



**NOTICE AND CALL OF SPECIAL MEETING  
OF THE LA QUINTA FINANCIAL ADVISORY COMMISSION**

**TO THE MEMBERS OF THE LA QUINTA FINANCIAL ADVISORY COMMISSION AND TO THE COMMISSION SECRETARY:**

**NOTICE IS HEREBY GIVEN** that a **Special Meeting** of the La Quinta Financial Advisory Commission is hereby called to be held on **Wednesday, November 8, 2023, starting at 3:00 p.m.:** at La Quinta City Hall located at 78495 Calle Tampico, La Quinta, CA 92253 for the following purpose:

**CONSENT CALENDAR**

1. APPROVE MEETING MINUTES DATED OCTOBER 4, 2023
2. RECEIVE AND FILE REVENUE AND EXPENDITURE REPORT DATED AUGUST 31, 2023


**DEPARTMENTAL REPORTS**

1. FINANCE DEPARTMENT CURRENT AND FUTURE INITIATIVES
2. SECOND QUARTER 2023 (APRIL-JUNE) SALES TAX UPDATE FOR THE CITY OF LA QUINTA

Dated: November 3, 2023

/s/ Keith Dorsey  
Keith Dorsey, Chairperson

Attest:

  
\_\_\_\_\_  
Jessica Delgado, Commission Secretary

**DECLARATION OF POSTING**

I, Jessica Delgado, Commission Secretary, do hereby declare that the foregoing notice for the La Quinta Financial Advisory Commission **Special Meeting** of November 8, 2023, was posted on the outside entry to the Council Chamber at 78495 Calle Tampico, and on the bulletin board at 51321 Avenida Bermudas on November 3, 2023

  
\_\_\_\_\_  
Jessica Delgado, Commission Secretary

Dated: November 3, 2023

CLICK HERE to return to agenda



Financial Advisory Commission agendas and staff reports are now available on the City's web page: [www.laquintaca.gov](http://www.laquintaca.gov)

# SPECIAL MEETING FINANCIAL ADVISORY COMMISSION AGENDA

CITY HALL COUNCIL CHAMBER  
78495 Calle Tampico, La Quinta

**WEDNESDAY, NOVEMBER 8, 2023, AT 3:00 P.M.**

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Members of the public may listen to this meeting by tuning-in live via <http://laquinta.12milesout.com/video/live>.

## **CALL TO ORDER**

ROLL CALL: Commissioners: Anderson, Batavick, Mast, Mills, Way and Chair Dorsey

VACANCY: One (1)

## **PLEDGE OF ALLEGIANCE**

## **PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA**

At this time, members of the public may address the Commission on any matter not listed on the agenda pursuant to the "Public Comments – Instructions" listed at the end of the agenda. The Commission values your comments; however, in accordance with State law, no action shall be taken on any item not appearing on the agenda unless it is an emergency item authorized by the Brown Act [Government Code § 54954.2(b)].

## **CONFIRMATION OF AGENDA**

**ANNOUNCEMENTS, PRESENTATIONS AND WRITTEN COMMUNICATIONS** – None

## **CONSENT CALENDAR**

NOTE: Consent Calendar items are routine in nature and can be approved by one motion.

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**BUSINESS SESSION** – None

**STUDY SESSION** – None

**DEPARTMENTAL REPORTS**

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**COMMISSIONERS' ITEMS**


**ADJOURNMENT**

The La Quinta Financial Advisory Commission next quarterly meeting is on February 7, 2024, commencing at 4:00 p.m. at the La Quinta City Hall Council Chamber, 78495 Calle Tampico, La Quinta, CA 92253.

**DECLARATION OF POSTING**

I, Jessica Delgado, Secretary of the Financial Advisory Commission of the City of La Quinta, do hereby declare that the foregoing Agenda for the Commission special meeting of November 8, 2023, was posted on the City's website, near the entrance to the Council Chamber at 78495 Calle Tampico and the bulletin board at 51321 Avenida Bermudas, on November 3, 2023.

DATED: November 3, 2023



Jessica Delgado, Commission Secretary  
City of La Quinta, California

## Public Notices

- Agenda packet materials are available for public inspection: 1) at the Clerk's Office at La Quinta City Hall, located at 78495 Calle Tampico, La Quinta, California 92253; and 2) on the City's website at <https://www.laquintaca.gov/our-city/city-government/boards-and-commissions/financial-advisory-commission>, in accordance with the Brown Act [Government Code § 54957.5; AB 2647 (Stats. 2022, Ch. 971)].
- The La Quinta City Council Chamber is handicapped accessible. If special equipment is needed for the hearing impaired, please contact Commission Secretary at (760) 777-7150, 24-hours in advance of the meeting and accommodations will be made.
- If background material is to be presented to the Commission during a Commission meeting, please be advised that 15 copies of all documents, exhibits, etc., must be supplied to the Commission Secretary for distribution. It is requested that this takes place prior to the beginning of the meeting.

## PUBLIC COMMENTS – INSTRUCTIONS

Members of the public may address the Commission on any matter listed or not listed on the agenda as follows:

WRITTEN PUBLIC COMMENTS can be provided either in-person during the meeting by submitting 15 copies to the Commission Secretary, it is requested that this takes place prior to the beginning of the meeting; or can be emailed in advance to [JDelgado@LaQuintaCA.gov](mailto:JDelgado@LaQuintaCA.gov), no later than 12:00 p.m., on the day of the meeting. Written public comments will be distributed to the Commission, made public, and will be incorporated into the public record of the meeting, but will not be read during the meeting unless, upon the request of the Chair, a brief summary of public comments is asked to be reported.

If written public comments are emailed, the email subject line must clearly state **“Written Comments”** and should include: **1) full name, 2) city of residence, and 3) subject matter.**

VERBAL PUBLIC COMMENTS can be provided in-person during the meeting by completing a “Request to Speak” form and submitting it to the Commission Secretary; it is requested that this takes place prior to the beginning of the meeting. Please limit your comments to three (3) minutes (or approximately 350 words). Members of the public shall be called upon to speak by the Chair.

In accordance with City Council Resolution No. 2022-028, a one-time additional speaker time donation of three (3) minutes per individual is permitted; please note that the member of the public donating time must: 1) submit this in writing to the Commission Secretary by completing a “Request to Speak” form noting the name of the person to whom time is being donated to, and 2) be present at the time the speaker provides verbal comments.

Verbal public comments are defined as comments provided in the speakers' own voice and may not include video or sound recordings of the speaker or of other individuals or entities, unless permitted by the Chair.

Public speakers may elect to use printed presentation materials to aid their comments; 15 copies of such printed materials shall be provided to the Commission Secretary to be disseminated to the Commission, made public, and incorporated into the public record of the meeting; it is requested that

the printed materials are provided prior to the beginning of the meeting. There shall be no use of Chamber resources and technology to display visual or audible presentations during public comments, unless permitted by the Chair.

All writings or documents, including but not limited to emails and attachments to emails, submitted to the City regarding any item(s) listed or not listed on this agenda are public records. All information in such writings and documents is subject to disclosure as being in the public domain and subject to search and review by electronic means, including but not limited to the City's Internet Web site and any other Internet Web-based platform or other Web-based form of communication. All information in such writings and documents similarly is subject to disclosure pursuant to the California Public Records Act [Government Code § 7920.000 *et seq.*].

### **TELECONFERENCE ACCESSIBILITY – INSTRUCTIONS**

*Teleconference accessibility may be triggered in accordance with AB 2449 (Stats. 2022, Ch. 285), codified in the Brown Act [Government Code § 54953], if a member of the Commission requests to attend and participate in this meeting remotely due to “just cause” or “emergency circumstances,” as defined, and only if the request is approved. In such instances, remote public accessibility and participation will be facilitated via Zoom Webinar as detailed at the end of this Agenda.*

**\*\*\* TELECONFERENCE PROCEDURES – PURSUANT TO AB 2449\*\*\***

**APPLICABLE ONLY WHEN TELECONFERENCE ACCESSIBILITY IS IN EFFECT**

**Verbal public comments via Teleconference – members of the public may attend and participate in this meeting by teleconference via Zoom** and use the “raise your hand” feature when public comments are prompted by the Chair; the City will facilitate the ability for a member of the public to be audible to the Commission and general public and allow him/her/they to speak on the item(s) requested. **Please note – members of the public must unmute themselves when prompted upon being recognized by the Chair, in order to become audible to the Commission and the public.**

Only one person at a time may speak by teleconference and only after being recognized by the Chair.

**ZOOM LINK:** <https://us06web.zoom.us/j/82853067939>  
**Meeting ID:** 898 3998 4651  
**Or join by phone:** (253) 215 – 8782

**Written public comments** – can be provided in person during the meeting or emailed to [JDelgado@LaQuintaCA.gov](mailto:JDelgado@LaQuintaCA.gov) any time prior to the adjournment of the meeting, and will be distributed to the Commission, made public, incorporated into the public record of the meeting, and will not be read during the meeting unless, upon the request of the Chair, a brief summary of any public comment is asked to be read, to the extent the Committee can accommodate such request.



**FINANCIAL ADVISORY COMMISSION  
MINUTES  
WEDNESDAY, OCTOBER 4, 2023**

**CALL TO ORDER**

A special meeting of the La Quinta Financial Advisory Commission (Commission) was called to order at 4:00 p.m. by Chair Dorsey.

PRESENT: Commissioners Anderson, Batavick, Mast, Mills, and Chair Dorsey

ABSENT: Commissioner Way

VACANCY: One (1)

**PLEDGE OF ALLEGIANCE**

Commissioner Anderson led the audience in the Pledge of Allegiance.

**PUBLIC COMMENT ON MATTERS NOT ON THE AGENDA** – None

**CONFIRMATION OF AGENDA** – Confirmed

**ANNOUNCEMENTS, PRESENTATIONS, AND WRITTEN COMMUNICATIONS**

1. **AVENUE 48 ARTS AND MUSIC LINE PROJECT UPDATE BY COACHELLA VALLEY ASSOCIATION OF GOVERNMENTS (CVAG) EXECUTIVE DIRECTOR TOM KIRK**

Executive Director Tom Kirk and Project Manager Randy Bowman from CVAG provided a detailed presentation and status update on the Avenue 48 Arts and Music Line Project (Project), a 10-mile community connector, which will run along Avenue 48 through the Cities of La Quinta, Indio, and Coachella, including information on Project funding sources, design, lighting, hardscape, and safety.

**CONSENT CALENDAR ITEMS**

1. **APPROVE MEETING MINUTES DATED AUGUST 9, 2023**
2. **RECEIVE AND FILE REVENUE AND EXPENDITURE REPORT DATED JULY 31, 2023**

Motion – A motion was made and seconded by Commissioners Mills/Batavick to approve the Consent Calendar as submitted. Motion passed: ayes – 5, noes – 0, abstain – 0, absent – 1 (Way), vacancy – 1.

## **BUSINESS SESSION**

### **1. APPOINT TWO FINANCIAL ADVISORY COMMISSIONERS TO AUDIT AND FORMULATE THE ANNUAL MEASURE G SALES TAX OVERSIGHT COMPLIANCE REPORT (Report) FOR FISCAL YEAR 2022/23**

Finance Director Martinez presented the staff report, which is on file in the Finance Department.

Staff provided the timeline for completing the Report. Commissioner Batavick and Mast expressed their willingness to participate on the subcommittee to audit and formulate the annual Measure G sales tax oversight Compliance report for fiscal year 2022/23

Motion – A motion was made and seconded by Commissioners Anderson/Mills to appoint Commissioners Batavick and Mast to serve on the subcommittee to audit and formulate the annual Measure G sales tax oversight compliance report for fiscal year 2022/23. Motion passed: ayes – 5, noes – 0, abstain – 0, absent – 1 (Way), vacancy – 1.

**STUDY SESSION** – None

**DEPARTMENTAL REPORTS** – All reports are on file in the Finance Department.

### **1. FINANCE DEPARTMENT CURRENT AND FUTURE INITIATIVES**

Finance Director Martinez provided an update on current and upcoming Finance Department projects and explained the purpose for the city-wide comprehensive annual audit. She announced that interviews for the Financial Advisory Commission vacancy will be held at a Council meeting in December 2023.

## **COMMISSIONERS' ITEMS**

Commissioner Batavick said that he would like staff to consider providing an update at a future Commission meeting on damages incurred by Hurricane Hilary in August 2023 and subsequent storm to the City and funding sources available to cover cost.

## **ADJOURNMENT**

There being no further business, it was moved by Commissioner Batavick/Mills to adjourn this meeting at 5:11 p.m. Motion passed: ayes – 5, noes – 0, abstain – 0, absent – 1 (Way), vacancy – 1.

Respectfully submitted,

Jessica Delgado, Administrative Technician/Commission Secretary  
City of La Quinta, California

# City of La Quinta

FINANCIAL ADVISORY COMMISSION MEETING: November 8, 2023

## STAFF REPORT

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**AGENDA TITLE:** RECEIVE AND FILE REVENUE AND EXPENDITURE REPORT DATED AUGUST 31, 2023

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### RECOMMENDATION

Receive and file revenue and expenditure report dated August 31, 2023.

### EXECUTIVE SUMMARY

- The report summarizes the City's year-to-date (YTD) revenues and period expenditures for August 2023 (Attachment 1).
- These reports are also reviewed by the City Council.

FISCAL IMPACT – None

### BACKGROUND/ANALYSIS

Below is a summary of the column headers used on the *Revenue and Expenditure Summary Reports*:

Original Total Budget – represents revenue and expenditure budgets the Council adopted in June 2023 for fiscal year (FY) 2023/24.

Current Total Budget – represents original adopted budgets plus any Council approved budget amendments from throughout the year. The FY 2022/23 operating and Capital Improvement Project carryovers to FY 2023/24 will be processed after the year-end audit is completed.

Period Activity – represents actual revenues received and expenditures outlaid in the reporting month.

Fiscal Activity – represents actual revenues received and expenditures outlaid YTD.

Variance Favorable/(Unfavorable) - represents the dollar difference between YTD collections/expenditures and the current budgeted amount.

Percent Used – represents the percentage activity as compared to budget YTD.



August 2023 Revenues				Comparison to 2022	
	MTD	YTD	Percent of Budget	YTD	Percent of Budget
General Fund (GF)	\$ 1,565,544	\$ 2,178,268	2.78%	\$ 1,989,216	2.91%
All Funds	\$ 2,379,516	\$ 3,956,540	3.20%	\$ 3,381,548	3.18%

August 2023 Expenditures				Comparison to 2022	
	MTD	YTD	Percent of Budget	YTD	Percent of Budget
General Fund	\$ 1,240,674	\$ 2,141,585	2.94%	\$ 3,105,897	4.80%
Payroll (GF)	\$ 761,950	\$ 1,148,020	8.57%	\$ 2,323,483	16.84%
All Funds	\$ 3,171,209	\$ 6,355,580	5.38%	\$ 6,785,170	6.59%

Top Five Revenue/Income Sources for August					
General Fund			Non-General Fund		
Transient Occupancy (Hotel) Tax	\$	448,661	Allocated Interest	\$	549,339
Mitigation Fees	\$	483,475	Gas Tax	\$	191,026
Misc. Reimbursements <sup>(1)</sup>	\$	164,670	SilverRock Green Fees	\$	70,842
Public Works Dev. Plan Check Fees	\$	85,339	Housing Authority Rent Revenue	\$	28,731
STVR Registration Fees	\$	69,000	Development Impact Fees- Transportation	\$	16,992

Top Five Expenditures/Outlays for August					
General Fund			Non-General Fund		
X-Park Programming July-Sept.	\$	101,020	Capital Improvement Program (CIP) - Construction <sup>(3)</sup>	\$	742,302
Marketing and Tourism Promotions	\$	65,010	Developer Reimbursements	\$	400,000
Sheriff - Other <sup>(2)</sup>	\$	37,860	SilverRock Maintenance	\$	175,002
Animal Shelter Contract Service	\$	30,493	Software Licenses <sup>(4)</sup>	\$	51,723
Contract Services- Admin	\$	23,500	Water- Medians	\$	38,297

<sup>(1)</sup>Misc. Reimbursements are for SB90 recovered costs from state-mandated programs  
<sup>(2)</sup>Annual fees for Cal-ID Bureau  
<sup>(3)</sup> Ave 50 and 52 pavement rehab and Dune Palms bridge  
<sup>(4)</sup>City website hosting; GoEnforce/GoRequest; Rincon GIS services

The revenue report includes revenues and transfers into funds from other funds (income items). Revenues are not received uniformly throughout the year, resulting in peaks and valleys. For example, large property tax payments are usually received in December and May. Similarly, Redevelopment Property Tax Trust Fund payments are typically received in January and June. Any timing imbalance of revenue receipts versus expenditures is funded from the City's cash flow reserve.

The expenditure report includes expenditures and transfers out to other funds. Unlike revenues, expenditures are more likely to be consistent from month to month. However, large debt service payments or CIP expenditures can cause swings.

Prepared by: Rosemary Hallick, Principal Management Analyst  
 Approved by: Claudia Martinez, Finance Director

Attachment: 1. Revenue and Expenditure Report for August 31, 2023

### Revenue Summary

Fund	Original Total Budget	Current Total Budget	Period Activity	Fiscal Activity	Variance Favorable (Unfavorable)	Percent Used
101 - GENERAL FUND	78,478,100	78,478,100	1,565,544	2,178,268	-76,299,832	2.78%
105 - DISASTER RECOVERY FUND	15,000	15,000	0	0	-15,000	0.00%
201 - GAS TAX FUND	2,458,600	2,458,600	191,026	191,026	-2,267,574	7.77%
202 - LIBRARY & MUSEUM FUND	2,922,000	2,922,000	212	512	-2,921,488	0.02%
203 - PUBLIC SAFETY FUND (MEAS	2,500	2,500	0	0	-2,500	0.00%
210 - FEDERAL ASSISTANCE FUND	156,000	156,000	0	0	-156,000	0.00%
212 - SLESA (COPS) FUND	101,500	101,500	0	0	-101,500	0.00%
215 - LIGHTING & LANDSCAPING F	2,992,000	2,992,000	0	0	-2,992,000	0.00%
220 - QUIMBY FUND	50,000	50,000	0	0	-50,000	0.00%
221 - AB 939 - CALRECYCLE FUND	70,000	70,000	3,704	3,704	-66,296	5.29%
223 - MEASURE A FUND	2,028,000	2,028,000	0	0	-2,028,000	0.00%
225 - INFRASTRUCTURE FUND	500	500	0	0	-500	0.00%
226 - EMERGENCY MANAGEMENT	12,500	12,500	0	0	-12,500	0.00%
227 - STATE HOMELAND SECURITY	5,000	5,000	0	0	-5,000	0.00%
230 - CASp FUND, AB 1379	20,500	20,500	1,284	2,676	-17,824	13.05%
231 - SUCCESSOR AGCY PA 1 RORF	0	0	6	59	59	0.00%
235 - SO COAST AIR QUALITY FUNI	55,000	55,000	0	0	-55,000	0.00%
241 - HOUSING AUTHORITY	1,401,500	1,401,500	28,731	372,555	-1,028,945	26.58%
243 - RDA LOW-MOD HOUSING FL	30,000	30,000	0	0	-30,000	0.00%
247 - ECONOMIC DEVELOPMENT F	20,000	20,000	6,876	14,776	-5,224	73.88%
249 - SA 2011 LOW/MOD BOND FI	36,000	36,000	0	0	-36,000	0.00%
250 - TRANSPORTATION DIF FUND	1,520,000	1,520,000	16,992	29,019	-1,490,981	1.91%
251 - PARKS & REC DIF FUND	751,500	751,500	0	6,318	-745,182	0.84%
252 - CIVIC CENTER DIF FUND	501,500	501,500	1,101	4,791	-496,709	0.96%
253 - LIBRARY DEVELOPMENT DIF	100,000	100,000	0	1,191	-98,809	1.19%
254 - COMMUNITY & CULTURAL C	252,500	252,500	0	2,868	-249,632	1.14%
255 - STREET FACILITY DIF FUND	1,000	1,000	0	0	-1,000	0.00%
256 - PARK FACILITY DIF FUND	100	100	0	0	-100	0.00%
257 - FIRE PROTECTION DIF	151,500	151,500	318	1,425	-150,075	0.94%
259 - MAINTENANCE FACILITIES DI	101,000	101,000	972	1,911	-99,089	1.89%
270 - ART IN PUBLIC PLACES FUND	154,000	154,000	475	7,475	-146,525	4.85%
275 - LQ PUBLIC SAFETY OFFICER	2,500	2,500	0	0	-2,500	0.00%
299 - INTEREST ALLOCATION FUNI	0	0	549,339	955,002	955,002	0.00%
310 - LQ FINANCE AUTHORITY DEE	1,100	1,100	0	0	-1,100	0.00%
401 - CAPITAL IMPROVEMENT PRC	17,950,700	17,950,700	0	0	-17,950,700	0.00%
405 - SA PA 1 CAPITAL IMPRV FUN	1,500	1,500	0	0	-1,500	0.00%
501 - FACILITY & FLEET REPLACEM	1,685,000	1,685,000	0	0	-1,685,000	0.00%
502 - INFORMATION TECHNOLOG'	2,256,708	2,256,708	3,258	5,803	-2,250,905	0.26%
503 - PARK EQUIP & FACILITY FUN	470,000	470,000	0	0	-470,000	0.00%
504 - INSURANCE FUND	1,362,230	1,362,230	0	0	-1,362,230	0.00%
601 - SILVERROCK RESORT	5,277,950	5,277,950	74,407	182,164	-5,095,786	3.45%
602 - SILVERROCK GOLF RESERVE	87,000	87,000	0	0	-87,000	0.00%
760 - SUPPLEMENTAL PENSION PL	6,000	6,000	0	0	-6,000	0.00%
761 - CERBT OPEB TRUST	20,000	20,000	0	0	-20,000	0.00%
762 - PARS PENSION TRUST	100,000	100,000	-64,728	-5,003	-105,003	5.00%
<b>Report Total:</b>	<b>123,608,488</b>	<b>123,608,488</b>	<b>2,379,516</b>	<b>3,956,540</b>	<b>-119,651,948</b>	<b>3.20%</b>

Accounts are subject to adjusting entries and audit. The City's Annual Comprehensive Financial Report, published annually, is the best resource for all final audited numbers.

## Expenditure Summary

Fund	Original Total Budget	Current Total Budget	Period Activity	Fiscal Activity	Variance Favorable (Unfavorable)	Percent Used
101 - GENERAL FUND	72,828,750	72,828,750	1,240,674	2,141,585	70,687,165	2.94%
201 - GAS TAX FUND	2,802,400	2,802,400	60,070	78,988	2,723,412	2.82%
202 - LIBRARY & MUSEUM FUND	2,240,160	2,240,160	11,196	27,342	2,212,818	1.22%
210 - FEDERAL ASSISTANCE FUND	156,300	156,300	0	0	156,300	0.00%
212 - SLESA (COPS) FUND	100,000	100,000	0	0	100,000	0.00%
215 - LIGHTING & LANDSCAPING F	3,186,915	3,186,915	75,309	190,834	2,996,081	5.99%
221 - AB 939 - CALRECYCLE FUND	150,000	150,000	25,206	28,008	121,992	18.67%
223 - MEASURE A FUND	1,865,000	1,865,000	0	0	1,865,000	0.00%
226 - EMERGENCY MANAGEMENT	12,000	12,000	0	9,750	2,250	81.25%
227 - STATE HOMELAND SECURITY	5,000	5,000	0	0	5,000	0.00%
230 - CASp FUND, AB 1379	5,500	5,500	0	0	5,500	0.00%
235 - SO COAST AIR QUALITY FUNI	54,000	54,000	0	1,633	52,367	3.02%
237 - SUCCESSOR AGCY PA 1 ADM	0	0	0	1,600	-1,600	0.00%
241 - HOUSING AUTHORITY	1,596,340	1,596,340	40,269	423,169	1,173,171	26.51%
243 - RDA LOW-MOD HOUSING FL	250,000	250,000	0	0	250,000	0.00%
247 - ECONOMIC DEVELOPMENT F	31,500	31,500	3,634	5,484	26,016	17.41%
249 - SA 2011 LOW/MOD BOND FI	250,000	250,000	0	0	250,000	0.00%
250 - TRANSPORTATION DIF FUND	550,000	550,000	400,000	400,000	150,000	72.73%
251 - PARKS & REC DIF FUND	650,000	650,000	0	0	650,000	0.00%
253 - LIBRARY DEVELOPMENT DIF	15,000	15,000	0	0	15,000	0.00%
259 - MAINTENANCE FACILITIES DI	180,000	180,000	0	0	180,000	0.00%
270 - ART IN PUBLIC PLACES FUND	233,000	233,000	0	13,109	219,891	5.63%
310 - LQ FINANCE AUTHORITY DEE	1,100	1,100	0	0	1,100	0.00%
401 - CAPITAL IMPROVEMENT PRC	17,950,700	17,950,700	778,310	778,848	17,171,852	4.34%
501 - FACILITY & FLEET REPLACEM	1,448,750	1,448,750	38,174	46,487	1,402,263	3.21%
502 - INFORMATION TECHNOLOG'	3,082,620	3,082,620	135,239	494,090	2,588,530	16.03%
503 - PARK EQUIP & FACILITY FUN	2,242,200	2,242,200	0	2,788	2,239,412	0.12%
504 - INSURANCE FUND	1,118,000	1,118,000	532	1,097,509	20,491	98.17%
601 - SILVERROCK RESORT	5,034,993	5,034,993	359,990	596,337	4,438,656	11.84%
760 - SUPPLEMENTAL PENSION PL	12,850	12,850	0	12,833	17	99.87%
761 - CERBT OPEB TRUST	1,800	1,800	0	0	1,800	0.00%
762 - PARS PENSION TRUST	30,000	30,000	2,605	5,185	24,815	17.28%
<b>Report Total:</b>	<b>118,084,878</b>	<b>118,084,878</b>	<b>3,171,209</b>	<b>6,355,580</b>	<b>111,729,298</b>	<b>5.38%</b>

Accounts are subject to adjusting entries and audit. The City's Annual Comprehensive Financial Report, published annually, is the best resource for all final audited numbers.

Fund Descriptions		
Fund #	Name	Notes
101	General Fund	The primary fund of the City used to account for all revenue and expenditures of the City; a broad range of municipal activities are provided through this fund.
105	Disaster Recovery Fund	Accounts for use of one-time federal funding designed to deliver relief to American workers and aid in the economic recovery in the wake of COVID-19. The American Rescue Plan Act (ARPA) was passed by Congress in 2021 to provide fiscal recovery funds to state and local governments.
201	Gas Tax Fund	Gasoline sales tax allocations received from the State which are restricted to street-related expenditures.
202	Library and Museum Fund	Revenues from property taxes and related expenditures for library and museum services.
203	Public Safety Fund	General Fund Measure G sales tax revenue set aside for public safety expenditures.
210	Federal Assistance Fund	Community Development Block Grant (CDBG) received from the federal government and the expenditures of those resources.
212	SLESF (COPS) Fund	Supplemental Law Enforcement Services Funds (SLESF) received from the State for law enforcement activities. Also known as Citizen's Option for Public Safety (COPS).
215	Lighting & Landscaping Fund	Special assessments levied on real property for city-wide lighting and landscape maintenance/improvements and the expenditures of those resources.
220	Quimby Fund	Developer fees received under the provisions of the Quimby Act for park development and improvements.
221	AB939 Fund/Cal Recycle	Franchise fees collected from the city waste hauler that are used to reduce waste sent to landfills through recycling efforts. Assembly Bill (AB) 939.
223	Measure A Fund	County sales tax allocations which are restricted to street-related expenditures.
224	TUMF Fund	Developer-paid Transportation Uniform Mitigation Fees (TUMF) utilized for traffic projects in Riverside County.
225	Infrastructure Fund	Developer fees for the acquisition, construction or improvement of the City's infrastructure as defined by Resolution
226	Emergency Mgmt. Performance Grant (EMPG)	Federal Emergency Management Agency (FEMA) grant for emergency preparedness.
227	State Homeland Security Programs (SHSP)	Federal Emergency Management Agency (FEMA) grant for emergency preparedness.
230	CASP Fund, AB1379 / SB1186	Certified Access Specialist (CASp) program fees for ADA Accessibility Improvements; derived from Business License renewals. Assembly Bill (AB) 1379 and Senate Bill (SB) 1186.
231	Successor Agency PA 1 RORF Fund	Successor Agency (SA) Project Area (PA) 1 Redevelopment Obligation Retirement Fund (RORF) for Redevelopment Property Tax Trust Fund (RPTTF) taxes received for debt service payments on recognized obligations of the former Redevelopment Agency (RDA).
235	SO Coast Air Quality Fund (AB2766, PM10)	Contributions from the South Coast Air Quality Management District. Uses are limited to the reduction and control of airborne pollutants. Assembly Bill (AB) 2766.
237	Successor Agency PA 1 Admin Fund	Successor Agency (SA) Project Area (PA) 1 for administration of the Recognized Obligation Payment Schedule (ROPS) associated with the former Redevelopment Agency (RDA).
241	Housing Authority	Activities of the Housing Authority which is to promote and provide quality affordable housing.
243	RDA Low-Moderate Housing Fund	Activities of the Housing Authority which is to promote and provide quality affordable housing. Accounts for RDA loan repayments (20% for Housing) and housing programs..
244	Housing Grants	Activities related Local Early Action Planning (LEAP) and SB2 grants for housing planning and development.
247	Economic Development Fund	Proceeds from sale of City-owned land and transfers from General Fund for future economic development.
249	SA 2011 Low/Mod Bond Fund	Successor Agency (SA) low/moderate housing fund; 2011 bonds refinanced in 2016.
250	Transportation DIF Fund	Developer impact fees collected for specific public improvements - transportation related.
251	Parks & Rec. DIF Fund	Developer impact fees collected for specific public improvements - parks and recreation.
252	Civic Center DIF Fund	Developer impact fees collected for specific public improvements - Civic Center.
253	Library Development DIF Fund	Developer impact fees collected for specific public improvements - library.
254	Community Center DIF Fund	Developer impact fees collected for specific public improvements - community center.
255	Street Facility DIF Fund	Developer impact fees collected for specific public improvements - streets.
256	Park Facility DIF Fund	Developer impact fees collected for specific public improvements - parks.
257	Fire Protection DIF Fund	Developer impact fees collected for specific public improvements - fire protection.
259	Maintenance Facilities DIF Fund	Developer impact fees collected for specific public improvements - maintenance facilities.
270	Art In Public Places Fund	Developer fees collected in lieu of art placement; utilized for acquisition, installation and maintenance of public artworks.
275	LQ Public Safety Officer Fund	Annual transfer in from General Fund; distributed to public safety officers disabled or killed in the line of duty.
299	Interest Allocation Fund	Interest earned on investments.
310	LQ Finance Authority Debt Service Fund	Accounted for the debt service the Financing Authority's outstanding debt and any related reporting requirements. This bond was fully paid in October 2018.
401	Capital Improvement Program Fund	Planning, design, and construction of various capital projects throughout the City.
405	SA PA 1 Capital Improvement Fund	Successor Agency (SA) Project Area (PA) 1 bond proceeds restricted by the bond indenture covenants. Used for SilverRock infrastructure improvements.
501	Equipment Replacement Fund	Internal Service Fund for vehicles, heavy equipment, and related facilities.
502	Information Technology Fund	Internal Service Fund for computer hardware and software and phone systems.
503	Park Equipment & Facility Fund	Internal Service Fund for park equipment and facilities.
504	Insurance Fund	Internal Service Fund for city-wide insurance coverages.
601	SilverRock Resort Fund	Enterprise Fund for activities of the city-owned golf course.
602	SilverRock Golf Reserve Fund	Enterprise Fund for golf course reserves for capital improvements.
760	Supplemental Pension Plan (PARS Account)	Supplemental pension savings plan for excess retiree benefits to general employees of the City.
761	Other Post Benefit Obligation Trust (OPEB)	For retiree medical benefits and unfunded liabilities.
762	Pension Trust Benefit (PARS Account)	For all pension-related benefits and unfunded liabilities.

# City of La Quinta

## FINANCIAL ADVISORY COMMISSION MEETING

### DEPARTMENT REPORT

**TO:** Members of the Financial Advisory Commission

**FROM:** Claudia Martinez, Finance Director

**DATE:** November 8, 2023

**SUBJECT:** FINANCE DEPARTMENT CURRENT AND FUTURE INITIATIVES

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In addition to items presented as staff reports, the Finance Department would like to provide updates on the following matters.

#### AUDIT & FINANCIAL REPORTING

- Citywide Comprehensive Audit for fiscal year 2022/23- In process
- Annual Street and Road Improvement Audit, to be filed with the State Controller's Office- In process
- Annual Measure A Local Streets and Roads Audit, to be filed with the Riverside County Transportation Commission- In process

#### COMMITTEE UPDATES

- 10-Year Projection Task Force (Commissioners Anderson, Batavick, and Dorsey)
  - Conducted initial meeting on January 20, 2023
  - Additional meetings to be scheduled in November
- Auditing Services Selection Committee
  - Interviews will be scheduled in November
- Measure G Sales Tax Oversight Compliance Report for FY 2022/23
  - Initial meeting to be scheduled in November
- Financial Statement and Audit training to be scheduled for entire Commission

#### CITY UPDATES

- A joint meeting of the City Council and Planning Commission was held on September 26, 2023 to discuss updates to the Hwy 111 Corridor Specific Plan.
- The City is currently studying the feasibility of undergrounding utilities in various areas of the City. A study session detailing areas to be converted and estimated costs was held on September 19, 2023. The next study session to discuss funding options is planned for December 5, 2023. Staff encourages the FAC members to view the meetings as time permits.
- The City is currently working on updating the Land-Based Financing policy. A study session to discuss the differences between Assessment Districts and Community Facilities Districts was conducted on October 17, 2023. The next study session to present the draft policy is planned for December

19, 2023, and policy adoption is expected to occur at the January 16, 2024 City Council meeting.

- Veteran's Recognition Ceremony will take place on November 11, 2023 at City Hall.
- La Quinta Art Celebration Encore will take place on November 16- 19, 2023 at the Civic Center Campus.
- 2023 Ironman 70.3 will take place on December 3, 2023.
- Open House Meet & Greet 2023 will take place on December 5, 2023 at City Hall.

It is important to note the items mentioned in this update are in addition to the daily functions of the Finance Department, which include, but are not limited to, staff report writing/review, payroll, accounts payable, accounts receivable, revenue processing, journal entries, capital accounting, project accounting, purchasing, investing, cash/treasury management, bank reconciliations, budgeting, research and analysis, staff training and development, and general financial support for all City departments.

# City of La Quinta

## FINANCIAL ADVISORY COMMISSION MEETING DEPARTMENT REPORT

**TO:** Members of the Financial Advisory Commission

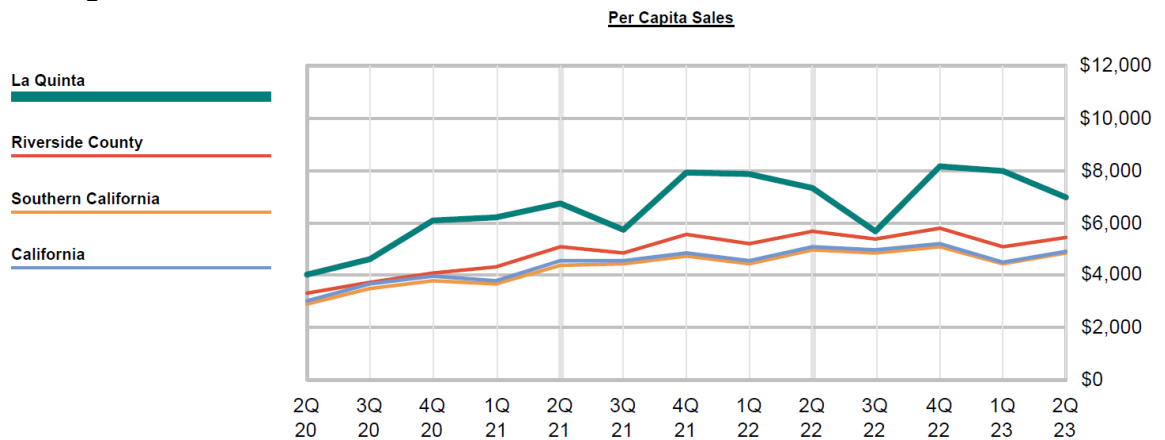
**FROM:** Rosemary Hallick, Principal Management Analyst

**DATE:** November 8, 2023

**SUBJECT:** SECOND QUARTER 2023 (APRIL-JUNE) SALES TAX UPDATE FOR THE CITY OF LA QUINTA

The attached report was prepared by consultants HdL Companies as an update of sales tax receipts for second quarter sales from April to June 2023.

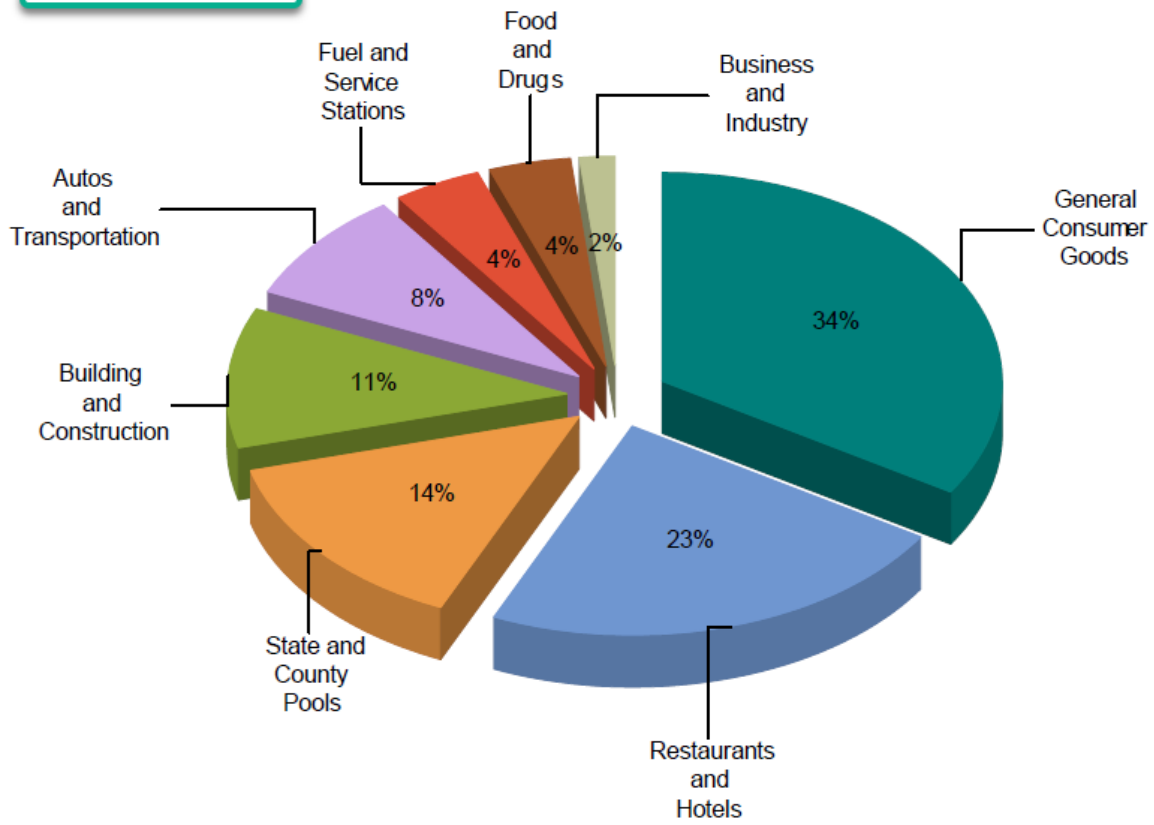
- La Quinta’s overall adjusted sales tax receipts for major industry groups decreased 2.3% as compared to last year. Riverside County and the state each had a 2.9% decrease. The decrease was primarily driven by the General Consumer Goods business group. However, Autos and Transportation, Fuel and Service Stations, and Building and Construction all also had declines. Details may be found in the attached Sales Tax Update prepared by HdL.
- The City’s sales-per-capita remains higher than both the county and state averages.



- General consumer goods (such as department stores) made up 34% of sales tax revenue and 38% of Measure G revenue.
- Autos and transportation made up 8% of sales tax revenue and 15% of Measure G revenue.
- The City continues to benefit from online purchasing in the form of the County pool share, which was 14% of our sales tax revenue.

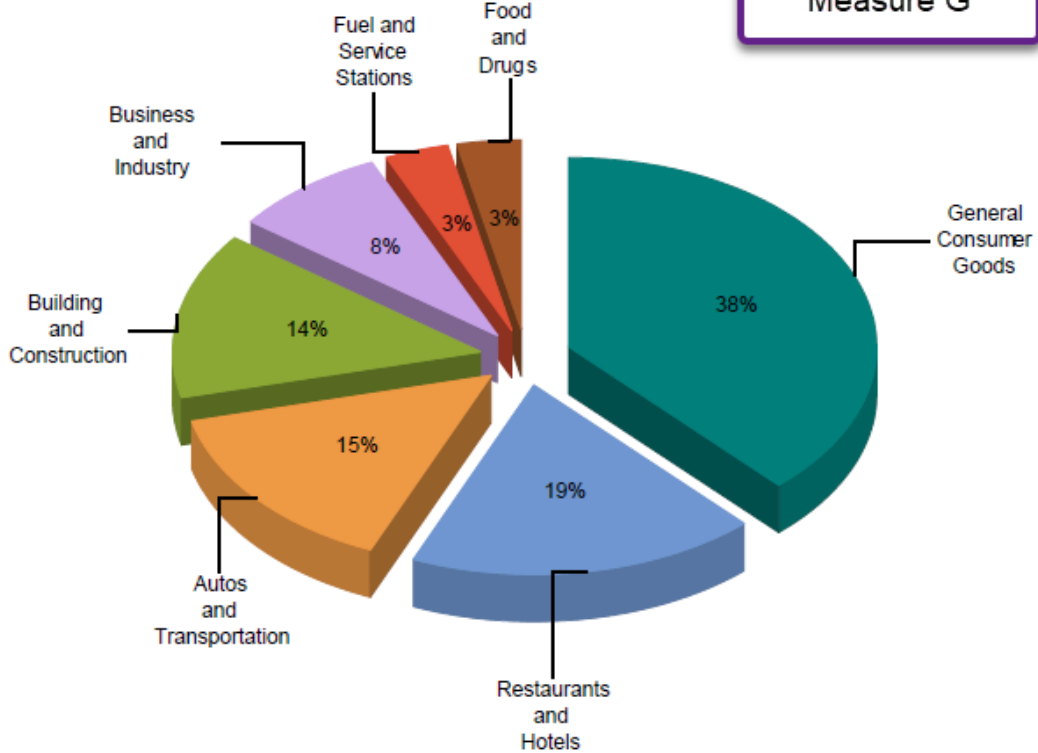
Sales Tax

**2Q23 Percent of Total**



**2Q23 Percent of Total**

Measure G





The City continuously monitors local development, economic conditions, impacts on travel and trade, and legislative and judicial news for any potential changes to sales tax collections. The City’s fiscal year 2022/23 budget was conservatively forecasted based on known information as of Spring 2022 and was adjusted once at mid-year to reflect then-current conditions.

The final fiscal year 2022/23 budget and year-to-date sales tax collections are shown in the chart below. Combined, the City received \$28.9 million in sales and transactions taxes, exceeding budget by \$1.1 million.

Quarter	Payment	Bradley Burns 33060	Measure G 520	MG % of BB
3	July 2022 Advance	\$ 899,897	\$ 1,100,441	122.29%
3	August 2022 Advance	\$ 1,138,925	\$ 1,328,947	116.68%
3	September 2022 3rd Qtr Payment	\$ 405,447	\$ 858,514	211.74%
<b>3 Total</b>		<b>2022 \$ 2,444,270</b>	<b>\$ 3,287,902</b>	<b>134.51%</b>
4	October 2022 Advance	\$ 1,228,968	\$ 1,455,913	118.47%
4	November 2022 Advance	\$ 1,028,053	\$ 1,236,285	120.25%
4	December 2022 4th Qtr Payment	\$ 1,378,373	\$ 1,762,443	127.86%
<b>4 Total</b>		<b>2022 \$ 3,635,394</b>	<b>\$ 4,454,640</b>	<b>122.54%</b>
1	January 2023 advance	\$ 1,208,100	\$ 1,420,306	117.57%
1	February 2023 advance	\$ 1,234,646	\$ 1,429,458	115.78%
1	March 2023 1st Qtr Payment	\$ 1,200,528	\$ 1,630,213	135.79%
<b>1 Total</b>		<b>2023 \$ 3,643,275</b>	<b>\$ 4,479,977</b>	<b>122.97%</b>
2	April 2023 Advance	\$ 1,008,044	\$ 1,264,524	125.44%
2	May 2023 Advance	\$ 1,019,918	\$ 1,294,975	126.97%
2	June 2023 2nd Qtr Payment	\$ 1,049,091	\$ 1,306,069	124.50%
<b>2 Total</b>		<b>2023 \$ 3,077,053</b>	<b>\$ 3,865,568</b>	<b>125.63%</b>
	<b>FY 2022/23 Total YTD</b>	\$ 12,799,992	\$ 16,088,087	<b>125.69%</b>
	<b>FY 2022/23 Final Budget</b>	\$ 12,250,000	\$ 15,500,000	<b>126.53%</b>

Attachment 1: HdL Q2 2023 Sales Tax Update

Attachment 2: HdL September 2023 California Forecast

[CLICK HERE to return to agenda](#)

# CITY OF LA QUINTA

## SALES TAX UPDATE

### 2Q 2023 (APRIL - JUNE)



#### LA QUINTA

TOTAL: \$ 3,098,412

-2.3%

2Q2023



-2.9%

COUNTY



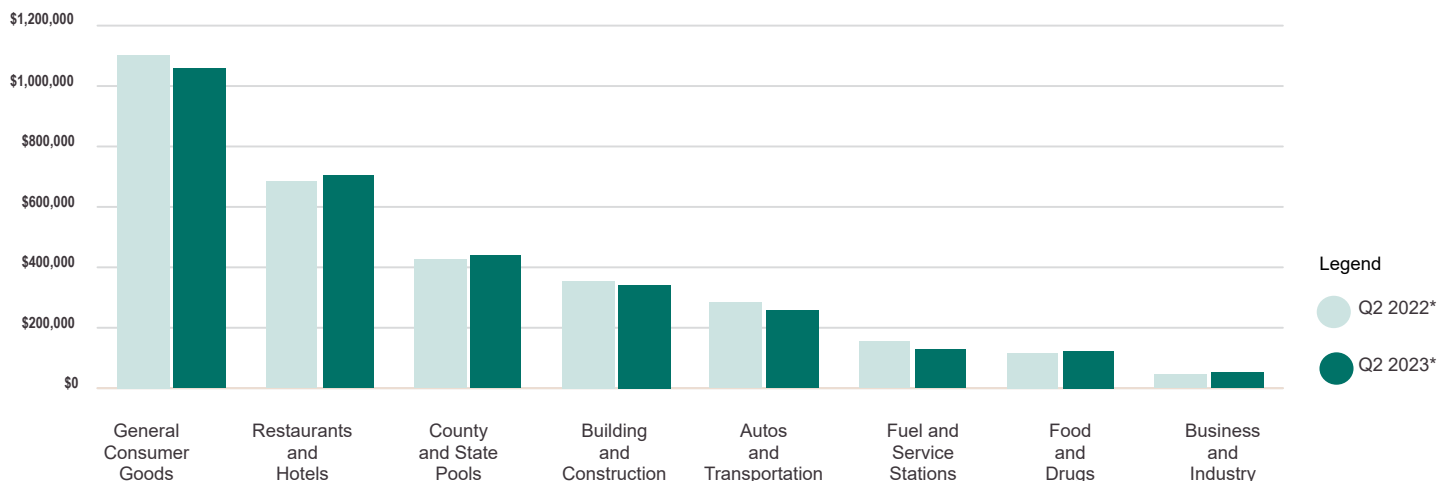
-2.9%

STATE



*\*Allocation aberrations have been adjusted to reflect sales activity*

#### SALES TAX BY MAJOR BUSINESS GROUP



#### Measure G

TOTAL: \$3,889,045

↓ -1.8%



#### CITY OF LA QUINTA HIGHLIGHTS

La Quinta's receipts from April through June were 1.6% below the second sales period in 2022. Excluding reporting aberrations, actual sales were down 2.3%.

Consumers spent less in the general consumer goods category on household items, clothing, and non-necessities. Oil and gas prices soared in 2022 in the wake of Russia's invasion of Ukraine, but energy prices remained at lower levels in the second quarter of 2023 as fears of shortages eased.

As inventory concerns begin to fade, economic uncertainty and high interest rates have had a negative impact on the auto-transportation industry. Rising interest rates are slowing construction starts although demand for infrastructure and other non-building projects remains strong.

Receipts for the restaurant-hotel group are up with takeout, delivery, drive-through and

curbside sales pushing up totals. A large, onetime use tax payment boosted receipts from the business-industry group.

Non-traditional grocery retailers have steadily siphoned sales from traditional food retailers, while consumers are choosing discount stores as food prices continue to rise.

The City's share of the countywide use tax pool increased 3.0% when compared to the same period in the prior year. Measure G, the City's voter-approved transactions and use tax, brought in an additional \$3,872,365 in revenue.

Net of aberrations, taxable sales for all of Riverside County declined 2.9% over the comparable time period; the Southern California region was down 2.9%.



#### TOP 25 PRODUCERS

- Arco AM PM
- Best Buy
- Circle K
- Cliffhouse
- Costco
- Floor & Decor
- G & M Oil
- Genesis/Hyundai of La Quinta
- Home Depot
- In N Out Burger
- Kohls
- La Quinta Chevrolet & Cadillac
- La Quinta Resort & Club
- Lowe's
- Marshalls
- McDonald's
- PGA WEST Private Clubhouse & Golf Courses
- Ross
- Target
- TJ Maxx
- Torre Nissan
- Tower Mart
- Ulta Beauty
- Vons
- Walmart Supercenter



**STATEWIDE RESULTS**

California’s local one cent sales and use tax receipts for sales during the months of April through June were 2.8% lower than the same quarter one year ago after adjusting for accounting anomalies. The second quarter of the calendar year was impacted by continued wet weather and a difficult comparison with the prior year, which experienced dramatic growth.

The fuel-service stations sector contributed the most to this decline as year-over-year (YOY) falling fuel prices at the pump reduced receipts from gas stations and petroleum providers. Russia’s invasion of Ukraine and other world events during this period last year, pushed the global cost of crude oil to record highs. This dynamic also carried into general consumer goods as retailers selling fuel experienced a similar drop. Recently, OPEC and Russia have maintained production cuts having upward pressure on pricing again leading to future comparative growth.

Sustained wet conditions further delayed projects, especially those from the prior quarter, hindering building-construction returns. YOY lumber price declines added to the pull back from building materials providers. Higher interest rates represent a significant headwind for the industry with potential impacts of limited commercial development activity, slowing public infrastructure projects and homeowners left unable to access equity for renovations.

Despite a significant increase in new car registrations, revenue from autos-transportation fell by 1.4%. The improved activity can largely be attributed to rental car agencies restocking their fleets. However, these are wholesale transactions with sales tax charged upon rental of these vehicles. Weak demand for recreational vehicles, boats and motorcycles coupled

with elevated overall financing costs remain challenges going forward.

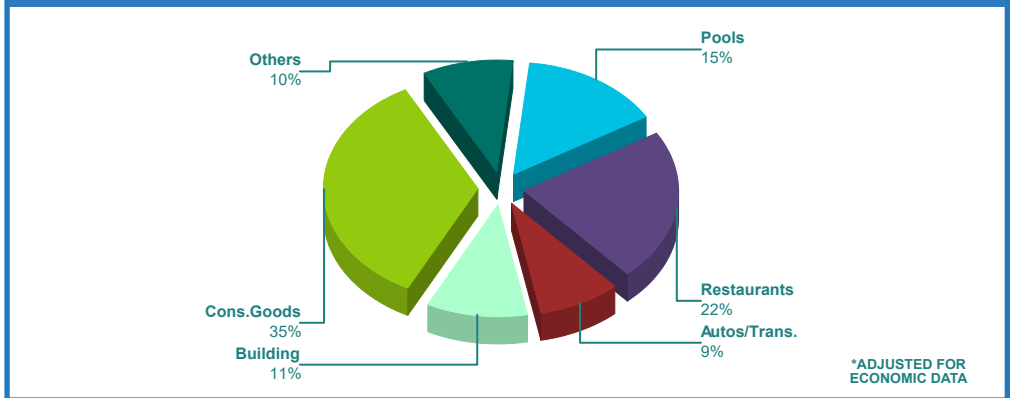
Use taxes remitted via the countywide pools decreased 0.75%, marking the third consecutive quarter of decline. While overall online sales continue to rise, pool collections dropped with the offsetting effect of more in-state fulfillment generated at large warehouses and through existing retail outlets allocated directly to local agencies.

Restaurant sales were a bright spot as the summer season began. Although menu prices have flattened after a year of sharp gains, patrons are making more restaurant trips and are favoring spending their disposable income on experiences. Better sales by office

material suppliers and enhanced investments of warehouse-farm-construction equipment contributed to improved returns for the business-industry category.

Sales tax for the remainder of 2023 appears likely to follow the recent trend of moderate declines before leveling off in early 2024. Cooling consumer confidence and greater pressure on household budgets may lead to a lackluster upcoming holiday shopping period. Furthermore, the possibility of a longer and more pronounced slowdown in economic activity exists as the Federal Reserve considers additional interest rate increases to combat high prices that are already stretching consumer wallets.

**REVENUE BY BUSINESS GROUP**  
La Quinta This Fiscal Year\*



**TOP NON-CONFIDENTIAL BUSINESS TYPES**

La Quinta Business Type	Q2 '23*	Change	County Change	HdL State Change
Casual Dining	247.0	3.3% ↑	3.5% ↑	4.6% ↑
Leisure/Entertainment	130.0	1.8% ↑	3.5% ↑	2.9% ↑
Service Stations	128.1	-18.9% ↓	-20.2% ↓	-19.9% ↓
Electronics/Appliance Stores	109.6	-2.0% ↓	-10.5% ↓	-6.2% ↓
Quick-Service Restaurants	99.3	10.0% ↑	3.1% ↑	3.2% ↑
Family Apparel	87.0	11.0% ↑	0.7% ↑	-1.0% ↓
Grocery Stores	82.3	6.1% ↑	0.6% ↑	2.9% ↑
Specialty Stores	69.5	-0.3% ↓	0.5% ↑	-1.3% ↓
Fine Dining	60.4	-2.7% ↓	-6.3% ↓	-5.2% ↓
Fast-Casual Restaurants	38.0	0.8% ↑	4.0% ↑	3.7% ↑

\*Allocation aberrations have been adjusted to reflect sales activity \*In thousands of dollars

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# CALIFORNIA FORECAST

## SALES TAX TRENDS & ECONOMIC DRIVERS

### SEPTEMBER 2023



*Bishop, CA*



**HdL** Companies

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**Overview:** Steady household spending, despite historically low unemployment, has shielded the economy from recession, a unique situation even as inflation exceeded Federal Reserve targets and interest rates on loans and credit cards rose. In California, sales tax performance for fiscal year 2022-23 grew by 2.1%, but it lags far behind the double-digit growth seen during the pandemic recovery. Looking ahead, households face tight budgets, and various industries grapple with challenges like labor costs, inventory issues, and competition. Spending generating sales taxes is expected to dip slightly in fiscal year 2023-24, with limited expansion anticipated in the following year.

2023/24 | 2024/25

2023/24 | 2024/25



**Autos/Transportation**

-2.2% | 2.0%

The California New Car Dealership Association (NCDA) reported a 16.8% increase in new car registrations in Q2 2023 compared to the previous year. Despite this, sales tax revenue from the auto industry declined by 1.3%. Rental car agencies bought many new vehicles, deferring taxes until rentals. Sales of recreational vehicles, boats, and yachts also dropped from pandemic highs. Challenges include higher auto loan rates and labor disputes at major automakers. However, the aging vehicle fleet and limited pandemic inventory provide some protection against future tax revenue declines.



**Fuel/Service Stations**

-4.6% | 0.5%

Fuel sellers are facing upward price pressure due to slowing demand and consumption of fuel, including oil barrel, regular, and diesel prices. Reduced consumption of jet fuel is attributed to a pilot shortage, leading to fewer aircraft in operation with lower fuel needs. The price of West Texas Intermediate crude has risen significantly compared to the previous quarter's forecast, and global oil production is limited until the end of 2023. As a result, HdL has adjusted its projections, raising each of the next four quarters by 5% from the previous forecast, with an overall expected growth of only 0.5% over 2022-23. Taxes are anticipated to increase by around 2% per year starting in fiscal year 2024-2025.



**Building/Construction**

-1.8% | 3.5%

First-quarter rains delayed construction, with a slight second-quarter rebound in home improvement sales. Cement and asphalt plants saw increased activity, but overall sales didn't surpass last year due to reduced customers and big-ticket purchases at major home improvement stores. Lumber prices dropped significantly, down 42% compared to last year. Rising interest rates, reaching a 20-year high in the third quarter, have hampered both commercial and residential development. Slow progress in public infrastructure projects hasn't fully offset the decline in private development. Conditions will likely persist through the end of 2023, with mild growth expected by the close of fiscal year 2023-24. Improvements may be seen starting in 2024-25, and further gains are anticipated from 2025-26 onward, driven by more favorable mortgage rates.



**General Consumer Goods**

-1.2% | 1.4%

Tax proceeds from General Consumer Goods showed a decline of 4.8% in the second quarter compared to the same period in 2022. This marks the second consecutive quarter of contraction following eight quarters of expansion. The slowdown was expected, with major business types experiencing a more pronounced sales pullback as household finances tighten. Major retailers are forecasting modest declines in the remainder of 2023, particularly in general merchandise categories. While consumer spending remains supportive of the economy, nontaxable service spending is gaining a larger share compared to goods, which is reducing demand for many retail types. The outlook suggests a continued mild decline in direct tax allocations for the remainder of the year, with limited growth expected in the second half of 2024.



**Business/Industry**

2.0% | 2.2%

In Q2 2023, this category showed resilience with a statewide growth of slightly over 3%. Fulfillment centers, making up around 30% of B&I revenues, continued to expand as e-commerce increasingly relies on California-based warehouses. This shift redirects some indirect allocations from countywide pools directly to agencies with fulfillment centers. Excluding fulfillment centers, the remaining segments experienced a minor decline of 0.2%. Certain sectors, such as trailers/auto parts, farm/construction, and business technology, saw increases due to strong equipment sales. However, medical-biotech declined as post-pandemic product needs decreased, and industrial sectors also dipped due to inventory, labor, and demand challenges. Taking into account these influencing factors, HdL anticipates modest overall growth, mainly driven by fulfillment center revenues. Predictions at the local level vary depending on the size and nature of local businesses and industry companies.



**Restaurants/Hotels**

3.0% | 3.0%

Restaurant sales remain strong, with patrons allocating around 40% of their food budget to dining out. Younger diners increasingly prefer food delivery over dining in. While menu prices are stabilizing after a year of rapid growth, operating costs remain high, and profit margins are slim. The campus food category saw improvement as employees spent more time in office buildings, while fine dining experienced a decline as consumers seek more budget-friendly options. HdL's projections have only slightly moderated from the previous forecast, anticipating year-over-year gains of 3% for the next few years.



**State and County Pools**

-0.5% | 2.0%

In response to recent trends, there was a decrease in out-of-state inventories for e-commerce sales in California. Despite an overall increase in online sales, pool collections saw a 2% decline. This was partly offset by more in-state fulfillment from large warehouses and existing retail outlets. Economic experts have differing opinions on the outlook for the holiday season in 2023, ranging from lackluster to potentially stressful. While most agree that consumers will continue to increase online spending, estimates for local pool-related revenues are expected to dip slightly in fiscal year 2023-24 due to existing sales tax law allocations, with subsequent years showing modest increases.



**Food/Drugs**

1.0% | 2.0%

Mixed performance was evident in 2Q23, with grocery stores showing growth while all other sectors experienced declines. Convenience store purchases decreased, drug stores saw contractions with some closures and increased online shopping. Cannabis tax revenue remained challenging, with county sales performance ranging from \$4.55 to \$75.55 per capita according to CDTFA data. Looking ahead, price fluctuations driven by inflation and limited growth in new taxpayers constrain the outlook for the current year to a 1% growth rate. However, annual year-over-year gains are expected to gradually increase, reaching 2% starting in fiscal year 2024-25.



# NATIONAL AND STATEWIDE ECONOMIC DRIVERS

2023/24 | 2024/25

2023/24 | 2024/25



## U.S. Real GDP Growth

2.2% | 1.2%

Real GDP growth reached 2.1% in the second quarter, a slight improvement from the 2% growth recorded in the first quarter. Over the past four quarters, from the third quarter of 2022 to the second quarter of 2023, GDP growth has averaged 2.5% on an annualized basis, driven by robust consumer spending. Job growth continues, industrial production remains close to record highs, profits and wages are on the rise, and U.S. debt markets show minimal signs of stress. This economic strength is expected to carry into the second half of the year. According to the GDPNow estimate from the Atlanta Fed, third-quarter growth for this year could range between 5% and 6%.



## U.S. Unemployment Rate

3.7% | 4.2%

Unemployment in the U.S. remains exceptionally low at the beginning of 2023, standing at 3.8% in August and 3.6% in the second quarter, despite challenges such as higher interest rates and inflation. In August, the economy added 187,000 jobs, and the labor force participation rate continues to rise. These trends indicate that increasing incomes are encouraging more people to join the workforce, albeit at a slower pace. The issue is that labor supply is struggling to keep up with demand, not the other way around. The nation appears to be on course for what's often referred to as a 'soft landing'—a scenario where inflation subsides without a rise in unemployment.



## CA Unemployment Rate

4.7% | 5.2%

The Bureau of Labor Statistics reports that in California, there are currently more job openings than unemployed individuals, with a ratio of 0.86. This situation stems from a reduction in California's labor force during the pandemic, which has yet to return to pre-pandemic levels. As of the second quarter of 2023, the state's labor force remains about 168,000 workers short of its January 2020 levels. In contrast, the national labor force has expanded during the same period. This presents a paradox: California has added jobs since the pandemic, but there are fewer active workers in the state's economy. One plausible explanation is an increase in multiple job holders, where workers hold more than one job. Looking ahead, labor shortages will likely impede job growth in the state, largely due to California's severe housing shortage.



## CA Residential Building Permits

140,369 | 147,744

California's severe housing shortage has been a longstanding issue. Some estimates suggest that the state was short by 3.5 million homes needed to accommodate its population in 2016. Although there has been a rapid increase in housing construction in recent years, with around 377,000 units built from 2020 to 2023 according to the California Department of Finance, this pace must be sustained or even accelerated for a decade or longer to make a significant impact on the housing shortage. Additionally, the updated forecasts from the CDF indicating essentially zero population growth in California over the next several decades will also need to materialize to address the problem effectively.



## CA Total Nonfarm Employment Growth

1.3% | 0.4%

In the second quarter of 2023, California's total nonfarm employment grew by 2.3% year-over-year, down from the 2.8% growth in the first quarter. However, recent data from the BLS for July indicates a 2% increase in jobs since May 2022, with the state adding about 29,000 jobs. While California has added a significant number of jobs compared to other states, this is mainly due to its large population, where even a small percentage increase results in a substantial job count. In terms of percentage growth, California lags behind states like Texas and Florida. Moreover, employment growth in California is slowing, partly due to the state's high housing costs, which have led to significant domestic migration losses.



## CA Median Existing Home Price

\$672,968 | \$709,999

Median home sale prices have fallen 10.6% from their pandemic peak in April 2022 to February 2023. However, they started to rebound in March 2023 and have shown year-over-year growth since July 2023. As of July, prices are 33% above pre-pandemic levels and only 6.4% below the peak. If this trend continues, California home prices will surpass the pandemic peak by Q1 2024. The state's severe housing shortage is a primary reason for the price increase, even as sales decline. Existing homeowners, locked into low mortgage rates, are also contributing to the housing shortage by hesitating to sell.

## Proposition 172

While Proposition 172 (½ cent designated for Public Safety) projections closely track with the statewide Bradley-Burns, calculations vary somewhat due to the state's allocation methodology.

**HdL projects an average statewide decrease of 0.8% for fiscal year 2023-24 and a 2.1% increase for 2024-2025.**

Projections reflect the recent change in county allocation factors published by the SCO in late August. As Bradley-Burns countywide pool allocations are reduced to reflect direct allocations for changes to internet-related sales in the first part of fiscal year 2023-24, Proposition 172 pro-rata factors can shift considerably for many counties.

Watch our webinar  
for more info!





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Delivering Insight, Revenue, and Efficiency  
to Local Government

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California's allocation data trails actual sales activity by three to six months. HdL compensates for the lack of current information by reviewing the latest reports, statistics and perspectives from fifty or more economists, analysts and trade associations to reach a consensus on probable trends for coming quarters. The forecast is used to help project revenues based on statewide formulas and for reference in tailoring sales tax estimates appropriate to each client's specific demographics, tax base and regional trends.

## Beacon Economics LLC

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Beacon Economics has proven to be one of the most thorough and accurate economic research/analytical forecasting firms in the country. Their evaluation of the key drivers impacting local economies and tax revenues provides additional perspective to HdL's quarterly consensus updates. The collaboration and sharing of information between Beacon and HdL helps both companies enhance the accuracy of the work that they perform for their respective clients.