

**December 04, 2018**

**Regular Meeting**

**Item # 7b**

**Finance / CAO**

**Rating Agency Presentation**

**/ Assessment Tool**

### Criteria | Governments | U.S. Public Finance:

## Financial Management Assessment

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## Criteria | Governments | U.S. Public Finance:

# Financial Management Assessment

The rigor of a government's financial management practices is an important factor in Standard & Poor's Ratings Services analysis of that government's creditworthiness. Managerial decisions, policies, and practices apply directly to the government's financial position and operations, debt burden, and other key credit factors. A government's ability to implement timely and sound financial and operational decisions in response to economic and fiscal demands is a primary determinant of near-term changes in credit quality. Standard & Poor's will now offer a more transparent assessment of a government's financial practices as an integral part of our general obligation and appropriation credit rating process.

### Assessing Financial Practices

Major elements of governmental financial management include economic analysis, revenue forecasting, risk management, accounting practices, financial strategies, cash and liquidity administration, and debt management. All of these elements have an impact on a government's bottom line, and, as a result, on its credit quality. If a government is unable or unwilling to employ its authority in a timely manner to address events that impact its budget and financial condition, its credit rating can be adversely affected.

Many finance directors and other local government officials take pride in the managerial policies, practices, and structures they have established to ensure efficiency and quality of service, and to promote innovation and security. While credit ratings incorporate financial management as one of many factors, the impact of financial management on the rating may not be readily apparent because other factors may counterbalance, or even outweigh it. Examples of such factors include local economic conditions, debt levels, and statutory limitations. By focusing special attention on the assessment of financial practices, Standard & Poor's will more fully recognize governments' efforts in this important area. In fact, the vast majority of downgrades in recent years can be attributed to financial practices, or lack thereof. (For further information on this trend, see the report, "GO Credit Ratings Are At A Crossroad As Downgrades Increase," RatingsDirect, June 12, 2006).

### Analytical Framework

Standard & Poor's has established an analytical methodology that evaluates established and ongoing management practices and policies in the seven areas most likely to affect credit quality. These areas are:

- Revenue and expenditure assumptions
- Budget amendments and updates
- Long term financial planning
- Long term capital planning
- Investment management policies
- Debt management policies
- Reserve and liquidity policies

The evaluation of each area focuses on best practices and policies that are credit-important in most governments rather than policies that address issues that are fairly unusual or unique to the government. The nature of the

policies and practices considered are those that governments may use in some manner regardless of the size or type of government. Issuers that rank well in the evaluation should be those whose policies help reduce the likelihood of credit deterioration, or enable them to benefit more from changing conditions, whether they are economic, budgetary, statutory, or personnel related.

Users of the FMA, however, should also realize its limitations. By focusing on a government's policies and practices, the FMA is not an evaluation of the competency or aptitude of individual finance professionals; nor is it an evaluation of a finance department's ability to handle unique challenges. Moreover, the nature of the entity's governing body, the effectiveness of its governance practices, and issues of public policy pursued by the government are beyond the scope of this analysis.

Although Standard & Poor's considers in its analysis any material information that provides relevant context or influences financial management, it is important to note that this assessment of financial practices is based primarily on the existence and implementation of management practices, and not necessarily the results achieved by such practices. Results—both positive and negative—are assumed to manifest themselves in other visible ways. The purpose of the focus on policies and practices is to evaluate the potential for credit quality to move away from those currently indicated by results.

The following tables detail each of the seven financial practice areas examined by Standard & Poor's.

**Table 1**

Revenue And Expenditure Assumptions	
<b>Are the organization's financial assumptions and projections realistic and well grounded from both long-term and recent trend perspectives?</b>	
<b>Strong</b>	Formal historic trend analysis is performed and updated annually for both revenue and spending; regular effort is made to determine whether revenues or expenditures will deviate from their long-term trends over the next couple of years; evidence of independent revenue forecasting exists (when possible).
<b>Standard</b>	Optimistic assumptions exist that, while supportable, add risk; assumptions are based on recent performance, but little evidence of questioning or validating assumptions exists.
<b>Vulnerable</b>	Assumptions neglect likely shortfalls, expenditure pressures or other pending issues; assumptions exist which enjoy no prudent validation.

**Table 2**

Budget Amendments And Updates	
<b>Are there procedures for reviewing and amending the budget based on updated information and actual performance to ensure fiscal targets are met?</b>	
<b>Strong</b>	At least quarterly budget surveillance is maintained to identify problem areas and enable timely budget adjustments; management exhibits ability and willingness to address necessary intra-year revenue and expenditure changes to meet fiscal targets.
<b>Standard</b>	Semiannual budget reviews exist; management identifies variances between budget and actual performance.
<b>Vulnerable</b>	No formal process exists for regular review and timely updating of budget during the year.

Table 3

<b>Long-Term Financial Planning</b>	
<b>Does management have a long-term financial plan that allows them to identify future revenues and expenditures as well as address upcoming issues that might affect these?</b>	
<b>Strong</b>	A multi-year financial plan exists where future issues are identified and possible solutions are identified, if not implemented; revenue and expenditure decisions are made primarily from a long-term perspective. Structural balance is a clear goal.
<b>Standard</b>	Multi-year projections are done informally; multi-year projections are done, but without discussion of pending issues, so that issues are not addressed; some one-shot actions exist, but the long-term consequences of these actions are acknowledged and communicated.
<b>Vulnerable</b>	No long-term financial planning exists; operational planning is done on a year-to-year (or budget-to-budget) basis; one-shot budget fixes are used with little attention to long-term consequences.

Table 4

<b>Long-Term Capital Planning</b>	
<b>Has the organization created a long-term capital improvement program?</b>	
<b>Strong</b>	A five-year rolling CIP with funding identified for all years exists and is linked to the operating budget and long-term revenue and financing strategies.
<b>Standard</b>	A five-year CIP is done, but is generally limited to projects to be funded from the current budget plus a four-year wish list; some funding for out-year projects is identified, but not all.
<b>Vulnerable</b>	No five-year CIP exists; capital planning is done as needs arise.

Table 5

<b>Investment Management Policies</b>	
<b>Has the organization established policies pertaining to investments, such as the selection of financial institutions for services and transactions; risk assessment; investment objectives; investment maturities and volatility; portfolio diversification; safekeeping and custody; and investment performance reporting, benchmarking, and disclosure?</b>	
<b>Strong</b>	Investment policies exist and are well defined; strong reporting and monitoring mechanisms exist and are functioning.
<b>Standard</b>	Informal or non-published policies exist; policies are widely communicated and followed.
<b>Vulnerable</b>	Absence of informal or non-published policies

Table 6

<b>Debt Management Policies</b>	
<b>Has the organization established policies pertaining to the issuance of debt, such as projects that may or may not be funded with debt (including economic development projects); maturity and debt service structure; use of security and pledges, credit enhancement, and derivatives; and debt refunding guidelines?</b>	
<b>Strong</b>	Debt policies exist and are well defined; strong reporting and monitoring mechanisms exist and are functioning. If swaps are allowed, a formal swap management plan that follows S&P's guidelines (see the DDP) has been adopted.
<b>Standard</b>	Basic policies exist; policies are widely communicated and followed. If swaps are allowed there is a swap management plan in place, but it does not follow S&P's guidelines.
<b>Vulnerable</b>	Absence of basic policies or clear evidence that basic policies are followed. Swaps are allowed but there is no swap management plan in place, and/or there is no local (non-FA) knowledge about the swap.

Table 7

Reserve And Liquidity Policies	
<b>Has the organization established a formalized operating reserve policy, which takes into account the government's cash flow/operating requirements and the historic volatility of revenues and expenditures through economic cycles?</b>	
<b>Strong</b>	A formal operating reserve policy is well defined. Reserve levels are clearly linked to the government's cash flow needs and the historic volatility of revenues and expenditures throughout economic cycles. Management has historically adhered to it.
<b>Standard</b>	A less defined policy exists, which has no actual basis but has been historically adhered to it.
<b>Vulnerable</b>	Absence of basic policies or, if they exist, are not followed.

## Assessment Methodology

Standard & Poor's evaluates and assigns each of the seven areas a qualitative ranking, based on the above framework. In determining the overall assessment, the revenue and expenditure assumptions, budget amendments and updates are given a relatively higher importance; long-term financial planning and liquidity policies are given an average importance; and capital planning, debt policies, and investment policies receive relatively less weight. The difference in degrees of importance is limited, however, so that each factor's contribution to the assessment is meaningful.

Overall assessments are communicated using the following terminology: The term "good", in addition to the terms "strong", "standard", and "vulnerable", is used to further differentiate governments with a mix of strong and standard practices.

### "Strong"

A Financial Management Assessment of 'strong' indicates that practices are strong, well embedded, and likely sustainable. The government maintains most best practices deemed critical to supporting credit quality and these are well embedded in the government's daily operations and practices. Formal policies support many of these activities, adding to the likelihood that these practices will be continued into the future and transcend changes in the operating environment or personnel.

### "Good"

A Financial Management Assessment of 'good' indicates that practices are deemed currently good, but not comprehensive. The government maintains many best practices deemed as critical to supporting credit quality, particularly within the finance department. These practices, however, may not be institutionalized or formalized in policy, may lack detail or long-term elements, or may have little recognition by decision makers outside of the finance department.

### "Standard"

A Financial Management Assessment of 'standard' indicates that the finance department maintains adequate policies in most, but not all key areas. These policies often lack formal detail and institutionalization, and may not include best practices.

### "Vulnerable"

A Financial Management Assessment of 'vulnerable' indicates that the government lacks policies in many of the areas deemed most critical to supporting credit quality. The 'vulnerable' designation suggests a high degree of uncertainty regarding a government's ability to effectively adapt to changing conditions that could threaten its

long-term financial position.

## **Analytical Process And Supporting Documentation**

To perform its analysis of local government financial practices, Standard & Poor's will rely on documentation provided by the government and discussions with the organization's management. Relevant documents include, but are not limited to, audited financial statements and accompanying notes, budget documents, financial plans, management policy statements, procedure manuals, and periodic reports. Discussions provide an important opportunity for management to elaborate on the factors listed above, as well as answer specific questions, so as to enable Standard & Poor's analysts to assess the factors as thoroughly as possible.

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# Mono County

Certificates of Participation Series 2018 A (Mono County Civic Center)

November 8, 2018

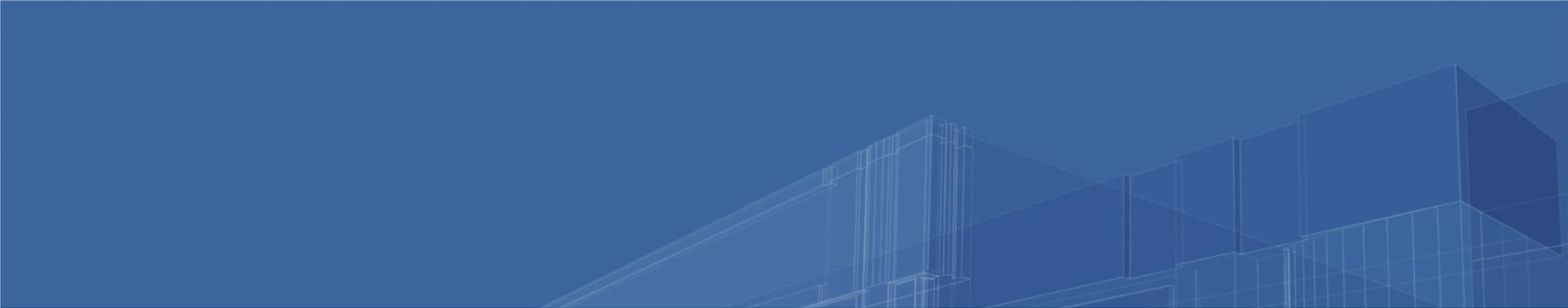


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# Introduction

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# Presentation Team Profiles

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- **Leslie Chapman, County Administrative Officer**

- Appointed CAO in November 2015.
- Served as Mono County Finance Director from May 2013 to November 2015.
- 10 years with Inyo County as Auditor-Controller.
- 6 years as a partner in a local CPA firm specializing in income tax preparation.
- B.S. in Business/Accounting from University of the Pacific and Masters of Accounting Taxation from CSU Sacramento

- **Janet Dutcher, Director of Finance**

- Appointed Finance Director in May 2016.
- 4 years with Alpine County as the Senior Financial Officer and later as the Assistant CAO to Budget and Finance.
- More than 10 years as an audit manger with a top-100 CPA firms where she specialized in California counties', cities' and special districts' audits.
- Certified Public Accountant for 30 years.
- B.S. in Accounting from CSU Sacramento and currently pursuing a Masters in Public Administration from CSU Northridge.

# Presentation Objectives

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- Provide overview of:
  - 2018 Series A Certificates of Participation Plan of Finance.
  - Strong financial management practices.
  - General Fund budget, reserves and liquidity.
  - Key credit fundamentals, including: strong tourism and economic base, conservative fiscal policies and practices, negligible debt burden, and commitment to pre-funding OPEB obligation.
- Secure “AA-” rating or higher for the 2018 Series A Certificates of Participation.



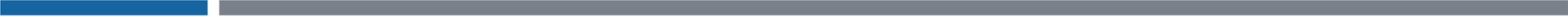
# Mono County Overview

- Incorporated in 1861, Mono County is the eastern gateway to Yosemite National Park and is adjacent to the state of Nevada.
  - 3,103 square miles
  - 14,202 total population<sup>1</sup>
  - County seat: Community of Bridgeport
- Approximately 94% of the County is public land administered by the U.S. Forest Service, the Bureau of Land Management, the State of California and LA Department of Water and Power.
  - The County is a year-round destination for tourists who are outdoor enthusiasts.
  - During periods of heavy recreational usage, the Town of Mammoth Lakes population approaches 35,000<sup>2</sup>.
- Visitors to the County can either travel on U.S. Highway 395, cross the Sierra at the Sonora or Tioga Passes, or take a direct flight from Los Angeles International Airport to Mammoth Yosemite Airport (MMH).



<sup>1</sup>2010 census estimate.

<sup>2</sup>Source: County of Mono Comprehensive Annual Financial Report FY 2016-17.



2018 Series A  
Certificates of Participation

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# Transaction Overview

\$20,170,000 <sup>1</sup> Mono County Certificates of Participation Series 2018 A	
Purpose:	Provide funds to finance certain costs of the construction of the Mono County Civic Center Project
Security:	Base Rental Payments for the use of the Civic Center
Interest Rate Mode:	Fixed-rate, level debt service payments by fiscal year
Lease Facility:	Mono County Civic Center
Insurance:	Casualty insurance and earthquake and flood insurance
Capitalized Interest:	Interest capitalized through February 1, 2020
Debt Service Reserve Fund:	Surety Policy <sup>2</sup>
Final Maturity:	August 1, 2048 (30-year term)
Optional Call Provision:	10-year par call (August 1, 2028)
Estimated Sale Date:	Week of December 3rd
Estimated Closing Date:	Week of December 17th (two week close)

<sup>1</sup>Preliminary, subject to final pricing results.

<sup>2</sup>Subject to final rating results.

# Background and Overview of County Civic Center

- In 2016, the County began analyzing long-term options for housing essential County services in Mammoth Lakes.
- After two years of public meetings and options analysis, on June 5, 2018, the Board directed staff to proceed with the construction of the Civic Center office building.
- The resulting design-build contract with Roebbelen Contracting was entered on August 7, 2018, with a not to exceed project budget of \$20.5 million. Construction is anticipated to begin in April 2019.
  - The Project will include the construction of a 33,000 square foot County Administrative Building and parking for 110 vehicles.
  - Once completed, the Civic Center will provide access to the majority of County Departments in a single consolidated space.
  - The County anticipates realizing operational savings of \$0.64 per square foot per month or \$253,000 per year.
  - The not to exceed project cost was deliberately arrived at so that estimated debt service payments would be roughly equal to the County's current payments at leased facilities.



# Plan of Finance

- The total cost of the Project is \$20.5 million.
- Interest will be capitalized through completion of construction of the project, which is anticipated to be February of 2020.
- County will maintain casualty insurance to protect against fire, lightning, and all other risks, including earthquake and flood risks.
- The County anticipates receiving reimbursement for approximately 45% of the debt service from State and federal agencies under the Cost Plan for Public Health, Social Services and Behavioral Health departments.

Sources and Uses <sup>1</sup>	
<b>Sources:</b>	
Bond Par Amount:	\$20,170,000
Bond Premium:	1,982,299
<b>Total Sources:</b>	<b>\$22,152,299</b>
<b>Uses:</b>	
Construction Fund:	\$20,500,000
Bond Insurance:	173,981
Surety Reserve:	51,935
Capitalized Interest:	1,080,822
Cost of Issuance:	240,000
Underwriter's Discount:	104,235
Bond Rounding:	1,326
<b>Total Uses:</b>	<b>\$22,152,299</b>

<sup>1</sup>Sources and Uses figures are estimates and subject to change with final pricing results.

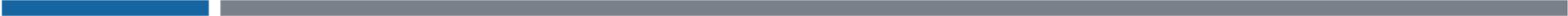
<sup>2</sup>Preliminary, subject to final pricing results.

# Anticipated 2018 Series A COPs Structure<sup>1</sup>

Mono County Certificates of Participation Series 2018 A					
Fiscal Year End	Principal	Interest	Total Gross Debt Service	Capitalized Interest	Total Net Debt Service
2020	\$0	\$1,080,822	\$1,080,822	\$1,080,822	\$0
2021	335,000	962,875	1,297,875		1,297,875
2022	345,000	950,950	1,295,950		1,295,950
2023	360,000	936,850	1,296,850		1,296,850
2024	375,000	920,275	1,295,275		1,295,275
2025	395,000	901,025	1,296,025		1,296,025
2026	415,000	880,775	1,295,775		1,295,775
2027	435,000	859,525	1,294,525		1,294,525
2028	460,000	837,150	1,297,150		1,297,150
2029	480,000	813,650	1,293,650		1,293,650
2030	505,000	789,025	1,294,025		1,294,025
2031	535,000	763,025	1,298,025		1,298,025
2032	560,000	735,650	1,295,650		1,295,650
2033	590,000	706,900	1,296,900		1,296,900
2034	620,000	676,650	1,296,650		1,296,650
2035	650,000	644,900	1,294,900		1,294,900
2036	685,000	611,525	1,296,525		1,296,525
2037	715,000	580,994	1,295,994		1,295,994
2038	740,000	553,713	1,293,713		1,293,713
2039	770,000	524,919	1,294,919		1,294,919
2040	805,000	489,875	1,294,875		1,294,875
2041	845,000	448,625	1,293,625		1,293,625
2042	890,000	405,250	1,295,250		1,295,250
2043	935,000	359,625	1,294,625		1,294,625
2044	985,000	311,625	1,296,625		1,296,625
2045	1,035,000	261,125	1,296,125		1,296,125
2046	1,090,000	208,000	1,298,000		1,298,000
2047	1,145,000	152,125	1,297,125		1,297,125
2048	1,205,000	93,375	1,298,375		1,298,375
2049	1,265,000	31,625	1,296,625		1,296,625
	\$20,170,000	\$18,492,447	\$38,662,447	\$1,080,822	\$37,581,625

<sup>1</sup>Preliminary, subject to final pricing results.





# Financial Management and Budget

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# Strategic Planning Process

- In 2013, Mono County embarked on its first strategic planning effort and invited all employees to participate in the process. Two years later, the Board of Supervisors endorsed the Mono County Strategic Plan Framework that included Mono County's Mission, Vision, and Values.



- The Strategic Planning Process focuses the County-wide organization on long-term issues, establishes clear purpose for all staff, and produces a system of results oriented measurement that reinforces how best to use resources for maximum return.
- The Strategic Plan is a living document built with the employees, public and Board which creates a direction to guide decisions and focus resources on the most important needs. Key components include:
  - **Vision:** Where is the County going and what will it be when it gets there?
  - **Mission:** What is the County's purpose?
  - **Goals:** What is the County going to achieve and how?
  - **Values:** What motivates County services?
  - **Results:** How will the County measure success?

# 2018 Mono County Strategic Priorities

<b>1</b> <b>Improve Public Safety &amp; Health</b>	<b>2</b> <b>Enhance Quality of Life for County Residents</b>	<b>3</b> <b>Promote a Fiscally Healthy County and Regional Economy</b>	<b>4</b> <b>Improve County Operations</b>	<b>5</b> <b>Support the County Workforce</b>
<b>1A</b> Improve emergency operations and response	<b>2A</b> Address the housing crisis through policy, assistance, and development programs	<b>3A</b> Invest in sustaining and maintaining public lands and outdoor recreation	<b>4A</b> Implement a long-term solution for South County offices	<b>5A</b> Address compensation and benefits for employee retention and recruitment
<b>1B</b> Find ways to keep people from going back to jail by reducing future offenses	<b>2B</b> Monitor and improve public, behavioral health, and social services programs	<b>3B</b> Monitor and expand successful economic development initiatives and diversify our economic base	<b>4B</b> Improve operational efficiency and increase customer service and transparency	<b>5B</b> Create a culture of safety, health & wellness, and work-life balance
<b>1C</b> Address opioid crisis and substance abuse	<b>2C</b> Support child & senior care initiatives for residents and County staff	<b>3C</b> Maintain and expand existing businesses and industries	<b>4C</b> Plan and implement effective energy savings and environmental protection & compliance initiatives	<b>5C</b> Invest in resources and training to enhance staff performance and professional development
<b>1D</b> Establish effective cannabis regulation, education, and enforcement	<b>2D</b> Sustain and protect community, landscape, and environmental character	<b>3D</b> Adopt, implement, and monitor fiscal resiliency principles	<b>4D</b> Implement a performance measurement system to track operational improvements	<b>5D</b> Develop the next generation of County leaders
<b>1E</b> Invest in road and other infrastructure projects across the County			<b>4E</b> Advocate with appropriate external officials to build support for County operations	

# Financial Management Overview

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## Budget Preparation and Reporting

- Management has historically been conservative in estimating revenues and expenses and generally outperforms budget expectations, resulting in increased carryover fund balance.
- The County monitors budget variances and revenue trends semi-annually. The County presents a mid-year budget analysis and recommended mid-year budget amendments to the Board annually. This year, the County presented its mid-year budget analysis on February 6, 2018.
- The County relies on trend analysis to prepare the following year's budget and to spot anomalies in department budgets.
- The County recently acquired the software infrastructure necessary to prepare multi-year revenue and expense forecasts and is in the process of implementing the system across all General Fund Departments.

## General Fund Reserves and Contingency

- The County Board of Supervisors approved a Budget Policy in 2011 establishing a County General Reserve funding guideline of 5%-15% of average annual General Fund Expenditures.
- In FY 2016-17, the County established an Economic Stabilization Reserve to offset revenue losses during an economic downturn and to provide contingency funding for sustaining County services during the next recession.
- A contingency appropriation of 1% of General Fund Expenditures is included in each year's budget as a means to accommodate unexpected increases in expenditures.

# Financial Management Overview cont'd

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## Capital Improvement Plan

- A 5-year planning document that is updated and presented to the Board annually.
- The County does not anticipate future debt issuances to finance future CIP projects.

## Debt Management Policy

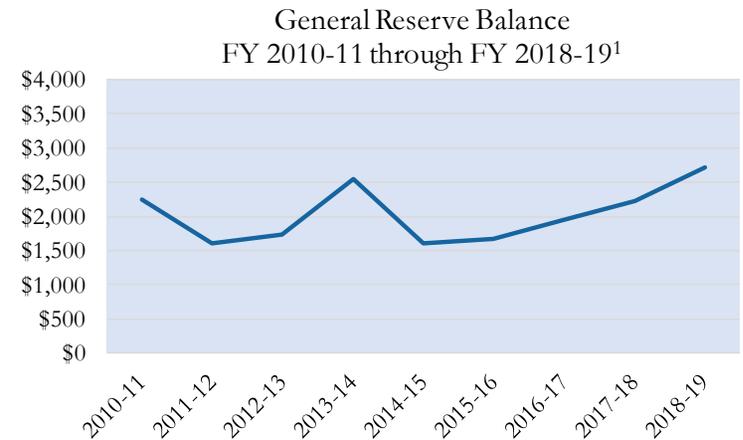
- Provides the general framework for planning and reviewing debt proposals. The County's policy limits General Fund supported debt service to less than 7% of annual General Fund discretionary revenue.
- The Debt Management Policy is reviewed and updated by the Board annually. The Board will review and update the Debt Management Policy on November 13, 2018; updates to the policy will include language to conform with SB 1029.

## Investment Policy and Treasury Oversight

- Establishes authorized investments, investment parameters, reporting requirements, and internal controls of the County's investment pool.
- Reviewed at least annually to ensure consistency with overall objectives of preservation of principal liquidity, rate of return and its relevance to current law and financial and economic trends.

# General Reserve

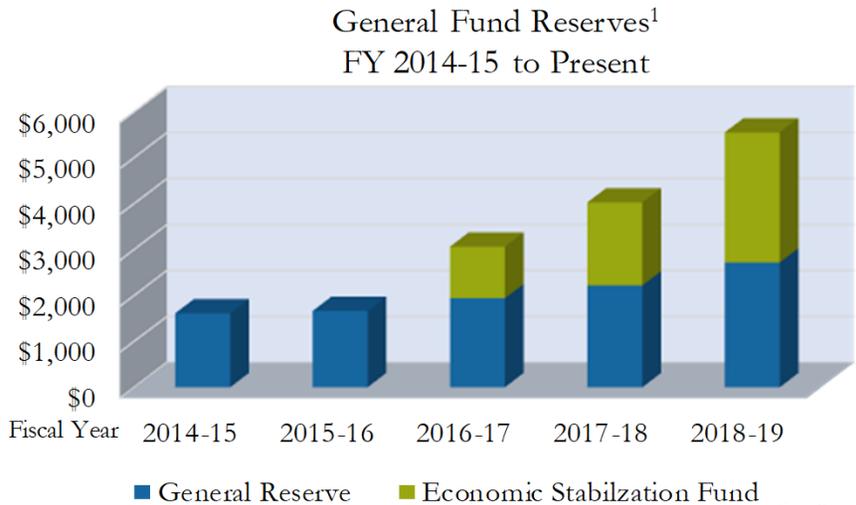
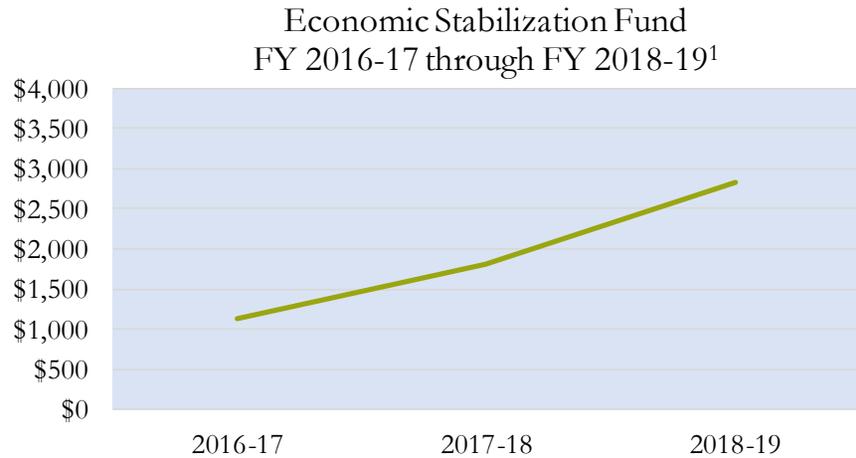
- By policy, the General Reserve is funded in an amount of 5% to 15% of average annual General Fund expenditures.
  - In FY 2018-19 the County added an additional \$500,000 to the General Reserve; increasing the balance to approximately \$2.72 million, which is 5% of General Fund Expenditures.
- The County utilized the General Reserve for landfill closure costs and to support disaster relief efforts.
  - Starting in FY 2010-11, the Board approved two interest free loans to the Solid Waste Enterprise Fund in the amount of \$1.2 million and \$750,000. Repayment is amortized over 10 years.
  - In FY 2014-15, the County withdrew approximately \$950,000 for disaster assistance related to the Round Fire.
- The County is and has been committed to replenishing its General Reserve; as a result FY 2018-19 General Reserve levels exceed those of FY 2010-11.



<sup>1</sup>Source: Mono County. Values are in thousands. FY 2018-19 balance is projected.

# Economic Stabilization Reserve

- In FY 2016-17, the County established an Economic Stabilization Reserve to offset revenue losses during an economic downturn and to provide contingency funding for sustaining County services during the next recession.
  - In FY 2018-19 the County added an additional \$1.02 million to the Economic Stabilization Fund; increasing the balance to approximately \$2.83 million.
- The aggregate balances of the County's General Reserve and Economic Stabilization Reserve total 15% of FY 2018-19 General Fund Expenditures.



<sup>1</sup>Source: Mono County. Values are in thousands. FY 2018-19 balance is projected.

# Diversity of Reserves

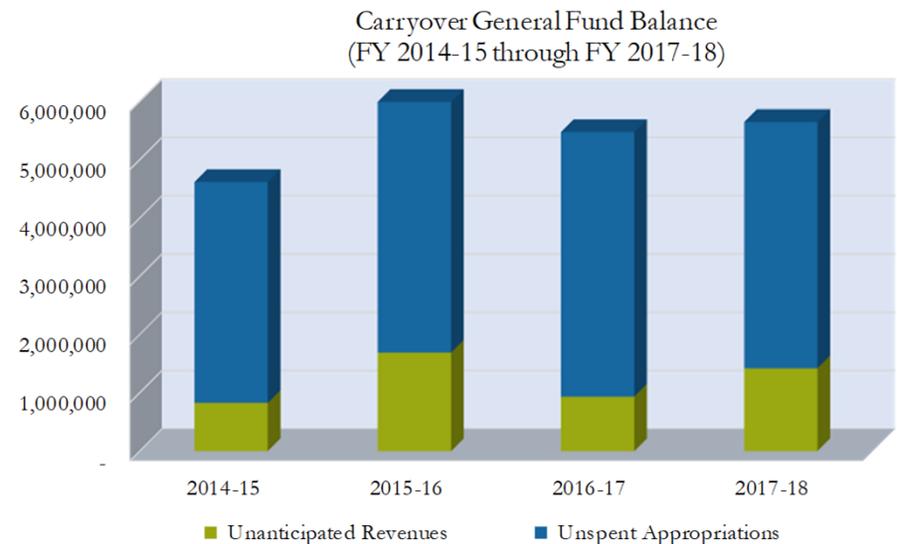
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- In addition to the General Reserve and the Economic Stabilization Reserve, the County holds various other reserves outside of the General Fund.
- The FY 2018-19 Phase II budget amendment added the following:
  - \$500,000 to the Motor Pool fund for a combined carryover of \$680,000. This reserve is intended to replace the County's heavy equipment per CARB requirements.
  - \$200,000 to establish the affordable housing reserve.
- The County has established an impound reserve to absorb volatility in property tax appeal refunds. Current balance of the reserve is \$3.5 million.

# County's Budget Process

- The formation of the County's budget occurs in two phases.
- During phase one, the County prepares a “base-line” operating budget. The Board adopts the phase one budget on or before June 30.
  - The goal is to adopt a structurally balanced budget in an effort to eliminate the County's reliance on carryover fund balance to finance ongoing operations.
- In phase two, additions above the “base-line” budget are considered based on a priority of policy items.
  - Once the amount of carryover fund balance is known, additional requested capital and other one-time expenditures are added by adopting a budget amendment in September or October of each year.

Board Strategic Priorities Workshop	Review and reflect on Board and organizational Strategic Priorities for FY 2018-19. Determine departmental capacity and role in accomplishing.
Departmental Presentations	Departments present FY 2017-18 accomplishments and FY 2018-19 priorities/tactics as they relate to Strategic Priorities Budget
FY 2018-19 Budget Adoption	FY 2018-19 Budget adoption that is 'structurally balanced' and focused on supporting departmental/agency operations.
FY 2018-19 One-Time Expenditures Allocation	Evaluation and approval of funding for capital projects and other one-time expenditures.



# Conservative Budget Practices

Mono County General Fund Budget to Actual Performance						
	FY 2016-17 <sup>1</sup>			FY 2017-18 <sup>1</sup>		
	Budget	Actual	Variance	Budget	Actual	Variance
Discretionary Revenue	\$23,270	\$26,315	\$3,045	\$25,079	\$27,870	\$2,791
Program Revenues	11,519	9,409	(2,110)	11,273	9,903	(1,370)
Total Revenues	\$34,789	\$35,724	\$935	\$36,352	\$37,773	\$1,421
Salaries and Benefits	\$23,959	\$22,432	\$1,527	\$25,560	\$24,285	\$1,275
Services and Supplies	11,182	8,158	3,024	12,244	9,679	2,565
Capital Outlay and Debt Service	709	668	41	688	393	295
Contributions and Transfers	2,033	1,850	183	2,707	2,627	80
Total Expenditures	\$37,883	\$33,108	\$4,775	\$41,199	\$36,984	\$4,215
Net Change in Fund Balance	(\$3,094)	\$2,616	\$5,710	(\$4,847)	\$789	\$5,636
Transfers to Reserves <sup>2</sup>	(\$1,374)	(\$1,374)		(\$910)	(\$910)	
Fund Balance, Beginning of the Year	\$7,833	\$7,833		\$9,075	\$9,075	
Fund Balance, End of the Year	\$3,365	\$9,075	\$5,710	\$3,318	\$8,954	\$5,636

<sup>1</sup>Source: Mono County. Values in thousands.

<sup>2</sup>Transfers to General Reserve and/or Economic Stabilization Reserve.

# FY 2018-19 Budget

- On June 12, 2018 County staff presented the FY 2018-19 Recommended Budget.

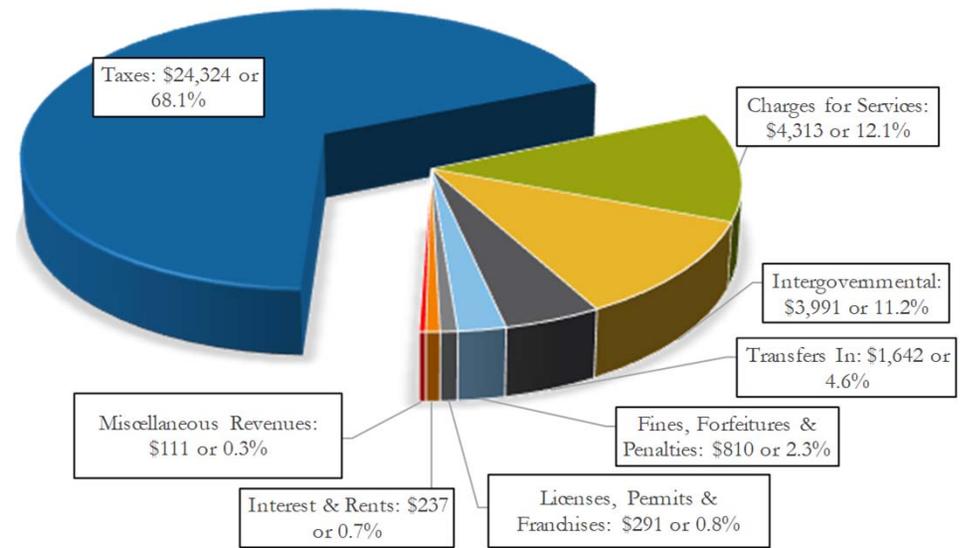
- The General Fund component of the budget included approximately \$37.2 million in expenditures and \$35.7 million in revenues.
- The FY 2018-19 budget utilized \$1.5 million of carryover fund balance.

- Revenue from local taxes is the largest revenue source, estimated at \$24.3 million for FY 2018-19. Revenue from property taxes is \$18.5 million.

- For forecasting purposes, the County Administrative Office has projected annual assessed value growth of 2% to 4% in the next two years, which is estimated to produce revenue increases of approximately \$354,000 to \$709,000.

- Revenues from Charges for Service total an estimated \$4.3 million and represents the second largest source for General Fund Departments.

Mono County FY 2018-19  
General Fund Revenues<sup>1</sup>



<sup>1</sup>Source: Mono County. Values in thousands.

# FY 2018-19 Budget cont'd

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- With fiscal resilience as the goal for the FY 2018-19 Budget, staff produced a budget that required defunding of vacant positions and reducing requested operating expenses.
  - During the budget amendment process, staff will have the opportunity to align the County's Strategic Priorities with available resources and prioritize appropriations of carryover fund balance.

# FY 2018-19 Budget Amendment Process

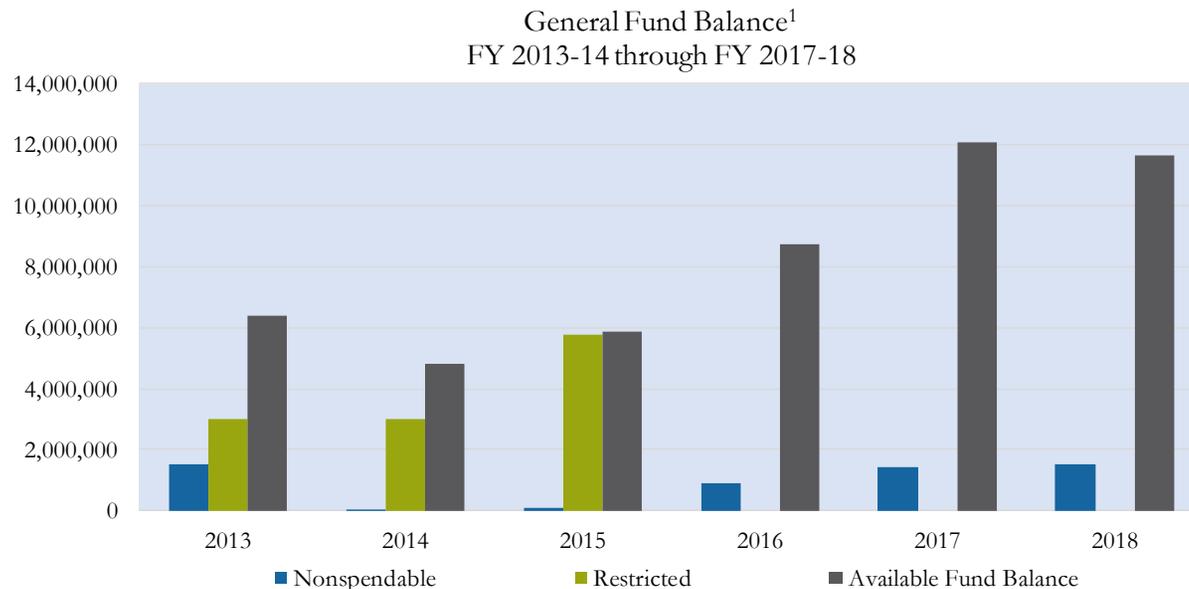
- The budget amendment process enables the Board to appropriate the General Fund balance carryover (approximately \$9 million) less amounts encumbered (approximately \$4.2 million) since the adoption of the budget.
- Appropriations are prioritized by tiers of importance:
  - Tier I: Contributions to reserves and encumbered legal obligations.
  - Tier II: Essential staffing additions and urgent facility repairs and maintenance.
  - Tier III: All other needs ranked by Strategic Priorities.
- On October 2, 2018, the Board approved the FY 2018-19 phase II budget amendment.

General Fund Balance Carryover Available for Appropriations (in 000s)	
Fund Balance at June 30, 2018	\$8,953
Set-Asides (not available for spending)	(\$2,669)
FY 2018-19 Adopted Budget Deficit, plus Subsequent Amendments <sup>1</sup>	(\$1,522)
<b>Fund Balance Available for Appropriations:</b>	<b>\$4,762</b>

<sup>1</sup>Unspent encumbered contracts and critical positions.

# General Fund Balance Growth

- In FY 2017-18 Available Fund Balance (consisting of Assigned and Unassigned fund balance) totaled \$11.7 million or 32.47% of General Fund Expenditures<sup>2</sup>.
- The County’s Available Fund Balance has grown at an average annual rate of 16.10% over the past 5 fiscal years<sup>1</sup>.



<sup>1</sup>Source: Mono County FY 2012-13 through FY 2016-17 Comprehensive Annual Financial Report. Unaudited figures used for FY 2017-18.

<sup>2</sup>General Fund Expenditures including General Funds transfers out.

# General Fund Balances and Liquidity

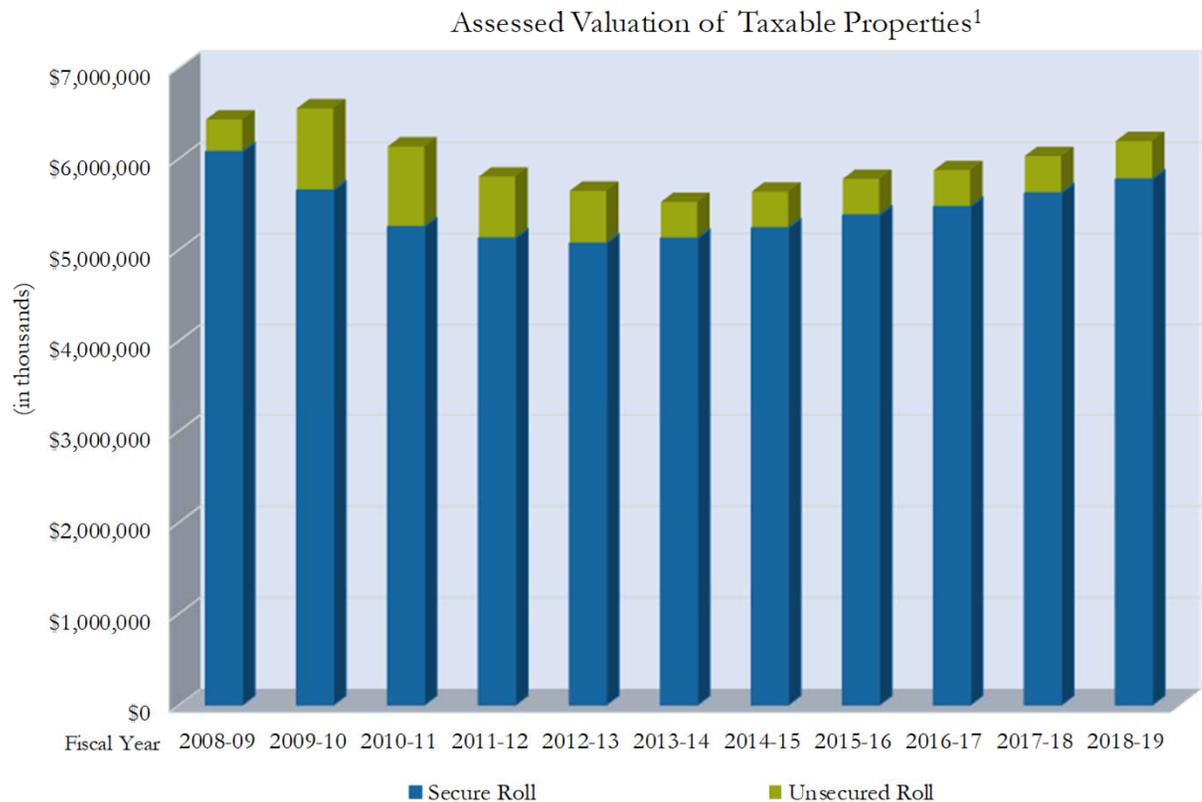
- In recent fiscal years, the County opted to reclassify various fund balances.
- Restricted fund balance previously included balances and activities related to mental and behavioral health, social services and disaster assistance. In FY 2015-16 these funds were reclassified as special revenue funds to enhance controls and transparency.
- The increase in unassigned fund balance and corresponding decrease in assigned fund balance for FY 2017-18 is a result of a change in the County's budget process.

Fiscal Year Ended June 30, (in 000s)	2013-14 Actuals	2014-15 Actuals	2015-16 Actuals	2016-17 Actuals	2017-18 Unaudited Actuals
<b>Assets</b>					
Cash and Investments	\$7,436	\$12,476	\$10,011	\$10,226	\$10,206
Other Assets	5,261	4,506	4,856	5,223	5,327
Total Assets	12,697	16,982	14,866	15,449	15,533
Total Revenues	\$40,963	\$40,745	\$32,720	\$33,194	\$33,813
Total Expenditures	40,827	37,160	28,122	29,921	33,094
Transfers In	2,080	2,356	1,351	1,482	1,559
Transfers Out	-5,279	-2,026	-2,116	-2,458	-2,808
Other Financing Sources	1	7	0	0	224
Net Change in Fund Balances	-3,062	3,922	3,833	2,297	-307
<b>Fund Balance</b>					
Nonspendable	\$21	\$73	\$913	\$1,412	\$1,521
Restricted	3,010	5,795	0	0	0
Committed	0	0	0	0	0
Assigned	0	0	4,708	7,531	2,804
Unassigned	4,840	5,869	4,016	4,543	8,854
Total Fund Balance	7,871	11,738	9,637	13,486	13,179
Cash and Investments as a % of General Fund Expenditures <sup>1</sup>	16.13%	31.84%	33.11%	31.58%	28.43%
Total Fund Balance as a % of General Fund Expenditures <sup>1</sup>	17.07%	29.95%	31.87%	41.65%	36.71%

Source: Mono County FY 2013-14 through FY 2016-17 Comprehensive Annual Financial Report. Unaudited figures used for FY 2017-18.

# Steady Assessed Value Growth

- In FY 2018-19 the County’s net assessed value increased 2.73% when compared to FY 2017-18.
  - Current property taxes are projected to contribute approximately \$17 million to General Fund revenues.
- Since FY 2013-14, the County’s lowest point of the Great Recession, annual assessed values have grown at an annual average rate of 1.56%.



<sup>1</sup>Source: Mono County Property Tax System. FY 2018-19 reflects data to date, final assessed values may change by the end of the tax year.

# Principal Property Taxpayers

- The ten largest taxpayers paid a total of approximately \$6.77 million in taxes in FY 2016-17.
- Top property taxpayers account for only 11.1% of total net assessed value.

Rank	Taxpayer	Type of Business	Taxable Assessed Value <sup>1</sup>	Percentage of Total County Assessed Value
1	City of Los Angeles	Government	\$319,157	5.21%
2	Southern California Edison	Utility	93,966	1.53%
3	Magma Energy Incorporated	Utility	82,425	1.34%
4	IW Mammoth Holdings	Developer	50,787	0.83%
5	Ormat	Utility	35,671	0.59%
6	Mammoth Pacific	Utility	27,955	0.46%
7	Snowcreek Investment Company	Developer	22,049	0.36%
8	Metric Mammoth, LLC	Restaurant Facilities	16,434	0.27%
9	JPK Mammoth Village Owner	Commercial Facilities	15,540	0.25%
10	Vons Company, Inc.	Retail Store	13,506	0.22%
			<b>\$677,490</b>	<b>11.06%</b>
<b>FY 2016-17 Net Assessed Value:</b>			<b>\$6,112,820</b>	

<sup>1</sup>Source: Mono County Property Tax Software. Values in thousands.

# Tax Levies, Collections and Delinquencies

Fiscal Year End June 30	Taxes Levied for the Fiscal Year <sup>1</sup>	Collected within the Fiscal Year of the Levy <sup>2</sup>		Collections in Subsequent Years <sup>3</sup>	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008-09	\$61,511	\$58,105	94.46%	\$3,408	\$61,510	99.99%
2009-10	65,208	57,969	88.90%	7,214	65,183	99.96%
2010-11	61,210	54,658	89.30%	6,519	61,177	99.95%
2011-12	58,030	54,847	94.51%	3,150	57,997	99.94%
2012-13	56,893	55,986	98.41%	883	56,869	99.96%
2013-14	54,989	53,288	96.91%	1,657	54,945	99.92%
2014-15	56,118	54,051	96.32%	2,022	56,073	99.92%
2015-16	57,736	55,635	96.36%	2,023	57,658	99.86%
2016-17	58,487	56,905	97.30%	1,464	58,369	99.80%
2017-18	60,059	59,698	99.40%	124	59,822	99.61%

<sup>1</sup>Includes Secured, Unsecured, and Unitary Taxes levied for the county itself, school districts, cities and special districts under the supervision of their own governing boards. Includes adjustments to the tax rolls from the levy date to delinquency date.

<sup>2</sup>Includes amounts collected by the County on behalf of itself, school districts, cities and special districts under the supervision of their own governing boards.

<sup>3</sup>Includes adjustments to the levy. Taxes levied less collections to date equal the delinquent taxes receivable.

Source: Mono County Property Tax System. Values in thousands.

# Transient Occupancy Tax

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- The County is a destination of choice for both domestic and international travelers.
  - Mammoth Mountain is a world-class ski resort.
  - The County is a leader in world-renown parks coupled with world-class fishing and hiking.
- Tourism and recreation are major contributors to the County's economy.
  - Annually, an estimated 1.5 million visitors travel to the County and on average stay approximately three days, generating \$16 million in lodging and retail sales taxed county-wide.
  - TOT is collected by the County from all visitors staying within the County's unincorporated lodging facilities, R.V. Parks, and campgrounds. The current rate of tax is 12% for the unincorporated area of the County and 13% for the Town of Mammoth Lakes.
  - 75% of TOT collected are allocated to the General Fund as discretionary income. 17% of TOT is allocated to Paramedics and 8% is invested back into the County's tourism industry.



# Transient Occupancy Tax cont'd

- In 2017, TOT receipts increased by 7.2% over the previous year and have increased by 29.85% over the last three years.
  - Increases are due largely to the increased number of international travelers to the County.
  - TOT revenues reached an all-time high of \$3.56 million in FY 2017-18.

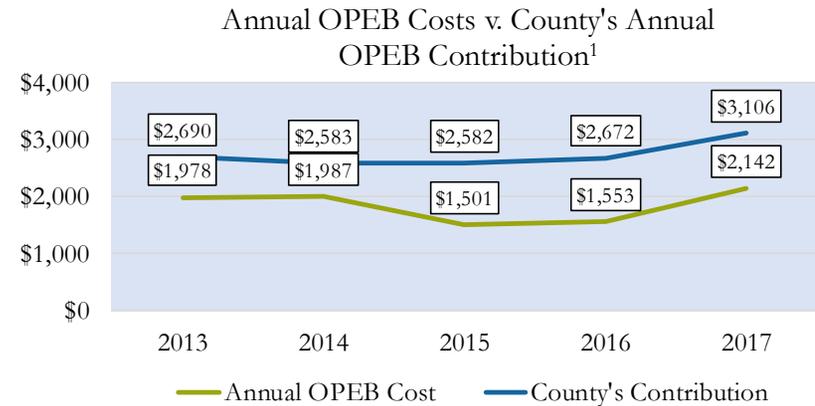
Fiscal Year	TOT Tax Receipts <sup>1</sup>	Growth Rate
2008-09	\$2,504	
2009-10	2,357	-5.86%
2010-11	2,326	-1.31%
2011-12	2,472	6.27%
2012-13	2,417	-2.26%
2013-14	2,591	7.20%
2014-15	2,742	5.84%
2015-16	3,026	10.36%
2016-17	3,321	9.75%
2017-18	3,560	7.20%



<sup>1</sup>Source: Mono County Transient Occupancy Tax Statistics. Values are in thousands.

# OPEB Overview

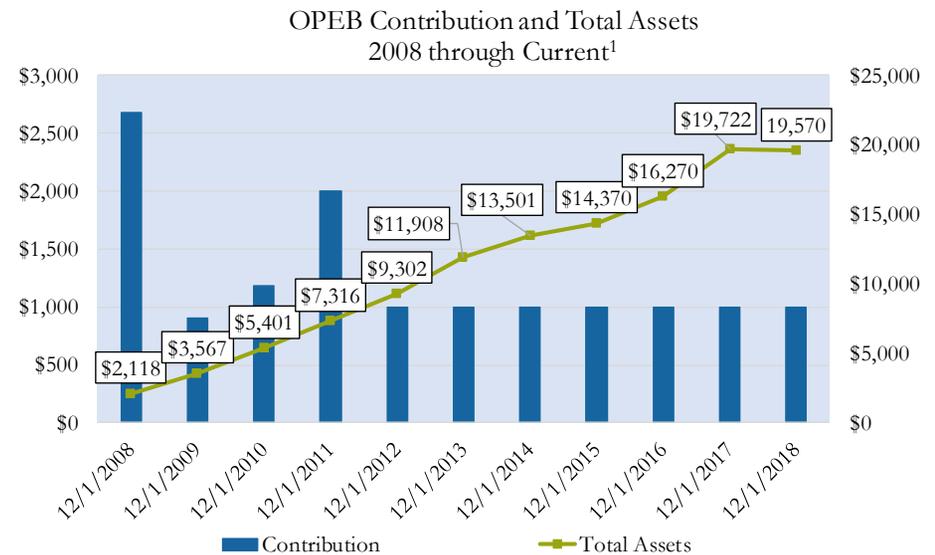
- The County provides post-retirement health care benefits for qualified County employees hired prior to January 1, 2002.
  - Currently, 175 retirees and 26 active employees meet the eligibility requirements. No new members are added or are eligible.
  - Employees hired after January 1, 2002, are not eligible for post-retirement benefits.
  - Instead eligible employees receive a County matching contribution toward a 401 (a) plan.



<sup>1</sup>Source: Mono County FY 2016-17 Comprehensive Annual Financial Report. Values in thousands.

# OPEB Trust

- The County established an OPEB irrevocable trust with PARS in November of 2007.
  - The County has contributed approximately \$1 million a year since 2012.
  - As of April 30, 2018, the balance of the trust is \$19.6 million.
  - The County anticipates making a contribution of \$1 million on or before December 2018.
- County will continue to contribute \$1 million each year until the balance of the trust is sufficient to cover costs through the lifetime of retired employees.



<sup>1</sup>Values in thousands.

# Labor Relations

- The FY 2018-19 budget supports a workforce of 317.55 authorized positions.
  - The General Fund supports 14 departments which encompasses most County services and basic governmental functions.
- Salaries and benefits are determined through a process of “meet and confer” with representatives from each of the formal labor units.
  - All employee salaries are subject to periodic renegotiation.
- Labor negotiations with MCPE begins in December.
- The County is in the process of finalizing a salary survey. To anticipate potential salary increases, the FY 2018-19 budget has a built in contingency that assumes a salary increase of 5% for all employees.

Bargaining Unit	Labor Organization	Number of Employees <sup>1</sup>	Contract Expiration
MCDSA	Deputy Sheriffs' Association	18	12/31/2021
MCPSO	Public Safety Officers' Association	13	12/31/2022
MCPRA	Paramedic Rescue Association	23	6/30/2018 <sup>2</sup>
MCDPOA	Deputy Probation Officers Association	8	6/30/2019
MCPE	Mono County Public Employees	177	12/31/2018 <sup>3</sup>
Total Number of Employees:		239	

<sup>1</sup>Full time equivalents are based on filled positions, calendar 2018.

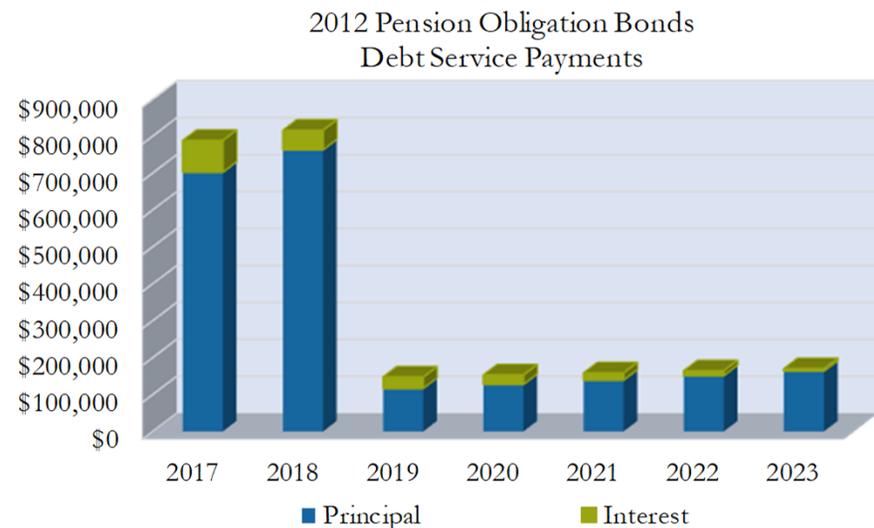
<sup>2</sup>Currently in negotiations.

<sup>3</sup>Negotiations began in November.

# Low Debt Burden

- The County’s only outstanding debt is \$696,600 of 2012 taxable pension obligation bonds.
  - The POBs were issued to refund the side fund created by CalPERS when the County’s Safety Plan was comingled into CalPERS pooled-based plans, generating \$522,660 in savings.
  - Without the POBs, the County’s safety actuarial contribution rates would be greater than its current rates.
- All of the County outstanding debt is fixed-rate and rapidly amortizing within the next five years.
- Low debt burden and rapid amortization provides the County with the budgetary flexibility to undertake the public financing of the Civic Center project.

Issue	Date of Issuance	Par Amount Issued	Final Maturity	Interest Rate	Amount Outstanding <sup>1</sup>
Taxable Pension Obligation	2012	4,612,900	2023	4.36%	696,600



<sup>1</sup>Outstanding as of June 30, 2018.

# Capital Improvement Plan

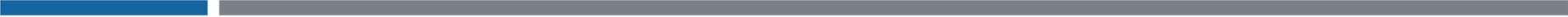
- The County’s latest 5-year Capital Improvement Plan (“CIP”) was approved by the Board on October 2, 2018. The CIP will cover FY 2018-19 through FY 2023-24.
  - The 2018 Strategic Priorities have informed the proposed list of CIP projects. A project inclusion in the CIP indicates that the project addresses one or more Strategic Priorities.
- Although the County’s CIP is a 5-year planning document, the CIP is updated and presented annually, allowing the Board to refine direction as different needs and desires emerge.
  - The CIP is presented to the Board for approval following the identification of carry-over fund balance from the prior year.
- Most CIP projects have some source of funding outside of the County’s discretionary General Fund.
  - The CIP provides a 5-year view of each outside funding source and can identify any over-allocation of these funds.
- County does not anticipate issuing any additional debt for future CIP projects.

Fiscal Year	Total Est. CIP Project Costs <sup>1</sup>
2018-19	\$20,562
2019-20	\$10,159
2020-21	\$10,801
2021-22	\$21,645
2022-23	\$26,309



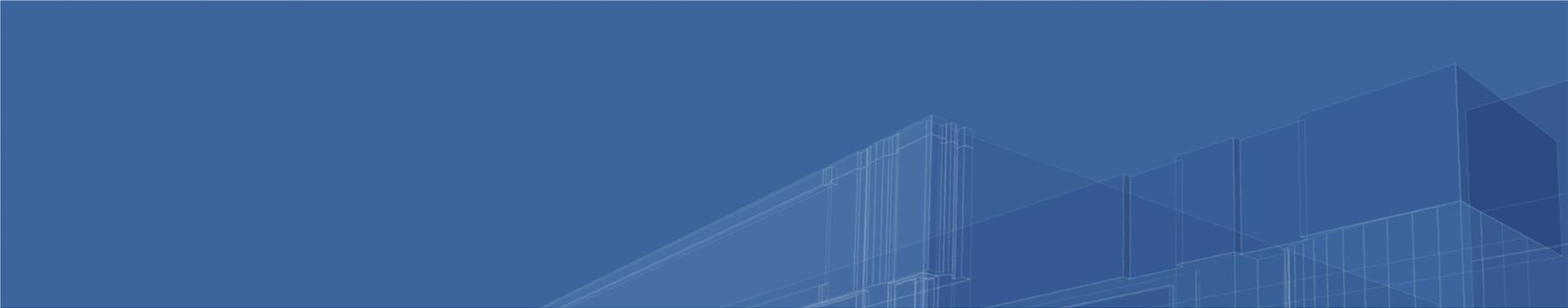
Source: Mono County 5-Year Capital Improvement Plan FY 2019-2024.

<sup>1</sup>Values are in thousands and include both General Fund and Non-General Fund projects.



# Economic Highlights

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# Residential Profile

- The major population center, and the County’s only incorporated area, is the town of Mammoth Lakes.
  - The remainder of the County’s residents are in small communities throughout the County.
  - The County has a low population density of 5 people per square mile.
- There are approximately 3,500 dwelling units in the unincorporated area of the County. Of these units, 35% or 1,225, are occupied by full time residents, while the remaining 65% or 2,275 are occupied by second homeowners<sup>1</sup>.
  - The County has one of the lowest permanent resident occupancy rates when compared to peer counties<sup>2</sup>.
  - 3.7% or 85 of the homes owned by second homeowners are registered as short-term rentals<sup>1</sup>.
- As a result, the County has a strong wealth and income profile.

Economic Comparison		
	Mono County	State of California
Population <sup>3</sup>	13,981	39,250,017
Percentage of Retired Population <sup>3</sup>	32.9%	0.02%
Per Capita Personal Income <sup>3</sup>	\$48,166	\$56,374
Median Household Income <sup>4</sup>	\$58,937	\$63,783
Unemployment Rate <sup>5</sup>	3.5%	3.9%

<sup>1</sup>Source: Mono County Property Tax System, County Assessor’s Office, and County Treasurer-Tax Collector’s Office.

<sup>2</sup>Source: Mono County Community Development Department.

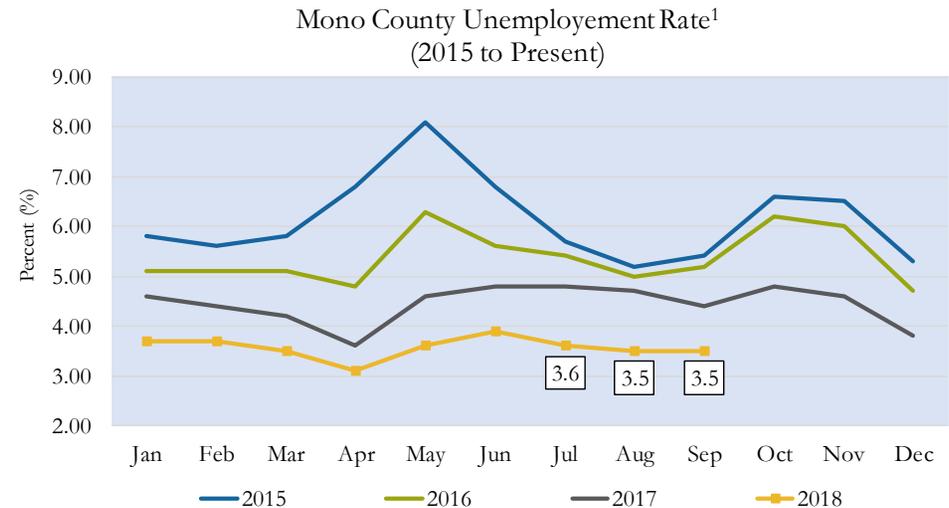
<sup>3</sup>Source: U.S. Department of Commerce, Bureau of Economic Analysis. Data as of 2016 (current data).

<sup>4</sup>U.S. Census Bureau, 2012-2016 American Community Survey 5-Year Estimates. Data as of 2016 (current data).

<sup>5</sup>California Employment Development Department. Data as of September 2018.

# Tourism Fuels Local Economy

- Tourism is a major economic sector in the County and represents an important revenue stream.
  - Approximately 38.5% of all employment is directly, or indirectly, associated with the industry.
  - Unemployment rates fluctuate with the seasonal recreation opportunities available to tourists.

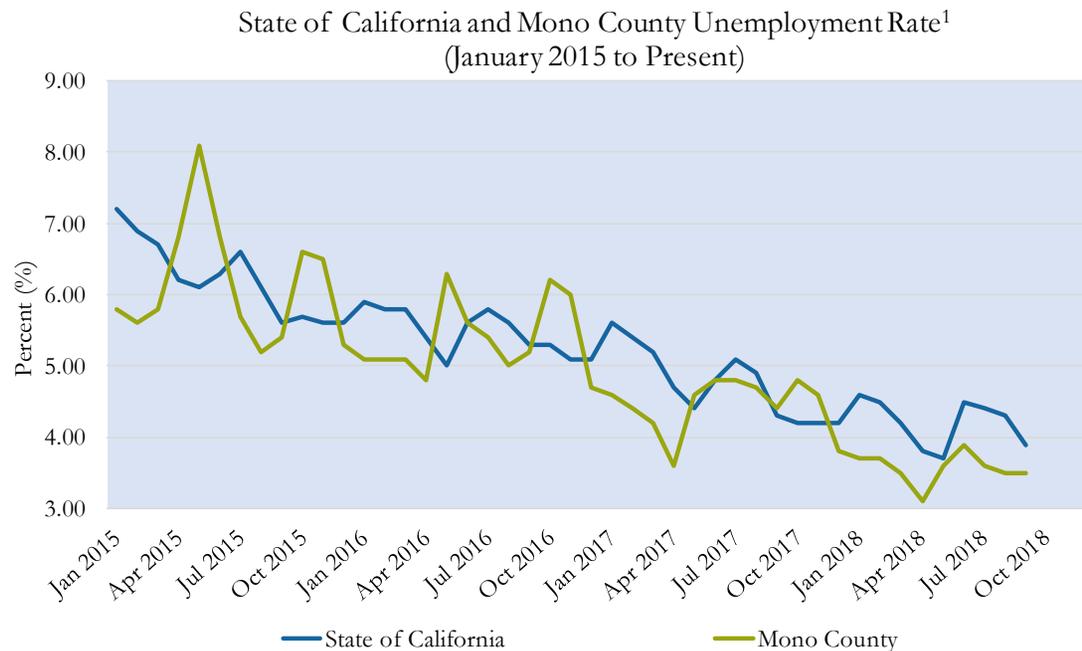


- County aggressively ensures assessment and collections of TOT.
  - 0.65 FTE dedicated to TOT audits.
  - Use of Host Compliance, LLC platform to capture taxes from online rentals.

<sup>1</sup>Source: California Employment Development Department. Values are not seasonally adjusted.

# Unemployment Rates that are Less than California's

- Since 2017, the County's unemployment rate has been trending downward in tandem with the State.
  - Thus far, in 2018, the County's monthly unemployment rate has been lower than State of California's monthly unemployment rate.

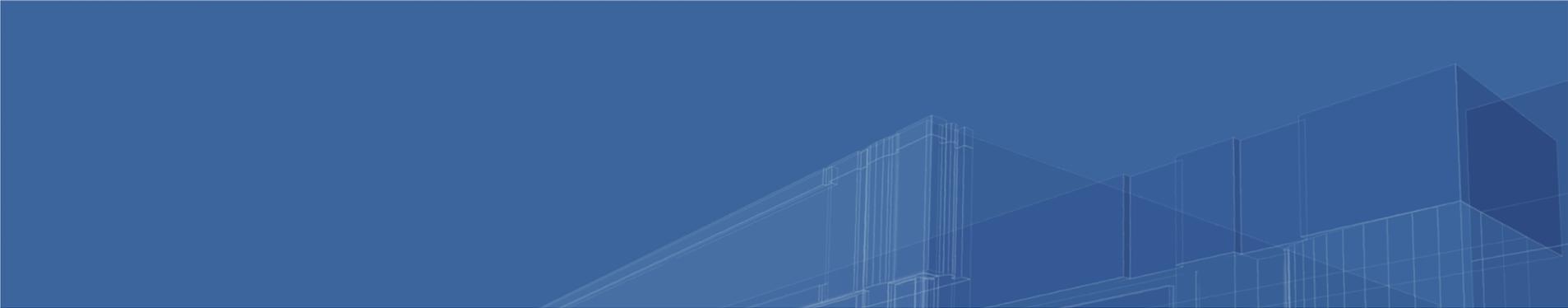


<sup>1</sup>Source: California Employment Development Department. Values are not seasonally adjusted.



# Concluding Remarks

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# Credit Highlights

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- Seasoned management team.
- Strong financial management practices and policies.
- Robust reserves, conservative budgeting and strong fund balances.
- Steady and consistent growth in assessed values, property taxes and transient occupancy taxes.
- OPEB Trust is sufficiently funded to cover future medical costs through the lifetime of retired employees.
- No County hospital.
- Negligible debt burden and up to 45% of 2018 COP debt service is reimbursable.
- Strong tourist based economy with high wealth and income levels and low unemployment. Pristine public lands that attract more than a million visitors a year to Mono County.



# Financing Schedule

November 2018							December 2018						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3							1
4	5	6	7	8	9	10	2	3	4	5	6	7	8
11	12	13	14	15	16	17	9	10	11	12	13	14	15
18	19	20	21	22	23	24	16	17	18	19	20	21	22
25	26	27	28	29	30		23	24	25	26	27	28	29
							30	31					

= Holiday

Date	Activity
Thursday, November 8	In-person rating meeting
Tuesday, November 13	County Board approves the financing
Friday, November 16	Receive rating
Thursday, November 22	Thanksgiving holiday
Week of November 26	Post POS
Week of December 3 (approx. 1 week after posting)	Bonds are priced
Week of December 17 (2 weeks after pricing)	Bonds are closed

**December 04, 2018**  
**Regular Meeting**  
**Item # 7e**

**CDD**

**Letter re: Temp Cannabis**  
**Permit Processing**

**Mono County Board of Supervisors,**

I would respectfully like to comment on Item E on the regular agenda for this coming Mono County Board of Supervisors meeting on 12/4/2018. As you know, I was recently granted a permit to operate a recreational cannabis business in June Lake. As you likely also know, part of our business model is to source natural and organic product from local farms. I passionately believe that when we source locally and sell locally we create a sustainable local economy.

I can now say that I have some experience working with the California Bureau of Cannabis Control (BCC). I can say firsthand that they are quite backlogged which, of course, is understandable.. I personally filled out a retail application over 6 months ago and my application has passed primary review, secondary review and even final legal review however it is now stuck in a queue. When I recently submitted local approval which is the last step in the process, I was told that it will be processed and issued only when they get through the queue and there is no ETA on when the actual license will be granted. Therefore, I have already applied for and received a temporary licenses as a stop gap. I believe these facts to be relevant because it fair to assume that after the temporary permit process expires on December 31, then the queues will likely get longer. My point being that if we don't allow Tilth Farms to obtain a temporary permit with the state then even after local approval is granted it could be months or even years for the state to issue a license.

Without any action from the board, no cannabis business can operate without ALL of the necessary permits and licenses including a state license, local use permit, local cannabis permit, local cannabis operating permit and several other licenses depending on the nature of the operation (i.e. a cannabis resale permit for a retail operation). Therefore, I believe it makes sense to allow Tilth Farms to apply for a temporary license with the BCC with the understanding that they cannot begin operations in any fashion without having all licenses and permits in place including, of course, local approval.

I humbly request that you consider this as common sense solution to help us collectively build a sustainable local economy.

Sincerely,

John DeCoster  
High Sierra June Lake