



FIVE-YEAR CASH FLOW PROJECTION

Town of Mammoth Lakes, CA

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***PRELIMINARY ANALYSIS – SUBJECT TO CHANGE
INTENDED FOR SETTLEMENT DISCUSSIONS ONLY***



Statement of Limitations

- The information contained in this projection and related exhibits (the “Projection”) have been prepared based upon interviews, documents and other data provided to FTI Capital Advisors (“FTI”) from the management and staff of The Town of Mammoth Lakes (“Mammoth Lakes”), their staff and advisors, or from public sources FTI deemed to be reliable. FTI further relied on the assurance of management, staff and advisors of Mammoth Lakes that they were unaware of any facts that would make the information provided to FTI by them incomplete or misleading.
- FTI prepared this Projection and the related exhibits and analysis on a “best efforts” basis in response to the request for a five-five-year financial projection of the Town’s General Fund Revenues, Expenditures and Minimum Reserves. This Projection was based on numerous assumptions, including business, economic, and other market conditions. Many of these assumptions are beyond the control of FTI and Mammoth Lakes and are inherently subject to substantial uncertainty. Such assumptions involve subjective judgment, which may or may not prove to be accurate, and consequently, no assurances can be made regarding the analyses or conclusions derived from analyses based upon such assumptions. Accordingly, actual results may vary from the forward-looking statements and such variations may be material.
- FTI has not subjected the financial information contained herein to an audit in accordance with generally accepted auditing or attestation standards or the Statement on Standards for Prospective Financial Information issued by the AICPA. Further, the work involved did not include a detailed review of any financial statements or reports and cannot be expected to identify errors, irregularities or illegal acts, including fraud or defalcations that may exist. Accordingly, FTI cannot express an opinion or any other form of assurance on, and assumes no responsibility for, the accuracy or correctness of the historical information or the completeness and achievability of the information and assessments upon which the Projection is based.
- FTI and Mammoth Lakes have not subjected the information contained herein to the attestation standards or the Statement on Standards for Prospective Financial Information issued by the American Institute of Certified Public Accountants or the Governmental Accounting Standards Board (“GASB”). The Projections are not intended to comply with the proposed GASB Economic Condition Reporting: Financial Projections.
- The Projection remains subject to further refinement and adjustment at the discretion of FTI and the Town of Mammoth Lakes.

Five-year Cash Flow Projection Summary

See attached five pages of financial schedules reflecting:

- Summary Baseline, Balancing Measures, and Net Cash Available After Reserves
- Funds by Department - Cash Balance
- Growth Assumptions
- Detail Baseline, Balancing Measures, and Net Cash Available After Reserves

5 Year Cash Flow Projections

Baseline, Balancing Measures, and Net Cash Available After Reserves

	Estimate FY 11-12	Baseline FY 12-13	Projected FY 13-14	Projected FY 14-15	Projected FY 15-16	Projected FY 16-17	Total FY12/13-16/17
Baseline Projections							
Revenue							
Total Operating Revenue	\$ 29,943,845	\$ 32,307,536	\$ 32,890,863	\$ 33,405,291	\$ 34,012,387	\$ 34,796,791	\$ 167,412,868
Total Non-recurring Revenue	2,039,196	843,348	358,348	358,348	-	-	1,560,044
Interfund Transfers	15,632,108	17,006,620	16,764,167	16,903,594	17,056,828	17,254,684	84,985,893
Total Revenue	\$ 47,615,148	\$ 50,157,504	\$ 50,013,378	\$ 50,667,233	\$ 51,069,215	\$ 52,051,474	\$ 253,958,805
Expenditures							
Total Operating Expenditures	\$ 25,821,786	\$ 32,778,118	\$ 32,727,382	\$ 33,099,675	\$ 33,703,612	\$ 34,662,880	\$ 166,971,668
Total Capital and Debt Service	3,250,670	6,761,266	1,955,215	2,207,685	1,432,438	1,773,627	14,130,231
Total Non-recurring Expenditures	4,225,000	485,000	-	-	-	-	485,000
Interfund Transfers	15,632,108	17,006,620	16,764,167	16,903,594	17,056,828	17,254,684	84,985,893
Total Expenditures	\$ 48,929,564	\$ 57,031,004	\$ 51,446,764	\$ 52,210,954	\$ 52,192,879	\$ 53,691,191	\$ 266,572,792
Baseline Net Cash Flow Projection Before Balancing Measures	\$ (1,314,415)	\$ (6,873,501)	\$ (1,433,386)	\$ (1,543,721)	\$ (1,123,663)	\$ (1,639,716)	\$ (12,613,987)
Total Balancing Measures and Deferrals	\$ -	\$ 7,676,884	\$ 3,710,750	\$ 3,287,509	\$ 3,377,108	\$ 4,217,265	\$ 22,269,516
Net Cash Flow Projection Adjusted For Balancing Measures and Deferrals	\$ (1,314,415)	\$ 803,384	\$ 2,277,364	\$ 1,743,788	\$ 2,253,444	\$ 2,577,549	\$ 9,655,529
<i>Restricted Funds Net Cash Flow</i>	920,740	(302,244)	1,595,922	733,465	1,097,715	1,355,496	4,480,354
<i>Unrestricted Funds Net Cash Flow</i>	(2,235,155)	1,105,628	681,442	1,010,324	1,155,729	1,222,053	5,175,175
Net Cash Available After Reserves							
Unrestricted Funds							
Beginning Balance							
<i>Unrestricted Funds Net Cash Flow</i>	\$ 8,768,517	\$ 4,650,861	\$ 5,435,250	\$ 5,513,995	\$ 5,878,035	\$ 6,242,724	
<i>Restricted Portion of Vehicle Service Fund Reimbursement (State Gas Tax)</i>	(2,235,155)	1,105,628	681,442	1,010,324	1,155,729	1,222,053	
<i>Ending Balance Before Restricted Funds For Shortfall</i>	(220,337)	(220,337)	(220,337)	(220,337)	(220,337)	(220,337)	
Ending Balance Before Restricted Funds For Shortfall	\$ 6,313,025	\$ 5,536,151	\$ 5,896,355	\$ 6,303,982	\$ 6,813,428	\$ 7,244,439	
Unrestricted Funds For Restricted Cash Flow Shortfall (Transfer)	-	(81,907)	-	-	-	-	
Ending Balance	\$ 6,313,025	\$ 5,454,245	\$ 5,896,355	\$ 6,303,982	\$ 6,813,428	\$ 7,244,439	
Total Minimum Unrestricted Reserves	\$ 4,650,861	\$ 5,435,250	\$ 5,513,995	\$ 5,878,035	\$ 6,242,724	\$ 6,706,527	
Ending Cash Balance	\$ 6,313,025	\$ 5,454,245	\$ 5,896,355	\$ 6,303,982	\$ 6,813,428	\$ 7,244,439	
Less: Total Minimum Unrestricted Reserves	4,650,861	5,435,250	5,513,995	5,878,035	6,242,724	6,706,527	
Net Cash Available After Reserves	\$ 1,662,164	\$ 18,995	\$ 382,359	\$ 425,947	\$ 570,704	\$ 537,912	\$ 3,598,082

Estimated Net Cash Available After Reserves for Subsequent Four Years (1% Increase Per Year)

Projected FY17-18	\$ 543,291
Projected FY18-19	548,724
Projected FY19-20	554,211
Projected FY20-21	559,754

PRELIMINARY ANALYSIS - SUBJECT TO CHANGE - INTENDED FOR SETTLEMENT DISCUSSIONS ONLY

Town of Mammoth Lakes

Funds by Department - Cash Balance

Department	GASB Category	June 2011 Ending Balance
General Fund		
Fund 001 (Reserve for Economic Uncertainty)	Committed General Fund Cash	1,408,257
Public Safety		
Fund 008 (Safety Fund)	Unassigned General Fund Cash	248,148
Fund 480 (Drug Enforcement Fund)	Assigned Cash	34,528
Tourism and Marketing		
Fund 014 (Tourism Development Fund)	Committed General Fund Cash	635,815
Recreation, Parks, and Trails		
Fund 015 (Parks and Recreation Fund)	Unassigned General Fund Cash	9,291
Fund 858 (Fractional Mello 2004-1 Fund)	Restricted Cash	87,278
Fund 016 (Measure R Sales Tax Fund)	Restricted Cash	1,247,581
Fund 017 (Measure U Sales Tax Fund)	Restricted Cash	-
Community Development		
Fund 019 (Community Development Fund)	Unassigned General Fund Cash	46,380
Fund 840 (Public Arts Program Fund)	Restricted Cash	3,170
Public Works		
Fund 020 (Parks Maintenance)	Unassigned General Fund Cash	(7,171)
Fund 200 (Public Works)	Unassigned General Fund Cash	0
Fund 205 (Public Works Admin/Maint)	Unassigned General Fund Cash	22,868
Fund 210 (Gas Tax Fund)	Restricted Cash	121,761
Fund 420 (LTC Planning Fund)	Restricted Cash	(263,716)
Fund 540 (Long Valley Pit Operation Fund)	Unassigned Cash	1,794
Fund 910 (Vehicle Service Fund)	Unassigned Cash	4,330,706
Fund 910 (Vehicle Service Fund)	Restricted Cash	2,132,357
Airport		
Fund 520 (Airport Enterprise/Airport Operations)	Unassigned Cash	79,426
Fund 529 (Airport Capital Projects & Debt Service)	Restricted Cash	43,546
Transportation/Transit		
Fund 425 (Transportation/Transit Fund)	Committed General Fund Cash	412,442
Workforce Housing		
Fund 460 (Housing and Community Dev. Fund)	Restricted Cash	72,608
Fund 465 (Workforce Housing Fund)	Committed General Fund Cash	409,821
Capital Projects		
Fund 300 (Capital Projects)	Restricted Cash	(302,582)
Debt Service Fund		
Fund 990 (Debt Service/Capital Fund)	Unassigned Cash	2,190
Comprehensive Leave		
Fund 920 (Comprehensive Leave)	Committed General Fund Cash	1,058,000
Employee 125 Plan Insurance Benefits		
Fund 930 (Employee 125 Plan and Insurance Benefits)	Committed Internal Services Cash	76,023
Assessment Districts		
Fund 850 (AD 1993-1 Juniper Ridge)	Restricted Cash	110,616
Fund 851 (AD 1993-2 Gateway Business Park)	Restricted Cash	94,622
Fund 852 (AD 1993-4 Bluffs)	Restricted Cash	423,300
Fund 853 (Bluffs Maintenance District)	Restricted Cash	376,709
Fund 854 (North Village CFD)	Restricted Cash	506,439
Fund 855 (North Village (South) District)	Assigned Cash	0
Fund 856 (Old Mammoth Road Assessment District)	Restricted Cash	124,682
Fund 857 (Village Benefit Assessment District)	Restricted Cash	401,573
Fund 859 (In Lieu DIF Mello Roos)	Restricted Cash	2,038
Developer Impact Fees		
Fund 830 (Administration)	Restricted Cash	200
Fund 831 (General Facilities)	Restricted Cash	(769)
Fund 832 (Law Enforcement)	Restricted Cash	472
Fund 833 (Storm Drains)	Restricted Cash	636
Fund 834 (Parks & Recreation)	Restricted Cash	(218)
Fund 835 (Mono County Office of Education)	Restricted Cash	(24)
Fund 836 (Circulation)	Restricted Cash	172
Fund 838 (Fire Facilities)	Restricted Cash	(21)
Fund 839 (Airport Improvement)	Restricted Cash	(2)
Trust		
Fund 880 (Trust)	Restricted Cash	1,050,359
Total		\$15,001,302

GASB 54 Designation	
Total Assigned	\$34,528
Total Unassigned	4,733,631
Total Committed	4,000,358
Total Unrestricted	\$8,768,517

Total Restricted	\$6,232,785
Total Cash Held by Town	\$15,001,302
Fiduciary and Agency Funds (Restricted)	
Fund 854 NV CFD Imprv Fund	\$1,124,578
Fund 854 NV CFD Reserve	662,548
Fund 990 Reserve Fund	206,255
Total Fiduciary and Agency Funds	\$1,993,381
Petty Cash	\$1,706
Total Cash Per Audit	\$16,996,389

Growth Assumptions

All Funds

	Notes	Actual	Actual	Budget	Estimate	Baseline	Forecast Growth Rates			
		FY 09-10	FY 10-11	FY 11-12	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17
Revenue										
Transient Occupancy Taxes	(1)	\$ 10,499,798	\$ 11,195,707	\$ 10,810,557	\$ 9,595,260	\$ 10,075,023	3.0%	3.0%	3.0%	4.0%
Property Taxes	(2)	5,248,082	4,906,073	4,730,535	4,747,479	4,516,551	0.0%	1.0%	1.0%	2.0%
Sales Taxes	(3)	2,567,983	2,725,216	2,791,000	2,831,000	2,965,825	2.0%	3.0%	4.0%	4.0%
Utility Taxes	(4)	892,702	943,733	922,853	922,853	922,853	0.0%	0.0%	0.0%	0.0%
Business Taxes	(5)	295,943	284,177	329,000	310,108	310,108	0.0%	1.0%	1.0%	2.0%
Intergovernmental Revenue (Capital Projects)	(6)	1,712,805	3,009,947	3,445,943	1,625,608	3,303,683	0.0%	0.0%	0.0%	0.0%
Intergovernmental Revenue (State Gas Tax)	(7)	1,445,345	1,565,523	2,041,741	2,053,159	1,302,813	15.9%	0.1%	0.1%	0.1%
Intergovernmental Revenue (Other)	(8)	2,439,151	1,617,988	3,015,412	2,737,416	2,430,332	0.0%	0.0%	0.0%	0.0%
Charge for Services	(9)	5,204,196	3,263,241	3,777,198	3,720,429	3,703,981	0.0%	1.0%	2.0%	2.0%
Franchise Fees	(10)	643,022	711,913	728,167	728,167	742,731	2.0%	3.0%	4.0%	4.0%
Miscellaneous Revenue	(11)	919,826	568,375	440,120	394,763	1,726,371	0.0%	0.0%	0.0%	0.0%
Licenses and Permits	(12)	293,765	254,365	244,601	243,851	261,265	0.0%	1.0%	2.0%	2.0%
Fines and Penalties	(13)	69,231	57,018	54,500	33,750	46,000	0.0%	0.0%	0.0%	0.0%
Asset Sales	(14)	1	1	716,696	716,696	358,348	0.0%	0.0%	-100.0%	-100.0%
Proceeds from Debt	(15)	-	-	60,000	57,500	-	0.0%	0.0%	0.0%	0.0%
FAA Payment on Terminal Debt	(16)	-	-	-	1,265,000	485,000	-100.0%	0.0%	0.0%	0.0%
Interfund Transfers	(17)	15,931,536	16,640,913	17,355,882	15,632,108	17,006,620	0.0%	0.0%	0.0%	0.0%
Expenditures										
Services and Charges	(18)	\$ 7,312,555	\$ 10,384,784	\$ 11,130,091	\$ 7,303,114	\$ 11,031,222	2.0%	2.0%	2.0%	2.0%
Salaries and Overtime	(19)	7,030,678	7,246,739	5,944,177	6,480,451	7,065,285	0.0%	0.0%	1.5%	2.0%
Personnel Services	(20)	3,568,313	2,528,205	3,680,345	3,226,647	3,791,174	4.0%	6.0%	6.0%	6.0%
Community & Public Relations	(21)	886,757	938,244	2,265,505	2,120,105	2,293,570	1.0%	1.0%	1.0%	1.0%
PERS (Retirement)	(22)	1,903,838	1,796,092	1,957,723	1,981,647	2,266,337	8.1%	1.1%	1.9%	4.8%
Supplies	(23)	1,295,489	1,686,650	1,475,969	1,120,181	1,439,321	1.0%	1.0%	1.0%	1.0%
Garage Vehicle Services	(24)	734,710	608,166	693,840	570,983	591,085	3.0%	3.0%	3.0%	3.0%
Insurance	(25)	1,005,425	971,539	1,234,384	1,172,841	1,444,638	6.9%	-9.5%	-5.1%	10.0%
Road Rehabilitation and Snow Removal	(26)	649,014	820,073	515,000	530,000	1,553,000	0.0%	0.0%	0.0%	0.0%
Facility Lease and Rental	(27)	397,059	417,082	479,284	496,889	478,910	2.0%	2.0%	2.0%	2.0%
Utilities	(28)	439,549	409,180	442,654	453,154	451,550	2.0%	3.0%	4.0%	4.0%
Taxes/Fees	(29)	105,037	113,823	116,723	116,530	120,575	1.0%	1.0%	1.0%	1.0%
Maintenance	(30)	85,821	20,532	56,950	50,844	53,050	2.0%	2.0%	2.0%	2.0%
Miscellaneous Disbursements	(31)	25,292	436,060	198,200	198,400	198,400	1.0%	1.0%	1.0%	1.0%
Debt Service	(32)	2,571,001	2,220,157	1,588,011	1,613,011	1,497,613	Detail Schedule Provided			
Capital Expenditures	(33)	348,998	465,385	879,816	887,784	172,812	1.0%	1.0%	1.0%	1.0%
Vehicle and Equipment Replacement	(34)	863,393	701,562	656,005	749,875	5,090,841	Detail Schedule Provided			
Airport Loan	(35)	-	-	825,000	1,265,000	485,000	-100.0%	0.0%	0.0%	0.0%
Professional Fees	(36)	-	-	-	2,960,000	-	-100.0%	0.0%	0.0%	0.0%
Interfund Transfers	(37)	15,931,535	16,640,956	17,355,882	15,632,108	17,006,620	0.0%	0.0%	0.0%	0.0%
Potential Additional Balancing Measures										
Revenue Enhancements	(40)						2.0%	3.0%	4.0%	4.0%
Reduction in Departmental Spending	(41)						2.0%	2.0%	2.0%	2.0%
Employee Concessions	(42)						8.1%	1.1%	1.9%	4.8%
Reduction in "Voter Commitment" Funding	(43)						3.0%	3.0%	3.0%	4.0%
Reduction in Property Lease Payments	(44)						2.0%	2.0%	2.0%	2.0%

5 Year Cash Flow Projections

Baseline, Balancing Measures, and Net Cash Available After Reserves

	Notes	Actual FY 09-10	Actual FY 10-11	Estimate FY 11-12	Baseline FY 12-13	Projected FY 13-14	Projected FY 14-15	Projected FY 15-16	Projected FY 16-17	Total FY12/13-16/17
Baseline Projections										
Revenue										
Operating:										
Transient Occupancy Taxes	(1)	\$ 10,499,798	\$ 11,195,707	\$ 9,595,260	\$ 10,075,023	\$ 10,377,274	\$ 10,688,592	\$ 11,009,250	\$ 11,449,620	\$ 53,599,758
Property Taxes	(2)	5,248,082	4,906,073	4,747,479	4,516,551	4,516,551	4,561,716	4,607,334	4,699,480	22,901,632
Sales Taxes	(3)	2,567,983	2,725,216	2,831,000	2,965,825	3,025,142	3,115,896	3,240,532	3,370,153	15,717,548
Utility Taxes	(4)	892,702	943,733	922,853	922,853	922,853	922,853	922,853	922,853	4,614,265
Business Taxes	(5)	295,943	284,177	310,108	310,108	310,108	313,209	316,341	322,668	1,572,434
Intergovernmental Revenue (Capital Projects)	(6)	1,712,805	3,009,947	1,625,608	3,303,683	3,303,683	3,303,683	3,303,683	3,303,683	16,518,415
Intergovernmental Revenue (State Gas Tax)	(7)	1,445,345	1,565,523	2,053,159	1,302,813	1,509,719	1,511,427	1,513,170	1,514,948	7,352,078
Intergovernmental Revenue (Other)	(8)	2,439,151	1,617,988	2,737,416	2,430,332	2,430,332	2,430,332	2,430,332	2,430,332	12,151,660
Charge for Services	(9)	5,204,196	3,263,241	3,720,429	3,703,981	3,703,981	3,741,020	3,815,841	3,892,158	18,856,980
Franchise Fees	(10)	643,022	711,913	728,167	742,731	757,585	780,313	811,525	843,986	3,936,141
Miscellaneous Revenue	(11)	919,826	568,375	394,763	1,726,371	1,726,371	1,726,371	1,726,371	1,726,371	8,631,855
Licenses and Permits	(12)	293,765	254,365	243,851	261,265	261,265	263,878	269,155	274,538	1,330,101
Fines and Penalties	(13)	69,231	57,018	33,750	46,000	46,000	46,000	46,000	46,000	230,000
Total Operating Revenue		\$ 32,231,849	\$ 31,103,276	\$ 29,943,845	\$ 32,307,536	\$ 32,890,863	\$ 33,405,291	\$ 34,012,387	\$ 34,796,791	\$ 167,412,868
Non-recurring:										
Asset Sales	(14)	\$ 1	\$ 1	\$ 716,696	\$ 358,348	\$ 358,348	\$ 358,348	\$ -	\$ -	\$ 1,075,044
Proceeds from Debt	(15)	-	-	57,500	-	-	-	-	-	-
FAA Payment on Terminal Debt (From Airport Fund)	(16)	-	-	1,265,000	485,000	-	-	-	-	485,000
Total Non-recurring Revenue		\$ 1	\$ 1	\$ 2,039,196	\$ 843,348	\$ 358,348	\$ 358,348	\$ -	\$ -	\$ 1,560,044
Total Operating and Non-recurring Revenue		\$ 32,231,850	\$ 31,103,277	\$ 31,983,041	\$ 33,150,884	\$ 33,249,211	\$ 33,763,639	\$ 34,012,387	\$ 34,796,791	\$ 168,972,912
Interfund Transfers	(17)	15,931,536	16,640,913	15,632,108	17,006,620	16,764,167	16,903,594	17,056,828	17,254,684	84,985,893
Total Revenue		\$ 48,163,386	\$ 47,744,190	\$ 47,615,148	\$ 50,157,504	\$ 50,013,378	\$ 50,667,233	\$ 51,069,215	\$ 52,051,474	\$ 253,958,805
Expenditures										
Operating:										
Services and Charges	(18)	\$ 7,312,555	\$ 10,384,784	\$ 7,303,114	\$ 11,031,222	\$ 10,453,743	\$ 10,580,529	\$ 10,715,568	\$ 10,848,256	\$ 53,629,318
Salaries and Overtime	(19)	7,030,678	7,246,739	6,480,451	7,065,285	7,036,143	7,036,143	7,141,685	7,284,519	35,563,775
Personnel Services	(20)	3,568,313	2,528,205	3,226,647	3,791,174	3,942,821	4,179,391	4,430,154	4,695,963	21,039,504
Community & Public Relations	(21)	886,757	938,244	2,120,105	2,293,570	2,359,618	2,427,620	2,497,634	2,593,275	12,171,717
PERS (Retirement)	(22)	1,903,838	1,796,092	1,981,647	2,266,337	2,449,910	2,476,859	2,523,920	2,645,068	12,362,094
Supplies	(23)	1,295,489	1,686,650	1,120,181	1,439,321	1,453,714	1,468,251	1,482,934	1,497,763	7,341,984
Garage Vehicle Services	(24)	734,710	608,166	570,983	591,085	608,818	627,082	645,895	665,271	3,138,151
Insurance	(25)	1,005,425	971,539	1,172,841	1,444,638	1,544,269	1,397,564	1,326,288	1,458,917	7,171,676
Road Rehabilitation and Snow Removal	(26)	649,014	820,073	530,000	1,553,000	1,553,000	1,553,000	1,553,000	1,553,000	7,765,000
Facility Lease and Rental	(27)	397,059	417,082	496,889	478,910	488,488	498,258	508,223	518,388	2,492,268
Utilities	(28)	439,549	409,180	453,154	451,550	460,581	474,398	493,374	513,109	2,393,013
Taxes/Fees	(29)	105,037	113,823	116,530	120,575	121,781	122,999	124,229	125,471	615,055
Maintenance	(30)	85,821	20,532	50,844	53,050	54,111	55,193	56,297	57,423	276,074
Miscellaneous Disbursements	(31)	25,292	436,060	198,400	198,400	200,384	202,388	204,412	206,456	1,012,039
Total Operating Expenditures		\$ 25,439,537	\$ 28,377,169	\$ 25,821,786	\$ 32,778,118	\$ 32,727,382	\$ 33,099,675	\$ 33,703,612	\$ 34,662,880	\$ 166,971,668
Capital and Debt Service:										
Debt Service	(32)	\$ 2,571,001	\$ 2,220,157	\$ 1,613,011	\$ 1,497,613	\$ 1,479,404	\$ 1,201,193	\$ 1,172,870	\$ 1,153,401	\$ 6,504,481
Capital Expenditures	(33)	348,998	465,385	887,784	172,812	174,540	176,286	178,048	179,829	881,515
Vehicle and Equipment Replacement	(34)	863,393	701,562	749,875	5,090,841	301,272	830,206	81,520	440,397	6,744,235
Total Capital and Debt Service		\$ 3,783,392	\$ 3,387,104	\$ 3,250,670	\$ 6,761,266	\$ 1,955,215	\$ 2,207,685	\$ 1,432,438	\$ 1,773,627	\$ 14,130,231
Non-recurring:										
Airport Loan	(35)	\$ -	\$ -	\$ 1,265,000	\$ 485,000	\$ -	\$ -	\$ -	\$ -	\$ 485,000
Professional Fees	(36)	-	-	2,960,000	-	-	-	-	-	-
Total Non-recurring Expenditures		\$ -	\$ -	\$ 4,225,000	\$ 485,000	\$ -	\$ -	\$ -	\$ -	\$ 485,000
Total Operating, Capital and Debt Service, and Non-recurring Expenditures		\$ 29,222,929	\$ 31,764,273	\$ 33,297,456	\$ 40,024,384	\$ 34,682,597	\$ 35,307,360	\$ 35,136,051	\$ 36,436,507	\$ 181,586,899
Interfund Transfers	(37)	15,931,535	16,640,956	15,632,108	17,006,620	16,764,167	16,903,594	17,056,828	17,254,684	84,985,893
Total Expenditures		\$ 45,154,464	\$ 48,405,229	\$ 48,929,564	\$ 57,031,004	\$ 51,446,764	\$ 52,210,954	\$ 52,192,879	\$ 53,691,191	\$ 266,572,792
Baseline Net Cash Flow Projection Before Balancing Measures										
		\$ 3,008,922	\$ (661,039)	\$ (1,314,415)	\$ (6,873,501)	\$ (1,433,386)	\$ (1,543,721)	\$ (1,123,663)	\$ (1,639,716)	\$ (12,613,987)
Restricted Funds Net Cash Flow		688,680	458,206	920,740	(4,399,309)	545,473	43,746	688,890	165,099	(2,956,101)
Unrestricted Funds Net Cash Flow		2,320,242	(1,119,245)	(2,235,155)	(2,474,191)	(1,978,859)	(1,587,467)	(1,812,553)	(1,804,816)	(9,657,887)

5 Year Cash Flow Projections

Baseline, Balancing Measures, and Net Cash Available After Reserves

Notes	Actual FY 09-10	Actual FY 10-11	Estimate FY 11-12	Baseline FY 12-13	Projected FY 13-14	Projected FY 14-15	Projected FY 15-16	Projected FY 16-17	Total FY12/13-16/17	
Baseline Net Cash Flow Projection Before Balancing Measures	\$ 3,008,922	\$ (661,039)	\$ (1,314,415)	\$ (6,873,501)	\$ (1,433,386)	\$ (1,543,721)	\$ (1,123,663)	\$ (1,639,716)	\$ (12,613,987)	
<i>Restricted Funds Net Cash Flow</i>	688,680	458,206	920,740	(4,399,309)	545,473	43,746	688,890	165,099	(2,956,101)	
<i>Unrestricted Funds Net Cash Flow</i>	2,320,242	(1,119,245)	(2,235,155)	(2,474,191)	(1,978,859)	(1,587,467)	(1,812,553)	(1,804,816)	(9,657,887)	
Balancing Measures and Deferrals										
(38) Deferral of Road Rehabilitation Expense			\$ -	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 3,750,000	
(39) Deferral of Vehicle Replacement Expenses			-	4,260,625	84,243	(393,410)	(373,550)	360,640	3,938,549	
(40) Revenue Enhancements - Increase TOT Through Enforcement			-	503,751	513,826	529,241	550,411	572,427	2,669,656	
(41) Reduction in Departmental Spending			-	1,036,673	1,057,406	1,078,554	1,100,125	1,122,128	5,394,887	
(42) Employee Concessions			-	1,012,301	1,094,297	1,106,334	1,127,355	1,181,468	5,521,755	
(43) Reduction in "Voter Commitment" Funding			-	154,679	159,319	164,099	169,022	175,783	822,901	
(44) Reduction in Property Lease Payments			-	50,645	51,658	52,691	53,745	54,820	263,558	
(45) One-Time Balancing Measure Implementation			-	(91,789)	-	-	-	-	(91,789)	
Total Balancing Measures and Deferrals			\$ -	\$ 7,676,884	\$ 3,710,750	\$ 3,287,509	\$ 3,377,108	\$ 4,217,265	\$ 22,269,516	
<i>Balancing Measures Impact To Restricted Funds</i>			-	4,097,066	1,050,448	689,719	408,825	1,190,397	7,436,455	
<i>Balancing Measures Impact To Unrestricted Funds</i>			-	3,579,819	2,660,301	2,597,790	2,968,283	3,026,868	14,833,062	
Net Cash Flow Projection Adjusted For Balancing Measures and Deferrals			\$ (1,314,415)	\$ 803,384	\$ 2,277,364	\$ 1,743,788	\$ 2,253,444	\$ 2,577,549	\$ 9,655,529	
<i>Restricted Funds Net Cash Flow</i>			920,740	(302,244)	1,595,922	733,465	1,097,715	1,355,496	4,480,354	
<i>Unrestricted Funds Net Cash Flow</i>			(2,235,155)	1,105,628	681,442	1,010,324	1,155,729	1,222,053	5,175,175	
Net Cash Available After Reserves										
Unrestricted Funds										
Beginning Balance										
<i>Unrestricted Funds Net Cash Flow</i>				\$ 8,768,517	\$ 4,650,861	\$ 5,435,250	\$ 5,513,995	\$ 5,878,035	\$ 6,242,724	
<i>Restricted Portion of Vehicle Service Fund Reimbursement (State Gas Tax)</i>	(46)			(2,235,155)	1,105,628	681,442	1,010,324	1,155,729	1,222,053	
Ending Balance Before Restricted Funds For Shortfall				(220,337)	(220,337)	(220,337)	(220,337)	(220,337)	(220,337)	
Unrestricted Funds For Restricted Cash Flow Shortfall (Transfer)				\$ 6,313,025	\$ 5,536,151	\$ 5,896,355	\$ 6,303,982	\$ 6,813,428	\$ 7,244,439	
Ending Balance				-	(81,907)	-	-	-	-	
				\$ 6,313,025	\$ 5,454,245	\$ 5,896,355	\$ 6,303,982	\$ 6,813,428	\$ 7,244,439	
Minimum Unrestricted Fund Reserves:										
(47) Reserve for Liquidity (90 Days Operating Expense)				\$ 825,537	\$ 951,032	\$ 976,752	\$ 990,936	\$ 1,013,058	\$ 1,048,443	
(48) Reserve for Debt Service				394,388	397,394	118,493	91,459	74,942	72,582	
(49) Reserve for Economic Uncertainty				532,118	852,391	1,184,318	1,561,208	1,920,291	2,351,069	
(50) Reserve for Grant Liquidity - Capital Projects				325,122	660,737	660,737	660,737	660,737	660,737	
(51) Reserve for Waste Stream Segregation				500,000	500,000	500,000	500,000	500,000	500,000	
(52) Reserve for ERAF				958,916	958,916	958,916	958,916	958,916	958,916	
(53) Reserve for Deferred Equipment Replacement				350,000	350,000	350,000	350,000	350,000	350,000	
(54) Reserve for Employee Comprehensive Leave Obligation				764,780	764,780	764,780	764,780	764,780	764,780	
Total Minimum Unrestricted Reserves				\$ 4,650,861	\$ 5,435,250	\$ 5,513,995	\$ 5,878,035	\$ 6,242,724	\$ 6,706,527	
Ending Cash Balance				\$ 6,313,025	\$ 5,454,245	\$ 5,896,355	\$ 6,303,982	\$ 6,813,428	\$ 7,244,439	
Less: Total Minimum Unrestricted Reserves				4,650,861	5,435,250	5,513,995	5,878,035	6,242,724	6,706,527	
Net Cash Available After Reserves	(55)			\$ 1,662,164	\$ 18,995	\$ 382,359	\$ 425,947	\$ 570,704	\$ 537,912	\$ 3,598,082
Estimated Net Cash Available After Reserves for Subsequent Four Years (1% Increase Per Year)										
Projected FY17-18								\$ 543,291		
Projected FY18-19								548,724		
Projected FY19-20								554,211		
Projected FY20-21								559,754		

Primary Projection Model Assumptions

- The June 30, 2011 cash balance has been reconciled to the audit¹ and excludes certain fiduciary funds held by agents.
- The projection reflects a modified accrual basis of activity, consistent with the accounting procedures of the Town. Revenues are recorded when earned, measurable and available. Expenditures are recorded when resources are acquired. Depreciation has been excluded from historical and prospective periods. Reserves have been separately evaluated for minimum recommended values to provide both capital adequacy and security from known or likely financial exposures and to provide some cushion for contingencies.
- GASB Statement No. 54² (Fund Balance Reporting and Governmental Fund Type Definitions) was applied by the Town in determining each fund's restriction designation. Unrestricted cash is differentiated from Restricted cash. Restricted funds can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Assigned, Unassigned, and Committed cash are considered Unrestricted.
- The Fiscal Year End Estimate (FYE2011-12) is based on a department review conducted by the Town from January through April 2012. This estimate provides the most up to date insight into the Town's expected full year results for the fiscal period ending June 30, 2012.
- The projection period is based on the Town's preliminary FY2012-13 budget (the "Budget") completed in May 2012. The Budget has been adjusted in some instances to reverse certain balancing measures previously incorporated for the purpose of separately identifying and disclosing the impact of these changes. Additional adjustments have been made to include other identified one-time items and transfers that were not reflected in the Town's statement of activities for the FYE2011-12 estimate and FY2012-13 Budget. The resulting "Baseline" before Balancing Measures is intended to reflect the expected financial performance of the town, excluding the impact of any prospective Balancing Measures and assumes existing trends for purposes of the cash flow projection.
- The revenue and expenditure line items attempt to closely reflect the naming conventions used by the Town in its budgeting process and are based on general ledger accounts that number in the thousands.
- The cash flow projection is based on detailed revenue and expenditure growth assumptions building from the Town's FY2012-13 preliminary Budget and extend for five years through FY2016-17 (See the attached "Growth Assumptions" worksheet for additional detail) Notes have been added to each section of this document to reflect the growth assumptions applied.
- Growth assumptions were initially provided by the Town and were vetted by FTI for reasonableness and consistency. The Town prepared a "Five-Year Outlook"³ for each revenue category and these growth rate assumptions were considered in selection of final growth rates. Expenditure items were evaluated based on historical trends, known or anticipated increases, and anticipated prospective inflationary pressures.

Revenue and Expenditure Assumptions⁴

Correspond to Notes column in Projection Summary

- 1) Transient Occupancy Taxes ("TOT") – represents the largest revenue source for the Town. It is a 13% tax that is charged for the privilege of occupancy of any transient occupancy facility. The tax is required to be paid to the operator of the transient occupancy facility (including hotels, motels and private residence rentals) at the time the rent is paid. It is the operator's responsibility to remit the TOT to the Town. The growth assumptions reflect a 3% annual increase through FY2015-17, adjusted to 4% for FY2016-17. TOT rate was increased from

10% to 12% in July 2002, and from 12% to 13% in October 2006. These TOT rate increases were the result of the commitment made by the Town and its elected officials to the voters, as follows: (a) that 2.5 percentage points of TOT would be transferred annually to Mammoth Lakes Tourism (along with the full amount of Business License Tax), and (b) 1.0 percentage point each would go to Transportation (provided through Eastern Sierra Transit Authority, or ESTA) and Housing (provided through Mammoth Lakes Housing).

- 2) **Property Taxes** – an ad valorem tax, which means that the tax paid on a property is in proportion to the property’s value. Revenue from property taxes have declined over the past several years due to (a) the impact from Proposition 8 reappraisals (which allows a temporary reduction in assessed value when real property suffers a decline in value), and (b) the impact from an increase in the delinquency rate for these tax payments currently up to 5.72%. In addition, Proposition 13 limits changes to the tax rates and appraisals, respectively, by (a) placing a limit on the annual tax owed at a maximum of 1% of the property’s assessed value, and (b) capping any increase in the assessed value to a maximum of 2% annually (unless ownership changes, in which case the prevailing market value assessment is used as the basis for taxation). The growth assumptions reflect negligible change for the next two years, then increasing by 1% for two years, followed by a 2% increase in FY2016-17. The property tax assessment is collected by the County and is distributed to various taxing entities in accordance with a complex formula, which results in the Town receiving about 4.35% of total collections.
- 3) **Sales Taxes** – imposed upon retailers who sell or rent tangible personal property. The local share is distributed back to the jurisdiction where the sale is negotiated or order taken. The seller is responsible for the tax, but is entitled to recover it from the customer. Sales tax does not apply to the sale of real property, or to services that do not result in a finished product. In addition, some products are specifically exempt from the sales and use tax. Some of the more prominent exemptions include food purchased for home consumption, goods purchased for resale, prescription medicine, aircraft used as common carriers, utilities, and goods sold to the federal government. This tax is closely correlated with tourism activity and has gradually increased in recent years. The Sales and Use tax rate is 7.75% in total. This is comprised of several components including (a) the State’s “basic” rate of 6.25%, (b) 0.25% rate for local government (Town and County operations), (c) 0.5% “Measure R” Special Transactions & Use Tax collected by the Town, and (d) 0.25% for County transportation. Measure R revenues are accounted for in a special fund. The revenues are restricted to “recreation, trails and parks” spending as outlined in the “Expenditure Plan for the Administration and Expenditure of the Tax Proceeds” (the Expenditure Plan). The Expenditure Plan, codified as part of Measure R, may be amended from time to time by a majority vote of the Town Council, so long as the funds are utilized for recreation, trails and parks funding. Measure R has defined “recreation, trails and parks funding” to mean “planning, construction, operation, maintenance, programming, and administration of all town recreation facilities and programs, trails and parks managed by the town.” Corresponding to Sales Tax is the “Use” Tax, which is imposed upon the storage, use, or consumption of tangible personal property brought from outside California. The buyer is ultimately responsible for the Use Tax, although it is often collected by the seller for customer convenience. Most receipts from Use Tax and some transactions where the “points of sale” are difficult to track are placed in a County or State allocation pool, and distributed back to local jurisdiction in the same ratio that their sales tax is to the pool as a whole. The growth assumptions included in the Projection include additional input from HdL Companies,⁵ a third party firm hired by the Town to provide Sales and Use Tax analysis. The assumptions reflect growth rates of 2%, 3%, 4% and 4%, respectively for FY2013-14, FY2014-15, FY2015-16 and FY2016-17.
- 4) **Utility Tax** – imposed on the use of utilities, including electricity, natural gas, and telephone. The Utility User Tax (“UUT”) applies to both residential and commercial users. It is collected by utility companies and remitted to the Town. Until July 1, 2011, UUT was a general tax, deposited into the General Fund and funded general government expenses. In June 2010,

local voters approved Measure U that extended this revenue source and restricted the use of funds to Mobility, Recreation, and Arts & Culture. As of July 1, 2011, Measure U revenues are collected into and disbursed from a special fund. The Utility Tax revenues are expected to decrease in FY2011-12 and remain flat during the projection period.

- 5) Business Tax – charged annually to businesses based in the Town. The Town Council has allocated the entire revenue to Mammoth Lakes Tourism. Business Tax revenue decreased in FY2010-11, but is expected to increase in FY2011-12 and then stabilize during the projection period. The growth assumptions reflect no increase for FY2013-14, 1% for both FY2014-15 and FY2015-16, and 2% in FY2016-17.
- 6) Intergovernmental Revenue (Capital Projects) – represents various State and Federal grants recorded in Fund 300 (Capital Projects). Due to the unpredictable nature of these revenue sources, a 0% growth rate is assumed over the five-year period. Any fluctuation in Capital Projects Revenue is expected to have a direct offset in related Capital Project Expenditures. Capital Project activity is entirely restricted and is not expected to impact unrestricted cash flows except for working capital, as these activities require funding advances from the Town's general fund.
- 7) Intergovernmental Revenue (State Gas Tax) – represents proceeds from State gas taxes at Fund 210 (Gas Tax Fund) for snow removal and other services that are reimbursed by the State. The State gasoline tax is an 18-cent per gallon tax on fuel used to propel a motor vehicle or aircraft. A portion is distributed to communities, and this revenue is restricted to research, planning, construction, improvement, maintenance, and operation of public streets and highways or public mass transit. The Town receives most of its State Gasoline Tax revenues as a reimbursement for snow removal costs (50% of such costs are reimbursed). As a result, the annual State Gas Tax revenues to the Town fluctuate mainly as a result of a prior year's snow levels, and not as a result of gas tax rates, gasoline prices or consumption. A decline is budgeted for FY2012-13 due to the record low snowfall in FY11-12. The growth assumptions reflect a recovery to FY2010-11 levels for FY2013-14 and 0.1% increase in subsequent periods.
- 8) Intergovernmental Revenue (Other) – includes remaining State and Federal grants [excluding Fund 300 (Capital Projects) and Fund 210(Gas Tax)]. Due to the unpredictable nature of these revenue sources, no growth is assumed over the five-year period.
- 9) Charge for Services – includes for example, plan and zone applications, facility rental fees, airport hangar ground lease, and other services provided by the Town at a fee. The growth assumptions reflect 0%, 1%, 1% and 2% respectively for FY2013-14, FY2014-15, FY2015-16 and FY2016-17.
- 10) Franchise Fees – based on a percentage of gross receipts, made by utility companies for the privilege of using the Town's rights-of-way in order to sell goods or services to the public. Based on a 10% increase in waste connections and flat assumption for other remitters, Franchise Fees are projected to be \$728,167 in FY2011-12. Growth assumptions are consistent with Sales Tax Revenue.
- 11) Miscellaneous Revenue – is expected to increase in FY2012-13 due to private donations for the Whitmore Park Track and Sports Field Project and an increase in refunds, rebates, and reimbursements. Due to the unpredictable nature of these revenue sources, a 0% growth rate is assumed over the five-year period.
- 12) Licenses and Permits – includes building, grading, and improvement permits. The projection's growth assumptions are consistent with Business Tax Revenue.
- 13) Fines and Penalties – consists of municipal court fines, parking citations, and vehicle impound fees, among other similar items. No growth is assumed during the five-year period as this line item is not expected to increase substantially.

- 14) Asset Sales – the FY2011-12 estimate of \$716,696 is related to the Hospital Land Exchange Transaction. The FY2011-12 amount reflects two years of payments from the 5-year payment plan. Beginning FY2012-13, the Town expects three more annual payments of \$358,348. No other asset sales are anticipated. Existing land holdings, materially depressed in current market value, are expected to be leveraged as partial collateral in support of the Town's potential financing to satisfy its anticipated debt restructuring commitments to unsecured creditors.
- 15) Proceeds from Debt – no new issuances of debt and thus no proceeds from debt are contemplated during the projection period. This category is included to reflect activity in prior periods.
- 16) FAA Payment on Terminal Debt – the full amount of the outstanding Terminal Debt is expected to be paid by the Airport to the Town's General Fund, using the FAA entitlement monies during the next two years. The current proposed schedule reflects \$1,265,000 in FY2011-12 and \$485,000 in FY2012-13 (including interest).
- 17) Interfund Transfers – represent the flow of cash between funds and is required to balance funds at fiscal year end. A growth rate of 3% in FY2013-14, FY2014-15, and FY2015-16 and 4% in FY2016-17 was applied to Funds 14 (Tourism Development), 425 (Transportation/Transit), and 465 (Housing and Community Development) as the Interfund Transfer received by these funds is related directly to the Transient Occupancy Tax. All other Interfund Transfers are expected to remain flat during the projection period.
- 18) Services and Charges – 92% of this line item relates to contractual services. The remaining 8% includes conferences, meetings, mileage, training and education, and subscriptions, among other similar items. The 2% annual growth assumptions reflect input from the Town relative to inflationary pressures. Specific adjustments to Services and Charges for Fund 425 (Transportation/Transit) include a downward adjustment of 9% in FY2013-14 to reflect lower anticipated expenditures given Fund 425's (Transportation/Transit) cash balance. Additionally, Services and Charges were eliminated for Fund 840 (Public Arts Program) because the initial budgeted expenditures in FY2012-13 exceed what is sustainable as the fund exhausts its restricted cash balance during FY2012-13.
- 19) Salaries and Overtime – includes wages and overtime for employees. The Town does not foresee an increase in this expenditure category during FY2013-14 and FY2014-15. The current Memorandum of Understanding (s) with the Town's collective bargaining units extend through June 30, 2014. COLA is subject to a possible agreement re-opening / review / adjustment in relation to the CPI as of July 2013; however, it is assumed at 0% growth rate in the first two forecast years. However, a moderate increase is expected in FY2015-16 and FY2016-17 (1.5% and 2%, respectively). Salaries and Overtime were eliminated at Fund 840 (Public Arts Program) in FY2013-14 because the budgeted expenditures in FY2012-13 reflect one-time activities.
- 20) Personnel Services – includes temporary wages, comprehensive leave, health insurance, workers compensation insurance, and deferred compensation. Forecast growth rates are based partially on national healthcare expenditure projections published by Centers for Medicare and Medicaid Services and reflect 4% for FY2013-14 and 6% for the successive three years.
- 21) Community and Public Relations – includes costs for trade and travel shows, youth programs, and the Town's tourism and marketing contract. The Town recognizes the critical nature of maintaining awareness of Mammoth Lakes as a tourist destination to the local economy. The growth assumptions are based on the Town's expectation that these costs will increase modestly, estimated at 1% per year during the projection period. Expenses for the Tourism Development Fund are projected to grow at the same rate as the Transient Occupancy Tax. A drastic increase in expenditures for Community and Public Relations appears to occur in FY2011-12; however this is due to the transition of tourism and marketing responsibilities to

Mammoth Lakes Tourism, compared to prior periods when the expenditures were split between Services and Charges and Community and Public Relations.

- 22) PERS (Retirement) – This expenditure category reflects the contributions made by the Town to the retirement plans managed by CalPERS. The Town presently makes 100% of the total contributions to the employee’s retirement. The growth rates were determined based on the CalPERS published rates available for the prospective period, as presented in the following table. These rates reflect the percent of pensionable salary contributions made on an annual basis. The contributions rates are expected to increase markedly over the projection period, as they have in the recent history. The rates are different for safety and non-safety personnel and reflect their different benefit packages and retirement eligibility (age and years of service). These rates were averaged between Safety and Non-Safety based on the percentage of payroll. The year over year change reflects an 8.1% increase for FY2013-14, followed by 1.1%, 1.9% and 4.8% for FY2014-15, FY2015-16 and FY2016-17, respectively.

	% of Town's Payroll	HISTORY		Projection			
		2009-2010 Actual	2012-13 Projection	2013-14 Projection	2014-15 Projection	2015-16 Projection	2016-17 Projection
Safety PERS Contribution	30.3%						
Town's Rate		24.87%	30.80%	34.30%	34.90%	36.40%	39.20%
EMPC (Employer-paid Member Contribution)		3.05%	3.58%	3.90%	3.95%	4.09%	4.34%
Employee Rate (Paid by Town)		9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Total Town Paid Safety PERS Contribution		36.92%	43.38%	47.20%	47.85%	49.49%	52.54%
Non-Safety PERS Contribution	69.7%						
Town's rate		15.28%	20.13%	22.30%	22.60%	22.90%	24.10%
EMPC (Employer-paid Additional Contribution)		1.86%	2.25%	2.42%	2.45%	2.47%	2.57%
Employee Rate (Paid by Town)		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Total Town Paid Non-Safety PERS Contribution		25.14%	30.38%	32.72%	33.05%	33.37%	34.67%
Weighted Average		28.71%	34.32%	37.11%	37.54%	38.26%	40.09%
Year Over Year Change (Growth Rate)				8.1%	1.1%	1.9%	4.8%

- 23) Supplies – includes office supplies, postal supplies, and equipment rental among others. A 1% annual growth rate is assumed during the forecast period.
- 24) Garage Vehicle Services – includes the personnel costs of employees at the Town’s vehicle maintenance garage. A 3% annual growth rate is assumed during the forecast period.
- 25) Insurance – represents annual premium paid to California Joint Powers Insurance Authority (“CJPIA”) for general liability, and property insurance policies. The FY12-13 rates are based on information provided by CJPIA with the remaining growth rates based on estimated Year over Year change. A 6.9% premium increase is anticipated for FY2013-14, followed by a 9.5% decrease in FY2014-15, a 5.1% decrease for FY2015-16 and a 10% increase in FY2016-17.

	Projection				
	2012-13 Projection	2013-14 Projection	2014-15 Projection	2015-16 Projection	2016-17 Projection
Insurance Growth Rate (Proxy)					
CJPIA General Liability Premium	642,650	706,915	777,607	855,367	940,904
CJPIA General Liability Prior Period Payoff	350,000	350,000	150,000	-	-
Property insurance	135,157	148,673	163,540	179,894	197,883
Total Insurance Growth Rate (Proxy)	\$ 1,127,807	\$ 1,205,588	\$ 1,091,146	\$ 1,035,261	\$ 1,138,787
Year Over Year Change %		6.9%	-9.5%	-5.1%	10.0%

- 26) Road Rehabilitation and Snow Removal – includes costs to maintain and repair roads, sidewalks, traffic signals and signs, sewers; control trees/vegetation; and remove snow during the winter months. An additional \$1.0 million has been added to the Town’s FY2011-12

budget estimate of \$500,000, to reflect the full cost required to maintain and sustain the roads at their current condition in the Baseline projection⁶. The road network in the Town of Mammoth Lakes has a current Pavement Condition Index (PCI) rating of 74. A rating of 74 is at the low end of the 70 to 100 PCI range, which is considered to be in the “good condition” category. The Town’s Public Works personnel, with support from Nichols Consulting⁷, estimate \$1,500,000 in annual expenditures would be necessary to maintain the road network at the low end of the PCI “good condition” category. However, deferred maintenance cost will continue to increase as asphalt pavement deteriorates at an increasing rate with each succeeding year that it is not maintained at current conditions. If no investment were made in road rehabilitation over the next three years, the projected average network PCI is expected to decline to 66 by 2014 and would reflect a higher percentage of “poor” and “very poor” roads within the network along with much higher deferred maintenance costs. Alternatively, an annual investment of approximately \$2,750,000 would improve the network PCI to 78 and sustain it through 2014. This level of expenditure would also slow the rate of increase in deferred maintenance cost.

- 27) Facility Lease and Rental – consists of monthly lease and rental payments for the Town’s administrative offices, police headquarters, and ice rink. The growth assumptions are based on the Town’s lease agreements over the next five years and reflect a 2% increase annually.
- 28) Utilities – represents public utility (gas, water, electricity, telephone, internet, etc) costs incurred by the Town. The growth assumptions reflect input from the Town and anticipated energy cost inflationary pressures suggesting 2%, 3%, 4% and 4% for each of the projected fiscal years ending 2013 through 2017, respectively.
- 29) Taxes/Fees – have remained relatively flat over the last two years and are expected to grow at 1% annually over the next five years.
- 30) Maintenance – consists of park grounds and building maintenance, bus shelter maintenance, and general facilities maintenance. A 2% annual growth rate is assumed over the forecast period to account for general inflation.
- 31) Miscellaneous Disbursements – includes council discretionary costs. A 1% annual growth rate is assumed during the forecast period.
- 32) Debt Service – represents annual interest and principal payments on the Town’s various debt facilities. The following detailed schedule reflects the debt service payments over the next five years.

	Baseline FY 12-13	Projected FY 13-14	Projected FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18
AIRPRT LOAN MNO-4-98-	\$ 46,442	\$ 46,058	\$ 45,736	\$ 25,117	\$ -	\$ -
DEBT SERVICE (Bluffs Assessment)	234,000	214,990	216,680	213,386	214,277	214,633
DEBT SERVICE (CFD Debt)	663,000	660,795	659,795	661,800	657,958	658,550
DEBT SERVICE SWRCB	78,987	78,987	78,987	78,987	78,987	78,987
DEBT SERVICE 2000 COP	202,835	206,225	199,995	193,580	202,180	199,820
DEBT SERVICE 2004 COP	272,349	272,349	-	-	-	-
Total Debt Service	\$ 1,497,613	\$ 1,479,404	\$ 1,201,193	\$ 1,172,870	\$ 1,153,401	\$ 1,151,990

- 33) Capital Expenditures – includes computer equipment and software, office furniture and equipment, building improvements, and playground equipment, among other similar items. Minimum capital expenditures have been included in the forecast when compared to prior years. A 1% annual growth rate is assumed during the forecast period.
- 34) Vehicle and Equipment Replacement – includes trucks, front end loaders, tractors, lawn mowers, snow blowers, forklifts, and other miscellaneous pieces of equipment the Town is required to replace. Due to the financial difficulties the Town has faced over the last several years, it has deferred many purchases. The Baseline forecast includes an additional \$4.3 million in vehicle and equipment replacement in FY2012-13 in order to reflect the full magnitude of accumulated depreciation on pieces that have reached the end of their

respective useful lives. This is an adjustment to the Town's FY2011-12 budget. The Town anticipates continued deferral of vehicle and equipment replacements, as reflected in its Balancing Measures.

- 35) Airport Loan – this line item is directly related to #14. This represents the outflow from fund 529 (Airport Capital Projects) to Fund 001 (General Fund/REU).
- 36) Professional Fees – represents retainers, payments and deposits to professionals advising the Town in regards to conducting the creditor mediation and developing its proposed Plan of Adjustment, should it become necessary.
- 37) Interfund Transfers – represent the flow of cash between funds and is required to balance funds at fiscal year end. Interfund Transfers Out were increased at Fund 001 (General Fund/REU) to account for growth in Transient Occupancy Taxes and reduced at Fund 16 (Measure R) in order to balance these fund budgets on a go-forward basis.

Balancing Measures and Deferrals

- 38) Deferral of Road Rehabilitation Expense – as indicated in Note 26 above, \$1.0 million was added to the Town's budget (bringing the total road maintenance budget to \$1.5 million) to reflect the full cost required to maintain the roads at their current condition. However, the Town Council has made the decision to defer \$750K annually during the projection period to generate funds for distribution to unsecured claimants, resulting in an annual expenditure of \$750K.
- 39) Deferral of Vehicle Replacement Expenses – as indicated in Note 34 above, the Town is deferring \$4.3 million in vehicle and equipment replacement in FY2012-13 to generate funds for distribution to unsecured claimants, conserve cash for other necessary reserves and fund other critical areas and service functions. This line item was derived by using the Town's fixed asset register, expected useful life, and estimated replacement costs. The Town's original equipment replacement schedule was subtracted from a revised schedule created by the Town's equipment manager to determine the magnitude of deferral costs and the current estimated timing of specific equipment replacement. The balancing measure reflects negative values in FY2014-15 and FY2015-16, because some portion of the expenditures deferred in FY2012-13 and FY2013-14 will no longer be able to be deferred.
- 40) Revenue Enhancements – reflect an increase in TOT through new enforcement measures – See the Town's Balancing Measures Plan⁸ for detailed explanation. This balancing measure is expected to grow at the same rate as Sales Taxes.
- 41) Reduction in Departmental Spending – See the Town's Balancing Measures Plan for detailed explanation. The growth assumptions are tied to general inflationary increases and are reflected at 2%, as was utilized for Services and Changes
- 42) Employee Concessions – See the Town's Balancing Measures Plan for detailed explanation. This balancing measure is expected to grow at the same rate as PERS (retirement) costs.
- 43) Reduction in "Voter Commitment" Funding – See the Town's Balancing Measures Plan for detailed explanation. This balancing measure is expected to grow at the same rate as Transient Occupancy Taxes.
- 44) Reduction in Property Lease Payments – See the Town's Balancing Measures Plan for detailed explanation. This balancing measure is expected to grow at the same rate as Facility Lease and Rental costs.
- 45) One Time Balancing Measure Implementation – this line item includes costs associated with a reduction in force and the retirement of Town employees. See the attached Balancing Measure Implementation schedule for additional details.

46) Restricted Portion of Vehicle Service Fund Reimbursement (State Gas Tax) – 58% of the charge at Fund 910 (Vehicle Service Fund) transferred from Fund 210 (State Gas Tax) for vehicle replacement related to State Gas Tax (\$379,891) is considered restricted. Since Fund 910 is classified as Unrestricted, \$220,337 is subtracted from Unrestricted Funds and added to Restricted Funds in order to accurately reflect the ending Unrestricted cash balance.

Unrestricted Fund Reserves

47) Reserve for Liquidity (90 Days Operating Expense) – represents average 90 days of operating expenditures at Fund 001 (General Fund/REU) for each fiscal year. According to the Government Finance Officers Association (“GFOA”), “The adequacy of unrestricted fund balance in the general fund should be assessed based upon a government’s specific circumstance. Nevertheless, the GFOA recommends, **at a minimum**, that general purpose governments, regardless of size, incorporate in its financial policies that unrestricted fund balance in the general fund be no less than two months of regular general fund operating revenues or regular general fund operating expenditures” (emphasis added)⁹. An analysis of the unrestricted fund working capital runoff for receivables, payables and fund transfers for Mammoth Lakes revealed a (\$917,118) net use of unrestricted cash in the post-closing period following the June 30, 2011 fiscal period close. This amount approximates 90 days of operating expenditures. This approximate amount should be maintained by the Town to provide adequate working capital and liquidity. The minimum liquidity reserve serves to fund the Town during months of the year when tourism is at seasonally low levels and working capital is stretched thin, particularly in light of its lack of a revolving credit facility or surplus borrowing capacity.

48) Reserve for Debt Service – represents a reserve for the following fiscal year’s debt service. This helps to ensure that the Town has adequate funding reserves in place to satisfy its current obligations in regards to its secured, long-term debt instruments. The reserve was determined based on the subsequent year’s debt service net of any existing restricted fund debt service reserve amounts and any funds held by trustee.

	Baseline FY 12-13	Projected FY 13-14	Projected FY 14-15	Projected FY 15-16	Projected FY 16-17	Projected FY 17-18
Total Debt Service	\$ 1,497,613	\$ 1,479,404	\$ 1,201,193	\$ 1,172,870	\$ 1,153,401	\$ 1,151,990
<i>Restricted Funds Total</i>	<i>897,000</i>	<i>875,785</i>	<i>876,475</i>	<i>875,186</i>	<i>872,234</i>	<i>873,183</i>
<i>Unrestricted Funds Total</i>	<i>\$ 600,613</i>	<i>\$ 603,619</i>	<i>\$ 324,718</i>	<i>\$ 297,684</i>	<i>\$ 281,167</i>	<i>\$ 278,807</i>
<i>Less: 2000 COP Reserve at Union</i>	<i>(206,225)</i>	<i>(206,225)</i>	<i>(206,225)</i>	<i>(206,225)</i>	<i>(206,225)</i>	<i>(206,225)</i>
<i>Unrestricted Funds Reserve</i>	<i>\$ 394,388</i>	<i>\$ 397,394</i>	<i>\$ 118,493</i>	<i>\$ 91,459</i>	<i>\$ 74,942</i>	<i>\$ 72,582</i>

49) Reserve for Economic Uncertainty (“REU”) – As noted in number 47 above, the Town, like most municipal entities, has no source of short-term borrowing or line of credit. According to a “Best Practice” memo published by the GFOA in 2011, it is essential that governments maintain adequate levels of fund balance to mitigate risks and provide back-up for revenue shortfalls, unforeseen events, and immediate funding requirements result from a declared emergency. The REU serves as the Town’s only backstop for unforeseen circumstances, including natural disasters and other events that would have a severe impact on the Town’s finances. The Town’s own policy, beginning in 1995 and most recently revised in 2006 (Resolution No. 06-23)¹⁰, establishes a reserve funding goal of 25% of General Fund revenues (or approximately \$4,450,000). The reserve values in the projection model reflect a slow recovery of the REU, beginning with a starting value of 3% of General Fund revenues in FY2011-12 (\$532,000) and increasing by 2% per year over the projection period to achieve 13% by FY2016-17 (\$2,350,000). Assuming a continual addition of 2% of the annual appropriation per year for this reserve account, the Town will replenish its REU and achieve its policy funding level following in additional 6 years, i.e. by 2023.

- 50) Reserve for Grant Working Capital – Grant activity requires prefunding with unrestricted cash by the Town for expenditures and capital projects. The lead time for recovery on grant-related receivables has historically averaged 60 days. A reserve based on 20% of Intergovernmental Revenue – Capital Projects has been established to provide adequate unrestricted liquidity to facilitate these restricted account activities.
- 51) Reserve for Waste Stream Segregation – the Town’s waste stream consists of both recyclable and non-recyclable trash. State law requires an increase in the amount of recycling from Mono County from the current 27% to 50% by July 1, 2012. If the County (or the Town in the absence of the County) files by July 1, 2012 a plan to improve to the 50% goal, then the deadline will be extended by an additional one year to achieve the mandate). The effect of increasing recycling reduces waste material going into the landfill. The landfill economics, created in early 2000s, was based primarily on the disposal of recyclable materials into the landfill. The solid waste system’s financial shortfall (due to lower than estimated waste) was backfilled by \$1.3 million of county general funds last year. Due to AB341, these problems are emerging as significant issues. The town will be working to resolve the financial problems along with the county. Due to preliminary nature of this potential liability, a reserve of \$500,000 has been established.
- 52) Reserve for ERAF:^{11, 12}
- In 1992, the State of California, facing financial difficulty, created legislation which redistributed local property taxes to schools. This legislation commonly referred to as ERAF (Educational Revenue Augmentation Fund) shifted taxes from local agencies into a separate fund that would then be transferred to all “Non-Basic Aid” schools. “Non-Basic Aid” means a school’s direct property tax funding level does not meet the minimum amount necessary for its operation. “Non-Basic Aid” schools rely on ERAF to achieve this minimum funding level. If a County’s schools achieve “Basic Aid” status, all ERAF-related property tax deductions collected from the local government are returned to the local government and the School does not receive any additional funding.
 - During the early 2000s the State, facing further financial troubles, found relief through other local government tax receipts. Through a debt financing mechanism (2004 Proposition 57, the California Economic Recovery Bond Act), the State appropriated 25% of Bradley-Burns Sales Tax dollars and VLF (Vehicle License Fee) dollars for the repayment of a State debt. In return, the local governments were able to recover these appropriated amounts from ERAF. When the ERAF refunding mechanism was created for restoring local Sales and VLF revenues, all California Counties were collecting ERAF, as all Counties had “Non-Basic Aid” school districts; thus all Counties could access the ERAF mechanism.
 - Within Mono County, there are two school districts: The Mono County Office of Education and Mono County Schools. As of FY 08-09, The Mono County Office of Education was still Non-Basic Aid, but Mono County Schools achieved Basic Aid Status.
 - If the Mono County Office of Education achieves Basic Aid Status (i.e. its property taxes are sufficient to meet minimum school funding levels), all of the ERAF-related property tax deductions collected from Mono County would be returned to the County. The impact of returning ERAF monies is that Mono County (and The Town of Mammoth Lakes) can no longer access ERAF to recover the Sales Tax and VLF revenues. Mono County officials have checked with the State Controller’s Office concerning this issue and have been told that the only remedy to correct the problem is through legislative action.
 - Because the two Mono County school districts in FY2010-11 had not achieved Basic Aid Status and were therefore entitled to participate in the ERAF fund, the Town was able to recover \$1,250,741 from the ERAF fund for State redirected Sales Tax and VLF fees. If the school district had both qualified as Basic Aid, the Town would have received a return of its

\$291,825 contribution to ERAF from property taxes; however the effect would have been a net loss to the Town of Mammoth Lakes of \$958,916 (\$1,250,741 - \$291,825).

- This amount fluctuates annually based upon the economy. Tax receipts have experienced a decline. However, once the economy picks up again the amount of Town funding exposed to this potential loss will increase.
- A reserve of \$958,916 has been established in the Projection based on the exposure faced during the most recent actual period (FY2010-11) for the potential loss of the ERAF-related net revenues. Should the town suffer the loss of this funding recovery, it would have one year to restore the funding through legislative action or adjust its budgeted expenditures accordingly.

53) Reserve for Deferred Equipment Replacement – Part of the Towns immediate budget balancing measures is to defer \$4.3 million of fully-depreciated vehicle and equipment replacement (numbers 34 and 38 above). In lieu of wholesale equipment replacement, the establishment of a \$350,000 reserve for vehicle and equipment replacement has been created, to ensure that funds are available as critical pieces of equipment (e.g. snow plows) fail and must be replaced. Given the old age of many of the pieces of equipment the Town owns, the likelihood that a piece breaks beyond repair remains high.

54) Reserve for Employee Comprehensive Leave Obligation – a schedule was provided by the Town which included each employee’s accrued hours of comprehensive leave. Twice a year, an employee can cash out his or her balance up to 400 hours. Based on this methodology and the current amount of accrued leave, the most that the Town’s 77 employees could cash out in the next six months is \$382,390.¹³ A minimum reserve has been set aside at twice this amount in order to fund 100% of the short term (one year) obligation.

55) Net Funds Available – at the end of each fiscal year, the difference between the Unrestricted Cash balance and the Minimum Unrestricted Reserves represents Net Funds Available.

¹Town of Mammoth Lakes June 30, 2011 Audit, Marcello & Company CPA October 21, 2011

² <http://www.gasb.org/st/summary/gstsm54.html>

³ Five-Year Forecast_March 2012.xls, Town of Mammoth Lakes.

⁴ Tax revenue descriptions.doc, Town of Mammoth Lakes. This document was referenced for all tax related revenues.

⁵ <http://www.hdlcompanies.com/>

⁶ Memorandum September 21, 2012 Ray C. Jarvis, Public Works Director, Town of Mammoth Lakes, RE: Road Maintenance and Rehabilitation

⁷ http://www.ncenet.com/current_projects.php

⁸ Balancing Measures Plan from the Town of Mammoth Lakes’ Restructuring Plan_May 2 2012_Final.

⁹ GFOA Best Practice. Replenishing Fund Balance in the General Fund (2011) (Budget and CAAFR) (new); http://www.gfoa.org/index.php?option=com_content&task=view&id=1767

¹⁰ Resolution No 06-23. Resolution of the Town Council of Mammoth Lakes, State of California Reaffirming the Fund Balance Designation of Reserved for Economic Uncertainty at a Level of 25% of the General Fund Revenues (Taxes).

¹¹ League of California Cities Fact Sheet_ The ERAF Property Tax Shift, Rev_Aug10.

¹² 2011-Dec ERAF Triple Flip Issues. Pdf, RReed, Town of Mammoth Lakes.

¹³ Comprehensive Leave Reserve FTI.xls, Analysis from Cyndi Myrold, April 2012.

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