

# S. Tahoe budget good now; deficits likely next 4 years

By Kathryn Reed

While the projected deficit for this fiscal year is expected to be less than originally forecast, the city of South Lake Tahoe is looking at approximately a \$1 million shortfall each year through 2017-18.

City Manager Nancy Kerry went over the mid-year budget at Tuesday's City Council meeting, while also providing indicators of what the 2013-14 budget might look like when it takes effect Oct. 1. The council will have work sessions on the next budget in August, with adoption expected the next month.



The original projection for this fiscal year was a shortfall of \$806,000. With the increase in hotel and sales taxes, that has been scaled back to about \$200,000.

The winter season, while not abundant in snow, saw an uptick in people coming to town. This was evident with the number of skier visits increasing from the prior year. The transient occupancy tax collection in South Lake Tahoe is up 26 percent in the first quarter compared to 2012.

Mayor Tom Davis, who works in the vacation rental business and is on the local lodging association board, said April's TOT collections would drop off dramatically. But ski resorts for the most part closed earlier in the month than in some years.

Embassy Suites, as a brand name and member of the Hilton Corp., had long been the region's highest hotel tax generator

as well as having the top average daily rate. This spring the Japan-based owners chose to operate it locally without a flagship.

“They are struggling with occupancy,” Kerry said of the renamed Lake Tahoe Resort Hotel. And she told the council she is concerned about this in terms of what it may mean for city coffers in the future.

In the first month that the TOT auditor has been on board about \$20,000 in back fees and fines have been collected. This person is tasked with finding vacation home rentals that have not been paying their taxes.

The other indicator that people have been in town is sales taxes revenue from October-December was up 13 percent from 2011. It’s likely with T.J. Maxx only being open since November and Big 5 opening later this month, sales tax numbers could keep going up.

Property tax, which is the third main revenue source for the city, is flat. Indications are that it will remain that way.

“Housing in South Lake Tahoe is on an uptick,” Kerry told the council May 7. But she cautioned that some people in the real estate industry are worried there is a possible bubble being created again, especially locally. While houses are turning over here, the assessed values could be lower, which would bring down property tax revenue.

While revenues are going up, expenses are too.

“The headwinds to the general fund are the increase in employee costs,” Kerry said.

The state retirement system has changed how it bills municipalities and health care costs are going up. The city has issued a request for proposal to potentially find a new health care provider.

Kerry has spoken to all of the employee groups about potential changes in the health care plan and what the Affordable Health Care Act could mean. There are 780 people who receive city health care benefits – 165 employees and their dependents, 145 retirees and their dependents.

The council unanimously approved the mid-year budget changes which amount to an increase of \$1,021,908 in revenues and increase of \$468,435 in expenses for a positive net gain of more than \$500,000.

“If we are going to compete, we as a city need to build infrastructure,” Kerry said.

This comes in the form of streets and recreation. While it would take \$300 million to upgrade all city streets, the course of action is to do this in a gradual manner – with \$3 million spent last season.

Councilman Hal Cole said he would like to see a more dedicated source of money for capital improvement projects.

In the five-year budget, projections are for revenues to grow not more than 2 percent annually.

But on the revenue side is the assumption the TOT tax will be raised to bring in an additional \$250,000 next fiscal year and \$1 million each of the following four years.

The \$31.7 million general fund does not include any cost of living increases for employees for the next five years.

Related to the budget was the approval Tuesday of nine positions being reclassified. This equates to an increase of \$59,000 to this year’s bottom line.

The Public Works Department has been reorganized to function like a department with that name. Interviews for the director will be in mid-June.

It will be divided into operations and engineering. Jim Marino is now the assistant director overseeing operations, which includes streets, facilities and the fleet. Sarah Hussong-Johnson is the deputy director and will work part time.

Administrative Services is a new department that merges finance, human resources, IT and other internal services. In early June potential directors will be interviewed.

Parks and Recreation will go without a director and instead will have two managers. Greg Ross, who has been with the city 33 years, will lead the parks side, while Lauren Thomaselli heads recreation.

**In other action:**

- Tahoe Resource Conservation District will be operating the city's boat ramp at El Dorado Beach, which includes boat inspections.
- It was noted that the rec center is having to close its doors on occasion because so much water is coming through the leaky roof.
- Kerry said news out of the governor's office could come soon regarding Senate Bill 630; saying there could be a compromise soon.
- A number of people during public comment talked about wanting to delay the Harrison Avenue assessment collection until the city goes out to bid. Bid docs are 95 percent ready. They should be ready in June. The council agreed to get a Harrison Avenue update, including discussion of the district at the June 11 meeting.
- Kerry reported El Dorado County Board of Supervisors discussed the senior center in closed session and that county counsel would be sending a letter. That hasn't happened yet. (*Lake Tahoe News* is waiting for the county to explain how

this qualifies as a closed session agenda item.)