TOWN COUNCIL STAFF REPORT

Title: FY2025-26 Budget – General Fund Revenue Projections

Meeting Date: April 2, 2025

Prepared by: Rob Patterson, Town Manager

RECOMMENDATION:

Staff is requesting Town Council comment and provide direction on proposed revenue projections that will assist staff in preparing the preliminary FY25-26 budget to be presented on May 7, 2025, for Town Council consideration.

BACKGROUND:

The methodology and background used for each revenue forecast is consistent with prior years. Preparing these initial revenue estimates involves analysis of performance trends and review of impact from elements that can affect our visitor-based economy. These elements are variable and can change from year to year. However, some are indicative of market strength and consumer sentiment, while volatile, do not often change as quickly as the weather. Staff review these trends for clues on how these elements are changing and therefore impact our expected revenue.

The vast majority of revenue generated in the Town is directly related to visitation. We remain conservative in our estimates to prevent overreliance on highly volatile revenues. These revenue estimates are completed with the best available information to date. Staff will receive updates to information for revenue projections and make adjustments through the budget cycle. Staff are working on the expense side of the budget as we prepare a preliminary budget for discussion tentatively set for May 7th.

FY25-26 General Fund Revenue Projections

In preparing for the FY25-26 budget, several key revenue projections are made to set the stage for the expenditure side of the budget. The primary focus is on the General Fund, which supports the majority of the Town's operations. The following highlights our projection of revenues for the preliminary budget work. These projections are subject to change as more information is obtained through the budget process. The following discussion uses the adopted FY24-25 budget as a point of comparison as well as trends over the past several years. The preliminary base operating revenue for FY25-26 is $33,332,365 which represents a 1.5% increase from the prior year adopted budget ($32,852,365). This increase is muted by some anomalies from the prior year that will be explained below.

Transient Occupancy Tax

The base Transient Occupancy Tax (TOT) is recommended at $19.5 million this year, which is $1,000,000 or 5.4% higher than last year and represents 58.5% of the General Fund budgeted revenue for FY25-26. We believe this base TOT is sustainable based on summer / winter

diversification and TBID supported marketing efforts. The staff do believe this revenue item will exceed the budget within the next year, allowing for investments in Housing Now! initiatives and community investment as outlined in the Town Council Strategic Priorities. However, locking in a higher budget would increase our vulnerability to fluctuating visitation and revenues. This approach also allows us to allocate revenue in excess of the operating budget to special projects and one time spending that will further critical community programs. The Town is unique in that we depend so heavily on visitation and this revenue stream, but we are also unique in the fact we have a system to provide financial capital to further our projects, over and above our operating needs.

Visitation to the Town has fluctuated in the prior year, waning during the fall months as uncertainty about the election caused concerns. The lodging community, responding to these softening effects, did reduce their nightly rates, causing a slight reduction in average daily rates, providing a negative impact to TOT collection. Winter has been average with early storms producing excitement and a good holiday season followed by a softer January, and late winter storms delivering good snow and visitation.

Mid-year FY24-25, Measure L was introduced, increasing Transient Occupancy Tax from 13% to 15%. In January 2025, the Town Council allocated all revenue from the additional two percentage points of Measure L to Housing Now! As Housing Now! is in Fund 245 Housing Programs, they are not reflected in this analysis of General Fund Revenue. For purpose of clarity, the expected TOT revenue for Fund 245 will be $3,000,000 as a factor of the budgeted $19.4 million in base TOT.

The analysis provides a comparison of Non-Winter months (May – November) and Winter-Months (December – April). The two seasons are used to demonstrate both steady increase in Non-Winter month revenue and more potential volatility in the Winter months. The average for the past 10, 6, & 3 years is provided.

Transient Occupancy Tax Analysis

Fiscal Year	Non-Winter	Winter	Total	Adopted Budget	Actual Variance to Adopted Budget	Modified Budget
FY2013 - 14	$ 4,415,758	$ 5,947,501	$ 10,363,259	$ 11,646,356	$ (1,283,097)	$ 10,343,365
FY2014 - 15	$ 4,907,077	$ 6,401,920	$ 11,308,997	$ 11,600,000	$ (291,003)	$ 10,839,000
FY2015 - 16	$ 6,112,789	$ 9,620,717	$ 15,733,506	$ 11,600,000	$ 4,133,506	$ 14,500,000
FY2016 - 17	$ 6,958,537	$ 11,132,927	$ 18,091,464	$ 11,650,000	$ 6,441,464	$ 16,667,305
FY2017 - 18	$ 7,227,599	$ 10,639,802	$ 17,867,401	$ 12,500,000	$ 5,367,401	$ 17,472,000
FY2018 - 19	$ 7,385,530	$ 12,825,531	$ 20,214,779	$ 13,500,000	$ 6,714,779	$ 20,100,000
FY2019 - 20**	$ 5,808,258	$ 10,103,601	$ 15,911,859	$ 13,500,000	$ 2,411,859	$ 15,904,700
FY2020 - 21**	$ 8,635,050	$ 7,964,197	$ 16,599,247	$ 11,200,000	$ 5,399,247	$ 16,564,000
FY2021 - 22	$ 9,802,091	$ 16,841,118	$ 26,643,209	$ 14,500,000	$ 12,143,209	$ 26,610,000
FY2022 - 23	$ 10,053,899	$ 19,466,843	$ 29,520,742	$ 16,000,000	$ 13,520,742	$ 29,400,000
FY2023 - 24	$ 11,995,861	$ 15,427,407	$ 27,423,268	$ 18,000,000	$ 9,423,268	$ 27,400,000
FY2024 - 25*	$ 7,460,590	$ 8,057,140	$ 15,517,730	$ 18,500,000	$ (2,982,270)	$ 23,500,000

*** = Partical Year, missing March, April (Winter) May, June - (Non-Winter)**
**** = Year Heavily Impacted by COVID-19**

Average	Non-Winter	Winter	Total
10 Year	$ 7,888,669	$ 12,042,406	$ 19,931,075
6 Year	$ 8,946,782	$ 13,771,450	$ 22,718,231
3 Year	$ 10,617,284	$ 17,245,123	$ 27,862,406

Note:
Winter = December - April (5 Months)
Non Winter = May - November (7 Months)

Staff Recommendation	**$**	**19,500,000**	**5.4%**

Staff are requesting Council discussion and confirmation on the TOT revenue recommended for the initial preparation of the operating budget.

Property Tax

All Combined Property Tax revenue streams represent approximately 15.3% of the General Fund revenue or $5,100,000. This projected revenue is 3.0% higher than the prior year's adopted budget. In previous years we have been much more aggressive on property tax as the housing market and sales were very strong. There are 10 components to property tax and some elements like Documentary Transfer Tax are not expected to be as strong as previous years. That coupled with a flat property value may prompt some adjustments to valuation or other factors that will impact overall performance of this revenue item. Higher interest rates are impacting sales prices, along with concerns on the overall economy. This initial analysis considers the revenue collected in the last two years as a good baseline. This is a conservative estimate as we are $400,000 to $500,000 less than the previous year's tax collected. These estimates will be reviewed in the coming weeks as we anticipate receiving more detailed projections from Mono County. Below you will find a historical representation of property tax.

Property Tax Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget
FY2013 - 14	$ 3,175,190	$ 3,045,495	$ 129,695
FY2014 - 15	$ 3,227,673	$ 3,202,984	$ 24,689
FY2015 - 16	$ 3,356,561	$ 3,325,405	$ 31,156
FY2016 - 17	$ 3,486,307	$ 3,491,692	$ (5,385)
FY2017 - 18	$ 3,635,160	$ 3,604,022	$ 31,138
FY2018 - 19	$ 3,803,820	$ 3,532,000	$ 271,820
FY2019 - 20	$ 4,054,115	$ 3,688,000	$ 366,115
FY2020 - 21	$ 4,572,245	$ 3,927,000	$ 645,245
FY2021 - 22	$ 4,736,931	$ 4,214,850	$ 522,081
FY2022 - 23	$ 5,374,261	$ 4,650,000	$ 724,261
FY2023 - 24	$ 5,446,151	$ 4,705,000	$ 741,151
FY2024 - 25*	$ 2,982,695	$ 4,950,000	

* Partial Year

Average	Total
10 Year	$ 4,169,322
6 Year	$ 4,664,587
3 Year	$ 5,185,781

Staff Recommendation	**$ 5,100,000**	**3.0%**

Sales Tax

Sales Tax represents 9.8% of the General Fund or $3,250,000 for FY25-26. This budget amount is the same as the prior year as staff increased the budget in the previous year by 8.3%. This revenue item is strongly tied to visitation, and the price of goods and services. The performance has declined from the high of FY22-23, with the strong winter, and the variance from budget to actual is around 7%. Staff expect this trend to stabilize as inflation slows. Below you will find a historical representation of sales tax.

Sales Tax Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget	Actual % increase
FY2013 - 14	$ 1,403,323	$ 1,332,710	$ 70,613	
FY2014 - 15	$ 1,411,709	$ 1,430,000	$ (18,291)	0.6%
FY2015 - 16	$ 1,805,712	$ 1,730,000	$ 75,712	27.9%
FY2016 - 17	$ 2,617,014	$ 2,324,000	$ 293,014	44.9%
FY2017 - 18	$ 2,433,682	$ 2,250,000	$ 183,682	-7.0%
FY2018 - 19	$ 2,749,036	$ 2,490,000	$ 259,036	13.0%
FY2019 - 20	$ 2,372,657	$ 2,521,000	$ (148,343)	-13.7%
FY2020 - 21	$ 2,513,299	$ 1,850,000	$ 663,299	5.9%
FY2021 - 22	$ 3,358,773	$ 2,600,000	$ 758,773	33.6%
FY2022 - 23	$ 3,766,418	$ 2,700,000	$ 1,066,418	12.1%
FY2023 - 24	$ 3,616,593	$ 3,000,000	$ 616,593	-4.0%
FY2024 - 25*	$ 1,752,072	$ 3,250,000		

* Partial Year

Average	Total
10 Year	$ 2,443,162
6 Year	$ 2,865,644
3 Year	$ 3,212,830

Staff Recommendation	**$**	**3,250,000**	**0.0%**

Franchise Fees

Franchise Fees revenue estimate of $1,000,000 represents 3.0% of the General Fund revenue budget for FY25-26. The Town receives franchise fees for Solid Waste, Electricity, Gas and Cable. The budgeted revenue is very close to the 3-year average for actual revenue collected. While this item is tied to visitation, as the number of visitors has an effect on electricity and gas usage, it has fewer variables affecting performance. Staff expects a consistent performance to the 3-year average and is therefore budgeting closer to actual performance for this item. Below you will find a historical representation of combined franchise fees.

Franchise Fee Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget	Actual % increase
FY2013 - 14	$ 787,727	$ 729,963	$ 57,764	
FY2014 - 15	$ 787,331	$ 790,000	$ (2,669)	-0.1%
FY2015 - 16	$ 637,607	$ 804,705	$ (167,098)	-19.0%
FY2016 - 17	$ 1,010,266	$ 811,656	$ 198,610	58.4%
FY2017 - 18	$ 911,173	$ 813,000	$ 98,173	-9.8%
FY2018 - 19	$ 910,190	$ 830,000	$ 80,190	-0.1%
FY2019 - 20	$ 852,565	$ 845,000	$ 7,565	-6.3%
FY2020 - 21	$ 858,936	$ 770,000	$ 88,936	0.7%
FY2021 - 22	$ 918,042	$ 812,000	$ 106,042	6.9%
FY2022 - 23	$ 989,217	$ 900,000	$ 89,217	7.8%
FY2023 - 24	$ 1,144,586	$ 900,000	$ 244,586	15.7%
FY2024 - 25*	$ 312,431	$ 900,000	$ (587,569)	

* Partial Year

Average	Total
10 Year	$ 901,991
6 Year	$ 945,589
3 Year	$ 1,017,282

Staff Recommendation	**$**	**1,000,000**	**11.1%**

Certified Properties Fee

This was a new revenue stream for FY24-25, and it is a result of work done with the STR Advisory Committee to review the administration of Short-Term Rental (STR) business in the Town. In the first year of this revenue item, there were a few factors that influenced the amount of revenue collected. The first was the fact the Town was collecting a prorated fee for the last half of calendar year 2024, all of which would be collected in FY24-25. That resulted in an additional revenue estimate of $450,000 for the previous year. The second factor was the staff estimate of the number of Certified Property units that would apply for the certificate. The previous estimate was 3,600 and the actual number is closer to 3,400 units. The result of these two factors produces a decline of approximately 38% or $512,000 in this revenue item in FY25-26. The fee is $250 per unit, which will remain the same for FY25-26 and is renewed annually for each property. This revenue item is expected to produce $837,500 annually, which represents 2.5% of the General Fund revenue budget for FY25-26.

Other Revenues

Other Revenues represent 10.9% of the General Fund revenue and include a variety of fees and charges for service, interest, grants, etc. Some of the larger elements include the annual COPs grant ($100,000); cannabis tax ($75,000); business license ($400,000); building permit fees ($850,000); planning and zoning applications ($350,000); TBID Administrative fee ($133,400); facility rentals; ($177,000); recreation program fees ($170,000); transit fee ($150,000), and transfer – in

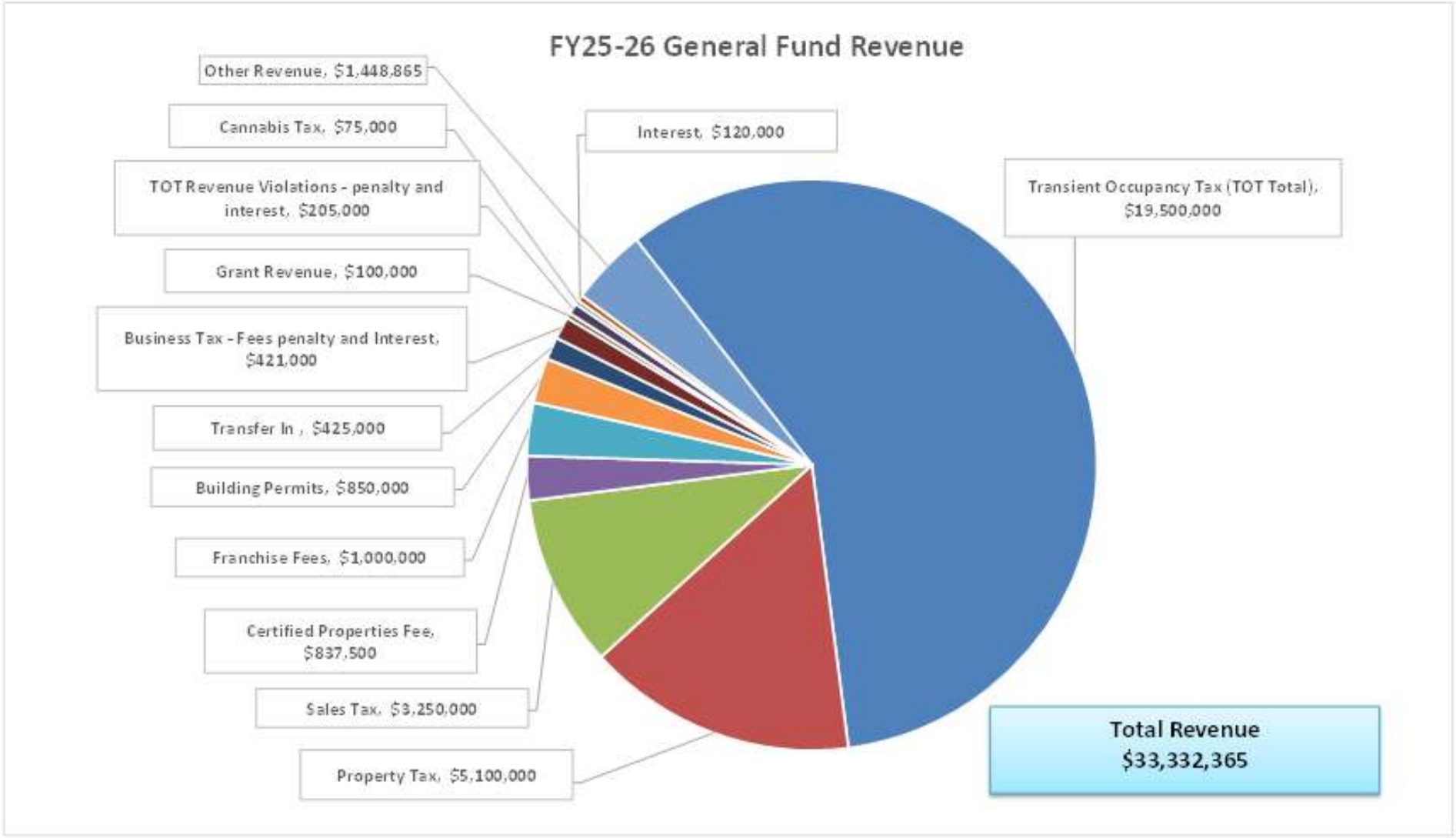
($425,000). Transfer In represents monies allocated from other funds to cover expenditures in the General Fund. The major elements included here are Tourism Reserve support for the host program and fish stocking as well as Measure R and U support for the Office of Outdoor Recreation. In addition to the specific items listed above, other revenues include planning fees; other development related fees; charges for programs; licenses and permits; interest, and miscellaneous administrative fees. The projected revenue is approximately $3,644,865.

Key Revenue Components - General Fund

Item		Amount	Total Revenue
Transient Occupancy Tax (TOT)	$	19,500,000	58.5%
Property Tax	$	4,060,000	12.2%
Sales Tax	$	3,250,000	9.8%
Certified Properties Fee	$	837,500	2.5%
Community Development Permits	$	1,254,500	3.8%
Property Tax in Lieu VLF	$	1,040,000	3.1%
Franchise Fees	$	1,000,000	3.0%
Business Tax - Fees penalty and Interest	$	534,000	1.6%
Other Revenue	$	602,000	1.8%
Recreation Programs	$	367,000	1.1%
TOT Penalty and Interest	$	205,000	0.6%
Public Safety	$	184,000	0.6%
Transit Fee	$	150,000	0.5%
Interest	$	120,000	0.4%
Charges for Services (TBID Collection, Clerk Duties, Snow Removal Civic Center)	$	178,365	0.5%
Whitemore Pool County Share 50%	$	50,000	0.2%
Total Budgeted Revenue	**$**	**33,332,365**	**100.0%**

Major Revenue Components

Item	FY22-23 Actual	FY23-24 Actual	FY24-25 Adopted Budget	FY25-26 Proposed Budget	Variance to FY23-24	%	% of Total Revenue
Transient Occupancy Tax (TOT)	$ 29,482,552	$ 27,666,698	$ 18,500,000	$ 19,500,000	$ 1,000,000	5.4%	58.5%
TOT Revenue Violations	$ 199,485	$ 75,701	$ 80,000	$ 80,000	$ -	0.0%	0.2%
TOT Penalty and Interest	$ 367,017	$ 240,932	$ 100,000	$ 125,000	$ 25,000	25.0%	0.4%
Total TOT Revenue	$ 30,049,055	$ 27,983,332	$ 18,680,000	$ 19,705,000	$ 1,025,000	5.5%	59.1%
Property Tax	$ 5,374,261	$ 5,446,151	$ 4,950,000	$ 5,100,000	$ 150,000	3.0%	15.3%
Sales Tax	$ 3,766,418	$ 3,616,593	$ 3,250,000	$ 3,250,000	$ -	0.0%	9.8%
Franchise Fees	$ 989,217	$ 1,144,586	$ 900,000	$ 1,000,000	$ 100,000	11.1%	3.0%
Certified Properties Fee	$ -	$ -	$ 1,350,000	$ 837,500	$ (512,500)	-38.0%	2.5%
Other Revenue							
Building Permits	$ 877,731	$ 1,702,958	$ 850,000	$ 850,000	$ -	0.0%	2.6%
Business Tax (New, Renewal, and Penalties)	$ 427,688	$ 458,853	$ 401,000	$ 421,000	$ 20,000	5.0%	1.3%
Cannabis Tax	$ 127,765	$ 119,694	$ 120,000	$ 75,000	$ (45,000)	-37.5%	0.2%
Interest	$ 924,642	$ 1,661,263	$ 120,000	$ 120,000	$ -	0.0%	0.4%
Grant Revenue	$ 195,664	$ 137,212	$ 130,000	$ 100,000	$ (30,000)	-23.1%	0.3%
Transfer In	$ 3,157,449	$ 437,959	$ 425,000	$ 425,000	$ -		1.3%
Misc Revenue	$ 2,354,051	$ 2,036,969	$ 1,676,365	$ 1,448,865	$ (227,500)	-13.6%	4.3%
Total Budgeted Revenue (General Fund	$ 48,243,942	$ 44,745,569	$ 32,852,365	$ 33,332,365	$ 480,000	1.5%	100.0%


FY25-26 General Fund Revenue
Other Revenue, $1,448,865
Cannabis Tax, $75,000
TOT Revenue Violations - penalty and interest, $205,000
Grant Revenue, $100,000
Business Tax - Fees penalty and Interest, $421,000
Transfer In , $425,000
Building Permits, $850,000
Franchise Fees, $1,000,000
Certified Properties Fee, $837,500
Sales Tax, $3,250,000
Property Tax, $5,100,000
Interest, $120,000
Transient Occupancy Tax (TOT Total), $19,500,000
Total Revenue
$33,332,365

Other Funds

The Town has other funds that will be incorporated into the preliminary budget such as Gas Tax, Airport, Vehicle maintenance and replacement, Measures R & U, and a number of smaller funds, such as the various assessment districts. Finalizing both revenues and expenses for several of these funds is tied to the General Fund. Using the direction provided on the above revenues will assist staff in proceeding with the next step in the budget cycle.

CONCLUSION

Your Town leadership team and finance staff have put in a number of hours preparing for the budget cycle. They are committed to working within the Town's financial limits and the policy direction provided by Town Council as we provide services to our community. Council discussion and recommendation on the key revenue components of the FY25-26 budget are a critical first step in the development of our budget. As the budget cycle progresses, staff will provide additional budget details, comparisons and other relevant information that serves to inform the overall budget development.