

INDIAN WELLS CITY COUNCIL

July 6, 2023



To: City Council
From: Finance Department
Prepared by: Kevin McCarthy, City Finance Director
Subject: **Fiscal Year 2023-24 Golf Resort Operating Budget and Capital Improvement Plan**

RECOMMENDED ACTIONS:

Council **REVIEWS, DISCUSSES,** and **APPROVES** or **APPROVES AS AMENDED** the Golf Resort Operating Budget and Capital Improvement Plan from July 1, 2023, through June 30, 2024.

BACKGROUND:

The City Council met in June 2023 to review and discuss the Golf Resort's operating and capital budgets. Staff presented the new budget, which included the Council's new deliverables and financial goals, public versions of the business and marketing plans, and new capital spending. The Golf Resort's General Manager discussed the upcoming year's operating strategies, emphasizing efforts to attract residents to the VUE restaurant by developing new theme nights and creating a fresh menu.

During the meeting, the Council asked for three items from staff; (1) associated documents detailing monthly operations, (2) additional time to review the new budget book, and (3) set up one-on-one meetings with the Golf Resort's General Manager to discuss strategic or confidential plans. On June 14, 2023, staff provided the associated documents to the City Council as requested.

In addition, the City Council instructed Golf Resort to bring back a strategy to offer and promote a summer golf camp for 2023 and invest in employee training. Summer golf camp is a three-day camp where juniors will work on fundamentals such as grip posture and alignment. Qualified instructors, such as Jordan Hamblin, a third-generation golf professional with over 10,000 hours of experienced coaching, teach skills such as putting, chipping, and ball striking. Games, competitions for prizes, and lunch are a part of the three-day program. Classes begin on Monday, July 10, 2023.

The Golf Resort is proposing a training position be added to the proposed budget that will be responsible for mandatory employee training (e.g., harassment,

alcohol service, etc.) to address customer comments (e.g., service, quality of product, presentation) in all golf resort aspects. It is recommended that this position be funded, but the next General Manager evaluates the decision to hire.

The Council requested Staff to add the Golf Resort’s operating and capital budgets for reconsideration on the July 2023 agenda.

Budget Overview

The Golf Resort budget, as submitted, includes \$19.6 million (net of Golf Subsidy) in operating revenues and \$18.6 million in operating expenditure. Capital replacements total \$950,498. The after-capital net operating profit at the Golf Resort is projected at \$53,593. Appropriations for operational costs are balanced in relation to projected revenue sources and do not rely on one-time revenue sources or reserves.

Indian Wells Golf Resort Consolidated Budget Summary	
	Fiscal Year 2023-24 Budget
Rounds	76,507
Covers	237,728
Total Revenues (Net of Golf Subsidy)	19,613,644
Cost of Sales	3,177,065
Payroll	9,858,197
Operating Expenses	5,574,291
Total Operating	18,609,553
Net Operating Income before Capital	1,004,091
Capital Replacements	950,498
Net Operating Income After Capital	53,593

The proposed budget shows a Net Operating Income after capital with a profit of \$53,593. This is the first time the Golf Resort budget has projected a profit in operations after capital without the resident golf subsidy. Based on the proposed budget, the golf subsidy will be utilized to repay loans from the City’s General Fund to the golf resort. Over the past two years, over \$5.5 million in loans have been repaid to the City, with an additional

\$2.7 million projected to be repaid in FY 2023-24, leaving a projected loan balance of \$700,000.

Capital Budget Overview

The capital improvement plan includes sixteen projects budgeted for \$950,498.

Capital Category	Total	Percentage
Buildings And Structures	29,300	3.1%
Clubhouse Equipment	20,000	2.1%
Golf Course Equipment	658,419	69.3%
Signage and Wayfinding	133,800	14.1%
Emergency	108,979	11.5%
Total Capital Replacements	950,498	100.0%

A complete listing of the various capital projects can be found on page 51 of the Golf Resort Budget Book (Attachment 2).

The Timing and Funding of Golf Maintenance Equipment Replacements

Staff would like to bring your attention to an important matter regarding the lead time required for ordering golf maintenance equipment. There is an 18-month lead time for all equipment orders, and we would like to clarify the reasons behind this change and provide guidance on planning future purchases.

Due to a significant surge in demand for golf maintenance equipment across the industry and ongoing global supply chain challenges, manufacturers need help meeting the rising order volumes. This situation has resulted in extended lead times as manufacturers work diligently to fulfill orders.

Troon staff has identified critical equipment needs and prioritized those items to ensure the Golf Resort has the necessary machinery for uninterrupted golf course maintenance. Troon staff has maintained a proactive approach to forecasting and budgeting by assessing equipment needs and replacement schedules well in advance.

Capital funding is now subject to the timing of equipment arrival rather than predictable annual budget cycles and may result in increases or decreases in the annual budget during the next 18-month cycle. Staff has prepared the FY 2024-25 maintenance equipment replacement budget, which is similar in price and amount of equipment requiring replacement during FY 2023-24. Due to the abovementioned timing issues, staff will place orders for all equipment requiring replacement listed in the two-year cycle.

Equipment received during FY 2023-24 will be capitalized in FY 2023-24, and equipment delayed until FY 2024-25 will be capitalized in FY 2024-25.

ATTACHMENTS:

1. Resolution
2. Golf Resort Budget Book
3. Original June 1, 2023, Budget Staff Report
4. Golf Resort Implementation Goals and Deliverables