

1. Why did the City Council budget go up 15%? How much of that \$192,541 is for salary and how much for health benefits? And what is the rest for?

*The categories of expense for the City Council are as follows:*

	<u>2009</u>	<u>2010</u>	<u>Difference</u>
Personnel:	\$108,825	\$149,234	\$40,409
M&O	\$25,079	\$11,007	(\$14,072)
Capital Outlay	\$3,500	\$2,000	(\$1,000)
Contractual Svcs.	\$30,300	\$30,300	-0-

*The 15% expense increase for the Council budget is located within the personnel line items. Currently we have five council members. Of those council members three are up for re-election, and will not be running again in November. One of the current council members who will not run in November elects to not receive insurance coverage (medical/dental, vision, life) or PERS coverage through the City. Because the City cannot anticipate whether any newly elected council members will elect insurance or not, we have budgeted insurance/ benefits for all new council members. (\$18,904 increase = medical \$18,414, life \$153, survivors benefits \$25 and vision \$312) Because of the way the calendar falls in 2010-2011 the City's fiscal year has 27 pay periods, so an additional pay period of stipend paid to the council members needed to be budgeted in personnel expenses (\$1,043. increase).*

*A benefit that can be elected by council members is a \$70 stipend for cell phone usage. In fiscal year 2009-2010 those expenses were budgeted in M&O under communications. In 2010-2011 the City will pay this stipend through payroll (since the stipend is taxable to the employee), thus increasing the personnel costs by \$70 per month x 12 months x 5 council members. (\$4,200 increase); however the communications budget in M&O was reduced accordingly.*

*The City of South Lake Tahoe made changes to the health insurance plan effective 1/1/2008. New employees hired after 1/1/2008 were eligible for a high deductible health insurance plan, but also received contributions to an HRA (Health Reserve Account) and RMSA (Retiree Medical Savings Account) that total \$46.15 per pay period for HRA dependent coverage, \$16.15 single coverage, and seed money of \$1,000 when starting and \$50 per pay period RMSA dependent coverage, \$35 per pay period single coverage. The current council members not running for re-election are on the low deductible plan which does not include HRA or RMSA contributions. In order to account for all possibilities, the City budgeted dependent health insurance coverage, and HRA and RMSA contributions for the three new council members. (\$10,981 increase)*

*PERS rates increased slightly for non-safety employees from 16.557% to 16.913% and the addition of one new council member, resulted in an increase in PERS retirement costs (\$1,171 increase). The health insurance premiums increased for the fiscal year by 4.98% (\$4,128 increase). Finally, because of the 27<sup>th</sup> pay period we had small additions to Medicare, survivor's benefits, etc., and a slight reduction to workers comp rates; therefore there is a slight decrease. (\$18 decrease)*

*RECAP:*

*Elected Stipends Difference = \$5,243 (\$1,043 plus \$4,200)*

*Medical/Dental Insurance = \$22,536 (\$18,414 plus \$4,122)*

*Vision Insurance = \$312 (vision increase \$312)*

*Life Insurance = \$153 attributed to additional council member accepting benefits*

*Survivor's Benefits = \$29 (\$25 attributed to additional council member \$4 attributed to additional pay period .93 x 5.*

*PERS employer Portion = 1,171 (\$933 attributed to additional council member with benefits, \$238 attributed to PERS increase)*

*Workers Compensation = (\$31) decrease due to slight reduction in rate percentages*

*Medicare = \$15 attributed to additional pay period (\$1,043 x 1.45%)*

*HRA = \$6,831 (attributed to three new council members on High Deductible plan \$46.15 x 27 pay periods x 3 new members, plus \$1,000 one-time seed money for each plus 46.15 x 2 for two additional council members (\$92.30)*

*RMSA Expense = \$4,150 (attributed to three new council members on High Deductible plan \$50 x 27 x 3, plus \$50 x 2 for two additional council members (\$100)*

2. The City Attorney's Office in 2009-10 had budgeted revenues of \$100,000. Why no revenue this fiscal year? How does this department generate revenue?

*The City Attorney's Office is a General Fund department that serves all departments city-wide, and does not generate revenue. In the fiscal year 2009-10 budget, the City Attorney's Office had contemplated hourly billings to the Redevelopment, Housing and Economic Development Department for work performed for that department. The funding sources in the Redevelopment, Housing and Economic Development Department are non-General Fund.*

*This billing system was not implemented due to the lack of staff resources required to track hourly billings versus accomplishing the existing legal workload. For fiscal year 2010-11 the City*

*Attorney's Office decided that rather than an hourly billing system, a streamlined method would be preferable. A percentage of the Legal staff's salaries are budgeted to the Redevelopment, Housing and Economic Department, primarily for Redevelopment Agency legal work, based on actual experience from 2009-10, current and anticipated projects for 2010-11.*

3. Why did the Vehicle Abatement budget increase 144%? What specifically is this line item?

*In 2008-2009 the City was audited by the County because of pass-through funds received from the County for vehicle abatement. At that time the County found that the City was charging one full-time employee to the Vehicle Abatement Account. Because it was determined that the Police Department employee did not work 100% of the time on Vehicle Abatement, and there were additional City employees who performed some abatement services who were not charging their payroll to the Vehicle Abatement fund, the County requested that we revise our method of allocating salaries and benefits to the Vehicle Abatement fund.*

*During the 2009-2010 fiscal year no salaries were budgeted in the Vehicle Abatement fund, these salaries were budgeted in the Police Operations/Support budgets, but the employees who performed vehicle abatement services were asked to track the hours spent on vehicle abatement during the year. For the 2010-2011 fiscal year, we used the 09-10 percentages and allocated a portion of each employees salaries/benefits to Fund 242 – Vehicle Abatement.*

*Employees will charge only actual hours through payroll timecard entry, however the City budgeted salaries/benefits for the fund based on percentages obtained last year. The total amount of additional salaries/benefits budgeted this year in Vehicle Abatement is \$106,789. The police support budget had a 15% decrease due to this change.*

4. Is it true there is one less fire captain position in the 2010-11 budget? And is it true the fire chief didn't know about this reduction until the morning the council voted on the budget in August?

*The nine Fire Department Captain positions continue to be fully funded in the 2010-11 Budget. One of the four Fire Division Chief positions has been frozen in the 2010-11 Budget as part of the Fire Department's share of the ongoing cost containment measures needed to balance the General Fund budget. This is a \$151,000 cost reduction in salaries and benefits for 2010-11 as the savings for this position are for three quarters of the fiscal year. The position will be frozen upon the retirement of one of the existing Division Chiefs in January. The City Manager notified the Fire Chief via e-mail on July 28, almost one week prior to the August 3<sup>rd</sup> City Council meeting.*

5. Fire prevention costs went up 17%. What is the public getting for those \$42,721?

*This budget includes a capital outlay item of \$40,000 for a wood chipper used in the Fire Prevention program. Grant revenue is expected to cover the expense; should grant revenue not be received, the chipper will not be purchased. The additional \$2,721 reflects the net difference between Personnel Services and Other Operating Expenses.*

6. Fire training and safety budget was decreased by 20%. What was the cut? Is this prudent?

*In fiscal year 2009/2010 the city received a Homeland Security grant in the amount of \$25,000 for fire training and safety, which was used for fire overtime and administrative expenses In fiscal year 2010/2011 the grant amount was reduced to \$10,000. The \$15,000 difference reduces the training overtime budget available.*

7. Engineering under Public Works had an increase of 25 percent or more than \$181,000. What is this money for? Are these the same people responsible for bids like the Lakeview Commons fiasco? (see reply to Question #8)

8. The stormwater management program took a 28 percent hit or \$227,000. How can the city be doing its share of EIP projects with this kind of cut? Please explain what isn't getting done with the quarter million dollar cut.

*This answer applies to both questions seven and eight. Because the employees in the Engineering Department work on all engineering projects, Environmental Improvement Program (EIP) projects funded by the CTC and storm water projects, their salaries are allocated between Engineering and Storm water Management based on hours worked on each project. In 2009-2010 the City budgeted Engineering staff salaries and benefits between the Engineering division, and Storm water division based on estimated percentages received from the Engineering Department. Because the engineers primarily worked on EIP projects that were not part of the storm water program, towards the end of the 2009-10 fiscal year the Engineering department had to bring a staff report and budget amendment to council to re-allocate salaries from Storm water to Engineering based on actual hours charged to these departments.*

*For that reason, and based on analysis of projects in process, the 2010-11 storm water budget included only salaries/benefits for the Engineering Supervisor – Storm Water Coordinator who is the primary employee hired to work on the Storm Water plan and implementation. The EIP projects which are primarily funded by California Tahoe Conservancy, and the U.S. Forest Service are still being worked on, those projects are reported in the City's CIP fund. Please see Attachment 4 of the budget staff report regarding the 2010-2011 CIP projects. The pages included in Attachment 4 include current CIP projects with funds available at 6/30/2010 to roll forward into 2010-11 fiscal year and new project requests. As noted on page 7 of current CIP projects, there are prior year donations for the Linear Park Bike Trail project of \$21,946 available to spend on the project.*

9. Is the 38% increase in the TID bottom line related to the TOT increase that went into affect this year?

*On December 8, 2009 members in the lodging businesses within the SLTTID requested a 10 year renewal of the TID and an increase of the nightly TID assessment rate that is charged to lodging guests. The new rates went into effect in mid-December and are reflected in the FY 10/11 budget accordingly.*

10. How/why did the Redevelopment and Housing budget increase 58% or \$1.5 million? Where does that money come from and where will it be spent?

*The City was awarded a \$1.5 million HUD grant from the office of Healthy Homes to establish a Lead Based Paint program which will provide training and certification for approximately 100 construction workers and contractors. Other federal and state grants will be used for a multi-family housing project in spring 2011 and other cost-effective affordable housing programs.*

11. The Parking Enterprise category, is that just the Heavenly Village garage? With the numbers indicated, it looks like the projection is for it to lose even more money than this past fiscal year? How was that scenario arrived at?

*The Parking Enterprise is comprised of the Heavenly Village Garage operations, parking enforcement in the Crescent V Shopping Center, and the annual debt service of the South Tahoe Joint Powers Parking Financing Authority . These three funds taken together make up the Parking Enterprise Fund. The 2010-11 budget for the Parking Enterprise Fund projects a loss of \$31,943 which is almost \$100,000 less than the prior year. While revenues in this fund are projected to be 4% lower than in 2009-10, operating, enforcement and debt service expenses will total 11% less due to cost reductions and increased efficiencies.*

12. Why are the airport environmental operations increasing 52 percent? And what are "airport environmental operations"?

*Services performed in the "Airport Environmental Operations" budget include but, are not limited to: operation and maintenance of the airport instrumental landing system, airport noise monitoring and reporting system, storm water monitoring and other airport environmental tasks in accordance with current regulations.*

*The increase of 52% in this budget is due to the total increase of \$30,000 in Contractual Services line item. The breakdown is as following: approximately \$5,000 is due to increase in cost for the contract for the noise monitoring services (the company that we use takes raw data and sends it to us in a format we can use to comply with the terms of our Master Plan Settlement Agreement); currently there are 2 storm water permits; one of them is \$16,000. This permit was imposed this year by Lahontan. In order to eliminate necessity of the additional permit, a percolation study is required - \$10,000 (in progress). Last two account for approximately \$25,000 increase out of \$30,000.*

13. What is AB939? And why did this fund increase 150%

*In 1989, Assembly Bill 939, known as the Integrated Waste Management Act, was passed because of the increase in waste stream and the decrease in landfill capacity. As a result, the current California Integrated Waste Management Board (CIWMB) was established. A disposal reporting system with CIWMB oversight was established, and facility and program planning was required.*

*AB 939 mandates a reduction of waste being disposed: jurisdictions were required to meet diversion goals of 25% by 1995 and 50% by the year 2000. AB 939 also established an integrated framework for program implementation, solid waste planning, and solid waste facility and landfill compliance. Currently the City receives \$66,000 per year to help the community meet these requirements. The Assistant City Manager and an Administrative employee within the City currently participate on the JPA Solid Waste Board, and charge a percentage of their salary to this fund. In previous years when the Assistant City Manager position was unfilled, these funds were not spent, but maintained within the Special Revenue fund available for Waste Management projects. Because of the current focus on sustainability and recycling it was determined that \$100,000 of the available balance in this fund could be transferred to the General Fund to cover employees salaries and additional costs required for researching and implementing sustainability and recycling projects that may help increase the above stated diversion goal. Currently the City has received two recycling grants that may help with the goal, and hopes to implement new projects, and apply for additional grant funds that will help with the stated landfill requirements.*

14. What is the \$840,000 in the 2009-10 STR Trust Fund? What is that fund?

*On March 15, 2005 the City Council adopted Resolution No. 2005-13, which among other things, adopted three successive refuse rate increases. The rate increases were necessary to comply with California AB939 which mandated recycling and diversion rates for waste management. Governing bodies from the City of South Lake Tahoe, Douglas County, Nevada, and El Dorado County make up the South Lake Tahoe Basin Waste Management Authority, whose purpose was to fund construction of the South Lake Tahoe Materials Recovery Facility (MRF). In accordance with the resolution, the 9% rate increase that went into effect on January 1, 2006 was placed in a Trust fund established by the City of South Lake Tahoe in the event the project is delayed and or other force majeure events occur. Disbursement of funds from the Trust to South Tahoe Refuse were made in accordance with completion of established milestones of construction. In May 2009 South Tahoe Refuse completed the project and was entitled to all remaining funds, plus interest. The budget appropriation of \$840,000 from FY 2009/2010 was not needed as the project was completed and the Trust closed in the previous year.*

15. My calculations come to a deficit of \$4,972,735, yet the city talks about \$3 million taken from reserves to compensate for the 2010-11 deficit. Please explain how you wiped away the other nearly \$2 million from the ledger? From the budget documents on the website, revenues for 2010-11 are \$66,061,944. Expenses are budgeted at \$71,034,670. This creates the earlier mentioned deficit. These numbers, though, don't tie back to the PowerPoint on the city's

website. It seems like the Capital Improvement Plan Budget is not in the budget documents that are on the website. Please explain the discrepancy.

*The City's total budget for fiscal year 2010-11 is \$101,013,904 in revenues and \$101,838,705 in expenses. These are the amounts that appear in the staff report and other budget documents on the website. The budget is balanced so that revenues match expenses to the extent possible. In some funds current year revenues for 2010-11 were not sufficient, or in the case of some grants and capital projects extend for several years, and fund balance (funds from prior years) will be utilized to make up the difference. The net difference between total revenues and expenses for all funds is \$824,801, representing the net use of fund balance.*

*In the General Fund the gap to balance the 2010-11 Budget was \$3.6 million. This deficit was balanced as follows:*

<i>Reductions in operating expenses</i>	<i>\$470,000</i>
<i>Labor Concessions (Third furlough day/equivalents)</i>	<i>\$680,000</i>
<i>Additional departmental cuts</i>	<i>\$642,000</i>
<i>Use of General Fund Unassigned Fund Balance</i>	<i>\$1,799,000</i>

*The following table from the budget staff report summarizes the total revenues, expenses and use of fund balance for each major fund type, including the Capital Improvement Program.*

<i>Fund</i>	<i>Revenue</i>	<i>Expense</i>	<i>Use of Fund Balance</i>
<i>General Fund</i>	<i>\$28,399,712</i>	<i>\$30,199,280</i>	<i>\$1,799,568</i>
<i>Special Revenue</i>	<i>16,166,924</i>	<i>17,082,841</i>	<i>915,917</i>
<i>Enterprise</i>	<i>2,970,751</i>	<i>3,041,239</i>	<i>70,488</i>
<i>Internal Service</i>	<i>7,814,012</i>	<i>8,582,012</i>	<i>768,000</i>
<i>Debt Service</i>	<i>10,251,725</i>	<i>11,318,253</i>	<i>1,066,528</i>
<i>Capital Improvement</i>	<i>34,524,280</i>	<i>30,805,295</i>	<i>(3,718,985)</i>
<i>Trust and Agency</i>	<i>886,500</i>	<i>809,785</i>	<i>(76,715)</i>
<b><i>Total</i></b>	<b><i>\$101,013,904</i></b>	<b><i>\$101,838,705</i></b>	<b><i>\$824,801</i></b>

16. Did the budget get approved without the specifics of the CIP being documented or discussed? The website said the CIP revenue budgeted is \$34,524,280, while expenses will be \$30,805,295. Is this the surplus, so to speak? Does that mean the CIP has been “robbed” unknowingly by the council, or perhaps knowingly, I’ll let them weigh-in individually

*The CIP budget and the specifics of each project were brought to the council on August 3, 2010 and included in the budget staff report and documents in the council packet. (Attachment #4) The pages following attachment #4 include a recap of funding sources available for CIP projects that have previously been authorized and approved by the City Council.*

*79% to 83% of all CIP projects that the City has authorized are grant funded which causes a discrepancy between budgeted amount of revenue and budgeted amount of expense. Grant funded projects require that the funds be expended first, and then reimbursement be requested by the City. Also, retention of 5% is held by the granting agencies as an assurance that the project will be completed. The City bills the granting agencies quarterly, so anytime during the busy building season (May to October) there can be a large difference between revenue and expense budget due to receivables due from the granting agencies. When the State of California froze bond funds to the CTC, we had a receivable of over \$2.5 million dollars due that wasn’t received until 9-12 months after the funds had been expended.*

17. The lack of detail provided in the documents on the website don't allow for thorough analysis of how the cost savings from one budget year to the next have been made. Details would be nice.

*The information presented to the City Council on August 3, 2010 included summary level revenues and expenses for all 79 funds (189 separate budgets). This information is the consolidation of over 500 pages of line item detail budget reports and worksheets prepared by City departments. Several years ago the City Council communicated that this level of detail was overwhelming. Staff does continue to have the detail available at the annual Budget Workshops as a reference should specific questions arise. Departmental budgets are presented to the City Council in consolidated form including the prior three years’ actual amounts, the 2009-10 Amended Budget, the Requested Budget for 2010-11 and the percentage change from 2009-10 to 2010-11 to make it easier to understand.*

*For example, the reader can easily see if a specific department’s revenues and expenses will increase or decrease by major line item category rather than having to go through all of the individual budget line items and add them up. All revenue line items into the major categories of: Operating Revenues, Program Revenues, Grants and Transfers In. Expense line items are consolidated into the following categories: Personnel Services, Contractual Services, Other Operating, Capital Outlay, Debt Service/Leases and Transfers Out.*

*A detailed description of how the General Fund was balanced was also presented and included in the documents presented to the City Council on August 3rd. The information also included a five-*



*year General Fund projection, and the Capital Improvement Program revenue and expenses along with project descriptions.*

*The presentation of budget information provided is consistent with the “Best Practices of Public Budgeting” provided by the Government Finance Officers Association of the United States and Canada (GFOA). These practices are the professional standards in public budgeting that are utilized by cities across the country and widely recognized to promote effective communication with stakeholders. The City has participated in the GFOA’s program and has earned the “Distinguished Budget Presentation Award” for its published budget document. This document is prepared after the final budget is adopted, and is currently in the process of being published. Each year the document is distributed to various stakeholders and is posted on the City’s website.*

*Specifically, the GFOA recommends:*

- *Practice 10.1f Prepare a Budget Summary*
  - *Practice: A government should prepare a summary of both the proposed and final budget.*
  - *Rationale: Most stakeholders do not want to take the time to read and understand the details of a budget. A concise summary of key issues, choices, and financial trends is therefore needed to inform and direct the reader to the appropriate locations for additional information.*
- *Practice 10.1g Present the Budget in Clear, Easy-to-Use Format*
  - *Practice: Budget documents and related materials made available to stakeholders should be presented in a clear and readily comprehensible format.*
  - *Rationale: The budget is a guide that determines the direction of government. It is arguable the single most important document routinely prepared by governments. To be usable, it not only must contain appropriate information, but must also be prepared in a manner that is clear and comprehensible.*
  - *Outputs: Some items in a budget document that will assist the reader include: a table of contents, summaries, a consistent format, high-level summary information that describes overall funding sources and the organization as a whole, a description of the overall planning and budgeting process and the interrelationships of those various processes, supplementary information about the government and the area for which it has responsibility, charts and graphs to better illustrate important points, succinct and clearly-written summaries, uncluttered pages, and detailed information placed in appropriate locations so that it does not overwhelm the reader.*

18. Is it possible to get the actual balance sheet? This would show all assets, including fund balances, equipment and reserves. It should also show all debt obligations. This should be in one easy to read document. May I please have it?

*The City's balance sheet is presented annually after the independent auditors complete their work and the financial statements are issued. Please refer to the City's website for the Comprehensive Annual Financial Report (CAFR). Information regarding debt obligations is presented in Note 7 – Long Term Debt beginning on page 77. This report is published at the end of March and presented to the City Council the first meeting of April each year. The CAFR is also prepared in compliance with the GFOA's guidelines and has received the award for "Excellence in Financial Reporting".*

19. In regards to using the \$500,000 from the Workers' Comp Reserves during the 2009-10 midyear budget revise, was this legal? Is it prudent?

*The use of \$500,000 from the Workers Compensation Reserve during the 2009-10 mid-year budget amendments was both legal and prudent. Over the years due to a more aggressive Safety Program, the City's actual Workers Compensation claims costs have stabilized, and the City has been able to build a healthy Workers Compensation Reserve. This reserve had a balance of \$4 million at mid-year 2009-10. An analysis of the average annual claims paid (\$425,000) and long-term liabilities (\$1.3 million) over the past five years indicated that the reserve was more than adequate to cover any unanticipated costs.*

20. There is also the use of the RDA Loan Transaction for \$300,000. The document states, "Principal repayment is a balance sheet transaction, not typically budgeted, but increases fund annually." This sounds like a slush fund to me. Please explain. And what about the interest on this account? Where is it? And how is it spent?

*Originally when the RDA loan was recorded in the City's general ledger a payable in Fund 450 (RDA debt service) and receivables in Fund 100 (General Fund), Fund 201 (Vehicle Replacement), and 602 (Workers Compensation) were created. A portion of the Fund Balance in each of these funds was reserved for the loan balance due, and unavailable. The interest due on the loan is budgeted in the general fund, vehicle replacement fund and workers compensation fund and is currently being used as general revenue to cover general expenses. Because the principal payment transaction needs to reduce the payable and the receivable, there is no income statement impact – (no revenue or expense recorded, just a reduction of the payable and receivable) therefore these funds would not be available to be spent.*

*At the close of each year, the assigned fund balance is reduced, and the unassigned (or available) fund balance is increased to reflect the reduction of the receivable. For that reason, we included these funds as funds available yearly to help reduce the deficit. It is RDA excess TOT funds*

*paying off a loan and since the loan will be paid on for at least the next 10 years, we consider these funds on-going in the near term and will use them to pay for on-going expenses.*

21. Regarding the TOT delinquencies: How do you account for these potential receivables? Is there a “bad debt” account? Interest is added to delinquent TOT, but where is the interest accrued? Is it included anywhere in revenues?

*Collection activity on delinquent TOT accounts is very complex and time-consuming. Staff uses various techniques to collect this tax which is paid by lodging guests and collected on the City’s behalf by lodging operators. Collection efforts may include a property lien, filing of a criminal lawsuit, filing in Small Claims Court, a claim in escrow, a claim to the State of California against a refund of personal income tax, etc. Some collection action is the result of the lodging operator disputing the amount owed while other times the operator agrees with the amount owed but has used the City’s money for other purposes and cannot pay. Staff deals with bankruptcy, foreclosure, and occasionally a monthly payment plan secured by a promissory note. Each scenario brings a unique end result; and although staff treats all delinquent accounts similarly in the earlier stages, it is a very labor-intensive process that also changes frequently during the course of collection.*

*The city does have a “bad debt” account, but it is rarely used. To do so could imply that all collection efforts have been exhausted; difficult collection accounts may take years to resolve. The most common reasons for writing off a bad debt would be a discharge through bankruptcy or an amount due that is immaterial. Each year the city’s outside independent auditors review the delinquent TOT accounts to determine if any should be written off as a bad debt or held as a receivable. TOT likely to be collected within 90 days of the city’s fiscal year end is reflected in accounts receivable. However, to record a receivable on collections further out than 90 days or accounts for which collection activity is still in progress and where the timing of receipt is uncertain, could incorrectly overstate city revenues.*

*Interest paid on delinquent TOT payments is posted to a revenue account in the general ledger (\$20,270 in FY 2008/2009 and over \$11,000 in FY 2009/2010 thus far). Since interest accrues monthly and the exact payment date is not known, interest is not accrued as a receivable.*