort to illustrate the long-term obligations of Measure X resources, preliminarily dedicating Measure X resources to Jefferson interchange obligation bonds and police officer staffing. Staff will expand on this work in the near future, likely during a study session in March, as the City Council decides how much funding to dedicate toward road rehabilitation, new city facilities, and other infrastructure needs.

There are a number of significant presentations being readied for Council consideration, coming in February and March. In addition to an earlier-than-usual review of the Capital Improvement Project plan, the Council will soon be contemplating new City fees, a downtown specific plan, and changes to the City’s General Plan.

In conclusion, we move forward with cautious optimism—buoyed by a positive economy but aware of the need to set priorities that will maximize use of our new resources. Staff looks forward to engaging with the Council and community to pursue our goals.

Included attachments:
ATTACHMENT A – Recommended Budget Adjustment Summary
ATTACHMENT B – Sales and Use Tax Update from HdL Co.
ATTACHMENT C – Measure X Three-Year Expenditure Update
ATTACHMENT D – Blais & Associates Grant Summary Report

IT IS RECOMMENDED that the City Council and the Indio Housing Authority approve the recommendations and associated budget adjustments in Attachment A, and receive and file this report along with Attachments B, C, and D.

Respectfully submitted,

Mark Scott
City Manager
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A. NATIONAL ECONOMIC OUTLOOK

On January 26, the Bureau of Economic Analysis released its advance estimate of Real GDP for the fourth quarter of 2017, which came in at a 2.6 percent increase; compared to a 3.2 percent increase in the third quarter. Personal consumption expenditures were strong to close out the year, leading to forecasted growth of 2.5 percent for the first quarter of 2018. Overall, economic indicators are right where experts say they should be for a healthy economy.

According to data released by the Bureau of Labor Statistics (BLS) on January 5, nonfarm payroll employment gained 148,000 jobs in December. These gains were primarily in health care, construction, and manufacturing, and the overall employment numbers were also as expected. The unemployment rate remained unchanged from the previous two months at 4.1 percent, but has been on a downward trend over the past year, decreasing by 0.6 percent since this time last year. As anticipated, the effects of damage from hurricanes Harvey, Maria, and Irma, were temporary in the larger economic picture; and the job market continues to move in a positive direction as a whole.

Although inflation has consistently hovered below the Fed’s two percent target, the Federal Open Market Committee (FOMC) continued on its path toward higher interest rates by raising interest rates for a third time in late 2017. Rates were raised one quarter of a percent at its December 13th meeting, bringing the federal funds rate to a range of 1.25 to 1.5 percent. FOMC members are encouraged by strong job outlook and low unemployment numbers, and believe the two percent inflationary target will be hit in the medium-term (more than 12 months from now). While these rate increases are anticipated to continue into the future—Kiplinger forecasts two to three quarter-point increases for 2018—the Committee emphasized its focus on keeping its actions aligned with current market conditions, and indicates rates are “likely to remain, for some time, below levels that are expected to prevail in the longer run.”

Existing-home sales growth was exceptionally strong in most regional areas through November, with the Western U.S. being the only region seeing a decline from prior months. In spite of this monthly decline, even the West has still experienced growth over prior year numbers. According to the National Association of Realtors, November home sales reached their strongest pace in nearly 11 years, with the median home price rising to $248,000, up 5.8 percent from the year before. November also marked the 69th straight month of year-over-year housing price increases.

Despite these positive housing trends, first-time buyers continue to experience frustrations caused by tight supply at the lower end of the market, leading their share of total purchases in November to be three percent less than the prior year. Conditions are much more favorable for buyers at the higher end of the market where inventory is less strained, making it advantageous to be an all-cash or “move-up” buyer with a large down payment. Potential rate increases in 2018 could also make the market even more challenging for first-time buyers to gain traction, and much of their success in 2018 will depend on new construction plans coming to fruition.

The U.S. Census Bureau and the U.S. Department of Housing and Urban Development jointly announced on January 18 that privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,192,000, which is 8.2 percent below the revised November estimate of 1,299,000, and six percent below the December 2016 rate of 1,268,000. Single-family housing starts in December were at a rate of 836,000; which is 11.8 percent below
November’s revised figure of 948,000. This represents the largest decline in housing starts in just over a year. With many first-time buyers relying on robust building to help ease their strained supply, this drop could worsen the already competitive low-end market. While favorable economic factors over the last year have made home buying attractive, some analysts point out that this short-supply, along with potential rate and price increases, could slow the pace of the housing market in 2018.

December retail sales, adjusted for seasonal variation, holiday, and trading-day differences, increased 0.4 percent from November and showed a year-over-year increase of 5.4 percent when compared to last December. The December Consumer Price Index (CPI) for all items increased 0.3 percent from the prior month, accounting for its largest increase since January 2017. CPI has risen 2.1 percent when compared to the same time last year.

Over the last several months, the prospect of tax reform has been at the forefront of political and economic discussion. With the passage of the Tax Cuts and Jobs Act in December, significant changes are on the horizon for both individuals and businesses alike. In a preliminary analysis by the independent tax policy research foundation, the Tax Foundation, it is estimated that we will see increases in long-run GDP, wage rates, and full-time equivalent jobs as a result of the Act’s passage. Jim Glassman, Head Economist for JP Morgan Chase cautions, though, that it may be decades before we are able to fully understand the complete economic impacts of this wide-spread reform.

B. STATE ECONOMIC UPDATE

According to the State Controller’s December update released on January 10th, California’s total revenue for December was $16.25 billion, exceeding budget expectations by $2.79 billion. Fiscal year-to-date revenues are $57.21 billion, surpassing budget projections by about 7.1 percent. Of the “big three” tax revenue sources, personal income tax and corporate tax receipts exceeded December projections by 25 percent and 39.6 percent, respectively. Although sales tax receipts did not exceed December predictions, they are still four percent above budget estimates fiscal year-to-date. State Controller Betty T. Yee also announced her support for the fiscal responsibility shown in the newly released proposed 2018-19 state budget. She went on to say, however, that the new federal tax measures may have a “devastating” impact on the state budget; and the full scope of those changes will not be measurable for months.

The January 18 news release by the California Employment Development Department reported the unemployment rate fell to 4.3 percent in December, down 0.3 percent from November, and down 0.9 percent from December 2016. Educational and health services had the largest jobs increase, with a gain of 80,000 jobs over prior year, while the manufacturing sector posted the largest decrease, with a loss of 2,000 jobs over prior year. Since the economic expansion began, in February 2010, California has added 2,793,800 jobs.

California home sales increased in November, up 2.1 percent from the prior month, but down 0.8 percent from November 2016 according to the California Association of Realtors (C.A.R.). First-time buyer frustration is also mounting at the state level, as California’s unsold inventory levels were only at a 2.9-month supply in November, compared to an already-low supply of 3.4 months at the national level. Overall, while year-to-date sales are 1.5 percent ahead of the prior-year pace, this momentum has been steadily slowing since the first quarter of 2017.
Southern California developers remain optimistic though, and anticipate steady growth for 2018.

Upon release of the approved Tax Cuts and Jobs Act, the C.A.R. released a December 20th article emphasizing its opinion that California homeowners and consumers will be negatively impacted by the tax reform. C.A.R. President Steve White went on to express his disappointment, “...that Congress has passed tax reform legislation that puts home values at risk and dramatically undercuts the incentive to own a home.” It will take some time before analysts and other California stakeholders are able to accurately assess the full impact of tax reform on the California housing market and economy.

C. CITY BUDGET UPDATE

1. LOCAL ECONOMIC AND OPERATIONAL TRENDS

a) Local Employment

Statistics from the State Employment Development Department (EDD) indicate that the unemployment rate in the Riverside-San Bernardino-Ontario Metropolitan Statistical Area was 4.1 percent in December, down from the 5.1 percent measured one year ago. With our statistical area, unemployment typically peaks midsummer, slowly improving through December when businesses employ staff for the holiday shopping season. In Riverside County, the unemployment rate was 4.3 percent in December. Even though construction reported the largest month-over decline in jobs, it still recorded the largest year-over increase, contributing 85 percent of all measured job growth in the statistical area. Leisure and hospitality jobs continue to run second best in job growth.

Unemployment in the City of Indio was recorded by the EDD at 4.6 percent for December, the lowest recorded unemployment rate for any month since the Great Recession. While the rate is preliminary, it’s a very positive benchmark for the city. The number of workers unemployed was down from 2,700 reported in August, to 1,800 reported in December, out of a labor force of 39,900.

b) Business Licenses

Businesses operating or advertising within the boundaries of the city must obtain a business license and remit business taxes based on gross receipts earned within the city’s jurisdiction. By monitoring license statistics and business tax payments, the city can better assess the strength of the local business activity. Typically, in good economic times, new businesses open, new licenses are issued, and local tax revenue rises. When recessionary pressure enters the marketplace, license renewals drop and tax receipts decline.

The following chart displays local business license activity, measured by the number of renewals and new licenses issued annually between FY 11/12 and FY 16/17. The chart also displays the expected number of licenses to be issued by the end of this fiscal year, which totals about 5,750. Also reflected in the chart is the proportion of licenses issued to businesses with physical locations within the city’s jurisdiction, which now stands at 67 percent.

In FY 15/16, the city licensed a record 1,693 new businesses, raising the number of licensed businesses to over 5,500 for the first time. The increase was attributed to conscientious efforts by the city to register unlicensed long-term and short-term residential rentals. Of the 5,750
businesses licensed today, about 30 percent represent residential rentals. In FY 15/16, the number of new licenses issued peaked. Since that time, the number of new licenses has been replaced by license renewals.

c) Building Valuations and Permits

When plans for new development projects are submitted to the city for approval, the value of the proposed development is identified. Many of the development fees the city receives are dependent upon the value of these proposed projects. The following chart portrays the relationship between the value of new development (valuations) and the revenue the city receives for various services including plan checks and site inspections. Valuations are categorized into one of two types: commercial development or residential development.

The value of planned residential construction continues to outpace the value of commercial development. Last year, the value of commercial development hit its lowest point since the Great Recession, but a strong demand in residential construction pushed the overall value of planned construction up over $100 million. This year, staff anticipates an uptick in commercial development offset by a reduction in residential development, which should keep the overall development value up around the $100 million level. Every three years or so, changes in state-driven residential construction standards inspire developers to submit development plans
before the new standards go into effect. This phenomenon drove up residential valuations in FY 13/14 as well as FY 16/17. It is important to note that construction does not always occur the same year that building plans are submitted. Once plans are approved by the city, the typical next step is to acquire a permit. In that regard, permit activity is a better indicator of current-year development activity.

As of midyear, the city issued 1,318 building permits, 42 (three percent) more than the number issued during the first six months of FY 16/17. The following chart portrays the relationships between the number of building permits issued and the resulting demand on staff to complete inspections. Inspection activity remains strong even though the number of permits remains relatively unchanged. This outcome is typical when the number of commercial permits rises in comparison to the number of residential permits, bearing in mind that commercial construction typically requires more inspections than residential.

2. GENERAL FUND REVENUE SUMMARY

The city’s general fund budget currently assumes that revenue from all sources will total $71.05 million by the end of the fiscal year. The city’s original budget assumed $70 million. In the first-quarter budget report, revenue expectations were increased by $890,037. Since those first-quarter adjustments, general fund revenue was adjusted an additional $162,902 in four separate actions taken by the City Council in November.

After analyzing economic indicators and revenue trends through midyear, staff recommends increasing revenue an additional $1.62 million. Specifically, budget adjustments are recommended increasing Measure X sales tax revenue ($1 million), property taxes ($200,000), transient occupancy taxes ($400,000), and revenue from the sale of property ($17,000). Upon adjustment, the general fund revenue expectation will total $72.67 million. In accordance with standard practices, these new resources will be appropriated into a contingency account until allocated for a particular purpose. However, later in this report, there are funding recommendations reallocating resources held in contingency to various departments covering unexpected expenses. More information on each general fund revenue source follows in the next section of this report: General Fund Revenue Detail. A summary of recommended general fund contingency uses can be found on page 14.
**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase estimated revenue:

- 102-0000-312-3000 Trans. and Use Tax (Measure X) $1,000,000
- 101-0000-311-1000 Property Tax 200,000
- 101-0000-319-1500 Transient Occupancy Tax (STR) 400,000
- 101-0000-351-1500 Sale of Real Property 17,000

Total $1,617,000

Increase appropriations:

- 101-4910-491-9010 General Contingency $617,000
- 102-4910-491-9015 Measure X Contingency 1,000,000

Total $1,617,000

The following chart reflects general fund revenue by source and changes to the budget since it was adopted in June. Since the budget was adopted, general fund revenue has been increased $2.67 million, inclusive of the budget adjustments recommended within this report. The general fund revenue expectation now totals $72.67 million.

### General Fund Revenue Summary (in millions)

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<th>General Fund Revenue Sources</th>
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<th>FY 17/18 Adjusted Budget</th>
<th>Second-Quarter Update</th>
<th>Adjusted Revenue Totals</th>
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### 3. GENERAL FUND REVENUE DETAIL

**a) Sales and Use Tax**

Sales tax revenue is the city’s largest source of general-purpose revenue, representing about 16 percent of all general fund revenue. The budget assumes $11.56 million in sales tax revenue by fiscal yearend. Tax receipts through December total $3.8 million, about $270,000 higher than what was received by this time last year. Receipts through December are also slightly higher than projections, about three percent; however, only a small portion (33%) of this year’s...
revenue has been received. Staff recommends monitoring sales tax receipts through March before making any budget adjustments. Technically, Measure X revenue (transaction and use tax) is sales tax, however, the city separates revenue from this sources for stricter accountability purposes.

The following sales tax graph illustrates actual sales tax receipts since FY 11/12 and includes revenue projections through FY 21/22. After bottoming out in FY 09/10, sales tax revenue grew about ten percent a year through FY 13/14. Since FY 15/16, growth has tempered, averaging around six percent a year. In FY 15/16, the city received a one-time $875,500 catch-up payment associated with the end of a state tax-swap program commonly referred to as the Triple Flip. Current and future-year revenue projections assume sales tax revenue grows three percent a year, taking into consideration the possibility of a slowdown in the local economy.

b) Transaction and Use Tax (Measure X)

Measure X is a new source of local sales tax revenue that will sunset in 2037. The one-percent tax was approved by voters in 2016 and implemented citywide by the State Board of Equalization (BOE) on April 1, 2017. The current-year budget was originally built on the expectation of $7.8 million in revenue from this source. In the first-quarter budget report, revenue expectations were increased to $8.5 million. Tax receipts through midyear total about $3.6 million, an indication that revenue will likely exceed $8.5 million. If the current trends stay true, Measure X could generate as much as $11 million by fiscal yearend. However, being a new revenue source and the possibility of allocation adjustments by the BOE, make this revenue source difficult to predict and subject to change. Staff recommends recognizing an additional $1 million in revenue from this source and deferring further increases for one quarter (three months) until more receipts are in. The budget adjustment increasing Measure X sales tax revenue is reflected in the General Fund Summary section of this report, starting on page five. Upon approval, the budget capturing expected Measure X sales tax revenue will total $9.5 million.

Staff, with help from Hinderliter, de Llamas & Associates (HdL) based early Measure X revenue projections on actual sales tax receipts from FY 15/16. Since that estimate, general sales in the city rose about five percent. In addition, the Measure X sales tax from car sales are running about seven percent higher than projected. The city is also receiving large Measure X sales
tax payments from the energy/utility and fulfillment center groups (Amazon, QVC and Walmart Online) for which regular sales tax revenue (Bradley-Burns) is not generated. In addition, the ten percent collection contingency staff built into the projection was too conservative.

The following Measure X graph illustrates actual sales tax receipts for FY 16/17 ($1.9 million) and includes revenue projections through FY 21/22. Future-year revenue projections assume tax-revenue growth of three percent a year.

c) Property Tax (In-Lieu of VLF)
Revenue received in lieu of motor vehicle license fees (VLF) is the city’s second largest source of general-purpose revenue, after sales tax. The city’s budget assumption totals $9.1 million in revenue from this source. The city receives this revenue from the county in two lump sum payments. The first payment is expected in February. Indications are that this revenue source is on target.

In FY 04/05 the state legislature opted to replace local VLF revenue with an equal amount of property tax revenue. Since that time, VLF revenue has been allocated each year based on changes in local property values and population. The preceding graph depicts actual property
tax in-lieu of VLF receipts since FY 11/12 and includes revenue projections through FY 21/22. Future-year revenue is assumed grow three percent per year, but projected to increase five percent in the current year (FY 17/18).

d) Utility Users’ Tax (UUT)
Utility Users’ Tax is the city’s third largest source of general-purpose revenue, representing about 12 percent of all general fund revenue sources. The Utility Users’ Tax budget is set at $8.6 million. Receipts through the midyear are consistent with the annual budget expectation.

The following UUT graph illustrates actual tax receipts through FY 16/17 and includes revenue projections through FY 21/22. In FY 15/16, UUT revenue started to rise; however, competition among corporate wireless providers reduced wireless-service rates and associated taxes. Adding to the decline in tax revenue, water usage declined as residents observed water restrictions due to a statewide drought. Future-year UUT is presumed to stabilize at $8.6 million.

![Utility Users' Tax Graph]

 utility users tax graph

2nd-Qtr Comparison

FY17 FY18

$3 $4 $5

$8.4 $8.4 $8.4 $8.8 $8.6 $8.5 $8.6 $8.6 $8.6 $8.6

FY12 13 14 15 16 17 18 19 20 21 FY22

e) Property Tax
Tax revenue based on local property value is the city’s fourth largest source of general-purpose revenue and currently projected to total $7.6 million this fiscal year. Analysis of revenue trends through midyear indicate that property tax revenue will likely exceed the current budget expectation by $200,000. Staff recommends increasing the budget expectation to $7.8 million. A budget adjustment increasing property tax revenue by $200,000 is reflected in the General Fund Summary section of this report, starting on page five.

The following graph depicts property tax revenue received by the city since FY 11/12 and includes revenue projections through FY 21/22. In FY 12/13, the city received a one-time $1.1 million tax allocation tied to the dissolution of the Redevelopment Agency and the allocation of assets. Future-year property tax revenue is projected to grow, but at a slower pace. FY 18/19 property tax revenue is assumed to grow four percent to $8.1 million. Revenue beyond FY 18/19 is assumed to grow three percent a year. Property tax increases on any given property are limited to no more than two percent per year as long as the property is not sold. Receipts to date are similar to last year’s; however, last year the city received a one-time $95,000 allocation associated with the dissolution of property held by the Indio Successor Agency.
f) Transient Occupancy Tax (TOT)

Transient Occupancy Tax is imposed on individuals lodging within the city for 30 consecutive days or less and imposed on campers during multiple-day music events. TOT revenue is currently projected to total $5.43 million, about $900,000 less than last year’s total, which was boosted by the one-time October concert series Desert Trip.

Analysis of revenue trends through midyear indicate that TOT revenue generated from residential rentals is growing better than expected. TOT payments made through Airbnb are averaging $80,000 per month and will likely total close to $1 million by the end of the fiscal year. Last year, the city received $889,541 through Airbnb, but that allocation included an undisclosed number of rentals associated with the October Desert Trip concert and only ten months’ worth of rentals. TOT payments made by other residential-property renters, as well as non-residential sources like camping sites and hotels, are trending slightly under last year’s totals, but still better than projected. Nonetheless, with such large allocations through Airbnb, staff recommends increasing the current budget expectation by $400,000, up to $5.83 million. The budget adjustment is reflected in the General Fund Summary section of this report, starting on page five.
The preceding graph depicts TOT revenue since FY 11/12 and includes revenue projections through FY 21/22. TOT revenue has grown over the past five years mainly due to the collection of TOT from weekend music-festival campers and an increase in the tax rate on short-term residential rentals, implemented in FY 11/12 and FY 14/15, respectively. In FY 16/17, the city started receiving TOT through Airbnb. Future TOT revenue is expected to grow three percent a year, mainly driven by the opening of two future hotels.

g) Business License Tax

Business License Tax revenue is a tax imposed on businesses transacting in the city. The tax is based on the amount of gross revenue a business generates within the city’s jurisdiction. The city expects to receive $675,000 in business tax revenue this fiscal year. Receipts through December are running about three percent over prior-year results that ultimately total $648,133 at the end of the fiscal year. Staff will continue to monitor business license tax revenue and report back in the third-quarter budget report.

h) Franchise Fees

Franchise fee revenue is a tax paid by local cable television providers, towing companies, residential and commercial refuse collectors, and the gas company for use of city’s right of way or infrastructure. The current budget assumes franchise fee revenue will total about $2.46 million. Indications are that this revenue source is on target.

i) Use of Assets

Use of Assets is a category of general fund revenue representing income generated through the rental, lease, sale, and investment of city resources. In November, the city increased revenue in anticipation of $113,129 from the sale of various city properties, bringing the annual budget expectation up to $661,519. The budget has not been adjusted for the sale of land to the Olive Village of Indio, LLP., approved by the City Council on November 1 (Item 111). Staff recommends adjusting the budget to reflect the receipt of $17,000. The budget adjustment is reflected in the General Fund Summary section of this report, starting on page five. Once approved, the revenue expectation from use of assets will total $678,519.

j) Charges for Services

Services for which the city is compensated include ambulance services, engineering services, fire inspections, school resource officers, false alarm responses, and the administration of local assessment districts. The city also expects to receive about $3.5 million this year for a variety of services provided in support of local music festivals. The current budget assumes the city will ultimately collect $7.54 million this fiscal year. Indications are that this revenue source is on target.

k) Other Financing Sources

This category of revenue represents funds that are collected in non-general fund accounts and transferred into the general fund to cover specific services. Revenue from Other Financing Sources is expected to total about $3.43 million this fiscal year, mostly due to the transfer of $3.16 million from two public-safety community facilities districts, which partially funds police and fire operations. Indications are that this revenue source is on target.
l) Licenses and Permits
License and permit revenue is collected to cover the costs of regulating various city activities such as local business activity, short-term rentals, building and construction, and alarm-system usage. The majority, about 75 percent, of the revenue collected in this category is associated with building and planning services. The current-year revenue projection totals $2.13 million. Indications are that this revenue source is on target.

m) Fines and Forfeitures
Revenue within this category is predominantly generated from vehicle, parking, and other code enforcement fines. The current budget assumes fine and forfeiture revenue will total $778,500. Indications are that this revenue source is on target.

n) Miscellaneous Revenue and Reimbursements
Miscellaneous revenue encompasses funding that does not fit into any other major revenue category. Revenue recorded in this category includes proceeds generated from the sale of music festival tickets ($1.89 million), property transfer tax ($350,000), and various reimbursements ($209,500). The current budget assumes miscellaneous revenue will total $2.45 million. Indications are that this revenue source is on target.

o) Federal and State Reimbursements
Miscellaneous state and federal reimbursements consist of revenue collected for peace officer training (POST), various state mandates, and ground emergency medical transports (GEMT). The current budget assumes federal and state reimbursement will total $129,000. Indications are that this revenue source is on target.

4. MEASURE X SALES TAX DETAIL
Measure X is a new source of local sales tax revenue that will sunset in 2037. The one-percent tax was approved by voters in 2016 and implemented citywide by the State Board of Equalization (BOE) on April 1, 2017. The additional one percent brings the total local sales tax rate up to 8.75 percent.

A budget adjustment increasing projected current-year Measure X sales tax revenue by $1 million can be found in the General Fund Revenue Summary section of this report, starting on page five. Upon adjustment, the current-year revenue expectation will total $9.5 million. In addition to the $9.5 million, the city also received $1.93 million last year that was not spent. Of the available $11.43 million in Measure X resources, all but $1.26 million has been earmarked by the City Council for a specific purpose. A listing of those earmarks is reflected in Attachment C of this report. The attachment also captures preliminary future-year earmarks for the coming two fiscal years; however, the City Council has not formally committed future-year resources for any specific purpose, so future-year pledges are subject to change.

Current-year earmarks are summarized in the following graph by expenditure category. While funds have been generally appropriated for Public Safety, Economic Development, and City Facilities and Equipment, the bulk of the funding has been set aside for transportation projects including: bridge repairs, street improvements, existing and future highway interchanges, sidewalk upgrades, and traffic signals.
The following stacked area chart illustrates cumulated Measure X commitments over the next five years. Areas of the chart are filled with color to represent financial obligations, by expenditure category, over an expected time period. Each expenditure category is plotted as a line with color fill followed by the second expenditure category, and so on. The expenditure categories are color coded representing Public Safety (blue), Economic Development (Red), Facilities and Equipment (green), and Transportation Projects (purple). The grey filled area represents the value of unobligated Measure X resources between now and FY 21/22.

A quick review of the chart shows diminishing future-year obligations relative to a large number of current-year commitments. This chart will drastically change in the coming months as the City Council, with the help of the Citizens' Finance Advisory Committee, prioritizes and approves additional future-year projects. The number and cost of worthy projects exceeds the
level of resources made available through Measure X. Prioritizing will undoubtedly be a rigorous process as road improvements are weighed against park improvements, bridge seismic retrofits, interchanges, sidewalks, storm drains, traffic signal synchronization, and facility needs.

5. APPROPRIATIONS FOR CONTINGENCY – GENERAL FUND

Funds held in the general fund contingency account represent the availability of current-year resources that have not been allocated (budgeted) in support of a particular purpose. These funds are available, at the City Council’s discretion, to appropriate for any city priority. Resources remaining in a contingency account at fiscal yearend become available to bolster city reserves as long as other general fund budget expectations are met.

When last reported in the First-Quarter Budget Report, the balance of resources remaining in the contingency account totaled $6,537. Since that report, the City Council approved a contract with the Desert Sands Unified School District and sold land. Those resources, along with the recognition of $617,000 in new general fund revenue—recommended in this report—brings the cumulative total of available resources up to $786,439. However, there are a number of financial shortfalls identified this quarter, across multiple departments. Staff recommends overdrawing contingency by $1,769 to fund $788,208 in critical funding needs. Justifications and budget adjustments can be found in the FY 17/18 Second-Quarter Departmental Reports section, starting on page 19. A summary of contingency-related adjustments follows.

<table>
<thead>
<tr>
<th>General Fund Appropriations for Contingency</th>
<th>Increase</th>
<th>Decrease</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance as of 07/01/17</td>
<td></td>
<td></td>
<td>$0</td>
</tr>
<tr>
<td>School Resource Officers (Item 10v) 09/06/17</td>
<td>$74,537</td>
<td></td>
<td>$74,537</td>
</tr>
<tr>
<td>Equipment Operator I (Item 11aii) 09/06/17</td>
<td></td>
<td>($68,000)</td>
<td>$6,537</td>
</tr>
<tr>
<td>School Resource Officers (Item 11p) 11/01/17</td>
<td>$49,773</td>
<td></td>
<td>$56,310</td>
</tr>
<tr>
<td>Sewer easement (Item 9e) 11/15/17</td>
<td>$7,415</td>
<td></td>
<td>$63,725</td>
</tr>
<tr>
<td>Water &amp; Irrig. easement (Item 9f) 11/15/17</td>
<td></td>
<td>$714</td>
<td>$64,439</td>
</tr>
<tr>
<td>Sale, Civic Ctr. &amp; Jackson (Item 9i) 11/15/17</td>
<td>$105,000</td>
<td></td>
<td>$76,439</td>
</tr>
<tr>
<td>New general fund revenue (page 5)</td>
<td>$617,000</td>
<td></td>
<td>$786,439</td>
</tr>
<tr>
<td>City Manager’s Office (page 19)</td>
<td></td>
<td>($281,000)</td>
<td>$505,439</td>
</tr>
<tr>
<td>Jefferson Interchange project (page 22)</td>
<td></td>
<td>($327,760)</td>
<td>$177,679</td>
</tr>
<tr>
<td>Community Services, sponsorship (page 23)</td>
<td></td>
<td>($69,148)</td>
<td>$108,531</td>
</tr>
<tr>
<td>IPAC repairs and maintenance (page 24)</td>
<td></td>
<td>($60,000)</td>
<td>$48,531</td>
</tr>
<tr>
<td>Lot Lighting Repairs - Varner Rd (page 27 )</td>
<td></td>
<td>($18,854)</td>
<td>$29,677</td>
</tr>
<tr>
<td>Facility security - IPAC (page 27)</td>
<td></td>
<td>($22,840)</td>
<td>$6,837</td>
</tr>
<tr>
<td>Building repairs - armory (page 28)</td>
<td></td>
<td>($8,606)</td>
<td>($1,769)</td>
</tr>
<tr>
<td>Total unobligated resources</td>
<td></td>
<td></td>
<td>($1,769)</td>
</tr>
</tbody>
</table>

6. FUND BALANCE – GENERAL FUND

Fund balance represents city assets in excess of its liabilities. Fund balance effectively reflects the city’s net financial position, where fund balance is adjusted each year by gains (under-spending and revenue surpluses) and losses (overspending and revenue shortfalls). For consistent government-financial reporting across the U.S., fund balance is categorized into five
categories, as defined below. There are no changes in fund balance from the totals reported last quarter.

**Nonspendable** fund balance represents resources that cannot be spent because they are not in a spendable form. At the end of FY 16/17, the city had $10.14 million in nonspendable fund balance representing prepaid expenditures ($320,767), land held for resale ($5.8 million), and a note receivable ($4.02 million). That amount is expected to decrease in FY 17/18 to $9.69 million based on income toward the outstanding note and receipt of the prepaid items.

**Restricted** fund balance represents resources that are subject to external enforceable legal constraints. There are currently no funds lawfully restricted in the city’s general fund. Funds that are restricted are not mixed with discretionary general fund resources and are typically accounted for outside the city’s general fund, in other city funds (special revenue funds).

<table>
<thead>
<tr>
<th>General Fund Fund Balance (in millions)</th>
<th>Ending Fund Balance FY 14/15</th>
<th>Ending Fund Balance FY 15/16</th>
<th>Ending Fund Balance FY 16/17</th>
<th>Ending* Fund Balance FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONSPENDABLE</td>
<td>7.64</td>
<td>8.98</td>
<td>10.14</td>
<td>9.69</td>
</tr>
<tr>
<td>RESTRICTED</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>COMMITTED (by Council)</td>
<td>5.62</td>
<td>11.19</td>
<td>11.28</td>
<td>11.28</td>
</tr>
<tr>
<td>ASSIGNED (by City Mgr)</td>
<td>3.24</td>
<td>3.46</td>
<td>8.45</td>
<td>3.32</td>
</tr>
<tr>
<td>UNASSIGNED</td>
<td>7.09</td>
<td>1.82</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>23.59</td>
<td>25.45</td>
<td>29.87</td>
<td>24.29</td>
</tr>
</tbody>
</table>

*Based on FY 17/18 budget projections

**Committed** fund balance represents resources that are officially set aside by the City Council for a “rainy day” or an unexpected need. The portion of fund balance categorized as “committed” represents funds put aside for economic uncertainties. The funds within this category can be used in case of emergency or for an urgent city priority as directed by the City Council. The balance of funds categorized as committed at the end of FY 16/17 total $11.28 million and that balance is not expected to change by the end of the FY 17/18. City policy stipulates that for the financial health of the city, 15 percent of general fund revenue should be set aside for emergencies. Based on that policy, the emergency benchmark stands at $10.6 million.

**Assigned** fund balance represents resources that are earmarked by city administration for a particular purpose. At the end of FY 16/17, $8.45 million was assigned by the city manager to fund various future-year projects and known council priorities. The funding for these projects and priorities is sourced from FY 16/17 budget savings as well as savings from earlier fiscal years. Most of these funds are expected to be appropriated and spent in the next two years in support of the priorities listed below. From the $8.45 million set aside at the end of FY 16/17, about $3.3 million has since been appropriated into the current-year budget. A list of those appropriated projects can be found in the Multiple-Year Projection section, under Fund Balance, starting on page 18. The balance of funds categorized as assigned is expected to total $3.32 million at the end of FY 17/18.
Assigned fund balance designations:

- **Measure X contingency**: $1,926,459
- **Towne Street building demolition**: $100,000
- **Parks program grant match**: 87,577
- **Varner Road building demolition**: 125,000
- **Future labor obligations**: 3,393,095
- **Drainage study grant match**: 100,000
- **Reserve for encumbrances**: 674,239
- **Capital impact fee study**: 100,000
- **Armory purchase**: 532,893
- **Municipal golf course improvements**: 115,000
- **Fire operational impacts**: 800,000
- **Various code enforcement demolitions**: 100,000
- **ADA needs assessment**: 236,100
- **Police Department grant match**: 68,225
- **Civic Center street purchase**: 68,250
- **Mobility hub study**: 25,000
- **Tax audits**: 50,000

**Total**: $8,451,838

*Unassigned* fund balance represents resources that have not been categorized as nonspendable, restricted, committed, or assigned.

### 7. MULTIPLE-YEAR PROJECTION – GENERAL FUND

The multi-year budget projection is a planning tool that forecasts general fund revenue as well as future-year expenses. The model reflects potential budget surpluses as well as possible budget deficits, allowing for advance planning. The projection incorporates revenue assumptions consistent with revenue projections previously discussed in this report. The model presumes appropriations approved by the City Council in any one year roll forward into the next, unless appropriated for a one-time purpose. The model has been updated with revenue and expenditure projections consistent with the following assumptions:

<table>
<thead>
<tr>
<th>General Fund Multi-year Projection (in millions)</th>
<th>Original Budget 17/18</th>
<th>Adjusted Budget 17/18</th>
<th>Projected Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>70.00</td>
<td>72.67</td>
<td>74.49 76.35 78.26 80.22</td>
</tr>
<tr>
<td><strong>USES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General appropriations</td>
<td>43.13</td>
<td>45.46</td>
<td>43.38 43.38 43.38 43.38</td>
</tr>
<tr>
<td>CalPERS retirement costs</td>
<td>4.94</td>
<td>4.99</td>
<td>5.74 6.55 7.49 8.20</td>
</tr>
<tr>
<td>Police Officer (grant match)</td>
<td>0.05</td>
<td>0.05</td>
<td>0.09 0.09 0.21 0.21</td>
</tr>
<tr>
<td>IHS campus agreement</td>
<td>-</td>
<td>-</td>
<td>0.15 0.15 0.15 0.15</td>
</tr>
<tr>
<td>Labor agreements</td>
<td>-</td>
<td>0.68</td>
<td>1.61 1.69 1.69 1.69</td>
</tr>
<tr>
<td>Fire &amp; Ambulance appropriations</td>
<td>14.08</td>
<td>14.08</td>
<td>14.78 15.52 16.30 17.12</td>
</tr>
<tr>
<td>General Fund contingency</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Measure X appropriations</td>
<td>2.61</td>
<td>6.41</td>
<td>3.58 3.20 3.20 3.20</td>
</tr>
<tr>
<td>Measure X set aside (contingency)</td>
<td>5.19</td>
<td>5.01</td>
<td>6.22 6.90 7.20 7.50</td>
</tr>
<tr>
<td>Subtotal</td>
<td>70.00</td>
<td>76.68</td>
<td>75.55 77.48 79.62 81.45</td>
</tr>
<tr>
<td><strong>Fund Balance Increase/(Decrease)</strong></td>
<td>-</td>
<td>(4.01)</td>
<td>(1.06) (1.13) (1.36) (1.23)</td>
</tr>
</tbody>
</table>

**Revenue**

Revenue within the multi-year projection increases two to three percent per fiscal year, mainly driven by expected growth in tax revenue: sales tax, property tax, and property tax in-lieu of VLF. Revenue growth since the Great Recession has been greater than three percent a year due to a strong post-recession recovery and three voter-approved tax increases: utility users'
tax (2010), transient occupancy tax (2014), and sales tax (2016). Revenue projections are consistent with the analysis provided in the General Fund Revenue Detail section of this report.

**General Appropriations**

General appropriations embody budgets for all general fund departments, excluding amounts reflected separately in the multi-year projection. Appropriations approved by the City Council in one year are assumed to roll forward at the same level into the next year unless granted for a one-time purpose.

**CalPERS Retirement Costs**

The California Public Employees’ Retirement System (CalPERS) is a defined benefit plan that provides retirement pay to members based on years of service, age, and compensation at time of retirement. In December, the CalPERS Board of Administration lowered its assumed investment rate of return, known as the discount rate, from 7.5 percent to 7 percent. Lowering the discount rate means that CalPERS member agencies, like the City of Indio, will face significant cost increases starting in FY 18/19. While actual cost will vary, CalPERS and Bartel Associates provided a costing model that considers current valuations and funded status. Based on that model, retirement costs for the City of Indio are expected to increase about $1 million per year for each of the next five years.

Salary costs for the city dropped $10 million after the Great Recession as the city reduced staffing and pay levels. Since that time, salary cost has remained relatively stable, around $26 million a year. Approximately 18 percent of all payroll cost ($5 million) is currently paid to CalPERS for pensions. However, starting next fiscal year that percentage is expected to increase as the city is forced to contribute $1 million more a year toward employee pensions. Four years from now, in FY 21/22, the city’s pension costs will likely total $10 million a year, and represent 30 percent of all payroll costs. The multi-year projection only reflects retirement costs that are paid by the general fund, which is approximately 80 percent of all retirement costs.

**Police Officer Hiring Grants**

The city has accepted grant funds to hire police officers. In some cases, when the grant ends, the city must pick up the full cost of the officer for at least one year. Normally, these positions are permanently retained. The City Council accepted a 2013 and a 2014 COPS grant, hiring one officer under each year’s program. Additionally, the City Council recently accepted grant funds from the Community Based Transitional Housing Program that, among other benefits, will cover the cost of one new police officer for three years. The cost of that officer is projected to hit the general fund in FY 20/21.

**Indio High School Interim Housing Agreement**

In 2010, the city entered into an agreement with the Desert Sands Unified School District (DSUSD) to equally share in the cost of an interim campus during the rebuild of Indio High School. The agreement was struck following the city’s request for a redesign of the proposed facility layout in order to maintain congruence with the Indio Teen Center and other planned inter-generational centers. The city’s 50 percent share totals $2,945,210. Annual payments of $147,260.50 commence in August 2018 and end in the year 2037.
FY 17/18 Labor Agreements
Labor agreements with all five of the city’s labor groups expired on June 30, 2017. Negotiations started in January but did not conclude in time for any cost impacts to be incorporated into the adopted budget. Since January, the city has come to terms with four of its five unions. The current-year financial impact of those agreements is estimated to total $680,000. Resources to cover these labor costs were set aside at the end of FY 16/17, but have not been incorporated into the current-year budget. Staff recommends postponing budget adjustments until yearend when actual costs are known.

Fire and Ambulance Services
The city contracts with the County of Riverside for fire and ambulance services. The County in turn contracts with the state. Per the terms of a new labor contract, approved last year, state firefighters are slated to get annual wage increases through FY 20/21. Firefighters will also benefit from a new extended duty pay methodology that will yield more hours of overtime. These costs will be passed on to the city through the contract. These labor adjustments along with the normal inflationary costs for fire services are expected to raise contract service cost five to 10 percent a year. For projection purposes, fire and ambulance costs are assumed to grow five percent a year.

General Fund Contingency
Funds held in the general fund contingency account represent the availability of resources that have not been programmed by the City Council for a particular city priority. When the City Council chooses not to use funds within the contingency account, those funds become available to cover unanticipated expenditures, fill in behind discretionary revenue shortfalls, bolster city reserves, or fund activities in the following fiscal year. Upon approval of the budget adjustments recommended in this report, there will be no residual funding available within the general fund contingency account.

Measure X Appropriations and Measure X Set Aside
The City Council has resolved that Measure X sales tax revenue is to be isolated and used exclusively for council-approved priorities. Therefore, the annual amounts shown in the multi-year projection as Measure X Appropriations and Measure X Set Aside, together, represent all of Measure X sales tax resources. This accounting isolates Measure X activity, allowing future-year outcomes to be viewed independent of any Measure X income and related Measure X expenditures. This fiscal year, the City Council has appropriated $6.41 million toward the projects listed in Attachment C.

Fund Balance
Changes in fund balance represent the projected difference between budgeted expenditures and estimated revenue. A decrease in fund balance is sometimes expected, which is the case for FY 17/18, because the city is using resources received in a prior year to cover the cost of approved current-year projects (detailed below). In other cases, a decrease in fund balance is the foreshadowing of undesired outcome, like when salary costs outpace growth in revenue. As of midyear, the city’s forecast for FY 18/19 and thereafter indicates the possible need to reduce expenditures if the use of reserves is not the City Council’s preference. The projected shortfall is small and revenue growth could be better than predicted. Therefore, the out-year projection should be interpreted to mean costs and revenue are on similar upward trajectories.
and that the city should be wary of a downturn in the economy and adding on-going expenditure obligations to the budget.

The use of fund balance in the updated FY 17/18 projection reflects actions by the City Council for the following expenditure priorities:

- **Purchase SA property (Civic Center Mall)** Item No. 10j 04/19/17 $68,250
- **Purchase Armory** Item No. 11m 05/03/17 532,893
- **Disability Access Study** Item No. 11i 05/17/17 236,100
- **Rollover prior year Measure X funds** First-Qtr Report Page 11 1,926,459
- **Police Department Grant** First-Qtr Report Page 23 68,225
- **General Plan update** First-Qtr Report Page 25 337,229
- **Demo residence, 45720 Deglet Noor St.** Item No. 11f 10/4/17 28,437
- **Demo building, 45235 Towne Street** Item No. 10k 10/18/17 18,167
- **Demo building, 45235 Towne Street** Midyear Report Page 26 74,209
- **Demo building, 79500 Varner Road** Midyear Report Page 26 43,733
- **Total** $3,333,702

In addition to the expenditures listed above, the City Council recently approved labor contracts with four labor groups: SEIU, ICEA, IWAEA, PCU; and agreed to provide similar labor conditions to city management, confidential, and unrepresented employees. The additional current-year general fund cost is estimated to be $680,000. Funding for these costs has not been incorporated into the current-year budget and is therefore reflected in the budget projection as a decrease in fund balance. It should be noted that funds have been set aside to cover this obligation, however, not yet incorporated into the budget. Staff recommends waiting until yearend to reconcile unbudgeted labor costs against the set aside.

D. FY 17/18 SECOND-QUARTER DEPARTMENTAL REPORTS

This section of the report is used to communicate departmental points of interest or areas of concern, while highlighting potential financial impacts. The Finance Department maintains accounting records and provides financial reports to departments on a monthly basis. Department heads are tasked with monitoring expenditure levels to ensure that spending does not exceed council-approved limits. If departmental operations are running smoothly, within budget and relatively free of concern, no information on those departments is included in this report.

1. **GENERAL GOVERNMENT**

The General Government group consists of budget units that carry out the city’s day-to-day administrative operations. The group includes budgets for: the City Manager’s Office, the City Council, the City Attorney, Human Resources, the City Clerk’s Office, the Finance Department, and Animal Services. Animal Services are provided through a cooperative agreement with the County of Riverside. At this time, most General Government budgets are trending on target with the exception of the City Manager’s budget, as noted below.

a) **City Manager’s Office**

The City Manager’s budget absorbed $281,000 in costs, associated with a settlement agreement with the previous city manager, that it cannot absorb into the approved budget. Staff
requests a budget increase to account for this one-time expense.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations as follows:

- **Increase appropriations:**
  - 101-4121-412-1201 Regular Salaries $281,000
  - Decrease appropriations:
    - 101-4910-491-9010 Appropriations for Contingency $281,000

2. **PUBLIC PROTECTION**

The Public Protection group consists of budget units that pursue activities designed to protect the citizens of the city. The group includes budgets for the Police Department, Fire Department, the Emergency Operations Center, and Code Enforcement. At this time, there are no reportable financial issues within the Public Protection group other than what is outlined below.

- **a) Police Department**

  The Police Department has two active COPS grants, which partially fund salary costs for two new police officers. When preparing the FY 17/18 budget, the department under projected the FY 17/18 COPS hiring grant reimbursement. The department requests approval of a budget adjustment increasing the original budget to more accurately reflect COPS Hiring Grant funding.

  **Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

  - **Increase appropriations:**
    - 236-0000-400-1201 Regular Salaries $16,000
  - **Increase estimated revenue:**
    - 236-0000-325-9000 Federal Revenue $21,707
  - **Expected offset:**
    - 236-0000-271-0000 Fund Balance $5,707

3. **PUBLIC WORKS**

The Public Works group consists of budget units that design, construct, improve and maintain public infrastructure. This group includes budgets for Engineering, Street Maintenance, and Parks and Parkways. At this time, most Public Works budgets are trending on target with the exceptions noted below.

- **a) Dept. Conservation Recycle Grant**

  The city entered into an agreement with Clean Harbors Environmental Services to hold temporary Household Hazardous Waste (HHW) collection events. A budget adjustment is requested to account for the cost and associated reimbursement for administering these events. The program is funded through a CalRecycle grant.
**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
- 218-0000-400-2190 Professional Services $32,500

Increase estimated revenue:
- 218-0000-323-9000 State Reimbursement $32,500

b) **State Gas Tax Fund**

During the FY 17/18 budget process, beginning fund balance for the Gas Tax Fund was erroneously overstated by $534,740. Funds that were expected to be available this year were used toward the end of last year. To correct for the overstatement, the current-year budget needs to be reduced. The following budget adjustment effectively lowers spending authority within the Gas Tax Fund to available resources.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations as follows:

Decrease appropriations:
- 210-0000-400-2225 Construction Services $534,740

Expected offset:
- 210-0000-271-0000 Fund Balance $534,740

c) **Highway 111 Fund**

The adopted budget erroneously captured appropriations and revenue for a Highway 111 street improvement project in the wrong fund. A budget adjustment is requested to move the spending authority and expected revenue to the correct fund.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
- 330-0000-400-2225 Construction Services $4,680,000

Increase estimated revenue:
- 330-0000-325-9000 Federal Reimbursement $4,680,000

Decrease appropriations:
- 300-0000-400-2225 Construction Services $4,680,000

Decrease estimated revenue:
- 300-0000-325-9000 Federal Reimbursement $4,680,000
d) Measure A Fund
Staff has identified an error, related to the design and construction of the Coachella Canal at Madison Street and Ave. 50, where project expenses and revenue were not properly accounted for in the same fund. Approval of the requested budget adjustments allows staff to move revenue captured in the Capital Improvement Fund into the Measure A Fund.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 300-0000-400-8101 Operating Transfer Out $200,000
- **Expected offset:**
  - 300-0000-271-0000 Fund Balance $200,000
- **Increase estimated revenue:**
  - 212-0000-386-8101 Operating Transfer In $200,000
- **Expected offset:**
  - 212-0000-271-0000 Fund Balance $200,000

Jefferson Interchange Project
The Jefferson Street interchange construction project involves multiple agencies and several funding sources. The County of Riverside is the lead agency, who administered and managed the construction project for the city. Although construction activities are done, there are still residual project costs, administrative and construction related, that are being circulated. Invoices are based upon construction costs as well as County of Riverside costs (personnel time, etc.). It takes an unspecified amount of time for the county to gather their costs and pass them on to CVAG. Per the terms of the Interchange Reimbursement Agreement between the city and CVAG, the city agreed to contribute 50.10 percent of the 25 percent local share of cost. Staff estimated current-year costs would total about $500,000, but the city has been billed $917,763.

Budget adjustments are requested reflecting the use of Measure X contingency funds to cover $380,000 of this year’s costs—as approved as part of the city’s FY 17/18 Capital Improvement Program (CIP) plan—and an additional $327,760 from general fund contingency. The $327,760 portion of the cost was not anticipated. Some of the cost is being covered by capital funding sources as reflected in the approved budget.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriation and estimated revenue as follows:

- **Increase appropriations**
  - 212-0000-400-2225 Construction Services $380,000
  - 312-0000-400-2225 Construction Services $327,760
  - Total $707,760
- **Increase estimated revenue:**
  - 212-0000-386-8101 Operating Transfer In $380,000
312-0000-386-8101 Operating Transfer In 327,760
Total $707,760

Increase appropriations:
101-4199-419-8101 Operating Transfer Out $707,760

Decrease appropriations:
101-4910-491-9010 Appropriations for Contingency $327,760
102-4910-491-9015 Measure X Contingency 380,000
Total $707,760

Safe Routes to School
KOA Corporation was awarded a contract by City Council on March 1, 2017 (Item No. 11a), to prepare a Safe Routes to School Plan. A portion of the project was completed in FY 16/17 and the remaining contract will be completed in this fiscal year. A budget adjustment is requested to reflect an appropriations increase where the remaining cost of this project will be captured.

Recommended Motion: That the City Council direct the Finance Department to adjust appropriation and estimated revenue as follows:

Increase appropriations:
212-0000-400-2190 Professional Services $119,810

Increase estimated revenue:
212-0000-322-9000 State Reimbursement $123,015

Expected offset:
212-0000-271-0000 Restricted Fund Balance $3,205

4. COMMUNITY SERVICES
Community Services includes budget units that account for activities designed to serve the general public and provide community-related amenities. This budget group includes Community Services, Teen Services, and Senior Services.

a) Community Services
On September 6, 2017, the City Council approved a $75,000 sponsorship in support of the first annual Desert Oasis concert. At the time the award was granted a funding source was not identified. From the concert, the city received $692 in transient occupancy taxes and $5,160 in revenue-sharing based on ticket sales. A budget adjustment is recommended recognizing the sponsorship expense as well as the related revenue. Staff is requesting the use of $69,148 contained within the city’s contingency account to cover the difference. The city also provided police services during the event. That cost is still being compiled at the time of this report.

Recommended Motion: That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
101-4127-412-2880 Promotional Activities $75,000
Increase estimated revenue:
101-0000-319-1000 Transient Occupancy Tax $692
101-0000-394-2020 Miscellaneous Revenue 5,160
Total $5,852

Decrease appropriations:
101-4910-491-9010 Appropriations for Contingency $69,148

b) Indio Performing Arts Center
Since Community Services took over operation of the Indio Performing Arts Center (IPAC), several repairs have been made to keep the building safe and comfortable for guests. Expenditures for one-time repairs to seats, lighting, drywall, electrical, and other items have been incurred at a cost of approximately $60,000, consuming the available budget for IPAC related costs. Additional repairs to air conditioning, lighting, kitchen equipment, signage, and other IPAC items are needed to bring the Center up to basic operational standards. A budget adjustment is requested appropriating $60,000 from the city’s contingency account to cover the expected $60,000 in IPAC costs.

Recommended Motion: That the City Council direct the Finance Department to adjust appropriations as follows:

Increase appropriations:
101-4194-419-2490 Repair and Maintenance $60,000

Decrease appropriations:
101-4910-491-9010 Appropriations for Contingency $60,000

c) Senior Center
In October 2014, the City Council approved a resolution creating annual membership fees for both residents and non-residents utilizing the Indio Senior Center. As stipulated by the City Council, fees are to be used to enhance programming and fund facility enhancements. This fiscal year, staff recommends using fee-revenue to enhance the game room by replacing one pool table with new table games, adding a coffee bar and chairs, and new lounge sofas at an estimated cost of $10,500. In addition, staff is recommending the purchase of a new monitor for the check-in/check-out kiosk at a cost of $1,500. Approval authorizes staff to spend $12,000 in membership fees for the purposes indicated.

Recommended Motion: That the City Council approve the use of $12,000 in Senior Center membership fees to purchase new table games, add a coffee bar and chairs, new lounge sofas, and a new monitor for kiosk check-in/check-out; and direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
101-4651-465-6410 Machinery and Equipment $12,000

Increase estimated revenue:
101-0000-369-9060 Senior Center Membership Fees $12,000
5. COMMUNITY DEVELOPMENT

Budgets within the Community Development group are created to pursue and protect the safety, health, and welfare of local residents by making sure that construction and land use activities are in compliance with all state and local regulations. This group of departments, which includes Planning as well as Building and Safety, is responsible for issuing building permits, conducting inspections of all construction projects, and guiding development in accordance with the city’s General Plan. In addition, this group encompasses the Art in Public Places fund and its operational expenses. At this time there are no reportable financial issues within the Community Development group of budgets.

6. ECONOMIC DEVELOPMENT

The Economic Development budget unit encompasses efforts to improve the overall economic health of the city and its residents. Economic development efforts include the development of critical infrastructure, maintaining regional competitiveness, and enhancing environmental sustainability; all while enhancing health, safety, and social well-being in the community.

During the second quarter, approximately $26,000 was used to pay for holiday lighting and decorations in Downtown Indio, which was not included in the original budget. Due to ill-execution and non-completion of the project, staff is in the process of requesting a refund from the vendor. Pending a refund, staff is working to put forth an Economic Development package to Council that will utilize Measure X funds to cover any remaining costs. An update will be provided in the third-quarter budget report.

The Economic Development department is also working to increase City booth presence at events in Indio. Giveaways, prints, and extra labor to accomplish this has used a significant portion of the professional services budget within the Economic Development department. Staff believes these expenditures can be absorbed into the approved budget.

7. HOUSING AND NEIGHBORHOOD PROGRAMS

The Housing and Development group consists of budget units created to improve neighborhoods and housing conditions, expand housing and development opportunities, and oversee several grants, including the Federal Community Development Block Grant (CDBG) and Neighborhood Stabilization Program (NSP), and the State’s Housing Related Park Program (HRPP). This budget unit also oversees the functions, programs and budgets of the Successor Agency of the former Redevelopment Agency and the Indio Housing Authority, which are reported separately.

a) Neighborhood Stabilization Program

The Neighborhood Stabilization Program (NSP2) is projecting program revenue from the sale of rehabilitated houses. The funds are used to further program objectives by purchasing, restoring, improving, and ultimately selling homes to low income families. The department is requesting budget adjustments that reflect enhanced program activity and additional outside funding from the U.S. Department of Housing and Urban Development, the program sponsor.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:
## Increase appropriations:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
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<tr>
<td>238-0000-400-2110</td>
<td>Legal Services</td>
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<td>238-0000-400-2140</td>
<td>Appraisals</td>
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<td>238-0000-400-2330</td>
<td>Electricity</td>
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<tr>
<td>238-0000-400-2440</td>
<td>Buildings &amp; Grounds</td>
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## Decrease appropriations:

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<tr>
<td>238-0000-400-2225</td>
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## Increase estimated revenue:

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<tr>
<td>238-0000-351-1510</td>
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## Decrease estimated revenue:

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<tr>
<td>238-000-325-9000</td>
<td>Federal Funding</td>
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## Expected offset:

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<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>238-0000-271-0000</td>
<td>Fund Balance</td>
<td>$1,055,400</td>
</tr>
</tbody>
</table>

### 8. INTERNAL SERVICE FUNDS

Internal Service Funds include Risk Management, Information Technology, Buildings and Grounds, Fleet Maintenance, and Centralized Services. Expenses captured in these funds are shared among city departments based on projected usage by way of quarterly allocations managed by the Finance Department.

#### a) Building and Grounds

**Property Demolitions**

The city entered into agreements with Emery Landclearing and Grading Inc. for the demolition of the Masters Auto Body Building, city owned property, located at 79500 Varner Road ($43,733); and Demo Unlimited for the demolition and lot leveling of city owned property located at 42235 Towne Street ($74,209). A budget adjustment is requested to reflect and authorize the transfer of funds to the Building and Grounds Fund, where the cost of these demolitions will be captured. Funding for these demolitions was set aside at the beginning of the fiscal year.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>101-4199-419-8101</td>
<td>Operating Transfer Out</td>
<td>$117,942</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>101-0000-280-1000</td>
<td>Assigned Fund Balance</td>
<td>$117,942</td>
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</table>
Lot Lighting – Varner Rd.
The city entered into an agreement with Meredith & Simpson Construction to perform electrical repairs, replace stolen wires, and replace fixtures at 79370 Varner Road. The site is currently being leased to Unicars Honda. A budget adjustment is requested to reflect and authorize the transfer of funds to the Building and Grounds Fund where the cost of this project will be captured. The repair work was not anticipated and therefore not included in the approved budget.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 101-4199-419-8101 Operating Transfer Out $18,854
  - 604-0000-400-2190 Professional Services $18,854
  - 604-0000-398-5000 Operating Transfer In $18,854

- **Decrease appropriations:**
  - 101-4910-491-9010 Appropriations for Contingency $18,854

Facility Security - IPAC
The city entered into an agreement with Mijac Alarm to install a security system at the Indio Performing Arts Center. A budget adjustment is requested to reflect and authorize the transfer of these funds to the Building and Grounds Fund where the cost of this project will be captured.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 101-4199-419-8101 Operating Transfer Out $22,840
  - 604-0000-400-2285 Security Services $22,840
  - 604-0000-398-5000 Operating Transfer In $22,840
Building Repair - Armory
Due to vandalism at 79370 Varner Road, city property previously an armory for the National Guard, the Building and Grounds Fund has incurred unanticipated repair costs. A budget adjustment is requested to reflect and authorize the transfer of these funds to the Building and Grounds Fund where the cost will be captured.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- Increase appropriations:
  - 101-4199-419-8101 Operating Transfer Out $8,606
- Decrease appropriations:
  - 101-4910-491-9010 Appropriations for Contingency $8,606
- Increase appropriations:
  - 604-0000-400-2190 Professional Services $8,606
- Increase estimated revenue:
  - 604-0000-398-5000 Operating Transfer In $8,606

9. ENTERPRISE FUNDS
Enterprise funds are used to account for operations that are financed and managed in a manner similar to a private business, where costs of providing goods or services to the public are recovered primarily through user charges. The city oversees three enterprise funds: solid waste, the municipal golf course, and the water services; however, water services are reported separately to the City Council by the Indio Water Authority and are not reflected in this report. At this time, there are no reportable financial issues within the Enterprise Fund group.

10. SPECIAL DISTRICTS
Special Districts are a form of local government created to provide specialized services. There are 85 special districts in the City of Indio, which can be broken down into two main categories: maintenance districts and infrastructure districts. Landscape and Lighting Districts are theme based maintenance districts that are funded by special assessments collected from the property owners within the benefit area to pay for ongoing maintenance and operations. Infrastructure districts account for major infrastructure improvements, where bonds are sold to fund various improvements. Special assessments for infrastructure districts are usually collected from the property owners over a 30-year period and terminate when the debt is paid off. At this time, there are no reportable financial issues within the Special District fund group.

11. SUCCESSOR AGENCY (FORMER REDEVELOPMENT AGENCY)
The Successor Agency to the Redevelopment Agency of the City of Indio plays a key day-to-day role in assuring that the existing debt service and other obligations of the former Redevelopment Agency are properly paid from the Redevelopment Obligation Payment Schedule, and that the former Redevelopment Agency's properties and other assets are disposed of in an appropriate manner. At this time, there are no reportable financial issues for the Successor Agency.
12. HOUSING AUTHORITY

The Housing Authority was created to respond to the need for affordable housing in the city by providing a financing mechanism to encourage such development.

The Housing Authority has recently undertaken several projects, such as a financial feasibility and project analysis pertaining to proposed affordable housing and mixed-use projects, that were not incorporated into the original budget. Professional services, legal fees, as well as advertising costs are expected to be over the Authority-approved spending limit. The Authority also entered into an agreement with The Ramsay Group to prepare a new federally mandated Assessment of Fair Housing (AFH). Budget adjustments are requested to properly account for these additional expenditures. There are sufficient recourses with the Housing Authority fund to cover the cost of these activities.

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

<table>
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<tr>
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<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>773-0000-400-2110</td>
<td>Legal Services</td>
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<td>773-0000-400-2190</td>
<td>Professional Services</td>
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<td>773-0000-400-2450</td>
<td>Buildings &amp; Grounds Repair &amp; Main.</td>
<td>$6,000</td>
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<td>773-0000-400-2740</td>
<td>Advertising</td>
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<td>773-0000-400-5520</td>
<td>Office Supplies</td>
<td>$500</td>
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<td><strong>Total</strong></td>
<td><strong>$70,500</strong></td>
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<tr>
<th>Expected offset:</th>
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<tbody>
<tr>
<td>773-0000-271-000</td>
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</tbody>
</table>
ATTACHMENT A: BUDGET ADJUSTMENT SUMMARY

City Manager Letter

IT IS RECOMMENDED that the City Council approve the recommendations and associated budget adjustments in Attachment A, and receive and file this report along with Attachments B and C.

General Fund Revenue Summary (page 5)

Recommended Motion: That the City Council approve and direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase estimated revenue:
- 102-0000-312-3000 Trans. and Use Tax (Measure X) $1,000,000
- 101-0000-311-1000 Property Tax 200,000
- 101-0000-319-1500 Transient Occupancy Tax (STR) 400,000
- 101-0000-351-1500 Sale of Real Property 17,000
Total $1,617,000

Increase appropriations:
- 101-4910-491-9010 Appropriations for Contingency $617,000
- 102-4910-491-9015 Measure X Contingency 1,000,000
Total $1,617,000

Departmental Reports

General Government
City Manager’s Office (page 19)

Recommended Motion: That the City Council direct the Finance Department to adjust appropriations as follows:

Increase appropriations:
- 101-4121-412-1201 Regular Salaries $281,000

Decrease appropriations:
- 101-4910-491-9010 Appropriations for Contingency $281,000

Public Protection
Police Department (page 20)

Recommended Motion: That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
- 236-0000-400-1201 Regular Salaries $16,000

Increase estimated revenue:
- 236-0000-325-9000 Federal Revenue $21,707

Expected offset:
- 236-0000-271-0000 Fund Balance $5,707
Public Works

Dept. Conservation Recycle Grant (page 20)

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 218-0000-400-2190 Professional Services $32,500

- **Increase estimated revenue:**
  - 218-0000-323-9000 State Reimbursement $32,500

State Gas Tax Fund (page 21)

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations as follows:

- **Decrease appropriations:**
  - 210-0000-400-2225 Construction Services $534,740

- **Expected offset:**
  - 210-0000-271-0000 Fund Balance $534,740

Highway 111 Fund (page 21)

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 330-0000-400-2225 Construction Services $4,680,000

- **Increase estimated revenue:**
  - 330-0000-325-9000 Federal Reimbursement $4,680,000

- **Decrease appropriations:**
  - 300-0000-400-2225 Construction Services $4,680,000

- **Decrease estimated revenue:**
  - 300-0000-325-9000 Federal Reimbursement $4,680,000

Measure A Fund (page 22)

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 300-0000-400-8101 Operating Transfer Out $200,000
Expected offset:
300-0000-271-0000  Fund Balance $200,000

Increase estimated revenue:
212-0000-386-8101  Operating Transfer In $200,000

Expected offset:
212-0000-271-0000  Fund Balance $200,000

**Jefferson Interchange Project (page 22)**

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriation and estimated revenue as follows:

Increase appropriations
212-0000-400-2225  Construction Services $380,000
312-0000-400-2225  Construction Services $327,760
Total $707,760

Increase estimated revenue:
212-0000-386-8101  Operating Transfer In $380,000
312-0000-386-8101  Operating Transfer In $327,760
Total $707,760

Increase appropriations:
101-4199-419-8101  Operating Transfer Out $707,760

Decrease appropriations:
101-4910-491-9010  Appropriations for Contingency $327,760
101-4910-491-9015  Measure X Contingency $380,000
Total $707,760

**Safe Routes to School (page 23)**

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriation and estimated revenue as follows:

Increase appropriations:
212-0000-400-2190  Professional Services $119,810

Increase estimated revenue:
212-0000-322-9000  State Reimbursement $123,015

Expected offset:
212-0000-271-0000  Restricted Fund Balance $3,205

**Community Services**

**Community Services (page 23)**

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:
Increase appropriations:
101-4127-412-2880 Promotional Activities $75,000

Increase estimated revenue:
101-0000-319-1000 Transient Occupancy Tax $692
101-0000-394-2020 Miscellaneous Revenue 5,160
Total $5,852

Decrease appropriations:
101-4910-491-9010 Appropriations for Contingency $69,148

Indio Performing Arts Center (page 24)
Recommennded Motion: That the City Council direct the Finance Department to adjust appropriations as follows:

Increase appropriations:
101-4194-419-2490 Repair and Maintenance $60,000

Decrease appropriations:
101-4910-491-9010 Appropriations for Contingency $60,000

Senior Center (page 24)
Recommennded Motion: That the City Council approve the use of $12,000 in Senior Center membership fees to purchase new table games, add a coffee bar and chairs, new lounge sofas, and a new monitor for kiosk check-in/check-out; and direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
101-4651-465-6410 Machinery and Equipment $12,000

Increase estimated revenue:
101-0000-369-9060 Senior Center Membership Fees $12,000

Housing and Neighborhood Programs
Neighborhood Stabilization Program (page 25)
Recommennded Motion: That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
238-0000-400-2110 Legal Services $500
238-0000-400-2140 Appraisals 1,000
238-0000-400-2195 Admin/Overhead 200
238-0000-400-2310 Natural Gas 600
238-0000-400-2320 Water 600
238-0000-400-2330 Electricity 1,500
238-0000-400-2440 Buildings & Grounds 6,000
238-0000-400-6110 Buildings 645,000
Total $655,400

Decrease appropriations:
238-0000-400-2225 Construction $300,000

Increase estimated revenue:
238-0000-351-1510 Program Revenue $1,000,000

Decrease estimated revenue:
238-000-325-9000 Federal Funding $1,700,000

Expected offset:
238-0000-271-0000 Fund Balance $1,055,400

Internal Service Funds
Building and Grounds
Property Demolitions (page 26)

Recommended Motion: That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
101-4199-419-8101 Operating Transfer Out $117,942

Expected offset:
101-0000-280-1000 Assigned Fund Balance $117,942

Increase appropriations:
604-0000-400-2490 Outside Repairs & Maintenance $117,942

Increase estimated revenue:
604-0000-398-5000 Operating Transfer In $117,942

Lot Lighting – Varner Rd. (page 27)

Recommended Motion: That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

Increase appropriations:
101-4199-419-8101 Operating Transfer Out $18,854

Decrease appropriations:
101-4910-491-9010 Appropriations for Contingency $18,854

Increase appropriations:
604-0000-400-2190 Professional Services $18,854

Increase estimated revenue:
604-0000-398-5000 Operating Transfer In $18,854
Facility Security – IPAC (page 27)

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 101-4199-419-8101 Operating Transfer Out $22,840
  - 604-0000-400-2285 Security Services $22,840
  - 604-0000-398-5000 Operating Transfer In $22,840

- **Decrease appropriations:**
  - 101-4910-491-9010 Appropriations for Contingency $22,840

Building Repair – Armory (page 28)

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 101-4199-419-8101 Operating Transfer Out $8,606
  - 604-0000-400-2190 Professional Services $8,606
  - 604-0000-398-5000 Operating Transfer In $8,606

- **Decrease appropriations:**
  - 101-4910-491-9010 Appropriations for Contingency $8,606

Housing Authority (page 29)

**Recommended Motion:** That the City Council direct the Finance Department to adjust appropriations and estimated revenue as follows:

- **Increase appropriations:**
  - 773-0000-400-2110 Legal Services $10,000
  - 773-0000-400-2190 Professional Services 50,000
  - 773-0000-400-2450 Buildings & Grounds Repair & Main. 6,000
  - 773-0000-400-2740 Advertising 4,000
  - 773-0000-400-5520 Office Supplies 500
  - **Total** $70,500

- **Expected offset:**
  - 773-0000-271-000 Fund Balance $70,500
Indio In Brief

Receipts from Indio’s July through September sales were 2.2% higher than the same quarter one year ago.

Another stellar quarter for new motor vehicle sales boosted autos and transportation returns and was a significant factor in the overall quarterly increase.

Higher fuel prices and a favorable payment adjustment buoyed fuel and service station revenues. A larger allocation from the county-wide use tax pool further contributed to the increase.

The gains were partially offset by several retail store closures which dropped general consumer goods results. Negative payment anomalies depressed most restaurant and hotel categories.

The second quarter collection of voter-approved Measure X added $2,354,998 to the amounts discussed above.

Net of aberrations, taxable sales for all of Riverside County grew 5.1% over the comparable time period; the Southern California region was up 3.1%.

Sales Tax by Major Business Group

<table>
<thead>
<tr>
<th>Business Group</th>
<th>3rd Quarter 2016</th>
<th>3rd Quarter 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos and Transportation</td>
<td>$5,638,640</td>
<td>$5,410,631</td>
</tr>
<tr>
<td>General Consumer Goods</td>
<td>$364</td>
<td>1,644</td>
</tr>
<tr>
<td>Fuel and Service Stations</td>
<td>$560,402</td>
<td>$584,471</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>$5,077,875</td>
<td>$4,824,515</td>
</tr>
<tr>
<td>County and State Pools</td>
<td>$2017-18</td>
<td></td>
</tr>
<tr>
<td>Restaurants and Hotels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business and Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food and Drugs</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue Comparison

Two Quarters – Fiscal Year To Date

<table>
<thead>
<tr>
<th></th>
<th>2016-17</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point-of-Sale</td>
<td>$4,824,515</td>
<td>$5,077,875</td>
</tr>
<tr>
<td>County Pool</td>
<td>$584,471</td>
<td>$560,402</td>
</tr>
<tr>
<td>State Pool</td>
<td>1,644</td>
<td>364</td>
</tr>
<tr>
<td>Gross Receipts</td>
<td>$5,410,631</td>
<td>$5,638,640</td>
</tr>
<tr>
<td>Measure X</td>
<td>$0</td>
<td>$4,924,609</td>
</tr>
</tbody>
</table>

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www.hdlcompanies.com | 888.861.0220
Statewide Trends

After factoring for accounting anomalies, local government’s one-cent share of statewide sales and use tax from July through September sales was 3.6% higher than 2016’s summer quarter.

Rising fuel prices, increased demand for building-construction materials and the continuing acceleration in online shopping for merchandise shipped from out-of-state that is expanding receipts from the countwide use tax allocation pools were the primary contributors to the overall increase.

This quarter marked the anticipated leveling off of auto sales while agriculture and transit-related purchases helped boost otherwise tepid gains in business-industrial receipts. Restaurant sales exhibited healthy overall gains of 3.5% although growth rates are slowing from previous quarters.

Receipts from consumer goods sold by brick and mortar stores were up 0.7% over the previous year while revenues from online purchases grew 13.3%.

Cannabis Taxation

A 15% excise tax on retail cannabis and cannabis products along with a cultivation tax and sales tax on recreational uses take effect on January 1, 2018.

Significant sales tax revenues are not expected until late 2018-19 as retail start-ups comply with lengthy state and local permitting processes. Although sales of medicinal cannabis became exempt in 2016 for purchasers with a state issued Medical Marijuana ID card, jurisdictions with dispensaries continue to receive sales tax from that source as most patients prefer to use a note from their physicians.

Some decline in revenues from medical dispensaries are expected as users’ transition to new purchase options and because of lower prices caused by anticipated overproduction and the six month window that suppliers have to sell existing inventory grown under previous regulations.

Sales Tax and Natural Disasters

The recent firestorm tragedies have raised questions on potential bumps in sales tax revenues from reconstruction and recovery activities.

HdL analyzed the sales tax data from the 1991 Oakland Hills, 2003 San Diego Cedar and 2007 San Diego Witch fires which involved the combined loss of over 7,700 structures. Surprisingly, there were no identifiable gains in construction and auto-related purchases within the impacted areas during the five years after each event with receipts following normal economic cycles experienced by the state as a whole.

Further analysis suggests that though the individual losses are catastrophic, purchases of replacement items are a small fraction of the impacted area’s total spending and is often spread to other jurisdictions where disaster victims relocate. Tax receipts from construction spending are defused over time because of lengthy claims and permitting processes that cause up to 40% of disaster victims to relocate leaving vacant lots that are not immediately redeveloped.
## ATTACHMENT C: MEASURE X THREE-YEAR EXPENDITURE UPDATE

### Public Safety

<table>
<thead>
<tr>
<th>Approved Projects</th>
<th>FY 17/18</th>
<th>FY 18/19</th>
<th>FY 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Four new Police Officers (budget)</td>
<td>$443,264</td>
<td>$465,427</td>
<td>$487,590</td>
</tr>
<tr>
<td>Firefighter cancer screenings (budget)</td>
<td>54,000</td>
<td>54,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Fire Station generators (budget)</td>
<td>277,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>774,464</td>
<td>519,427</td>
<td>541,590</td>
</tr>
</tbody>
</table>

### Economic Development

<table>
<thead>
<tr>
<th>Approved Projects</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Various economic development needs (budget)</td>
<td>748,800</td>
</tr>
<tr>
<td>Professional feasibility analysis svcs (Item 11k 10/04/17)</td>
<td>75,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>823,800</td>
</tr>
</tbody>
</table>

### Facilities and Equipment

<table>
<thead>
<tr>
<th>Approved Projects</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Design PD, city hall, library (budget)</td>
<td>500,000</td>
</tr>
<tr>
<td>New CAD RMS ERP software (budget)</td>
<td>500,000</td>
</tr>
<tr>
<td>Fire Station improvements design (1st Qtr. Rpt.)</td>
<td>21,080</td>
</tr>
<tr>
<td>Parks improvements (Item 10c 11/15/17)</td>
<td>47,850</td>
</tr>
<tr>
<td>South Jackson Park grant match (Item 8g 12/20/17)</td>
<td></td>
</tr>
<tr>
<td>Street sweeper (Item 11ai 09/06/17)</td>
<td>423,935</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>1,492,865</td>
</tr>
</tbody>
</table>

### Transportation Projects

<table>
<thead>
<tr>
<th>Approved Projects</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Citywide street rehabilitation (budget)</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Jefferson Interchange Bonds (budget)</td>
<td>1,162,695</td>
</tr>
<tr>
<td>Caltrans Trans. Planning grant match (Item 10a 01/03/18)</td>
<td>50,755</td>
</tr>
<tr>
<td>Madison St. Ave. 50 to 52 (ST5803H) (Item 11m 11/01/17)</td>
<td>863,750</td>
</tr>
<tr>
<td>Indio Blvd. Bridge (BR0801)</td>
<td>112,217</td>
</tr>
<tr>
<td>Misc. Bridge maintenance (BR1701)</td>
<td>51,880</td>
</tr>
<tr>
<td>Shield Rd. connection (ST1302)</td>
<td>500,000</td>
</tr>
<tr>
<td>Hwy 111 improv. Madison to Rubidoux (ST1305)</td>
<td>1,566,575</td>
</tr>
<tr>
<td>Median config. Young’s Ln &amp; Hwy 111 (ST1709)</td>
<td>212,500</td>
</tr>
<tr>
<td>Ave. 44 road diet (ST1708)</td>
<td>40,000</td>
</tr>
<tr>
<td>Jefferson St. Interchange (ST0110)</td>
<td>380,000</td>
</tr>
<tr>
<td>Monroe St. Interchange (ST0801)</td>
<td>175,000</td>
</tr>
<tr>
<td>Jackson St. Interchange (ST0701)</td>
<td>175,000</td>
</tr>
<tr>
<td>Andrew Jackson ped. improvements (SW1504)</td>
<td>44,836</td>
</tr>
<tr>
<td>Ave. 42 sidewalk connections (Item 10l 10/18/17)</td>
<td>88,748</td>
</tr>
<tr>
<td>Safe routes to school master plan (PL1701)</td>
<td>22,000</td>
</tr>
<tr>
<td>Streets master plan (ST1705)</td>
<td>12,500</td>
</tr>
<tr>
<td>Transportation Center Plan (BD1707)</td>
<td>25,000</td>
</tr>
<tr>
<td>Traffic signals, Ave. 42 &amp; Gore (TS1601)</td>
<td>465,000</td>
</tr>
<tr>
<td>Signal mod., Dr. Carreon &amp; Oasis (TS1701)</td>
<td>10,000</td>
</tr>
<tr>
<td>Traffic signal Monroe St. interconnect (CIP)</td>
<td>35,000</td>
</tr>
<tr>
<td>Pedestrian countdown timers (TS1703)</td>
<td>86,250</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>7,079,706</td>
</tr>
</tbody>
</table>

### Total Approved Measure X Projects

| Approved Projects | (10,170,835) | (3,582,122) | (3,204,285) |

### Total Projected Measure X Resources

| Approved Projects | 11,426,459 | 9,800,000 | 10,100,000 |

### Unobligated Measure X Balance

| Approved Projects | 1,255,624 | 6,217,878 | 6,895,715 |
## City of Indio Grant Summary Report

March 2015 - January 2018 (n=34 months)

### 1.0 Competitive Grants Awarded

<table>
<thead>
<tr>
<th>Grant Program</th>
<th>Project</th>
<th>Award Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 NSP2</td>
<td>Neighborhood Stabilization Program</td>
<td>7/1/14</td>
<td>$1,010,700</td>
</tr>
<tr>
<td>1.2 California Housing &amp; Community Development Housing Related Parks</td>
<td>Burr Street, Hjorth, Dr. Carreon, Dog Park</td>
<td>6/28/15</td>
<td>$732,925</td>
</tr>
<tr>
<td>1.3 American Planning Association - Inland Empire Award</td>
<td>Better Neighborhood Program</td>
<td>4/16/14</td>
<td>$0</td>
</tr>
<tr>
<td>1.4 APA California Opportunity &amp; Empowerment Award</td>
<td>Better Neighborhood Program</td>
<td>12/11/14</td>
<td>$0</td>
</tr>
<tr>
<td>1.5 California Housing &amp; Community Development Housing Related Parks</td>
<td>Miles Avenue Park Master Plan</td>
<td>6/30/16</td>
<td>$997,400</td>
</tr>
<tr>
<td>1.6 Caltrans Highway Safety Improvement Program (HSIP) - Cycle 7</td>
<td>Dr. Carreon/ Oasis Left Turn Signal</td>
<td>11/10/15</td>
<td>$100,000</td>
</tr>
<tr>
<td>1.7 Caltrans Highway Safety Improvement Program (HSIP) - Cycle 7</td>
<td>Monroe Signal Modification</td>
<td>11/10/15</td>
<td>$368,800</td>
</tr>
<tr>
<td>1.8 U.S. Soccer Foundation - Safe Places to Play</td>
<td>Safe Routes to Schools Plan</td>
<td>12/11/15</td>
<td>$17,500</td>
</tr>
<tr>
<td>1.9 Caltrans Sustainable Transportation Planning Grant</td>
<td>Domingo Park</td>
<td>6/8/16</td>
<td>$426,000</td>
</tr>
<tr>
<td>1.10 California State Parks - Land &amp; Water Conservation Fund</td>
<td>South Jackson Soccer Park</td>
<td>8/1/16</td>
<td>$87,577</td>
</tr>
<tr>
<td>1.11 California Housing &amp; Community Development Housing Related Parks Program</td>
<td>Miles Avenue Park Construction</td>
<td>6/30/16</td>
<td>$997,400</td>
</tr>
<tr>
<td>1.12 Caltrans Highway Safety Improvement Program (HSIP) - Cycle 8</td>
<td>Pedestrian Countdown Heads</td>
<td>11/23/16</td>
<td>$250,000</td>
</tr>
<tr>
<td>1.13 Caltrans Highway Safety Improvement Program (HSIP) - Cycle 8</td>
<td>Road Diet Project</td>
<td>11/23/16</td>
<td>$330,120</td>
</tr>
<tr>
<td>1.14 Caltrans Sustainable Transportation Planning Grant</td>
<td>Complete Streets Plan</td>
<td>4/21/17</td>
<td>$300,000</td>
</tr>
<tr>
<td>1.15 SB1 Active Transportation Program ATP Augmentation</td>
<td>Miles Avenue Park Sidewalk Project</td>
<td>8/31/17</td>
<td>$2,983,000</td>
</tr>
<tr>
<td>1.16 Department of Finance: Community-Based Transitional Housing</td>
<td>CORP</td>
<td>8/7/17</td>
<td>$1,949,000</td>
</tr>
<tr>
<td>1.17 CNRA: Prop 1 Urban Rivers</td>
<td>Shadow Hills Water Management</td>
<td>10/10/17</td>
<td>$866,625</td>
</tr>
<tr>
<td>1.18 Caltrans Sustainable Transportation Planning Grant</td>
<td>Multi-Modal Feasibility Study</td>
<td>12/6/17</td>
<td>$391,745</td>
</tr>
<tr>
<td>1.19 SB1 Active Transportation Program ATP Augmentation</td>
<td>Miles Avenue Park Sidewalk Project</td>
<td>10/1/17</td>
<td>$2,983,000</td>
</tr>
</tbody>
</table>

**Total Competitive Funding Awarded:** $18,561,392

### 2.0 Grants Pending (submitted and waiting for funding decision)

<table>
<thead>
<tr>
<th>Grant Program</th>
<th>Project</th>
<th>Submit Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 CalOES Hazard Mitigation Grant Program</td>
<td>Generators for City Hall, EOC, Fire</td>
<td>11/1/17</td>
<td>$750,000</td>
</tr>
</tbody>
</table>

**Total Grants Pending:** $750,000

### 3.0 Grant Applications Under Development or Consideration

<table>
<thead>
<tr>
<th>Grant Program</th>
<th>Project</th>
<th>Due Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Land &amp; Water Conservation Fund</td>
<td>South Jackson Park Accessibility</td>
<td>2/5/18</td>
<td>$700,000</td>
</tr>
<tr>
<td>3.2 Caltrans Sustainable Transportation Planning Grant</td>
<td>Downtown Sustainability Plan</td>
<td>2/23/18</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

**Total Applications Under Development:** $1,000,000

### 4.0 Other Blais & Associates Activities

1. Track federal, state, and regional funding announcements and develop Fact Sheets for staff’s consideration.
2. Update Grant Activity Report (GAR) for monthly review and provide a monthly Progress Reports.
3. Pre-positioning recommendations provided to staff for growing long-term capacity to win future grants.
4. Maintain working “Wish List” of Indio needs to identify potential funding sources.