

# South Tahoe may layoff 2 dozen to close \$5.2 mil. deficit

**Publisher's note:** *This is the first of two stories about South Lake Tahoe's fiscal situation.*

**By Kathryn Reed**

South Lake Tahoe has 43 days to figure out how to close a \$5.2 million budget deficit. That's the start of the next fiscal – Oct. 1. The reality is the deadline is 25 days from now because the City Council is expected to approve the 2011-12 budget Sept. 13.

What seems to be a constantly increasing ledger of red has to do with the potential loss of \$1.3 million a year depending on the outcome with the state regarding redevelopment agencies, property taxes and the associated income from this source like vehicle license fees continuing to drop below expectations, and the bulk of the bargaining units not making concessions to their pension and health care benefits as hoped and budgeted for in the five-year financial plan approved earlier this year.



As a tourist destination, South Lake Tahoe's economy is expected to recover more slowly than other regions. While economists argue whether the nation is about to enter another recession, many locals don't believe the Lake Tahoe Basin ever emerged from the one that began three years ago.

The South Shore is in a worse state than the nation as a whole. Unemployment is near 17 percent, the value of single-family residences has declined by 35 percent since 2006, about

40 percent of the houses on the market are in foreclosure, and hotel occupancy is at 23 percent.

Considering property and hotel taxes are two of the three largest revenue sources for South Lake Tahoe, the above paragraph points to two of the reasons why the general fund is not healthy.

With sixty-seven cents of every dollar in the general fund going toward employee salaries and benefits, this is another large component of what is hurting the city's financial health.

Looking at city figures, some of which are provided in the Aug. 23 staff report, the combined property tax, transient occupancy tax and sales tax from 2008-09 compared to the next fiscal year has dropped by 3 percent. Those are the three main revenue sources for South Lake Tahoe.

And even though the city's workforce has decreased by 42 positions or 17 percent since fiscal year 2009, the employees are still the biggest drain on the general fund. But that is the case for most organizations and is not unique to South Lake Tahoe.

On the Aug. 23 City Council agenda is the five-year financial plan's quarterly update. While the staff report by Finance Director Christine Vuletich says, "The City's General Fund revenues are estimated to grow slowly, at approximately 1.5 percent annually over the next five years," it doesn't mention the nearly two dozen employees who are likely to add to the 16.7 percent unemployment rate when they are terminated next month if city employees don't make concessions.

Of the city's seven bargaining units, only the fire association has come to the table, with the intent of agreeing to the concessions asked for by the city. This also ensures their jobs are intact.

It has been this administration and council's philosophy that frontline staff should have their jobs preserved while middle management positions are flattened.

That scenario is one that is being playing out across the country – though mostly in the private sector.

The general services group is the only bargaining unit that must negotiate this year because its contract is up at the end of September. But they only started negotiating in the last couple weeks after having become part of the Teamsters.

Aug. 23 is only the second time this year that in closed the council will have discussed labor negotiations. That is not because the council has not wanted to move forward, but because the employees have been dragging their feet.

This council has made it known it will not dip into reserves to make ends meet – which is what employees are used to.

What is being asked of employees is for them to pay their share of their pension costs as well as part of their health care expenses.

Even if employees were to agree to the proposals by the city that would save \$1.5 million through pension and health care changes, layoffs would be necessary because of the ever-increasing budget deficit.

It has been known for months if the employee groups don't help defray costs – \$1 million a year in savings if they pay their PERS and \$500,000 with health care changes – jobs will be lost.

Of the nearly two-dozen positions that may be axed, three are definitely going away, according to O'Rourke. Those are the division chiefs in the fire department. The three are in an associatin by themselves and are technically at impasse with the city.

Sources have told *Lake Tahoe News* the nine captains will be asked to do more, and that eliminating the three division chiefs will be part of the budget plan the council will vote on next month no matter what.

Other jobs going away are the captain's position in the police department when Martin Hewlett retires early next year. The department will run with five sergeants instead of seven.

The police chief for the next year is also the fire chief.

Who else will be in the unemployment line remains to be seen. It's still possible through collective bargaining jobs will be saved.

At several council meetings the topic of privatization of entities besides the ice rink has been broached. If that goes forward, positions could be eliminated that way.

Another issue on the table, according to employee groups, is the elimination of incentive pay.

"Educational degrees and state certification programs were the largest factors for the incentive programs so that the PD would be made up of seasoned and well trained cops and full of rookies. I would suspect that public works had similar things to strive for such as master mechanics or other technical degrees an employee could secure and then be paid for their experience gained," a former police officer said in an email obtained by *Lake Tahoe News*.

It is not known how much this would save the city if this were to be enacted.