TOWN COUNCIL STAFF REPORT

Title: Presentation on budget performance through the third quarter of FY23-24 and approval of Budget Amendments.

Meeting Date: May 15, 2024

Prepared by: Rob Patterson, Town Manager

RECOMMENDATION:

Receive the third quarter Fiscal Year 23-24 Budget Report and adopt the proposed resolution amending the Fiscal Year 23-24 budget as recommended in Attachment A – Budget Adjustments.

BACKGROUND:

Proper administration of the budget requires regular review of performance against budget expectations. While staff review performance on a monthly basis, staff provide Town Council with the opportunity to review our financial performance at the close of each quarter. This report reflects the third quarter's performance and provides updates on the general operating budget. The analysis primarily focuses on the General Fund and Reserve Accounts.

ANALYSIS/DISCUSSION:

A critical element of the Town budget practice is to realize revenue when received. This update focuses on Transient Occupancy Tax unallocated revenue realized in the third quarter. As these unallocated revenues become available, making the funding available for current projects or critical needs is important. The requests included in this report are timely as projects launch for the building season or needed based on the timing of civic center debt. The Town budget practices are sometimes criticized for not estimating at the full capacity and allocating funds at the beginning of the year to projects that are deemed one-time rather than normal operating budget. However, as each year progresses, the critical needs of the community change and retaining the ability to be nimble and fund those critical needs is a great strength of this process.

Transient Occupancy Tax

The primary revenue driver for the General Fund is Transient Occupancy Tax (TOT). This means the budget forecast for TOT drives the size of the Town's operating budget. It also means this is the revenue item that can generate the most unallocated revenue for the year. Staff made estimates on the performance in the second quarter and continued interest in winter recreation, which had a late start this year, was still strong. The TOT collection delivered record months for both February and March, exceeding staff projections by $1.0M for the two months combined.

Transient Occupancy Tax

Revenue Budget Distribution

Month	Budget Distribution		Actual	Variance	Estimate
July	9.2%	$ 1,658,000	$ 2,187,641	$ 529,641	
August	7.6%	$ 1,374,000	$ 1,930,626	$ 556,626	
September	3.8%	$ 675,000	$ 1,445,408	$ 770,408	
October	3.4%	$ 606,000	$ 1,060,034	$ 454,034	
November	5.1%	$ 916,000	$ 1,017,401	$ 101,401	
December	12.0%	$ 2,165,000	$ 3,220,766	$ 1,055,766	
January	13.7%	$ 2,471,000	$ 4,087,081	$ 1,616,081	
February	14.5%	$ 2,602,000	$ 4,335,468	$ 1,733,468	
March	12.2%	$ 2,198,000	$ 3,672,173	$ 1,474,173	
April	8.5%	$ 1,530,000			$ 1,900,000
May	4.2%	$ 752,000			$ 900,000
June	5.9%	$ 1,053,000			$ 1,500,000
		$ 18,000,000	$ 22,956,598	$ 8,291,598	$ 4,300,000
			Remaining Budget	$ 3,335,000	
			Total TOT - Actual and Estimated		$ 27,256,598
			Estimated variance to Budget		$ 4,256,598
			Quarter 3 Recommend TOT Increase		**$ 2,000,000**

Note: Shading denotes a record for that month.

The budget of $18.0M was adjusted in the second quarter by $5.0 million to bring the total budget to $23,000,000 for FY23-24. Through March, this budget was realized as actuals achieved $22,956,598. The estimate remaining for the year is $4.3 million, bringing the total estimated TOT to $27.2M for the year. Staff is recommending a split of the estimated remaining revenue between each quarter with $2.0M recommended as the third quarter adjustment and likely another $2 million available in the fourth quarter. The estimate for the fourth quarter should be adequate to cover any operational needs to close out the year.

The recommended increase to Transient Occupancy Tax revenue will result in additional contributions to reserve accounts for Tourism, Housing, and Transit based on Council direction and political commitments. Based on the second quarter recommendation of $2.0M, the following adjustments will be made to reserve accounts, rounded to the nearest $100.

Reserve Components	Amount
Tourism Reserve - 2.35 Points or 18.0769% of TOT	**$ 361,500**
Transit Reserve - .85 Points or 6.5385% of TOT	**$ 130,800**
Housing Reserve - .85 Points or 6.5385% of TOT	**$ 130,800**
	$ 623,100

There are no further adjustments recommended for the third quarter review. Staff has generated a list of potential one-time expenditures to address the critical needs of the community and provide flexibility to accomplish a long list of capital projects in progress.

Staff Recommendations

Staff Recommendations			
Bond Reserve - Town Hall	$	450,000	Support debt defeasence for Police Facility
Capital Projects Undesignated	$	371,900	Contingency on large projects, funding for smaller in fill projects
Shady Rest Bathroom	$	200,000	Initial set aside for $300 - 400k project
Whitmore Track & Sports Field Rehabilitation	$	100,000	Facilities open since 2012, first major rehabilitation work conducted
Park Signage	$	100,000	New monument signs (CRC, Parcel Park, Dog Park)
Ballot Initiatve Narrative Development	$	50,000	Contract in developing ballot initiative for November 2024 - Housing Funding
SHARP Trailhead	$	50,000	Combined with grant and Measure R on $1.1 project
Portable Relocation and site restore	$	35,000	Remove and transfer portables to Town project on MLF Property
Trails Grooming Equipment	$	20,000	Snowmobile - for recreational trail grooming - Non-Motorized system
Total Staff Recommendations	$	1,376,900	
Undesignated General Fund Balance	$	-	

Police Facility Bond Defeasance – $450,000

The financing plan for the Town Hall had originally included a bond reserve that would be the financing vehicle used to secure the debt. The Town Council set aside $1.0M to support this effort during the 1st quarter review earlier this year. The strategy on this debt issuance has now shifted and will use Town owned facilities as collateral therefore eliminating the requirement for a bond reserve. In order to use the Police facility as an asset, the Town is required to effectively "pay off" the outstanding debt on the building. Since the note on the facility cannot be paid early, the Town must open an escrow account for all remaining payments. Once this escrow account is established the building is considered free and clear to use as collateral. All remaining payments on the building will be paid on their due date, from the funds held in escrow. This process is called debt defeasance and the total required to establish the escrow account is just over $1.450,000. Staff is recommending $450,000 be added to the original $1,000,000 to provide funding necessary. This process will need to be completed by the time the debt issuance occurs, likely late June.

Capital Projects – Undesignated - $371,900

The Town has a number of capital projects set to begin this summer. The future capital fund is designated to accumulate funding, across multiple quarters, to provide sufficient funding for large projects. It can also be used for contingency on existing projects with variable costs of construction. As staff worked on

the CIP plan for FY24-25, a number of projects were identified but not funded. Staff will prioritize the funding of these smaller projects from these available funds based on timing or coordination with other capital projects.

Shady Rest Park Restrooms - $200,000
The Parks and Recreation Commission made several recommendations on how to invest in deferred maintenance funds. The Commission recommended setting aside $200k to replace the existing restroom at Shady Rest Park. The existing facility is showing significant wear, does not meet the demand of the facility, and is not ADA compliant. A new restroom would provide a long-needed update and meet all current standards. Staff advised the Commission that a project like this would certainly exceed the proposed budget as the facility would be a custom design and investigations would need to be done on the existing utilities. It is possible a costly new septic system would need to be installed. Staff will use a portion of these funds to complete the design for the facility and return to Commission with a final cost estimate for future consideration.

Whitmore Track and Sports Field Rehabilitation Project - $100,000
This work summary covers both the repairs for the track surface and the synthetic turf field at the Whitmore Track and Sports Field located at 575 Benton Crossing Road. Since opening in 2012, only minor maintenance has been performed on the synthetic turf field. To date, no major rehabilitation work has been conducted on the track. The typical life span of the track and turf field is 8-10 years, so while we have been able to extend this time period by a few years, this scope of work will ensure this facility is well maintained, safe, and accessible for all users in the coming years. Both scopes of work include prevailing wages that are appropriate to the State of California and any applicable taxes. The work is planned to take 7-10 days.

Track repair: Rekortan Tracks shall provide 10 square yards of repair area for four damaged and deteriorating locations on the track. Rekortan will also glue down 150 linear feet of delaminated track surface, pressure wash the track surface for cleaning, stripe the track per NFHS standards, and cleanup and disposal of debris into dumpsters. All work will be fully accessible in one mobilization; if not, additional mobilization fees will apply.

Synthetic Turf repair: Rekortan will assess the field and fix inlays up to 200 linear feet of inlay repair.

Park Signage - $100,000
The Town has added a number of new amenities that need proper wayfinding and identification. Staff are recommending the set aside of $100,000 to provide monument signs that tie in with the Town's signage and wayfinding standards. The signs will be located at the Community Recreation Center, Park at the Parcel, and the dog park.

Ballot Support - $50,000
The Town Council directed staff to prepare a ballot measure increasing TOT for the fall 2024 election. The Town will use a consultant who specializes in organizing successful ballot measures to help prepare ballot measure language and conduct analysis on strategy. A proposal has been requested but not received to date. The $50,000 set aside will support this effort.

SHARP Trailhead Construction – $50,000
This project has been in process for several years now. A grant for construction has been received and there is a gap in funding for the full construction and a need for contingency. The total cost is estimated at $1,015,000 with a grant award of $950,000. Staff are recommending $150,000 in additional funds be secured to complete the construction phase of the project. The Town has requested $100,000 from Measure R and $50,000 from the General Fund. As the bulk of this is contingency, the Town will commit to spending the grant and general fund contribution first and only use Measure R funds as needed up to the cap of $100,000.

Building Relocation - $35,000
The Town of Mammoth Lakes has an opportunity to acquire four portable classrooms from the Mammoth Unified School District. These portables are being disposed of as part of the Mammoth High School modernization project. The Town obtained six of the same style of portable for the Childcare project. Each portable is almost 900sf and can be installed for approximately 20-25% of the cost of new construction. This funding will be used to relocate and store the buildings at the Airport while staff work to develop plans for permanent installation. The building will ultimately be installed and leased to partner agencies looking for office space near the Airport.

Trail Grooming Equipment - $20,000
The Nordoni has reached the end of its useful life and is ready for replacement. The Office of Outdoor Recreation staff leased a Mammoth Mountain snowmobile last year to test capabilities of a modern, 4-stroke unit to pull the tid-tech groomer. This equipment is used to groom the non-motorized portion of the groomed trail system. This process worked extremely well this last year and the Town can purchase a similar machine for $20,000.

Total staff recommendation from the General Fund is $1,376,900.

Tourism Reserve

The tourism reserve was established to provide funding for tourism expenditures and is based on the normal allocation of TOT for tourism which is 2.35 points or 18.08% of TOT collected. This is considered a political commitment established by the Town Council to ensure tourism-related activities and more recently housing activities, have a stable funding source. The distribution from the unallocated TOT was $361,500 for the third quarter. Staff has recommended $115,000 be allocated to a project that will professionally light 14 large trees on major routes in Town. The trees will be lit year-round and the lifecycle for the lighting is five years. The project includes lightning on the monument signs welcoming visitors to the Town on Highway 203. The Town is also expanding the lighted snowflake project on Main Street and Old Mammoth Road with the addition of 27 snowflakes. The cost of this expansion is $27,000 and Town staff will install the decorations for the winter months and exchange with the banner program in the summer months. This will complete the plan for this seasonal decoration, up during the winter months, that has been in place for a few years. These additions will cost $27,000. Last year, Mammoth Lakes Tourism (MLT) contracted Clean Up the Lake, an organization that specializes in underwater work to clean up recreational lakes. The signage program will provide interpretive signage, in our design standard, that would inform the public of those efforts and how they can do their part. The cost of this program is $15,000.

Tourism Reserve

Item		Amount	Notes
Revenue			
Allocated Reserve Elements - 3rd Qtr.	$	361,500	
	$	361,500	
Staff Recommendations			
Tree Lighting	$	115,000	Professional Lighting (5 year life)
Street Animation	$	27,000	Expansion of Snowflake project
Clean Up the Lake Program.	$	15,000	Signage for Clean Up the Lake program
Remaining Reserves from 3rd quarter allocation	$	231,500	

The Housing and Transit reserves received their allocation of TOT, $130,800 each and there were no requests for those reserve accounts in the third quarter.

Other Funds

Staff has reviewed all funds in preparation for this Town Council update. In all other funds, there are no adjustments that require attention at this time.

OPTIONS ANALYSIS

Option 1: Receive the third quarter Fiscal Year 23-24 Budget Report and adopt the proposed resolution amending the Fiscal Year 23-24 budget as recommended in Attachment A – Budget Adjustments.

Option 2: Provide staff with alternate direction on the proposed budget amendments.