POWER POINTS

FINANCIAL ADVISORY COMMISSION SPECIAL MEETING

AUGUST 29, 2024

Financial Advisory Commission
Special Meeting
August 29, 2024

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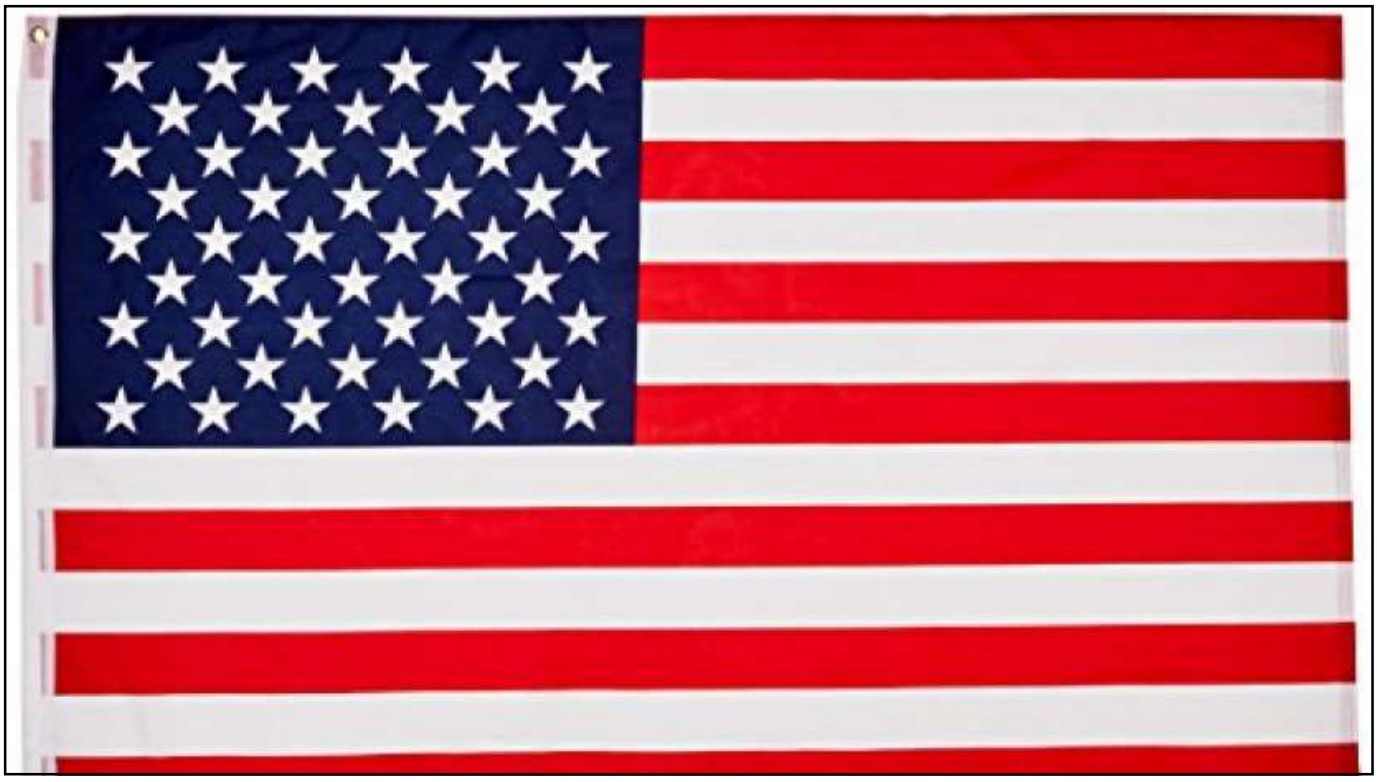

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Financial Advisory Commission Special Meeting 8/29/2024

Business Session Item No. 1

Receive and File the Annual Comprehensive Financial Report for the Year Ended June 30, 2023

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Audit Summary

- ✓ Conducted virtually by Eide Bailly LLP, Certified Public Accountants from October 2023 – June 2024
- ✓ Reviewed nearly 1,000 documents & conducted interviews
- ✓ Issued a clean audit opinion – most favorable conclusion
- ✓ All new financial regulatory requirements have been implemented
- ✓ ACFR meets the GFOA's Certificate of Achievement Program's requirements and has been submitted for another certification
- ✓ Auditor comments regarding the City shall be provided tonight

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CPAs & BUSINESS ADVISORS

CITY OF LA QUINTA, CALIFORNIA

Independent Auditor's Communication to those Charged with Governance (AU-C 260) for the fiscal year June 30, 2023

August 29, 2024

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AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Scope of Work

- Comprehensive Annual Financial Report
- Federal Awards Report in Accordance with the Uniform Guidance (Single Audit Report)

Results (June 30, 2023)

- Unmodified opinion

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OUR RESPONSIBILITY IN ACCORDANCE WITH PROFESSIONAL STANDARDS

- Form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with U.S. GAAP.
- Our responsibility is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.
- We considered internal control over financial reporting. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- Our responsibility, as it relates to the audit of the City's major federal program compliance, is to express an opinion on compliance of the City's major federal program based on our audit of the types of compliance requirements as described in the *OMB Compliance Supplement*.

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AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Significant Accounting Policies

- The City's significant accounting policies are described in Note 1 to the financial statements. As described in Note 1, the City changed accounting policies related to accounting for the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Agreements (SBITAs)*.

Significant Accounting Estimates

- Amounts related to the net pension liability, deferred inflows and outflows of resources and disclosures were based on actuarial valuations and a proportionate share of the CalPERS collective net pension liability.

Financial Statement Disclosures

- The disclosure of the City's defined benefit pension plans, net pension liability and related deferred inflows of resources and deferred outflows of resources in Note 9 to the financial statements. As disclosed in Note 9, a 1% increase or decrease in the discount rate has a significant effect on the City's net pension liability.
- The disclosure of the City's net OPEB liability and related deferred inflows of resources and deferred outflow of resources in Note 11 to the financial statements. As disclosed in Note 11, a 1% increase or decrease in the discount rate or healthcare cost trend rate has a significant effect on the City's net OPEB liability.

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AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Difficulties Encountered in Performing the Audit

- None noted

Uncorrected and Corrected Misstatements

- There were no uncorrected misstatements identified as a result of our audit procedures.
- In our letter to those charged with governance, date July 19, 2024, we have identified misstatements that were brought to the attention of management and corrected.

Disagreements with Management

- None noted

Management Consultations with Other Independent Accountants

- None noted

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AUDITOR'S REQUIRED COMMUNICATION (AU-C 260)

Other Significant Matters, Findings or Issues

- Financial Statement Audit
  - Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
    - Financial Statement Finding No. 2023-001 – Reporting and Closing-Material Weakness
    - Financial Statement Finding No. 2023-002 – Schedule of Expenditures of Federal Awards (SEFA) Preparation – Material Weakness

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QUESTIONS?

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THANK YOU

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Senior Manager
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909-466-4410

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ACFR Content

Major Events
- Transmittal letter
- Management Discussion and Analysis (MD&A)

Financial Statements
- Balance sheets, statement of net position & cash flows
- Budgetary comparison schedules

Summaries & Charts
- 19 Notes
- Statistical section, 10-year comparison

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Statement of Net Position

Category	Amount
Capital Assets	574,870,283
Restricted	62,283,620
Unrestricted	221,443,417
TOTAL	**$858,597,320**

Indicators of a City's fiscal health include:
- ✓ Balanced General Fund budget
- ✓ Strong General Fund reserve fund
- ✓ Making required pension contributions on time
- ✓ Public service levels meet or exceed standards of the community

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Governmental Fund Balances

Category	General Fund	All Other Funds	Total Funds
Non-Spendable	$ 25,130,438	$ 468	$ 25,130,906
Restricted	5,317,487	61,906,132	67,223,619
Committed	47,600,009	-	47,600,009
Assigned	63,824,533	-	63,824,533
Unassigned	44,105,041	(8,064,140)	36,040,901
Total	**$ 185,977,508**	**$ 53,842,460**	**$ 239,819,968**

Prepaid Costs	$ 125,993	Pension Trust	$ 5,317,487
Land held for resale	5,403,652	Housing Funds	26,365,834
RDA Loan	19,600,793	Restricted Funds	35,540,298

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Total	**$ 185,977,508**	**$ 53,842,460**	**$ 239,819,968**

Natural Disaster	$ 15,000,000	Fire Services	$ 11,986,970
Economic Disaster	13,000,000	Sales Tax (Measure G)	29,214,191
Cash Flow Reserve	5,000,000	Capital Projects	22,623,372
Capital Replacement	12,000,000		
Operational Carryovers	2,600,009		

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Long-Term Debt

Debt Type	2022	2023
Leases	$ 162,648	$53,111
Financed Purchases	22,079	551
Compensated Absences	962,229	1,154,090
Subscription IT Liabilities	810,483	495,674
Total	**$1,957,439**	**$1,703,426**

Irrevocable Section 115 Pension Trust	$ 6,540,000
19/20 Contribution & Interest Earnings	3,709,738
20/21 Interest Earnings (Gain)	1,132,184
21/22 Interest Earnings (Loss)	(1,244,034)
22/23 Payment & Interest Earnings	(4,820,401)
Total Trust Balance	**$5,317,487**

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Major Infrastructure Investments

- Dune Palms Bridge Improvements $4,050,000
- La Quinta Landscape Renovation $2,923,000
- Avenue 53 & Jefferson Roundabout $2,758,000
- Citywide Striping Refresh $295,000
- Highway 111 Corridor Area Plan Design $285,000

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Fiscal Sustainability

- Adopted a balanced 2023/24 budget
- Continue to address long-term liabilities
- Mixture of housing and commercial developments are under construction
- Long-term vision and planning are a priority

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Financial Advisory Commission Special Meeting
8/29/2024
Study Session Item No. 1

Review Strategic Plan Draft

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WHAT IS A STRATEGIC PLAN?

- A living document with Focus Areas and Goals reflective of the City's vision and Sacred Values.
- It includes a Mission Statement, Sacred Values and Focus Areas with Goals.
- It is reviewed and updated routinely as goals are achieved or the City's priorities change to add new Focus Areas.

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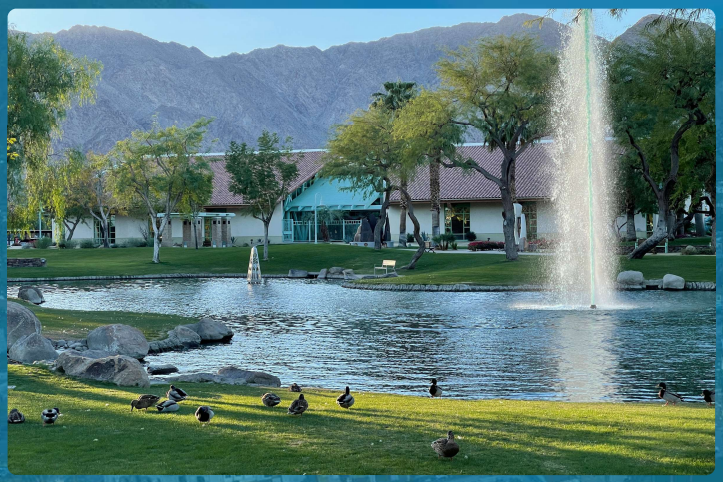
MISSION STATEMENT



As the "Gem of the Desert," the City of La Quinta is committed to enhancing its unique natural surroundings to the benefit of its diverse residents through support for the arts and culture, public safety, affordable housing, sustainable fiscal and environmental guidelines, multiracial and multigenerational activities and events, and preservation of its ancient and recent history.

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SACRED VALUES

- **Fiscal Sustainability:** In La Quinta we prioritize financial management to ensure the well-being of our community. We are committed to conservative spending practices and providing high quality services and amenities. This proactive approach reflects our dedication to safeguarding the stability and resilience of our City.
- **Health & Wellness -** La Quinta is a place to escape the hustle and bustle of everyday life. Here, anyone can unplug and experience nature, and a legacy of luxury with countless breathtaking views, community parks, and spa retreats. It's no wonder La Quinta is called the "Gem of the Desert."

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SACRED VALUES

- **Vibrant & Safe Community:** There's something different about La Quinta - something special. Spend enough time here and you'll see why. It's the people. Here we care and uplift one another because we are a community dedicated to supporting the safety and prosperity of all.
- **Cultural Diversity**: In La Quinta, we are committed to making meaningful connections - we celebrate our differences and promote safety and inclusivity.
- **Visually Beautiful City** - Surrounded by some of the country's most beautiful natural landscapes and historic landmarks, La Quinta is a sustainable destination defined by its beauty - inside and out. Whether it's our local art, unique parks, or our striking mountainscapes, La Quinta shines brightly.

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COLLABORATIVE EFFORT

- The proposed draft Plan has been a collaborative effort of staff citywide.
- It also reflects input from our residents during the Community Workshop in February and an outreach meeting in April.

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13 FOCUS AREAS

- Implement the Reenvision Highway 111 Plan
- Address IID Lease Expiration & Equipment Needs
- Underground Utilities
- Be a Leader in Sustainability
- Exemplary Public Safety
- Marketing & Tourism
- Broaden Community Involvement
- Continue to Address Affordable Housing Needs
- Expanding La Quinta's Boundaries
- Expand Art in Public Places
- Preserve La Quinta's History
- Enhance Health/Wellness & Recreation Amenities
- Economic Development

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SEEKING YOUR INPUT

- Today, we are highlighting 5 Focus Areas for your input – most of them costly "big rock" projects :
  - Implement the Reenvision Highway 111 Plan
  - IID equipment needs – for current and future needs
  - Undergrounding utilities
  - Public safety
  - Possible expansion of the City's boundaries

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WHAT'S NEXT

- The draft Plan will be presented to each of the City's Commissions for input.
- In October, it will be presented to the City Council in a Study Session.
- Adoption of a final Strategic Plan by the City Council is anticipated by the end of 2024.

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Financial Advisory Commission Special Meeting
8/29/2024
Business Session Item No. 2

Appoint Members of the Commission to Serve as Chairperson and Vice-Chairperson for Fiscal Year 2024/25

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Prior Year Appointments

Fiscal Year	Chairperson	Vice-Chairperson
2018/19	W. Richard Mills	Daniel Twohey
2019/20	W. Richard Mills	Daniel Twohey
2020/21	W. Richard Mills	Daniel Twohey
2021/22	George Batavick	W. Richard Mills
2022/23	W. Richard Mills	Keith Dorsey
2023/24	Keith Dorsey	Brian Anderson

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Financial Advisory Commission Special Meeting 8/29/2024

Business Session Item No. 3

Receive and File the Fourth Quarter Fiscal Year 2023/24 Treasury Report for April, May, and June 2024

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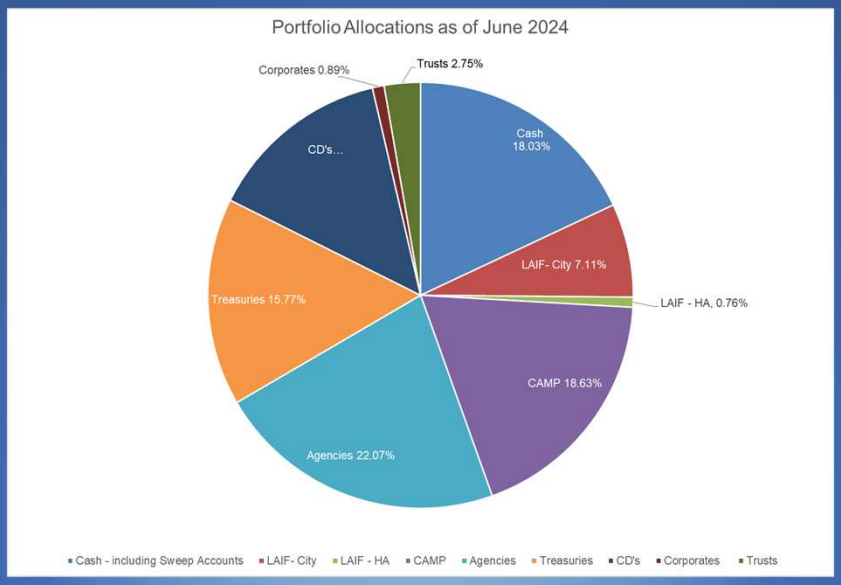
Portfolio Allocations as of June 2024



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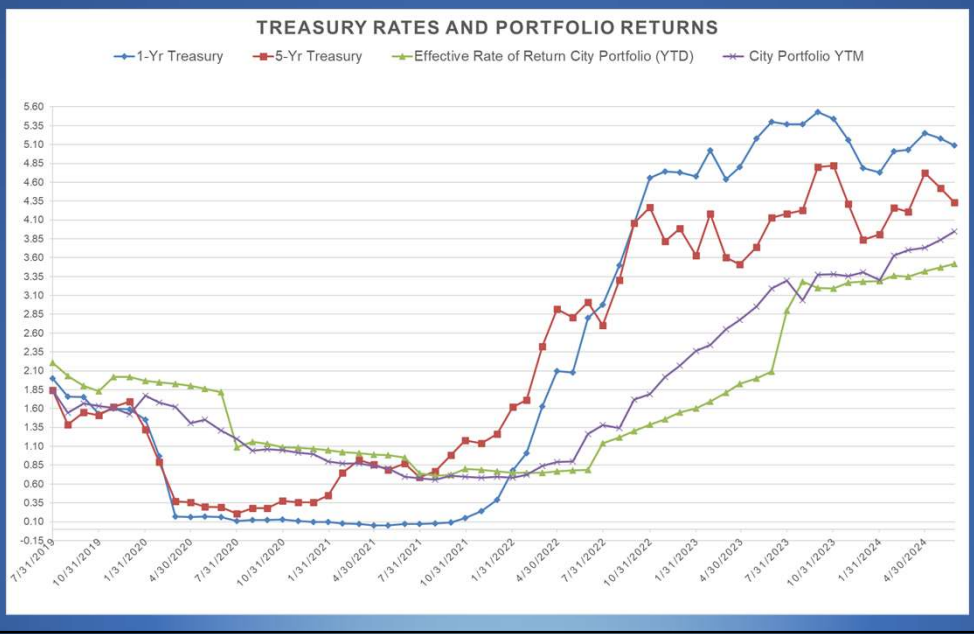
Interest Rates



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Fiscal Year Comparison: Earnings

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Average Daily Balance	$ 141,628,303	$ 152,994,488	$ 160,732,266	$ 191,565,121	$ 220,315,036	$ 243,442,561
Total Earnings	$ 2,894,323	$ 2,798,779	$ 1,533,546	$ 1,508,983	$ 4,595,739	$ 8,603,100
Effective Rate of Return	2.04%	1.82%	0.95%	0.79%	2.09%	3.52%

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Going Forward

- Will continue to monitor all economic news daily
- Will continue to utilize 3 brokers to ensure competitive pricing on investments
- Will manage cash effectively to maintain needed liquidity while maximizing potential earnings
- Will continue to transition out of cash holdings and into pooled money accounts and/or treasuries as Fed rate declines

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Financial Advisory Commission Special Meeting
8/29/2024
Departmental Report Item No. 2

First Quarter 2024 (January-March) Sales Tax Update for the City of La Quinta

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Summary

- Sales Taxes still trending slightly downward – total receipts (on a cash basis) down 3% to LY for the Quarter
- The County and State also saw declines
- Overall, consumers continue to be more cautious in their spending and are leaning toward value options

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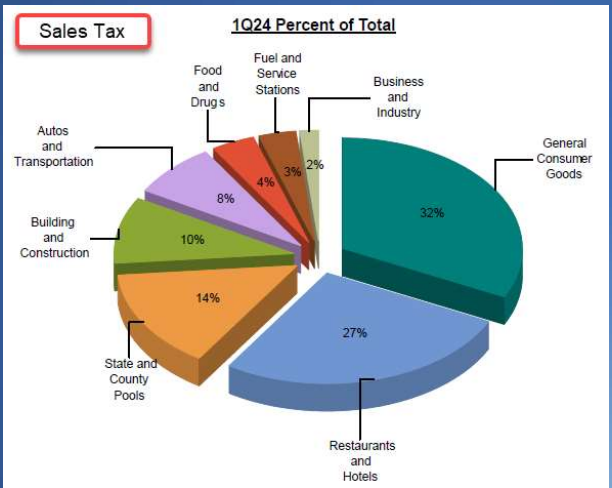
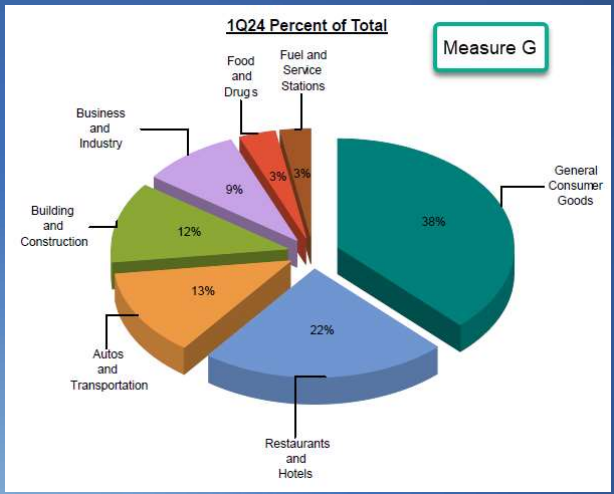
Major Industry Groups





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Sales and MG History

	Total Cash Receipts	% Change	Final Budget	Variance to Budget	Percent of Budget
YTD Measure G					
Fiscal 16-17	$ 1,462,650		$ 1,000,000	$ 462,650	146.26%
Fiscal 17-18	$ 9,967,657		$ 9,600,000	$ 367,657	103.83%
Fiscal 18-19	$ 10,958,118	9.94%	$ 10,145,000	$ 813,118	108.01%
Fiscal 19-20	$ 10,310,526	-5.91%	$ 9,646,500	$ 664,026	106.88%
Fiscal 20-21	$ 12,594,389	22.15%	$ 10,617,200	$ 1,977,189	118.62%
Fiscal 21-22	$ 15,615,411	23.99%	$ 13,500,000	$ 2,115,411	115.67%
Fiscal 22-23	$ 16,088,087	3.03%	$ 15,500,000	$ 588,087	103.79%
Fiscal 23-24	$ 15,471,183	-3.83%	$ 15,515,000	$ (43,817)	99.72%
YTD Sales Tax					
Fiscal 16-17	$ 8,597,655		$ 8,604,000	$ (6,345)	99.93%
Fiscal 17-18	$ 8,989,328	4.56%	$ 8,776,100	$ 213,228	102.43%
Fiscal 18-19	$ 9,947,125	10.65%	$ 9,300,000	$ 647,125	106.96%
Fiscal 19-20	$ 8,825,489	-11.28%	$ 8,235,900	$ 589,589	107.16%
Fiscal 20-21	$ 10,729,160	21.57%	$ 9,428,700	$ 1,300,460	113.79%
Fiscal 21-22	$ 12,589,104	17.34%	$ 11,500,000	$ 1,089,104	109.47%
Fiscal 22-23	$ 12,799,992	1.68%	$ 12,250,000	$ 549,992	104.49%
Fiscal 23-24	$ 12,170,477	-4.92%	$ 12,205,000	$ (34,523)	99.72%

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The Next Regular Financial Advisory Commission Special Meeting will be on October 2, 2024

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