

City of Indian Wells Financial Overview



Introduction

PRESERVE QUALITY PUBLIC SERVICES FOR THE COMMUNITY THROUGH LONG-TERM FINANCIAL SUSTAINABILITY

This Financial Overview Report is designed to provide a picture of the City's financial position and long-term financial sustainability. In addition, the City Council uses this information to set strategic goals for Indian Wells.

Post-Redevelopment

Fiscal years 2015/16 and 2016/17 will be the first two-year budget since the dissolution of redevelopment. The dissolution of redevelopment significantly changed the City's budget and long-term capital plans.

Prior to dissolution in 2012, the City allocated approximately \$3.2 million in administrative costs to the Redevelopment Agency. After dissolution, administrative costs transferred back to the City. This resulted in an 18% reduction of the City's workforce and cutbacks to non-essential services.

In addition, the City adopted a capital contribution policy to reserve \$1.4 million annually to maintain and replace infrastructure that historically had been covered by redevelopment funds.

Fiscal Year 2015/16 Overview

Revenues are anticipated to increase \$600,000 to approximately \$16.3 million. Early analysis indicates the majority of this growth will come from a strengthening tourism economy. Overall, an invigorated economy increases TOT (Transient Occupancy Tax), sales tax revenue, and home values. Early analysis indicates property values are projected to reach \$5.2 billion generating a solid \$2.4 million in tax collections.

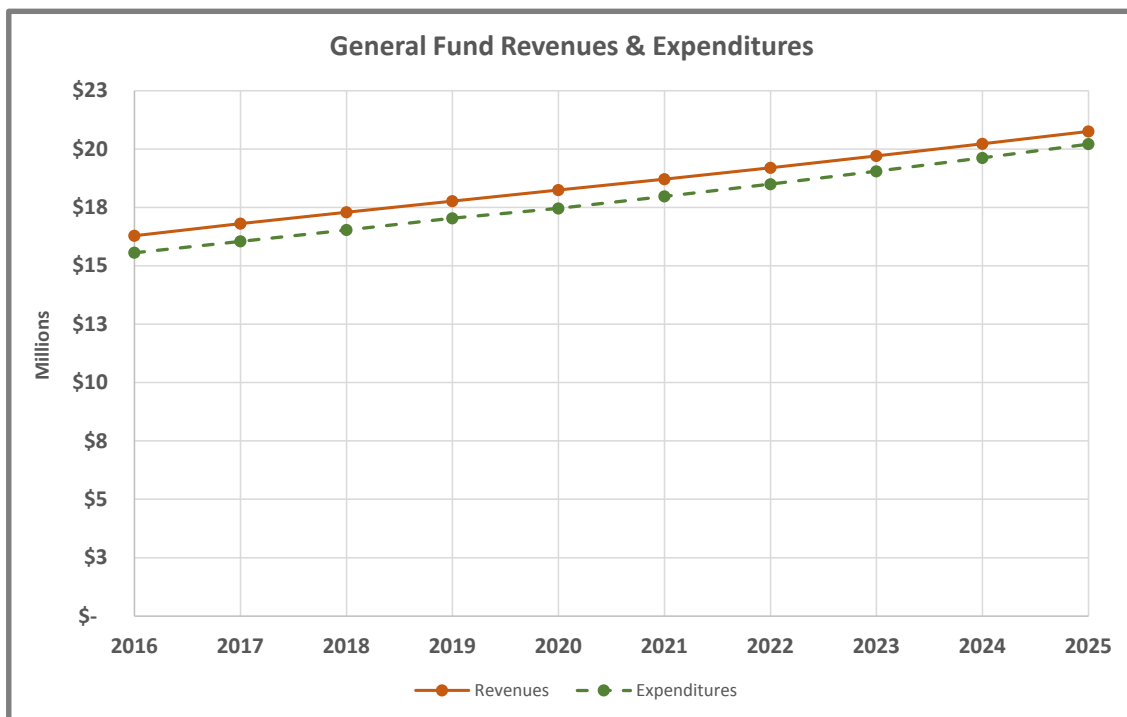
Operating costs are projected to increase \$600,000 to \$15.6 million. Staff anticipates employee services will rise \$230,000 due to recent changes at California Public Employees' Retirement System, which now requires additional payments to reduce unfunded pension liabilities.

The Riverside County Sheriff's Department anticipates a 6.0% increase for police services based upon existing labor obligations. This equates to a \$200,000 increase based upon existing service levels. Staff anticipates professional services will rise 3.0% in order to maintain existing vendor contracts and current service levels. Based upon historical averages, the remainder of the operating costs categories such as community outreach, office expense, and training will increase between 2.5% and 3.0% due to inflationary price increases and existing contract obligations.

Looking Forward

The cash flow projections, in this report, are based on revenue growth from existing sources. Revenues from potential opportunities, such as future commercial development, expanded marketing efforts, or grant opportunities are not considered in these cash flow projections.

Over the next ten-year period, the City will see conservative growth of approximately 2.7% per year. The growth is largely inflationary in nature, although small growth should continue from expanding hotel occupancy and tennis tournament attendance.



The operating cost projections represent current service levels. The analysis does not assume any changes in staffing levels, police services, current maintenance and landscaping levels, and other City services. Over the next ten-year period, Staff expects to see operating cost increases of approximately 3.0% per year. Cost increases reference historical trends and are largely inflationary in nature.

Cash Flow Projections

In preparation of the Council's upcoming strategic planning and development of the new two-year City budget, Staff has prepared a long-term cash flow projection. The cash flow provides two years of audited figures (labeled as 2013A and 2014A), an updated projection of the 2015B budget, and ten years of forecasted projections (labeled as 2016F through 2025F).

The cash flow projection is an excellent planning tool to get a broader perspective of how the organization will fare especially since the redevelopment dissolution in 2012. The 2013A and 2014A audited figures provide comparative trend data since the redevelopment dissolution in 2012.

**CITY OF INDIAN WELLS, CA, GENERAL FUND
GENERAL FUND SUMMARY**

	*2013A	*2014A	*2015B	*2016F	*2017F	*2018F	*2019F	*2020F	*2021F	*2022F	*2023F	*2024F	*2025F
BEGINNING FUND BALANCE	7,717,941	7,347,418	8,095,432	8,770,694	9,444,827	10,168,042	10,894,808	11,582,963	12,314,224	12,992,074	13,609,310	14,158,473	14,631,869
REVENUES & SOURCES, BY ACCOUNT GROUP													
01-PROPERTY TAXES	2,213,843	2,305,106	2,332,184	2,425,471	2,486,108	2,548,261	2,599,226	2,651,211	2,704,235	2,758,319	2,813,486	2,869,756	2,927,151
02-SALES TAXES	945,359	1,016,141	1,020,824	1,051,449	1,082,992	1,115,482	1,148,947	1,183,415	1,218,918	1,255,485	1,293,150	1,331,944	1,371,902
03-TRANSIENT OCCUPANCY TAX	6,341,825	6,407,454	6,624,803	6,823,547	7,014,606	7,189,972	7,369,721	7,553,964	7,742,813	7,936,383	8,134,793	8,338,163	8,546,617
04-FRANCHISE TAXES	860,303	886,891	936,325	969,096	998,169	1,028,114	1,058,957	1,090,726	1,123,448	1,157,151	1,191,866	1,227,622	1,264,451
05-OTHER TAXES	97,822	131,294	131,294	133,920	136,598	139,330	142,117	144,959	147,858	150,816	153,832	156,908	160,047
06-REAL PROPERTY TRANSFER TAX	194,120	217,975	155,000	158,100	161,262	164,487	167,777	171,133	174,555	178,046	181,607	185,239	188,944
07-ADMISSIONS TAX	1,816,400	2,244,125	2,425,100	2,594,857	2,750,548	2,888,076	3,003,599	3,108,725	3,201,987	3,298,046	3,396,988	3,498,897	3,603,864
08-LICENSE & PERMIT FEES	437,537	425,848	391,985	399,825	407,821	415,978	424,297	432,783	441,439	450,268	459,273	468,459	477,828
09-FINES & FORFEITURES	95,257	52,631	54,900	55,998	57,118	58,260	59,426	60,614	61,826	63,063	64,324	65,611	66,923
10-INTEREST INCOME	6,682	116,375	120,000	130,800	143,880	159,707	178,872	202,125	228,401	258,093	291,645	329,559	372,402
11-USE OF MONEY & PROPERTY	44,476	42,201	42,201	43,045	43,906	44,784	45,680	46,593	47,525	48,476	49,445	50,434	51,443
12-INTERGOVERNMENTAL	381,405	386,696	507,103	517,245	527,589	538,141	548,904	559,882	571,080	582,501	594,151	606,034	618,155
13-CURRENT SERVICE CHARGES	911,752	665,711	734,966	749,665	764,659	779,952	795,551	811,462	827,691	844,245	861,130	878,352	895,919
14-OTHER REVENUES	168,731	247,865	153,050	156,111	159,233	162,418	165,666	168,980	172,359	175,806	179,322	182,909	186,567
15-DEVELOPMENT AGREEMENT FEES	86,681	76,659	79,992	81,592	83,224	84,888	86,586	88,318	90,084	91,886	93,723	95,598	97,510
TOTAL - REVENUES & SOURCES	14,602,193	15,222,972	15,709,727	16,290,721	16,817,715	17,317,850	17,795,325	18,274,889	18,754,219	19,248,585	19,758,736	20,285,486	20,829,722
EXPENDITURES & USES, BY ACCOUNT GROUP													
SALARIES & BENEFITS	4,038,374	4,392,654	4,375,730	4,605,168	4,733,009	4,864,671	5,000,271	5,139,934	5,283,786	5,431,959	5,584,588	5,741,813	5,903,778
08-POLICE CONTRACT	3,064,414	3,187,408	3,543,283	3,755,880	3,962,453	4,180,388	4,410,310	4,652,877	4,908,785	5,178,768	5,463,600	5,764,098	6,081,124
09-PROFESSIONAL SERVICES	2,055,849	2,463,652	1,858,587	1,914,345	1,971,775	2,030,928	2,091,856	2,154,612	2,219,250	2,285,828	2,354,402	2,425,035	2,497,786
10-BUILDINGS & GROUNDS MAINTENANCE	726,626	813,753	926,996	954,806	983,450	1,012,953	1,043,342	1,074,642	1,106,881	1,140,088	1,174,290	1,209,519	1,245,805
11-UTILITIES	103,167	144,937	227,775	234,608	241,646	248,896	256,363	264,054	271,975	280,135	288,539	297,195	306,111
12-COMMUNITY INFORMATION	186,020	226,765	316,726	323,060	329,522	336,112	342,834	349,691	356,685	363,819	371,095	378,517	386,087
13-COMMUNITY ACTIVITIES	416,310	403,648	462,059	471,300	480,726	490,340	500,147	510,150	520,353	530,760	541,375	552,203	563,247
14-MARKETING	875,132	947,782	1,074,336	1,095,823	1,117,739	1,140,094	1,162,896	1,186,154	1,209,877	1,234,075	1,258,756	1,283,931	1,309,610
15-COMMUNITY ASSISTANCE	370,917	256,000	350,742	357,757	364,912	372,210	379,654	387,248	394,992	402,892	410,950	419,169	427,553
16-OFFICE EXPENSE	398,049	448,325	558,690	564,276	569,919	575,618	581,375	587,188	593,060	598,991	604,981	611,031	617,141
17-TRAINING	12,139	27,423	50,212	51,216	52,240	53,285	54,351	55,438	56,547	57,678	58,831	60,008	61,208
18-INSURANCE EXPENSES	588,579	625,534	683,183	703,678	724,789	746,533	768,928	791,996	815,756	840,229	865,436	891,399	918,141
19-CONTRIBUTIONS TO CAPITAL	1,450,000	500,000	1,100,000	1,100,000	1,100,000	1,100,000	1,100,000	1,000,000	975,000	950,000	925,000	900,000	875,000
20-REIMBURSABLE CREDITS FROM OTHER FUNDS	(508,481)	(529,834)	(551,250)	(573,300)	(596,232)	(620,081)	(644,885)	(670,680)	(697,507)	(725,407)	(754,424)	(784,601)	(815,985)
SUBTOTAL-OTHER EXPENDITURES	9,738,721	9,515,393	10,601,338	10,953,449	11,302,940	11,667,277	12,047,172	12,343,369	12,731,655	13,137,853	13,562,832	14,007,503	14,472,826
TOTAL - EXPENDITURES & USES	13,777,095	13,908,047	14,977,068	15,558,617	16,035,949	16,531,948	17,047,442	17,483,303	18,015,441	18,569,812	19,147,420	19,749,316	20,376,604
SET ASIDE OF OPERATIONAL RESERVES - OPERATING	825,098	1,314,925	732,659	732,104	781,766	785,902	747,883	791,586	738,778	678,773	611,316	536,170	453,119
16-TRANSFERS IN	6,400,000	-	-	-	-	-	-	-	-	-	-	-	-
21-TRANSFERS OUT	7,595,621	566,911	57,397	57,971	58,551	59,136	59,728	60,325	60,928	61,537	62,153	62,774	63,402
SET ASIDE OF OPERATIONAL RESERVES - TOTAL	(370,523)	748,014	675,262	674,133	723,215	726,766	688,155	731,261	677,850	617,236	549,163	473,396	389,717
ENDING FUND BALANCE	7,347,418	8,095,432	8,770,694	9,444,827	10,168,042	10,894,808	11,582,963	12,314,224	12,992,074	13,609,310	14,158,473	14,631,869	15,021,586

Key Metrics

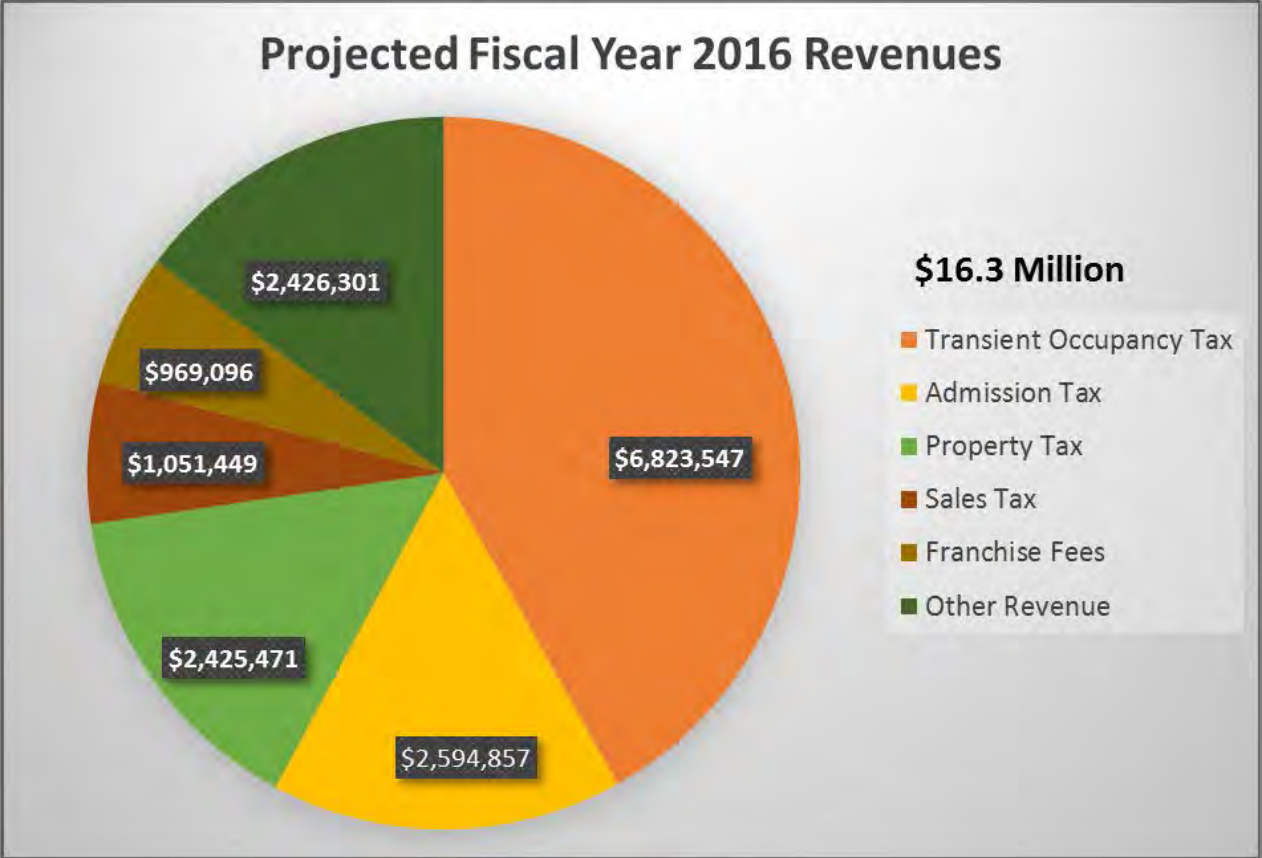
- *A = Audited
- *B = Budgeted
- *F = Forecasted

New two year budget cycle

General Fund Revenues

The General Fund is the City's primary operating fund, providing resources for most of the City's ongoing activities including police, public works, community development, and general government services. The General Fund revenue section provides a detailed description of the revenue categories including background information describing methods of allocation, growth trends, and economic factors affecting the revenue source.

The City anticipates receiving \$16.3 million in General Fund operating revenues during fiscal year 2015/16. The City's top five General Fund revenues are 1) Transient Occupancy Tax, 2) Admissions Tax, 3) Property Tax, 4) Sales Tax, and 5) Franchise Fees. Collectively, these five revenue sources account for 85% of General Fund revenues. This section will review these income sources in detail and provide a series of forecast assumptions for fiscal years 2016 through 2025.



Transient Occupancy Tax (TOT)

Property Taxes
42%
\$6,800,000

Transient occupancy tax revenues play a vital role in the financial success of the City as they account for 42% of General Fund revenues.

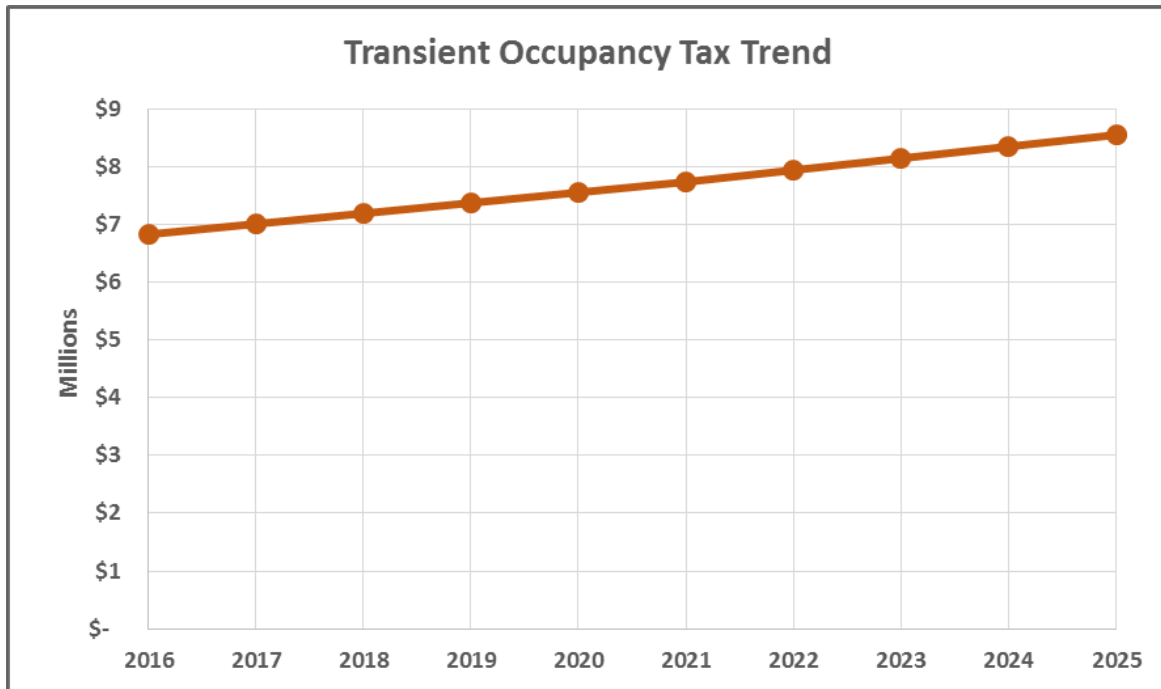
Guests staying at one of the City's four hotels pay transient occupancy taxes. The tax is calculated on the gross room rate and other required charges such as resort fees. The tax rate is 11.25%.



Coachella Valley tourism is improving. In part; this is because the U.S. economy continues gaining strength, having added 9.5 million jobs through August 2014. An improving U.S. economy is important to the Coachella Valley, as national tourism is a major driver:

- According to the Greater Palm Springs Convention and Visitors Bureau, the average daily hotel room rate was \$142.48 for the first eight months of 2014. That was up 6.8% from that period of 2013. For the eight-month 2014 period, average occupancy was 61.6%, approaching the pre-recession figure of 63.6% in 2007.
- Passenger traffic at Palm Springs International Airport was up 9.4% through July 2014 at 1.9 million passengers.
- Car rentals at the airport rose 4.0% in 2013 and 5.9% in 2014 to reach an estimated \$56.7 million.





Forecast assumptions:

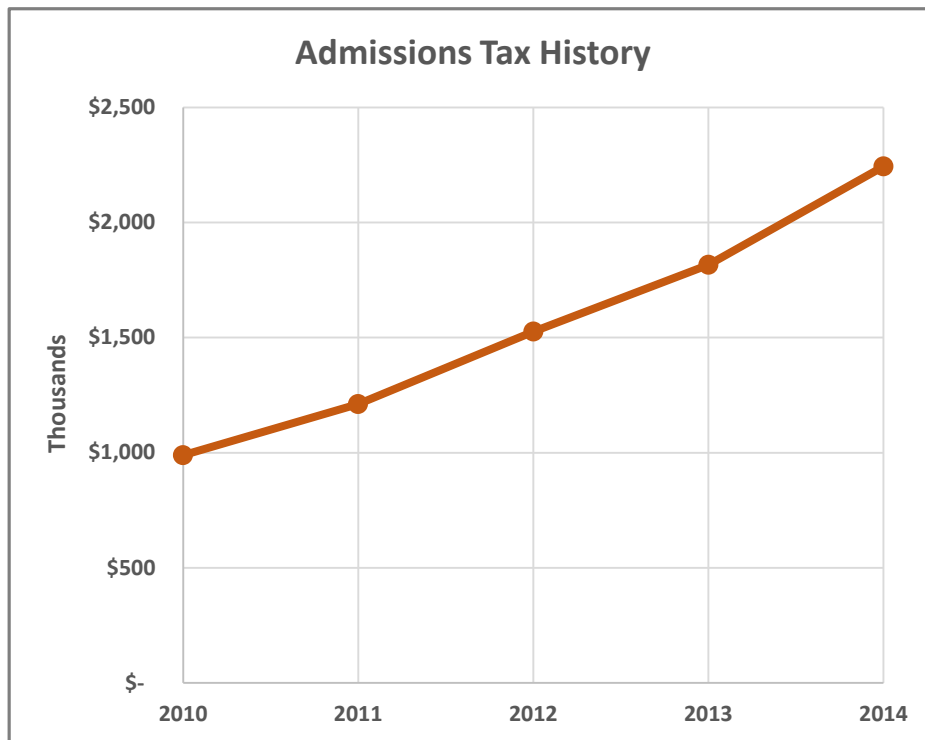
- 2015/16 – Transient occupancy tax estimates are generated using forecast data gathered from hotel partners. Early analysis assumes tourism growth increases of 3.0% from existing hotel partners. The majority of this growth will come from a strengthening tourism economy. The assumption does not speculate on any new hotel or tourism related commercial development.
- 2016/17 – Similar to assumptions gleaned in 2015/16. The analysis assumes an increase of 2.75% due to increased occupancy and daily room rates.
- 2017/18–2024/25 - The analysis assumes an inflationary combination of increased annual occupancy and daily room rates to grow gross room sales by 2.5%.

Admissions Tax

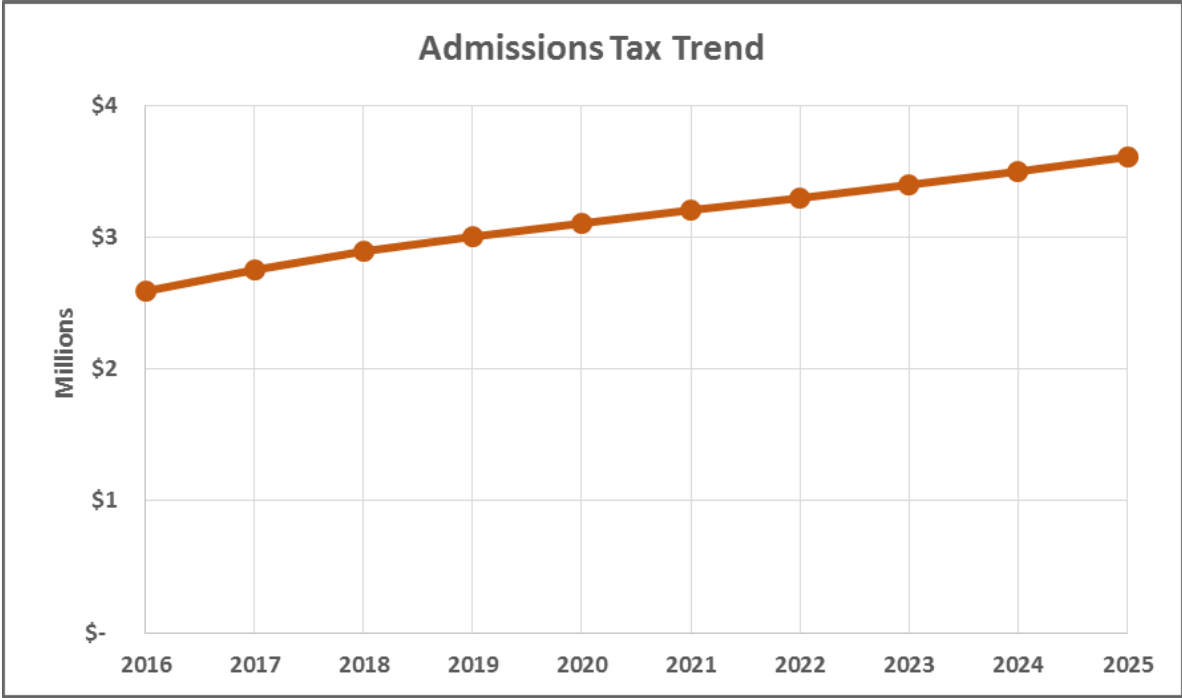
Admissions Taxes
16%
\$2,600,000

Admissions tax is added to the ticket price that attendees pay to enter entertainment venues or events in Indian Wells. The current admissions tax rate is 10%. Admissions tax revenues will continue to grow due to the success of the BNP Paribas Open held at the Indian Wells Tennis Gardens. The economic recession has not slowed the growth of admissions tax revenues, which has been rising steadily since 2001.

During the past five years, the Tennis Gardens has seen a significant increase in gross sales; however part of the increase in admissions taxes has been because of the increase in the admissions tax rate itself. In 2010, the admissions tax rate was 7%. The tax rate increased to 8% for all 2011 and 2012 events. Two years later, the tax rate increased again to 9% for all 2013 and 2014 events.



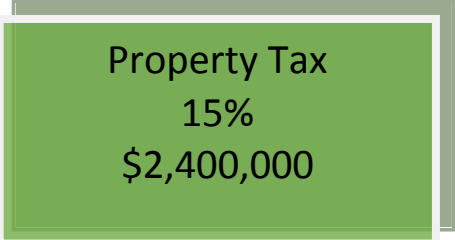
The Indian Wells Tennis Gardens recently expanded the facility allowing for greater attendance. The plan encompassed construction of a permanent Stadium 2 with 8,000 seats, additional restaurants, and a marquee site entrance on Washington Street with a new box office.



Forecast assumptions:

- 2015/16 - Assumes a 7.0% increase based upon discussions with tennis partners. The forecast assumes new growth in attendance. During the 2014 tennis tournament, attendance reached approximately 430,000. During the upcoming 2015 tennis event, attendance should reach 465,000. The forecast for the 2016 tennis tournament assumes attendance will increase from 465,000 to 500,000. The analysis assumes an increase in the average ticket price and an additional 35,000 people in attendance. This analysis does not speculate on the ability to expand the use of the Tennis Gardens, such as the addition of concerts or other events to enhance admissions tax sales.
- 2016/17 – The analysis assumes a modest increase in the average ticket price and attendance. Assumes a 6.0% increase in admissions tax.
- 2017/18 - 2024/25 - The analysis assumes an average inflationary increase in the average ticket price of 3.2%

Property Tax Revenue



Property tax revenues are taxes imposed on real property (land and permanently attached improvements) and tangible personal property (movable property). The tax is calculated on the value of the property rather than on a fixed amount or benefit to the property or person. Proposition 13 (Article XIII A of the State Constitution) limits the real property tax rate to 1% of the property assessed value, plus rates approved by the voters. The county tax collector receives the property tax and allocates the revenues to the local taxing agencies pursuant to a statutory allocation formula.

To understand property taxes, it is important to understand assessed value. Proposition 13 calls for a base year assessed value to be established when the property undergoes a change of ownership (typically a sale) or when new construction occurs. After the base year value is established, the value is adjusted annually for inflation, which is the lesser of the change in cost of living or 2.0%.

The assessed value can change by a Proposition 8 factor as well. Proposition 8 requires the Assessor to value the property at the lesser of the base year value indexed by inflation or the fair market value. As the housing market recovers, the assessed value is adjusted back up to the lower of the new fair market value or the original base value adjusted annually for inflation.

A No/Low Tax City

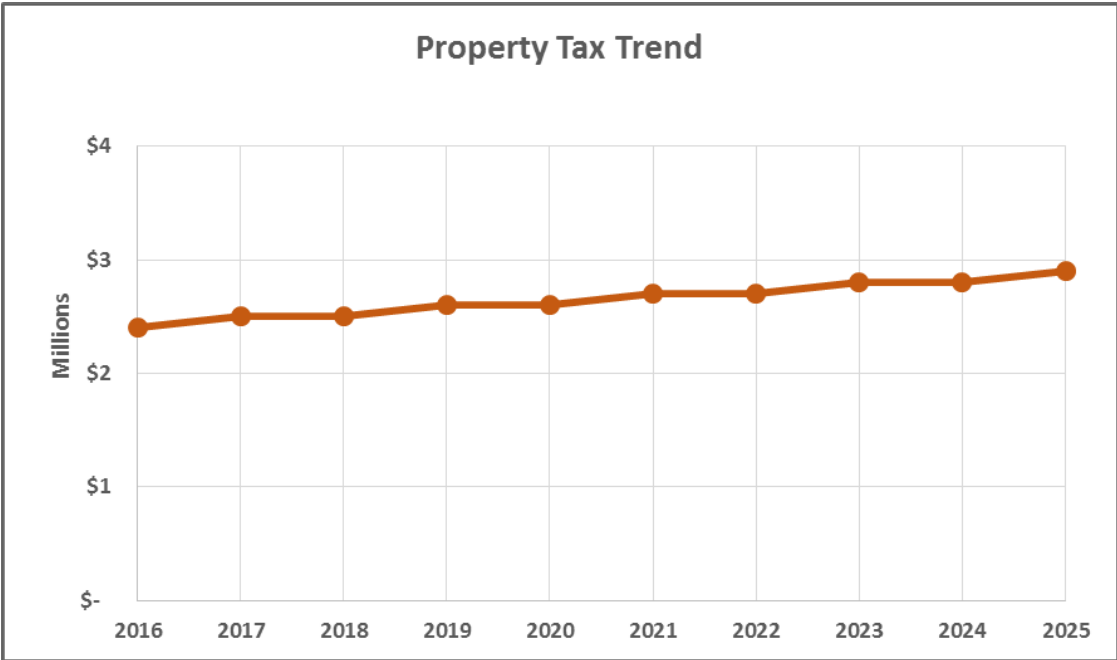
The City of Indian Wells is one of 39 cities in the State of California categorized as No/Low property tax city because the City did not have an established property tax rate prior to the adoption of Proposition 13. Cities without an established tax rate received the minimum tax rate formula. The rate has increased over time from 1% of the 1% of the assessed valuation to the maximum of 7% of the 1% of the assessed valuation.

After the formula is applied, the City generally receives approximately 4.6% of the property tax. This means that for every \$100 of property tax collected by the County, the City receives \$4.60. As a No/Low city, Indian Wells receives only about half the property tax as other cities receive.

Roll Year	Net Value	Net Revenue	% Share of Revenue to Value (net)
2008-09	5,073,683,478	2,060,471	0.041%
2009-10	4,882,725,048	2,142,746	0.044%
2010-11	4,617,414,861	2,026,775	0.044%
2011-12	4,476,601,154	1,976,580	0.044%
2012-13	4,603,198,996	2,181,675	0.047%
2013-14	4,754,581,621	2,227,900	0.047%
2014-15	5,007,712,136	2,281,271	0.046%
2015-16	5,208,020,621	2,372,523	0.046%

Looking Forward

Indian Wells is recovering from the economic downturn experienced in 2010 through 2012 and home values are increasing. After peaking in 2009, assessed values began to decline during 2010 and bottomed out in 2012.



During fiscal year 2014/15, the City experienced an increase in home remodels and new residential construction. These new home remodels and construction have increased the City's assessed valuation in addition to regular Proposition 13 inflation factors. Property taxes will continue to grow moving into fiscal year 2015/16 and a stronger housing market should appear.

Forecast assumptions:

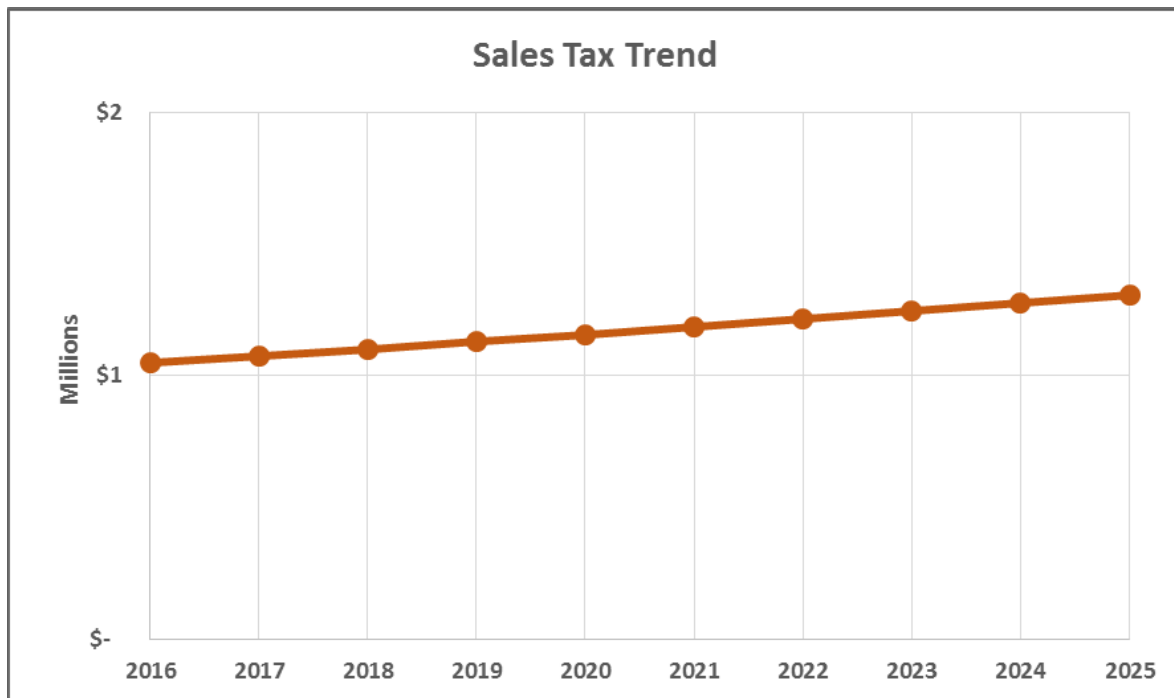
- 2015/16 – Assumes the housing recovery continues. Assumes existing property values increase 2.0% for inflation under Proposition 13 and a 2.0% growth factor for new home construction and resale of existing property. Proposition 8 adjustments for residential properties should not play a large factor in the tax base.
- 2016/17 – Similar to the analysis conducted in 2015/16, property values are anticipated to increase 2.0% for inflation under Proposition 13 and a 0.5% growth factor is added for new home construction and resale of existing property. New construction remains steady, but not booming.
- 2017/18 -2024/25 – Assumes existing property values increase 2.0% for inflation under Proposition 13. New home construction and resale of existing property will not to play a large factor in the tax base.

Sales Tax

Sales Tax
6%
\$1,000,000

The City currently receives approximately 6% of its General Fund revenues from sales tax. Under the California Sales and Use Tax Law, the sale of tangible personal property is subject to sales tax unless exempt or otherwise excluded. Sales Tax is imposed on retailers for the privilege of selling tangible personal property.

Sales Tax revenues for the City consist of two separate components: Sales Tax and Sales Tax in Lieu. Collectively, the City receives 1.00% in sales tax on each taxable transaction that occurs in the City. Prior to July 1, 2004, the City had received 1% of the taxes collected on retail sales or use within the City limits. With the passage of Proposition 57, (effective July 1, 2004), the City now receives 0.75% in the sales tax, plus an additional property tax amount equal to the 0.25% reduction. This additional property tax amount is shown in the budget as "Sales Tax in Lieu".



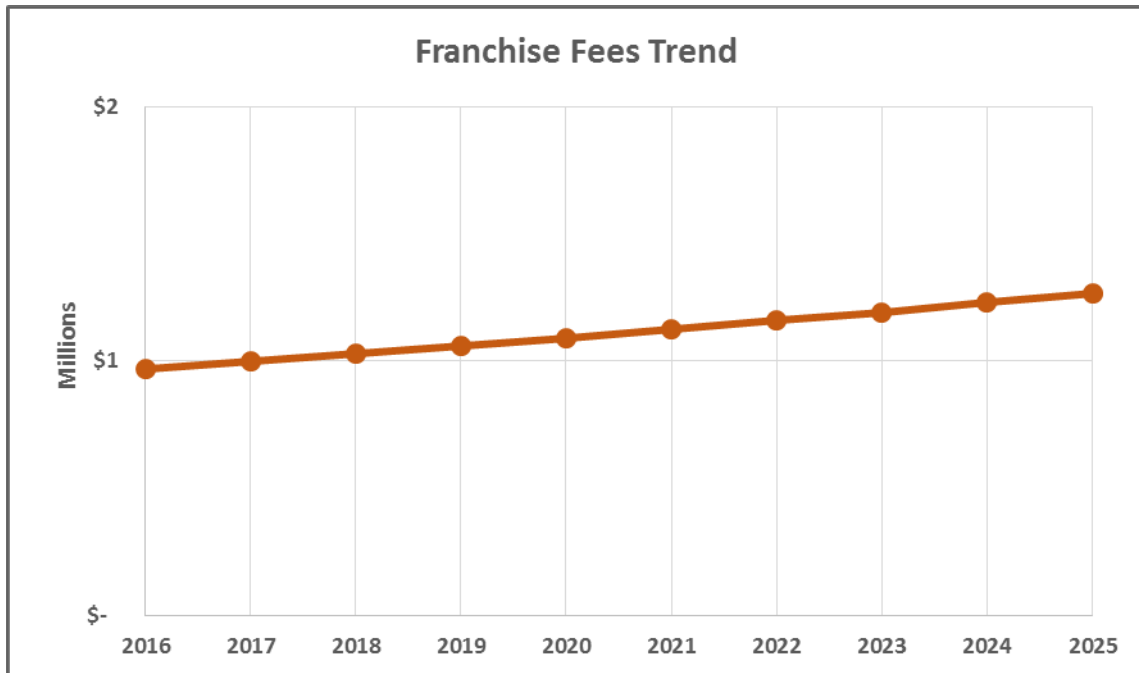
Forecast assumptions:

- 2015/16 -2024/25 – Sales tax forecast assumes conservative 3% annual growth based upon trend analysis conducted by City’s sales tax consultant.

Franchise Fees

Franchise fee revenue makes up 6% of the General Fund revenue budget. The City and the private utility companies have agreements that in exchange for use of the City's rights-of-way, the utilities pay a certain fee. Currently, Southern California Edison (SCE), Time Warner Cable, Verizon, Southern California Gas, and Burrtec Waste and Recycling pay a franchise fee to the City. The revenue is calculated on a percentage of gross sales.

Franchise Fees
6%
\$1,000,000



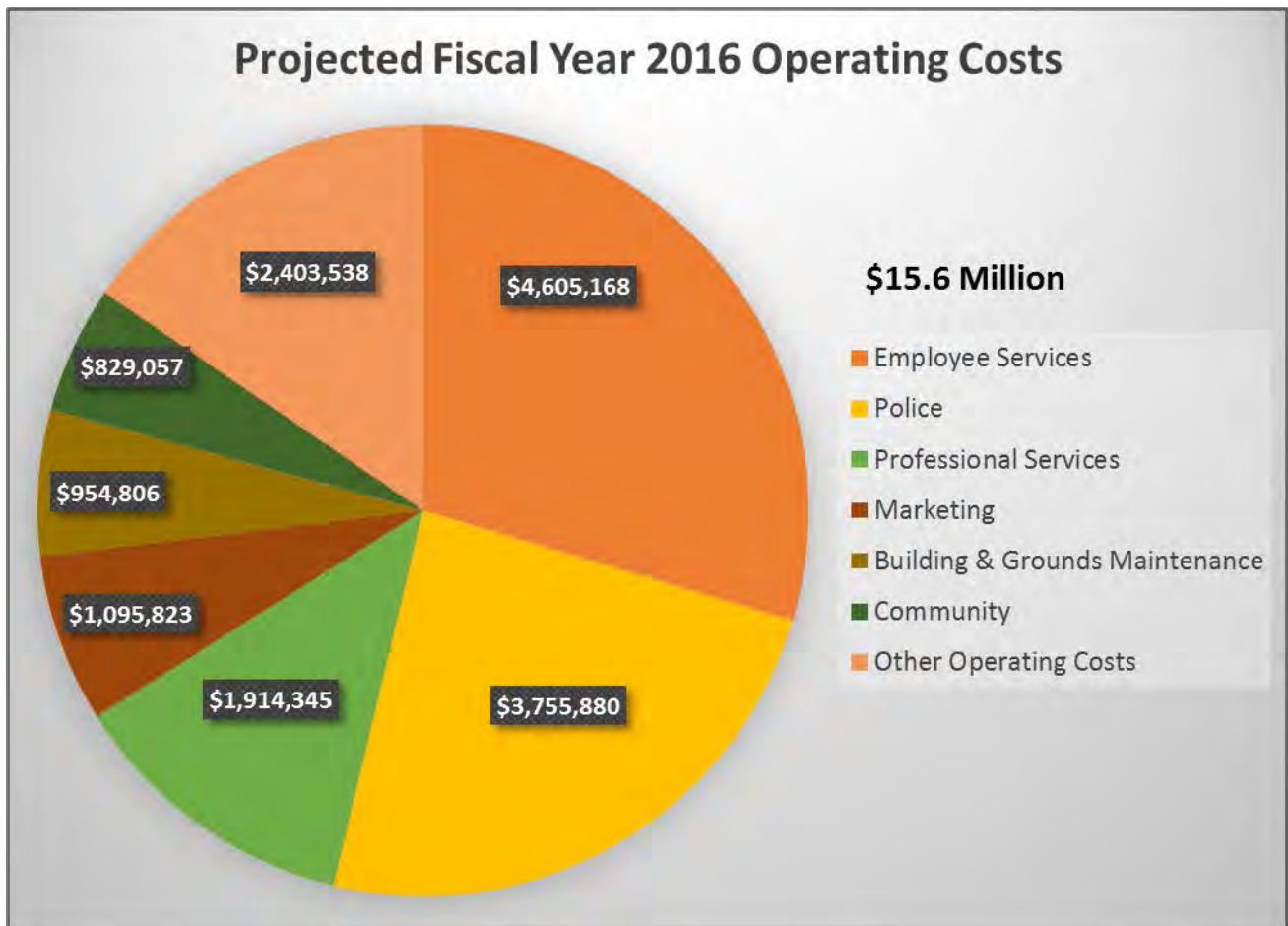
Forecast assumptions:

- 2015/16 -2024/25 – Sales tax forecast assumes conservative 3% annual growth based upon ten-year historical trend analysis conducted by Staff.

General Fund Operating Costs

The City's anticipated General Fund operating budget for fiscal year 2015/16 is \$15.6 million. The top six expense categories are 1) Employee Services, 2) Police, 3) Professional Services, 4) Marketing, 5) Building and Grounds Maintenance, and 6) Community.

Currently, these six categories account for 82% of General Fund operating costs. This section will review these costs in detail and provide a series of forecast assumptions for fiscal years 2016 through 2025.



Employee Services

Employee Services
30%
\$4,600,000

The City spends approximately \$4.6 million of its \$15.6 million operating budget on employee services.

Employee services include the salaries and benefits paid to and on behalf of employees. There are three different employee groups: (1) Indian Wells City Employees Association, (2) Unrepresented, and (3) Senior Management. Salaries and benefits for the Indian Wells Employees Association are set forth in the Memorandum of Understanding. Council resolution governs the salaries and benefits for management and unrepresented employees.

Employee pensions

The City contracts with the California Public Employees' Retirement System (CalPERS) to fund the cost of employee pensions at retirement. The City has two pension plans.

CalPERS Miscellaneous Plan		
	Tier 1	Tier 2
Category	Classic Members	New Members
Employees Affected	Employees hired prior to 1/1/13	Non-PERS members hired after 1/1/13
Formula	<u>2.7%@55</u>	<u>2%@60</u>
Employee Contribution	8% employer paid	6.5% employee paid
Salary Factor	Single highest year compensation	3 year average compensation

Employees hired prior to January 1, 2013 participate in the 2.7%@55 plan for classic members. New employees hired after January 1, 2013 are subject to the Public Employees' Pension Reform Act of 2013 (PEPRA) and participate in the 2%@60 plan.

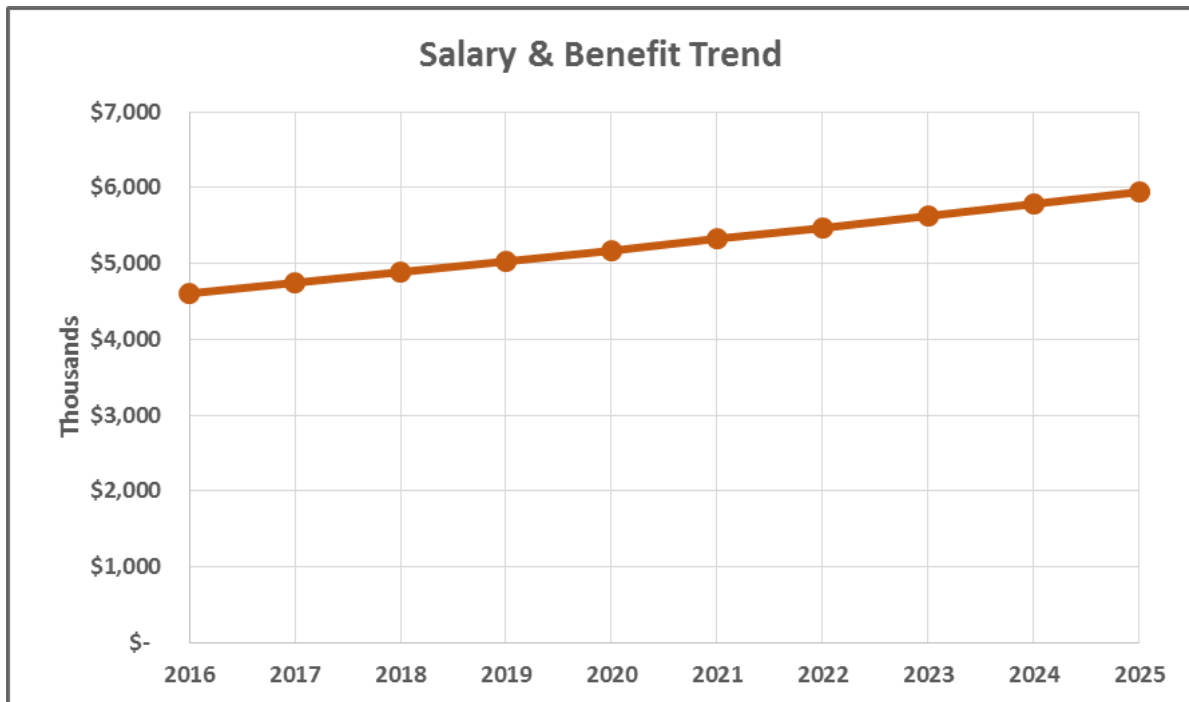
In 2013, the California legislature passed and Governor Jerry Brown signed the Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA lowers pension benefits for new members of public retirement systems and requires public employees to contribute more toward funding their defined benefit (DB) pension plans.

“Classic members” refers to individuals already members of a public retirement system, who do not fall under the definition of “new members.” “New members” include individuals who became members of any public retirement system, include CalPERS, on or after January 1, 2013, who were never a member of any other public retirement system prior to that date.

Employee Pension Plan Funding Status

In addition to changing various pension actuarial assumptions, CalPERS has expanded reporting to allow small cities like Indian Wells to know the funded status of their individual pension plans. Prior to this change, small cities participated in a pension pool of similar small cities. The former pension-reporting model reported only the funding status of the pool rather than the individual city.

Currently, the City's employee pension fund of \$22.3 million is 76.7% funded. The City's unfunded liability is \$4.7 million.



Forecast assumptions:

- 2015/16 – Assumes a full-time staff of 29 employees with no changes to current staffing levels. CalPERS projects a 21.6% employer contribution rate for employee retirement. Assumes full-time and retiree medical premiums will increase by 5%. Assumes a 4% increase in vision and dental premiums.
- 2016/17 – Similar to fiscal year 2015/16, assumes the City maintains a full-time staff of 29 employees with no changes to current staffing levels. CalPERS projects a 22.4% employer contribution rate for employee retirement. Assumes full-time and retiree medical premiums will increase by 5%. Assumes a 4% increase in vision and dental premiums.
- 2017/18-2024/25 – CalPERS projects 24.5% employer contribution rate for employee retirement. Assumes full-time and retiree medical premiums will increase by 5%. Assumes a 4% increase in vision and dental premiums.

Police

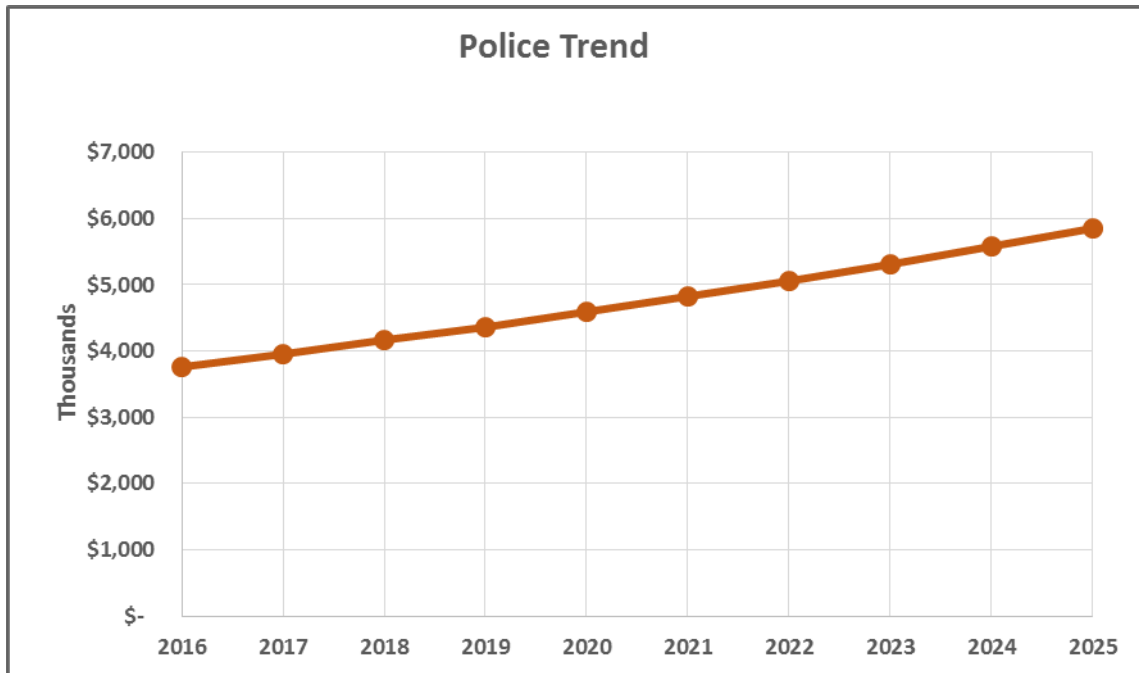
Police
24%
\$3,800,000

The Public Safety Department is responsible for the Police and Community Service Officers (CSO). The primary mission is to protect the lives and property of the citizens of Indian Wells. The City contracts with the Riverside County Sheriff's Department for patrol, traffic enforcement, investigations, dispatch, and support personnel.



Current patrol staffing consists of twenty-four hours per day, seven days a week. This level of service is equivalent to six full-time deputies. On a per capita basis, the City maintains the highest level of law enforcement services in the Coachella Valley.

The City also contracts for one deputy utility position, a full-time motorcycle deputy, two Burglary Suppression Unit deputies, crime analyst services, and commercial law enforcement services.



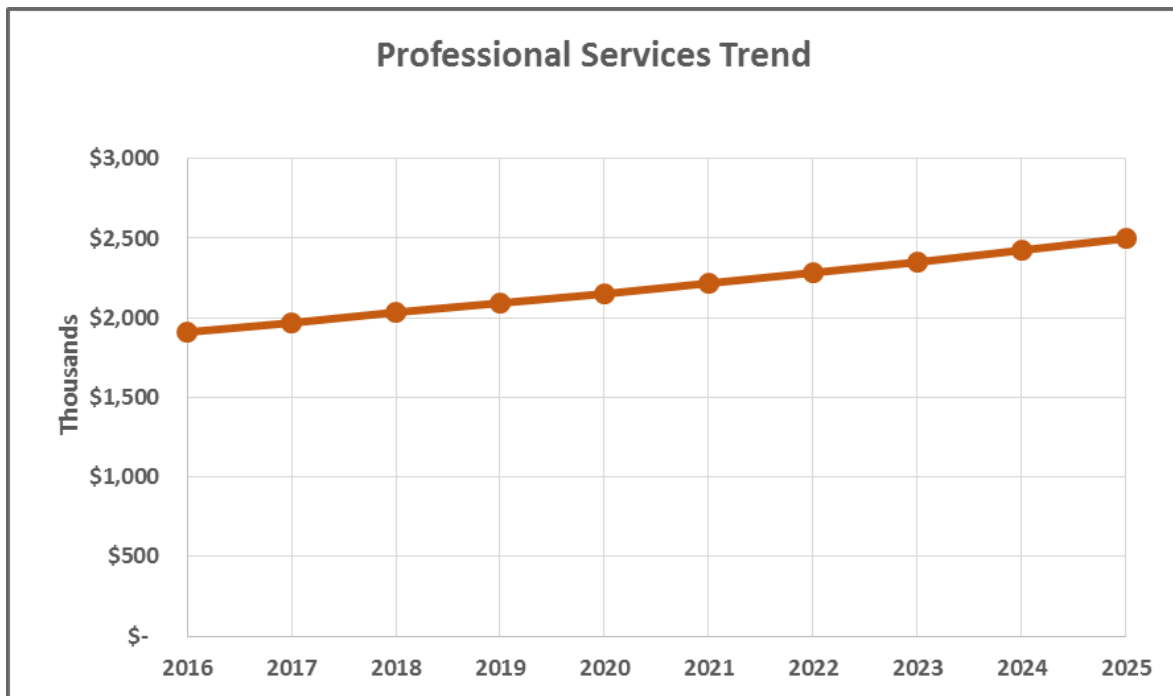
Forecast assumptions:

- 2015/16 - Assumes existing service levels as described above. The Riverside County Sheriff's Department has recommended a 6.0% increase in the cost of public safety services.
- 2016/17 - The Riverside County Sheriff's Department recommends a 5.5% increase in the cost of public safety services.
- 2017/18-2024/25 - The Riverside County Sheriff's Department recommends a 5.5% increase in the cost of public safety services to maintain existing service levels.

Professional Services

Professional Services
12%
\$1,900,000

The City spends approximately \$1.9 million on contracts for professional services from the private sector rather than a City employee. These professional services range from audit services, plan check services, inspection services, animal control services, legal services, and engineering services.



Forecast assumptions:

- 2015/16 -2024/25 - Based upon historical trends, the analysis assumes an inflation factor of 3% based upon existing vendor contracts to maintain the current service levels.

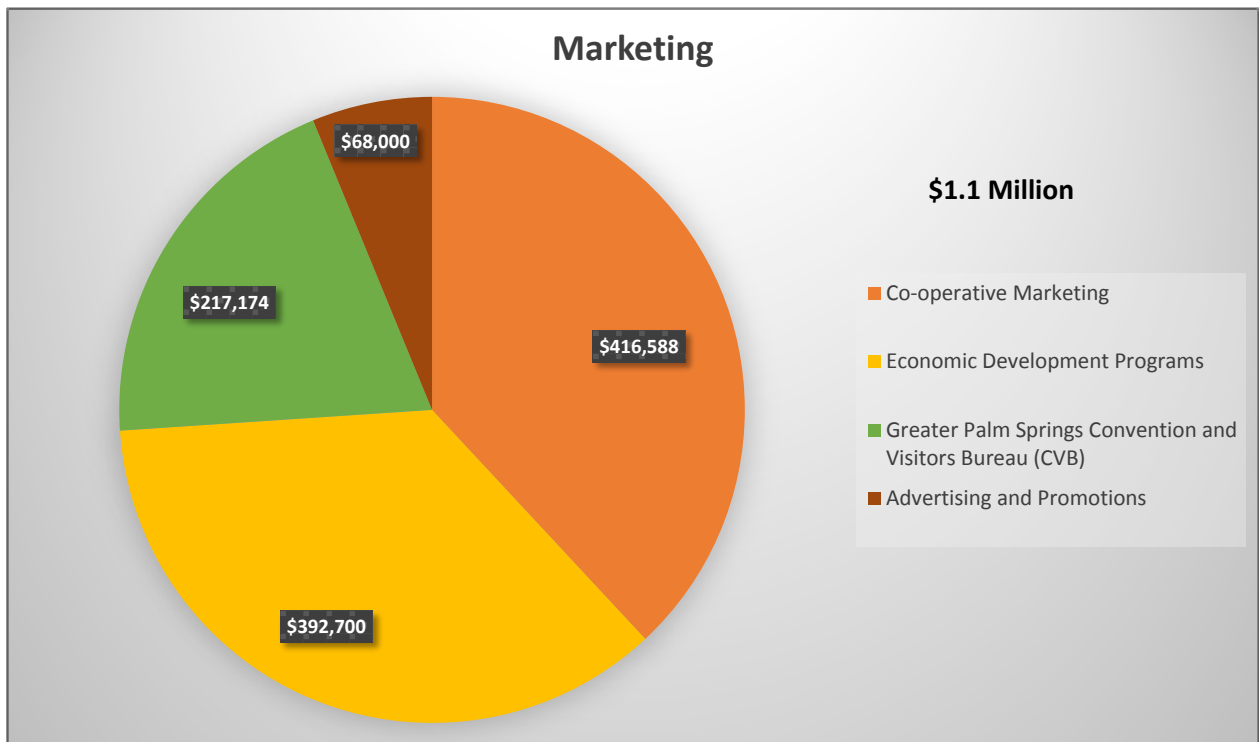
Marketing

Marketing
7%
\$1,100,000

The Marketing Program promotes the City as a tourist destination and enhances the City's position as a premier residential resort community.

The City spends approximately \$1.1 million on marketing, branding and successful sponsor partnerships that are all included in this budget. The Tourism marketing budget works to promote and sustain our hotel brands and offerings. Indian Wells Tennis Garden naming rights and our Desert Town Hall and The Living Desert WildLights sponsorships are included under the Economic Development and there are additional available funds within this budget to advertise and promote these programs and events.

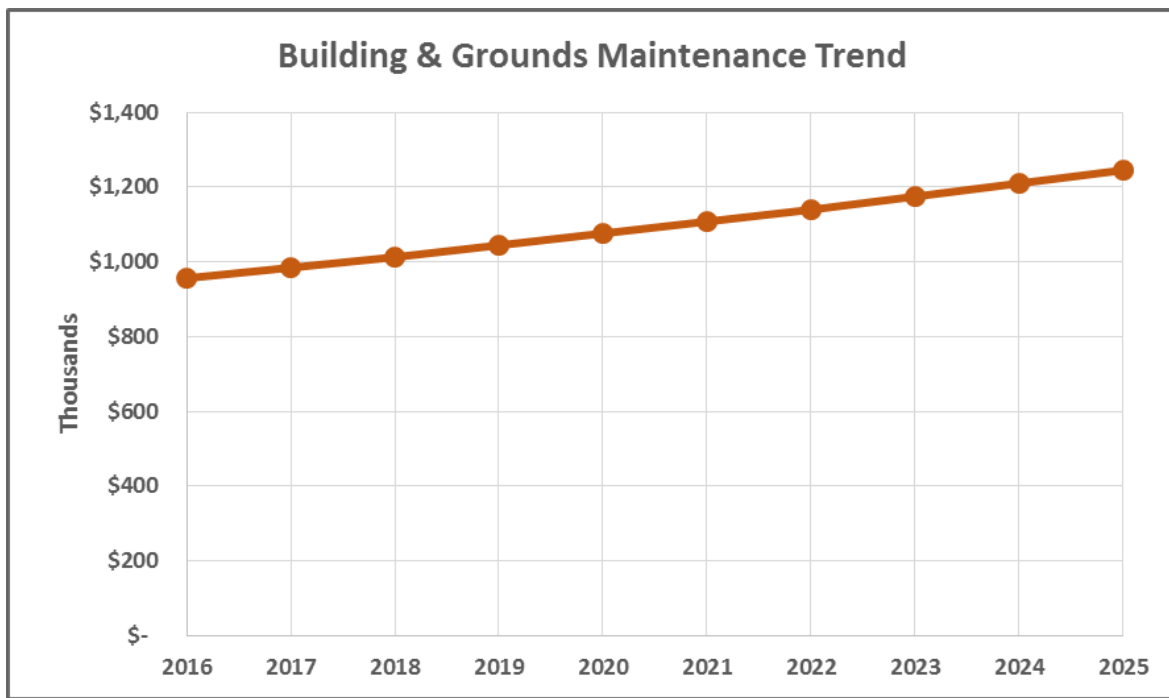
The City participates in the Greater Palm Springs Convention and Visitor's Bureau Business Improvement District (BID) to support its worldwide marketing and branding efforts attracting tourism. Under the terms of the BID formula, the City is required to pay 25% of 1.4% of the gross hotel room sales collected by the hotels located in Indian Wells.



Building and Grounds Maintenance

Building and Grounds
6%
\$1,000,000

The City spends approximately \$1.0 million on building and grounds maintenance costs. The Public Works Department oversees the program including annual tree trimming, catch basin maintenance, street sweeping, roadway signage, irrigation repairs, plant replacement(s) lighting, vandalism, Eisenhower Walk of Honor, Whitewater River Channel, and public area landscape maintenance.



Forecast assumptions:

- 2015/16 -2024/25 - Based upon historical trends, the analysis assumes an inflation factor of 3% based upon existing vendor contracts to maintain the current service levels.

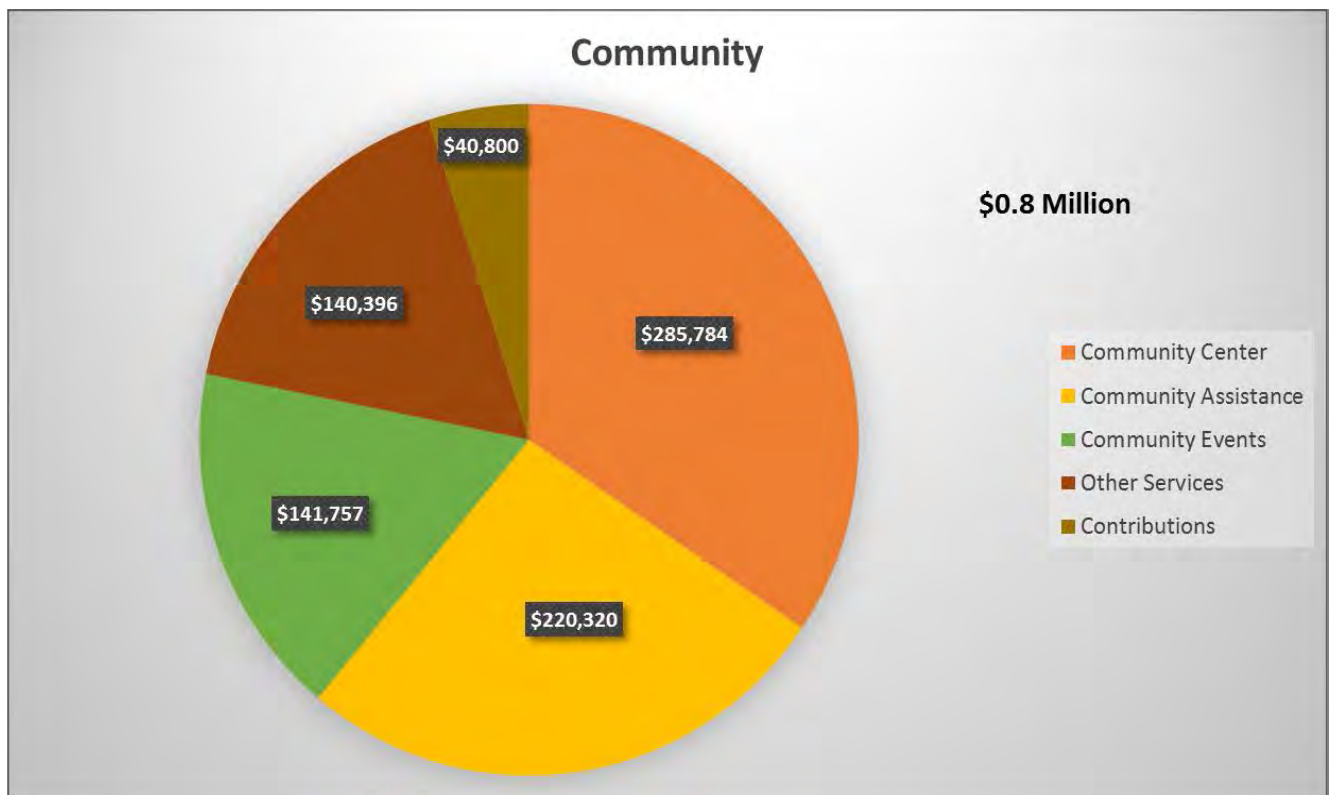
Community

Community
5%
\$800,000

The Community budget includes events for our residents held throughout the year to build community spirit and pride. Residents' events include social and dining events, Memorial and Veterans Day ceremonies, as well as support of Joslyn Center, WildLights and other community events.

The Community budget also includes decorating for the holidays, creative services to promote and advertise our events, as well as the "community center" budget for the IWGR.

Community Assistance budget is for Grants-in-Aid funding as well as Alan Seaman's bus pass program and Gerald R. Ford Elementary School.



Capital Reserves

The City had a long history of utilizing redevelopment funds for capital development, improvements, and replacements. Given the dissolution of redevelopment, the responsibility to maintain and replace these capital assets now belongs to the City.

In response, the Council adopted a capital asset replacement policy to reserve funds for capital projects. The policy establishes a \$1.4 million annual contribution. Annual contributions will come from two funding sources based upon priority as follows:

1. Interest income earned in the capital replacement funds is the first priority of funding.
2. The remaining funding is a budgeted line item in the General Fund.

Prior to establishing the contribution policy, Council established the capital replacement funds, which has a combined cash balance of approximately \$19 million.