

**POWER POINTS**  
**FAC**  
**MEETING**  
**AUGUST 9, 2023**

**Financial Advisory Commission  
Meeting  
8/9/2023**



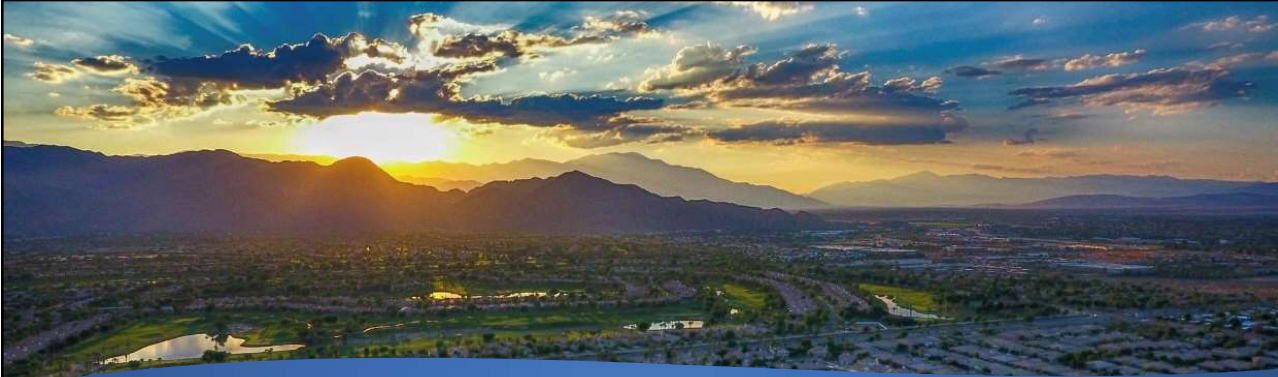
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**Financial Advisory Commission Meeting  
8/9/2023**

**Business Session Item No. 1  
Receive and File the Annual Comprehensive Financial Report  
for the Year Ended June 30, 2022**



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## Audit Summary

- ✓ Conducted virtually by Eide Bailly LLP, Certified Public Accountants from October 2022 – June 2023
- ✓ Reviewed nearly 800 documents & conducted several 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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## 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**
  - 21 Notes
  - Statistical section, 10-year comparison

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# Governmental Fund Balances

Category	General Fund	All Other Funds	Total Funds
Non-Spendable	\$ 27,365,989	\$ 96,590	\$ 27,462,579
Restricted	10,137,888	54,412,358	64,550,246
Committed	37,209,100	-	37,209,100
Assigned	57,300,711	-	57,300,711
Unassigned	33,893,325	(3,293,897)	30,599,428
<b>Total</b>	<b>\$ 165,907,013</b>	<b>\$ 51,215,051</b>	<b>\$ 217,122,064</b>

Prepaid Costs	\$ 46,990	Pension Trust	\$ 10,137,888
Land held for resale	5,403,652	Housing Funds	24,015,857
RDA Loan	21,915,347	Restricted Funds	30,396,501

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Natural Disaster	\$ 10,000,000	Fire Services	\$ 11,183,821
Economic Disaster	11,000,000	Sales Tax (Measure G)	15,355,043
Cash Flow Reserve	5,000,000	Capital Projects	30,761,847
Capital Replacement	10,000,000		
Operational Carryovers	1,209,100		

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# Long-Term Debt

Debt Type	2020-21	2021-22
Leases	\$ 295,942	\$162,648
Financed Purchases	41,225	22,079
Compensated Absences	950,309	962,229
Net Pension Liability	14,502,311	7,691,773
<b>Total</b>	<b>\$15,789,787</b>	<b>\$8,838,729</b>



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)
Total Trust Balance	10,137,888
<b>Pension Liability</b>	<b>(\$ 2,446,115)</b>





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## Major Infrastructure Investments

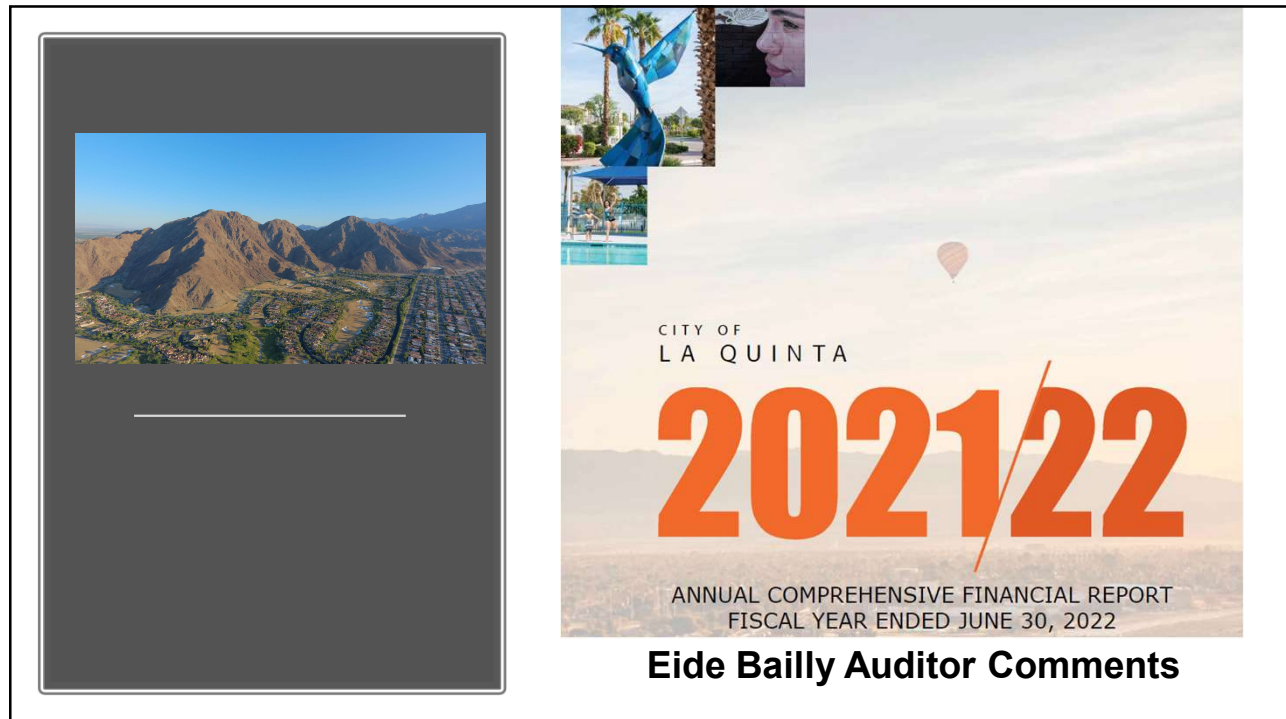


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# The Future

-  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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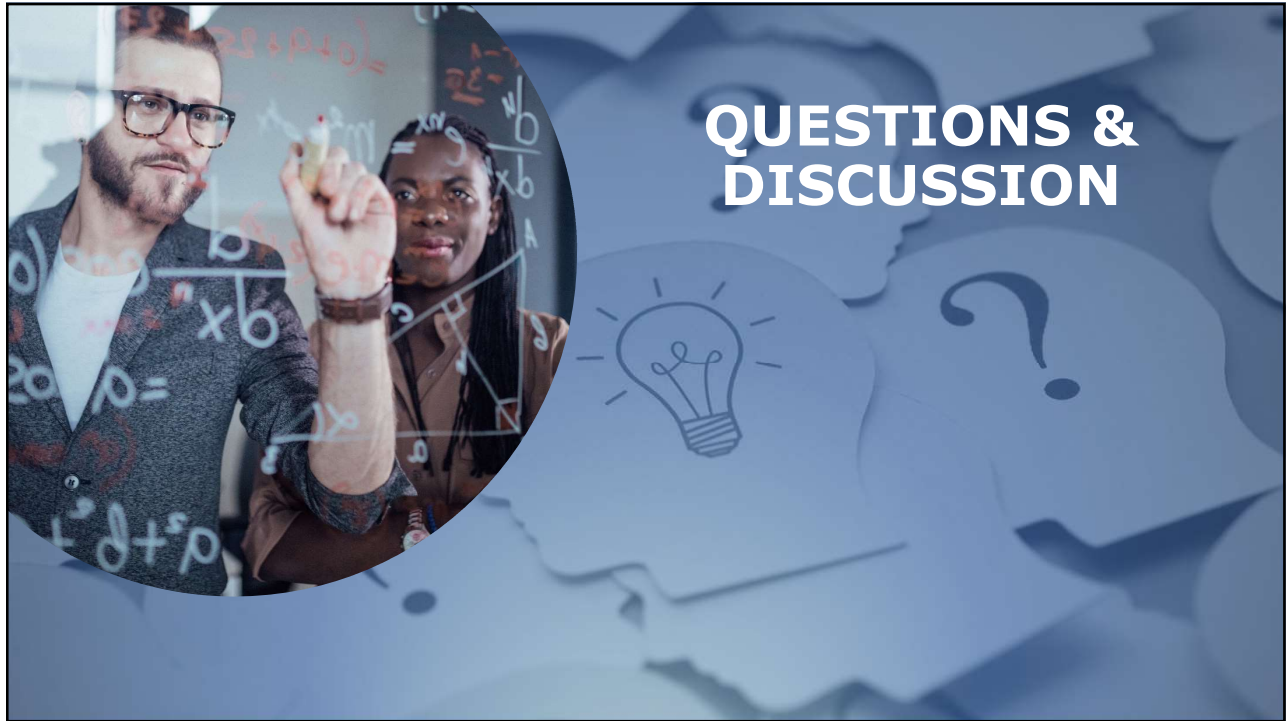
CITY OF  
LA QUINTA

# 2021/22

ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2022

**Eide Bailly Auditor Comments**

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**Financial Advisory Commission Meeting  
8/9/2023**

**Business Session Item No. 2**  
**Appoint a Financial Advisory Commissioner Chairperson and Vice-Chairperson to Serve for Fiscal Year 2023/24**

**La Quinta**  
— CALIFORNIA —

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## Past 5 Year Appointments

Fiscal Year	Chairperson	Vice- Chairperson
2017/18	George Batavick	W. Richard Mills
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

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## Financial Advisory Commission Meeting 8/9/2023

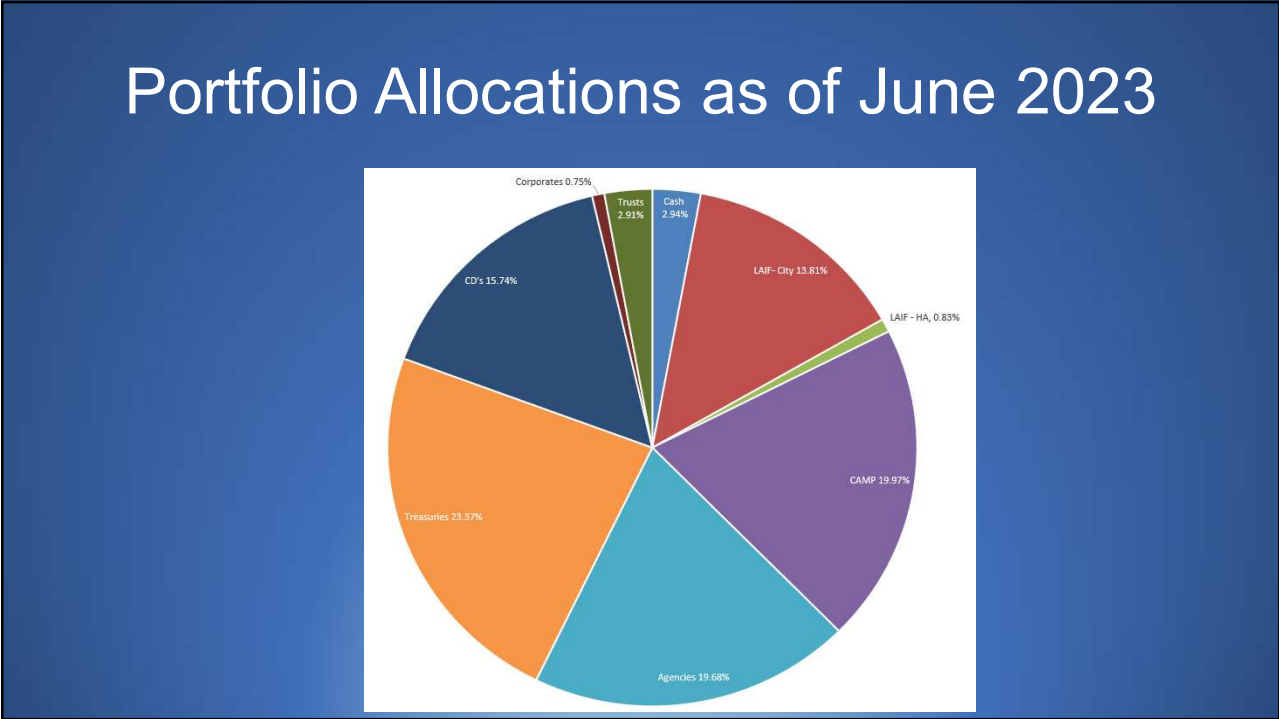
### Business Session Item No. 4

**Receive and File the Fourth Quarter Fiscal Year 2022/23 Treasury Report for April, May, and June 2023**

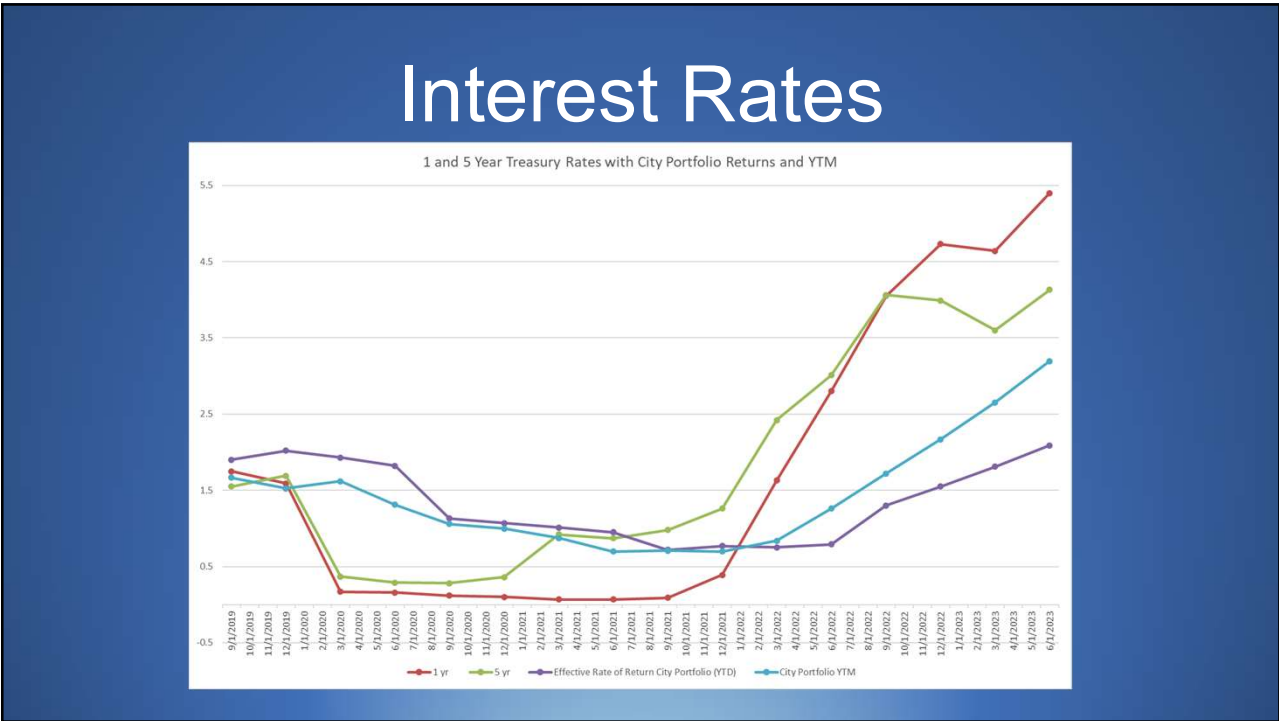


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## Fiscal Year Comparison: Earnings



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

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## Going Forward

- Will continue to monitor all economic news daily
- Will continue to utilize 3 brokers in order to ensure competitive pricing on investments
- Will manage cash effectively to maintain needed liquidity while maximizing potential earnings

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**Financial Advisory Commission Meeting**  
**8/9/2023**

**Study Session Item No. 1**  
**Discuss the City's Outstanding Pension Obligations**

A landscape photograph of a desert scene with palm trees, a rocky mountain range, and a clear blue sky. Overlaid on the center of the image is the "La Quinta" logo in a white, elegant script font. Below the script, the word "CALIFORNIA" is written in a smaller, white, sans-serif font, flanked by two horizontal lines.

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# Pension Funding Update

La Quinta, CA



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## 2021 CalPERS Board Decisions



### ASSUMPTION CHANGES

Reduced Discount Rate Assumption from 7% to 6.8%

Reduced Inflation Rate Assumption from 2.5% to 2.3%

Increased Wage Growth Assumption from 2.75% to 2.8%

Other Demographic Assumptions Changes

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**CalPERS Investment Return:  
June 30, 2021  
21.3% Investment Return  
Valuation Report Received August 2022**

**Experience Gain  
21.3%(Actual); 7% (Assumed) = 14.3%**

<https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>

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**CalPERS Investment Return:  
June 30, 2022  
-6.1% Investment Return  
Valuation Report Expected August 2023**

**Experience Loss  
-6.1%(Actual); 6.8% (Assumed) = 12.9%**

<https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>

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**CalPERS Investment Return:  
June 30, 2023  
5.8% Investment Return  
Valuation Report Expected August 2024**

**Experience Loss  
5.8%(Actual); 6.8% (Assumed) = 1.0%**

<https://www.calpers.ca.gov/docs/funding-risk-mitigation-policy.pdf>

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**CalPERS Actual Returns as they Impact your Plan(s)**



**Market Value of Assets**

Fiscal Year	Investment (Time-Weighted)		ACFR & Valuation Reports (Money-Weighted)	
	Market Value of Assets* <i>July</i>	1-Yr Return*	Market Value of Assets** <i>October</i>	1-Yr Return**
FY 22/23	\$ 461.6 billion	+5.8%	\$ <u> ? </u> billion	+ <u> ? </u> %
FY 21/22	\$ 440.2 billion	-6.1%	\$ 439.4 billion	-7.5%
FY 20/21	\$470.8.2 billion	+21.3	\$477.3 billion	+22.4%

\* Reflects private equity and real asset valuations as of Mar 31  
 \*\* Reflects private equity and real asset valuations as of June 30

[www.calpers.ca.gov/docs/board-agendas/202211/financeadmin/item-5b-02\\_a\\_REV.pdf](https://www.calpers.ca.gov/docs/board-agendas/202211/financeadmin/item-5b-02_a_REV.pdf)

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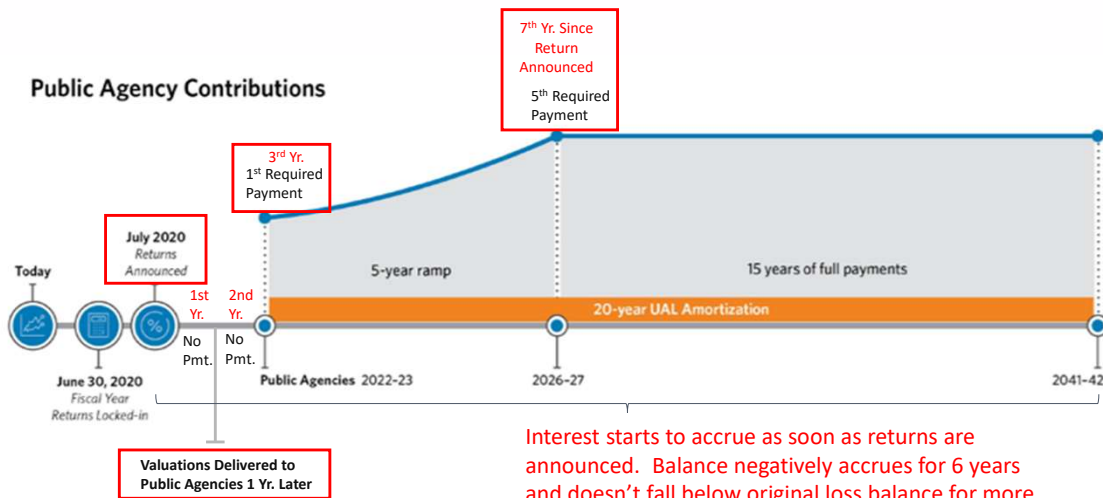
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# How Do the Investment Losses Impact the UAL and Future Employer Contributions



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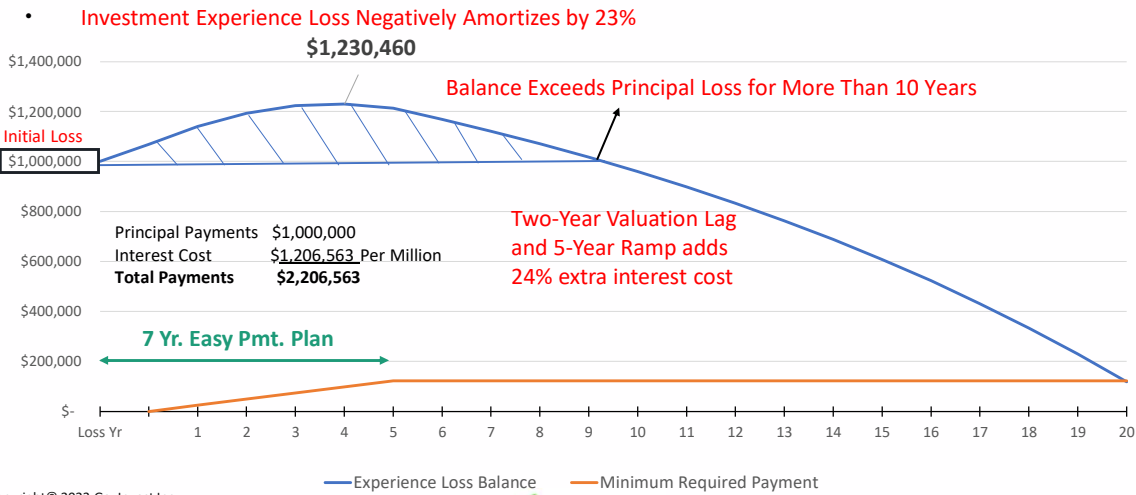
## How Actuarial Investment Losses Are Amortized



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## Reduce Interest Cost & Avoid Negative Amortization By Bypassing the 5Yr. Ramp



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## How Has Your Agency Been Impacted?



Projections based on 2021 GovInvest Model

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## Pension Funding Losses



	(GAIN)/LOSS	Anticipated CalPERS Valuation Timeline	1st Required Contribution Year
<b>2021</b>	<b>All Plans</b>	<b>August 15, 2022</b>	<b>FY 2023-24</b>
Investment Experience Gain	(6,251,763)		
Discount Rate Change	1,384,433		
Other Assumption Changes	168,892		
Other Demographic Gain	(235,069)		
<b>TOTAL</b>	<b>(4,933,507)</b>		
	(GAIN)/LOSS		
<b>2022</b>	<b>All Plans</b>	<b>August 15, 2023</b>	<b>FY 2024-25</b>
Investment Experience Loss	6,643,448		
Non-Investment Loss	850,246		
<b>TOTAL</b>	<b>7,493,694</b>		
	(GAIN)/LOSS		
<b>2023</b>	<b>All Plans</b>	<b>August 15, 2024</b>	<b>FY 2025-26</b>
Investment Experience Loss	450,000		

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## How Did La Quinta Respond?



- 1) Paid off the UAL in its entirety in FY 22-23 as it was known as of June 30, 2021 actuarial valuation.
- 2) Ahead of schedule, La Quinta paid off the majority of the FY 21-22 investment loss in FY 22-23, even though the first required payment on this loss isn't due until FY 24-25.

The two actions above reduced the interest cost by 79% and saved La Quinta taxpayers nearly \$15 million over 20 yrs.

Congratulations to La Quinta staff, Financial Advisory Commission and City Council for their aggressive response!

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## Funded Status Trend Without §115 Trust



Fiscal Year End (FYE)	2020	2021	2022	2023 Projected	Change
Accrued Liability (AL)	\$54,124,823	\$58,138,554	\$61,677,632	\$63,257,585	\$1,579,953
Market Value of Assets (MVA)	\$38,328,457	\$48,239,962	\$46,785,713	\$59,604,521	\$12,818,808
Unfunded Accrued Liability (UAL)	\$15,796,366	\$9,898,592	\$14,891,919	\$3,653,064	-\$11,238,855
Funded Status	70.81%	82.97%	75.86%	94.23%	7.12%
Assumption	7.00%	7.00%	6.80%	6.80%	
Actual Experience	4.70%	21.30%	-6.10%	5.80%	
Experience Gain/Loss	-2.30%	14.30%	-12.90%	-1.00%	

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## Funded Status Trend With §115 Trust



Fiscal Year End (FYE)	2020	2021	Projected 2022	2023 Projected	Change
Accrued Liability (AL)	\$54,124,823	\$58,138,554	\$61,677,632	\$63,257,585	\$1,579,953
Assets with CalPERS	\$38,328,457	\$48,239,962	\$46,785,713	\$59,604,521	\$12,818,808
Assets in §115 Trust	\$10,249,738	\$11,381,922	\$10,137,888	\$5,317,487	-\$4,820,401
Unfunded Accrued Liability (UAL)	\$5,546,628	-\$1,483,330	\$4,754,031	-\$1,664,423	-\$6,418,454
Funded Status	89.75%	102.55%	92.29%	102.63%	10.34%
Assumption	7.00%	7.00%	6.80%	6.80%	
Actual Experience	4.70%	21.30%	-6.10%	5.80%	
Experience Gain/Loss	-2.30%	14.30%	-12.90%	-1.00%	

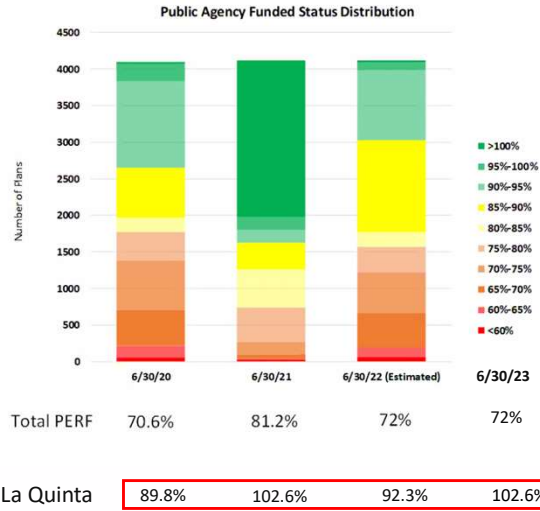
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# Comparison to Other Public Agencies



6/30/2022 Estimates —  
Public Agency  
Funded Ratios

Source:



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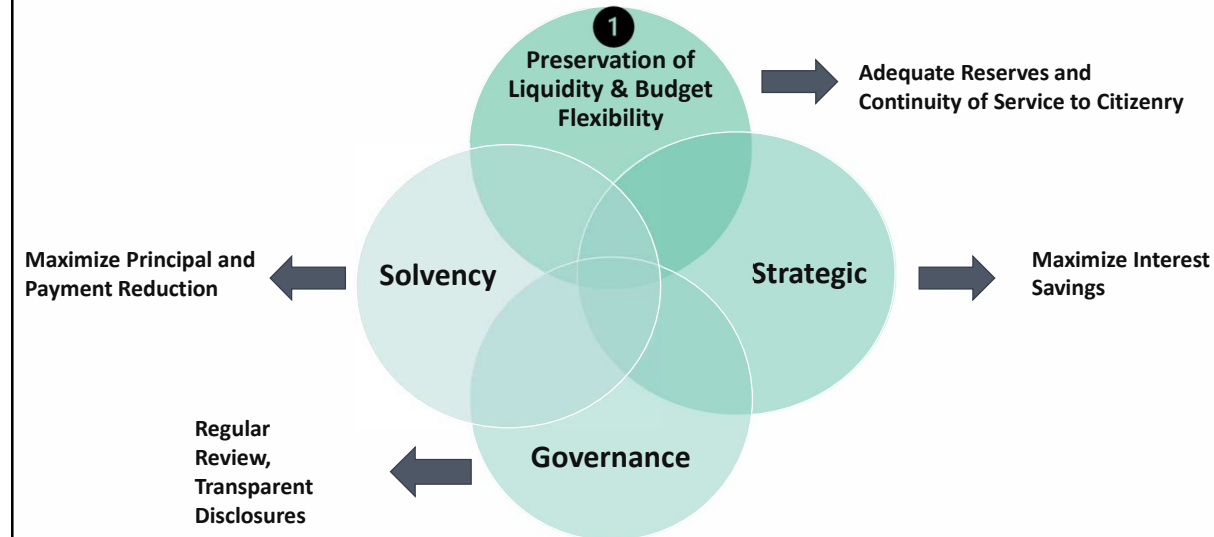
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# Pension Management



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## Pension Management Goals



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## Pending Actions and Potential Actions?



- 1) Payment of budgeted pension funding to reduce negative amortization should reduce the remaining interest cost by 32% and save the City an additional \$1M.
- 2) Potentially the City could budget and pay the remaining UAL Balance off in 24-25 which we currently estimate to be approximately \$3 million saving the City approximately \$2.5 Million.
- 3) Prior to making the 24-25 payment, the City should assess how the 23-24 investment earnings fared.

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# Questions



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# Reference



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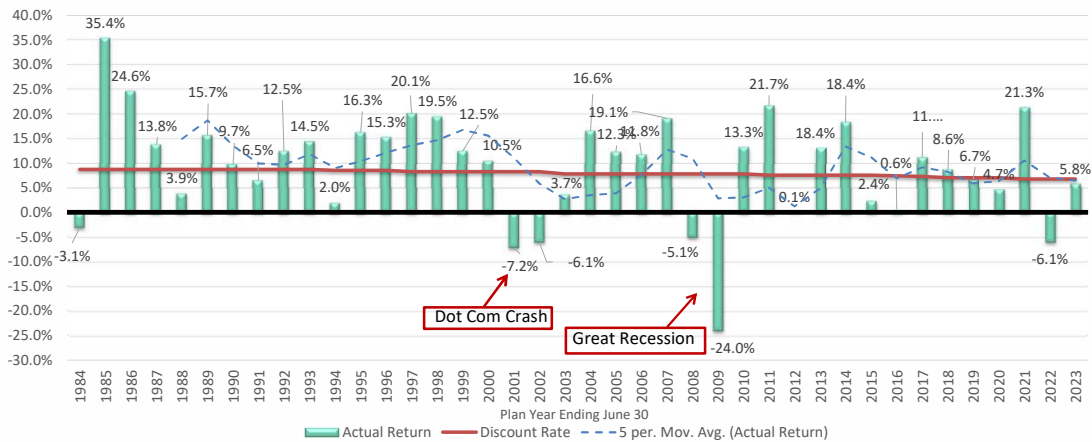
# 2021, 2022, & 2023 Valuation Years



Count	Val FYE	Bud FYE	2021 Valuation Year				2022 Valuation Year				2023 Valuation Year	
			Default		Actions Taken 22-23		Default		Planned Action 23-24		Default Estimate	
			Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment	Balance	Payment
2020 22-23			\$ 14,891,919	\$ 1,169,754	\$ 14,891,919	\$ 12,434,383						
1 2021 23-24			\$ 15,915,557	\$ -	\$ 3,242,203	\$ -	\$ 3,242,203	\$ 930,275				
2 2022 24-25			\$ 16,997,815	\$ 458,754	\$ 3,462,673	\$ 167,820	\$ 2,549,584	\$ 247,623		\$ 2,999,584	\$ 247,623	
3 2023 25-26			\$ 17,679,571	\$ 800,547	\$ 3,524,702	\$ 218,679	\$ 2,467,053	\$ 247,623		\$ 2,947,653	\$ 258,655	
4 2024 26-27			\$ 18,054,464	\$ 1,142,339	\$ 3,538,390	\$ 269,538	\$ 3,538,390	\$ 269,538		\$ 2,892,190	\$ 269,688	
5 2025 27-28			\$ 18,101,627	\$ 1,484,132	\$ 3,500,449	\$ 320,397	\$ 3,500,449	\$ 320,397		\$ 2,821,554	\$ 280,721	
6 2026 28-29			\$ 17,798,776	\$ 1,825,924	\$ 3,407,368	\$ 371,256	\$ 3,407,368	\$ 371,256		\$ 2,734,712	\$ 291,754	
7 2027 29-30			\$ 17,122,107	\$ 1,796,172	\$ 3,255,398	\$ 341,503	\$ 3,255,398	\$ 341,503		\$ 2,630,564	\$ 273,034	
8 2028 30-31			\$ 16,430,173	\$ 1,796,172	\$ 3,123,842	\$ 341,503	\$ 3,123,842	\$ 341,503		\$ 2,538,680	\$ 273,034	
9 2029 31-32			\$ 15,691,188	\$ 1,796,172	\$ 2,983,340	\$ 341,503	\$ 2,983,340	\$ 341,503		\$ 2,429,146	\$ 273,034	
10 2030 32-33			\$ 14,901,951	\$ 1,796,172	\$ 2,833,283	\$ 341,503	\$ 2,833,283	\$ 341,503		\$ 2,312,163	\$ 273,034	
11 2031 33-34			\$ 14,059,046	\$ 1,796,172	\$ 2,673,023	\$ 341,503	\$ 2,673,023	\$ 341,503		\$ 2,187,226	\$ 273,034	
12 2032 34-35			\$ 13,158,824	\$ 1,796,172	\$ 2,501,865	\$ 341,503	\$ 2,501,865	\$ 341,503		\$ 2,053,793	\$ 273,034	
13 2033 35-36			\$ 12,197,387	\$ 1,796,172	\$ 2,319,069	\$ 341,503	\$ 2,319,069	\$ 341,503		\$ 1,911,286	\$ 273,034	
14 2034 36-37			\$ 11,170,572	\$ 1,796,172	\$ 2,123,842	\$ 341,503	\$ 2,123,842	\$ 341,503		\$ 1,759,089	\$ 273,034	
15 2035 37-38			\$ 10,073,933	\$ 1,796,172	\$ 1,915,340	\$ 341,503	\$ 1,915,340	\$ 341,503		\$ 1,596,542	\$ 273,034	
16 2036 38-39			\$ 8,902,723	\$ 1,796,172	\$ 1,692,660	\$ 341,503	\$ 1,692,660	\$ 341,503		\$ 1,422,943	\$ 273,034	
17 2037 39-40			\$ 7,651,871	\$ 1,796,172	\$ 1,454,838	\$ 341,503	\$ 1,454,838	\$ 341,503		\$ 1,237,538	\$ 273,034	
18 2038 40-41			\$ 6,315,961	\$ 1,796,172	\$ 1,200,843	\$ 341,503	\$ 1,200,843	\$ 341,503		\$ 1,039,527	\$ 273,034	
19 2039 41-42			\$ 4,889,209	\$ 1,796,172	\$ 929,577	\$ 341,503	\$ 929,577	\$ 341,503		\$ 828,050	\$ 273,034	
20 2040 42-43			\$ 3,365,438	\$ 1,796,172	\$ 639,865	\$ 341,503	\$ 639,865	\$ 341,503		\$ 602,193	\$ 273,034	
21 2041 43-44			\$ 1,738,050	\$ 1,796,172	\$ 330,453	\$ 341,503	\$ 330,453	\$ 341,503		\$ 360,977	\$ 273,034	
22 2042 44-45										\$ 53,379	\$ 55,164	
23 2043 45-46										\$ 53,379	\$ 55,164	
Total Payments			\$ 33,824,028		\$ 18,904,621		\$ 6,470,238	\$ 5,436,437		\$ 5,554,279		
Principal			\$ 14,891,919		\$ 14,891,919		\$ 3,242,203	\$ 3,242,203		\$ 2,999,584		
Interest			\$ 18,932,109		\$ 4,012,702		\$ 3,228,035	\$ 2,194,234		\$ 2,554,695		
Interest Savings			N/A		\$ 14,919,407		N/A	\$ 1,047,969				
Percent Interest Savings					79%			32%				

\* Assumes payment is made by 12/31/23

# CalPERS Historical Investment Returns



Compound Annual Rates of Return through June 30, 2023					
	1 Year	5 Year	10 Year	20 Year	30 Year
Compound Annual Return	5.8%	6.1%	7.1%	7.0%	7.5%



## Disclaimer

While tested against actuarial valuation results, the software results will not necessarily match actuarial valuation results, as no two actuarial models are identical. The software offers financially sound projections and analysis; however, outputs do not guarantee compliance with standards under the Government Accounting Standards Board or Generally Accepted Accounting Principles. The software and this presentation are not prepared in accordance with standards as promulgated by the American Academy of Actuaries, nor do outputs or this presentation constitute Statements of Actuarial Opinion. GovInvest has used census data, plan provisions, and actuarial assumptions provided by Customer and/or Customer's actuary to develop the software for Customer. GovInvest has relied on this information without audit.

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**The Financial Advisory Commission will hold a  
Special Meeting on**

**October 4, 2023**

**The Next Regular Quarterly Meeting is on**

**November 8, 2023**



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