South Lake Tahoe rolls out plan to eliminate deficit

By Kathryn Reed

To wipe-out an ongoing $3.4 million annual deficit, South Lake Tahoe staff members are proposing getting rid of positions, freezing wages, raising the hotel tax, and revamping employee pension and health care options.

Some of the proposals brought forth during the City Council's workshop Tuesday afternoon need to be vetted and approved by the bargaining units. But it was noted, if they don't agree to them, more layoffs are probably the only other solution.

The council on March 15 is slated to vote on the reorganization plan and five-year budget proposals presented to them March 1 by City Manager Tony O'Rourke and Finance Director Christine Vuletich.

South Lake Tahoe Finance Director Christine Vuletich on March 1 goes over the five-year budget plan. Photo/Kathryn

Reed

Eliminating positions, reclassifying jobs, early retirements and shifting things around would cut the annual deficit in half. That proposal was released last week.

Besides those proposals, the city is also looking at revamping what it contributes to employees' pensions and health care plans.

"In most organizations salaries and benefits are about 65 percent (of the general fund). In ours it is 78 percent," O'Rourke told *Lake Tahoe News*. "In the private sector it is closer to 45 percent."

In the current budget the city is paying $3.1 million to CalPERS, the Public Employee Retirement System, for the nearly 200 employees. Pension costs are projected to increase by 5 percent per year for the next five years.

That 5 percent equates to about $900,000 during the next five years. Today, 11 percent of the general fund goes to employee pensions.

Councilman Tom Davis asked about the city's unfunded liability. Vuletich said today it is about $26 million, whereas a few years ago it was at $42 million. The city is paying about $400,000 on that each year.

It wasn't until last year that any employee in the city contributed a dime to his or her own retirement. Police officers now pay 6 percent of the 9 percent employee contribution.

If employees start paying their share – or the full 9 percent, this would save the city about $800,000 a year.

Lake Tahoe News, before the presentation to the council, asked O'Rourke about the possibility of having a flat fee the city would contribute instead of a percentage plan. Lake Tahoe Unified School District does this with its employees in regards to health care.

"There are some strong arguments to go to a defined contribution so you know each year your exposure," O'Rourke said. "So then the risk is shifted to the employee."

At this time, that is not being proposed.

When it comes to health care costs, the city doles out about $18,500 per employee and $14,900 per retiree – each year.

"On average, employees are contributing 4 percent, and retirees 12 percent, respectively, to the city's annual health care cost," the staff report says.

O'Rourke wants to revamp the system to "generate at least $550,000 annually in savings."

After repeated questioning by Davis and Councilwoman Angela Swanson if the wage freeze is really that, Vuletich acknowledged the step increases built into the agreements with the bargaining units for employees who qualify would in fact get a raise. However, all cost of living increases are gone.

The pay freeze will save about $350,000 a year.

This year's budget has $13.4 million allocated for salaries, which includes $1.4 million in retirement payouts.

The other way employees will be receiving more cash in their pocket is by eliminating furlough days. This equates to a 13.4 percent pay increase because workers have not legally had to be at work during that time. For those who were, it means actually getting paid for the work they are doing; for those who took the day off, it means being paid to work a full week.

Property tax is the city's largest source of income at 23 percent of the general fund revenue. With revenues from the

Stateline or Project Area No. 1 taking a 15.7 percent hit, it means $1.2 million less for the city. This is because the county reassessed the values on the property in that area.

Projections are for property taxes to decline next year, with increases for the following four years – the most being a 1.6 percent uptick in fiscal year 2016. The county Assessor's Office is forecasting a 4 percent assessment decline for this fiscal year.

Hotel taxes are the second largest moneymaker for the city at 15 percent of general fund revenue. Today a rate of 10 percent is charged to people staying in most areas of town, while a 12 percent tax is added to a room in the redevelopment areas. Staff is proposing 12 percent throughout the city. This would have to go before voters, but is not likely to happen until 2014.

O'Rourke would like the $900,000 a year cash infusion from raising the TOT to be used on upgrading the roads.

Another way to bring in money is to ask the voters about creating a 5 percent amusement tax. This would be levied on recreation equipment rentals like bikes and skis, as well as ticket sales for the Tahoe Queen.

An agreement made by a prior council prohibits a tax on lift tickets at Heavenly Mountain Resort.

The forecast is a half million dollars a year could be generated from an amusement tax.

The other new source of revenue is via metered parking, especially near beaches. O'Rourke said most waterfront communities charge to park close to that body of water. The anticipation is this could bring in $450,000 a year.

The summary statement of the staff report says, "The strategy reflected in the Five Year Financial Plan allows the city to ensure long-term financial success and sustainability, Moreover, the strategy will allow the city to continue to provide essential, outstanding cost-effective service and capital improvement to our residents and businesses.”