

Agenda Item # 2

File No 100-50  
(920-10)

## Mammoth Lakes Town Council Agenda Action Sheet

**Council Meeting Date:** November 19, 2014    **Date Prepared:** November 13, 2014

**Prepared by:** Daniel C. Holler, Town Manager

**Title:** Mammoth Lakes Recreation Informational Report to Town Council.

**Agenda:** Presentations

**Recommended Motion:** This is an informational item and no action is required.

**Background Information:** As part of the approval of the contract with Mammoth Lakes Recreation (MLR), Council requested regular updates (at least quarterly). This presentation provides the initial report to Council on the status of MLR. The attached information provides a brief overview of the organizational status as a recognized non-profit, operational logistics, the board of directors and an overview of contractual deliverables. Representatives from MLR will provide a brief status update.

**Funds Available:** N/A

**Account #:**

**Reviewed by:**

✓ Town Manager

## Mammoth Lakes Recreation – Report to Town Council - November 19, 2014

Mammoth Lakes Recreation (MLR) would like to bring Town Council and the community up to date on its activities for the past few months. Below are major milestones completed since the June 2, 2014 formation of MLR.

**1) Tax Exempt Status** – Exempt status under 501(c)(3) received from Internal Revenue Service. Exempt status for California (Franchise Tax Board) also received.

To ensure continuation of the exempt status, the MLR Board has developed and adopted the following organization documents:

- Conflict of Interest Policy
- Legal Requirements Handbook
- Governance Handbook
- Accounting Procedures

**2) Filing Deadlines** – All required federal and state reporting for the Fiscal Year ending June 30, 2014 has been completed.

Required California Secretary of State and Department of Justice/Charitable Trusts Division documents have also been submitted within the proper timeframes.

**3) Logistics** – MLR has obtained Insurance coverage as required by the Town Contract that was executed October 20, 2014. Further, a lease for space in the Mammoth Lakes Tourism (MLT) offices has been approved and executed with the Town and a Service Agreement with MLT for use of furniture, equipment, common areas, etc. has also been executed.

MLR has engaged Porter and O'Dell for accounting services and developed a Project Accounting Code System that will ensure open and transparent reporting of expenditures and activities.

**4) Board of Directors** – The following members were elected to MLR's Board of Directors on October 27, 2014 at MLR's first Annual meeting:

Rich Boccia  
Tom Johnson  
David Page  
Drea Perry  
Teri Stehlik  
Danna Stroud  
Rick Wood

At the same meeting, the Board affirmed the following appointments to the MLR Board:

Jo Bacon, Town Council Appointee

Michael Ledesma, Mammoth Lakes Tourism Appointee

Elected Officers are:

Danna Stroud, President

Tom Johnson, Secretary

Jo Bacon, Treasurer

All Board Members have been provided the required Fair Political Practices Commission Form 700 – Statement of Economic Interests which will be completed by December 1, 2014.

**5) Contract Deliverables** – Committees, Ad Hoc Committees, and Officer/Staff assignments have been established to address each deliverable within the Town Contract, specifically in Exhibits B and C of that contract. The Committees formed include:

- Development/Fundraising
- Allocations
- Reconciliation
- Strategy
- Mammoth Lakes Trail System
- Communications
- Performing Arts Center Ad Hoc

These groups are currently working on outlines of the steps necessary to meet the deadlines within the contract exhibits.

**6) Staffing** – Recruitment for an Executive Director is underway. A Personnel Manual, including an Automobile Use Policy, has been drafted and will be approved before the first employee begins work. The ED position is being posted on nationwide industry job recruitment sites.

All formation requirements listed in the Town/MLR contract have been completed ahead of the December 31, 2014 deadline.

## Mammoth Lakes Town Council Agenda Action Sheet

**Council Meeting Date:** November 19, 2014    **Date Prepared:** November 13, 2014

**Prepared by:** Daniel C. Holler, Town Manager

**Title:** Report and recommendations to Town Council from reconciliation work on Measures R and U.

**Agenda:** Policy

**Recommended Motion:** It is recommended that Council approve as presented or as amended by Council the six reporting/reconciling policy items and the seven best practice items for accounting be implemented as soon as practical or with the new financial system implementation.

**Background Information:** Over the past several months, Council Member Bacon and Recreation Commissioner Teri Stehlik have been working through a detailed reconciliation of Measures R and U Funds. The work was undertaken to assist the transition of Measure R and U funding recommendations and related work to Mammoth Lakes Recreation. They have worked with Town Staff as an informal Ad Hoc Committee and provided reports back to the respective boards. The work has included a detailed review of projects and expenses for Measure R, Mammoth Lakes Trails System (MLTS), and Measure U allocations from inception funding awards. Unexpended/uncommitted funds were returned to fund balance.

The reconciliation work included the review of current processes and identified a number of potential best practices and policies to assist in the future review of projects, allocations and use of Measure R and U funds. This report outlines the various best practices and policy direction identified through the reconciliation process. Use of a set of Council guidelines and policies will assist in the annual reconciliation of projects. The proposed policy directions and best practices for accounting procedures going forward are provided for Council consideration.

**Funds Available:** N/A

**Account #:**

**Reviewed by:**



Town Manager

# Town Council Staff Report

**To:** Town Council  
**From:** Daniel C. Holler, Town Manager  
**Subject:** Draft Council Policies for Measures R and U

## **Background**

Over the past several months, Council Member Bacon and Recreation Commissioner Teri Stehlik have been working through a detailed reconciliation of Measures R and U Funds. The work was undertaken to assist the transition of Measure R and U funding recommendations and related work to Mammoth Lakes Recreation. They have worked with Town Staff as an informal Ad Hoc Committee and provided reports back to the respective boards. The work has included a detailed review of projects and expenses for Measure R, Mammoth Lakes Trails System (MLTS), and Measure U allocations from inception funding awards. Unexpended/uncommitted funds were returned to fund balance. The reconciliation work and reports have been presented to Council.

The reconciliation work included the review of current processes and identified a number of potential best practices and policies to assist in the future review of projects, allocations and use of Measure R and U funds. This report outlines the various best practices and policy direction identified through the reconciliation process. Use of a set of Council guidelines and policies will assist in the annual reconciliation of projects. The proposed policy directions are provided for Council consideration.

## **Policy Direction**

Best Practices rely on proper accounting policies/procedures being in place and use in the management of funds. In the past the Measure R and U funds have been managed through the Town's financial system (official accounting records), a number of staff worksheets and the use of Quick Books to assist in the detailed review of expenses. The structure presented here is being done in concert with the planned financial system upgrade which will eliminate the reliance on the variety of systems currently used. The implementation of policies that tie more directly with the Town's ongoing financial structure and timing will also reduce the amount of work needed to reconcile funds that have not been tied to the Town's fiscal management structure. These changes along with the oversight provided through Mammoth Lakes Recreation will provide better and timely information for the ongoing reporting and annual "reconciliation" process.

## **Best Practices - Reporting/Reconciling Policies**

1. An Annual Reconciliation of all Measure R and U allocations is done at close of each fiscal year. Not only does this keep the process transparent, it ensures that fund balances are reported correctly and allocations closed out in a timely

manner. The use of the fiscal year will tie the reconciliation process to the Town's financial audit and budget.

2. Capital Improvement Project (CIP) reconciliations are completed at the end of each project. As CIP awards are related to projects that generally span multiple fiscal years and often have multiple funding sources, it is more efficient to do one reconciliation at the end rather than incomplete annual reconciliations. An annual update should be provided on expenditures and status of projects each fiscal year. Regular updates will assist in tracking expenses over fiscal years and reduce the amount of time spent in the reconciliation process.
3. At the conclusion of each project, event or item funded by Measure R or U the project is to be closed and any unused funds are to be considered part of the Fund Balance. Those funds are then available for future allocations. Funds may not simply be carried forward or used across fiscal years without being awarded for that purpose.
4. Funded projects or items that incur costs exceeding the Measure R or U award will need to make a request for additional funding or be funded from other sources. If Measure R or U is the sole source of funding, an expedited request will be made following the established processes as soon as the overrun is identified. This is intended to keep awards from being over expended. It is not intended to fund additional costs without adequate review and approval.
5. Confirm that MLR, through the Town Contract, will review/analyze Performance Reports from awardees on an annual basis and report findings to Council. Further, the Performance Reports would be incorporated into subsequent funding requests from any applicant who has previously received Measure R or U funding.
6. Confirm that MLR, through the Town Contract, will research what is needed for programmatic audits of allocations in comparison to the applications submitted. This is requested to ensure ongoing transparency in the use of Measure R and U funds.

#### Best Practices - Accounting Procedures

1. It is essential that Town staff time charged to projects be included in Town applications and then thoroughly tracked as part of that full project cost. One requirement of the new Finance system is the ability to do project accounting. The allocation of staff to a project is carried forward through the payroll system to charge time to the proper project accounts.
2. Should any project not use the full amount of their allocation, the balance is returned to the fund balance for future allocations. A previous award cycle

involved re-allocation of funds, which complicated the reconciliation of awards and funds spent/unspent.

3. Each Fund (R and U) will maintain a separate unallocated reserve, and may also have earmarked reserves accumulated over multiple years for designated purposes. The Measure R Fund also includes the ongoing allocation of funding for the Mammoth Lakes Trails System, including unspent past allocations. Proper accounting of such reserves will be reviewed as part of the annual reconciliation process.
4. Should any funded applicant want to make a change in use of funds, this requires a recommendation from MLR for Council approval. This will keep the programmatic audit of the projects transparent. A recent example was the concrete paint changed to concrete sealant on the slab at the rink, which was brought to Council as part of the reconciliation process. However, as the final authority on the use of Measure R and U Funds, Council may excise that authority as deemed appropriate by the Council.
5. Allocations will be based on a fiscal year and any funds going forward into a new fiscal year will be clearly identified. A requirement of the new finance system and a change in management practices includes the use of "encumbrances" to clearly define and reserve funds committed in one fiscal year and carried over to the next fiscal year. In past cycles where the allocations did not match to the Town's fiscal year, some funds were charged back or carried over, which complicated the reconciliation. Funding allocations that are known to extend over fiscal years are to be noted in the application for funding.
6. Allocations for events or programs that are seasonal but extend across two fiscal years will be funded on a fiscal year basis and reconciled based on the "season." For example summer programs would receive allocations in the initial fiscal year for expenses in May/June and the next fiscal year would include the July/October expenses. The funds would be tracked by fiscal year and a reconciliation completed at the end of the season would provide both a timely financial review and program review.
7. Major projects will include costs for project management and a contingency amount to ensure that adequate funds have been allocated. The use of a contingency amount on capital projects was implemented this year for other Town projects. Also, the upgraded financial system will provide more timely information to limit the potential for cost overruns through the project accounting process. As large projects, especially capital projects are developed, funded and bid, changes in funding based on actual bids need to be addressed at the beginning of the project.

### Open Items from Reconciliation Process

Working through the reconciliation process and the development of policies and best practices also identified areas of ongoing review and work. Additional information and recommendations will be brought to Council for consideration in the following areas.

- Several MLTS Projects from the annual \$300,000 allocations have not been started. Per the Town Contract, MLR will determine the status of these projects and whether or not the funds should be a designated or undesignated reserve within the MLTS reserve.
- A number of capital projects will need to be reconciled as noted in previous work as the projects are completed and final financial reviews done.
- Business Plans/Operating Agreements will need to be developed for projects that have outside funding commitments and to enhance operations and reduce reliance on Measure R or U funds.

### **RECOMMENDATION**

It is recommended that Council approve as presented or as amended by Council the six policy items and that the seven best practice items for accounting be implemented as soon as practical or with the new financial system implementation.