

Financial Primer

To our Indian Wells residents,

Budgets reflect the priorities of the City Council and community. Taxpayer resources are optimized to deliver for residents through programs, infrastructure, investments and public safety, among many other areas. The City of Indian Wells recognizes the importance of transparency on all financial matters and is using this primer to inform the public about the finances of the City.

In the coming months, the City Council will be establishing a two-year budget plan to prioritize use of your City funds. The public is invited to participate in this process through two public meetings, a study session to review the budget in May and a vote to adopt the budget at a City Council meeting in June. If you are unable to attend, meetings can be viewed online through the City's website.

Additional information is available online at IWbudget.com

In Your Service,



Kevin McCarthy
Finance Director

REVENUES AND EXPENSES



Public agencies use fund accounting to help keep the accounts organized and to aid in management of different types of revenues. Combining all those funds into a single chart provides a high level health indicator of the City's finances. The trends are going in our favor as the robust economy drives visitors to the resorts and sales in stores. Using these numbers, the City has made projections about growth in revenue and expenses to plan for the long-term.

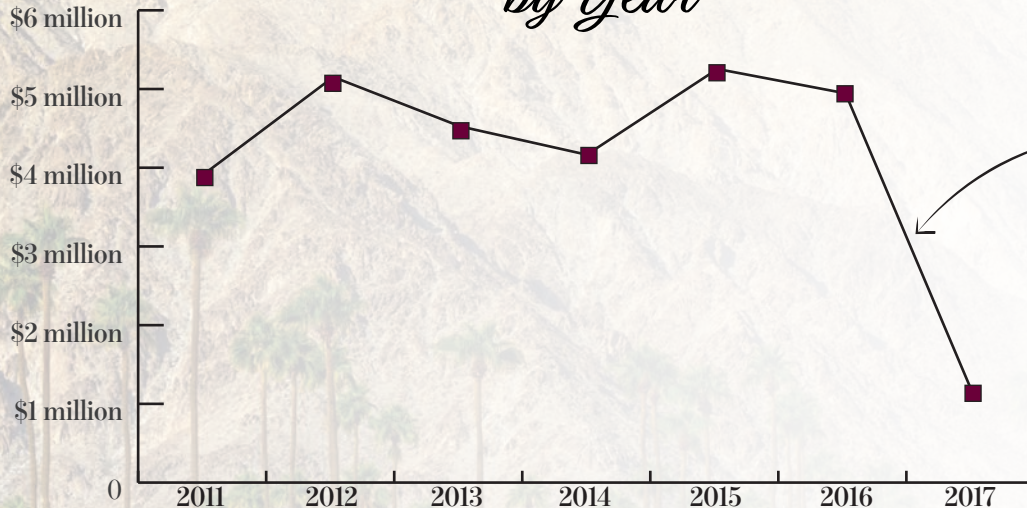


ADDRESSING PENSION COSTS



Everyone has read about the challenges in Sacramento with the Public Employee Retirement System (PERS) unfunded liabilities. The liabilities directly tie into the costs of staff at the City. The City's strong financial position has allowed the City to pay off unfunded pension liability, which has dramatically reduced City pension costs while other public agencies continue to struggle. While it is difficult to predict future market changes for PERS, the City Council has made proactively addressing pension liabilities a top priority.

*Unfunded Pension Liability
by Year*



** Thanks to strategic and proactive management, including a \$1.25M payment to the unfunded pension liability balance in 2017, the City significantly lowered its balance due and saved taxpayers \$6M.*



INVESTING IN THE COMMUNITY

City infrastructure is designed to meet the needs of the public for decades, not just years. The City works aggressively to make major investments on upkeep of City infrastructure to avoid deferred maintenance and ensure clean, efficient and quality infrastructure serves our residents every day. Key investments that maintain the Indian Wells look and affirm our quality of life include:



Systematically remove and replace trees Citywide



Modernization of Fire Station 55



Maintain healthy, vibrant, and water conscious landscaping



*Maintain a City Average Pavement Condition Index of 75 points or higher**



Perform annual sidewalk repairs to remove tripping hazards



Cook Street and Highway 111 Improvement Project

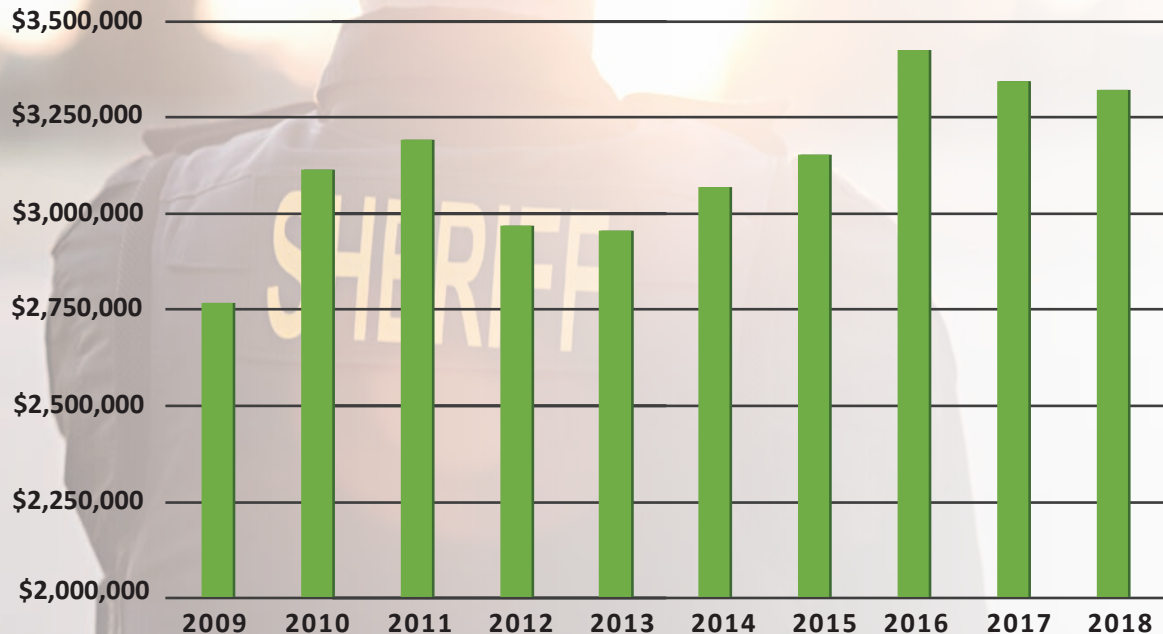
**The Pavement Condition Index refers to the condition of pavement on a scale of 0 to 100. 0 is the worst possible condition and 100 is the best. The rating system looks at pavement distress including cracks, bumps and potholes.*

February, 2018: City Wide PCI was 72.6

PUBLIC SAFETY SERVICES



History of Annual Costs for Sheriff Services

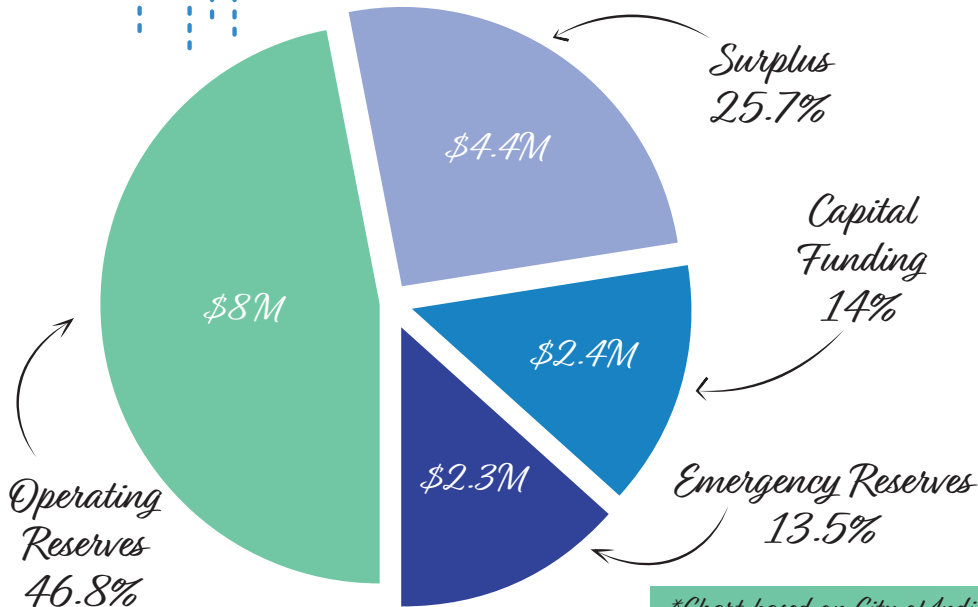


A top priority for the City is public safety. The City contracts for 24-7 services from the Riverside County Sheriff's Department. In doing so, it makes the full capabilities of a large law enforcement organization available to even a relatively small population city like Indian Wells. At any time of the day, deputies are patrolling our community, responding to calls for service or visiting with the public. Costs for police services are rising in general throughout the state due to changes in law, increased lawsuit costs and other costs associated with policing services. The City will continue to seek innovative ways to manage these costs while ensuring high quality police services.

PLANNING FOR THE FUTURE



Rainy Day Reserves Fund*



The City Council has a reserve goal of six months of operating reserves, plus \$2.3M in additional funds to cover an unexpected fiscal emergency. With this goal in mind, the City continues to place positive leftover funds from each year into a reserve account to buffer the City's budget in future years when macroeconomic changes could hurt City budget revenues.

*Chart based on City of Indian Wells' FY 2017-18 total cash balance of \$17.1M



REVENUE IMPACTS OF VISITORS

Residents of Indian Wells live in an oasis within the desert that provides a high quality of life, stunning vistas and social outlets. These same traits make visiting Indian Wells a treat for hundreds of thousands who visit from around the world to watch tennis, play pickleball, relax in spas or improve their golf game. Visitors to our hotels pay a “Transient Occupancy Tax” (TOT) of 12.25%. TOT taxes, combined with 85% of the sales tax revenue and the Admission Tax provide much needed general fund revenues that support City operations and put the City in a position to deliver for residents.



2018
General
Fund Revenue

Visitor
Revenue
(60.8%)



Sales Tax Revenue (which visitors generate 85% of) climbed from \$963,446 in 2009 to \$1.1M in 2018



Admission Tax revenue has steadily risen every year since 2009, from \$882,298 to more than \$3.33M in 2018.



TOT revenue has increased over the past decade, from around \$4.8M in 2009 to over \$7.9 M in 2018

CHALLENGES AHEAD

Life in Indian Wells is going well, but we have challenges that need to be addressed in the foreseeable future. These include:



Development

The City is nearly built out with development, placing special emphasis on the wise choices we make as a community to use the land in a manner that delivers community benefits or much needed services. These decisions will balance between municipal revenue generation, feature enhancements for visitor attraction and resident experience improvements that continue our Indian Wells lifestyle.



Public Safety

Public safety costs for police and fire continue to rise at rates faster than the City's revenue sources. These costs are driven by increased costs for Sheriff services, liability costs associated with police activity and additional state mandates that have increased equipment and oversight requirements on officers.



Indian Wells Golf Resort

The Golf Resort is an amazing community asset and provides a unique gathering spot for residents and visitors alike. However, the facility operates at a deficit after capital investments. Making the Golf Resort's operations financially sustainable is important to the fiscal health of the City.



Global Competition

Maintaining a globally competitive visitor experience in partnership with the resort operators remains a perpetual challenge as the profile of Indian Wells reaches all corners of the earth.



ACCOMPLISHMENTS TO DATE

The City is proud to list a small sampling of accomplishments it has made in some of the categories addressed in this brochure:

Long-term Fiscal Position

- Established a new program-based budget format
- Reduced operating General Fund expenditures by \$1 million
- Established funding for resident amenities and discounts for food & beverages, merchandise and golf
- Completed preliminary analysis to implement long-term capital asset reserve plan

Economic Development Opportunities

- Approval of 139-room luxury hotel at the corner of Highway 111 and Miles Avenue including public infrastructure improvements
- Remodel of Sands Hotel including 46 guest rooms, a new wedding garden, pool area and restaurant, spa facility, exterior paint and landscaping
- Extension of Tennis Garden title and marketing sponsorships through 2042

Indian Wells Golf Resort Strategic Plan

- Construction of Event Lawn to accommodate a group of 700 adjacent to the Pavilion
- Implementation of sustainable over seeding practices on Player's Course
- Resident celebration of 50th anniversary of the City of Indian Wells at the Golf Resort

Highway 111/ Cook Street Improvements

- Completion of many improvements to Highway 111 and Cook Street Date Grove including sidewalks, City Indian Head logo mosaic, connection of irrigation to Mid-Valley pipeline and installation of LED programmable color palm tree lighting

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