

Agenda Item 6  
June 1, 2011  
File No. 330-20

## **AGENDA BILL**

**Subject:** Continuation of Budget Presentation and Deliberation for Fiscal Year 2011-12, including presentation of information on the Development Impact Fee funds, Measure R and Measure U; and continuation of deliberations on balancing options for the General Fund

**Initiated by:** Marianna Marysheva-Martinez, Interim Town Manager

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### **BACKGROUND:**

This report builds on the baseline budget information presented to the Town Council on May 18, 2011 and May 25, 2011. It discusses and provides details on:

- Updated financial summaries for all of the Town's funds for FY 2010-11 and FY 2011-12, with explanation of revisions from the May 25, 2011 report;
- Updated General Fund revenues, expenditures and shortfall for FY 2011-12, with explanation of revisions from the May 25, 2011 report;
- Balancing options for the General Fund to resolve the FY 2011-12 baseline shortfall (re-printed from the May 25, 2011 report);

Budget review and deliberations are scheduled to continue through the month of June, with final budget adoption by June 22, 2011. Attachment A provides the schedule.

### **ANALYSIS/DISCUSSION:**

#### **A. Changes from the May 25, 2011 report**

Several changes have occurred since staff presented to the Town Council the budget on May 25, 2011. They are discussed below.

#### ***1) Reversal of the Previously Recommended Accounting Change Related to Measure A and T***

The Mammoth Lakes Land Acquisition LLC (MLLA) has expressed concerns to the Town about the accounting change proposed by staff on May 18, 2011, with regards to the Measure A and T revenues transmitted to Tourism and Marketing; Workforce Housing; and Transit. Staff has **reversed** this

recommended change; this action is reflected in the attached financial reports (Attachments B, C-1 and C-2).

**2) Revisions to General Fund Financials**

The General Fund is impacted by the reversal of the transfers above. In addition, further refinements have been made to General Fund estimated spending in FY 2010-11, increasing slightly the estimated ending fund balance. FY 2011-12 baseline expenditure figures were also updated with the latest data on risk insurance and staff allocations. The net result of all these changes is as follows:

**May 25, 2011 General Fund projections for FY 2011-12**

<b>Estimate of the General Fund beginning balance</b>	<b>\$1,795,911</b>
General Fund revenue for FY 2011-12 (excluding Measure A/T)	\$13,566,159
General Fund expenditure for FY 2011-12 (excluding Measure A/T)	\$16,244,450
<b>Estimate of the General Fund shortfall</b>	<b>-\$2,678,291</b>
<b>Shortfall as percentage of the General Fund</b>	<b>16%</b>

**June 1, 2011 General Fund projections for FY 2011-12**

<b>Estimate of the General Fund beginning balance</b>	<b>\$1,899,709</b>
General Fund revenue for FY 2011-12 (including Measure A/T)	\$18,524,397
General Fund expenditure for FY 2011-12 (including Measure A/T)	\$21,142,688
<b>Estimate of the General Fund shortfall</b>	<b>-\$2,618,291</b>
<b>Shortfall as percentage of the General Fund</b>	<b>12%</b>

These revisions are reflected in the attached financial reports (Attachments B, C-1 and C-2).

**3) Interim Funding Commitments**

Staff anticipates that the budget approved by the Town Council by the end of June of 2011 will be interim, with interim funding commitments / contracts. This is necessary to ensure that the budget can be amended upon reaching a settlement agreement with Mammoth Lakes Land Acquisition LLC (MLLA). At that time, a permanent budget for the remainder of the year will be adopted, and longer-term contracts with various parties that receive funding from the Town will be approved.

**B. General Fund Balancing Options**

These are re-printed from the May 25, 2011 agenda bill, with minor revisions to address comments from the Town Council at the May 25, 2011 meeting. (See Attachment D.)

C. Measure R Funding

Measure R is projected to have \$1,328,750 in fund balance by June 30, 2011. Of that total balance, \$633,876.96 is reserved for previously approved projects, listed below.

Award Year	Project	Fund Balance	Comment
2009, 2010 & 2011	Whitmore Track Project	\$467,250	Completing required biological studies summer 2011
2009	MLTS - CEQA	\$25,200	Need to invoice SNC for reimbursement to Measure R for completed work
2009-10	Mammoth Trails – Event Equipment	\$12,959.36	Purchasing equipment this spring for summer
2009	OMR Gap Alignment	\$7,949.81	Developed 2 alternatives
2009	Eastern Sierra Avalanche Center	\$3,119.50	Will be purchasing 2 <sup>nd</sup> beacon
2009	Waterford Trail Segment	\$3,032.20	Draft Neg. Dec.
2010	MLTPA – MLTS Amendment 1	\$13,317.78	Billed as per contract
2010	Eastern Sierra Dog Agility Group	\$1,915	May be purchasing additional equipment
2010	Draft PRMP CEQA	\$31,008	Project on-going
2010	Community Center Playground	\$4,347.61	Equipment less expense than budgeted, consider returning balance to Measure R
2010	Whitmore Track Species Study	\$1,200	Additional work may need to be completed
2010	Mammoth Nordic	\$5440	Non-operational in 2010/11 – return to unallocated funds
2010	TOML – Signage	\$20,000	No match from SNC – return to unallocated funds
2010	TOML – Trails End Park Design	\$37,137.70	Project on-going
<b>Total</b>		<b>\$633,876.96</b>	

\* Excludes 2011 Spring Award Amounts

After the above encumbrances of \$633,876.96 and the recommended 2011 Spring award of \$226,807 are deducted from the fund balance, an estimated \$468,066 remains unallocated through June 30, 2011. These unallocated funds combined with the estimated FY 2011-12 annual revenue of \$991,000, will be available for allocation through the 2011 Fall and 2012 Spring Award funding cycles.

Possible projects that may be eligible for Measure R funding in the FY 2011-12 cycle are listed below. Staff by no means recommends at this time that these projects be funded, and urges the Council and the Measure R committee to wait for the outcomes of the RecStrats process to decide on Measure R spending.

<b>Possible Measure R Funding Projects</b>			
<b>Ordinance No. 08-01:</b> Measure R may be used for funding planning, construction, operations, maintenance, programming and administration of all trails, parks and recreation facilities managed by the Town of Mammoth Lakes without supplanting existing parks and recreation funds.			
<b>Project/Program</b>	<b>Recreation</b>	<b>Trails</b>	<b>Parks</b>
Mammoth Creek Park Conceptual Plan			\$ 45,000
Trails Maintenance		\$ 20,000	
Ice Rink Gap Funding	\$ 57,000		
Trails End Park Phase 1 Construction			\$ 285,000
<b>Totals:</b>	<b>\$ 57,000</b>	<b>\$ 20,000</b>	<b>\$ 330,000</b>

#### D. Measure U Funding

Measure U is allocated into a separate, restricted fund beginning July 1, 2011. FY 2011-12 projected annual revenue is \$922,853. A Measure U Committee has not been formed yet, and funding recommendations on Measure U should be made by such a committee. Possible projects that may be eligible for Measure U funding in the FY 2011-12 cycle are listed below. Staff by no means recommends at this time that these projects be funded.

<b>Possible Measure U Funding Projects</b>			
<b>Ordinance No. 10-04:</b> For the purpose of planning, construction, operation, maintenance, programming and administration of facilities and projects for mobility, recreation and arts & culture. Such tax proceeds shall not supplant existing funds used for the purposes set forth in the ordinance.			
<b>Project/Program</b>	<b>Recreation</b>	<b>Mobility</b>	<b>Arts &amp; Culture</b>
Mammoth Lakes Events Coalition			\$ 97,000
MMH Airport Strung Structure		\$ 275,000	
Ice Rink Completion	\$ 365,000		
Environmental Impact Report for the draft Mobility Plan		\$ 150,000	
<b>Totals:</b>	<b>\$ 365,000</b>	<b>\$ 425,000</b>	<b>\$ 97,000</b>

**E. Discussion of Development Impact Fees**

The following discussion is provided in response to questions raised on *Development Impact Fees* (DIFs).

The most recent agenda bill on the subject of DIFs, dated November 17, 2010, contained a table on page 9 with June 30, 2010 balances by DIF component. The balances, however, reflected the cash position of each fund, and did not directly show the amounts that the DIF funds owe (through loans) to the General Fund and the Garage Fund. These amounts were instead referenced in a footnote to the table. The summary below reconciles the November 17, 2010 DIF report data with data from the latest financial audit (for the same period, ending June 30, 2010).

**Development Impact Fees  
Fund Balance FY2010-11**

Development Impact Fee Components	June 30, 2010	June 30, 2010	DIFFERENCE	EXPLANATION OF DIFFERENCE		
	Audited Ending Fund Balance	Fund Balance 17-Nov-10 agenda bill		Amount due to General Fund	Amount due to Garage Fund	Other
Administrative Overhead 4%	(550,030)	(1,478)	(548,552)	(365,000)		(183,552)
General Facility & Vehicle/Equipment	(2,240,261)	1,731	(2,241,992)	(1,850,000)	(1,275,000)	883,008
Law Enforcement Facility & Vehicles	(630,017)	(593)	(629,424)	(176,263)		(453,161)
Storm Drains	(620,089)	(158)	(619,932)			(619,932)
Parks & Recreations	202,769	489	202,280			202,280
Library	16,706	206	16,500			16,500
Circulation-Streets & Traffic	(1,205,011)	358	(1,205,370)	(895,000)		(310,370)
Fire Facility, Vehicle & Equipment	213,823	123	213,700			213,700
Airport	4,845	4,845	0			0
Public Art	383,914	132,387	251,526			251,526
<b>Totals</b>	<b>(4,423,352)</b>	<b>137,911</b>	<b>(4,561,263)</b>	<b>(3,286,263)</b>	<b>(1,275,000)</b>	<b>0</b>

As of the writing of this report, Town staff was still finalizing details on how the loans from the General Fund and the Garage Fund were used. This information will be provided in advance of the June 1, 2011 meeting, and copies will be made available for the meeting.

**F. Responses to Council Questions**

Responses to budget questions from the Town Council, received to date, are contained in Attachment E.

**G. Enforcement of the Transient Occupancy Tax and Ordinance Changes**

Staff's recommendations on the enforcement program, as well as the necessary ordinance changes, are reflected in a separate agenda bill for the June 1, 2011 Council meeting.

#### H. June 8<sup>th</sup> and June 15<sup>th</sup> Budget Meetings

At the June 8, 2011 meeting, staff will present initial information on the CIP budget, including categories of the CIP projects and prioritization criteria that could be applied to the different categories.

At the June 15, 2011 meeting, the Town Council is expected to conclude its deliberations on the budget, and provide direction to staff for the June 22 budget adoption meeting.

At the June 22 meeting, staff will present prioritized CIP projects based on the criteria presented on June 8, and provide legislation to adopt the budget and make other necessary budget-related decisions. At this meeting, the Town's "Fiscal Year 2011-12 Proposed Budget Document" will be provided, with updates to the financials presented to date, and budget balancing measures based on the June 15<sup>th</sup> direction from the Council.

#### **RECOMMENDATION:**

Therefore, it is recommended that the Town Council:

1. Provide direction to staff on the General Fund balancing options presented in Attachment D.
2. Indicate what additional information may be necessary to make budget balancing and policy decision on June 15, 2011

#### Attachments:

- A - Budget review and adoption schedule for Fiscal Year 2011-12
- B - Fund Summaries, including All Funds Revenues and All Funds Expenditures
- C-1 - General Fund Revenues
- C-2 - General Fund Expenditures
- D - Balancing Options for the General Fund baseline shortfall
- E - Responses to Questions

**FY 2011-12 BUDGET SCHEDULE**  
**(along with other relevant Council meeting items, for context)**

<b>Council meeting date</b>	<b>4:00pm session</b>	<b>5:00pm session</b>	<b>6:00pm session</b>
May 18 – regular meeting		Closed session	Presentation of the 11/12 revenue for General Fund and estimates for the expenditure baseline; 10/11 year-end updates for the General Fund; and key anticipated policy and budget decisions
May 25 – <b>special meeting</b>	3:00-4:30pm – Presentation of complete FY 11/12 baseline budget, with balancing options		
June 1 – regular meeting	Closed session	Presentation by consultants (Deb Pierrel and Joyce Turner) regarding the proposed 12/13 budget process – requires budget allocation in FY 11/12	11/12 budget: Continuation of discussion on balancing options for the General Fund Information on DIF funds Details on Measures R and U – revenues and possible eligible items for consideration Recommendations on the TOT enforcement program
June 8 – <b>special meeting</b>	4:00 – 6:00pm – Special session to review materials and provide direction to the negotiations team regarding <i>Mammoth View Development Agreement</i>		6:00-7:00pm – Five-Year CIP budget presentation by Town staff, introduction of prioritization criteria
June 15 – regular meeting	Closed session	Recreation Commission session on Measure R funding	Provide direction to staff on General Fund balancing measures, any changes to non-General Funds; and any policy decisions – for the June 22 meeting
June 22 – <b>special meeting</b>	4:00-6:00pm – Special Planning Commission / Town Council meeting on <i>building height policy</i>		6:00-7:00pm – Finalize CIP prioritization and funding for FY 2011-12 11/12 budget adoption: legislation; policy decisions



Fund Name and Number	Fund Balance July 1, 2010	Projected Revenue FY 2010-11	Estimated Expenditures FY 2010-11	Projected Fund Balance June 30 2011	Projected Revenue FY 2011-12	Preliminary Budget FY 2011-12	Projected Fund Balance June 30 2012	Comments
General Fund 001								
Reserved: Long Term Recv	8,726,632			8,726,632			8,726,632	
Unreserved: Self Insurance	15,000			15,000			15,000	
Unreserved: REU	1,314,293	19,591,495	19,006,079	1,899,709	18,524,397	21,142,688	(718,582)	General Fund Revenue and Expenditures will be balanced before final budget adoption. A \$750,000 payment on the terminal note not yet reflected
Total	10,055,925			10,641,341			8,023,050	
Police Fund 008								
Fund Balance	137,147	4,860,385	4,997,532	0	5,803,320	5,803,320	0	
Tourism Fund 014								
Fund Balance	138,321	2,445,654	2,445,654	138,321	2,364,101	2,364,101	138,321	Measure A
P&R Fund 015								
Fund Balance	614,728	490,936	490,936	614,728	677,628	677,628	614,728	Not real cash - note receivable from Mello Roos
Mearure R Fund 016								
Fund Balance	936,739	952,000	559,989	1,328,750	991,000	991,000	1,328,750	Special tax - restricted use
Mearure U Fund 017								
Fund Balance	0	0	0	0	922,853	922,853	0	
Community Development Fund 019								
Fund Balance	33,418	1,686,081	1,719,499	0	1,924,596	1,924,596	0	
Parks Maintenance Fund 020								
Fund Balance	0	618,372	618,372	0	615,638	615,638	0	
Public Works/Admin/Maint Fund 205								
Fund Balance	14,410	574,254	574,254	14,410	693,799	693,799	14,410	
Gas Tax Fund 210								
Fund Balance	245	4,290,103	4,290,103	245	5,173,176	5,173,176	245	
Capital Projects Fund 300								
Fund Balance	30,391	2,690,129	2,720,520	0	4,165,553	4,165,553	0	
LTC Planning Fund 420								
Fund Balance	20,785	121,800	121,800	20,785	241,800	241,800	20,785	
Transportation/Transit Fund 425								
Fund Balance	128,126	1,443,065	1,146,108	425,083	1,263,886	1,328,906	360,063	Measure T
Housing & Community Dev Fund 460								
Fund Balance	39,721	117,787	117,787	39,721	508,491	508,491	39,721	Not real balance - will be cleared once all grant expenses are paid
Workforce Housing Fund 465								
Reserved: Long Term Recv	900,000			900,000			900,000	May be uncollectable
Unreserved	290,148	868,263	639,223	519,188	835,642	746,817	608,013	Measure A
	1,190,148			1,419,188			1,508,013	
Drug Enforcement Fund 480								
Fund Balance	38,410	2,800	2,800	38,410	4,000	5,000	37,410	
Airport Fund 520								
Fund Balance Reserved for Bad Debt	367,500			367,500			367,500	Uncollectible Debt
Fund Balance Unreserved	(2,799,313)	1,226,041	1,226,041	(2,799,313)	765,611	765,611	(2,799,313)	Reflects amount owed to General Fund for
	(2,431,813)			(2,431,813)			(2,431,813)	Airport Operational subsidy.
Airport Debt Service Fund 529								
Fund Balance	10,399,983	614,483	786,899	10,227,567	1,451,442	1,402,442	10,276,567	Mainly Airport Land and Structures and includes \$1.7M note payable to General Fund for Terminal note.



Fund Name and Number	Fund Balance July 1, 2010	Projected Revenue FY 2010-11	Estimated Expenditures FY 2010-11	Projected Fund Balance June 30 2011	Projected Revenue FY 2011-12	Preliminary Budget FY 2011-12	Projected Fund Balance June 30 2012	Comments
Long Valley Pit Fund 540								
Fund Balance	6,463	2,980	8,295	1,148	3,000	4,336	(188)	
DIF Admin Fund 830	(550,030)	3,514	5,416	(551,932)	3,514	0	(548,418)	Negatives are mainly notes payables to General Fund and Garage Fund
DIF General Facilities Fund 831	(2,240,261)	12,617	148,468	(2,376,112)	12,617	465	(2,363,960)	
DIF Law Enforcement Fund 832	(630,017)	3,247	154	(626,924)	3,247	154	(623,831)	
DIF Storm Drains Fund 833	(620,089)	12,862	528	(607,755)	12,861	528	(595,422)	
DIF Parks & Rec Fund 834	202,769	5,378	204	207,943	5,378	204	213,117	
DIF MCOE Fund 835	16,706	14,022	8,805	21,923	14,022	560	35,385	
DIF Circulation Fund 836	(1,205,011)	145,650	1,314	(1,060,675)	32,854	3,814	(1,031,635)	
DIF Fire Fac & Equip Fund 838	213,823	6,252	200,238	19,837	6,252	238	25,851	
DIF Airport Improvements Fund 839	4,845	1,264	4,533	1,576	1,264	50	2,790	
Public Art Fund 840	383,914	3,200	20,825	366,289	3,200	138,835	230,654	
Assessment-Juniper Fund 850	134,002	72,720	69,254	137,468	73,000	72,720	137,748	Assessments - restricted use
Assessment-Gateway Fund 851	161,252	67,320	66,875	161,697	67,320	67,320	161,697	Assessments - restricted use
Assessment Bluffs Fund 852	407,584	215,600	214,136	409,048	217,315	217,315	409,048	Assessments - restricted use
Assessment Bluffs/Maint Fund 853	360,997	86,549	55,055	392,491	111,800	88,000	416,291	Assessments - restricted use
Assessment North Village Fund 854	2,374,735	687,195	1,164,789	1,897,141	687,195	1,120,550	1,463,786	Assessments - restricted use
Assessment NV South Fund 855	(48)	0	0	(48)	30,000	30,000	(48)	
Assessment OMR Fund 856	188,426	105,860	69,569	224,717	131,100	131,343	224,474	Assessments - restricted use
Assessment Village Benefit Fund 857	376,606	163,000	27,369	512,237	163,000	140,083	535,154	Assessments - restricted use
Fractional Mello Fund 858	(654,761)	211,479	148,668	(591,950)	281,298	325,039	(635,691)	Reflects amount owed to General Fund
DIF In Lieu Mello Tx Dist Fund 859	1	2,075	0	2,076	2,075	2,075	2,076	
AD Juniper View BAD Fund 860	(15)			(15)			(15)	
AD South OMR-BAD Fund 861	(15)			(15)			(15)	
AD Town Lakes-BAD Fund 862	(15)			(15)			(15)	
Vehicle Service Fund 910	10,706,080	1,726,597	1,158,654	11,274,023	1,979,460	1,460,649	11,792,834	Set aside for replacement: \$7,250,132, Parts inventory: \$400,000 Vehicle inventory: \$2,875,000 Note Receivable for DIF: \$1,275,000
Comprehensive Leave Fund 920	1,759,787		364,928	1,394,859	325,400	325,400	1,394,859	Funding for 85% of earned leave
Emp 125 & Ins Benefits Fund 930	242,378	388,880	469,135	162,123	321,535	321,535	162,123	
Debt Service: C.O.P.'s Fund 990	782,738	1,288,222	1,865,222	205,738	730,748	730,748	205,738	Money held with trustee, for debt service
	<b>28,905,902</b>	<b>47,820,131</b>	<b>47,536,030</b>	<b>29,190,004</b>	<b>52,146,388</b>	<b>54,655,380</b>	<b>26,681,011</b>	

Note: Expenditures include both direct spending and transfers out mainly from the General Fund to other funds, to support departmental operations. The transfers amount to \$18 million.

**ALL FUNDS by Department**  
**Revenue Summary Fiscal Year 2011-2012**

	<b>Request FY 2011-12</b>
General Fund	18,524,397
Public Safety	5,807,320
Tourism and Marketing	2,364,101
Recreation, Parks and Trails	2,777,144
Community Development	1,927,796
Public Works	8,802,508
Airport	2,217,053
Transportation/Transit	1,263,886
Workforce Housing	1,344,133
Capital Projects	4,165,553
Debt Service Fund	730,748
Comprehensive Leave	325,400
Employee 125 Plan Insurance Benefits	321,535
Assessment Districts	1,482,805
Developer Impact Fees	92,009
<b>Total</b>	<b>52,146,388</b>

**ALL FUNDS by Department**  
**Expenditure Summary Fiscal Year 2011-2012**

	<b>Request</b>
	<b><u>FY 2011-12</u></b>
General Fund - Administration	3,154,645
General Fund - Interfund Transfers	17,988,043
Public Safety	5,808,320
Tourism and Marketing	2,364,101
Recreation, Parks and Trails	2,777,144
Community Development	2,063,431
Public Works	8,328,774
Airport	2,168,053
Transportation/Transit	1,328,906
Workforce Housing	1,255,308
Capital Projects	4,165,553
Debt Service Fund	730,748
Comprehensive Leave	325,400
Employee 125 Plan Insurance Benefits	321,535
Assessment Districts	1,869,406
Developer Impact Fees	6,013
<b>Total</b>	<b><u>54,655,380</u></b>

# General Fund Revenue

FY 2011-2012 Summary

	2008-2009 Actual	2009-2010 Actual	2010-2011 Revised Budget	2010-2011 Estimated	% Change FY 2010 to FY 2011	2011-2012 Projection	% Change FY 2011 to FY 2012
Transient Occupancy Tax - 8.5 of 13%	6,305,024	6,826,837	6,037,453	7,380,233	8%	7,152,954	-3%
Tourism 2.5% of TOT	1,854,215	2,006,905	1,775,722	2,170,657	8%	2,089,104	-4%
Housing 1% of TOT	741,686	802,762	710,289	868,263	8%	835,642	-4%
Transit 1% of TOT	741,686	802,762	710,289	868,263	8%	835,642	-4%
Business Tax - Tourism	289,492	276,319	270,989	274,997	0%	274,997	0%
Property Tax	3,078,982	2,831,822	2,565,121	2,664,926	-6%	2,538,025	-5%
In Lieu VLF (ERAF Related)	832,471	874,007	802,561	802,561	-8%	757,133	-6%
Sales Tax	1,321,131	1,247,812	1,262,570	1,316,688	6%	1,370,688	4%
Triple Flip BackFill (ERAF Related)	509,504	405,776	403,144	448,180	10%	465,298	4%
Utility User Tax	887,573	892,700	917,272	922,853	3%	922,853	0%
Franchise Fees	770,497	643,022	646,456	708,500	10%	724,677	2%
Interest on Investments	143,094	123,222	97,725	96,917	-21%	96,917	0%
Administrative Service Fees	63,915	80,151	35,185	47,694	-40%	44,399	-7%
Charges for Services	113,144	40,379	31,957	42,539	5%	30,580	-28%
Intergovernmental Revenues	20,344	28,514	28,589	26,840	-6%	26,840	0%
Miscellaneous Revenues	31,099	89,823	7,922	16,036	-82%	300	-98%
Hospital Land Exchange				358,348		358,348	0%
Transfers In	102,000	120,000	577,000	577,000	381%	0	
<b>Total</b>	<b>17,805,857</b>	<b>18,092,813</b>	<b>16,880,244</b>	<b>19,591,495</b>	<b>8%</b>	<b>18,524,397</b>	<b>-5%</b>

## General Fund

### Expenditure Summary Fiscal Year 2011-2012

	Estimated FY 2010-11	Request FY 2011-12	Difference	Explanation
Administration	3,795,085	3,154,645	-640,440	1. Decreased (\$211,000) Council discretionary which was increased in FY 10/11 when additional TOT was recognized 2. Decreased (\$272,806) Airport Service Guarantee now budgeted in Airport  3. Decreased (\$114,000) Fishing Enhancement Program and Fireworks now in Recreation. 4. Decreased (\$688,000) Insurance Premiums previously budgeted in Risk Management now spread to all funds. 5. Increased (\$400,000) Airport Litigation previously recorded in Airport Fd 6. Increased (\$138,300) Risk Insurance.
Public Safety	4,482,207	5,276,617	794,410	1. Increased (\$274,000) Funded Lieutenant position  2. Increased (\$219,000) Insurance Premiums previously budgeted in Risk Management
Tourism and Marketing	2,445,654	2,364,101	-81,553	
Recreation, Parks and Trails	379,783	1,492,095	1,112,312	1. Increased (\$106,000) Fishing Enhancement Program and Fireworks previously in Council budget. 2. Includes Measure U (\$922,853) 3. Increased (\$22,000) Office Rental
Community Development	967,734	1,041,963	74,229	1. Increased (\$24,000) Insurance Premiums previously budgeted in Risk Management 2. Increased (\$18,000) document archival
Public Works	3,626,637	4,628,492	1,001,855	1. Increased (\$348,000) Insurance Premiums previously budgeted in Risk Management 2. Increased (\$255,000) Road Rehab 3. Increased (\$82,000) Fuel 4. Increased (\$62,000) Ca. Air Resources Compliance 5. Increased (33,000) Special Events
Airport	638,031	550,561	-87,470	1. Decreased (\$460,000) Airport Litigation recorded in Legal Services Department 2. Moved Air Subsidy from Town Council; added Sprung Structure
Transportation/Transit	868,263	835,642	-32,621	
Workforce Housing	868,263	835,642	-32,621	
Capital Projects		545,110	545,110	Previously budgeted in DIF Funds
Debt Service Fund	934,422	417,821	-516,601	Paid off 2003 C.O.P.
<b>Total</b>	<b>19,006,079</b>	<b>21,142,688</b>	<b>2,136,609</b>	

**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>		

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<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>
<p>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.</p>	<p>Existing contract expires on June 30, 2011. Negotiations for new contract, to begin July 1, 2011, are under way.</p>	<p>\$236,000</p>	<p>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.</p>	<p>10.0%</p>
<p>Mammoth Lakes Housing: Reduce FY 11/12 funding by 10%</p>	<p>Existing contract expires on June 30, 2011. Negotiations for new contract, to begin July 1, 2011, are under way.</p>	<p>\$38,500</p>	<p>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.</p>	<p>10.0%</p>

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%
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>				
<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>
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%
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%
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**

## Attachment E

### Responses to Budget Questions from Council members

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**Question:** Debt Service – pg 113 of the May 25th agenda report: Provide dates when each debt listed will be retired

**Answer:**

*Debt Service on 2000 COP retires in FY 2024/25*

*Debt Service on 2004 COP retires in FY 2013/14*

*Debt Service on Visitor Center Admin Building retires in FY 2011/12*

*Storm Drain Loan Program retires in FY 2018/19*

*Airport Terminal CalTrans Loans retire in FY 2015/16*

**Question:** Provide a listing of funded, but vacant, positions for all departments

**Answer:** *The FY 11-12 baseline budget reflects funding for 79 full-time equivalent positions, of which only 4 are vacant, as follows:*

- 1. Financial Analyst / TOT Compliance Specialist – Recruitment for this critical vacancy will commence soon, per Town Council's approval at the May 18, 2011 meeting.*
- 2. Payroll / Accounting Support Staff – Recruitment for this critical vacancy will commence soon, per Town Council's approval at the May 18, 2011 meeting.*
- 3. Airport Maintenance Coordinator – Recruitment for this vacancy has been completed, finalist has been selected, necessary background and reference checks have been conducted, and a written offer of employment is about to be made.*
- 4. Police Officer – A position has been added in the budget in anticipation of Federal COPS grant funding in FY 2011-12. The Town's grant application states that the grant would help to avoid a layoff of an existing officer, which may be necessary in order to balance the FY 2011-12 baseline shortfall. Therefore, this is not a true vacancy.*

**Question:** Why is there an increase in Personnel Services in the Town Council on page 34 of the May 25th agenda bill?

**Answer:** *There is an increase to the cost of health insurance, which is reflected in Personnel Services. It must be noted, however, that during the review of budget figures for the June 1<sup>st</sup> agenda bill, staff noticed an error in the amount of health insurance entered. The error has been corrected, and the year-to-year difference in Council's personnel costs has been reduced from \$18,623 to \$11,020. The cost increase is based on an assumption that health insurance will increase by 10% in January 2012.*

**Question:** Public safety - explain Animal Shelter contract cost increase

**Answer:** *The Town pays 50% of the operating expenses of the County Animal Shelter. In 2009/10, the cost was \$54,092. For 2010/11, we estimate the cost will be \$69,964. We have budgeted \$70,000 for 2011/12. This is not an increase. There is an increase in this line item (Animal Control Contractual Services) to cover the increase in the contract for Steve Searles.*

**Question:** How are School Resource Officers funded in other jurisdictions? What alternative funding sources are available to the Town?

**Answer:** *In January, the Police Chief surveyed other California Police Departments asking for how their SRO positions are funded. 97 departments responded. The results of the survey were:*

*40% - Cost is split equally between the City and the School District*

*28% - City pays the entire cost*

*25% - Cost is split between the City and the School District with various formulas ranging from the City paying up to 95% or as low as 24%*

*4% - The School District pays the entire cost*

*2% - Grant funds pay for 100% of the cost*

**Question:** Recreation (page 55 of the May 25th agenda bill): clarify that listing Measure U under Recreation Commission on the organizational chart does not infer that will be the final decision (ordinance allows for other options on who will recommend spending decisions to Council)

**Answer:** *The Town Council has never established a Measure U Committee that would propose funding recommendations via a public process to Town Council, but the makeup of a Measure U Steering Committee and the scope of work has been approved, pending the completion of the Municipal Finance Workshops, as documented below:*

**Town Council Ordinance No. 10-04, Section 3.44.210, Recommendation for Expenditure of Funds:** “The Tourism and Recreation Commission, or such other commission or committee as is designated by the Town Council, shall annually conduct at least one public hearing where it takes public testimony as to how tax revenues collected under the Mammoth Lakes Mobility, Recreation, and Arts and Culture Utility Users Tax Ordinance should be expended.

**Town Council, December 15, 2010 Minutes, Measure U Committee. Action:** “It was moved by Councilmember Rick Wood, seconded by Mayor Pro Tem Jo Bacon, and carried by 5-0 to approve a Measure U Committee consisting of seven members (representatives from the Recreation and Mobility Commissions, a representative from the Mammoth Lakes Foundation, a representative from Mammoth Lakes Trails and Public Access, a local event producer/stakeholder, a representative from the Measure U Campaign Committee, and a representative from Mammoth Mountain Ski Area). Adopt the proposed scope of work and postpone the choosing of a facilitator until the Town Manager and Mr. Wentworth could discuss the options.”

The Scope of Work for the Measure U committee included the following:

1. Review of the Measure U ordinance, sections 3.44.90 through 3.44.210 to make recommendations of the definitions, etc: and any criteria called out in that ordinance.
2. Make recommendations on how Measure R and U could work as complementary sources.
3. Recommend options on the makeup of the committee that would eventually recommend Measure U funding allocation to Council and/or compile the options for blended funding.

**Question:** Community Development - explain decrease in Current Planning Personnel Services

**Answer:** *The Personnel Services cost shown in Current Planning is significantly less than last year's amount because some personnel costs are budgeted in other areas (associated with the proposed work program). The most significant amount is \$193,245 in personnel costs budgeted in "Strategic and Advanced Planning, Other Services" due to the new SGC Sustainable Communities grant. There is also \$87,978 in personnel costs budgeted to three ongoing grants in "Current Planning, Other Services."*

**Question:** Community Development - Why is the CD Director shown on both pages 67 and 72 of the May 25<sup>th</sup> agenda bill?

**Answer:** *Positions are shown by FTE allocations to each fund and are associated with work program activities. This represents the time budgeted for the CD Director as 90% to Community Development and 10% to Workforce Housing.*

**Question:** Airport and Transportation – explain the need for the sprung structure, and explain rationale for including only a third of the funding.

**Answer:** *The sprung structure is needed to support the current level of four flights a day during the winter season. The terminal holding room is designed for one flight at a time and when flights overlap, as they did many times this year, overcrowding results. Next year we anticipate the possibility of up to six flights daily, which will compound the problems. With the sprung structure, the first flight's passengers will be processed in the holding room while the passengers on the second flight will wait in the sprung structure for processing. Additionally, passengers waiting for baggage will be able to wait inside the sprung structure. Budget constraints for FY 11/12 make a cost sharing agreement with our air service partners MMSA and MLT a necessity.*

**Question:** Airport and Transportation – explain why the Ski Area is not listed as a partner to share funding on the air subsidy?

**Answer:** *Mammoth Mountain Ski Area (MMSA) holds the Summer 2011 contract with Alaska Airlines, so they are a partner. The Town has committed to pay one third of the subsidy. The County has made no commitment to date. Last year, the*

*Town had a contract with MMSA negotiated by the Town Manager. To date, no contract with MMSA is in place.*

**Question:** Airport and Transportation – clarify if the requested reclassification will follow the necessary personnel process.

***Answer:** The budget only requests funding for the anticipated reclassification. The Airport Director will work with the Personnel Manager to ensure that the required personnel process is followed to review and approve the reclassification.*

**Question:** Assessment Districts, page 114 of the May 25th agenda bill: Explain where funding for the higher expenditures than revenues occurs, and how it will be covered

***Answer:** The only assessment district where the requested spending exceeds the requested revenue is the North Village Assessment District, where sufficient fund balance exists to cover the difference. (Please refer to the “Fund Summaries” table in the May 25<sup>th</sup> agenda report.) Staff will clarify this in the Public Works / Assessment Districts section of the budget in the “Fiscal Year 2011-12 Proposed Budget document” that will be in the June 15<sup>th</sup> agenda packet, and which will reflect adjustments to the budget made since the May 18<sup>th</sup> budget meeting.*

**Question:** Provide a breakdown of items funded under “capital outlay” in departmental budgets.

*Answer Please see the table attached to this document.*



CAPITAL OUTLAY DETAILS  
FY 2011/12 BASELINE BUDGET

**ADMINISTRATION**

**FINANCE**

Computer Hardware 2,000 Set aside for possible technology failures  
Computer Software 5,000 Business License software agreement

**PERSONNEL**

Computer Hardware 800 Intended purchase of a laptop computer

**POLICE DEPARTMENT**

OFFICE EQUIP & FURNITURE 2,000 Set aside for possible replacement of desks and chairs  
MACHINERY & EQUIPMENT 5,000 Portable Generator  
COMPUTER EQUIP: HARDWARE 7,500 Set aside for possible technology failures  
COMPUTER SOFTWARE 1,500 Set aside for possible technology replacement  
BUILDING IMPROVEMENT 75,000 Police Station Upgrade

**PARKS & RECREATION**

NONE

**Community Development**

Current Planning 019-419

Computer Hardware 100 To maintain existing equipment  
Computer Software 200 To maintain existing software

Building 019-428

Computer Hardware 100 To maintain existing equipment  
Computer Software 200 To maintain existing software

Strategic & Advanced Planning

Computer Hardware 100 To maintain existing equipment  
Computer Software 200 To maintain existing software

Workforce Housing 465-419

Computer Hardware 100 To maintain existing equipment  
Computer Software 200 To maintain existing software

**Public Works**

Parks Maintenance 020-452

Machinery & Equipment 5,000 New push blower for tennis courts, update of small motorized

Whitmore Pool 020-453

Machinery & Equipment 5,000 Pool pumps and parts and small equipment

Engineering 205-420

Computer Hardware 3,000 Need for two updated computers with monitors, etc. to run GIS  
Computer Software 12,000 Muni, Bill Quick, ESRI licenses and service agreements

CAPITAL OUTLAY DETAILS  
FY 2011/12 BASELINE BUDGET

Street Maintenance 210-422

Machinery & Equipment	1,000 Tools
Street Sign Replacement	5,000 Posts, materials for signs
Road Rehab, Curbs/Gutter	875,000 Paving budget
Sherwin Culvert Project Expenditures	125,000 Sherwin Culvert Project

Snow Removal 210-424

Machinery & Equipment	1,000 Tools
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Summer Equipment Garage 210-426

Machinery & Equipment	3,000 Specialty tools for pavers, rollers
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Winter Equipment Garage 210-427

Machinery & Equipment	6,500 Specialty tools for snow blower repairs
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Facilities Maintenance 910-459

Machinery & Equipment	500 Tools, shop equipment
Computer Hardware	1,500 To maintain existing equipment

Vehicle/Equipment Replacement 910-429

Machinery & Equipment	274,524 Replace TL02, TLS1, PD12, PD15, PD17, PD21
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North Village CFD 854-430 (Assessment District)

Capital Improvements	450,000 Final components for Ski-back Bridge and Berner St
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**AIRPORT**

Computer Hardware	2,000 Computer
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**TRANSPORTATION**

None