POWER POINTS

FINANCIAL ADVISORY COMMISSION SPECIAL MEETING

JUNE 4, 2025

Financial Advisory Commission
Special Meeting
June 4, 2025

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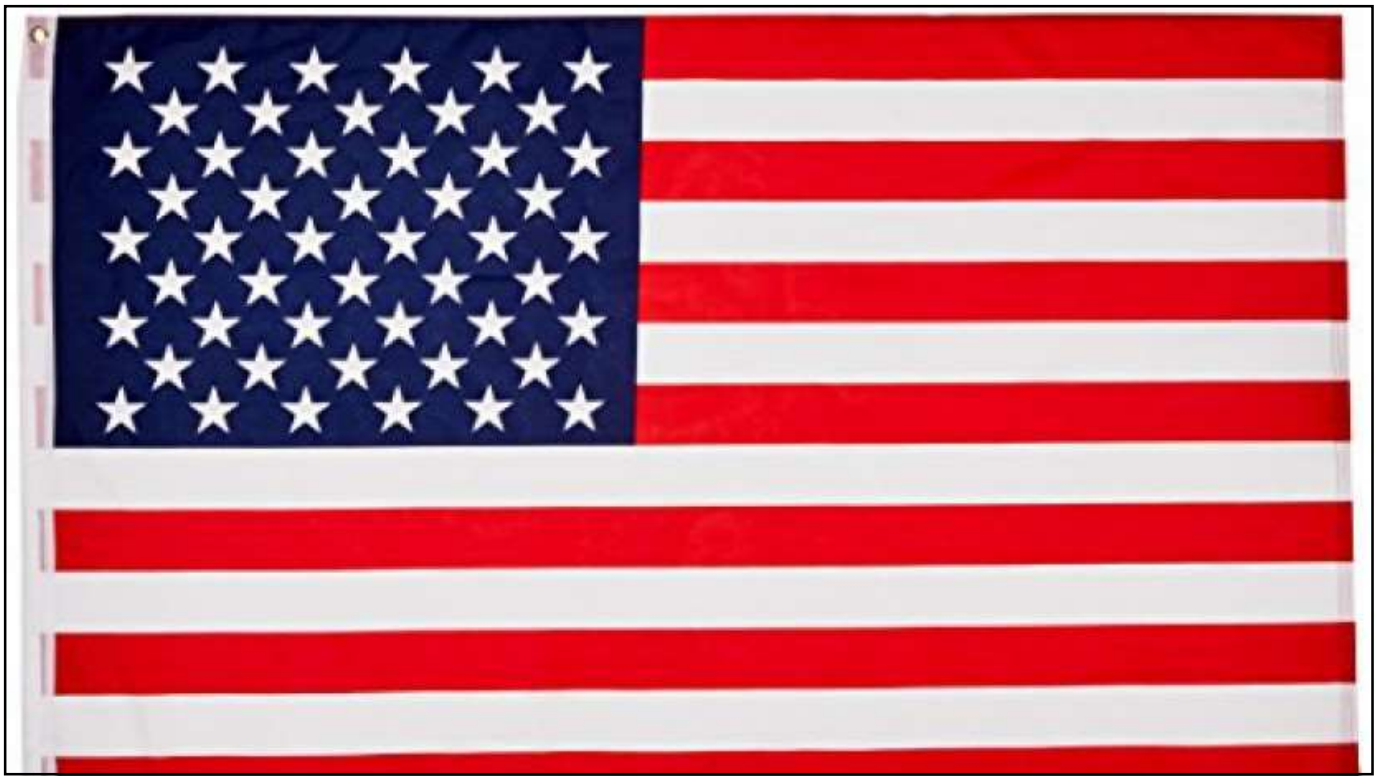

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Financial Advisory Commission Special Meeting 6/4/2025

Business Item No. 1

Recommend Council Approval of Fiscal Year 2025/26 Investment Policy

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Proposed Edits

- Section V Maximum Maturities: Added language from the state government code regarding forward settlement dates.
  - §53601 "A security purchased in accordance with this section shall not have a forward settlement date exceeding 45 days from the time of investment."
- Section VII: Minor edit to decouple the annual approval of the investment policy from the annual granting of investment authority to the Treasurer.
  - When the Policy goes to City Council for adoption, the title of the staff report, shall indicate approval of the Policy and designation of authority to the City Treasurer.
- Section IX: Clarifications to the type of documentation the City might use to verify the credentials of broker/dealers as compared to advisors or financial institutions.
  - Financial statements, FINRA reporting, SOC-1 reporting, etc.

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Proposed Edits, Continued

- Section X Permissible Deposits and Investments: Clarified that while the policy generally allows for investments as permitted by the state code, our policy may at times be more restrictive than the code. Placed bank (non-negotiable) CDs under the 'Checking, Savings, Sweep Accounts' category, as negotiable CDs are a tradeable product on the secondary market
- Section XVI Review of Investment Portfolio: Additional language regarding how often staff monitors the portfolio, along with available market information, for potential issues with securities falling out of compliance with the policy

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CMTA Certification

California Municipal
Treasurers Association

Investment Policy Certification

CALIFORNIA REPUBLIC

Issued on 12/15/2024

City of La Quinta

The California Municipal Treasurers Association certifies that the investment policy of the City of La Quinta complies with the current State statutes governing the investment practices of local government entities located within the State of California.

CMTA

Nadia Feiser
President

12/15/2024
Date

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Financial Advisory Commission Special Meeting 6/4/2025

Business Item No. 2

Receive and File the Annual Comprehensive Financial Report for Year Ended June 30, 2024

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Audit Summary

- ✓ Conducted virtually by LSL, LLP from August 2024– February 2025
- ✓ Reviewed nearly 1,000 documents & conducted interviews
- ✓ Issued a clean audit opinion – most favorable conclusion
- ✓ ACFR meets the GFOA's Certificate of Achievement Program's requirements and has been submitted for another certification
- ✓ Auditor comments regarding the audit shall be provided tonight

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2024 Financial Audit

Presented to:

City of La Quinta Financial Advisory Commission

June 4, 2025

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LSL

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Auditor Information

Ryan Domino, CPA
Partner, Assurance & Advisory
LSL, LLP
Ryan.Domino@lslcpas.com

Experience:

- 13 years auditing cities and special districts in the Southern California and West Texas regions
- Currently work with 3 cities in the Coachella Valley
- Member of AICPA, CalCPA, GFOA, CSMFO, and TXCPA

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Scope of Engagement

- LSL has been engaged by the City to perform the following procedures:
  - Financial statement audit for the year ended June 30, 2024, in accordance with generally accepted auditing standards and *Government Auditing Standards*
  - Single audit over the federal award programs for the year ended June 30, 2024, in accordance with the federal Uniform Guidance.
  - This is the 1st year of LSL's contract with the City.

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Scope of Engagement

- Interim Fieldwork
  - Aug. 12 – Aug. 23, 2024
  - Examined internal controls
  - Provided feedback to management
  - Performed our audit risk assessment
  - Planned year-end audit procedures to respond to risk
- Year-End Fieldwork
  - Nov. 25 – Feb. 21, 2025
  - Detailed testing of account balances and transactions
  - Compliance testing with laws, regulations, grant agreements, contracts
  - Single Audit testing
  - Other procedures necessary to obtain sufficient, appropriate audit evidence

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Results of Audit

- We issued an unmodified auditor's opinion on the financial statements.
  - Financial statements are accurate and reliable as of June 30, 2024.
- We issued the Report on Internal Control and Compliance
  - One significant deficiency in internal control noted.
  - No material weaknesses in internal control noted.
  - One material noncompliance with laws, regulations, grants, etc. noted (related to the significant deficiency, not a separate finding).

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Finding Summary

- **Criteria:** Because the City expended more than $750,000 in federal awards, the City was required to complete the financial audit and the Single Audit by March 31st.
- **Condition:** The City's audits were finalized, and reports were issued on May 15, 2025.
- **Cause:** The prior year's audit had a delayed completion, which prevented the City from scheduling the 2024 audit early enough to meet the March 31 deadline.
- **Corrective Action:** Management is taking corrective actions to remediate the issue and implement process improvements to enhance timeliness of financial reporting. Management has scheduled the 2025 audits for September 2025, which should provide more than ample time to meet the deadline for this year. We do not expect this finding to be repeated in 2025.

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Other Results of Audit

- We issued an unmodified auditor's opinion on the City's compliance with the requirements of major federal award programs.
- We identified no going concern doubts as of June 30, 2024.
- We identified no fraud, waste, or abuse during the fiscal year ended June 30, 2024.

Other Results of Audit

- We had no disagreements with management about application of accounting principles.
- We had no difficulties conducting our audits.
- We determined that all estimates used by management in preparing the financial statements were reasonable.

Questions

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CALIFORNIA: Irvine | Sacramento

TEXAS: The Woodlands

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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
- 18 Notes
- Statistical section, 10-year comparison

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Statement of Net Position

Category	Amount
Capital Assets	592,061,273
Restricted	70,215,219
Unrestricted	242,727,583
TOTAL	**$905,004,075**

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	$ 22,698,006	$ 500	$ 22,698,506
Restricted	5,666,575	64,214,488	69,881,063
Committed	45,900,000	-	45,900,000
Assigned	70,304,510	-	70,304,510
Unassigned	65,216,616	(4,098,801)	61,117,815
Total	**$ 209,785,707**	**$ 60,116,187**	**$ 269,901,894**

Prepaid Costs	$ 170,577
Land held for resale	5,403,652
RDA Loan	17,123,777

Pension Trust	$ 5,666,575
Housing Funds	24,755,830
Restricted Funds	39,458,658

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Total	**$ 209,785,707**	**$ 60,116,187**	**$ 269,901,894**

Natural Disaster	$ 15,000,000
Economic Disaster	13,000,000
Cash Flow Reserve	5,000,000
Capital Replacement	12,000,000
Operational Carryovers	900,000

Fire Services	$ 15,652,616
Sales Tax (Measure G)	32,985,374
Capital Projects	21,666,520

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Long-Term Debt

Debt Type	2023	2024
Leases	$ 53,111	$91,795
Financed Purchases	551	-
Compensated Absences	1,154,090	1,185,597
Subscription IT Liabilities	495,674	282,309
Total	**$1,703,426**	**$1,559,701**

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)
23/24 Interest Earnings (Gain)	349,088
Total Trust Balance	**$5,666,575**

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Major Infrastructure Investments

Dune Palms Bridge Improvements
$11,475,000

Avenue 50 Pavement Rehabilitation
$2,605,000

Fred Waring Drive Pavement Rehabilitation
$2,444,000

Citywide Pavement Management Plan
$1,830,000

Citywide Landscape Renovation Improvements
$1,290,000

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Fiscal Sustainability

- Adopted a balanced 2024/25 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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Discussion & Questions

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Financial Advisory Commission Special Meeting 6/4/2025

Business Item No. 3

Receive and File Third Quarter Fiscal Year 2024/25 Treasury Reports for January, February, and March 2025

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Quarter Three Results

	Total Interest Received	Average Days to Maturity	Yield To Maturity	Annualized Total Rate of Return
January	$ 566,704	586	3.75%	3.85%
February	$ 685,819	572	3.76%	3.49%
March	$ 1,064,767	575	3.66%	3.91%
Quarter 3	**$ 2,317,290**	**578**	**3.72%**	**3.75%**
Quarter 2 2024/25	**$ 1,730,016**	**616**	**3.66%**	**3.76%**
Quarter 1 2024/25	**$ 1,998,617**	**572**	**3.82%**	**3.87%**

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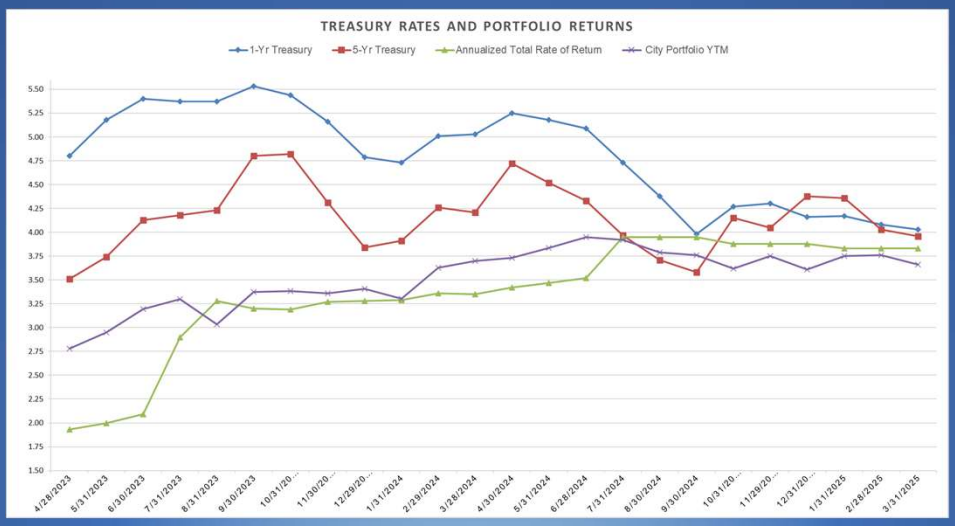
Portfolio Returns & Treasury Rates



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Maturity Range

La Quinta CALIFORNIA

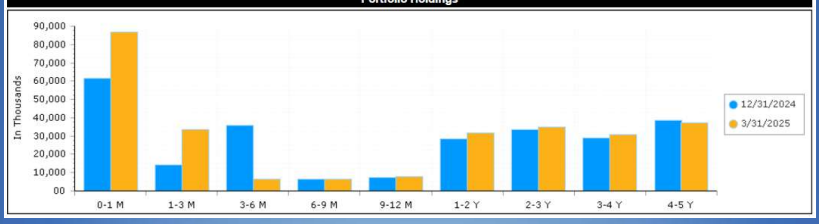
City of La Quinta | CA
Distribution by Maturity Range - Market Value
All Portfolios

Begin Date: 12/31/2024, End Date: 3/31/2025

Maturity Range Allocation

Maturity Range	Market Value 12/31/2024	% of Portfolio 12/31/2024	Market Value 3/31/2025	% of Portfolio 3/31/2025
0-1 Month	61,334,659.00	24.17	86,782,577.87	31.47
1-3 Months	14,202,426.76	5.60	33,713,075.28	12.22
3-6 Months	35,646,186.69	14.05	6,456,379.99	2.34
6-9 Months	6,404,746.97	2.52	6,258,993.43	2.27
9-12 Months	7,171,891.47	2.83	7,788,241.82	2.82
1-2 Years	28,295,404.54	11.15	31,685,288.20	11.49
2-3 Years	33,535,446.68	13.21	34,973,791.64	12.68
3-4 Years	28,809,174.84	11.35	30,745,066.98	11.15
4-5 Years	38,374,687.15	15.12	37,376,247.81	13.55
Total / Average	253,774,624.10	100.00	275,779,663.02	100.00

Portfolio Holdings



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Interest Allocation

General Fund Allocated Interest - Approx. 68% of Total Interest		
22/23 Actual	$	2,865,841
23/24 Actual	$	5,467,129
24/25 Budget	$	3,500,000
24/25 Proposed Revised Budget	$	6,400,000
25/26 Proposed Budget	$	5,785,000

Interest from Treasurer Reports			
Q1	Q2	Q3	Q4
$1,998,617	$ 1,730,016	$ 2,317,290	***3,434,227***
	Q4 Tracker - includes CAMP		***2,719,565***
	LAIF estimate		***225,000***
	CAMP estimate		***302,021***
	BMO MM estimate		***187,641***
Total of $9.48 million, of which about $6.45 would be allocated to the GF			

Rolled off so far 24/25	Average Coupon Roll-offs	Coupon Cash Flow	Average Coupon New Purchases	New Coupon Cash Flow	Variance
$ 27,404,000	1.62%	*$ 444,219*	3.93%	*$ 1,078,073*	*$ 633,855*
Rolling Off Next 12 Months	**Average Coupon Roll-offs**	**Coupon Cash Flow**	**Average Coupon New Purchases**	**New Coupon Cash Flow**	**Variance**
$ 28,376,000	1.67%	$ 341,015	3.59%	*$ 1,023,479*	*$ 682,464*
Itlaicized numbers are estimates					

Cash Flow for 25/26 assumes a 5-yr treasury rate of 3.9% thru July 2025, 3.80% thru Sept 2025, 3.60% thru Dec. 2025, 3.50% thru March 2026 and 3.25% thru May 2026

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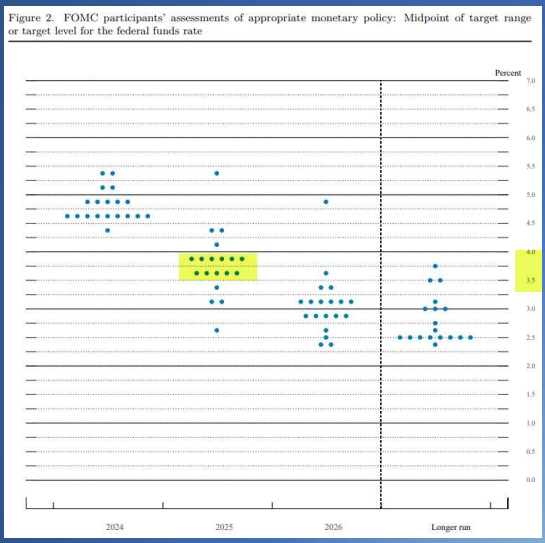
FY 2024/25 Projection Basis



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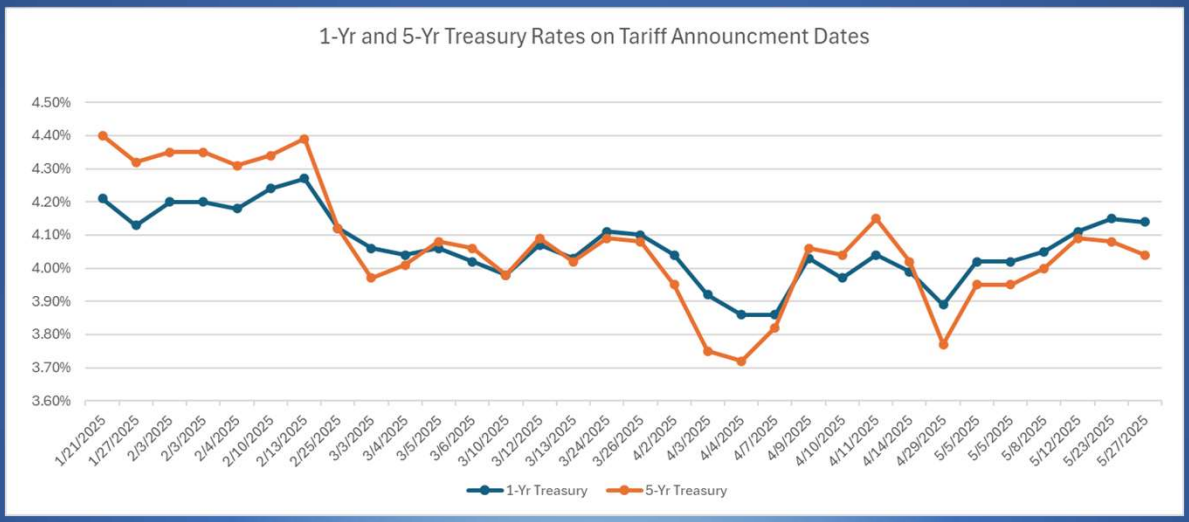
Uncertain Environment



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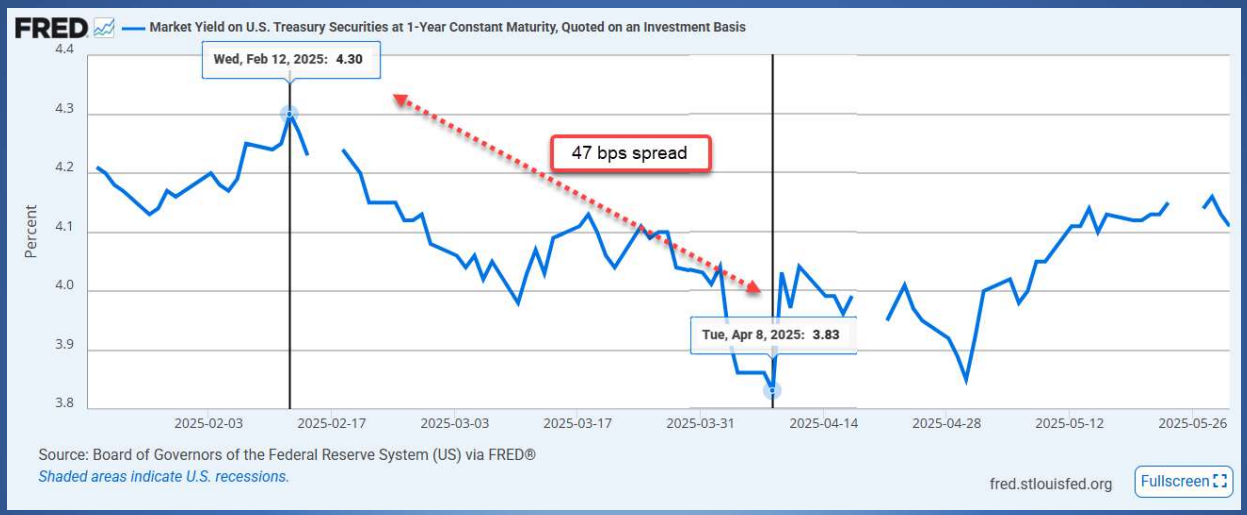
1-yr Treasury Rates



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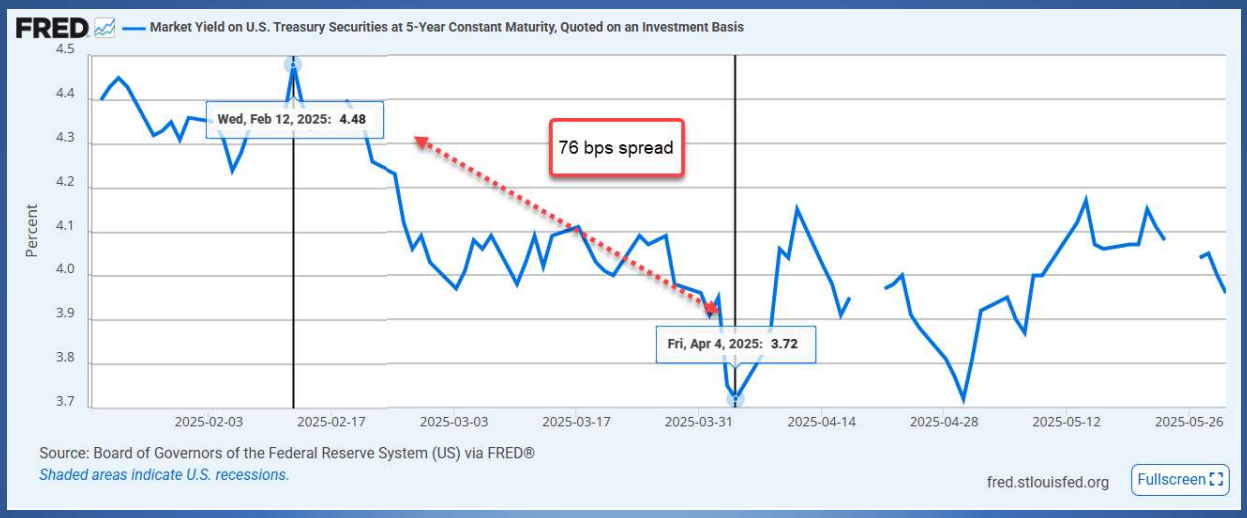
5-yr Treasury Rates



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Financial Advisory Commission Special Meeting 6/4/2025

Business Item No. 4

Discuss Fiscal Year 2025/26 Preliminary Proposed Budget and Approve Allocation of Measure G Sales Tax Revenue

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Discussion Topics

- General Fund Update
- Special Funds
- Capital Improvement Fund

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General Fund Update

GENERAL FUND FY 2025/26 ORIGINAL PROPOSED BUDGET SUMMARY		
Revenues	$	89,842,254
Less Operating/CIP Expenses		(90,386,634)
Less Measure G Reserves		600,000
BUDGET SURPLUS	$	55,620
GENERAL FUND AS OF 6/3/2025		
Expense- GF Transfer to SRR	$	100,000
Expense- GF Exp for Finance Authority	$	1,000
Total Adjustments		101,000
AMENDED BUDGET DEFICIT	$	(45,380)

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Special Funds

- Gas Tax Fund
- Lighting and Landscape Fund
- Finance Authority Fund
- Library & Museum Fund
- Measure A Fund
- Development Impact Fee (DIF) Funds

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Capital Improvement Plan

2025/26 Summary		Funding Amount
Capital Projects	$	25,193,033
Landscape Improvements		(500,000)
Developer Reimbursements		(400,000)
TOTAL	**$**	**24,293,033**

- 2025/26 through 2029/30 CIP Plan discussed on April 1, 2025
- Focus on transportation and parks & facilities projects

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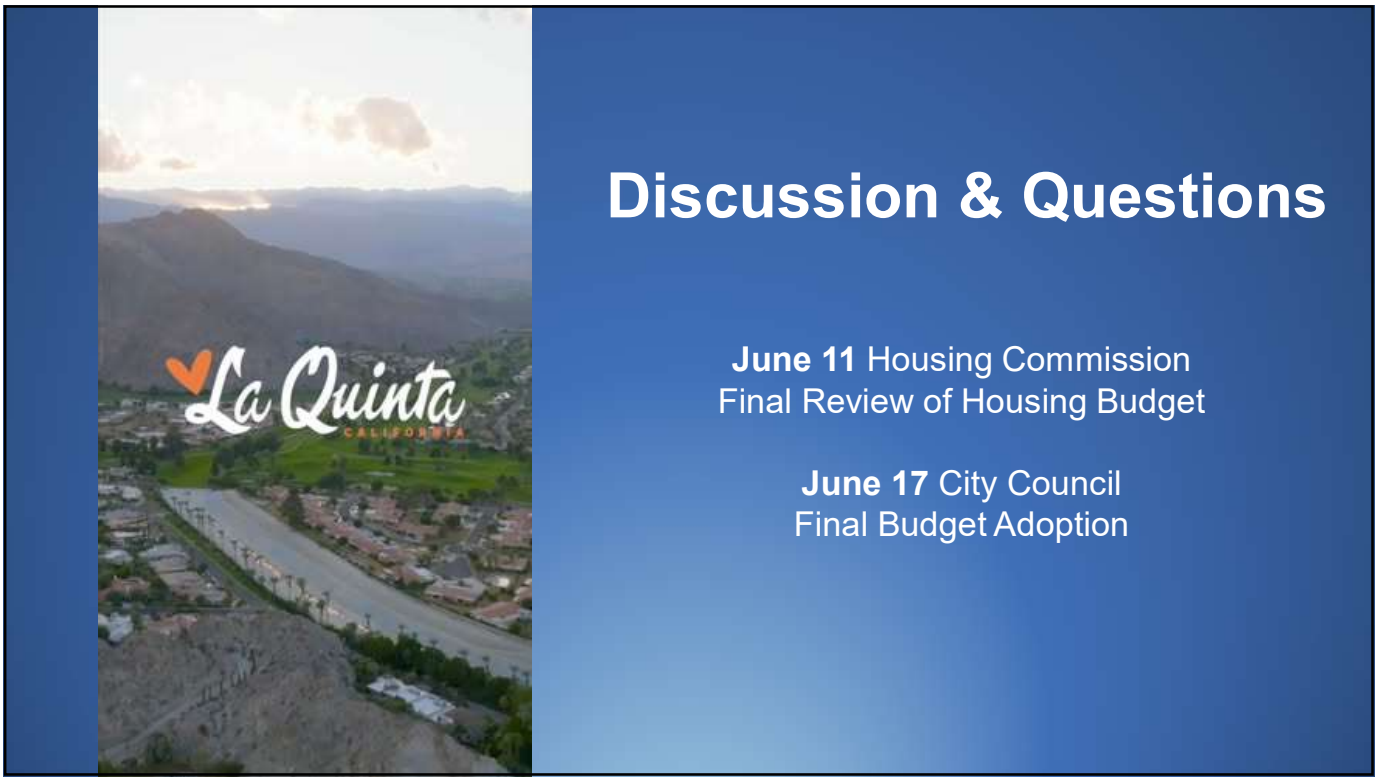
La Quinta
CALIFORNIA
Discussion & Questions
June 11 Housing Commission
Final Review of Housing Budget
June 17 City Council
Final Budget Adoption

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The next Financial Advisory Commission Meeting will be on
September 11, 2025
La Quinta
CALIFORNIA

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