

# S. Lake Tahoe operating in the black despite TOT shortfall

By Kathryn Reed

Even though hotel taxes are down considerably because people stayed away from the barren ski slopes, South Lake Tahoe's midyear budget report was positive.



"We are living within our means," City Manager Tony O'Rourke told the council April 17. "We no longer have financial icebergs looming."

A year ago the council created a five-year budget, plus business and strategic plans designed to put the city on stable ground, improve infrastructure and move the city into the 21st century. Those measures appear to have righted the listing mother ship to put its 23,000 residents on a voyage filled with fewer rough seas.

While the city is not financially out of the woods because it is dependent on tourism and many properties are bank owned, O'Rourke believes the bottom has been reached and things are on the upswing.

"We need to continue to make an investment in the community," O'Rourke said.

That is why \$ 3 million is being put into a capital improvement program reserve. This is coming from the city's undesignated reserve fund. That pot of money per city ordinance is to be at 25 percent of the general fund and has

grown to about 36 percent – thus the reason money can be reallocated.

South Tahoe's three main sources of income are property tax (22 percent of the budget), TOT (16 percent), and sales tax (11 percent).

MaryAnne Brand, interim director of finance, said projections in property taxes are for growth to be 1.5 to 2 percent each of the next five years.

But she told *Lake Tahoe News* after the Tuesday meeting, "It's a moving target, it's so volatile, but no major changes are expected."

A chunk, though, of property taxes that could go away in two years is what's being collected from the would-be convention center site. Through the Teeter law the city for five years is entitled to its \$350,000 worth of property taxes from the county even though the owners are not paying their bill. Technically, now the successor agency to the Redevelopment Agency receives that cash. It goes to pay debts associated with redevelopment.

The drop-in visitors to the area during the winter have reduced the projected hotel tax by \$298,000. The dissolution of the Redevelopment Agency compounds the lack of projected TOT to date to \$573,000.

Councilman Tom Davis, who is part owner of Tahoe Keys Resort, said bookings for the three summer months are higher than a year ago. This could swing the TOT pendulum in the other direction.

With the dissolution of the Redevelopment Agency per state order, the city received a little more than \$1 million from the housing segment to be used in the general fund. This money is offsetting the losses in the 2011-12 budget so there is a temporary surplus of \$145,029.

This “extra” cash also compensates for the loss of \$278,000 in projected income from beach parking. That plan was derailed earlier this year.

Changes in expenses that were approved Tuesday include taking the savings from eliminating the fire marshal position and unfreezing two firefighter positions; reclassifying the community outreach-volunteer coordinator to marketing and outreach coordinator; making the PIO the assistant to the city manager; and bumping the deputy city attorney up a rung.

O’Rourke said the reclassifications are to reflect what the people in those positions are actually doing.

Another unforeseen expense was the \$30,000 to repair the compressors at the ice rink. While a private company operates the arena, the current lease has the city being responsible for certain maintenance issues. The contract with TSE is slated to be back before the council on May 1.

**In other city news:**

- City Manager Tony O’Rourke, while having interviewed for a job in southern Oregon, told *Lake Tahoe News* it is probably not the best fit. He plans to do the job in South Tahoe for the foreseeable future.
- The old 56-acre steering committee will be reconvened in May, with topics to include El Dorado County’s desire to rename Lakeview Commons and what to do with the campground side of the project.
- The city Planning Commission approved a design change for the driveway for the Raley’s gas station because the landlord of the larger center wanted \$10,000 a month for use of their property.