

POWER POINTS

CITY COUNCIL

MEETING

FEBRUARY 21, 2023

City Council Meeting February 21, 2023



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Pledge of Allegiance



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City Council Meeting February 21, 2023

Presentations



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City Council Meeting February 21, 2023

P1 – TALUS Update



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City Council Meeting February 21, 2023

B1 – Adopt Resolution to Approve the City’s General Fund Balance and Reserves Policy



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Reserves Policy

- Adopted in 2018
- Reserves Categorized for Specific Uses
- Periodic Reviews to Determine Adequacy of Reserve Levels

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Current Reserves

Category	As of 6/30/2022	
	Target	Funding
Committed Reserves		
Natural Disaster	\$ 10,000,000	\$ 10,000,000
Economic Downturn	\$ 11,000,000	\$ 11,000,000
Cash Flow	\$ 5,000,000	\$ 5,000,000
Capital Replacement	\$ 10,000,000	\$ 10,000,000
Sub Total	\$ 36,000,000	\$ 36,000,000
Restricted		
Pension Trust	\$ 10,000,000	\$ 10,137,888
Unassigned	\$ 8,000,000	\$ 33,893,325
Measure G Unassigned	\$ -	\$ 15,355,043
Grand Total	\$ 54,000,000	\$ 95,386,256

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Emergency Reserves- Natural Disaster

- Capital Assets –Worth of what we own
- Risk- How much insurance coverage we have
- Natural Disaster Funding- State or Federal Gov't contribution
- Recommend increasing target by \$5.0 million to \$15.0 million

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Emergency Reserves-Economic Downturn

- City has mitigated previous downturns by adjusting expenditures or with budget surpluses/reserves
- Applied an annual CPI adjustment to current \$11.0 million target and recommend a \$2.0 million increase to \$13.0 million

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Cash Flow Reserves

- Previously utilized revenue to expenditure analysis to review cumulative deficits
- Percentage of budget method reduces fluctuations in the number
- Subcommittee recommendation - \$5.0 million minimum target for this category, with the ability to set at 10% of the revenue budget

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Capital Replacement Reserves

- Used to fund capital projects such as repair, maintenance and/or replacement of aging infrastructure
- Applied an annual CPI adjustment to current \$10.0 million target and recommend a \$2.0 million increase to \$12.0 million

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Unassigned Reserves

- Subcommittee recommendation - \$8.0 million minimum target for this category, with the ability to set at the equivalent of 2 months of the operating budget, which currently would be \$11.0 million

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City Council Meeting February 21, 2023

B2 – Receive and File Fiscal Year 2022/23 Mid-Year Budget Report, Adopt the Recommended Budget Adjustments, Designate Reserve Funding Allocations, and Approve Additional Discretionary Payment to Pay Outstanding Pension Obligations



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Mid-Year Report Content

- General Fund, 2 Internal Service Funds, 1 Special Fund
- Recommended Adjustments
 - Revenues↑ \$5,223,000
 - Expenses↑ \$840,000
- General Fund Reserves Review
- Unfunded Pension Liability Review

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General Fund Revenues

Revenue Description	Adjustment
Property Taxes, RPTTF Pass Through	\$ 750,000
State Sales Taxes	1,250,000
Measure G Sales Taxes	2,000,000
Building Permits/Public Works Permits	578,000
CSA 152 Assessments	25,000
Building/Public Works Plan Check Fees	260,000
Administrative Citations	60,000
Zoning Change Mitigation Fees	300,000
TOTAL REVENUE ADJUSTMENTS	\$ 5,223,000

- Property Taxes- Growth in property sales and assessed valuations
- Sales Tax- Local spending on taxable goods
- Building & Public Works- Building activity in residential & commercial projects

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General Fund Expenses

Expense Description	Adjustment
Community Resources	\$ 100,000
Marketing	105,000
Design & Development	150,000
Public Works	75,000
TOTAL EXPENSE ADJUSTMENTS	\$ 430,000

- Employee programs and training
- Increased events and technology upgrades
- Additional plan check reviews due to increased building activity
- Proactive repairs and maintenance

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Other Fund Adjustments

Fund Name	Adjustment
Facility & Fleet Replacement Fund- ISF	130,000
Park Equipment & Facility Fund- ISF	240,000
Library and Museum Fund	40,000
TOTAL OTHER FUNDS	\$ 410,000

- Increased fuel prices and vehicle upgrades
- Park improvements
- Proactive repair & maintenance

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General Fund Reserves

Reserve Category	Current	Target	Proposed
Cash Flow Reserve	5,000,000	5,000,000	5,000,000
Natural Disaster Reserve	10,000,000	10,000,000	15,000,000
Economic Disaster	11,000,000	11,000,000	13,000,000
Capital Replacement Reserve	10,000,000	10,000,000	12,000,000
	36,000,000	36,000,000	45,000,000
Unassigned Fund Balance	33,893,325		

- 100% Fully funded reserve categories
- Balances as of 6/30/2022

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Summary of Reserve Categories

Category	Currently Funded	Proposed Target	Option 1 50% Funded	Option 2 100% Funded
Committed Reserves				
Natural Disaster	\$ 10,000,000	\$ 15,000,000	\$ 12,500,000	\$ 15,000,000
Economic Downturn	\$ 11,000,000	\$ 13,000,000	\$ 12,000,000	\$ 13,000,000
Cash Flow	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Capital Replacement	\$ 10,000,000	\$ 12,000,000	\$ 11,000,000	\$ 12,000,000
Sub Total	\$ 36,000,000	\$ 45,000,000	\$ 40,500,000	\$ 45,000,000
Unassigned	\$ 33,893,325	\$ 11,000,000	\$ 29,393,325	\$ 24,893,325
		Appropriated from Unassigned in 2022/23		\$ 6,348,812
		Additional Discretionary Payment to CalPERS		\$ 5,200,000
		Remaining Unassigned		\$ 13,344,513
		Measure G Unassigned		\$ 15,128,658

- **Option 1**
Increase by 50% and fund \$4.5M
- **Option 2**
Increase by 100% and fund \$9M

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Unfunded Pension Liability (UAL)

- FAC pension subcommittee recommendation to pay off the City's UAL with a combination of Unassigned reserves and Pension Trust
- Recommend a minimum target of \$5 million for the pension trust
- Review the unfunded liability annually and adjust pension trust as needed

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Pension Summary

	Classic Tier	Tier 2	PEPRA Tier
Entry Age Normal Accrued Liability	\$54,300,788	\$925,328	\$2,912,438
Plan's Market Value of Assets	\$44,042,560	\$1,013,126	\$3,184,276
Unfunded Accrued Liability	\$10,258,228	-\$87,798	-\$271,838
Funded Ratio	81.10%	109.50%	109.30%

Annualized Returns As of June 30, 2022		
	PARS Trust	CalPERS
YTD	-10.69%	-6.10%
3-years	1.86%	6.00%
5-years	3.14%	6.70%
10-years	4.11%	7.70%

- Unfunded Liability: \$10.2M as of June 2021
- CalPERS outperforming PARS Trust in investment returns
- Potential savings of \$7.5 M if additional payment is made

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Recommendations

- Approve Budget Adjustments
- Designate Reserve Funding Allocations
- Approve Additional Discretionary Payment to Pay Outstanding Pension Obligations
 - Utilize \$5M from the Pension Trust
 - Utilize \$5.2M from Unassigned Reserves

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**City Council Meeting
February 21, 2023
S1 – STVR Program 2022 Update**



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STVR Program 2022 Overview & 2021 Comparison

- **Characteristics**
- **Compliance status**
- **Taxes, Fees, & STVR Program Costs**

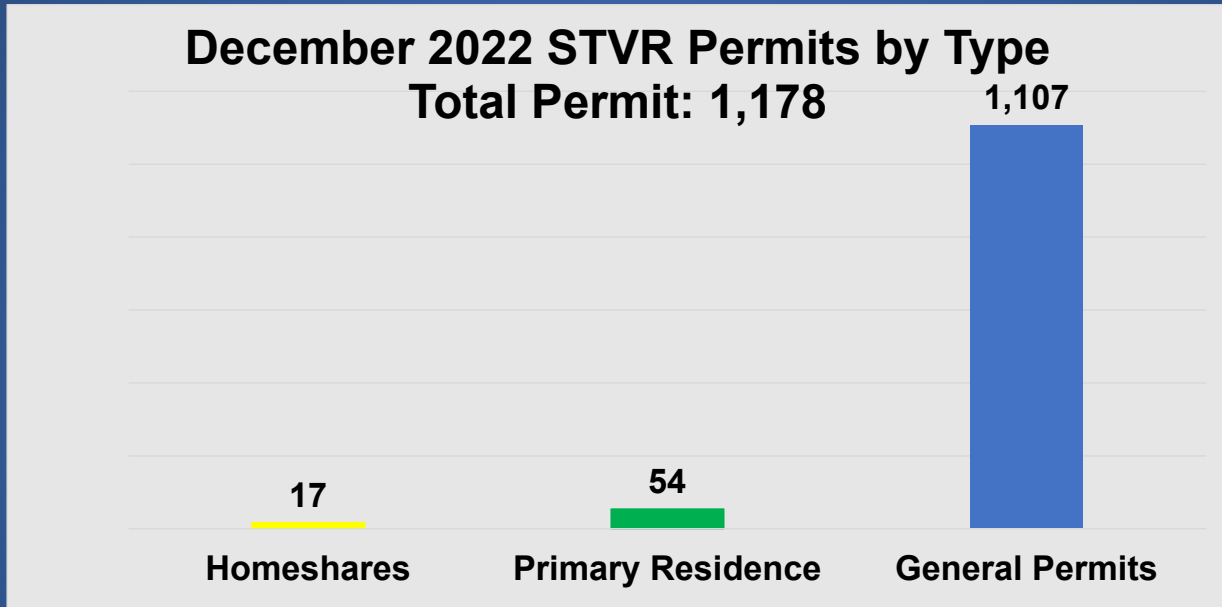
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Background

- **Moratorium – Aug. 4, 2020 to Jun. 1, 2021 via Executive Order No. 10 & succeeding amendments**
- **Permanent Ban – May 20, 2021 – LQMC Section 3.25.055**
- **No new permits have been issued outside of exempt areas since August 4, 2020**
- **Existing permits can be renewed, but not transferred**

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1,178 Active STVR Permits – December 2022



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Active STVR Permits Decline Since Jan. 2021

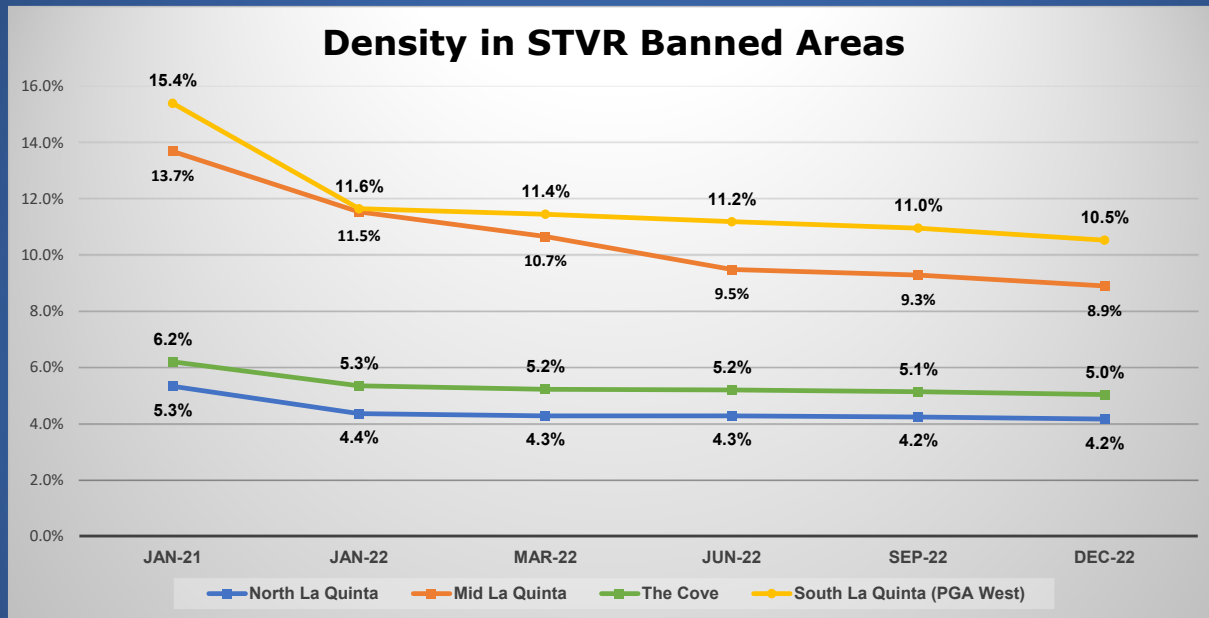
2021 – declined by 201 permits or 19.38% (from 1,037 to 836 – Jan. to Dec.)

2022 – declined by 81 permits or 9.69% (from 836 to 755) - Jan. to Dec.)

2022 STVR PERMITS BY AREA CITYWIDE							
	JAN-21	JAN-22	MAR-22	JUN-22	SEP-22	DEC-22	2021 PARCELS
North La Quinta	137	112	110	110	109	107	2,572
Mid La Quinta	140	118	109	97	95	91	1,023
The Cove	292	252	246	245	242	237	4,711
South La Quinta (PGA West)	468	354	348	340	333	320	3,040
Permit Ban Area Totals	1,037	836	813	792	779	755	11,346
STVR Exempt Areas	269	330	340	367	381	417	946
HOA Restricted Legacy Permits	14	8	8	8	8	6	9,618
Citywide Totals	1,320	1,174	1,161	1,167	1,168	1,178	21,910

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STVR Density – Permit Ban Areas



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Exempt Areas

Exempt Area	Active Permits	Total Parcels	%	Developed Parcels
Homewood Suites (LQ Desert Villas) Center Pointe	0	40	0%	40
Legacy Villas	215	280	77%	280
Signature <i>141 Finaled & 87 Issued Permits</i>	43	230	19%	228
SilverRock	0	0	n/a (744)	0
LQ Resort - Tennis Villas	31	48	65%	48
LQ Resort - Spa Villas	9	98	9%	98
Embassy Suites (Casitas Las Rosas)	71	144	49%	144
Cordorniz	0	142	0%	142
Puerta Azul	36	127	28%	127
Merv Griffin Estate	1	1	100%	1
Polo Villas	11	18	61%	11
TOTALS:	417	1,128	37%	1,119

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Compliance Overview Since Jan. 2021

STVR Program:

- 1) Permitting & Licensing;
- 2) Tax collection;
- 3) Compliance

Compliance:

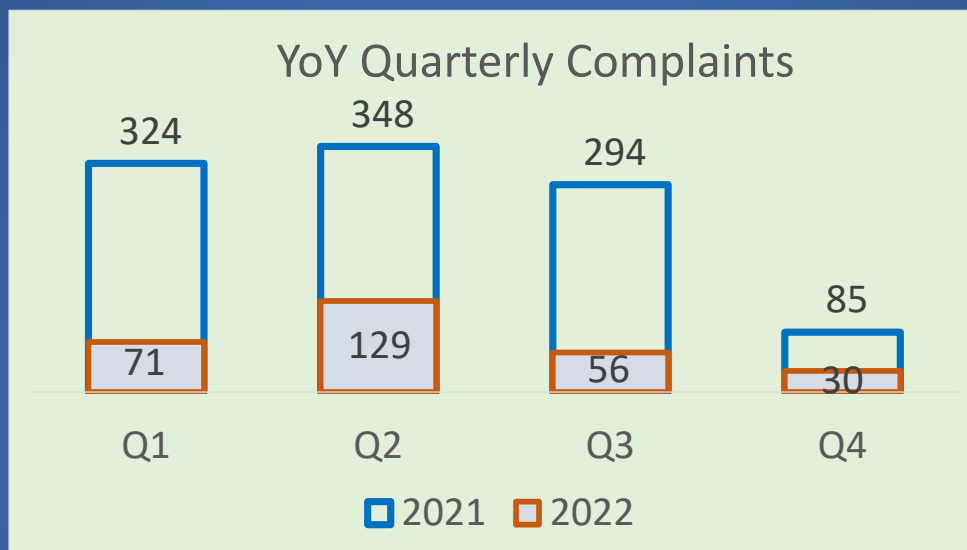
- 1) Managing complaints;
- 2) Conducting investigations
- 3) Enforcement

Code updates – Jan. 15, 2021 – enhanced regulations, enforcement, and fines

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STVR Complaints Citywide 2021-2022

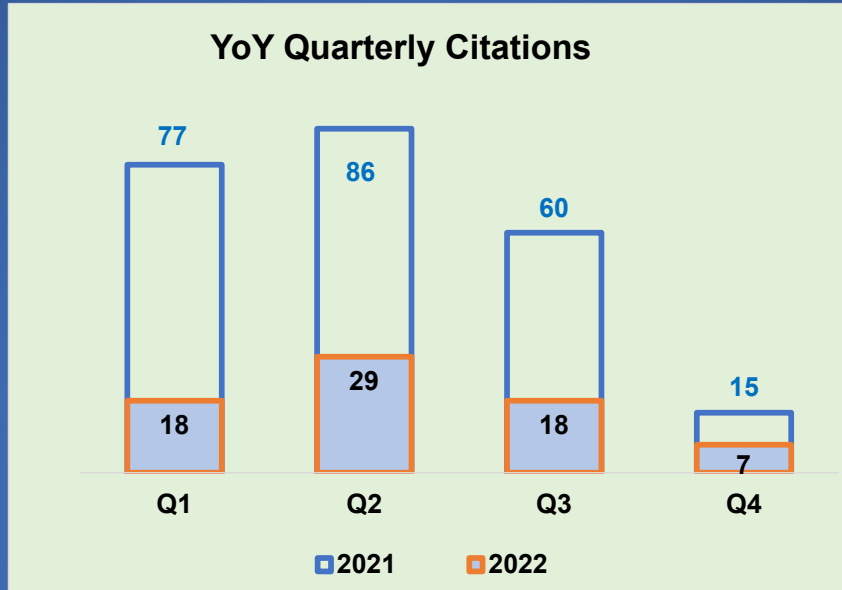
Citywide complaints declined by 73% in 2022 in comparison to 2021



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STVR Citations Citywide 2021-2022

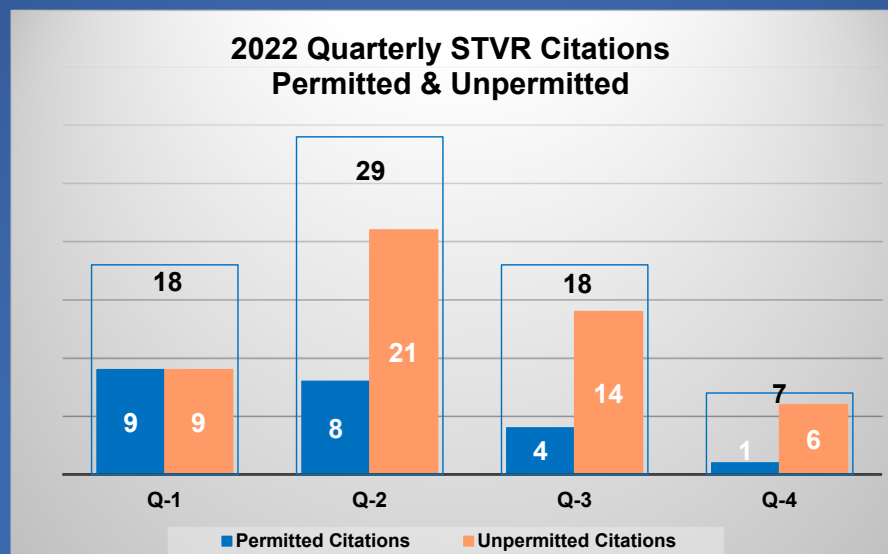
Citywide citations declined by 70% in 2022 in comparison to 2021



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STVR Enforcement Citywide 2021-2022

70% (50 out of 72 citations) in 2022 were issued to unpermitted properties



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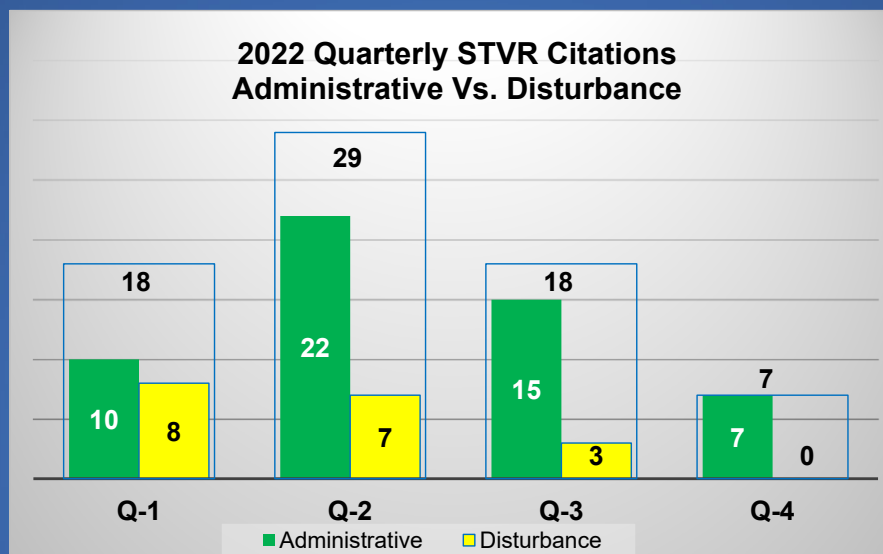
Compliance Activities

- **Disturbance** – due to noise, generally caused by large events or gatherings, children running/ screaming/laughing, popping balloons, construction, slamming doors; excessive parking, bright lights, trash, unmaintained yard, etc.
- **Administrative** – operating/advertising without STVR permit or business license, failure to display permit on listing, incorrect or missing occupancy limit advertised, failure to report TOT, etc.

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STVR Enforcement Citywide 2021-2022

75% (54 out of 72 citations) in 2022 were issued for administrative matters



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STVR Taxes, Fees, & Program Costs

- Permit/licensing fees and fine collections covered STVR program operational costs in 2021 and 2022
- Citation fine collections spiked in 2020-21 in correlation with enhanced enforcement, but declined in 2022 as overall compliance increased
- In 2022, Permit Ban areas generated approx. 71% of the total STVR TOT revenues, and Exempt Areas generated the remaining 29% (in 2021 PB = 80%; Exempt = 20%)

STVR Revenue Summary: 2019 - 2022 (per Calendar Year)

Revenue Type	2019	2020	2021	2022
Transient Occupancy Tax Revenue (TOT)	\$ 3,793,699	\$ 4,513,085	\$ 5,921,344	\$ 6,586,848
*Citation Fine Collections:	\$ 63,450	\$ 327,112	\$ 447,950	\$ 180,750
STVR Permit Fee	\$ 200,542	\$ 307,781	\$ 758,780	\$ 943,150
STVR Permit Inspection Fee	\$ 25,025	\$ 9,425	\$ 1,950	\$ 1,300
STVR Permit Business License Fee <i>(estimated)</i>	\$ 52,000	\$ 55,000	\$ 50,000	\$ 47,000
Total STVR Permits/Licensing Fees :	\$ 277,567	\$ 372,206	\$ 810,730	\$ 991,450
Total Annual STVR Revenues:	\$ 4,134,716.43	\$ 5,212,402.40	\$ 7,180,023.53	\$ 7,759,047.91

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QUESTIONS



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