

# State take-aways force S. Tahoe to shift fund balances

By Kathryn Reed

When the 2010-11 budget was passed, the South Lake Tahoe Redevelopment Agency was expected to end the year with a deficit of more than \$600,000. It's even more now that the state is demanding a check for \$426,210 by May 10.

The state came up with that figure based on the city's 2006-07 gross tax increment.



Last fiscal year Sacramento took \$2.07 million from South Tahoe's Redevelopment Agency to balance its books.

Compounding the local problem is tax increment revenues are coming in \$1.2 million below what was budgeted.

The value of the timeshares at the Marriott and Diamond Resort are dropping rapidly, especially with many being foreclosed on. This all means less revenue for the city in terms of property taxes. The county assessor decreased their value by 15.7 percent.

"Timeshares nationally have lost value. That is a discretionary expense, usually a vacation home," City Manager Tony O'Rourke told *Lake Tahoe News*.

He said things will change, but he estimates it will take a number of years.

O'Rourke said taking money from one city fund to fill another is not an indication the Redevelopment Agency is not solvent.

"We would not file bankruptcy. The Redevelopment Agency is in sound shape," O'Rourke said.

The money the agency collects primarily goes to paying debt – on bonds and another \$500,000 to the general fund each year to repay the \$7.2 million that was surreptitiously taken to pay for construction at Heavenly Village.

South Lake Tahoe city councilmembers, who also act as the Redevelopment Agency board members, at their meeting last week approved the transfer of \$1,034,000 to take care of most of the shortfall.

The Housing Authority is loaning the RDA \$426,210, which will be paid back without interest over five years. Another \$365,000 is being taken from the tax increment generated from the bankrupt convention center project. Another \$201,000 will be saved from not having to pay other entities based on Assembly Bill 1290. The remainder comes out of reserves.

Taking money from the housing fund will not affect the first time homebuyer program because that is funded by state grants. Nor will it affect the Aspens, the affordable housing project on Pioneer Trail, because that has already been budgeted.

As for the money from the convention center, earlier this year city staff had wanted to spend that chunk of change on a pedestrian walkway.

"We are re-examining that whole situation. We are meeting with Caltrans and looking at less expensive alternatives," O'Rourke said after the council meeting.

The original RDA budget called for \$12,859,758 in revenues and \$13,477,636 in expenses for a deficit of \$617,878. The housing budget was \$4,111,334, and was balanced.

Finance Director Christine Vuletich provided *Lake Tahoe News* revised numbers for the Redevelopment Agency. They are:

<b>Revenues :</b>	
Property Tax Increment	5,812,178
TOT	4,100,000
CDBG Block Grant	66,443
RDA Prog. Income Housing Loans	55,000
Operating Transfers In	1,499,210
Other	47,000
<b>Total</b>	<b>11,579,831</b>
<b>Expenses :</b>	
Debt Service Fund	10,710,253
RDA Special Revenue Fund	892,178
Low/Moderate Income Housing Fund	1,065,665
RDA Prog. Income Housing Loan Fund	55,000
RDA Capital Improvement Program	597,803
<b>Total</b>	<b>13,320,899</b>
<b>*Net Revenue/(Expense)</b>	<b>(1,741,068)</b>
* Represents one-time funding from fund balance	

The money transfer issue was originally on the council's consent agenda, which means it's up for a vote with a series of other items. However, Councilwoman Claire Fortier pulled it for discussion.

The council on a 4-0 vote (Tom Davis had left the room prior to the vote) approved the transfer of money. When Councilman Bruce Grego made the motion he said, "I plan to pay it, but under protest and with further review."

Vuletich explained to the council, "You could claim hardship, but then you have to take the money from the general fund."

Three redevelopment agencies sued the state over last year's take-away. City Attorney Patrick Enright said he would update the council on the status of that litigation at the March 15 meeting.