Budget Policy Decision #1

Issue: Transient Occupancy Tax Revenue Projections

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

This policy would conservatively forecast the FY 10-11 TOT projection as the same as actual TOT receipts received for the most recent 12-month period (April 2009 to March 2010). The April 2009 to March 2010 period extends through the depth of the recession and the slow recovery period. According to STR Global, a hotel industry forecaster, the U.S. hotel industry is projected to increase revenues 5.4% in 2011. In spite of that positive forecast, the Town has not projected a return of growth in TOT revenue.

Budget Implication if Included/Not Included

A conservative TOT revenue projection will allow any excess revenue to be allocated to Town reserves at the end of the FY 10-11 year, if there is a return to TOT growth as forecasted by hotel industry economists. If the TOT projection is increased now and expenditures are proposed to increase/sustain services, but the TOT revenue does not materialize, the Budget will recognize a shortfall.

Level of Service/Productivity/Fiscal Stability Gained or Lost

TOT revenue is the Town's largest generator of General Fund revenue and is therefore the primary funding source for Town services. A conservative TOT forecast allows the Town to maintain existing services and provides an opportunity for surplus revenues to increase reserves at the end of the year.

If TOT revenues are forecasted too conservatively, services levels would be reduced and the community would receive fewer services than what have been received in the recent past.

Alternative(s) Analysis

1) If TOT projections are increased, enhanced service levels or increases to the REU could be budgeted. This would reduce the likelihood of an end-of -the-year surplus.
2) A second alternative is to decrease the conservative TOT projection to be less than what was received during the recession and reduce service levels to the new projected revenue level. This would

increase the likelihood of end of the year revenue surplus, but would deprive the community of services at the current level.

Lifecycle Cost Implications

The TOT projection does not have a lifecycle cost, but if projections are volatile from year to year, the Town will have greater challenges matching service level costs to revenue projections. This would make strategically 'right sizing' (whether downsizing or growing) of the organization more difficult.

Staffing Requirements

TOT revenue is a major funding source for most services that the Town provides and reduced revenues would require lower service levels or staffing.

Manager's Recommendation

Use the value of actual TOT receipts from the past 12 months as the estimate for the 2010-11 Budget.

Budget Policy Decision #2

Issue: Property Tax Revenue Projections

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

Property tax is typically a very stable revenue source that does not experience the volatility that might be experienced with TOT. The tax is based on assessed property valuations that only change in very specific circumstances dictated by State law. The County has informed the Town that the Town will likely experience an increase in overall assessed value because the County has 'caught up' on prior years' higher reassessments. However, the County is now processing reassessments that are following a downward trend. The County has been unable to provide data or specific information to gauge the impact, but has 'guesstimated' that property tax receipts may be 8% to 9% lower than last year. The budget projection has programmed a 10% decrease in property tax compared to the estimated taxes for FY 09-10. A factor that may offset the 8% to 9% decrease is the payment of delinquent taxes that are still owed and will be collected, but payment could be delayed anywhere from 1 day to 7 years before an owner would pay the delinquent taxes.

Budget Implication if Included/Not Included

Property tax is received in two major appropriations (January and May) with a 'clean up' appropriation in July. Since the revenue is received so late in a fiscal year it is important that the projection not be overly optimistic or pessimistic. Projecting revenue that is slightly more conservative than the County estimate, with the knowledge that any delinquent payments from prior years will be a positive factor over and above the County's estimate, provides a very stable revenue source in the mix of Town revenues.

Level of Service/Productivity/Fiscal Stability Gained or Lost

Fiscal stability is gained when a stable revenue source is reasonably and conservatively forecasted.

Alternative(s) Analysis

The alternative would be to discount the estimate from the County, and increase/decrease the projection significantly. Service levels would need to be adjusted to be in line with the new revenue projection.

Lifecycle Cost Implications

The property tax revenue projection in of itself does not have a lifecycle cost, but if projections are volatile from year to year, the Town will have greater challenges matching service level costs to revenue projections. This would make strategically 'right sizing' the organization more difficult.

Staffing Requirements

Property Tax revenue is the second largest General Fund revenue source and provides funding for services in most Town departments. Mono County processes and collects the property tax and charges the Town an administrative charge.

Manager's Recommendation

Project $2,565,121 in property tax revenue resulting in a 10% decrease in property tax from the prior year.

Budget Policy Decision #3

Issue: Sales Tax Revenue Projection

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy
Sales Tax is the 3rd largest generator of General Fund revenue and is projected in two parts ('triple flip' and local tax). The 'triple flip' represents 25% of the entire sales tax amount and is distributed based on the State's estimated growth in sales tax plus a payment that 'trues-up' the prior year payment. Based on those two factors the 'triple flip' sales tax is actually expected to increase 15.5% over FY 09-10 payments although less than FY 09-10 budget (14%).

The local tax has been estimated by using the State growth/decrease factors by quarter compared to the same quarter prior year. The local tax projection is up 6% compared to the existing actual for FY 09-10.

Budget Implication if Included/Not Included
A reasonable Sales Tax revenue projection based on best available growth factors published by the State is the best available tool to predict actual Sales Tax receipts and contributes to the Town's ability to maintain service levels. Significant increases/decreases to the projections increase the likelihood that actual receipts would be significantly different from projections.

Level of Service/Productivity/Fiscal Stability Gained or Lost
A reasonable revenue projection provides the ability for the Town to provide the community the appropriate service levels based on funding and strengthens fiscal stability.

An aggressive or overly conservative revenue forecast increases the likelihood of significant differences between projection and actual revenues and also creates a disconnect between funding and service levels.

Alternative(s) Analysis
The alternative would be to increase/decrease revenue projections and to change service levels to the same degree; this would change the level of service levels but would not change the actual revenue received throughout the fiscal year.

Lifecycle Cost Implications
The Sales Tax projection does not have a lifecycle cost, but if projections are volatile from year to year, the Town will have greater challenges matching service level costs to revenue projections. Providing reasonable revenue projections based on best available data allows the Town to maintain the appropriate service levels for the community.

Staffing Requirements
Sales Tax revenue is the third larges General Fund revenue source and provides funding for services in most Town departments. The Board of Equalization processes and collects sales tax revenue and charges the Town a quarterly administrative charge.

Manager's Recommendation
Set the local sales tax projection at $1,262,570 and the "triple-flip" projection at $403,144, based upon State estimates.

Budget Policy Decision #4

Issue: Use of Released Trust Funds

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

The bank has held funds in trust during the 'lifetime' of the debt issuance obtained for the 2003 Certificate of Participation, as required by the bond documents. Those funds are no longer required to be held in trust because the final debt service payment will be made during FY 2010-11. The release of funds total $577,000 and have been programmed for two priority functions. Half has been allocated to fund one time planning efforts in Community Development ($288,500) to complete the work program that will prepare Mammoth to be ready for new development reinvestment. The work program includes, the Zoning Code Update, District Planning, the Mobility Plan and other vital planning efforts. The other half, or $288,500, has been programmed to increase the Town's Reserve for Economic Uncertainty (REU).

Budget Implication if Included/Not Included

The use of one time revenue to fund planning efforts will enable the Town to complete the CDD work program priorities and set the stage for new development to commence without any extended delay. Not including the funding for planning will result in service and staffing reductions in Community Development and could cause delay of private development reinvestment while the Town completes the necessary prerequisites to development. Not programming funds to the REU will delay rebuilding the REU to the desired 25% level.

Level of Service/Productivity/Fiscal Stability Gained or Lost

Community Development services will continue at current levels and future private development will not be delayed by lack of planning when economic conditions are right for development.

Alternative(s) Analysis

The one time funding for one time planning efforts could be eliminated and the increase to the Reserve for Economic Uncertainty could be increased from $288,500 to $577,000. Community Development service levels would be reduced and the Town would not complete planning efforts in advance of future new development.

Lifecycle Cost Implications

Using one-time revenue to fund one-time planning efforts in preparation for new development allows for the Zoning Code Update, District Planning and other priorities to be completed before new development is ready to proceed. In the future, increased levels of planning applications and building permits would generate increased fee amounts that would support necessary service levels without additional General Fund contributions.

Staffing Requirements

The Community Development Department staffs the planning efforts needed for new development. Reduced funding would require a reduction in Community Development Department services and planning efforts would be delayed.

Manager's Recommendation

Allocate $288,500 to fund Community Development Department work program priorities that will prepare the Town for reinvestment and $288,500 to replenish the REU.

Budget Policy Decision #5

Issue: Pre-fund Comprehensive Leave Expenses

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

The Town, unlike many governments, funds the full value of employee leave as it is earned. This conservative funding policy has the benefit of providing the Town with a stronger cash flow position throughout the year and provides a 'fire wall' for the budget for unexpected draw-downs of employee leave. Although each employee has flexibility on when they may use their leave, it is estimated that there could be a growth of employee leave charged to the General Fund of $307,000 for FY 10-11. The budget policy pre-funds the estimated cost to the General Fund for the value of the employee leave with surplus revenues from FY 09-10.

Budget Implication if Included/Not Included

To pre-fund a liability allows for surplus, current-year revenue to fund next year's obligation.

Level of Service/Productivity/Fiscal Stability Gained or Lost

Pre-funding the estimated value of leave earned not only immediately increases the Reserve for Comprehensive Leave; it also strengthens the Town's cash flow balance throughout the fiscal year.

Alternative(s) Analysis

1. Do not fund this year's liability. This would cause the leave reserve to be below 100% (estimated to be at 85%), but still far above the Council funding floor policy of 50%. The $307,000 could be used to further increase the REU. The combined REU increase would cause the REU to be at a 20% funding level.
2. Fund the cost of employee leave liability from the 2010-11 General Fund. This would require service reductions of an estimated $307,000 to fund this cost.

Lifecycle Cost Implications

The values of employee leave fluctuate based on terminations, use of leave and 'banking' of leave. The pre-funding of the value of employee leave will not change future fluctuation of leave value, but does reduce future costs by pre-funding.

Staffing Requirements
None.

Manager's Recommendation
Pre-fund comprehensive leave expenses with surplus revenue from the 2009-10 Budget year.

Budget Policy Decision #6

Issue: Carry-over Unspent Litigation Expenses

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

The California Joint Powers Insurance Authority (JPIA) recommends that when an agency 'self funds' its litigation costs, it is prudent to hold funds in reserve for those likely expenses. Because the Town was denied insurance coverage by the JPIA for the ongoing Hot Creek litigation costs, the Town should consider 'self funding' the litigation costs. In addition, the costs of defending the police officer appeals cases are not covered by the JPIA and should also be self-funded. Since budgeted Hot Creek litigation costs for FY 09-10 are significantly below actual expenditures, and police operational expenditures are estimated to be below budget, it is recommended that the estimated 'savings' of $400,000 be used to fund a $400,000 litigation reserve fund for FY 10-11. This litigation reserve would fund the ongoing Hot Creek litigation costs and the police officer appeals cases.

Budget Implication if Included/Not Included

If a litigation reserve is not established and used during FY 10-11, the litigation expenditures would be funded from FY 2010-11 General Fund revenue. The savings from the 2009-10 year-end activity could be allocated to a higher priority.

Level of Service/Productivity/Fiscal Stability Gained or Lost

Fiscal Stability is strengthened by following the recommended practice of pre-funding litigation liabilities with unspent expenditures This allows the Town to manage extraordinary expenditures while maintaining airport and police service levels.

Alternative(s) Analysis

The alternative would be not to pre-fund the litigation expenditures and instead fund with FY 10-11 operating revenue. Since the revenues are funding existing service levels for the airport, police and other departments, service levels would need to be reduced to provide the funding for the litigation costs.

Lifecycle Cost Implications

The appeal of the Hot Creek lawsuit is now at the appellant court and should be completed during the upcoming fiscal year. No ongoing funding would be needed unless there is a further appeal to the California Supreme Court.. The hearing/court costs regarding a police officer appeal began in FY 09-10, and are anticipated to be completed in FY 10-11.

Staffing Requirements

The Town's specialized legal counsel, Town Manager, Assistant Town Manager, Human Resources and Risk Management Director, Director of Airport and Transportation, and Town Attorney are all contributing to work required to address the appeals.

Manager's Recommendation

Carry-over unspent litigation expenses from the 2009-10 Budget.

Budget Policy Decision #7

Issue: Utility User Tax Revenue Funding of Parks Development Debt Service and Parks, Recreation and Trails

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

FY 2010-11 is the last year that the Town will receive General Fund revenue from the Utility User Tax (UUT). On June 8, 2010, the voters will be voting to extend a Utility User Special Tax effective July 1, 2011 that would be restricted to Mobility, Recreation and Arts & Culture. The original UUT was structured to sunset with the last payment of the parks development debt service, but the last debt service payment is less than the expected UUT revenue. The UUT revenue that is over and above what is needed to fund the last year of the parks development debt service ($327,747) has been programmed to fund recreation in the Parks, Recreation and Trails Department.

Budget Implication if Included/Not Included

If funding from the UUT is not used to fund recreation, then service level reductions would be needed in the Parks, Recreation and Trails department or some other department to balance with the funding available.

Level of Service/Productivity/Fiscal Stability Gained or Lost

The contribution from the excess UUT will provide greater operational revenue than has been programmed in prior years. Due to the transfer of marketing to Mammoth Lakes Tourism, the transfer of maintenance funding to Public Works, and the discontinued shared funding of positions and expenditures, additional funds are needed to support the Recreation, Parks and Trails Department until there can be a permanent shift of General Fund and other more permanent revenue to the Department.

Alternative(s) Analysis

The UUT that exceeds the needed funding for the Parks Development debt service could be programmed for other uses, but service levels in the Parks, Recreation and Trails Department would be reduced to balance with the lower level of funding.

Lifecycle Cost Implications

The UUT funding is a one-time source. In future years, after the affects of the transfer of marketing and maintenance functions have been assimilated, a permanent revenue source will be needed to support the desired service levels in recreation, parks and trails.

Staffing Requirements

The UUT funds will support the staffing needs and programs in the Parks, Recreation and Trails Department.

Manager's Recommendation

Fund a portion of the operational costs of the Recreation, Parks and Trails Department with UUT excess revenue.

Budget Policy Decision #8

Issue: Retiree Health Liability Funds in Trust Account

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

The Town has an existing liability (because of State law and employee MOU's) for retiree health costs (total liability currently is $580,000) and the Town is setting aside funds for that future cost. Over the last several years the Town has accumulated $180,000 for this purpose. Placing those funds in a trust will allow the Town to benefit from higher investment earnings and a reduction of the outstanding liability that would not be permitted if a trust is not used. Over time, this will decrease the cost to the Town compared to the current system. A trust does not obligate or guarantee a retiree or future retiree health insurance coverage, but it does decrease the cost to the Town as long as the Town has that liability. If, in the future, the liability is eliminated the excess proceeds from the trust would return to the Town.

Budget Implication if Included/Not Included

The annual required contribution is $62,000 and adequate funds have been programmed in the budget to fund the cost. Investing the accumulated funds in a trust will allow the Town to benefit from a longer-term investment horizon than has historically been available.

Level of Service/Productivity/Fiscal Stability Gained or Lost

A trust permits a longer-term investment horizon than what is traditionally permitted for local governments in short-term investment accounts for local funds. The resulting higher investment earnings have historically reduced the overall costs to governments that use a trust investment vehicle. The Town would expect to experience those same reduced costs over time.

If the Town does not participate in a trust, based on historic investment data, additional contributions to the retiree health liability fund would be required of the Town over time.

Alternative(s) Analysis

Continue to pre-fund retiree health funds through the limited investments available to the Town using a short-term investment horizon and liquidity restrictions that are permissible under State law. The Town would not benefit from the higher investment earnings available through a trust that would ultimately lower the overall cost to the Town over time.

Lifecycle Cost Implications

According to PERS, investment earnings from a retiree trust can generate 75% of the cost of retiree payments. This has lowered the overall retirement costs to local governments. The Town could experience the same type of lower cost over time by investing the retiree health accumulated funds in a retiree health trust.

Staffing Requirements

Finance department staff would work with PARS to execute all the trust documents and invest the funds for the pre-funding of retiree health.

Manager's Recommendation

Place the retiree health liability funds in a higher interest earning trust account and adopt the attached resolution.

RESOLUTION NO. 10-

RESOLUTION OF THE TOWN COUNCIL
OF THE TOWN OF MAMMOTH LAKES, STATE OF CALIFORNIA, TO
PARTICIPATE IN THE PARS PUBLIC AGENCIES POST-RETIREMENT HEALTH
CARE PLAN TRUST

WHEREAS, it is determined to be in the best interest of the Town of Mammoth Lakes (the "Town") to participate in the PARS Public Agencies Post-Retirement Health Care Plan Trust (the "Program") to fund post-employment benefits for its employees as specified in the Town's policies and/or applicable collective bargaining agreements; and

WHEREAS, the Town is eligible to participate in the Program, a tax-exempt trust and plan performing an essential governmental function within the meaning of Section 115 of the Internal Revenue Code, as amended, and the Regulations issued thereunder, and is a tax-exempt trust under the relevant statutory provisions of the State of California.

NOW THEREFORE, BE IT RESOLVED THAT:

1. The Town Council hereby adopts the PARS Public Agencies Post-Retirement Health Care Plan Trust, including the PARS Public Agencies Post-Retirement Health Care Plan, effective July 1, 2010; and

2. The Town Council hereby appoints the Finance Director, or his/her successor or his/her designee as the Town's Plan Administrator for the Program; and

3. The Town's Plan Administrator is hereby authorized to execute the PARS legal documents on behalf of the Town and to take whatever additional actions are necessary to maintain the Town's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the Town's PARS plan(s).

APPROVED AND ADOPTED THIS .

NEIL MC CARROLL, Mayor

ATTEST:

JAMIE GRAY, Town Clerk

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Budget Policy Decision #9

Issue: End Furlough Program and Seek Employee Concessions for 2010-11

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

For the past eighteen months the Town has used a temporary furlough program to save money and balance the budget. The program expires on June 30, 2010. Town Council has directed its labor negotiators to work with the employee associations on other concessions, but not to extend the furloughs.

Budget Implication if Included/Not Included

The furlough program, if extended at two days per month, or the equivalent, would save approximately $850,000.

The proposed budget assumes that the Town and its labor associations will achieve agreement on other concessions that will save the General Fund $500,000. Three of the four labor groups have agreed to wage and benefit concessions. Discussions with the fourth group are continuing.

Level of Service/Productivity/Fiscal Stability Gained or Lost

The reduction in productivity resulting from furloughs is noticeable. It has taken longer to complete planning and engineering projects, finance has been unable to spend as much time as desired on TOT enforcement, and there is less time for quality control on written products. Field work is also impacted by fewer hours being available for park, street, and mechanical maintenance.

The cost associated with ending the furlough program has put considerable pressure on the proposed budget.

Alternative(s) Analysis

Most Town employees are covered by binding labor agreements, and the Town Council is not able to unilaterally change those agreements. However, Town employees have voluntarily agreed to make concessions to offset some of the impacts of the recession and to minimize layoffs.

Alternatives considered by the Town Council included:

1. Seek agreements to extend the furlough program in order to save money for other purposes.
2. Seek alternate employee concessions to help balance the budget.
3. Cut services to pay the full cost of the benefits provided by the labor agreements.

Lifecycle Cost Implications

Employee groups have been willing to work with the Town to modify agreements to help address the impacts of the recession.

Staffing Requirements

Furloughs reduce the number of hours of staff time available. The termination of the furlough program will result in increased output and efficiency.

Manager's Recommendation

The Council has approved concessions with three of the four labor groups. Discussions with the fourth group are continuing.

Budget Policy Decision #10

Issue: Continuation of Building Permit Fee Reduction for Single Family Residences

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

This policy would extend the reduction in building permit fees for single-family homes for an additional year. In February 2009, the Council adopted a resolution to reduce plan check fees by 50%, and archival fees by 100%. The reductions will expire on August 15, 2010 if no action is taken.

Budget Implication if Included/Not Included

Since the fee reductions were implemented, 5 single-family home permits have been issued and 25 remodel permits have been issued. The reduced fees have resulted in a loss of approximately $8,000 per new unit and $2,000 per remodeled unit. Assuming the same number of permits would be issued next year the total loss would approximate $90,000, if the discounts are extended.

Level of Service/Productivity/Fiscal Stability Gained or Lost

The purpose for the reduced fee was to stimulate single-family home permit activity and provide stability for the local construction workforce. If the fee reductions increased building permit activity then fiscal stability is gained.

If building activity would have occurred in any case, the Town revenue was reduced and therefore, fiscal stability was commensurately reduced. As fees do not cover costs of service, more General Fund subsidy is required to support the services necessary to process, review and inspect building activity.

Alternative(s) Analysis

The alternative would be to return the fee level to the normal rates. Depending on the number of permits issued, this could reduce the number of building permit requests and either increase or decrease the budget revenues for the Community Development Department.

places an impact on the funds available to support the Tourism and Recreation Commission (or its successor), to provide management for the recreation functions, or to cover costs of community relations.

Alternative(s) Analysis

The Town Council could initially allocate a portion of the Measure "A" funds to Mammoth Lakes Tourism, and then add funds in the future if the new organization is successful. The organization could then focus on the core sales and marketing functions while the Town continues to provide other services. This would reduce the need to backfill from the General Fund.

The Town Council could also choose to keep pieces such as strategic partnerships or air revenue guarantee, and provide the balance to Mammoth Lakes Tourism.

The decision to propose moving the entire amount of Measure "A" funds to Mammoth Lakes Tourism shows that the Town Council has confidence in the organization, which should reinforce strong participation by the business community.

Lifecycle Cost Implications

This policy is considered to be a long term commitment to allocate Measure "A" tourism funds to Mammoth Lakes Tourism on an ongoing basis. If successful it should result in more money being raised within the community for marketing, and increased effectiveness of the marketing efforts.

There is an ongoing cost associated with backfilling the recreation management, commission support and community relations functions.

Staffing Requirements

The budget proposes creation of a new recreation manager position to take over management of the recreation function and to staff the commission. A portion of this position will also be funded in Administration and assigned to cover community relations.

Manager's Recommendation

Allocate all Measure "A" tourism funds in the form of a contract with Mammoth Lakes Tourism.

Budget Policy Decision #11

Issue: Measure "A" Tourism Allocation

Included in Draft Budget: YES

Strategic Initiative: A Premier Year-Round Resort

Description of Policy

An amount equal to 100% of the Business License Tax plus 2.5 points of the 13 points of Transient Occupancy Tax (19.2% of the TOT) is allocated to a contract with Mammoth Lakes Tourism, a new non-governmental destination marketing organization. Almost all functions funded with this money in the past are expected to be performed by Mammoth Lakes Tourism. In addition, Mammoth Lakes Tourism will allocate a portion of the money to cover the air revenue guarantee for spring and summer air service.

Budget Implication if Included/Not Included

If all, or a portion, of the funds are not allocated to Mammoth Lakes Tourism, the Town will need to continue to provide the services that have historically been associated with the funds. For example, the Town Council could retain the money associated with funding strategic partnerships and continue to allocate that money to local organizations who qualify to receive it.

If Mammoth Lakes Tourism is not required to cover the air service subsidy, some other source will be needed, or the service will not be provided.

Level of Service/Productivity/Fiscal Stability Gained or Lost

A non-governmental destination marketing organization funded in part by the municipality is the most prevalent organizational structure for this activity. The primary advantages of this structure include:

- It engenders broad participation by the business community in destination marketing activities.
- It leverages tax dollars because the organizations generate significant amounts of money from sources other than the municipal contribution.
- A non-governmental organization is less restricted and more able to act in an entrepreneurial way.

However, separating the tourism function from the recreation function, and no longer enjoying the benefits from shared staffing and servicing, places an impact on the funds available to support the Tourism and Recreation Commission (or its successor), to provide management for the recreation functions, and to cover costs of community relations.

Alternative(s) Analysis

The Town Council could initially allocate a portion of the Measure "A" funds to Mammoth Lakes Tourism, and then add funds in the future if the new organization is successful. The organization could then focus on the core sales and marketing functions while the Town continues to provide other services. This would reduce the need to backfill from the General Fund.

The Town Council could also choose to keep pieces, such as strategic partnerships or the air revenue guarantee, and provide the balance to Mammoth Lakes Tourism.

The decision to move the entire amount of Measure "A" funds to Mammoth Lakes Tourism shows that the Town Council has confidence in the organization, which should reinforce strong participation by the business community.

Lifecycle Cost Implications

This policy is considered to be a long-term commitment to allocate Measure "A" tourism funds to Mammoth Lakes Tourism on an ongoing basis. If successful, it should result in more money being raised within the community for marketing, and increased effectiveness of the marketing efforts.

There is an ongoing cost associated with backfilling the recreation management, commission support and community relations functions.

Staffing Requirements

The budget proposes creation of a new recreation manager position to take over management of the recreation function and to staff the commission. A portion of this position will also be funded in Administration and assigned to cover community relations.

Manager's Recommendation

Allocate all Measure "A" tourism funds in the form of a contract with Mammoth Lakes Tourism.

Budget Policy Decision #12

Issue: Measure "R" Administration

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

The Measure "R" ordinance allows the costs of administering Measure "R" to be paid by Measure "R" funds. In the past, the Council has authorized charging the staff and other costs of administering Measure "R" to Measure "R". This results in a small amount of revenue from Measure "R" appearing in the Recreation Department. The amount of revenue estimated has been reduced from 8% in the current budget to 4% in the proposed budget. This year's charges have not been processed to date, so no historical data is available.

Budget Implication if Included/Not Included

If the admistrative costs are not charged to Measure "R", they will have to be covered by the General Fund.

Level of Service/Productivity/Fiscal Stability Gained or Lost

The primary benefit of this policy is to assign costs to the revenue that is providing a specific service. Similarly, and by way of example, building permit inspections are assigned to building permit fees.

This cost is anticipated in the Measure "R" process.

Alternative(s) Analysis

Do not charge the cost of administration of Measure "R" to Measure "R" and absorb the cost in the General Fund. This will result in reduced service levels for Parks, Recreation and Trails or some other service, if General Fund revenue is taken from another funded service.

Lifecycle Cost Implications

It is estimated for budget purposes only that the charges will not exceed $33,470 per year. However, the charges to Measure "R" will be based on actual costs.

Staffing Requirements

The Budget includes a new Recreation Manager position. If approved, the administration of Measure "R" will be assigned to this position. If the position is not approved, it may affect the workload and priorities of another position.

Manager's Recommendation

Charge the cost of administering Measure "R" to Measure "R".

Budget Policy Decision #13

Issue: Airport Terminal Financing

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

This policy would extend the term of the Airport Terminal Note that expires June 30, 2010 for an additional 2-years through June 30, 2012. The Town has invested in this note and it is part of our investment portfolio. The note is receiving a 4% annual interest rate. If the note is not renewed, the investment will be written off and the REU will be reduced by $1.8 million dollars.

Budget Implication if Included/Not Included

Three years ago, the FAA was unable to provide initial funding for the construction of the Airport Terminal. However, every year the FAA issues an entitlement grant that can be used for capital purposes based upon annual passenger enplanements. The FAA has verbally stated the entitlement grant will increase from an annual $150,000 grant to an annual $1,000,000 grant, beginning with the federal fiscal year 2010-11. This higher grant level is awarded when the airport exceeds the 10,000 annual enplanement threshold. The proposed budget programs the $1,000,000 to pay back the Terminal Note payment. The subsequent year's annual $1,000,000 entitlement grant will be programmed to pay off the Terminal Note until it is fully retired.

Level of Service/Productivity/Fiscal Stability Gained or Lost

If the term of the Airport Terminal Note is not extended, the investment will be written off and the REU will be reduced by $1.8 million.

Alternative(s) Analysis

Do not extend the Airport Terminal Note and decrease the REU by $1.8 million. The Town would have to request that the $1,000,000 annual FAA grant be used for another airport capital purpose.

Lifecycle Cost Implications

Using the $1,000,000 FAA grant to fund the Airport Terminal Note as authorized by the FAA will increase the Town's overall cash balances, maintain the REU and continue the favorable grant funding status with the FAA. The annual $1 million grant will be programmed to pay off the Terminal Note until the balance is retired.

Staffing Requirements
None

Manager's Recommendation
Approve the extension of the Airport Terminal Note which is funded as an investment and use the FAA Grant proceeds to pay down the Note.

TOWN OF MAMMOTH LAKES

RESOLUTION NO. ____

RESOLUTION PROVIDING FOR THE CONTINUATION OF TERMS AND CONDITIONS FOR THE AIRPORT TERMINAL FINANCING NOTE FOR FISCAL YEAR 2010-2011

RESOLVED, by the Town Council (the "Council") of the Town of Mammoth Lakes (the "Town"), as follows:

WHEREAS, pursuant to Article 7.6 (commencing with section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Law"), this Town Council (the "Council") has found and determined that moneys are needed for the requirements of the Town, a municipal corporation and general law city duly organized and existing under the laws of the State of California, to provide moneys to finance, on an interim basis, the costs of the remodeling of the existing maintenance building at the Mammoth Lakes Airport into a terminal for commercial passenger air service, including passenger ticketing, security, holding areas, restrooms, septic system upgrades, parking, sidewalk and ADA access improvements (the "Project");

WHEREAS, on November 6, 2008, the Town issued its $2,000,000 Town of Mammoth Lakes (Mono County, California) 2008 Capital Project Notes (the "2008 Notes") to finance the Project in anticipation of the receipt of proceeds of certificates of participation to be executed and delivered for such purpose, which 2008 Notes mature on June 30, 2009;

WHEREAS, the 2008 Notes, by their terms, must be paid from unrestricted taxes, revenue and other moneys to be received by the Town during or allocable to the fiscal year of issuance, being the Fiscal Year of the Town beginning July 1, 2008, and ending June 30, 2009, and, therefore, the Town advanced available funds on June 30, 2009, to pay the principal of and accrued interest on the 2008 Notes;

WHEREAS, for various reasons, the Town was not able to cause the execution of certificates of participation to permanently finance the Project and the Council found and determined that it was necessary that moneys be borrowed at this time to reimburse the Town for amounts advanced to pay the principal of and accrued interest on the 2008 Notes on June 30, 2009, by the issuance of an additional series of temporary notes therefore;

WHEREAS, The Town Manager was authorize on June 24, 2009 to loan an amount not-to-exceed one million nine hundred eighty five thousand dollars ($1,985,000) from the General Fund to the Airport Enterprise Fund for the purpose of providing interim financing for the Project, and

WHEREAS, Said loan conforms to the terms and conditions provided for interim financing provided in Resolution 09-30, and

WHEREAS, the loan is to mature on June 30, 2010 and there is a need to extend the maturity date of the loan to June 30, 2012.

WHEREAS, such will be paid from unrestricted taxes, revenue and other moneys to be received by the Town during or allocable to the fiscal year of the Town beginning July 1, 2010, and ending June 30, 2011 ("Fiscal Year 2010-2011") and/or the fiscal year of the Town beginning July 1, 2011, and ending June 30, 2012 ("Fiscal Year 2011-2012");

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Mammoth Lakes:

Section 1. Authorization to extend the note maturity date from June 30, 2010 to June 30, 2012 that loaned Funds from the General Fund to the Airport Enterprise Fund

Section 2. <u>Terms and Conditions of the Loan</u>. Said loan shall conform to the terms and conditions provided for interim financing provided in Resolution 09-30 and will mature June 30, 2012.

Section 3. <u>Effective Date</u>. This Resolution shall take effect upon its adoption by this Town Council.

ADOPTED June 30, 2010, by the Town Council of the Town of Mammoth Lakes.

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NEIL MCCARROLL, Mayor

ATTEST:

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JAMIE GRAY, Town Clerk

Budget Policy Decision #14

Issue: Provide Line of Credit to Eastern Sierra Transit Authority

Included in Draft Budget: **YES**

Strategic Initiative: Fiscal Stability

Description of Policy

Since the formation of the Eastern Sierra Transit Authority (ESTA), the Town has provided a line of credit to ESTA. The line of credit allows ESTA to maintain the necessary cash flow to cover its obligations during the course of the year. Since ESTA is a young organization with limited reserves and revenue that lags expenditures, it has been necessary for ESTA to obtain a line of credit to meet cash flow needs. For the last two years, Mono County, City of Bishop and Inyo County have also provided lines of credit to ESTA. ESTA has always repaid the lines of credit in full before the end of the fiscal year.

Budget Implication if Included/Not Included

The line of credit is funded from existing transit reserves. Transit reserves are replenished when ESTA repays the line of credit. Therefore, there is no impact to transit operating reserves or expenditures.

Level of Service/Productivity/Fiscal Stability Gained or Lost

The line of credit allows ESTA to meet its cash flow needs that are necessary to provide the transit services in Mammoth Lakes.

Alternative(s) Analysis

Maintain existing transit reserves and do not extend a line of credit to ESTA. ESTA may then be required to reduce transit services in order to create an adequate reserve to cover cash flow requirements.

Lifecycle Cost Implications

Extending a line of credit to ESTA for FY 10-11 does not obligate the Town to any future line of credit offering.

Staffing Requirements

The Town Finance Director performs the Treasurer, Auditor-Controller position for ESTA.

Manager's Recommendation

Provide a Line of Credit to Eastern Sierra Transit Authority and recommend approval of the Line of Credit Agreement.

ADVANCE FUNDING AGREEMENT

THIS AGREEMENT is made and entered into this 7th day of July, 2010, by and between the TOWN OF MAMMOTH LAKES, a California municipal corporation and general law city ("Town"), and the Eastern Sierra Transit Authority, a joint powers authority formed under the laws of the State of California ("ESTA").

RECITALS

WHEREAS, The Town of Mammoth Lakes has joined with The City of Bishop, County of Mono, and County of Inyo to form ESTA in order to provide transit services within the region, and

WHEREAS, the Finance Director of the Town of Mammoth Lakes has been designated as the Treasurer and Auditor Controller of ESTA, and ESTA is governed by the rules, regulations and limitations of the Town of Mammoth Lakes, and

WHEREAS, ESTA desires to obtain, and the Town agrees to provide, a line of credit (loan) funding, and

WHEREAS, this agreement replaces any and all Advance Funding, Line of Credit, or Loan Agreements dated prior to this agreement.

NOW, THEREFORE, Town and ESTA agree as follows:

AGREEMENT

1. Advance. Town agrees to advance up to $50,000 for expenses authorized by the ESTA Board of Directors.
2. Interest. Town shall accrue interest on any and all amounts advanced at a rate equal to the State of California Local Agency Investment Fund (LAIF).
3. Repayment. ESTA shall be obligated to repay the principal and accrued interest by June 30, 2011.
4. Entire Agreement. This agreement constitutes the entire understanding and agreement of the parties.
5. Time is of the Essence. Time is of the essence in this Agreement.
6. Other Necessary Acts. The Town and ESTA shall do all acts as may be reasonably necessary to carry out the purposes of this agreement.

7. Amendment. This Agreement may be amended from time to time by mutual consent of the parties in writing.
8. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, such provision shall be discarded and this Agreement shall continue in effect. However, if such provision is not severable from the balance of the Agreement so that mutually dependent rights and obligations of the parties remain materially unaffected, the Agreement shall become void.
9. California Law. The Agreement shall be construed and enforced in accordance with the laws of the State of California
10. Attorney Fees. IF legal action is brought against the other party because of an alleged default under the terms and conditions of this Agreement or to enforce any provision of the Agreement, the prevailing party shall be entitled to reasonable attorney fees.
11. Notices. Notices, demands or other communications required to be given under this Agreement shall be in writing and shall be personally served, or sent in the United States mail, certified and registered, postage prepaid, return receipt requested. Notice shall be addressed as follows:

Eastern Sierra Transit Authority
Attn: Treasurer-Auditor Controller
P.O. Box 1609
Mammoth Lakes, CA 93546

Town of Mammoth Lakes
Attn: Town Manager
P.O. Box 1609
Mammoth Lakes, CA 93546

IN WITNESS WHEROF, this Agreement has been signed by the parties and is effective as herein above set forth.

Eastern Sierra Transit Authority

By:______________________

John Helm
Executive Director

Town of Mammoth Lakes

By:______________________

Robert F. Clark
Town Manager

Budget Policy Decision #15

Issue: Repayment of Funds Used for Capital Projects

Included in Draft Budget: **NO**

Strategic Initiative: Fiscal Stability

Description of Policy

During the course of the recession, the Town continued $42 million in capital projects using $34 million in grants. The difference was covered in part by internal borrowing of $3.2 million from the General Fund that had been obtained by selling surplus right-of-way in the Village, and borrowing $1.275 million saved in the Vehicle Fund because of delayed equipment replacements.

Budget Implication if Included/Not Included

There is no immediate need in the Capital Facilities Fund for the $3.2 million. However, if restored it could be used to match future grants, or to help complete projects that have been put on hold. The money was borrowed because Development Impact Fee revenue did not materialize. Based on current Development Impact Fee schedules, the $3.2 million will be repaid by the first 200 units built. A typical number of units built during an average building year has been 100 to 200 units per year, depending on the market and absorption level of each unit type.

The Vehicle Fund has continued to grow because of delays in replacing equipment. The Vehicle Fund has 100% of the revenue needed to meet replacement needs. Therefore the loan can be forgiven.

Level of Service/Productivity/Fiscal Stability Gained or Lost

If the $3.2 million loan is repaid from some source other than Development Impact Fees, it will have to come from the General Fund, thus requiring a significant decrease in service levels within the community. The need for new facilities is closely tied to the pace of development of new transient lodging. When the pace of development picks up, it will generate the fees to repay the loan and the money will be available to meet the capital and mitigation needs of development.

Alternative(s) Analysis

1. Since the $3.2 million was borrowed to back-fill a recession-driven short fall in Development Impact Fees, use Development Impact Fees from the next 200 units to repay the loan.

2. Since the Vehicle Fund money was available because of delays in replacing equipment, and the Vehicle Fund is replenished, write off the loan.
3. Repay the loans from the General Fund, which will result in material service reductions.
4. Write off both loans.

Lifecycle Cost Implications

None

Staffing Requirements

None

Manager's Recommendation

Since the $3.2 million was borrowed from the General Fund to back-fill a recession-driven short fall in Development Impact Fees, use Development Impact Fees from the next 200 units to repay the loan.

Since the Vehicle Fund money was available because of delays in replacing equipment, and the Vehicle fund is replenished, write off the loan.