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6/10/2011

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Agenda Item \_\_\_\_\_  
June 15, 2011  
File No. 330-20

## AGENDA BILL

Subject: Completion of Budget Deliberation for Fiscal Year 2011-12,  
Direction to Staff for the June 22, 2011 Interim Budget  
Adoption

Initiated by: David Wilbrecht, Town Manager  
Marianna Marysheva-Martinez

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### SUMMARY

This report builds on the baseline budget information presented to the Town Council on May 18, 2011, May 25, 2011, June 1, 2011, and June 8, 2011. Included with this report are:

- In Attachment A: **re-printed from the June 8, 2011** meeting, balancing measures for the General Fund for FY 2011-12. These measures were developed by staff to offset some \$900,000 in the balancing options rejected by the Town Council on June 1, 2011.
- In Attachment B: For Town Council's reference, measures **originally proposed by staff**, at the June 1, 2011 meeting.

Budget adoption of the FY 2011-12 interim budget is scheduled for June 22, 2011. Staff will include in the June 22<sup>nd</sup> agenda packet the following materials necessary to adopt the budget: (a) a complete budget document, including details for all departments and funds, with summaries (this was initially presented at the May 25, 2011 meeting); and (b) necessary budget legislation.

On July 20, 2011, staff will return to the Council with presentation of the FY 2011-12 interim (and adopted on June 22<sup>nd</sup>) budget by priority area, to begin a discussion of budget balancing following a settlement with Mammoth Lakes Land Acquisition (MLLA).

In September of 2011, staff will present to the Council the complete five-year Capital Improvement Program (CIP), with prioritization criteria, to set a foundation for the subsequent year's CIP budget deliberations.

**RECOMMENDATION:**

Therefore, it is recommended that the Town Council approve, or replace with equal value, balancing measures addressing the General Fund's baseline shortfall of \$2.8 million, presented in Attachment A.

Attachments:

A – Revised balancing measures for the General Fund, reprinted from the June 8, 2011 meeting

B – Balancing measures originally proposed by staff, at the June 1, 2011 meeting

**Subject: Revised Budget Balancing for the General Fund shortfall  
(Re-Printed from the June 8, 2011 meeting)**

At the June 1, 2011 meeting, the Town Council rejected nearly \$1 million in balancing measures recommended by Town Staff. Staff has revised the balancing recommendations based on the following factors:

1. Town's staffing is at its historically lowest levels, and further reductions in positions are nearly impossible without deteriorating Town's basic services.
2. The Town has existing contracts with employee unions (expiring in 2014), and reducing employee compensation requires unions' consent.
3. The Town is able to reduce hours of operations / employee work without union consent, by shutting down Town businesses on particular days. This will reduce services to the public.
4. Some of the Town's traditionally provided, funded, or subsidized services are not core or mandated, although expected by the public. The Town, however, can no longer afford to pay for everything that it traditionally has funded, due to the weak economy and restrictions on nearly \$1 million in General Fund dollars through Measure U. Moreover, the Town is about to find itself even more constrained, once financial impacts of a settlement with MLLA are known.

The revised balancing measures are attached to this cover document.

**Balancing Recommendations for FY 2011-12  
General Fund and Discretionary Funding**

**Shortfall Update**

June 1 projection of the FY 11/12 General Fund shortfall **(\$2,618,291)**

*Increase in the shortfall per the June 1, 2011 Council direction:*

Add funding to pay for the entire cost of the sprung structure (\$184,000)

June 15 projection of the FY 11/12 General Fund shortfall **(\$2,802,291)**

**Balancing Recommendations**

<b>1) REDUCE LABOR COSTS</b>			
<b>Possible action</b>	<b>Department(s) affected</b>	<b>FY 11/12 savings to General Fund</b>	<b>Impact on Town's services</b>
<p>Town management strongly believes that <b>reducing staffing levels in any Town department at this point will lead to significant negative impacts</b>. Reductions in compensation without reductions in personnel count are favorable and is the only recommended option by management. However, because compensation reductions require consent of employee unions - since the Town has in place contracts with these unions, through 2014 - we simply can not impose compensation reductions absent unions' consent. If such concessions do not happen, the only other alternative to reducing personnel costs is through furloughs (for non-sworn staff) and layoffs (for all). <b>These options are listed below as options, and <u>not recommendations</u>, of Town management.</b> We do not support furloughs or layoffs and warn of their detrimental impact on already minimal Town services. <b>We strongly favor either voluntary reductions, or cuts to outside agencies that receive funding from the Town.</b></p>			
Eliminate 3 sworn positions in the Police Department	Police	<b>\$470,000</b>	A reduction of three sworn positions will lead to layoffs and service reductions, but every attempt will be made to minimize impact on patrol services. If Federal COPS grant is approved, one of the eliminated positions could be reinstated.
Eliminate one position in the Community Development Department	Community Development	<b>\$90,000</b>	There will be service impacts, such as: longer response time to request for public information and assistance; reduced counter services; reduced support to Commissions; increased permit processing time; increased completion of program initiatives; longer inspection services; and longer code compliance times.
Eliminate one position in the Public Works Department	Public Works	<b>\$170,000</b>	Reduction in a management position would lead to spreading of management responsibilities to existing staff, and will result in delays and loss of institutional knowledge.

Possible action	Department(s) affected	FY 11/12 savings to General Fund	Impact on Town's services
Institute a twice-monthly "business shutdown" of Town government - all Town services / offices, except for police patrol, will be closed every other Friday. Town employees will not be paid for those days.	All departments except for Police patrol	\$265,944	Service reduction to the public, increase in workload for all Town employees, which will delay completion of projects throughout Town, and may result in cancellation of low-priority work items. This is further complicated by the existing once-a-month furlough by Public Works employees - adding two more furloughs a month to that group may simply result in work stoppage in some areas. All Town employees (except police patrol) would effectively experience a 9.2% salary cut.
Charge up to \$88,000 annually in personnel and operating expenses of Community Development to the Workforce Housing (Measure A) fund	Community Development	\$88,000	The Workforce Housing Fund has a structural surplus of \$88,000 in FY 11/12.
Additional personnel reductions to be determined - most likely in Recreation	TBD - Most likely Recreation	\$150,000	There will most definitely be reductions to services, visible to the public.
<b>Subtotal</b>		<b>\$1,233,944</b>	

**2) FUND ONE-TIME ITEMS WITH ONE-TIME SOURCES**

One-Time Item	Department(s) affected	FY 11/12 General Fund baseline funding	Recommended One-Time Funding Source or Reduction / Elimination	FY 11/12 funding after the recommended action	FY 11/12 savings to the General Fund resulting from the recommended action
Airport temporary holding ("sprung") structure	Airport	\$275,000	Fund balance in the Measure T (Transit) funding - \$360K is expected by the end of FY 11/12	\$275,000	\$275,000
Gap funding for the Ice Rink / Multi-Use Facility slab construction	Public Works	\$365,000	Measure R or Measure U	\$365,000 if funded outside of General Fund; \$0 if not	\$365,000
Structural improvements for the police station	Police	\$75,000	Capital Project Debt Service Fund - an unallocated balance of \$90K is available for one-time use.	\$75,000	\$75,000
General Fund support for the carryover capital projects	CIP / Public Works	\$180,110	Workforce Housing (Measure A) balance - \$500K anticipated as of June 2011.	\$180,110	\$180,110
One-time or limited-duration consulting projects	Town Administration	\$110,000	Workforce Housing (Measure A) balance - \$500K anticipated as of June 2011.	\$110,000	\$110,000
<b>Subtotal</b>					<b>\$1,005,110</b>

**3) REDUCE CONTRACTUAL SPENDING FROM DISCRETIONARY FUNDING**

Organization and possible action	Contract status	FY 11/12 savings to General Fund	Impact on organization	Percent reduction to organization's requested FY 11/12 funding
Mammoth Lakes Housing: Reduce FY 11/12 funding by 10%	Existing contract expires on June 30, 2011. Negotiations for new contract, to begin July 1, 2011, are under way.	\$38,500	Mammoth Lakes Housing would likely have to enact furlough days. This would cause a reduction in services to the Town contract. MLH and the Town would have to further prioritize tasks to ensure that the most critical services are being provided. A contract reduction would impact the hours and availability of MLH to be a resource to those in the community in need of housing and housing resources.	10.0%
Great Basin Unified Air Pollution Control District: Reduce FY 11/12 funding by 10%	Existing contract expires on June 30, 2011. Negotiations for new contract, to begin July 1, 2011, are pending	\$2,500	The organization should be able to absorb a 10% reduction in the contribution toward their monitoring efforts; as long as it is recognized as a temporary reduction. Their real costs are more than the Town's contribution.	10.0%
High Sierra Energy Foundation: Reduce FY 11/12 funding by 15%	Funding supplements existing contract commitment	\$3,750	The impact of a 15% funding reduction is not likely to have an adverse effect on the organization's operations, except that they may have to cut back on advertising and promotion for Town events such as the tree lighting, and may need to have slight reductions in staff time.	15.0%
Fishing Enhancement: Reduce FY 11/12 funding by 10%	Current contract ends in October 2011	\$6,000	Contract amount would be re-negotiated in November 2011, and will likely result in less fish available.	10.0%
<b>Subtotal</b>		<b>\$50,750</b>		

<b>4) REDUCE OTHER NON-MANDATED SPENDING NOT SPECIFICALLY IMPACTING PARTICULAR ORGANIZATIONS</b>				
<b>Department and possible action</b>	<b>What is included in the baseline budget</b>	<b>FY 11/12 savings to General Fund</b>	<b>Impact on Town's services</b>	<b>Percent reduction to the requested FY 11/12 funding</b>
Public Works: Reduce Road Rehabilitation budget to \$500,000	\$875,000 is included in the General Fund budget for FY 11/12	\$375,000	\$500,000 would pay for: 1) Rehabilitation of Meridian Boulevard from Old Mammoth Road to Joaquin Road; and 2) Road work on Sierra Park Road, adjacent to the new courthouse.	42.9%
Public Works: Cut \$125,000 set aside for the Sherwin Street Culvert Replacement project	\$125,000 is included in the CIP budget for FY 11/12, funded by the General Fund	\$125,000	This is a flooding mitigation project. The project requires permits from the US Army Corp of Engineers and Fish & Game, and some Biological study is necessary. Not funding the project may delay improvements from being completed until summer 2013.	100.0%
Recreation: Reduce funding for July 4 events by 10%	Requested General Fund budget is \$46,000	\$4,600	The \$46,000 baseline budget includes funding for the fireworks, POPS in the Park, and other related fees. A 10% reduction would impact the length of the fireworks show. The impact on the POPS in the park performance is not clear at this time.	10.0%
Recreation: Reduce FY 11/12 funding for Local Programs by 10%	Requested General Fund budget is \$32,000	\$3,200	The 10% reduction would impact the local youth sport organizations, which rely greatly on Town's funding.	10.0%
Town Clerk: Eliminate funding for the Law Library subscription	\$4,600 in the General Fund	\$4,600	The printed library updates do not seem to be utilized - no negative impact is anticipated.	100.0%
<b>Subtotal</b>		<b>\$512,400</b>		

**GRAND TOTAL OF BALANCING OPTIONS                      \$2,802,204**

ATTACHMENT B for Agenda Item \_\_\_\_  
June 15, 2011  
File No. \_\_\_\_\_

**Subject: Original Budget Balancing for the General Fund shortfall  
(Re-Printed from the June 1, 2011 meeting)**

**Balancing options for FY 2011-12  
General Fund and Discretionary Funding**

June 1 projection of the FY 11/12 General Fund shc (\$2,618,291)

**Balancing Options**

Balancing options are based on the *budget principles* listed in the May 18th agenda bill

Balancing options reflect *actions that are within Town Council's control*, and do not require re-negotiations of existing contractual agreements with employee unions, outside agencies, etc.

<b>1) REDUCE LABOR COSTS</b>				
<b>Possible action</b>	<b>Department(s) affected</b>	<b>FY 11/12 savings to General Fund</b>	<b>Impact on Town's services</b>	<b>Percent reduction to base personnel costs</b>
Employee concessions OR layoffs	All departments	\$504,061	Service reduction to the public, increase in workload for all Town employees, which will delay completion of projects throughout Town, and may result in cancellation of low-priority work items. This is further complicated by the existing once-a-month furlough by Public Works employees - adding two more furloughs a month to that group may simply result in work stoppage in some areas.	10.0% Town-wide
<b>Subtotal - reduction in labor costs</b>		<b>\$504,061</b>		

<b>2) REDUCE CONTRACTUAL SPENDING FROM DISCRETIONARY FUNDING</b>				
<b>Organization and possible action</b>	<b>Contract status</b>	<b>FY 11/12 savings to General Fund</b>	<b>Impact on organization</b>	<b>Percent reduction to organization's requested FY 11/12 funding</b>
Mammoth Lakes Tourism: As part of the new contract beginning July 1, 2011, negotiate an equivalent of 10% savings from the budgeted contract amount of \$2.36 mill for FY 11/12. The "savings" of \$236,000 may come from one or a combination of the following: (1) increase in TOT and/or Sales Tax revenue, from the baseline budget estimate; (2) reduction of Town's costs (from the baseline budgeted amount) pertaining to the summer air subsidy, events that generate visitorship, etc. Evaluate revenue generation and expense reduction in March and if the full \$236,000 in savings is not possible by year-end, reduce funding to MLT accordingly.	Existing contract expires on June 30, 2011. Negotiations for new contract, to begin July 1, 2011, are under way.	\$236,000	Mammoth Lakes Tourism by design and creation is meant to be a Destination Marketing Organization and the funds from Measure A have been designated to increase visitor awareness, traffic and spending within Mammoth Lakes. A reduction in marketing funds, or redirection of those funds to cover operational expenses, would adversely impact the reach of our tourism message. The impact of those funds being spent on marketing are up to a five time return on the investment through overall guest spending, including sales tax and transient occupancy tax to the town. MLT is much more comfortable with, and confident in, option #1 which gives them the ability to RAISE revenues.	10.0%
Mammoth Lakes Housing: Reduce FY 11/12 funding by 10%	Existing contract expires on June 30, 2011. Negotiations for new contract, to begin July 1, 2011, are under way.	\$38,500	Mammoth Lakes Housing would likely have to enact furlough days. This would cause a reduction in services to the Town contract. MLH and the Town would have to further prioritize tasks to ensure that the most critical services are being provided. A contract reduction would impact the hours and availability of MLH to be a resource to those in the community in need of housing and housing resources.	10.0%

Organization and possible action	Contract status	FY 11/12 savings to General Fund	Impact on organization	Percent reduction to organization's requested FY 11/12 funding
ESTA: Reduce FY 11/12 funding by 10%	Annually renewed contract	\$69,300	A 10% cut to the ESTA contract would translate into a reduction of 1,500 service hours based on current compensation rates. This would result in service reductions - for example, this may equate to cutting both Lift routes end time from 6:00 PM to 4:00 PM.	10.0%
Mammoth Lakes Trails and Public Access: Reduce FY 11/12 funding by 10%	Funding supplements existing contract commitment	\$17,000	MLTPA may be seeking funding from Measure R or Measure U for the 10%	10.0%
Great Basin Unified Air Pollution Control District: Reduce FY 11/12 funding by 10%	Existing contract expires on June 30, 2011. Negotiations for new contract, to begin July 1, 2011, are pending	\$2,500	The organization should be able to absorb a 10% reduction in the contribution toward their monitoring efforts; as long as it is recognized as a temporary reduction. Their real costs are more than the Town's contribution.	10.0%
High Sierra Energy Foundation: Reduce FY 11/12 funding by 15%	Funding supplements existing contract commitment	\$3,750	The impact of a 15% funding reduction is not likely to have an adverse effect on the organization's operations, except that they may have to cut back on advertising and promotion for Town events such as the tree lighting, and may need to have slight reductions in staff time.	15.0%
Fishing Enhancement: Reduce FY 11/12 funding by 10%	Current contract ends in October 2011	\$6,000	Contract amount would be re-negotiated in November 2011, and will likely result in less fish available.	10.0%

Organization and possible action	Contract status	FY 11/12 savings to General Fund	Impact on organization	Percent reduction to organization's requested FY 11/12 funding
IE Resort Consulting: Fund only 50% of the requested \$50,000 now. Re-evaluate the remainder at mid-year	Funding supplements existing contract commitment	\$25,000	Project scope will likely be scaled down; more may need to be done by staff.	50.0%
No reduction to the Chamber of Commerce - reduced funding request from \$25,000 in 10/11 to \$20,000 in FY 11/12 - a 20% reduction				
<b>Subtotal - reduction in contractual spending</b>		<b>\$398,050</b>		

<b>3) REDUCE OTHER NON-MANDATED SPENDING NOT SPECIFICALLY IMPACTING PARTICULAR ORGANIZATIONS</b>				
Department and possible action	What is included in the baseline budget	FY 11/12 savings to General Fund	Impact on Town's services	Percent reduction to the requested FY 11/12 funding
Airport: Do not fund sprung structure	One-third of the sprung structure cost, at \$91,000	\$91,000	Continued customer service / experience issues when more than one flight is on the ground - due to limited terminal capacity, passengers are forced to wait outside of terminal for luggage. With six flights a day in an eight hour window proposed for next year, the terminal will often be overcrowded, and passengers will be forced to wait outside. This item could be eligible for Measure U funding.	100.0%
Public Works: Reduce Road Rehabilitation budget to \$375,000	\$875,000 is included in the General Fund budget for FY 11/12	\$500,000	This reduction would defer any phased maintenance of Meridian and Sierra Park Roads and increase deferred maintenance costs in the short term; and delay completion of Sherwin Creek Road rehabilitation.	50.0%

Department and possible action	What is included in the baseline budget	FY 11/12 savings to General Fund	Impact on Town's services	Percent reduction to the requested FY 11/12 funding
Public Works: Cut \$125,000 set aside for the Sherwin Street Culvert Replacement project	\$125,000 is included in the CIP budget for FY 11/12, funded by the General Fund	\$125,000	This is a flooding mitigation project. The project requires permits from the US Army Corp of Engineers and Fish & Game, and some Biological study is necessary. Not funding the project may delay improvements from being completed until summer 2013.	100.0%
Transit: Do not fund vehicle replacement for transit in FY 11/12	\$143,000 in Measure T funding	\$143,000	Transit vehicles will fall behind on the required replacement, which will result in the increased cost of maintenance and may lead to equipment failures.	100.0%
Public Works: Do not spend General Fund dollars on the gap funding for the Ice Rink / Multi-Use Facility slab construction	\$365,000 is included in the General Fund budget for the gap funding. \$500,000 is expected from a grant, and \$57,000 has been requested from Measure R	\$365,000	Three options are possible: (1)-Do NOT fund this project at all. If this happens, the Town will be required to forfeit a \$500,000 State Parks Grant, repay another \$254,000 in grant money, and reimburse DIF \$562,000. Forfeiting and repaying grant money may lead to future sanctions. Reimbursement of grant money may be at a rate of 100% plus. (2) Fund the \$365,000 gap from another source, such as Measure R or U. (3) Take funding from another capital project - most likely from the remaining \$375K in Road Rehabilitation funds - to pay for the slab completion.	100.0%
Police: Fund only 50% of structural improvements for the police station	Requested budget is \$75,000	\$37,500	Intended improvements will be scaled down, and may simply not be possible with 50% of funding.	50.0%

Department and possible action	What is included in the baseline budget	FY 11/12 savings to General Fund	Impact on Town's services	Percent reduction to the requested FY 11/12 funding
Recreation: Reduce funding for July 4 events by 10%	Requested General Fund budget is \$46,000	\$4,600	The \$46,000 baseline budget includes funding for the fireworks, POPS in the Park, and other related fees. A 10% reduction would impact the length of the fireworks show. The impact on the POPS in the park performance is not clear at this time.	10.0%
Recreation: Reduce FY 11/12 funding for Local Programs by 10%	Requested General Fund budget is \$32,000	\$3,200	The 10% reduction would impact the local youth sport organizations, which rely greatly on Town's funding.	10.0%
Town Clerk: Eliminate funding for the Law Library subscription	\$4,600 in the General Fund	\$4,600	The printed library updates do not seem to be utilized - no negative impact is anticipated.	100.0%
<b>Subtotal - reduction in non-mandated spending</b>		<b>\$1,273,900</b>		

<b>4) UTILIZE BALANCES IN OTHER FUNDING SOURCES</b>				
<b>Fund name</b>	<b>Legal restrictions on use of balance</b>	<b>Available balance amount</b>	<b>Possible programs and services funded</b>	
Balances in Workforce Housing and Transit Funds	Measure A and T funds	\$600,000	A total of \$970,000 is estimated to be available by FY 2011-12 year-end. Two thirds could be used to fund operations in the Airport, Public Works-Transportation, and Community Development-Housing Departments.	
<b>Subtotal - utilize fund balances</b>		<b>\$600,000</b>		

**GRAND TOTAL OF BALANCING OPTIONS \$2,776,011**