Photo: Jimmy Kellett

TOWN OF MAMMOTH LAKES
PROPOSED BUDGET

FISCAL YEAR 2010-2011

THE TOWN OF MAMMOTH LAKES
Fiscal Year 2010-2011 Proposed Budget

Neil McCarroll, Mayor
John Eastman, Mayor Pro Tem
Jo Bacon, Councilmember
Skip Harvey, Councilmember
Wendy Sugimura, Councilmember

Robert F. Clark, Town Manager
Karen Johnston, Assistant Town Manager

Michael Grossblatt,
Human Resources and Risk Management Director
Jamie Gray, Town Clerk & Records Manager
Interim Police Chief, Vacant
Raymond Jarvis, Public Works Director
Brad Koehn, Finance Director
Bill Manning, Airport and Transportation Director
Peter Tracy, Town Attorney
Mark Wardlaw, Community Development Director

OFFICE OF TOWN MANAGER
Robert F. Clark, Town Manager
P.O. Box 1609, Mammoth Lakes, CA 93546

MEMORANDUM

To: Town Council
From: Robert Clark, Town Manager
Subject: Transmittal of the Proposed Budget for FY 2010-11
Date: May 21, 2010

Over the course of the past several years, in spite of severe financial constraints, the Town Council has taken action to advance the Community Vision in several important ways:

- Air Service: Initiation and expansion of commercial air service.
- Transit Service: Initiation and expansion of free transit for residents and guests.
- Marketing: Creation of Mammoth Lakes Tourism, a non-profit destination marketing organization.
- Facilities: Construction of the Lake Mary Bike Path, other sidewalks, roads, trails, and facilities that enhance the resident and visitor experience.
- Investment: Adjusting fees and policies to create certainty for investors and developers who desire to build in Mammoth Lakes.

While 85% of the cities in California are operating on a deficit basis, the Town of Mammoth Lakes had a General Fund surplus of $90,000 last year and is expecting a much larger surplus this year. This was possible in a large measure because of voluntary concessions made by Town employees.

The proposed budget for FY 2010-11 is balanced and maintains the service levels established by the Town Council through past budget and policy decisions. It is based on very conservative revenue assumptions. Last year the Town based its Transient Occupancy Tax and Sales Tax estimates from three consultants. Given the unpredictability of the economy, and the differences between Mammoth and other destinations, these estimates were not very accurate.

There appears to be a general consensus among economic analysts that there will be modest growth next season. For example, STR Global, a prominent hotel industry forecaster, has projected hotel revenues to increase by 5.4%. To be conservative the proposed budget assumes that there will be no growth, and that Transient Occupancy Tax (TOT) will be equal to the most recently concluded one-year period.

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Property Tax revenues are estimated to be 10% less due to anticipated reassessments of numerous properties throughout the Town. However, the Reserve for Economic Uncertainty is proposed to increase from about 17% of the General Fund in FY 2009-10 to over 18.5% of the General Fund in FY 2010-11. The entire General Fund revenue for 2010-11 is only projected to grow $316,000 over the prior year.

Moving Mammoth Forward

Over the past two years, the format of the budget has been refined in order to better use the Town's Vision and Strategic Initiatives as the guiding principles for budget decisions. The four Strategic Initiatives are:

- A great place to live and work.
- A community with high quality design and development.
- A premier year-round resort.
- A leader in environmental sustainability.

A major focus of the "Moving Mammoth Forward" process was to create a budget format that is simple, clear and understandable. For the first time, the budget incorporates performance indicators to help inform the level of service that exists and the goals for future levels of service. As part of the restructuring report, there was discussion of focusing on three key sets of data to measure whether we are achieving the objectives, initiatives and vision:

- Increased occupancy as a measure of economic success,
- Increased resident satisfaction as a measure of quality of community life, and
- The need to agree on a measure relating to progress in attaining environmental goals.

Occupancy

It is very difficult to document a direct link between the increase in occupancy and what has driven that increase. We know from records provided by Mammoth Mountain Ski Area that skier visits were up about 11% this year, and that occupancy of their lodging facilities was up about 9%. On a Town-wide basis, occupancy in summer and fall was lower than the prior year, however, winter occupancy was up 5%. Some of the factors that may have contributed are:

- Good Snowfall: The amount of snow is nearing the third-highest year ever and the timing and coverage were very good.
- Commercial Air Service: In addition to bringing in passengers, there was a lot of media coverage and exposure associated with expanded air service.
- Marketing: MMSA, in particular, has invested more in marketing.
- Competing Resorts: Some of our competitors had less desirable snow conditions this year.
- Stable Skier Visits: Mammoth Mountain Ski Area had 1.1 million skiers in 2008, the year prior to the recession, the same number in 2009, and will have about 1.25 million skiers this year.
- Special Events: The data shows a noticeable up-tic in occupancy during last season's Bluesapalooza (which broke attendance records). This and other events may positively impact occupancy.

The FY 2010-11 Budget contains several expenditures that are intended to promote occupancy:

- Commercial air service: The budget includes a subsidy and the staffing necessary to continue winter flights and expand into spring and summer.
- Marketing: All Measure "A" funds are allocated to Mammoth Lakes Tourism. Over time this should result in leveraging of public marketing dollars and increased marketing.
- Parks and Recreation: Expenditures on Parks and Recreation operations is increased to animate the resort through recreational events, activities, and facilities that will result in increased occupancy over time.

Resident Satisfaction

A survey of residents, based on a statistically valid sample of the population, showed that 93% of the population ranked their quality of life positively, and most residents are very satisfied or somewhat satisfied with most Town services. The survey also showed that a significant minority of the population is concerned that the quality of life will get worse.

Many of the services that the community values and rated highly are continued in this budget. They include:

- Removing snow from streets and sidewalks.
- Building and maintaining parks and trails.
- Maintaining a low crime rate.
- Maintaining the trolley and bus service.
- Providing access to the surrounding national forest lands for hiking and recreation.
- Guaranteeing year-round air service.
- Completing parks and trails projects.

The focus of the budget, given the financial limitations imposed by the recession, has been to maintain the current levels of service to the greatest degree possible. These levels of service have been set by the Town Council over an extended period of time through its budget decisions. As in the past year, employee concessions are a major factor enabling the Town to balance the budget while maintaining key service levels. The Council has authorized its negotiators to work with the recognized employee associations to save about $500,000. If agreements are not approved, significant service level reductions will be necessary. The budget also contains other policy recommendations relating to funding of legal expenses and funding of liabilities.

Natural Environment

At this point, the Town Council has not achieved consensus on how to measure progress in attaining its environmental goals. The budget includes adequate funding in the Council discretionary account to continue the contract with High Sierra Energy Foundation to undertake programs relating to energy conservation. The new solid waste management agreement includes funding to acquire land needed for a future materials recovery facility, and it is expected that the land will be acquired. There is also funding

from grants to complete the Trails System Master Plan EIR and to prepare "urban greening" policies.

Budget Policy Decisions

The proposed budget is the starting point for a community discussion about the Town's finances. As in past years, a series of budget policy decisions have been developed to highlight the assumptions and recommendations that underlie the proposed budget and other options or choices that the Town Council may want to consider. In order to keep the budget balanced, it will be necessary to offset options that increase expenditures with others that decrease expenditures. It is expected that other budget policy decisions will be identified by the Council and the community during the review process. As those become known, they will be analyzed and presented to Council for consideration.

Normally, the budget is approved by the Town Council prior to the beginning of the fiscal year. This year, the seating of the new Town Council members is not expected to occur until July 7th. Budget workshops with both the current councilmembers and newly elected councilmembers are scheduled on June 16, 23 and 30. It will be recommended that a "working budget" be adopted in June, pending further review and adoption of a final budget by the new Town Council in July.