TOWN COUNCIL STAFF REPORT

Subject: FY2019-20 Budget Revenue Projections

Meeting Date: March 20, 2019

Written by: Rob Patterson, Administrative Services / Finance Director

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RECOMMENDATION:

Staff is requesting Council comment and direction on revenue projections that will assist staff in preparing the preliminary FY2019-20 budget to be presented in April for Council consideration.

BACKGROUND:

Town Staff is constantly striving to improve our processes for both efficiency and effectiveness. The budget process is no exception and this budget cycle we have included a number of adjustments to the process. In the prior year, we focused on department needs in advance of a revenue projection in order to get a sense of all department needs without constraints. While this approach was helpful in understanding department needs, it ended up requiring significant adjustments following council direction.

This year we are focused on revenue forecast to start our budget cycle. The methodology and background used for each revenue forecast is consistent with prior years. We remain conservative in our estimates to prevent over reliance on high revenues, unduly growing our annual budget. 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 is working on the expense side of the budget as we prepare a preliminary budget for discussion on April 11th.

FY19-20 General Fund Revenue Projections

In preparing for the FY2019-20 budget, a number of 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 FY2018-19 Budget as a point of comparison as well as trends over the past several years. The preliminary base operating revenue projection for FY2019-20 is $23,035,160, which represents a 1.07% increase from prior year adopted budget ($22,791,152). With an additional $1,000,000 in TOT available for operations, the operational budget has increased 5.7% over last year.

TOT

The base Transient Occupancy Tax (TOT) is recommended at $13.5 million this year, which is $1.0 M or 8.0% higher than last year and represents 58.6% of the General Fund budgeted revenue for FY2019-20. We believe this base TOT is conservative and sustainable based on summer / winter diversification and TBID marketing efforts. While the last four years of actual TOT has significantly outperformed this estimate, we need to remain vigilant of the volatility in this main source of revenue. As TOT grows, so does our overall town budget and this growth must be metered with conservative optimism.

For comparison purposes, TOT enforcement related revenues from assessments, penalties or interest are not included. 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 8, 6, & 4 years is provided.

Transient Occupancy Tax Analysis

Fiscal Year	Non-Winter	Winter	Total	Adopted Budget	Actual Variance to Adopted Budget	Modified Budget
FY2010 - 11	$ 3,578,681	$ 7,630,457	$ 11,209,138	$ 8,968,318	$ 2,240,820	$ 9,233,753
FY2011 - 12	$ 4,010,597	$ 5,869,941	$ 9,880,538	$ 10,913,344	$ (1,032,806)	$ 10,775,537
FY2012 - 13	$ 4,286,189	$ 7,428,834	$ 11,715,023	$ 11,247,043	$ 467,980	$ 11,247,043
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*	$ 5,458,973	$ 5,613,430	$ 11,072,403	$ 13,500,000		$ 13,500,000

*** = Partical Year, missing February, March, April (Winter) May, June - (Non-Winter)**

Average	Non-Winter	Winter	Total
8 Year	$ 5,187,153	$ 8,084,012	$ 13,271,166
6 Year	$ 5,651,325	$ 8,528,617	$ 14,179,942
4 Year	$ 6,301,501	$ 9,448,842	$ 15,750,342

Note:
Winter = December - April
Non Winter = May - November

Staff Recommendation	**$**	**13,500,000**	**0.0%**

No revenue from enforcement on illegal rentals (zoning violations), is included. Council's previous direction was for these funds to be used for one-time expenditures and not for ongoing operations. This is due to the fluctuations in this revenue source. Staff is recommending that the amounts in these categories that exceed the limited budget be used to fund the Operating Reserve.

Staff is requesting Council discussion and confirmation on the TOT revenue recommended for the operating budget and the use of related revenue.

Property Tax

All Combined Property Tax revenue streams represent approximately 15.8% of the General Fund revenue or $3,638,000. This projected revenue is 3.0% higher than prior year adopted budget with the most of this increase coming from property tax secured and in-lieu vehicle license fee categories, (in-lieu fees totaling $815,000). All property tax revenue is based on Mono County estimates provided in their February estimates, to be updated May of the current year. Base property tax rates are poised to increase by 2% as provided for under Prop 13, plus growth from new development and changes related to property sales. Staff will update our revenue estimates once this review is completed but we do not expect a significant shift in revenue between original estimate and final numbers. A review of current year actuals, show they are on pace to meet budget expectations by the end of FY2018-19. Below you will find a historical representation of property tax.

Property Tax Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget
FY2010 - 11	$ 3,329,821	$ 3,367,682	$ (37,861)
FY2011 - 12	$ 3,362,832	$ 3,225,071	$ 137,761
FY2012 - 13	$ 3,239,769	$ 3,048,071	$ 191,698
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*	$ 1,822,303	$ 3,532,000	

* Partial Year

Average	Total
8 Year	$ 3,351,664
6 Year	$ 3,353,443
4 Year	$ 3,426,425

Mono County Preliminary Analysis / Staff Recommendation	**$**	**3,638,000**	**3.0%**

Sales Tax

Sales Tax represents 10.9% of the General Fund or $2,521,000 for FY2019-20. Town Staff relies on information provided by the consulting firm of HdL to provide detailed analysis of sales tax performance. The town has enjoyed significant increases in visitation, which have helped to increase recent sales tax actuals. The recommended budget is 1.2% ahead of last year adopted budget but closer to where FY2018-19 actuals will end up. Below you will find a historical representation of sales tax.

Sales Tax Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget
FY2010 - 11	$ 1,306,556	$ 1,262,570	$ 43,986
FY2011 - 12	$ 1,457,215	$ 1,368,803	$ 88,412
FY2012 - 13	$ 1,394,993	$ 1,393,526	$ 1,467
FY2013 - 14	$ 1,403,323	$ 1,332,710	$ 70,613
FY2014 - 15	$ 1,411,709	$ 1,430,000	$ (18,291)
FY2015 - 16	$ 1,805,712	$ 1,730,000	$ 75,712
FY2016 - 17	$ 2,617,014	$ 2,324,000	$ 293,014
FY2017 - 18	$ 2,433,682	$ 2,250,000	$ 183,682
FY2018 - 19*	$ 1,366,736	$ 2,490,000	

* Partial Year

Average	Total
8 Year	$ 1,728,776
6 Year	$ 1,844,406
4 Year	$ 2,067,029

HdL Consulting Analysis	**$**	**2,521,000**	
Staff Recommendation	**$**	**2,521,000**	**1.2%**

The increase in FY15-16 was due in part due to a "true-up" payment resulting from the elimination of the "triple flip" funding structure used by the State to meet its budget needs for a number of years. We currently are seeing a more realistic 1% allocation of sales tax revenue, less the state administration fee.

Franchise Fees

Franchise Fees revenue estimate of $830,000 represents 3.6% of the General Fund revenue budget for FY2019-20. The town receives franchise fees for Solid Waste, Electricity, Gas and Cable. The budgeted revenue is the same as prior year adopted budget and slightly less than prior year actual receipts. This is done to remain conservative on this volatile revenue stream. Below is the historical representation of franchise fee revenue.

Franchise Fee Analysis

Fiscal Year	Actuals	Adopted Budget	Actual Variance to Adopted Budget
FY2010 - 11	$ 711,912	$ 646,456	$ 65,456
FY2011 - 12	$ 728,310	$ 728,167	$ 143
FY2012 - 13	$ 865,675	$ 742,731	$ 122,944
FY2013 - 14	$ 787,727	$ 729,963	$ 57,764
FY2014 - 15	$ 787,331	$ 790,000	$ (2,669)
FY2015 - 16	$ 637,607	$ 804,705	$ (167,098)
FY2016 - 17	$ 1,010,266	$ 811,656	$ 198,610
FY2017 - 18	$ 911,173	$ 813,000	$ 98,173
FY2018 - 19*	$ 466,057	$ 830,000	

* Partial Year

Average	Total
8 Year	$ 789,833
6 Year	$ 802,819
4 Year	$ 817,721

Staff Recommendation	**$**	**830,000**	**0.0%**

The increase in FY16-17 includes a one-time adjustment of $168,000.

Other Revenues

Other Revenues represent 10.27% of the General Fund revenue and includes a variety of fees and charges for service, interest, grants, etc. Some of the larger elements include the annual COPs grant ($100,000); Tobacco grant ($178,000); Climate Adaptation grant ($93,000); business license ($319,000); building permit fees ($575,000); TBID Administrative fee ($90,000); and facility rentals; ($165,000). The category incorporates planning fees; other development related fees; charges for programs; licenses and permits; interest, and miscellaneous administrative fees. The projected revenue is approximately $2,366,160.

General Fund - Major Revenue Components

Item		Amount	% of Total Revenue
Transient Occupancy Tax (TOT)	$	13,500,000	58.6%
TOT Revenue Violations	$	60,000	0.3%
TOT Penalty and Interest	$	120,000	0.5%
Total TOT Revenue	$	13,680,000	59.4%
Property Tax	$	3,638,000	15.8%
Sales Tax	$	2,521,000	10.9%
Franchise Fees	$	830,000	3.6%
Other Revenue			
Building Permits	$	575,000	2.5%
Business Tax (New. Renewal and Penalties)	$	319,000	1.4%
Grant Revenue	$	370,910	1.6%
Misc Revenue	$	1,101,250	4.8%
Total Budgeted Revenue (General Fund)	**$**	**23,035,160**	**100.0%**

Fund 210 Gas Tax Revenue Projections

The Gas Tax Fund is the second largest operating fund following the General Fund. The fund provides for road infrastructure maintenance and snow removal. The revenue for FY2019-20 includes $1,683,726 in State Gas Tax funds. This includes the reimbursement for snow removal estimated at $1,350,000. This reimbursement is based on prior year snow removal costs and a portion of this reimbursement is transferred to the various assessment districts, $100,000 in total. Since this revenue is based on prior year actual snow removal cost, Fund 210 will see an increase of 22.7% from prior year snow removal revenue. This annual fluctuation in current year expense and subsequent year revenue makes this fund challenging on General Fund. While this is always the dynamic of this fund, it has not been more evident in the last two years where we have had near record high and low snowfall totals. The Fund is supported by a General Fund transfer estimated at $2,300,000.

Gas Tax Fund - Major Revenue Components

Item		Amount	% of Total Revenue
State Gas Tax - (non Snow Related)	$	186,705	4.7%
State Gas Tax - SB1 (Restricted in uses)	$	147,021	3.7%
State Gas Tax - Snow Removal	$	1,350,000	33.7%
Total State Gas Tax	$	1,683,726	42.0%
Other Revenue	$	23,000	0.6%
General Fund Support *	$	2,300,000	57.4%
Total Budgeted Revenue (Gas Tax Fund)	**$**	**4,006,726**	**100.0%**

* Strong Snow Year will require greater contribution from General Fund to cover expenses

Other Funds

The Town has other funds that will be incorporated into the preliminary budget such as the 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 in preparing for the budget cycle. They are committed to working within the Towns' 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 FY2019-20 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.

Staff has several budget presentations / workshops planned with Town Council to walk through the budget steps in a slow and detailed pace. Below is a list of dates for Council presentation:

1. March 20, 2019 FY2019-20 Budget – Revenue Estimates
2. April 11, 2019 FY2019-20 Department Requested – Preliminary Budget
3. April 17, 2019 FY2019-20 Budget – Restricted Funds and Obligations
4. May 1, 2019 FY2019-20 Budget – Tentative Draft
5. May 15, 2019 FY2019-20 Manager Recommended – Tentative Budget
6. June 5, 2019 FY2019-20 Final Budget Adoption

A Final proposed budget and public hearing will be held on June 5 at which time the final or Council Adopted budget is recommended for approval. The June presentation will include an update the fee schedule, a review of the investment policy and review of the reserve policy.