



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Arturo Vela, Interim City Manager

PREPARED BY: Art Vela, Interim City Manager

MEETING DATE: October 14, 2025

SUBJECT: Consideration of Resolution 2025-149, Approving a Professional Services Agreement with LSL, LLP in the Amount of \$310,000 for Professional Municipal Accounting Services Aimed at Updating the City's Financial Records

RECOMMENDATION:

Adopt Resolution 2025-149

BACKGROUND:

The City Council has been made aware of the significant lack of current and reliable financial information for Fiscal Year 2024-25. This information gap directly affects day-to-day operations and the City's ability to accurately assess its overall financial position. The underlying challenges began early in Fiscal Year 2024-25 with the departure of several key employees from the Finance Department, resulting in a loss of institutional knowledge and continuity.

Since that time, the City has relied on interim personnel and contracted temporary staff to maintain operations and work toward financial reconciliation. Despite these efforts, including the dedication of the Interim Finance Director (CalPERS retired annuitant), the scope and complexity of the challenge exceed the capacity currently available within the Finance Department. Most recently, the resignation of tenured Chief Procurement Officer and Senior Accountant further exacerbated the Finance Department's resource limitations.

To stabilize operations and accelerate progress, staff determined that a coordinated team from a single accounting firm would be necessary. An initial on-site presence will allow the firm to evaluate existing records, identify key information sources, and develop a structured work plan. Once this foundation is established, the firm can transition to a primarily remote service model, thereby reducing travel and lodging costs and improving efficiency.

Consistent with Section 13 (Emergency Purchases) of the City's Purchasing Rules and Procedures, staff informally solicited and interviewed two qualified Certified Public Accounting firms with demonstrated experience in assisting municipalities to reconcile and restore financial records. Due to the urgent need to bring the City's accounting activities current, there was insufficient time to conduct a formal Request for Proposals (RFP) process, and staff determined that such a process would not likely yield better results given the immediate circumstances.

Following the interviews, staff selected LSL, LLP, an accounting and consulting firm with a strong presence in California and extensive experience supporting cities with similar financial recovery efforts. LSL also brings valuable familiarity with Banning's financial systems and practices, having previously

served as the City's independent auditor.

In addition to contracting with LSL, the City will onboard a new former Banning Finance Director Bonnie Johnson as an Extra Help retiree annuitant. Ms. Johnson has since served as Finance Director and City Manager for other Inland Empire cities and will provide additional high-level guidance as the current Interim Finance Director approaches her CalPERS 960-hour limit in December.

The City is also preparing to enter its next budget development cycle, which typically begins at the start of the calendar year. To prepare a sound and realistic spending plan for Fiscal Year 2025-26, it is essential to have accurate and up-to-date financial data for both the prior and current fiscal years. This information will also serve as the foundation for developing a long-term fiscal forecast to guide City Council policy decisions and ensure the City's ongoing financial sustainability.

Between the two firms considered—Baker Tilly and LSL, LLP—staff recommends LSL due to their extensive California municipal experience, their proposed hourly rates being approximately 30% lower than Baker Tilly's, and their responsiveness and understanding of the City's needs.

Engaging LSL will provide the additional capacity and expertise necessary to bring the City's financial records current. This recommendation in no way reflects negatively on the current Interim Finance Director, whose efforts and leadership have been instrumental in maintaining operations under difficult circumstances.

JUSTIFICATION:

The City requires professional accounting support to bring its financial records current following significant turnover and vacancies within the Finance Department. Despite the dedication of existing staff, the scope and complexity of the backlog exceed the Finance Department's current capacity, making outside expertise essential to ensure timely and reliable financial information for upcoming budget and audit processes.

LSL, LLP was selected based on its extensive experience assisting California municipalities with similar accounting recovery efforts, its prior familiarity with the City's financial systems as a former independent auditor, and its competitive price proposal. Their team offers the technical expertise and capacity needed to stabilize the City's financial operations.

FISCAL IMPACT:

The total cost of services is estimated to range between \$215,000 and \$310,000, depending on the level of effort required once LSL, LLP begins work and fully assesses the City's accounting records. The final cost will be determined based on actual time and materials needed to complete the scope of work and bring the City's financial records current.

An appropriation in the amount of \$310,000 to Account 001-1910-412-33.11 to cover the "not-to-exceed" amount.

ALTERNATIVES:

1. Do not approve and remain at status quo, which would rely on current limited staff to complete the work, which may not happen in time or at all to complete the upcoming budget process and to inform the City Council on the City's financial position.
2. Direct staff to procure the required services following a formal RFP process. This would take up to 3-4 months to commence the required services resulting in not completing the services on time for the City to make will informed decisions on the upcoming budgeting process.

BUDGETED?:

No

CONTRACT/AGREEMENT:

Yes

ATTACHMENTS:

1. [Resolution_2025-149.docx](#)
2. [LSL Consulting Proposal - City of Banning 10.09.2025.pdf](#)
3. [AGREEMENT FOR PROFESSIONAL SERVICES - LSL LLP w bd edits.docx](#)