

TOWN COUNCIL STAFF REPORT

Title: Workshop on Allocation of TOT Revenues, Review of TBID and Short-Term Rentals.

Meeting Date: October 27, 2021

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RECOMMENDATION:

This is a workshop item with no formal recommendation. Council may provide comment and direction as appropriate.

BACKGROUND:

This report provides the framework for the Town Council to discuss the allocation of Transient Occupancy Tax (TOT) revenues, the Mammoth Lakes Tourism Improvement District (TBID), and the status of short-term rentals in the Town. The allocation of TOT revenues for specific purposes, the budget process and use of these funds has been an ongoing topic. The positive impact the TBID has provided for marketing/communications/media relations and support of air service is recognized. The growth in short-term rentals over the past several years and the impact this has on revenues, housing and the community has been discussed as well.

This report and the Council workshop are structured as a presentation and discussion item with no formal action recommended. Staff is looking for discussion, input, questions, and general direction in these areas to be fleshed out in more detail as desired. Each of the topics represent a substantial area for discussion, but they are interrelated.

ANALYSIS:

TOT Ballot Measures Review

The current Transient Occupancy Tax (TOT) rate is 13%. This rate was put in place through a series of voter approved ballot questions in 1986, 1994, 1996, 2002 and 2006. The ballot questions to increase the TOT rate were approved as general taxes, meaning the revenues may be used for any governmental purpose. The arguments and statements made as to the planned use of the tax revenue designed to gain support for the tax increases are referred to as “political commitments.” This included, over time a commitment to use 1% for housing, 1% for transit and 2.5% for tourism and the remaining 8.5% for Town services, with 1.5% of the Town’s amount committed to capital projects (community facilities).

The measures were passed as general taxes and include similar statements as provided in the 2002-A analysis as follows:

“A Yes is a vote to increase the Transient Occupancy Tax rate from 10% to 12%. The increase in tax rate will provide additional general fund revenues both to maintain existing programs and to support future programs and services determined necessary by the Town Council.”

The language for the 2002-A argument in favor stated the increase from 10% to 12% will:

“ . . . provide general fund revenues for, among other things, housing for local workers, recreational and municipal facilities for our residents, which our visitors will use, and additional marketing to ensure that existing businesses remain competitive with the resort corridor.”

A 1% increase from 12% to 13% in 2006 had a political commitment for transit but was also passed as a general tax.

As noted, the statement that the tax may be used as “determined necessary by the Town Council” was clearly part of the ballot information provided to the voters. In 1986 the Council at the time committed the business license fees to support marketing. Starting in FY17-18 it was shifted back to general Town purposes. Exhibit 1 provides an overview of ballot measures and past adjustments to the allocation (political commitments) and use of the TOT revenue.

The last adjustment to the allocations of TOT revenues were for Tourism, Housing and Transit and not dedicated to a specific organization. The amount paid to each entity, Mammoth Lakes Tourism (MLT – includes the Chamber of Commerce), Mammoth Lakes Housing (MLH) and Eastern Sierra Transit Authority (ESTA) is based on contractual relationships. The allocation may be referred to as a % (such as 2.35% for Tourism) which is a reference to a share of the total 13% TOT rate, which is 2.35 points of the rate, or as a percentage of revenue or 18.077% of budgeted TOT revenue. The current allocation of TOT to these three areas, Tourism, Housing and Transit is based on the Town’s adopted budget, with the remaining amount going to the Town, as follows:

Tourism	2.35 (Points)
Housing	.85 (Point)
Transit	.85 (Point)
Town	8.95 (Points)

Funds not granted to a specific agency or used in the specific area are held in designated reserves. The Town portion is used to support overall Town operations. Funds held in reserve by service area may be used by the Town for the same types of services (Tourism, Housing and Transit) or directed to other priorities. The use of reserve funds is at the ultimate discretion of the Town Council and may be used for any governmental purpose, as provided for in the approved ballot measures. Exhibit 1 provides information on the ballot measures, changes in the TOT rate over time and the various adjustments that have been made to the commitments of the designated TOT amounts (political commitments). The Town allocation is noted as there was an initial allocation of 1.5 points committed to community facilities.

Adjustments to the allocations was driven by economic conditions, the settlement of the MLLA lawsuit, and more recently Town Council priorities. Exhibit 1 outlines these changes. The

allocation of funds to agencies and/or purposes noted is referred to as political commitments and the TOT is often referred to as “Measure A” funding, as the ballot measures included a year and the letter A (i.e., Measure 2002 A). In 2006 Measure T was passed and the 1% increase in the TOT rate was committed to Transit, the rate was later adjusted to .85%. As part of the MLLA settlement the Town funded the vast majority of the settlement, with each of the areas also being reduced as outlined in Exhibit 1.

Town’s Budget Strategy

For the past six years the Town has taken a conservative approach to budgeting. The budget process is designed to achieve Council priorities. To achieve these priorities, the budget reflects TOT revenues that may be substantially lower than prior year actuals would suggest as well as a conservative approach to other revenues and operating expenditures. The first priority is the financial health and stability of the Town to meet debt and operational obligations. This includes maintaining an “A” or better bond rating by Standard and Poors (S&P). The most current rating is an “A+” with a negative outlook. The outlook reflected the unknown impact of COVID and the concentration of the Town’s revenues in the tourism industry. The Town’s rating has improved from a “C” rating following the MLLA settlement in FY12-13 to the current rating.

The Town has established a specific reserve policy within the past couple of years, which is fully funded in accordance with the adopted policy. This includes a reserve for economic uncertainty (REU) equal to 20% of general fund revenue, an operating reserve (OR) set at a level equal to 5% of general fund revenues. A baseline amount is part of the policy which retains at a minimum, the current reserve levels. The policy defines the circumstances for the use of reserves as well. In addition, the Town has a contingency reserve of \$100,000 funded from operating revenues each year and a debt reserve of \$1.1 million, which represents 50% of the Town’s annual general fund debt service payments. Funding of these reserves not only enhances the Town’s bond rating, but provides the resources to respond to an emergency, to work through economic down turns, or to meet unforeseen needs or opportunities. As a recent example, the Town was able to adjust its budget to address the unknown impact of the COVID-19 pandemic. Actions taken by the Town to reduce costs, maintain core services, avoid layoffs, support the emergency response, and provide financial support to local businesses and families was possible due to the budgetary and strategic financial management actions put in place by the Council and Town staff.

The Town’s budget reflects maintaining current levels of service, with strategic investments in facilities, equipment and staffing to meet specific areas of need. This has included the construction of a new police station, the upgrading of the Town’s fleet (includes snow removal equipment), and new and upgraded equipment for public works and parks department. Staffing investment in Police, Public Works, Vehicle Maintenance, Parks, and limited administrative staff has been done slowly and linked to a conservative budget to ensure the positions are secured over time.

The budget process has provided funding to support capital investments. The process focuses on major capital projects being funded out of one-time savings/additional revenues. This reduces competition for limited resources in the budget process (or the over estimation of revenues) between operations and capital projects. The opportunity to focus on capital expenditures outside of operational demands and with a known amount of funds has resulted in a smoother process and more investment. The Town has reduced the amount of deferred maintenance dramatically in our

parks, community center, Town offices, streets, and by updating equipment. The ability to invest in excess of \$1 million a year in roads, sidewalks and MUPs is a direct result of the budgeting process.

The recent investments in housing projects including the purchase of the 25-acre Parcel site, the purchase of units, the funding to construct new units and the ability to partner on projects is again directly the result of the Town's budget discipline, conservative approach and strategic investment in services, equipment, and capital projects. The success of the past several years and the planning for substantial investment in community, workforce housing is achieved in large part by limiting the upfront budgeting of TOT revenues. Town staff is also creative and successful in leveraging grants, use of restricted funds, and partnerships to achieve successful outcomes.

The Town's budget strategy is directly related to the allocation of TOT revenues, including the use of set percentages or "points" of TOT allocated to specific purposes and/or agencies. TOT is the focal point of the Town's financial discussions as it provides 60% of the Town's adopted budgeted revenues. The use of larger than budgeted TOT revenues, along with other revenues and cost savings provides funding for much of the investment described above. TOT also supports the areas of tourism (primarily through Mammoth Lakes Tourism); Transit services (primarily through ESTA) and housing (primarily community outreach through Mammoth Lakes Housing). Housing has become a multi-faceted program involving state and federal grants, Town levied fees, other state and federal programs, purchase of units, and Town investment in new project development. As noted, the investment in the Parcel, the single largest community housing project in the Town's history, would not be moving forward, but for the Town's financial investment.

TOT Allocations

Exhibit 1 walks through the initial and changes made to TOT allocations to agencies, for specific purposes and current allocations. The specific funding for Mammoth Lakes Tourism and Mammoth Lakes Housing is based on set contract amounts and paid quarterly. The allocation to ESTA is based on a contract tied to an hourly rate and number of service hours. Additional service hours requested are billed at the agreed upon rate. The initial amount of revenue available for each service area (Tourism, Housing, and Transit) is based upon the Town's adopted TOT revenue in the Fiscal Year budget. For FY21-22 this is \$14.5 million.

There are three basic policy outcomes that are evident in past allocation of TOT revenues:

- 1) There is a commitment to fund Tourism, Housing and Transit related work
- 2) The revenues are part of the Town's General Fund and subject to Council action
- 3) Past Councils have adjusted the allocations based on different needs and conditions.

Current actions and funding allocations continue to support these policy outcomes. Over the past year the discussion included the options to adjust current funding allocations within the three service categories to meet competing priorities and community need. This includes greater support for affordable workforce community housing and the investment in capital infrastructure. While the current budget and allocation process have provided funding for these areas, the near-term (3-5 years) outlook is for a greater level of funding for housing, incremental increases in transit and ongoing need or infrastructure investment. These demands will need to balance with ongoing work programs and services that support work programs in each area.

The Town has experienced substantial growth in TOT revenues. The creation of the TBID in 2013 increased spending to attract visitors to Mammoth Lakes and the success of MLT in using TBID and TOT revenues for marketing related work had a positive result on visitation to Mammoth Lakes including extending visitation into traditionally slower seasons. Other factors contributed to the growth in TOT revenues including overall national and state economic expansion, private sector marketing, and a renewed emphasis on the outdoors by federal agencies. The addition of more events, focus on off peak marketing, increased pricing and economic growth added to increased visitation and revenue generation. The average annual collection of TOT revenues from FY06-07 through FY12-13 was \$10.5 million. This average increased to \$15.65 million from FY13-14 to FY19-20. A record amount of TOT revenue of \$20.2M was received in FY18-19.

Tourism Funding

The TOT Allocation for tourism includes funding for MLT, inclusive of the Chamber of Commerce. Funding for MLT is based on the allocation of revenue generated based on 2.35 points of TOT in the adopted budget. The total allocated funds for FY21-22 are \$2,671,200. Any funds more than the allocated amount are held in a “tourism reserve”. The MLT Board and Town Council have recommended the reserve funds be used to support community housing projects in the near term, which is being done. The use of the reserves may be used by MLT upon request and approval of the Council. The Council may use the reserves after consulting with MLT but does not require MLT approval. The current agreement with MLT expires June 30, 2023. Any modification to the agreement would need to be done by mutual agreement or by action by the Town to terminate the current agreement and consider a new agreement.

MLT is also funded from TBID revenues (Tourism Business Improvement District) and MLT serves as the “owners association” for management and implementation of the TBID management plan. MLT serves in this role under contract with the Town. The TBID revenue is generated through a self-imposed fee on all tourism related businesses in the Town. The collection of TBID revenues started in September 2013 (FY 2013-14). The TBID was renewed in 2018 for a second 5-year term ending August 31, 2023. The Town retains 2% of the revenue collected to offset collection costs, processing, and enforcement. TBID revenue for FY21-22 is budgeted at \$4,802,458. The TBID was established and operates under specific State statutes which are addressed in more detail below.

Housing Funding

The area of housing saw the most significant reduction in funding from adjusted allocations. Exhibit 1 provides details of the adjustments. The recalibration of the TOT allocations in FY17-18 was done in large part to add funding for housing programs. This was not simply a redirection of funds back to MLH as a partner but focused on Town efforts to support housing along with the ongoing work of MLH. These efforts resulted in the purchase of the Parcel, updates to local zoning codes, acquisition of units and more recently the setting aside of funding for specific projects and supporting the Parcel development plan. MLH and the Town continue to provide grant funds for first time home buyers, community outreach and education, preservation of deed restricted units, and the Town has provided financial assistance for MLH’s Access Apartments project. The FY20-21 base funding for housing from TOT committed revenues is \$948,077.

The Town's Housing program is supported by other restricted revenues from a variety of grants and dedicated fees. Grant programs are delivered through MLH. The majority of grants are directed towards first time, low income, home buyers. Grants have supported the rehabilitation of units and in response to the pandemic, supported keeping people in their homes. The Town provides a revolving loan fund to maintain deed restricted properties by supporting MLH through a buyback program used when homes cannot be sold by the owner to qualified low-income buyers. The program has \$600,000 and is supported by the housing in-lieu fees and the General Fund. Mono County also provides a \$300,000 loan fund. MLH receives \$336,000 under their contract with the Town and receives program administrative and delivery funds from grant administration. MLH also provides services to other agencies and receives income from property ownership. The current contract expires June 30, 2022.

The Town has increased its level of funding for housing projects substantially beyond the political commitment or dedication of TOT revenues to housing. The need for affordable, community workforce housing has become a critical factor for the local business community. While the production of housing takes time, the Town will be investing over \$8 million to support housing initiatives over a two-year time period, in addition to continuing current grant programs and providing support for the Parcel project. However, the current need for workforce housing will require additional investments, a mix of strategies, partnerships, and additional Town funding.

Transit Funding

Transit services in the Town are provided by the Eastern Sierra Transit Authority (ESTA). ESTA is a separate governmental Joint Powers Authority comprised of the Town of Mammoth Lakes, Mono County, Inyo County, and the City of Bishop. ESTA also has state and federal funding sources to help with operations and capital purchases. The fixed routes provided by ESTA's transit services in the Town are provided free of charge to the public. The service is supported through a contract with the Town, a contract with Mammoth Mountain Ski Area, and contracts for services provided to Reds Meadow/Devils Post Pile and special events. The Town also supports ESTA with dedicated transit revenues. ESTA contracts with the Town for services based on an hourly rate and expected hours of service. The rate and service hours are reviewed at least annually. Adjustments during the year may be made to service hours based on needs. The dedicated TOT revenue for FY21-22 is \$948,077. The Town's transit program extends beyond just bus/trolley services. Using transit reserves and other funds, the Town provides vehicle maintenance, limited vehicle replacement funding, partners with ESTA on grants, and maintenance on transit shelters, replacement, and new shelters. ESTA is facing future financial challenges in operations and vehicle replacement and the planned electrification of the fleet and the means to support a new fleet. The contract with ESTA is renewed annually.

TOT Allocation Discussion

The current allocation and budget process has resulted in available revenues and savings that have been directed to priority projects including housing projects and capital projects. Funds have come from Town savings/revenues and the use of reserves within the Housing and Tourism areas. Transit reserves have been used for transit capital projects and vehicle replacement reserves. The need for additional funding for community housing was discussed as part of the FY21-22 budget development. A shift in a portion of the direct allocation to MLT was also discussed as part of the annual contract review and update. The MLT Contract was not adjusted. The Town has committed

substantial funding to housing projects as discussed above. There is no doubt that the demand for these limited resources has and will continue to exceed availability as the Town and other agencies define work programs.

Framework for Discussion

Staff is recommending the following general policy statements to guide Council discussion.

- First, the recognition of the need to continue to have dedicated funding for Transit, Housing and Tourism is recommended to continue.
- Second, a recognition that the allocation of a minimum of 4.05 points of TOT of the Town's budgeted revenues to these specific areas is to continue.
- Third, the recognition that over time circumstances change that requires a shift in the use of committed TOT revenues within the areas of Housing, Tourism and Transit is to be considered.
- Fourth, the recognition that TOT revenues are part of the Town's General Fund and subject to allocation by action of the Town Council, but there is not a recommendation to increase the general allocation for Town operational purposes.

The current allocations are tied to contractual agreements for service. However, the current agreements have also been driven as much or more by available revenue and history, and only more recently by setting expectations, goals, and deliverables. The funding for each area is linked to past conditions, needs and priorities. While agencies receiving funding need some certainty in their funding sources, the ability to shift a portion of funding to address needs is also there.

The first point of discussion is whether or not to simply continue with the status quo. This is simple and continues to lock in base funding levels, with some minor adjustments to contractual agreements. It allows the Council to use those funds above the base budget for defined priorities. The contractual process has improved in recent years but is mostly reflective of past and current programs and services, with limited measurable outcomes. The nature of the relationship between the Town and partners has resulted in a soft oversight role by the Town. The current process may be used to improve the agreements and set more defined expectations, but generally carries the current process and funding structure forward.

The current process may be further simplified at least for MLH and/or MLT to simply provide grant funding to support ongoing efforts. This would require the Council to make public purpose findings, adopt a resolution setting the amount and timing of payments. ESTA may still need the hourly rate-based funding operating as a regulated transit program. The amount provided in any given year may be tied to a set formula or simple Council action. This would eliminate the time and effort put into a service agreement and could include a few basic requirements related to the funding. This action would treat MLH and/or MLT similar to other non-profit organizations which receive funding for various purposes

The process to improve the contractual relationship started a few years ago and may be continued and improved. This allows for a more robust discussion and direction to the "contractors" as expectations, goals and priorities can be clarified and the outcomes expected by the Town can be expressed. This creates more individualized agreements and greater interaction with the Town. More defined goals, deliverables and outcomes improves collaborative reporting, focus and

measurable success. It moves beyond simply counting inputs and outputs. This process better links a funding level to an outcome as well.

Each partner does not need to be treated the same. For example, the funding for ESTA is a relatively straight forward calculation based on an hourly rate required for an hour of service. Setting headways, available seats, routes, times, ridership, and other service standards allow for measurable outcomes. For example, the overall outcome may be linked to a reduction in individual vehicle trips and increased ridership.

Regardless of process for securing services, the more difficult question is the allocation of funding to each service area. The use of set formulas simplifies the process, but may not reflect Council priorities, address expressed community needs and/or meet expected outcomes. For example, defining additional funding for housing projects is a strategic priority for Town Council. As noted above revenues from Town sources and reserves held in Housing and Tourism has been committed to housing programs.

Council will need to determine if the allocation process of TOT revenues should be modified. Modifications may be focused on specific service areas or more broadly. Considerations may include such options as:

Recalibrate the allocation of TOT points by service area and continue with current contract process. For example, the allocation to Tourism may be reduced to 2.05 points and both MLH and ESTA's allocation increased to 1 full point.

Define the total amount of revenue to be allocated based on 4.05 points and utilize the contract process to make final allocation to each service area.

Continue the current allocation method and make any changes based on contract negotiations.

If changes are made, staff recommends that the full allocation of the 4.05 point of TOT continue to be allocated across the three defined service areas of Tourism, Housing and Transit. Contract modification for MLH and Transit would be done as part of the contract renewal process. Changes to MLT's contract would require mutual agreement or termination of the current contract and negotiation of a new contract.

Mammoth Lakes Tourism Business Improvement District

The Mammoth Lakes Tourism Business Improvement District (TBID) went into effect September 2013 for a five-year term and has been extended for a five term, expiring on August 30, 2023. Discussions on renewal for a 5- or 10-year period will start soon. A copy of the current Management District Plan and State Statutes is attached for reference. The TBID has generated additional revenues for tourism related marketing activities and to support air service subsidy marketing. The plan outlines the use of the funds generated based on an estimated \$4.5 million budget. The use of the funds is limited to activities as defined in the Plan and must provide a special benefit to the businesses that pay the assessments levied in the District.

The creation and renewal process of the TBID is governed by State Law under Streets and Highways Code Division 18. Parking, Part 7. Property and Business Improvement District Law of 1984 (as amended). The operation of the TBID is governed by a Council adopted Management District Plan (Plan), sections 36600 – 36671. The creation of a district may be initiated by a city council upon the submission of a petition proposed by business owners who will pay more than 50% of the assessments proposed to be levied (section 36621). Once approved the Plan is managed by an owners' association under contract with the Town (section 36612). The current owner's association is Mammoth Lakes Tourism (MLT). If the Plan states that a designed owners' association will provide the improvements, maintenance, and activities the council is required to contract with the designated nonprofit corporation to provide services (section 36651).

In the creation of the TBID the Town Council has taken a passive role through the required process in adopting required resolutions, conducting public hearings, and approving the levy of assessments. As a business owner driven process this approach recognizes the support by businesses for the creation of the district and the levy of assessments. However, the Council may take a more active role in the process as provided in section 36624 which allows for certain limited changes to the proposed district to be made following the public hearing to establish the district. Substantial changes would require the proposal to be reconsidered by the affected businesses. Once approved, the Owners' Association may request the City Council to modify the Plan (section 36635).

The District Plan requires the Owners' Association (MLT) to file an annual report with the Council pursuant to section 36650 at the end of each year of operation of the District. The specific section sets forth the minimum information that is to be included. The current agreement with MLT provides for a presentation on the previous year to be made in November. MLT is scheduled to present on November 17, 2021. Due to the inter-related work of MLT funded by TOT revenues, the report will include additional information on activities conducted by MLT.

As note above the combined work achieved with Town and TBID funding has had a positive impact on visitation to Mammoth Lakes and the resulting economic activity and Town revenues. The success of the TBID may be considered in modifying TOT allocations for Tourism, keeping in mind that the use of other Town revenues has greater application. TBID funds are restricted by the District Plan and must provide a special benefit to those businesses paying the TBID assessment. Council should also engage with MLT on the potential renewal of the TBID and indicate the level of participation desired prior to the proposal coming to Council for consideration.

Short Term Rentals

The growth in and role of short-term rentals (STRs) has been a point of discussion over the past several years. A concern over the expansion of STRs resulted in the passage of Measure Z which limited where STRs may be permitted. The Community Housing Action Plan and Housing Needs Assessment identified the transition of long-term rentals to short-term rentals as one factor in reducing the availability of community housing. The Town has a large number of STRs. However, the growth in the number of STRs was minor based on business license renewals in 2019 compared

to renewals in 2021. Renewals are completed on a calendar year basis. The total increase was 70 units from 4,990 to 5,060, with 38 of the units classified under the Hotel/Motel/Lodge category. The condominium category only increased by 5 units to 3,152 (category includes 461 condo hotel units). Business certificates for properties used for long-term rental increased by 161 units from 715 to 876. This includes businesses with two or more long-term rental units.

Communities facing housing challenges have looked to limit the number of STRS as one means to increase the supply of housing units for long-term use. Actions vary from complete bans, to localized limits based on zoning (i.e., Measure Z in Mammoth Lakes), and limiting the number of permitted units or placing limits on the number of nights a unit may be rented. If Council is interested in considering placing limits on STRs, the concepts considered need to be defined, such as placing a moratorium on new STR permits. Narrowing any requested action will allow staff time to provide additional information to consider prior to implementing any action.

Summary

As a workshop discussion, staff is not recommending any specific action be taken on the matters presented. Council direction on modifications to the allocation of TOT revenues is requested. If changes are requested additional analysis will be completed with the option for changes to be implemented effective next fiscal year. This will provide time to work with impacted partners (i.e., MLT, MLH, and ESTA).

Council should let staff know if there is a desire to be more engaged with the potential renewal of the TBID. Coordination with MLT will be required for this process.

Council direction regarding interest in looking at options to limit STRs is requested. If so, a review of options that may be considered can be prepared for additional consideration.

Ballot Measures Increasing Transient Occupancy Tax and Council Actions

The following provides a very brief review of ballot measures approved by voters to increase the Transient Occupancy Tax rate in the Town of Mammoth Lakes. Subsequent actions taken by past Councils to adjust the allocation and use of the TOT tax is also noted.

June 6, 2006 – Measure T

Shall the ordinance to increase the Transient Occupancy tax rate to thirteen percent be approved? Measure T did two things:

- 1) Increased the TOT tax rate from 12% to 13%
- 2) It eliminated the June 30, 2011 sunset on 1% of the tax rate as approved by voters as part of the 96-A measure.

The impartial analysis of the measure provides for in part – “Additional revenues resulting from this tax rate will be placed in the general fund and will be used for both existing and future Town programs and services.”

March 5, 2002 – Measure A

“Shall the ordinance to increase the Transient Occupancy tax rate by two percent be approved? The Measure increased the TOT rate from 10% to 12%”

The impartial analysis of the measure provides for in part – “The increase in the tax rate will provide additional general fund revenues both to maintain existing programs and to support future programs and services as determined by the Town Council.”

The Argument in Favor of the Measure includes in part: “Measure 2002A addresses unfunded capital needs by increasing the current bed tax from 10% to 12%. It will provide general fund revenues for, among other things, housing for local workers, recreational and municipal facilities for our residents, which our visitors use, and additional marketing to ensure that existing businesses remain competitive with the resort corridor.”

March 26, 1996 – Measure 96-A

“Shall the ordinance which will extend the Utility Tax and Transient Occupancy Tax, and which will ratify prior collection of such taxes, be adopted?”

The Measure continued by voter approval an increased TOT rate of 10% and the Utility Tax at 2.5%.

The argument in favor of the Measure stated in part – “General Fund revenues are used for these and other general governmental services.” The argument notes budget challenges and debt issuance for various public improvements, roads, and parks as reason to vote yes.

June 3, 1986 – Measure A

“Shall the Town of Mammoth Lakes increase revenues through 1) A revised business license formula 2) An increase in bed taxes. 3) An increase in thoroughfare funds: in order to support and enhance the year-round marketing program; new road construction and ongoing road maintenance 4) And a specific dollar commitment from Mammoth Mountain Ski area to improve and expand the public transit system?”

The impartial analysis of proposition A includes in part – “The basic priority projects identified by the Committee are as follows:

1. An expanded Town Marketing Program through the auspices of the Resort Association.
2. An expanded Public Transportation System adequate to provide convenient service to our residents and visitors.
3. Major Road Construction (Minaret Extension and Laurel Ave.) including signalization where necessary.
4. Major Street Rehabilitation.”

“ . . . If authorized by the Town Council, the following specific obligations/commitments would be created with respect to the revenue areas identified above commencing June, 1986:

1. Approximately \$150,000 in Business License Fees.
2. A 3% increase in Bed Tax for a change from 6% to 9%.
3. Approximately \$500,000 from Mammoth Mountain Ski Area as its contribution to a Public Transit System
4. A \$100.00 increase in the Major Thoroughfare Fees for each required parking space for all new commercial development; and a \$50.00 increase for each required parking space for all new residential development.

The overall economic effect of the above revenue will be to create additional revenues to the Town of approximately \$1,500,000 annually which will be used at the discretion of the Town Council to fund the priority projects listed above.”

State of California Legislative Actions

During this time two State actions were taken that impacted voting requirements for general or specific purposes.

- Proposition 62 approved in 1986 and Proposition 218 approved in 1996 controls how a general or special tax is to be imposed by the voters. A general tax requires a 50% vote while a special tax requires 2/3s voter approval.

Each of the ballot Measures presented to the Town of Mammoth Lakes votes to increase Transient Occupancy Tax was presented as “General Tax”. Measures T and Measure 2002-A include the following language (96-A also included similar language for Prop 62):

- “This ordinance shall constitute voter approval pursuant to Proposition 62, Proposition 218 and any and all other voter-approval requirements. All tax revenues shall be deposited into the Town’s General Fund and expended for general governmental purposes.”

To gain support for the measures and to meet defined Town priorities past Town Councils committed to use the increased tax funds for specific purposes, referred to as “Political Commitments”.

TOT Political Commitments – 13% Rate (Points) – As of Measure 2006 A

Housing – 1 point of TOT

Tourism – 2.5 points of TOT plus Business Tax Revenue

Transit – 1 point of TOT

Total commitment: 4.5 Points of the current 13 Points TOT and Business Tax Revenue

Balance of TOT to TOML General Fund – 8.5 points of TOT

Note: Community Facilities Funding – 1.5 points of TOT

- Incremental increase to 1.5 point to meet the Town's required funding for development impact fee supported capital projects (Resolution 07-37). This was suspended in FY08-09.

Economic Recession and MLLA Settlement

December 5, 2012: The financial restructuring plan adopted by the Town Council as part of the MLLA Settlement resulted in substantial one-time payments (\$2.6+ M), the loss of Airport Lease revenue estimated at \$111,000 (current year dollars) per year for 30 yrs., and a negotiated judgment payment of \$2 million per year over 23 years. Adopted 12-05-12, Res. 12-71.

The financial restructuring modified the pre-existing political commitments to meet the funding requirements of the MLLA settlement, which extends over 23 years (2036). The impact on the Town for funding the settlement costs were substantial and taken into consideration on the allocation of TOT revenues, resulting in a significant reduction in the Town's operating budget.

Status/Changes to Political Commitments

FY08-09: The commitment to the 1.5 points for Community Facilities was suspended to fund Airport Operations, Airport litigation and Community Development operations.

FY12-13: Funding for Tourism was reduced by \$215,562 as part of Town financial restructuring related to MLLA Settlement. Continued allocation of Business Tax revenues.

FY12-13: Funding for Transit was reduced by \$148,678 as part of Town financial restructuring related to MLLA Settlement.

- Note: Transit allocations include Town administrative costs and include other revenues besides TOT.

FY12-13: Funding for Housing was reduced to the contract amount for MLH of \$329,190. Previous annual debt payments of \$272,349 were complete in FY12-13 and a set aside of \$200,000 per year for payments of two housing loans totaling approximately \$400,000 each which the Town was required to repay under certain terms. The two loans were paid in full.

- Note - Housing allocations included Town staff and consultant costs that ranged from \$10,000 to \$25,000 pending work program and included other revenues besides TOT.

The financial restructuring plan approved as part of the MLLA Settlement did not include the reinstatement of any of the reductions to the political commitments. The Town took on the majority of the debt payment and the ongoing loss of airport related revenues for the term of the settlement.

FY12-13: The creation of a Tourism Business Improvement District (TBID) was developed and began collecting assessments in September 2013. The TBID has been renewed for two five-year periods with the current extension through August 31, 2023.

FY17-18: The allocation of TOT revenue adjusted to address adjustments made due to the MLLA litigation, with a focus to shift additional revenues to housing. The adjustments resulted in the following adjustments to allocations:

Tourism – 2.35 points of TOT (eliminated \$215,678 reduction) and the allocation of Business Tax Revenue to Tourism was eliminated. Tourism allocation is based on the Town's adopted budget

(approx. 18.077% of revenue). The MLT allocation is reduced by funding for the Mammoth Lakes Chamber of Commerce, currently \$300,000.

Housing – .85 point Approximately 6.5% of revenue of TOT was committed to housing purposes, including Town staffing support housing efforts with a focus on the Parcel. MLH agreement was retained at same level, with most recent agreement adding some additional revenue.

Transit – .85 point of TOT (eliminated \$148,678 reduction). Transit is also supported by other restricted funding.

These adjustments had the effect of a slight reduction to MLT, held transit funding level, increased the amount of funding for housing and reduced town funding. The change in funding is relative as the process includes fixed dollar amounts and percentage allocations.

Total commitment: 4.05 Points of the current 13 Points to Tourism, Housing and Transit.

The allocations are based on adopted budget. Any revenue more than the adopted budget area held in designated reserves for the same categories, with the ability of the Town Council to use the funds for other purposes. For example, revenues from Tourism and Housing reserves have been committed to housing projects. The adjustment process made it clear that the dedication of revenue was for Tourism, Transit and Housing.

Balance of TOT to TOML General Fund – 8.95 points of TOT

The amount of TOT allocated to the Town is part of the Town's General Fund and is not tracked as a separate revenue with discrete expenditures. The allocation of larger than budgeted revenues include all revenues and savings within the General Fund. These funds have been used for housing projects, capital projects, funding of deferred maintenance, equipment replacement, snow removal, operational costs, funding of reserves, etc.

FY19-20: The revised commitment and allocation of TOT revenues was reviewed prior to approval of the FY19-20 budget (June 5, 2019) with action taken to continue with the updated allocation formula. The allocation to MLT was discussed during the FY21-22 budget and contract review with the current allocation continued, with a request for a timelier review process for FY22-23.