

## TOWN COUNCIL STAFF REPORT

Title: Plan for allocation of additional Transient Occupancy Tax (TOT)  
received from Measure L

Meeting Date: January 15, 2025

Prepared by: Rob Patterson, Town Manager

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### **RECOMMENDATION:**

It is recommended that the Town Council review and approve the plan for integration of the TOT rate change, committing all funds provided by the two additional percentage points of TOT rate (13% to 15%) to Housing Now! program revenue.

### **BACKGROUND:**

As part of the work completed by the STR Advisory Committee last fiscal year, a 2% TOT increase was recommended and presented to voters within the Town of Mammoth Lakes. This initiative, called Measure L, was passed by voters on 11/5/2024. The recommendation from the Advisory Committee was to generate a consistent funding source for the Town's Housing Now! initiatives. The current method of funding is to commit unallocated TOT to Housing Now! during the quarterly budget review. In the last few years, the Town has been blessed with excess revenue for this purpose; however, that funding is not likely to match the needs of the program in the near future. While this ballot measure was a general tax, without restrictions, the Town Council can decide how these new proceeds will be distributed. Staff understands it is the will of the Town Council to distribute these funds to Housing Now! and has developed a process that will achieve those desired outcomes.

### **ANALYSIS:**

The budget practices of the Town have been consistent for the past nine years, establishing a conservative estimate of revenue and limited growth in expenditures that are closely monitored on a quarterly basis. In most cases, General Fund revenues are directly tied to visitation and are therefore variable year to year. There are a number of items that are less dependent on tourism, but they are not a high percentage of necessary revenue. The common practice has been to conservatively estimate the tourism-based revenue while forecasting non-tourism revenue closer to actuals. This process ensures the Town does not become over dependent on the more volatile revenue streams. On the expenditure side of the balanced equation, staff work to maintain efficiencies and grow the size of the organization through strategic investments in staffing and equipment. There are of course natural cost increases that occur every year and they must be accounted for to maintain the core services performed by the Town. However, there is a strong desire to control this growth to ensure that no significant adjustments or "right sizing" of the organization would be required in the future.

One of the key functions of the budget process require the Town to review actual performance to budget on a regular basis. To achieve this, the Town conducts quarterly budget reviews, adjusting revenues that are performing well in order to allocate those available funds to expenditures, capital projects or housing programs. The allocation to one-time funding has been successful in building the Housing Now! program that we have today. It has also been effective in providing funding for capital projects and infrastructure improvements. The investment in these areas does not grow the annual operating budget, aside from some maintenance costs of new amenities, and the Town is essentially re-investing in our community with these excess revenues. This budget discipline has been effective, and the Town has no desire to abandon this budgeting discipline while implementing this new revenue stream.

The Town will use the existing budget methodology to determine the TOT revenue expected for the General Fund. This portion of the TOT will be the base TOT (13%) that has been in effect for several years. This base TOT will be subject to current Measure A allocations, committing a portion to Tourism (18.08%), Housing (6.54%), and Transit (6.54%) with the remaining to the General Fund (68.84%). There is effectively no change in this process from prior budget development. In order to determine the budget for Measure L TOT (2%), staff will use the base TOT number times 15.3846% which is the percentage of increase the 2 percentage points represents. ( $13/2 = .153846$ ). The resultant of this calculation will be the revenue allocated to Fund 245 – Housing Now! for housing programs. This revenue will not be considered in the General Fund and will not be subject to the Measure A allocations listed above. This means 100% of the revenue calculated in this method will be applied to housing.

**Example using current budgeted rate for TOT**

FY24-25 - TOT Budget Revenue = \$18,500,000

Base Rate (Fund 100 - General Fund)	13%	\$	18,500,000
	$18,500,000 \times 15.3846\%$	\$	2,846,150

The budget for Measure L allocation (Fund 245 - Housing Now!) would be \$2,846,150 for the year

This methodology would also be used during the quarterly budget process to allocate any incremental TOT budget to each respective area, so as the base TOT increments through the year, so does the allocation to Housing Now!.

Staff has worked on a program to record tax returns that are submitted to account for the distribution of the base and Measure L generated funds. In this case, 13.3336% of every dollar collected will be allocated to the Housing Now! initiative. The difference in percentage is that one is calculated against 13%, for a rate of increase (15.3486%), and the other is calculated against 15% as a percentage of total TOT collected (13.3334%). Reporting will be developed to show total TOT collected and how each dollar was distributed. During the transition period, there will be some taxes still collected at the old

rate to honor existing reservations. Those transactions will only be allocated to the base TOT and not include an allocation directly to Housing Now! aside from measure A allocations.

### **OPTIONS ANALYSIS**

Option 1: Adopt a resolution committing all proceeds generated by the Measure L ballot initiative to Housing Now! fund 245 for the 10-year term, until such time the incremental TOT expires.

Option 2: Make an alternate finding and direct staff.