

TOWN COUNCIL STAFF REPORT

Title: Presentation on budget performance through the second quarter of FY21-22.

Meeting Date: February 16, 2022

Prepared by: Rob Patterson, Administrative Services/Finance Director

RECOMMENDATION:

Receive the second quarter Fiscal Year 21-22 Budget Report and adopt the proposed resolution amending the Fiscal Year 21-22 budget as recommended in Attachment A – Budget Adjustments.

BACKGROUND:

Proper administration of the budget requires regular review of performance against budget expectations. While staff reviews performance on a monthly basis, staff provides Town Council with the opportunity to review our financial performance at the close of each quarter. This report reflects the second quarter performance and provides updates on general operating budget. The analysis primarily focuses on the General Fund as this year has been relatively quiet outside of one major storm for the winter season. The first review of current year performance typically does not see significant changes to adopted budget unless we have a major project update or other item of significance not captured during the normal budget process. All funds have been reviewed in detail in preparation for this Town Council update. All funds not discussed are operating within the planned budget limits for both revenue and expenditures. The third quarter update, set for early May will likely have more items to cover as we discuss closing out our winter operations and the completion of a number of capital projects.

ANALYSIS:

The budget process for FY21-22 was a return to normal level of visitation without restrictions or stay at home orders endured in the prior fiscal year. Staff incorporated all core elements that were removed from the prior budget with some additional effort focused on improving the experience for both visitors and locals. On the revenue side, Transient Occupancy Tax was expected to be strong for the year and a budget amount was set based on a value needed to cover operational expenses of the Town. Except for some forest closure orders due to area fires, the Town has enjoyed a successful year of visitation with expected seasonal changes occurring as planned. The region was blessed with significant early snowstorm that allowed Mammoth Mountain to open on October 29, 2021 for on mountain operations. That early opening combined with some pent-up demand for our recreational experiences, has set the tone for a very strong year. Visitation has remained strong since the opening of the mountain and a few major snowstorms in late December brought an abundance of snow and excitement to our area. All these factors set us up for

a great year from a revenue perspective. After these major storms of late December, no weather has impacted our area and with the abundance received in December, we have been able to provide a quality experience for our visitors through the month of January, while not incurring expense related to larger snow years. This is certainly a short-term benefit as we need additional snow to extend this season and deliver a quality summer season with adequate water supply for a quality experience.

Transient Occupancy Tax

The primary revenue driver for the General Fund is Transient Occupancy Tax (TOT). As mentioned in the previous section, winter visitation started a bit early this year and has remained steady through the review period. The amount of TOT collected is a factor of both visitation and the nightly rates charged by our lodging facilities. Based on the performance of TOT, there is a significant increase in nightly rates this fiscal year, with a steady pace of visitation, resulting in strong TOT performance. To date, four of the first six months have set records in TOT collection, within each month, and combined the first six months are 28.4% ahead of the next highest six-month period. December set an all-time high of \$3.95M for any individual month, exceeding the previous December record by 39% and the previous all-time record (January 2021) by 26.6%. The chart below shows how the adopted budget of \$14.5M was distributed across each month, using a three-year average performance by month. Staff distributes the budgeted revenue to easily assess the current year performance in a volatile revenue stream. The distribution of budgeted TOT revenue is as follows:

Transient Occupancy Tax

Revenue Budget Distribution

Month	Budget Distribution		Actual	Variance	Estimate
July	9.3%	\$ 1,353,000	\$ 2,545,344	\$ 1,192,344	
August	8.2%	\$ 1,191,000	\$ 1,885,522	\$ 694,522	
September	5.4%	\$ 789,000	\$ 830,401	\$ 41,401	
October	3.2%	\$ 469,000	\$ 866,990	\$ 397,990	
November	3.1%	\$ 446,000	\$ 1,369,151	\$ 923,151	
December	13.2%	\$ 1,910,000	\$ 3,943,206	\$ 2,033,206	
January	14.7%	\$ 2,129,000			\$ 3,400,000
February	13.1%	\$ 1,902,000			\$ 3,200,000
March	12.4%	\$ 1,804,000			\$ 2,500,000
April	8.2%	\$ 1,187,000			\$ 1,500,000
May	3.7%	\$ 531,000			\$ 740,000
June	5.4%	\$ 789,000			\$ 1,480,000
		\$ 14,500,000	\$ 11,440,614	\$ 5,282,614	\$ 12,820,000
			Remaining Budget	\$ 8,342,000	
			Total TOT - Actual and Estimated		\$ 24,260,614
			Estimated variance to Budget		\$ 9,760,614
			Quarter 2 Recommend TOT Increase		\$ 3,250,000

Note: Shading denotes a record for that month.

The budget of \$14.5M did represent a return to normal visitation without closures or other pandemic effects. As stated earlier, staff did expect to exceed this budget during the fiscal year. One important element of our conservative budgeting is the willingness to make adjustments throughout the year, realizing the additional revenue and putting it to work on special projects within the Town. Staff is using the estimate above to recommend \$3.25M in additional TOT revenue for the second quarter review. Staff believes this trend will continue and could deliver similar revenue increases in quarter 3 and 4 if the estimates current trend continues through year end.

The recommended increase to Transient Occupancy Tax revenue will result in additional contributions to reserve accounts for Transit, Housing, and Tourism based on Council direction and political commitments. Based on the second quarter recommendation of \$3.25M, the following adjustments will be made to reserve accounts.

Reserve Components	Amount
Tourism Reserve - 2.35 Points or 18.0769% of TOT	\$ 587,500
Transit Reserve - .85 Points or 6.5385% of TOT	\$ 212,500
Housing Reserve - .85 Points or 6.5385% of TOT	\$ 212,500
	<u>\$ 1,012,500</u>

The second quarter budget presentation usually has very few adjustments to budget outside of TOT in stronger years. However there have been a few miscellaneous revenue items that have been impacted by lingering effects of the pandemic and special projects or occurrences within the current year. Staff is recommending the following adjustments to revenue:

Property Tax

Through December 31, 2021

Item	Current	Budget	Requested Change	Amended Budget
Property Tax Unsecured	\$ 180,000	\$ 180,000	\$ 20,000	\$ 200,000
Current Supplemental Tax	\$ 15,000	\$ 15,000	\$ 50,000	\$ 65,000
Homeowners exemption	\$ 20,000	\$ 20,000	\$ 30,000	\$ 50,000
ERAF excess	\$ 70,000	\$ 70,000	\$ 50,000	\$ 120,000
Total Property Tax adjustments			\$ 150,000	

Property tax was recognized as one of the revenue streams that increased during the pandemic. The strength of the economy, desire for people to move out of urban environments, and the ability to work from home have all contributed to this current housing condition. Staff did recognize an increase in the revenue items but retained a conservative estimate in those increases. The increases listed above and the additional \$150,000 expected for the year.

Other Revenue

Through December 31, 2021

Item	Current	Budget	Requested Change	Amended Budget
Planning and Zoning Applications	\$ 75,000	\$ 75,000	\$ 20,000	\$ 95,000
State Grants Misc.	\$ -	\$ -	\$ 15,624	\$ 15,624
Other Grants - Great Basin Unified Air Pollution Control District	\$ -	\$ -	\$ 100,000	\$ 100,000
Whitmore pool reimbursement	\$ 50,000	\$ 50,000	\$ 100,000	\$ 150,000
Refunds and Rebates	\$ 30,000	\$ 30,000	\$ 140,000	\$ 170,000
Total Property Tax adjustments			\$ 375,624	

The other revenue items listed above had unique circumstances for this fiscal year providing unexpected revenue. Planning and Zoning applications had some very large projects that accounted for the bulks of the additional revenue. Staff realized the extra

revenue in these recommendations and expects future revenue to drive this item higher. State Grants Misc. unexpected revenue is resulting from an Off Highway Vehicle (OHV) grant received by the Police Department at the start of the fiscal year. This revenue was received and offset expenses for equipment and patrol in OHV areas within the Town's boundaries. Another grant received was a grant provided by the Great Basin Unified Air Pollution Control District to fund a wood stove replacement program. The grant award was received by the Town during the budget cycle for FY21-22, but staff had yet to determine the expenditures that would be covered by the grant and therefore when the revenue would be realized.

Whitmore Pool reimbursement is an annual payment received from Mono County to support 50% of the operating expenses of the pool facility, operated by the Town. The reimbursement was delayed this year and arrived after the final accrual for FY19-20 revenue. The timing of this revenue requires it to be recognized in the current fiscal year, driving actuals well above budget. Staff will work to secure this reimbursement within the proper timing to prevent this occurrence in the future. Based on these efforts, the FY21-22 reimbursement should be received in recorded this fiscal year. These funds are recommended to be programmed back into pool improvements.

Refunds and rebates include all miscellaneous payments that the Town receives. While these are generally small and consistent, this year we had a few extraordinary items increase revenue in this line item. The Town provided prefunding to the Bluesapaloosa event in the form of a loan paid out of the Town's contingency fund. This loan was subsequently repaid after the event and was received into the Refunds and Rebates account. Staff is recognizing both the revenue and expense in this staff report. In addition to this payment, the Town received a reimbursement from our insurance provider CJPIA for \$31,760.

Based on the adjustments recommended above, the combined increase to General Fund revenue is \$3,775,624 for the second quarter budget review. While some of these funds are subject to our reserve commitments and offsetting additional expenditures, the remainder of the funds are available to allocate to specific projects.

Summary General Fund Revenues

Item	Amount
Transient Occupancy Tax	\$ 3,250,000
Other Revenue	\$ 375,624
Property Tax	\$ 150,000
General Fund Adjustments - Revenue	\$ 3,775,624

General Fund - Expenditures

The second quarter update is early enough in the year, that there are very few expenditure items that have exceeded their expected budgets, usually due to some extenuating circumstance or unanticipated need. Staff has done a thorough review of all General Fund expenditures looking both at performance to budget and expenditure rate to determine budget adjustment needs. The vast majority are on target and only minor clean up could be performed during the second quarter. This chart below includes the recommended updates:

General Fund - Expenditure

Through December 31, 2021

Item	Current	Budget	Requested Change	Amended Budget
Town Administration - Replenish Contingency	\$	100,000	\$ 90,000	\$ 190,000
General Services - Community Support Programs	\$	25,000	\$ 100,000	\$ 125,000
Parks & Recreation - Maintenance - Pool Updates and Repairs	\$	12,000	\$ 50,000	\$ 62,000
Total Expenditure adjustments			\$ 240,000	

The expenditure updates listed above all reference allocation of additional revenue recognized in this quarter update. As previously mentioned, the prefunding loan to the Bluesapaloosa event has been repaid and realized in the Refunds and Rebates revenue line item. Staff is recommending we also replenish the contingency fund to realize the availability of the funds for other projects, bringing the net available amount back to \$100,000. Also, the Other Grants revenue, realizing the \$100,000 grant from Great Basin Unified Air Pollution Control District will be used to fund a community program to replace older wood stoves that emit too much pollution into our environment. Staff has increased community support programs for this purpose. Finally, the reimbursement timing from Mono County will be used on updates to the Whitmore Pool expenses. The Town was approached by the Department of Fish and Wildlife with a request to review our current discharge process. Parks maintenance staff have developed a plan that would eliminate all discharge from the pool and require capture, retention, and disposal of pool water.

Staff Recommendations

Housing Programs

One of the Town Council's Strategic Priorities is to "Expand availability and affordability of Community Housing". Staff has identified opportunity to invest in both short and long-term strategies to make this priority a reality. Success for this strategic priority requires a multi-pronged approach using both immediate housing through direct purchase of existing units, additional funding for future phases of The Parcel project, and land acquisitions for future projects. Staff is recommending the allocation of \$2.1M from the second quarter review to Fund 245 Housing Programs in the following areas:

Housing Programs - Fund 245 - Land Purchase	\$	700,000
Housing Programs - Fund 245 - Bridge Program	\$	400,000
Housing Programs - Fund 245 - Parcel Phase II	\$	1,000,000

The Town is currently working on some land acquisition projects that would require immediate availability of funding should equitable deals be made on the purchase. The amounts listed above would be adequate to cover these needs in the short term and allow the Town to finalize the deals. The Town has been successful implementing its bridge program under our Housing Now! efforts to purchase units at market rate and resale them as deed restricted units to residents with income levels up to 120% of area median income. With an additional \$400,000 the Town can continue this program and fund an additional 3 – 4 units under the program. The Parcel phase II has an identified funding shortfall of approximately \$5.1M as currently identified. Staff is recommending a set aside of funds over time to accumulate the needed funds without overburdening the Town’s resources. The \$1M identified above will be a good start to this funding program and with subsequent allocation recommended when additional funding becomes available. This approach should provide adequate funding in the timeframe necessary for the project.

The Town has been working for a few years with other entities to provide a solution for childcare shortage experienced within the Town. This is a problem that has broad ranging effects across the community and will require several partners to solve in the long term. The main area of work the Town can contribute to this problem is securing a site and/or facility to house the future solution. Staff is recommending a set aside of \$400,000 for this purpose. Staff believes additional funding will be necessary for this purpose, but the amounts recommended at this time exhaust identified revenue for this quarter. Additional funding support may also be necessary to complete the childcare facility in Phase 1 of the Parcel.

Staff recommendations for this quarter total \$2,500,000, leaving available funds of \$23,124 to remain in undesignated General Fund balance, available for future allocation. Below is a summary of items discussed in this staff report:

General Fund

Item	Amount
Revenue	
Transient Occupancy Tax	\$ 3,250,000
Property Tax	\$ 150,000
Other Revenue	\$ 375,624
	<u>\$ 3,775,624</u>
Expenditures	
Town Administration - Replenish Contingency	\$ 90,000
General Services - Community Programs - Wood Stove Replacement	\$ 100,000
Parks & Recreation - Maintenance - Pool Updates and Repairs	\$ 50,000
	<u>\$ 240,000</u>
Political Commitments	
Tourism Reserve- 2.35 Points or 18.0769% of TOT	\$ 587,500
Transit Reserve - .85 Points or 6.5385% of TOT	\$ 212,500
Housing Reserve - .85 Points or 6.5385% of TOT	\$ 212,500
	<u>\$ 1,012,500</u>
Funds Available for allocation	\$ 2,523,124
Staff Recommendations	
Housing Programs - Fund 245 - Land Purchase	\$ 700,000
Housing Programs - Fund 245 - Bridge Program	\$ 400,000
Housing Programs - Fund 245 - Parcel Phase II	\$ 1,000,000
Future Capital - Fund 990 - Child Care Facility	\$ 400,000
Total Staff Recommendations	\$ 2,500,000
Undesignated Fund Balance	\$ 23,124

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. Gas Tax fund which provides for our road maintenance and snow removal, was impacted by the major storms in December but did not exceed allocated budget. Should we receive more storms of

significance, we will likely need to address funding needs in future quarters. The cost of operations for the Town's snow storage facility, based on the current contracts, remains a problem for the Town. The mobilization of the storage facility and expenses from the storm cycle experienced in late December, had a net cost just short of \$550,000 for the Town. Had storm cycles continued into January, the Town would have required additional revenue to fund these operations. The Town recognizes the need to address our snow storage issue in order to provide a viable solution for snow storage needs of the community in the long term.

OPTIONS ANALYSIS

Option 1: Receive the second quarter Fiscal Year 21-22 Budget Report and adopt the proposed resolution amending the Fiscal Year 21-22 budget as recommended in Attachment A – Budget Adjustments.

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