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**ECONOMIC AND  
FISCAL ELEMENT**

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## **PURPOSE**

The Economic and Fiscal Element provides an understanding of Rancho Mirage’s position in the regional economy, the relationship between land use and economic policies and their effects upon the financial well being of the City. Past conditions which have contributed to the City’s strong financial position must be continually reevaluated for their relevancy in a growing and changing economy. Economic development and fiscal issues are closely related and are appropriately combined into one element. As part of the General Plan, economic and fiscal policies are important to the City’s ability to maintain and enhance the quality of the physical, economic, social and cultural life enjoyed by the residents, businesses and visitors in Rancho Mirage.

The Economic and Fiscal Element has a strong relationship with the Land Use Element. Government Code Section 65030.2 provides the statutory reference for this relationship: “land use decisions shall be made with full knowledge of their economic and fiscal implications, giving consideration to short-term costs and benefits, and their relationship to long-term environmental impact as well as long-term costs and benefits.” The Economic and Fiscal Element bears a lesser relationship to the Community Design Element and the Public Services and Facilities Element’s policies for maintaining economic value through public and private facilities design and municipal services.

## **ECONOMIC CONDITIONS**

### **Income and Assessed Valuation**

An understanding of the City’s role in the economy of the Coachella Valley is important to the formulation of fiscal and economic development goals, policies, and programs. Per capita assessed valuation in Rancho Mirage ranks second in the Coachella Valley and is reflective of the City’s image as a high-end resort and residential community. The highly valued country clubs, gated communities and other residential properties, along with three first-class resort hotel properties, provide the basis for the City’s assessed valuation in excess of \$2.7 billion. Upon incorporation in 1973, the City of Rancho Mirage chose not to collect a City property tax. The only property tax revenues received by the City’s general fund are for properties annexed in recent years. As a result, the City is not dependent upon property taxes as a significant source of general fund revenue. In contrast to the general fund, however, the City’s Redevelopment Agency derives a significant source of revenue from the increase in assessed valuation within one of the two Redevelopment project areas. Tax increment financing is used to implement a wide variety of Redevelopment Agency activities.

The per capita median household income in Rancho Mirage is also second highest in the Coachella Valley according to the 1990 Census. The high income level provides the purchasing power for the City’s highly valued properties and for local goods and services. Many of the City’s businesses are reliant upon local residents who frequently purchase their products or services.





## **Retail Sales**

One of the economic indicators most closely associated with land use is retail sales. While commercial zoning does not necessarily produce retail sales, the proper location and amount of commercial land use designations can help capture regional and neighborhood retail activity. Although Rancho Mirage is primarily a residential community, a significant amount of retail sales tax is generated by local businesses. The City ranks third out of nine Coachella Valley cities in per capita retail sales. The average annual growth rate in retail sales in Rancho Mirage during the period 1988-1993 was 4.5%, sixth among all cities in the region. In the past, restaurants and home furnishing stores produced the majority of retail sales in the City. With the recent (1993) construction of Home Depot, building materials has become the leading category of retail sales in Rancho Mirage. In order to broaden the economic base, the City may consider other economic development opportunities in other sales categories.

## **Resort Hotels**

The three resort hotels are major features of the social, cultural and recreational setting in Rancho Mirage. Not surprisingly, resort hotels also provide the City with its largest revenue source, transient occupancy taxes. Over \$4 million in "bed taxes" are estimated to be collected in FY1995-96. In 1994 Rancho Mirage ranked third in Coachella Valley cities' hotel room sales and six year average annual hotel sales growth rate. Occupancy rates for the City's three resort hotels ranged from 71-83% during the first quarter of 1994 compared to 66% for the entire Coachella Valley during the same period. In addition to the direct revenue generated by bed taxes, tourists also spend a considerable amount in local restaurants and shops.

## **Employment**

Although Rancho Mirage is not a major employment center, Eisenhower Medical Center, Westin Mission Hills Resort, Marriott's Rancho Las Palmas, and the Ritz Carlton comprise the majority of employment in the City. Based on 1990 Census data, the number of jobs per Rancho Mirage household was only 0.76, second lowest in the Coachella Valley. This low ratio is attributable to smaller household size and a greater percentage of retirees. As the City grows, employment opportunities may occur with successful economic development efforts.

## **FISCAL CONDITIONS**

### **Revenues and Expenditures**

A historical listing of the City's major general fund revenue sources is presented in Table XI-1. As discussed earlier, there has been a steady growth rate in the bed tax and sales tax categories. Interest income fluctuates with changes in interest rates over time. Franchise and property taxes have shown steady growth while building and planning fees, public works fees, and development fees are more sensitive to the rise and fall of the real estate market. These fees are intended to offset the cost of providing building, planning, engineering, and development services.

**Table XI-1  
City of Rancho Mirage Revenues**

<b>Fiscal Year</b>	<b>Tax Increment</b> (\$)	<b>Transient Occupancy Tax</b> (\$)	<b>Sales &amp; Use Tax</b> (\$)	<b>Other Taxes</b> (\$)	<b>Interest</b> (\$)	<b>Other Revenues</b> (\$)	<b>Property Tax</b> (\$)	<b>Total Revenues</b> (\$)
1987	5,361,362	1,384,887	1,472,136	1,973,228	2,217,223	1,581,428	192,844	14,183,108
1988	5,856,948	1,975,243	1,551,886	3,182,125	2,527,988	1,765,544	265,230	17,124,964
1989	7,754,908	2,736,231	1,711,690	1,872,747	3,334,300	4,512,663	271,162	22,193,701
1990	8,139,772	2,444,130	1,796,955	855,950	3,541,158	2,506,886	275,588	19,560,439
1991	9,957,085	2,129,846	2,293,360	564,876	4,243,796	3,204,789	295,270	22,689,022
1992	11,389,908	3,044,050	2,047,268	1,244,315	3,731,689	6,174,886	698,430	28,330,546
1993	12,526,690	3,669,275	2,140,340	1,474,616	3,135,375	7,129,971	594,621	30,670,888
1994	13,130,444	3,745,460	2,414,527	1,203,089	2,711,696	6,099,375	1,490,047	30,794,638
1995	12,899,784	3,986,048	2,683,717	1,057,737	3,863,360	7,584,734	1,842,230	33,917,610
1996	12,174,749	4,136,521	2,931,570	1,104,519	3,963,260	8,719,044	1,582,764	34,612,427
<b>Total</b>	<b>99,191,650</b>	<b>29,251,691</b>	<b>21,043,449</b>	<b>14,533,202</b>	<b>33,269,845</b>	<b>49,279,320</b>	<b>7,508,186</b>	<b>254,077,343</b>

Source: City of Rancho Mirage Annual Budget

In addition to general fund revenue, the City's Redevelopment Agency received nearly \$13 million in FY1994-95 tax increments. Over the last ten years, more than \$80 million in tax increments has been received by the Redevelopment Agency for redevelopment and affordable housing activities. This tremendous revenue source has been instrumental in reducing the need for more general fund revenues for capital improvements in the Highway 111 corridor and other Redevelopment project areas.

City expenditures in the categories of public safety, capital projects, and cultural/recreational have a relationship with other general plan elements. Table XI-2 summarizes the last ten years' expenditures in major categories, including the use of Redevelopment Agency funds. The two highest expenditure categories, capital projects and debt service, are mostly Redevelopment Agency expenditures.

### **Fund Balance**

Private sector economic conditions in Rancho Mirage have a direct bearing on public sector fiscal conditions. Revenue sources such as sales tax and bed tax contribute to the City's general fund balance and provide for local government expenditures for services and capital improvements. As of June 30, 1995, the City's general fund balance, including receivables, totaled \$19 million. This healthy fund balance is the cumulative result of annual revenues in excess of expenditures since incorporation in 1973. In the last comparison made in 1993, Rancho Mirage had the largest general fund balance of any Coachella Valley city.

**Table XI-2  
City of Rancho Mirage Expenditures**

Fiscal Year	General Govt.	Public Safety	Public Works	Cultural & Recreation	Education	Capital Projects	Debt Service	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
1987	2,306,498	2,028,172	631,777	16,905	—	14,892,272	1,417,731	21,293,355
1988	2,778,632	1,947,581	810,071	23,338	—	5,885,372	3,181,744	14,626,738
1989	4,117,053	2,086,044	1,283,772	138,067	—	9,911,055	5,283,142	22,189,133
1990	3,973,016	2,009,371	1,419,818	155,144	—	12,701,736	10,054,441	30,313,526
1991	4,251,283	2,152,166	1,999,223	169,071	—	6,366,847	5,903,214	20,841,804
1992	4,704,573	2,297,762	1,871,441	438,326	—	3,305,850	10,742,970	23,360,922
1993	5,219,844	2,616,054	1,882,424	298,924	1,589,992	10,814,068	11,710,860	34,132,166
1994	5,735,780	3,862,050	1,801,304	295,866	357,456	5,332,439	13,188,265	30,573,160
1995	6,192,714	4,112,585	2,031,978	403,652	357,541	7,888,276	11,193,600	32,180,346
1996	6,757,455	4,227,904	2,218,709	944,637	—	14,280,580	13,756,691	42,185,976
<b>Total</b>	<b>46,036,848</b>	<b>27,339,689</b>	<b>15,950,517</b>	<b>2,883,930</b>	<b>2,304,989</b>	<b>91,378,495</b>	<b>86,432,658</b>	<b>272,327,126</b>

Source: City of Rancho Mirage Annual Budget

The City's large fund balance is a product of the application of past policies, most of which have been embodied in the General Plan. For example, the policies promoting gated communities with private homeowner associations have resulted in relatively low demands for certain municipal services. Approximately 2,000 acres in the City are developed as private or gated residential communities compared with approximately 550 acres developed in ungated, non-private residential areas. Consistent with the policies favoring private communities, the City has established a set of high quality development regulations which promote and support the high-end residential and commercial developments which contribute to City revenues. Likewise, the policies supporting the three resort hotels has led to the direct and indirect revenues associated with tourism in Rancho Mirage. The City's policy that new development pay for or install public facilities that are needed to accommodate the impact from development is another example. These developer fees and exactions have relieved the City and its existing residents and businesses from paying for public facilities needed to accommodate growth.

### **Long-Range Fiscal Projections**

Each year the City prepares a ten-year financial projection to provide a long-range estimate of the City's financial strength. This process involves establishing realistic revenue and expenditure assumptions, including capital improvement needs, and calculating the resulting annual fund balances. The ten-year projection can be used as a planning tool to identify potential fiscal problems and their solutions. This progressive approach of long-range fiscal planning has enabled the City to make revenue or expenditure corrections long before fund

balance problems arise. As a part of this exercise, the City has established a goal of maintaining a fund balance equal to or greater than one year's operating expenditures. This fund balance goal provides a prudent reserve in the event of a natural or economic disaster. The ten-year financial model also includes an assumption that capital improvements will continue to be funded at an increasing level to maintain and enhance the City's infrastructure.

The City's most recent ten-year projection indicates that if past growth, revenue, and expenditure increases are carried forward at their historical rates, the City will maintain its strong financial position and meet its prudent reserve goal. The financial model assumes that existing land use patterns, development standards, and financial policies will also remain in place. In order to further improve the City's projected fund balance, a second development scenario has been incorporated into the ten-year model. This scenario includes the eventual sale and development of the Monterey Marketplace on City property at Dinah Shore Drive and Monterey Avenue.

The City's financial situation would be significantly improved by the development of the Monterey Marketplace. In a similar way, economic development efforts to further promote retail and resort development can have a considerably positive fiscal benefit to the City. Given the luxury of a large existing and projected fund balance, the City can be selective in the type of economic development projects pursued in Rancho Mirage.

## **ECONOMIC DEVELOPMENT**

The City's previous economic development plans have focused on certain target businesses such as restaurants and home furnishing stores. These businesses have succeeded in the past and have helped to create the retail base and image of Rancho Mirage along Highway 111. Redevelopment incentive programs have been established to include all public improvements along Highway 111 and other incentives for targeted businesses. The City's economic development posture was more passive than active. With the recession in the 1991–1995 period, economic development incentives in Rancho Mirage had little effect.

Although the City's financial position is sound and additional revenue sources are not desperately needed, an aggressive economic development program can further insure against future economic slowdowns. Moreover, the redevelopment of the Highway 111 corridor for both aesthetic and economic purposes demands a more active approach to overcome some of the physical and property ownership constraints that exist. To achieve this objective on Highway 111 and other areas, a broader range of prospective businesses should be entertained.

The preparation and adoption of the updated General Plan provides an opportune time for embarking on an active economic development program. The shared visions and policies coming from the General Plan process will provide fresh direction for economic development strategies. Selected market studies, revised economic development incentive programs, a City office of economic development, and the retention and recruitment of targeted businesses and industries may be incorporated in a new economic development program.





## **FUTURE DIRECTIONS**

Policies and programs for the City's fiscal management and economic development should be closely integrated with land use, community design, and public facilities elements of the General Plan. The past strengths of Rancho Mirage's economic base should be used as a basis for future policy direction. To take advantage of new opportunities in the changing economy, the City should achieve a better balance of residential, commercial, and Industrial designations while maintaining its high standards of design and development. Continued long-range fiscal planning will keep the City ahead of evolving problems and opportunities. Finally, an aggressive economic development program will improve the chances of attracting and retaining a high quality of business in Rancho Mirage.

## **GOALS, POLICIES, AND PROGRAMS**

### **GOAL 1**

A growing and balanced economic base which serves the needs of Rancho Mirage residents, businesses, and visitors while maintaining the City's high standards of development and environmental protection.

### **GOAL 2**

A prudent and progressive financial management program to maintain and enhance the City's strong fiscal position.

### **Policy 1**

The City's land use designations shall provide opportunities for a broad range of residential, commercial, office, institutional, and light industrial development in appropriate locations.

#### ***Program 1.A***

The City shall monitor the remaining capacity of all General Plan land use categories to assure that a variety of economic development opportunities are available to the private sector.

### **Policy 2**

The City may require market studies to justify requests for rezoning to a higher intensity of land use.

### **Policy 3**

The City shall take a proactive and aggressive role in the retention of existing businesses and the recruitment of new businesses in Rancho Mirage.

#### ***Program 3.A***

The City shall establish an economic development entity to develop and administer an economic development program.

### **Policy 4**

The City's economic development program shall be consistent with other adopted General Plan land use and community design policies.

**Policy 5**

Promote the development of a central place of activity to enhance the economic vitality of the Highway 111 corridor.

**Policy 6**

Redevelopment funds may be used to support economic development activities along Highway 111 and other redevelopment project areas.

**Policy 7**

Promote the development of medically related uses in the vicinity of the Eisenhower Medical Center.

**Policy 8**

The City shall maintain a prudent reserve of general funds equivalent to one year's operating expenses.



**ECONOMIC AND  
FISCAL ELEMENT**

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