



INDIAN WELLS CITY COUNCIL

June 1, 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 ACTION:

City 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 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.

The budget implements the Council's priorities and strategic goals, provides a financial plan that continues delivering first-rate services, and is responsive to the community's needs. In addition, developing a stand-alone Golf Resort budget book addresses the Community's needs to improve communication and transparency.

In addition to providing a detailed budget by profit centers, the new Golf Resort Budget Book includes the business plan, and a look into the new marketing plan. Capital funding was also updated and is now broken down into two separate segments, capital repairs and replacements managed by Troon and all other capital funding managed by the City Council.

Summary of Strategic Goals and Priorities

The budget implements the Council's priorities and strategic goals, provides a financial plan that continues delivering first-rate services, and is responsive to the community's needs. The focus of a strategic plan is to outline the goals of the City Council for the community as a whole/organization over some time (one, three, or five years are typical). A Summary of Significant City Goals for the upcoming budget cycle is as follows:

Goals and Priorities

- Profitable before the amenity subsidy and after capital and maintenance expenses.
- Develop strategies to increase customers and check averages in all operations (e.g., Vue restaurant, banquets, golf, etc.).
- Identify opportunities to improve efficiency and operations to be more cost-effective while maintaining quality.
- Develop a comprehensive marketing strategy that promotes the Indian Wells Golf Resort as a golf and special events destination for visitors, including local and drive markets.
 - Improve advertising by adding Top Tracer to Shots in the Night and the Academy.
- Expand partnerships with local hotels to increase customers at the Indian Wells Golf Resort for golf, dining, and special events.
- Focus on driving more golf rounds and increasing banquets at the Indian Wells Golf Resort. These are the top two profit centers for the golf resort.
- Examine possible rebranding of the Vue restaurant's concept and menu, including a celebrity chef concept that targets all customers (e.g., golfers, residents, hotel guests, and local drive market).
- Consider golf resort operating profits and energy savings from the new solar project to fund future capital needs.
- Remove allocated payroll.
 - Direct charges only based on the actual timecard.
- Provide \$3.7 million (gross surplus) to repay loans to the City's General Fund.
 - Based on current projections, Golf Loans are scheduled to be fully repaid to the City's General Fund by FY 2024/25.

- Provide Financial Performance targets in the form of net income goals. Based on the budget, the ability to meet the Financial Performance targets is estimated in the table below.

Indian Wells Golf Resort				
Projected Net Income Goal (%) by Department				
	Minimum Goal	Maximum Goal	Budgeted Goal	Met Goal
Golf, including golf maintenance	25.0%	30.0%	27.6%	Yes
Merchandise	27.0%	33.0%	30.5%	Yes
F&B All Outlets Consolidated	15.0%	20.0%	19.5%	Yes
Vue	8.0%	12.0%	8.4%	Yes
Vue - Cost of Sales	30.0%	n/a	29.5%	Yes
Vue - Labor	50.0%	n/a	50.0%	Yes
Beverage Carts	38.0%	42.0%	38.0%	Yes
Banquets	30.0%	35.0%	33.0%	Yes
Food Truck	30.0%	35.0%	21.6%	No
Shots in the Night	30.0%	35.0%	30.0%	Yes
General & Administrative	Decrease 5% from last year actual		Increased 5.3% to Last Year Actual	Missed City Target by \$242k
Building Maintenance	Decrease 5% from last year actual		Increased 4.5% to Last Year Actual	Missed City Target by \$100k

- Implement strategies to increase customers and check averages.
- Identify opportunities to improve efficiency and operations to be more cost-effective while maintaining quality.
- Consider golf resort operating profits and energy savings from the new solar project to fund future capital needs.

Budget Overview

The Budget Document comprises both the Annual Operating Budget and the Capital Budget. The Operating Budget is the total budget used to finance all day-to-day operations and obligations of the Golf Resort. The fiscal year 2023/24 Adopted Budget totals \$18.6 million for all Golf operations.

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

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%

ATTACHMENT:

- Attachment 1_Golf Resort Budget Book
- Attachment 1_Golf Resort Implementation Goals and Deliverables