

# South Tahoe's mid-year finances show improvement

By Susan Wood

In the quest for the green or even the black, South Lake Tahoe's government finances appear on paper to be much rosier than the figures tallied last year at this time – at least for now. The redevelopment picture could change that.



The South Lake Tahoe City Council received two critical financial reports Tuesday.

Photo/Susan Wood

The City Council heard and filed a mid-year budget report by Finance Director Christine Vuletich Tuesday stating that the local government's general fund is down by \$276,689 in unfunded expenses this year. This term means items not budgeted. Last year at this time, the city was forced to make up for \$1.5 million in the general fund.

"Compared to last year, it's really minimal," Vuletich said to the council, sharing her excitement about the improvement.

Overall, she summarized the report as “good news.” Revenues show an \$800,000 increase over this time last year – except for one area that’s taken a major hit in diminishing property tax dollars during the recession.

“Most funds are up except the RDA,” she said, referring to the Redevelopment Agency’s \$900,000 drop in revenue in one year.

“Flat is the new up,” she said.

The city contends it has made inroads on containing costs, and Vuletich’s optimistic about slight revenue gains showing a growth pattern, she later told *Lake Tahoe News*. The mid-year changes in total funds showed a net gain of \$462,496. And city officials plan to follow a five-year strategic plan to prosperity.

City Manager Tony O’Rourke, who is most recently from the private sector, has shown no patience for government waste and business as usual.

When O’Rourke came on board, he took issue with 78 percent of the general fund being consumed by salaries and benefits. His aim is less than 65 percent. Just last month, 11 positions were eliminated.

The city had to pay out two top-level, former managers. Agreeing not to sue or disparage the city, Assistant Manager Rick Angelocci got \$54,891 in severance, while Redevelopment and Housing Director Gene Palazzo received \$44,748. These consent agenda items passed unanimously without discussion.

“I’m not happy about this,” Councilman Tom Davis told *Lake Tahoe News* during a break.

But O’Rourke insisted the terminations were necessary over the long haul – calling the maneuvers a 23-to-1 savings when considering Angelocci’s \$144,360 annual salary.

The challenges continue. The city is scheduled to start labor

negotiations in closed session at its meeting in two weeks.

O'Rourke appeared to breathe a sigh of relief with the city's financials – that is, this year's mid-year report and last year's audit presented side by side before the council that afternoon.

### **Looking back at tough times**

The city's auditor, Cory Biggs of Maze and Associates based in Pleasant Hill, provided South Lake Tahoe with a reasonable bill of health on its finances evaluated over its 2009-10 fiscal year. And with no "discrepancies," Biggs said he would rate South Lake Tahoe's 190 separate funds it manages in the top tier of the 40 cities it combs over.

"If we found some, we would have been talking before this meeting," he said.

Still, the city has worked to dig itself out of a hole.

In 2009-10, the audit presented a \$2.1 million negative difference between the general fund's revenues and expenses. Times have been tough. Another slide showed the history of the general fund starting with a \$1.4 million overage in revenue in 2003. Growth continues until 2008, which reported a budget deficit of \$1.2 million. And things went downhill from there.

Going from 2007 to 2008, the city even had to move \$1.2 million in reserves to pay for general fund expenses.

The redevelopment story was bleak last year. State takeaways amounted to \$2.1 million – and this year could be worse. Gov. Jerry Brown has suggested eliminating redevelopment agencies to ease the pain of its own budget woes.

"It's an issue," City Attorney Patrick Enright warned the council. The state's threat also made the agenda as the city tries to absorb the ramifications of no state-supported funding for urban renewal. California's possibility of being

able to seize local assets and nullify loans represents a worrisome moving target for this city.

The local government's Redevelopment Agency has struggled to pay back half the money owed to the general fund from the \$7.2 million it borrowed a decade ago to complete the Heavenly Village project. It pays \$500,000 each year, amounting to collected interest of \$638,353. Over time, the interest almost doubles the amount owed.

Redevelopment is considered a tool for business and housing investment in town. But South Lake Tahoe's liabilities outweigh its assets, representing "a huge amount of debt," Vuletich announced.

In other money matters, the council:

- Approved rehiring Maze and Associates for future audit services.

- Authorized the pursuit of grant funding amounting to a total of \$464,133 for 1.6 miles in bicycle paths.

- Allocated \$40,000 in air quality funds for bus shelters.