

TOWN COUNCIL STAFF REPORT

Title: Presentation on budget performance through the second quarter of FY23-24 and approval of Budget Amendments

Meeting Date: March 20, 2024

Prepared by: Rob Patterson, Town Manager

RECOMMENDATION:

Receive the second quarter Fiscal Year 23-24 Budget Report and adopt the proposed resolution amending the Fiscal Year 23-24 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 and Gas Tax as it is early enough in the year not to see significant shortfall to budget aside from the significant snow impacts, both of which are covered in these two funds. 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 late 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/DISCUSSION:

The budget process for FY23-24 was a continued strategic growth for key revenue elements like Transient Occupancy Tax (TOT) and strong performance of property tax, sales tax, and other elements tied to visitation. The Town came off a very strong year driven by record snowfall and extended winter activities. The increased visitation and demand for services kept the lodging rates high allowing TOT to achieve a record year at \$29.5. Snowfall this year has been a bit of a challenge, and the TOT performance shows that impact. The storms in the beginning of the season were late and left the holiday period about 30% behind the previous year's performance. When the storms did arrive, pent up demand and expectation helped our performance rebound in late January.

Transient Occupancy Tax

The primary revenue driver for the General Fund is Transient Occupancy Tax (TOT). At the start of the year, we had a late summer, and most summertime activities were condensed into a tighter timeframe along with favorable weather and a smoke free summer. We set records for TOT revenue in August, September and October. As mentioned in the previous section, winter visitation started a bit slow but has delivered when the snow arrived in January. The amount of TOT collected is a factor of both visitation and the nightly rates charged by our lodging facilities. To date, three of the first seven months have set records in TOT collection, but the late start to the winter season has left key months behind record pace. To date we are 11.7% behind the record performance for last year and well ahead of budget with an estimated \$5M in unallocated TOT revenue year to date. The chart below shows how the adopted budget of \$18.0M was distributed across each month, using a three-year average performance per 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	9.2% \$ 1,658,000	\$ 2,187,641	\$ 529,641	
August	7.6% \$ 1,374,000	\$ 1,930,626	\$ 556,626	
September	3.8% \$ 675,000	\$ 1,445,408	\$ 770,408	
October	3.4% \$ 606,000	\$ 1,060,034	\$ 454,034	
November	5.1% \$ 916,000	\$ 1,017,401	\$ 101,401	
December	12.0% \$ 2,165,000	\$ 3,211,335	\$ 1,046,335	
January	13.7% \$ 2,471,000	\$ 4,009,841	\$ 1,538,841	
February	14.5% \$ 2,602,000			\$ 4,000,000
March	12.2% \$ 2,198,000			\$ 3,000,000
April	8.5% \$ 1,530,000			\$ 1,900,000
May	4.2% \$ 752,000			\$ 900,000
June	5.9% \$ 1,053,000			\$ 1,500,000
	\$ 18,000,000	\$ 14,862,286	\$ 4,997,286	\$ 11,300,000
		Remaining Budget	\$ 8,135,000	
	Total TOT - Actual and Estimated			\$ 26,162,286
	Estimated variance to Budget			\$ 8,162,286
	Quarter 2 Recommend TOT Increase			\$ 5,000,000

Note: Shading denotes a record for that month.

The budget of \$18.0M 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 adjusts throughout the year, realizing the additional revenue and putting it to work on

special projects within the Town. Staff are using the estimate above to recommend \$5.0M in additional TOT revenue for the second quarter review. Staff believes there will be additional TOT revenue, estimated at \$3.0 – \$4.0M for budget review in the remainder of FY23-24.

The recommended increase to Transient Occupancy Tax revenue will result in additional contributions to reserve accounts for Tourism, Housing, and Transit based on Council direction and political commitments. Based on the second quarter recommendation of \$5.0M, the following adjustments will be made to reserve accounts, rounded to the nearest \$100.

Reserve Components	Amount	
Tourism Reserve - 2.35 Points or 18.0769% of TOT	\$	903,800
Transit Reserve - .85 Points or 6.5385% of TOT	\$	326,900
Housing Reserve - .85 Points or 6.5385% of TOT	\$	326,900
	\$	1,557,600

The second quarter budget presentation usually has very few adjustments to budget outside of TOT in stronger years. This year is no different and we have only one other revenue increase to address. With recent interest rate hikes, our interest revenue has exceeded budget so far this year. We do anticipate this revenue item to over perform on subsequent quarterly presentations as we have recently invested in CAMP, which has returns above 5.0% for several months. This new investment pool has provided much better returns and staff is recommending an increase of \$1,200,000 in interest revenue. In total, staff is recommending an increase in budgeted revenue of \$6,200,000 for the 2nd quarter FY23-24. The political commitments outlined above will be removed from this increased revenue leaving \$4,642,400 for expenses and staff recommendations.

Other Revenue

Through January 31, 2024

Item	Current	Budget	Requested Change	Amended Budget
Interest	\$	100,000	\$ 1,200,000	\$ 1,300,000
Total Other Revenue adjustments			\$ 1,200,000	

General Fund

Item	Amount	Notes
Revenue		
Transient Occupancy Tax	\$ 5,000,000	Approximately 60% of annual of expected adjustment FY23-24, Q3, Q4 still remaining CAMP and LAIF performance against limited budget expectations
Interest	\$ 1,200,000	
	\$ 6,200,000	
Political Commitments		
Tourism Reserve- 2.35 Points or 18.0769% of TOT	\$ 903,800	Based on \$5M additional TOT realized above
Transit Reserve - .85 Points or 6.5385% of TOT	\$ 326,900	
Housing Reserve - .85 Points or 6.5385% of TOT	\$ 326,900	
	\$ 1,557,600	
Funds Available for allocation	\$ 4,642,400	

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, like this year's snowfall. Staff has done a review of all General Fund expenditures to date and have the following recommended updates:

General Fund - Expenditure

Through January 31, 2024

Item	Current	Budget	Requested Change	Amended Budget
Police Department - Overtime	\$ 150,000	\$ 50,000	\$ 200,000	
Parks & Building Maintenance - Overtime	\$ 10,000	\$ 30,000	\$ 40,000	
Planning - Contractual Services	\$ 350,000	\$ 50,000	\$ 400,000	
Facilities Maintenance - Contractual Services	\$ 42,000	\$ 10,000	\$ 52,000	
Total Expenditure Adjustments		\$ 140,000		

The expenditure updates listed above have unique circumstances for each item. The police overtime listed above includes shift coverage earlier in the year when crew was down a sergeant as Chief Casabian was acting police chief and his position remained open and vacant. We also had a recruit from the academy and remains on field training, requiring extra staffing. The Parks and Building Maintenance experienced the majority of their storm impact recovery when the snow melted and provided opportunity to start recovery. Therefore, their impact from last winter is showing in this fiscal year. The Planning department has a number of large-scale planning projects requiring outside consultant assistance. These charges are passed through to the applicant and show up in revenue as planning fees. The additional expense for Facility Maintenance is related to an electrical

switch that needs to be replaced for the Town offices. This switch has failed two times, switching from our generator back to regular power and it is the one remaining piece of equipment that was not replaced during the Town generator replacement project.

Covering these additional expenses will reduce available funds to \$4,502,400.

Staff Recommendations

Staff Recommendations		
Bond Payment Reserve	\$	1,335,000 Covers required supplemental debt payments 2025-2036
Future Capital	\$	1,300,000 Undesignated capital
Fund 245 - Housing Now! - Programs	\$	1,000,000 Bridge Program
General Fund - Capital Project Main Street (Phase I and II)	\$	465,000 Fully fund main street landscaping
Fund 245 - Housing Now! - Programs	\$	300,000 Undesignated
Additions to the Fleet - Administrative	\$	60,000 Town Administration (Town Manager) vehicle
Total Staff Recommendations	\$	4,460,000
Undesignated General Fund Balance	\$	42,400

Bond Payment Reserve - \$1,335,000

The Town Council recently authorized the execution of certain lease financing documents in connection with offering and sale of certificates of participation for cost of construction and equipping a new Town facility and cost of acquiring land from Mammoth Lakes Foundation. This bond finance repayment includes a number of existing expenses that the Town has either already paid the debt, making these funds available for this bond payment, or will do so as part of the transaction. This bond payment schedule does have a shortfall of approximately \$1.3 million in the first 13 years of the bond. At which time, the Town will have paid off the judgement bond debt, making available another \$1.86M annually to cover bond payments. Staff is recommending the Town set aside the \$1.3M, allowing for an interest earning fund that could be drawn down annually by the amount of shortfall, therefore not increasing the operating budget for the Town in securing this debt. Staff has identified that the majority of this funding can be achieved by realizing unallocated interest revenue identified above.

Fiscal Year	Current Lease	Internal Loan	Net Judgement Bond	PD Bond Payment	Resources Available	Debt Service	Additional Need	Measure U - Land Principal	Net Additional Needed
FY24-25		\$ 500,000	\$ 130,000	\$ 315,000	\$ 945,000	\$ 1,183,212	\$ 238,212	\$ 180,000	\$ 58,212
FY25-26		\$ 500,000	\$ 130,000	\$ 315,000	\$ 945,000	\$ 1,294,700	\$ 349,700	\$ 180,000	\$ 169,700
FY26-27	\$ 187,500	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,132,500	\$ 1,394,700	\$ 262,200	\$ 180,000	\$ 82,200
FY26-27	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,514,700	\$ 194,700	\$ 180,000	\$ 14,700
FY27-28	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,513,450	\$ 193,450	\$ 180,000	\$ 13,450
FY28-29	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,646,700	\$ 326,700	\$ 180,000	\$ 146,700
FY29-30	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,642,700	\$ 322,700	\$ 180,000	\$ 142,700
FY30-31	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,642,950	\$ 322,950	\$ 180,000	\$ 142,950
FY31-32	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,642,200	\$ 322,200	\$ 180,000	\$ 142,200
FY32-33	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,640,450	\$ 320,450	\$ 180,000	\$ 140,450
FY33-34	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,642,700	\$ 322,700	\$ 180,000	\$ 142,700
FY34-35	\$ 375,000	\$ 500,000	\$ 130,000	\$ 315,000	\$ 1,320,000	\$ 1,638,700	\$ 318,700	\$ 180,000	\$ 138,700
FY35-36	\$ 375,000	\$ 500,000	\$ 2,000,000	\$ 315,000	\$ 3,190,000	\$ 2,508,700	\$ -		
									\$ 1,334,662

Future Capital – \$1,300,000

The recommendation to allocate \$1,300,000 to Fund 990 is funding set aside for contingency for ongoing projects. The fund is used to meet new opportunities and address unforeseen needs. Several capital projects are proceeding this spring / summer, and given the current bidding climate and some unknowns, additional funding may be necessary.

Housing Programs - \$1,750,000

One of the Town Council’s Strategic Priorities is to “Expand availability and affordability of Community Housing”. Staff has identified opportunities to invest in both short and long-term strategies to make this priority a reality. The Bridge program remains a successful pathway to deed restricted home ownership within our community. Staff is recommending an allocation of \$1.0M to this aspect of the Housing Now! initiatives. The STR Advisory Committee had a number of recommendations for other facets of support for housing. A rental subsidy program to provide housing for local workforce and the potential to convert some short-term rental units into long-term housing. The Chamber of Commerce also received a presentation from Placemates on a turnkey program for rental subsidy. Staff is recommending the allocation of \$450,000 from a combination of Tourism reserve and Housing reserve funding to support this effort. The Town will seek to have a presentation from the Placemates organization on the April 3, 2024, Town Council meeting. The STR Advisory Committee also recommended other extended housing programs, including down payment assistance for home ownership. While many of these programs remain under review and development, staff are recommending allocation of \$300,000 to undesignated Housing Now! initiatives. This allocation will provide funding for these programs once fully developed and adopted by the Town Council. Staff is recommending the allocation of \$1,750,000 from the following sources:

General Fund	\$	1,000,000	Bridge Program
General Fund	\$	300,000	Undesignated - Housing Now! initiatives
Tourism Reserve	\$	225,000	Rental Subsidy - year 1
Housing Reserve	\$	225,000	Rental Subsidy - year 1
	\$	1,750,000	

Capital Project – Main Street Landscaping - \$465,000

In 2021 the Town worked with JK Architecture and Engineering, a landscape architect and engineering consultant to develop a landscaping plan to revive the landscaping and streetscape along both sides of Main Street between Mountain Boulevard and just east of Old Mammoth Road. The scope included installation of a new drip irrigation system using existing conduit that was installed during the sidewalk projects and existing controllers and materials where applicable. The scope also included installation of seed mix, trees, bushes, flowers, mulch, boulders, and cobble. In June of 2022 Staff solicited bids to complete the first phase of construction. No bids were received. Since then, Staff has worked to secure a contractor to complete the phase 1 work. Phase 1 includes the underground irrigation infrastructure and some key plantings. This winter Staff was able to find two bidders interested in completing this work. Bids were received and a contract could be drawn up, however, the budget is insufficient to complete the work. The lowest bid was \$507,750 to complete the work in phase 1. The engineer's estimate at the time of bid was \$375,000. As of now only \$250,000 has been set aside to complete the first phase of work. The second phase is estimated to cost \$165,326 and is focused mostly on new plantings and seeding. The total cost to complete both phases would be \$673,076. An additional \$465,000 in budget would provide a total project budget of \$715,000 providing a small contingency.

Addition to the Fleet – Admin Vehicle - \$60,000

The Town administrative staff have one vehicle to use for enforcement activity, training, conferences and other Town related business across multiple departments. The contract with the Town Manager includes a vehicle assigned to the Town Manager for use on Town business and for occasional de minimis personal purposes, in lieu of providing any vehicle allowance. Staff is recommending allocation of funding to acquire an additional administrative vehicle for this purpose.

Tourism Reserve

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. This is considered a political commitment established by the Town Council to ensure tourism related activities, and more recently housing activities, have a stable funding source. The distribution from the unallocated TOT was \$903,800 for the second quarter. Staff has recommended \$225,000 be allocated to Housing Now! programs, specifically for a rental assistance program. Staff is also recommending \$250,000 allocated to Town supported Air Subsidies for Advanced Air flying into Mammoth Yosemite Airport. This additional subsidy is used to cover special pricing and promotional packs, designed to allow locals to utilize the service and increase enplanements, seeking to achieve our 10,000 enplanement goals.

Tourism Reserve

Item	Amount	Notes
Revenue		
Allocated Reserve Elements - 2nd Qtr.	\$ 903,800	
	\$ 903,800	
Staff Recommendations		
Fund 245 - Housing Now! - Programs	\$ 225,000	Rental Subsidy - Year 1
Air Subsidy - Town (Advanced Air - MMH)	\$ 250,000	Town Contribution to Pricing and promotions
Remaining Reserves from 2nd quarter allocation	\$ 428,800	

Housing Reserve

The housing reserve was established to provide funding for housing expenditures and is based on the normal allocation of TOT for housing which is .85 points or 6.54% of TOT collected. This is considered a political commitment established by the Town Council to ensure housing activities have a stable funding source. The allocation from the excess TOT was \$326,900 for the second quarter. Staff has recommended \$225,000 be allocated to Housing Now! programs, specifically rental subsidy for year 1.

Housing Reserves

Item	Amount	Notes
Revenue		
Allocated Reserve Elements - 2nd Qtr.	\$ 326,900	Commitment to housing
	\$ 326,900	
Staff Recommendations		
Fund 245 - Housing Now! - Programs	\$ 225,000	Rental Subsidy - Year 1
Remaining Reserves from 2nd quarter allocation	\$ 101,900	

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.

OPTIONS ANALYSIS

Option 1: Receive the second quarter Fiscal Year 23-24 Budget Report and adopt the proposed resolution amending the Fiscal Year 23-24 budget as recommended in Attachment A – Budget Adjustments.

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