TOWN COUNCIL STAFF REPORT

Subject: Pre-Audit Financial Results for Fiscal Year 2019-20, Fund Balance, Projects, and Continuing Commitments

Meeting Date: October 21, 2020

Written By: Rob Patterson, Administrative Services / Finance Director

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RECOMMENDATION:

Staff recommends the Town Council receive the pre-audit actual financial presentation for Fiscal Year 2019-20 and adopt the resolution amending the FY20-21 budget as recommended on Attachment A and FY2019-20 as recommended on Attachment B.

BACKGROUND:

An audit of the Town's financial transactions is completed by an independent auditor each fiscal year. In preparation for the audit, staff works to finalize all financial transactions and in doing so prepares a pre-audit actual for Town Council to consider. This provides the Council with an opportunity to review the prior year-end balances, to ratify adjustments to fund balances, to carry over funds for encumbrances, and to make adjustments for closing out capital projects. The pre-audit financials are included in this report. The report provides an overview of all of the Towns funds with information provided as appropriate. The overview will provide the Council with a "snapshot" of the Town's financial position by fund as of June 30, 2020. Staff will review adjustments made to fund balance in keeping with previous Council direction, required to account for encumbrances carried over from last fiscal year to this fiscal year, and adjustments made to close out a number of capital projects. Staff has also assembled a number of recommendations based on demonstrated needs and a commitment to fund our reserves.

ANALYSIS/DISCUSSION:

The primary focus of staff's review is the General Fund. This is the source of revenue for almost all funds within the Town's control. The primary revenue driver for the General Fund is Transient Occupancy Tax (TOT), which was on target to set another record this year when the pandemic hit. TOT revenue set records July – January before the effects of a light winter and the pandemic broke the trend. The final revenue of $15.9M exceeded the initial budget of $13.5M. Several other revenue sources met their budget expectations as updated throughout the year. The expenses were managed very closely due to the pandemic resulting is savings where possible across the General Fund. The Town did expend a significant amount of previous fund balance in support of the COVID-19 emergency and other projects. Below is a list of planned use of reserves for FY2019-20.

Change in Fund Balance

General Fund		Amount
Purchase Town Condo's	$	667,000
COVID-19 Response	$	1,000,000
Transit Reserve		
Transit Building Repairs	$	350,000
Vehicle Replacement - Allocation	$	400,000
Tourism Reserve		
Winter Animation Project	$	100,000
COVID-19 Business Support	$	200,000
Housing Reserve		
Chamber of Commerce - Housing	$	75,000
Total Planned Use of Reserves	**$**	**2,792,000**

This planned use of fund balance along with strong revenues, and managed expenses resulted in a fund balance reduction of $1,184,311 bringing the total fund balance to $11,371,078 to end FY2019-20. This fund balance has specific designations restricting some of the money for specific purposes like Housing, Transit, Tourism and Town reserves resulting in an unrestricted fund balance of $4,930,130. The remaining balance includes previously allocated funds as noted in the below discussion and recommendations.

Fund Balance - General Fund

As of June 30, 2020

Fund 100 - General Fund		Balance
Total Fund Balance as of 6/30/2019	$	12,555,389
Net change to fund Balance from FY2019-20 Activity	$	(1,184,311)
Projected Fund Balance as of 6/30/2020	$	11,371,078
Long Term Receivable (Vehicle Replacement) - Unspendable	$	(2,491,207)
Reserve for Economic Uncertainty (REU) - Committed	$	3,827,920
Operating Reserve (OR) - Committed	$	1,864,838
Housing Reserve - Assigned	$	851,854
Transit Reserve - Assigned	$	1,018,697
Tourism Reserve - Assigned	$	1,368,845
Unrestricted Fund Balance FY2019-20	**$**	**4,930,130**

This fund balance of $4,930,130 included commitments from the prior year that were included in the balance but were committed by contract, project, or other allocation to be expended in FY20-21. This resulted in carry over commitments of $2,301,214 reducing available fund balance to $2,628,915.

Reserve Account Carry Over Commitments FY2019-20		
Item		Amount
Housing Reserve - Carry Over - Detail included in Housing Reserve Reconciliation	$	386,000
Transit Reserve - Carry Over - Detail included in Transit Reserve Reconciliation	$	350,000
Tourism Reserve - Carry Over - Detail included in Tourism Reserve Reconciliation	$	308,000
	$	1,044,000

Carry Over Commitments FY2019-20		
Item		Amount
General Fund Allocation to Housing Special Projects - (FY20/21 Budget Balancing)	$	334,554
General Fund Savings FY2019/20 - (FY20/21 Budget Balancing)	$	321,372
General Fund savings in support of Airport FY2019/20 - FAA CARES Act (FY20/21 Budget Balancing)	$	300,000
General Fund - Staff charged to COVID-19 - Transfer GF Savings to cover expense	$	130,000
Contractual Services - Planning - Kimley Horn Mobility Hub Study	$	78,122
Regional Dispatch - Feasibility Study	$	25,000
Town Clerk - Municipal Election - Carry over to election year	$	17,631
Parks & Recreation - Machinery & Equipment Capital - Deferred Maintenance	$	17,400
Contractual Services - Planning - Lisa Wise Consulting	$	12,897
Parks & Recreation - Community Youth Programs Awards for Winter 20/21	$	13,938
Police - CERT Funding - Carry Over Donations	$	5,000
Town Clerk - Codification - Section 3 and 5 Review	$	1,300
Total Carry over from prior year	$	1,257,214

Available Fund Balance from FY2019-20 Activity	$	2,628,915

A number of capital projects were finalized this year through our current capital project reconciliation system. The additional efforts on project tracking resulted in only minor revenue adjustments to complete the project funding. Below are the recommendations in the General Fund to finalize the accounting on the noted capital projects to close them out. The result is a net increase of $214,757 in fund balance.

Completed Project Adjustments		
Item		Amount
CAP 17-001 - Lower Main Street Sidewalks (Activity 43462) General Fund Portion of Closeout	$	(240,000)
CAP 19-002 - Parks Fencing (Activity 46413)	$	6,292
CAP 19-004 - Community Center Improvements (Activity 46414)	$	(480)
CAP 19-006 - Tennis Court Improvements (Activity 46416)	$	-
CAP 20-008 - Parks Electrical (Activity 46422)	$	19,431
Capital Project Close Outs	$	(214,757)

Uncommitted and Available Fund Balance FY2019-20	$	2,843,672

Lower Main Street: This multi-phase construction project placed sidewalks and transit improvements on Lower Main street similar to the section of sidewalk along North Main Street completed last construction season. Improvements were made from Laurel Mountain Road to Manzanita Road in this last phase of construction will be completed in FY20-21. To date, the total cost for this multi-phase

project is $4,010,703 across three construction seasons. The funding for the project included State Transportation Improvement Program (STIP) funds ($3,860,000), Gas Tax ($525,140), and General Fund ($240,000). This project is near completion with a budget surplus of around $400,000. This anticipated surplus allows staff to recommend the return of $240,000 of General Fund that was previously allocated to the project. The project will finalize in FY20-21 and any unspent funding will be returned to their respective accounts at the project close out.

Staff Recommendations

One-Time Funding

There are a few one-time funding needs that staff is recommending for Council consideration. They include additional reserve amounts, advanced project work on a new fuel island at the Town yard, snow shoveling contract to cover various Town owned facilities, Generator work at the Police Department connecting power to the County Municipal building, and Parks & Recreation part-time maintenance worker, switch from summer to winter with savings identified above. These staff recommendations are explained in detail below.

Fiscal Year 2019-20 has proven the benefit of good financial planning to help weather an unexpected economic downturn. While the Town does have a strong reserve base, staff is requesting adjustments to existing reserves and the establishment of a reserve for annual debt payments supported by the General Fund. There are two debt payments, Lease Revenue Bond (2015) Police Facility and Taxable Judgement Obligation Bonds (2017) – MLLA Settlement Refinancing. Staff is recommending 50% of the annual debt service payment be considered as a debt reserve. The average annual payment for Police Facility debt is $314,832 and MLLA Settlement financing debt is $1,868,878. The amount required from the General Fund is $1,100,000 which staff is recommending be transferred from the General Fund to Fund 990 Debt Service / Future Capital.

Staff is recommending $57,242 in additional reserves for Reserve for Economic Uncertainty (REU) and Operating Reserve (OR). This additional contribution will bring both reserves in compliance with the current policy. Staff further recommends the establishment of a baseline revenue to eliminate fluctuation of the target due to constricted years like FY20-21 where revenue dropped more than $3M. Staff is recommending the baseline revenue of $23,000,000 be used in the policy to determine funding targets 25% of baseline revenue. This new baseline is not a set number and will be reviewed annually to determine if an increase is necessary to keep the Town in compliance with the policy. The current distribution of this 25% reserve is split between REU and OR at a rate of 16% and 9% respectively. Staff recommends keeping the total reserve for operation at 25% but adjusting the allocation between REU and OR to 20% and 5% respectively.

These reserve requests are being made in response to our recent S&P rating review and follow-up discussion on results. The Town has a negative forecast due to our dependency on Tourism for the vibrance of our economy. This negative forecast brings frequent review of our key revenue source and will likely trigger a full rating review within the year. These changes are designed to further strengthen our position and maintain our very strong bond rating.

Reserve Policy Amendment (2020)

- **Establish a Baseline Revenue $23,000,000 to base the calculations for both REU and OR**
- **Retain the Total Percentage of 25% but adjusting the split between REU and OR. REU 20%, up from 16%, OR 5%, down from 9%**
- **All interest earned from the County Investment Pool where REU is invested, will continue to be allocated to REU balance**
- **Establish new Debt Reserve equal to 50% of the annual debt service owed by the General Fund. This new reserve would reside in Fund 990 Debt Service / Future Capital as assigned fund balance.**

Baseline General Fund Revenue: $23,000,000

Reserve for Economic Uncertainty (REU) Target:	20% of $23,000,000 =	$4,600,000
Operating Reserve (OR) Target:	5% of $23,000,000 =	$1,150,000
	Targeted Minimum Reserve Balance =	$5,750,000

Current balance of REU and OR = $5,692,758
Required Additional Reserves = $ 57,243

- **Debt Reserve 50% Annual Payment - Lease Revenue Bond (2015) Police Facility - Refinance COP (Average Annual Payment $314,832 = $157,416)**
- **Debt Reserve 50% Annual Payment - Taxable Judgment Obligation Bonds (2017) (Average Annual Payment $1,868,878 = $934,439**

Required Additional Reserves (rounded) = $1,100,000

Total Reserves = $6,850,000

General Fund Required to fund these Reserves : ($57,243 = $1,100,000) = 1,157,243

Staff is recommending the replacement of the Town yard fuel island (Public Works/Fleet Maintenance). This fuel station covers all Town equipment, ESTA busses, School Busses and Fire vehicles. The station is past the useful life and has a number of current problems resulting in additional staff time used to mitigate water intrusion and keep the system clean and functioning. For the current fiscal year, engineering staff have recommended $55,000 be expended for project design work to scope and manage the project planned for completion in FY21-22, pending funding.

Staff is recommending $40,000 be allocated to connect the Police Facility to the generator servicing the Mono County municipal building. The generator project from the previous year provided funding to purchase additional capacity within the Mono County project that would provide power requirements of the Town's Police facility. It was understood that additional funds would be necessary for trenching and

connection to the new generator. This additional work will finalize the generator project for all Town facilities.

The original budget for FY2019-20 included funding for a Parks & Recreation part-time maintenance worker during the summer to support our parks. Due to a number of challenges this position was not filled during the summer. Staff has carried over the funds from FY2019-20 to fund a part-time winter snow removal position in Parks & Recreation. The Parks staff is tasked with clearing sidewalks around Town during the winter and this additional part time position will provide better coverage and backup based on our equipment and current staffing. The $28,852 carry over amount from FY2019-20, will fund the program resulting in no incremental cost for this position.

Staff is recommending $20,000 for snow shoveling on call contract for Town facilities and some backup to clearing sidewalk intersections not handled by our machinery. This is a benefit to our visitors and was not funded as part of the adopted budget for FY20-21.

Staff is recommending $15,000 for Americans with Disability Act (ADA) compliance updates to Town facilities. In FY2019-20 the engineering team worked on updating the ADA transition plan required every five years to ensure compliance with the newest regulations. These funds will help with improvements required to bring our facilities into compliance and demonstrate plan implementation.

Staff Recommendations

One Time Funding and Project Recommendations

Item		Amount
Reserve - Fund 50% of General Fund Annual Debt Service (Held in Debt Service / Future Capital)	$	1,100,000
Additional Reserves for REU and OR to support recommended policy adjustment	$	57,242
Town Yard - Fuel Island Design Work - Pre-project	$	55,000
Police Department - Generator Work to connect to Mono County Municipal Building	$	40,000
Parks & Recreation - Part Time Maintenance Worker (Switch summer to winter)	$	28,852
Town Facilities - Snow Shoveling	$	20,000
Town Facilities - ADA Improvement	$	15,000
Total One Time Funding and Project Recommendations	**$**	**1,316,094**
Total Staff Recommendations	**$**	**1,316,094**
Remaining Unassigned Fund Balance FY2019-20	**$**	**1,527,578**

Other Reserve funds held in General Fund

Housing Reserve

This reserve account is considered “Assigned Fund Balance” within the General Fund and is included in the overall fund balance of $11,371,078 listed above. The housing reserve was established to provide funding for housing projects and is based on the normal allocation of TOT for housing which is .85 points or 6.54% of TOT collected. The housing reserve receives this same rate of allocation on TOT received above the adopted budget for the fiscal year. Below is a reconciliation of the housing reserve for FY2019-20. This reconciliation includes a carryover of $779,894 from the prior year all revenue and expenditures for the fiscal year.

Housing Reserve

As of June 30, 2020

Item		Amount
FY2018-19 Housing Reserve Fund Balance	$	779,894
General Fund Contribution - Housing FY2019-20		
General Fund TOT Budget = $13,500,000		
Housing Allocation (revenue) calculated as +$13.5M / 13 *.85 =	$	882,692
Excess TOT $2,411,859 over budget provided additional allocation	$	157,698
Total FY2019-20 Revenue for Housing	**$**	**1,040,391**
Expenditures:		
MLH Contract	$	330,000
Staff Time - Town	$	230,035
Mammoth Lakes Chamber of Commerce	$	74,000
Triad/Holmes Associates	$	8,160
Placeworks	$	29
Lisa Wise Consulting	$	314,219
TOML for Clerk Services	$	10,000
Advertising & Legal Notices	$	1,988
	$	968,430
Housing Expenditures FY2019-20 YTD	**$**	**968,430**
Estimated Current Fund Balance for Housing Reserve	**$**	**851,854**
Carry over or Anticipated Items		
Contractual Services - Housing - Hastings & Associates - HOME monitoring	$	10,000
Contractual Services - Housing - Parcel Consulting	$	200,000
Contractual Services - Housing - Mammoth Lakes Housing - Missing Middle program	$	101,000
Contractual Services - Housing - Chamber of Commerce Housing Agent	$	75,000
	$	**386,000**
Estimated Available Fund Balance for Housing Reserve	**$**	**465,854**

Transit Reserve

This reserve account is considered "Assigned Fund Balance" within the General Fund and is included in the overall fund balance of $11,371,078 listed above. The transit reserve was established to provide funding for transit projects and is based on the normal allocation of TOT for transit which is .85 points or 6.54% of TOT collected. The transit reserve receives this same rate of allocation on TOT received above the adopted budget for the fiscal year. Below is a reconciliation of the transit reserve for FY2019-20. This reconciliation includes a carryover of $1,509,821 from the prior year all revenue and expenditures for the fiscal year. Town Council did authorize a significant use of fund balance for this reserve account in FY2019-20 including additional funding for Vehicle Replacement ($400,000), Transit Building Maintenance ($350,000), and Grant Match for ESTA bus purchases ($350,000).

Transit Reserve
As of June 30, 2020

Item		Amount
FY2018-19 Transit Reserve Fund Balance	$	1,509,821
General Fund Contribution - Transit FY2019-20		
General Fund TOT Budget = $13,500,000		
Transit Allocation (revenue) calculated as +$13.5M / 13 * .85 =	$	882,692
Transit Fee (Actual)	$	116,154
	$	998,846
Excess TOT $2,411,859 over budget provided additonal allocation	$	157,698
Total FY2019-20 Revenue for Transit	**$**	**1,156,545**
Expenditures:		
ESTA Contract	$	876,968
Staff Time	$	19,709
Supplies	$	846
Public Utilities	$	145
Vehicle Replacement - Incremental Transfer	$	400,000
Transit Building Mainteance	$	350,000
	$	1,647,668
Transit Expenditures FY2019-20 YTD	**$**	**1,647,668**
Projected Transit Reserve Fund Balance	$	1,018,697
Carry over or Anticipated Items		
Grant match for ESTA bus purchases	$	350,000
Bus Shelter Replacements (Removed due to budget concerns)	$	-
	$	**350,000**
Projected Transit Reserve Fund Balance	**$**	**668,697**

Tourism Reserve

This reserve account is considered "Assigned Fund Balance" within the General Fund and is included in the overall fund balance of $11,371,078 listed above. 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. The tourism reserve receives this same rate of allocation on TOT received above the adopted budget for the fiscal year. Below is a reconciliation of the tourism reserve for FY2019-20. This reconciliation includes a carryover of $1,648,334 from the prior year all revenue and expenditures for the fiscal year. Town Council did authorize a significant use of fund balance for

this reserve account in FY2019-20 including additional funding for COVID-19 Business Support ($200,000), and Winter Animation "Snow Flake" – Project with TOML ($100,000).

Tourism Reserve

As of June 30, 2020

Item		Amount
FY2018-19 Tourism Reserve Fund Balance	$	1,648,334
General Fund Contribution - Tourism FY2019-20		
General Fund TOT Budget = $13,500,000		
Tourism Allocation (revenue) calculated as +$13.5M / 13 *2.35 =	$	2,440,385
	$	2,440,385
Excess TOT $2,411,859 over budget provided additonal allocation	$	435,990
Total FY2019-20 General Fund Revenue for Tourism	**$**	**2,876,375**
Expenditures:		
Payment to MLT for Promotional Activity	$	2,179,600
Payment to Chamber of Commerce	$	260,000
COVID-19 support for Businesses	$	200,000
Special Event Support	$	160,000
Litigation Support	$	124,549
SMG Consulting - Destination Management Planning	$	21,715
Winter Animation - Capital Project with TOML	$	100,000
Los Angeles Kings Partnership annual payment	$	100,000
TOML for Clerk Services	$	10,000
	$	3,155,864
Tourism Expenditures FY2019-20	**$**	**3,155,864**
Projected Tourism Reserve Fund Balance	**$**	**1,368,845**
Carry over or Anticipated Items		
Forest Service - Rent Charges	$	8,000
Contractual Services - Tourism - Special Event Carry over	$	50,000
Los Angeles Kings Sponsorship (Remaining Payments)	$	200,000
Litigation Reserve	$	50,000
	$	**308,000**
Available Tourism Reserve Fund Balance	**$**	**1,060,845**

Other Key Funds

Fund 105 – COVID-19

In the fourth quarter of FY2019-20 the Town established a new fund, 105 – COVID-19 Response, to track the funding used to fight this health emergency. There were a number of revenue sources used to start the fund. Staff expects some amount of reimbursement from FEMA for expenses incurred to combat the pandemic provided they qualify under rules established and frequently changed by FEMA. Staff has strong documentation procedures established by the Emergency Operations Center (EOC) Unified Command. There are elements of this fund, like staff time, that are used for tracking purposes only with no expected reimbursement from FEMA. The Town has experienced challenges in the past securing funding from FEMA so full reimbursement for the expenditures should not be expected. Staff will do everything possible to maximize the reimbursement received. Due to the complexity of this fund, staff has provided a reconciliation below.

COVID -19 Funding

As of June 30, 2020

Item		Amount
FY2018-19 COVID-19 Fund Balance	$	-
Revenue		
General Fund - Emergency Preparedness & Contingency	$	1,100,000
Tourism Reserve - Business Support	$	200,000
Refunds & Rebates (Mono County Cost Share Payment)	$	1,446
Total FY2019-20 Revenue for COVID-19 Response	**$**	**1,301,446**
Expenditures:		
Staff Time	$	191,897
Supplies	$	27,955
Rental Assistance	$	150,000
Maintenance	$	916
Legal Fees	$	14,976
Emergency Operations Center	$	220,333
Advertising & Legal Notices	$	2,284
	$	608,362
COVID-19 Expenditures FY2019-20	**$**	**608,362**
Estimated Current Fund Balance for FY2019/20	**$**	**693,085**
Carry over or Anticipated Items		
Rental Assistance - Mammoth Lakes Housing Paid FY20/21	$	181,625
Business Assistance Paid FY20/21	$	215,715
	$	**397,340**
Estimated Available Fund Balance for COVID-19	**$**	**295,745**

Fund 205 – Solid Waste

The Solid Waste Fund accounts for restricted revenues related to providing solid waste related services and programs and was established in FY18-19. The majority of the solid waste programs and services are provided by Mammoth Disposal under a Solid Waste Franchise Agreement. Solid Waste Parcel fees levied in Mono County are shared with the Town under agreement with the County ($75,000). This fund has an available balance of $1,086,342 with no carry over commitments or staff recommendations.

Fund Balance - Solid Waste

As of June 30, 2020

Fund 205 - Solid Waste Fund		Balance
Fund Balance FY2019-20	$	1,086,342

Carry Over Commitments FY2019-20		
Item		Amount
	$	-
Total Carry Over Commitments	$	-

Remaining Restricted Fund Balance from FY2019-20 Activity	$	1,086,342

Staff Recommendations		
Item		Amount
Total Staff Recommendations	$	-

Remaining Restricted Fund Balance from FY2019-20 Activity	$	1,086,342

Fund 210 – Gas Tax

Gas Tax contained a significant fund balance in prior year with the anticipation of a larger winter and uncertain snow storage and hauling requirements. Due to lower snow amounts, those concerns did not come to fruition and much of the fund balance was retained. These funds along with some returns below will help to develop funding for a larger road project in the near future. In addition to the snow removal support, the engineering team has been busy this last year with significant road projects, most of which were funded from Gas Tax. These projects include the conclusion of Municipal signage and wayfinding, Fun Shop retaining wall, Lower Main Street sidewalks, Lake Mary sidewalks, and Meridian curbs & gutters. Below is a brief recap of the projects completed and funding summary.

Fund Balance - Gas Tax

As of June 30, 2020

Fund 210 - Gas Tax Fund		Balance
Fund Balance FY2019-20	$	1,564,758

Carry Over Commitments FY2019-20		
Item		Amount
Gas Tax Fund Savings FY2019/20 - (FY 20/21 Budget Balancing)	$	250,000
Total Carry Over Commitments	$	250,000

Remaining Unassigned Fund Balance from FY2019-20 Activity	$	1,314,758

SB1 – Meridian Curbs & Gutters: Improvements were made on Meridian Boulevard east of Minaret Road. The project continued similar work completed in FY2018-19 extending the full project across two years. The complete project cost of $327,438 was funded by SB1 Gas Tax collected in FY2018-19 and 2019-20.

Municipal Signage and Wayfinding: The Municipal Wayfinding and Community Messaging Project ("Municipal Wayfinding Project") provided a comprehensive, user-friendly, and attractive signage and wayfinding system in Mammoth Lakes. The total cost of the project was $537,565 and was funded by Mammoth Lakes Tourism ($350,000), Tourism Reserve ($100,000), General Fund ($52,130) and Gas Tax ($35,435). The project was completed in FY2019-20.

South Main Retaining Wall: The South Main Retaining Wall project was developed in conjunction with the South Main Sidewalks. This component of the project which is wholly on Town of Mammoth right of way was separated from the larger project to reduce the administrative costs associated with easements and design. The project provided a new retaining wall along the South Frontage Road near 3163 Main Street. The retaining wall re-aligned the South Frontage Road providing the necessary standard dimensions for backup clearance and associated turning movements for the new parking stalls along the South Frontage Road in the Town right of way. The original budget for this project was $150,000 funded from Gas Tax. Upon completion the total project cost was $88,465 returning $61,535 to Gas Tax fund for a future project. The project was completed in FY2019-20.

Lake Mary Sidewalks: In April 2019, the property owner of 18 Lake Mary Rd, iStar Financial, Inc. (Mammoth Brewery) brought a plan for a variety of proposed improvements to staff for review, including repairs and renovations to the existing building and grading and drainage work on site. The applicant indicated a desire to partner with the Town for design and construction of a public sidewalk along Lake Mary Road to connect the new Minaret Rd sidewalk with Canyon Blvd. The final project included the removal of existing concrete curb and driveways and planter areas, and construction of new sidewalk, curb and gutter, storm drain inlet and pipe, and light poles. The project is located along the north side of Lake Mary Road between Minaret and Canyon Blvd. The property also provided temporary and permanent easements. Total cost of the project to date is $146,617 and is funded by County of Mono ($94,884), iStar ($29,204), and SB1 Gas Tax ($22,529). The project will be completed in FY20-21 and any shortfall will be funded by SB1 Gas Tax. A project close out will be presented to Town Council in FY20-21 upon completion.

Completed Project Adjustments		
Item		Amount
CAP 18-001 - SB1 - Meridian Curbs & Gutters (Activity 43435)	$	-
CAP 19-001 - Municipal Signage and Wayfinding (Activity 45020)	$	35,435
CAP 19-003 - South Main Retaining Wall (Activity 45030)	$	(61,535)
CAP 20-004 - Lake Mary Sidewalks (Activity 46419)	$	22,529
Capital Project Close Outs	$	(3,571)

Staff Recommendations		
Item		Amount
Total Staff Recommendations	$	-

Remaining Unassigned Fund Balance from FY2019-20 Activity	$	1,318,329

The $1,318,329 fund balance is available for future road projects. Staff is recommending this be combined with existing budget allocations for road rehabilitation to bring forward a road project in the $1.5M – $2.0M range which should be out to bid late FY20-21. Project may be considered with a $1.3M MUP rehabilitation project.

Fund 215 – Measure R Trails

This fund is one of two that represent our Measure R special funds. The revenue from this fund comes from an annual allocation from Measure R – Sales Tax of $300,000 and a General Fund contribution of $45,000 for FY2019-20. In addition to these annual commitments, an additional $500,000 in one-time funds for capital projects were committed at Council direction at the close of FY2016-17. There is a planned use of fund balance with the ongoing trails construction as outlined in the Trails System Master Plan. The plan includes concepts the team develops into prioritized projects. The available fund balance at the close of FY2019-20 was $613,117 with no identified carryover commitments.

Fund Balance - Measure R Trails

As of June 30, 2020

Fund 215 - Measure R - Trails		Balance
Fund Balance FY2019-20	$	613,117

Carry over commitments	
Item	Amount
Total Carry Over Commitments	$ -

Remaining Restricted Fund Balance FY2019-20	$	613,117

Fund 216 – Measure R

This fund is one of two that represent our Measure R special funds. This fund provides commitment to our Parks and Recreation teams for maintenance at Whitmore Park as well as Trails End Park. The fund includes an annual allocation of $12,000 for Mammoth Lakes Recreation (FY20-21) and other smaller operational programs (Equipment Maintenance, Audit, etc.).

Fund Balance - Measure R

As of June 30, 2020

Fund 216 - Measure R		Balance
Fund Balance FY2019-20	$	426,981

Carry over commitments	
Item	Amount
Total Carry Over Commitments	$ -

Remaining Unassigned Fund Balance FY2019-20	$	426,981

Measure R has no identified carry over commitments not reflected in the existing fund balance. This unassigned Fund Balance remains open to MLR recommendation and Council action to commit to recreation-based projects.

Fund 217 – Measure U

This fund finished the year with a restricted fund balance of $3,135,059 with some carry over commitments from prior Town Council action. Prior Council action committed $2,500,000 to the

MACC for construction of that facility. These funds are retained in the fund balance. The commitment of these funds reduces the unassigned fund balance to $635,059.

Fund Balance - Measure U

As of June 30, 2020

Fund 217 - Measure U		Balance
Fund Balance FY2019-20	$	3,135,059

Carry over commitments		
Item		Amount
MACC funding commitments	$	2,500,000
Total Carry Over Commitments	$	2,500,000

Remaining Unassigned Fund Balance FY2019-20	$	635,059

Fund 220 – Airport Restricted Revenue Fund

This Restricted Revenue fund means that part of the funding revenue comes from charges to external users for goods and services. This fund receives support and ongoing commitment from the General Fund and FAA grant revenues. This fund consists of activity from Airport Operations as well as Airport Capital Projects. All funds transferred to the Airport remain in this fund, designated for future capital projects. In FY2019-20, we had an operating revenue excess of $101,080, which will be held in reserve for future capital.

Fund Balance - Airport Restricted Revenue Fund

As of June 30, 2020

Fund 220 - Airport Operating Fund		Balance
Operating Expenses	$	891,040
Operating Revenue	$	385,041
General Fund Allocation - Annual Budget	$	291,274
FAA CARES Act COVID-19 Operations	$	315,804
Operating Revenue Total	$	992,119
Excess Revenues - Held in Airport Reserve for Future Capital	$	101,080
Operating Fund Balance	$	-

The Airport performed extensive work on capital projects for FY2019-20, working on eight major projects resulting in capital project expenditure and vehicle purchase of $1,122,341. These projects are funded using AIP Grant Revenue, Restricted Passenger Facility Charge (PFC), and use of Fund Balance for vehicle purchases. The cumulative effect of this project work and grant revenue brings the capital reserve to $1,383,227.

Fund 220 - Airport Capital Projects		
Prior Capital Reserve - FY2018-19	$	1,495,761
Funding Sources - Capital Project Revenue		**Amount**
AIP 37 - Grant - Environmental - Terminal	$	182,109
AIP 38 - Grant - Upgrade Segmented Circle	$	504,505
AIP 40 - Grant - ALP	$	89,039
AIP 41 - Grant - Reconstruct Taxi lane / Slurry	$	79,073
AIP 42 - Grant - Security Gate / Terminal Area Fence	$	44,940
Restricted Passenger Facility Charge (PFC)	$	9,060
	$	908,726
Excess Revenue from Operations (Transferred from Operations above)	$	101,080
Funds Available for Projects - FY2019-20	$	2,505,567
Project Description		**Amount**
AIP 20-1 - Security Fencing (Activity Code 94236)	$	45,918
AIP 20-2 - Reconstruct Taxi lane (Activity Code 94237)	$	40,246
AIP 20-3 - Slurry Seal Taxiways (Activity Code 94238)	$	35,474
AIP 20-4 - Perimeter / Wildlife Fence (Activity Code 94239)	$	6,709
AIP 37 - Environmental Terminal Reimbursable NEPA (Activity 95437)	$	198,435
AIP 37 - Environmental Terminal Reimbursable CEQA (Activity 95537)	$	104,176
AIP 37 - Environmental Terminal Non-Reimbursable (Activity Code 95637)	$	28
AIP 38 - Segmented Circle (Activity Code 95539)	$	538,399
AIP XX - Terminal A&E Reimbursable (Activity Code 95438)	$	471
AIP 40 - Updates Airport Master Plan Study (Activity Code 95440)	$	85,968
Vehicle Purchases Authorized form Reserve (Ford F150, Paint Striper)	$	66,516
Total Expenditures for Projects and Acquisitions	$	1,122,341
Remaining Capital Reserve for future projects - FY2019-20	$	1,383,227
Note: Capital Reserve contains the following designations		
Capital Balance - Unrestricted	$	1,378,036
Passenger Facility Fees - Restricted	$	5,190

Fund 858 – Fractional Mello Roos

This fund finished the year with a restricted fund balance of $40,625. This is the result of planned use of fund balance committed by Town Council in FY2019-20 reducing the balance by $219,000. There are no carry over commitments or Council action on this balance leaving the full amount remaining and available.

Fund Balance - Fractional Mello Roos

As of June 30, 2020

Fund 858 Fractional Mello Roos		Balance
Fund Balance FY2019-20	$	40,265

Carry over commitments Item		Amount
Total Carry Over Commitments	$	-

Remaining Restricted Fund Balance FY2019-20	$	40,265

Assessment Districts

These districts exist to provide a funding source for improvement projects and maintenance of the property within the special district. These districts are reviewed on an annual basis considering the total funds available and the anticipated projects or maintenance needs. NBS consulting group performs an annual review of each district in order to recommend district assessments based on projected needs for the coming year. Below is a chart of the current assessment district and their individual balances.

Fund Balance - Assessment Districts

As of June 30, 2020

Assessment District		Balance
Fund 850 - Juniper Ridge	$	132,443
Purpose - Maintenance of landscaping, ornamental street lighting, street signs, snow stakes , and the decorative walls at the entrance.		
Fund 852 - Bluffs	$	698,342
Purpose - Debt Service for the development costs of the Bluff's Subdivision.		
Fund 853 - Bluffs Maintenance	$	226,170
Purpose - Roadway, drainage, sewer, power, street light, telephone, television cable and gas line improvements on streets within the Bluff's subdivision and between subdivision entrances.		
Fund 854 - North Village	$	612,682
Purpose - Debt Service for the District improvements include the installation, upgrade, construction, or reconstruction of irrigation and landscaping, street lighting, streets, sidewalks and driveways, curb and gutter, drainage facilities, and snowmelt tubing systems and appurtenant facilities.		
Fund 856 - Old Mammoth Road	$	573,407
Purpose - Maintenance of irrigation and landscaping, street lighting, streets, sidewalks and driveways, curb and gutter, drainage facilities, and snowmelt tubing systems and limited appurtenant services.		
Fund 857 - Village Benefit	$	791,858
Purpose - Maintenance of irrigation and landscaping, street lighting, streets, sidewalks and driveways, curb and gutter, drainage facilities, and snowmelt tubing systems and appurtenant facilities.		

Assessment District		Balance
Fund 858 - CFD 2004-01 (Fractional Use)	**$**	**40,265**
Purpose - Finance the costs and expenses of providing enhanced services and facilities to the Town including police protection services, criminal justice, recreation program operations and maintenance, library services, museums, cultural facilities, parks, parkways and various other facilities and equipment.		
Fund 859 - DIF in Lieu Mello Roos Tax	**$**	**21,456**
Purpose - Developer's have the option to pay an annual assessment rather than pay Development Impact Fees upfront. These fees may be used for public benefit facilities. The Town currently has one property within this assessment district.		
Fund 860 - Transit Facilities	**$**	**17,148**
Purpose - Contributes to the town-wide transit system.		
Fund 861 - Mammoth View	**$**	**83,991**
Purpose - The improvements maintained by the District include Viewpoint Road, the Viewpoint condominium emergency access area located to the north of the Viewpoint condominiums, sidewalks fronting the District along Main Street, Mountain Boulevard, and Alpine Circle, and appurtenant facilities.		

Development Impact Fee Accounts

Development Impacts Fees continue to be recorded through the permit process within the Community Development Department. All funds collected are restricted for specific use intended under the Development Impact Fee schedule. Last fiscal year, the Town had a significant increase in construction resulting in significant permit revenue for the Town. This increase in activity is evident in the performance of the DIF accounts as the balances have grown significantly over FY2019-20. Below is the balance of each account as of June 30, 2020.

Development Impact Fee Funds

As of June 30,2019

Account		Balance
Fund 830 - DIF Administration	$	33,091
Fund 831 - DIF General Facilities	$	66,938
Fund 832 - DIF Law Enforcement	$	34,343
Fund 833 - DIF Storm Drains	$	56,692
Fund 834 - DIF Parks & Recreation	$	74,853
Fund 835 - DIF Mono County Office of Education - Library	$	73,412
Fund 836 - DIF Circulation	$	27,567
Fund 837 - DIF Mono County Office of Education - Child Care	$	104,139
Fund 838 - DIF - Fire Facilities & Equipment	$	92,011
Fund 839 - DIF Airport Improvements	$	14,193
Fund 840 - Public Art	$	64,441
Fund 841 - DIF Transit & Trails	$	149,190

Fund 910 – Vehicle Replacement Fund

This fund is restricted specifically for vehicle replacement and has an available balance of $8,490,183 as of June 30, 2020 consisting of Restricted Gas Tax Reimbursements and Assigned Fund Balance. Town of Mammoth Lakes Fleet Management does an excellent job of servicing our vehicles that often allows them to go beyond their normal service life. The Fleet Manager does a thorough review of equipment in the fall and provides a list of recommended replacements, usually by mid-year budget review.

When vehicles are purchased, their total cost and expected life are considered in the calculation to determine annual vehicle replacement charges. For the duration of that vehicle's expected life span, we will charge the department that operates the vehicle the equivalent cost of replacement by the end of the lifecycle. This amount is increased for inflation on an annual basis to ensure we have the proper funds when we need them. If a vehicle continues to be useful beyond the calculated useful life, the replacement charges will only be needed to cover the annual inflation. When a replacement is finally purchased, the expense of vehicle replacement charges can be significantly different for the department, especially when prior charges have only been for inflation. Below are the details of the vehicle replacement fund.

Fund Balance - Vehicle Replacement Fund

As of June 30, 2020

Fund 910 Vehicle Replacement		Balance
FY2019-20 Ending Balance	$	8,490,183
Balance Components		
Restricted: Gas Tax Reimbursements	$	3,056,223
Assigned Fund Balance	$	5,433,960
Available Fund Balance FY2019-20	$	8,490,183
General Fund Loan Balance Outstanding (Non-Spendable)	$	2,491,207
Total Vehicle Replacement Reserve Account	$	10,981,390

Fund 990 – Debt Service / Capital Reserve

This fund is designated to pay our debt requirements and contains assigned balances for future capital needs. The balance at the close of FY2019-20 is $1,067,417 with one carryover item, Future Computer/Technology Requirements ($30,000). The remaining fund balance of $1,011,417 is uncommitted and available to cover capital projects. Staff is recommending $500,000 set aside for Radio / Communication System updates. The Town has been working with Mono County to revamp and improve our radio communication system. This system has reached or is near end of life and the quality of our radio traffic is being compromised. These funds would be employed to provide immediate improvement in radio functionality within the Town of Mammoth Lakes. The overall system update is a much larger project and would require identification of funding from both Town of Mammoth Lake and Mono County for full replacement. This staff recommendation would reduce the available balance to $511,417.

Under the General Fund portion of this report, staff recommended enhancing our Reserve Policy to incorporate a reserve for annual debt payments made by the General Fund. Staff recommended the allocation of $1,100,000. If both staff recommendations are approved by Town Council, the fund would contain the following.

Fund Balance - Debt Service / Future Capital Fund

As of June 30, 2020

Fund 990 Capital Fund		Balance
Fund Balance FY2019-20	$	1,061,417
Allocation of General Fund balance to provide Debt Reserve recommendaiton	$	1,100,000

Carry over commitments Item		Amount
Reserved for Future Computer / Technology	$	50,000
Debt Reserve 50% Annual Payment - Lease Revenue Bond (2015) Police Facility - Refinance COP	$	160,000
Debt Reserve 50% Annual Payment - Taxable Judement Obligation Bonds (2017)	$	940,000
Total Reserve	$	1,150,000

Staff Recommendations Item		Amount
Radio/Communication System - Upgrades	$	500,000
Total Staff Recommendations	$	500,000
Uncommitted Fund Balance FY2019-20	$	511,417

Conclusion

The above discussion touches on a number of modifications made or proposed to the various fund balances as part of year-end pre-audit analysis. Staff has presented recommendations based on identified needs and presented them for Council consideration. Staff has prepared the necessary budget adjustment documents and resolution based on these recommendations. Council may provide alternative direction as part of the discussion and if significant adjustments are made, staff will need to return next Council meeting with budget adjustment and resolution documents.

The last fiscal year faced many challenges. Staff was grateful for the guidance of Town Council in conservative budgeting that allowed us to weather a fourth quarter with very little revenue. All Town staff also did a commendable job reducing spending to just critical core level expenditures to close the year. This executed fiscal responsibility ensured we were focused on critical services and providing good fund balances to further our initiatives and projects.

OPTIONS ANALYSIS

Option 1: Staff recommends the Town Council receive the pre-audit actual financial presentation for Fiscal Year 2019-20 and adopt the resolution amending the FY20-21 budget as recommended on Attachment A and FY2019-20 as recommended on Attachment B.

Option 2: Council provide alternate direction on staff recommendations and direct staff to bring back appropriately amended budget adjustments for future Council adoption.

FINANCIAL CONSIDERATIONS:

The update provides Town Council with year-end financial results and recommends a number of budget modifications that will have a direct impact on Fiscal Year 2019-20 budget. The recommendations related to the REU, OR and debt service reserve are designed to support the Town's bond rating, currently A+, with Negative Outlook. The COVID-19 pandemic and the reliance on TOT are the key factors for the negative outlook. One of the positive elements of the A+ rating is the financial management system in place and the level of reserves that are available to meet financial obligations.

Given the unknows of FY20-21, having strong fund balance reserves provides the Town with the financial resources to respond to those unknowns. The dedication of reserves to current and future capital programs continue to demonstrate commitment to these areas, but it is also recognized that these funds may be re-directed, if necessary, to meet basic Town services. Continuing to meet the Town's reserve policy displays the Town's support of solid financial management and fiscal discipline. If the staff recommendations are implemented, the following fund balance reserves would be available to address budgetary challenges, program enhancements, capital projects, or other costs:

1. Unassigned General Fund Balance $1,527,578
2. Reserve for Economic Uncertainty (REU) $4,600,000
3. Operating Reserve (OR) $1,150,000

4. Debt Reserve (committed) $1,100,000
5. Gas Tax Fund Balance – Unrestricted portion (committed) $1,318,329
6. Airport Future Capital – Unrestricted portion (committed) $1,378,036
7. Debt Service/Future Capital (committed) $ 511,417

Total Available Funds = $11,585,360

The Town has adequate resources to meet unknown financial needs, including reserve funds that are committed to specific work program areas. This analysis only considers available revenues. As with the Town's response to COVID-19 and the development of the FY20-21 budget, there is a planned use of reserves, continued monitoring of revenues, and reductions in expenditures. All these actions are taken together to meet the needs of the Town in providing public services.