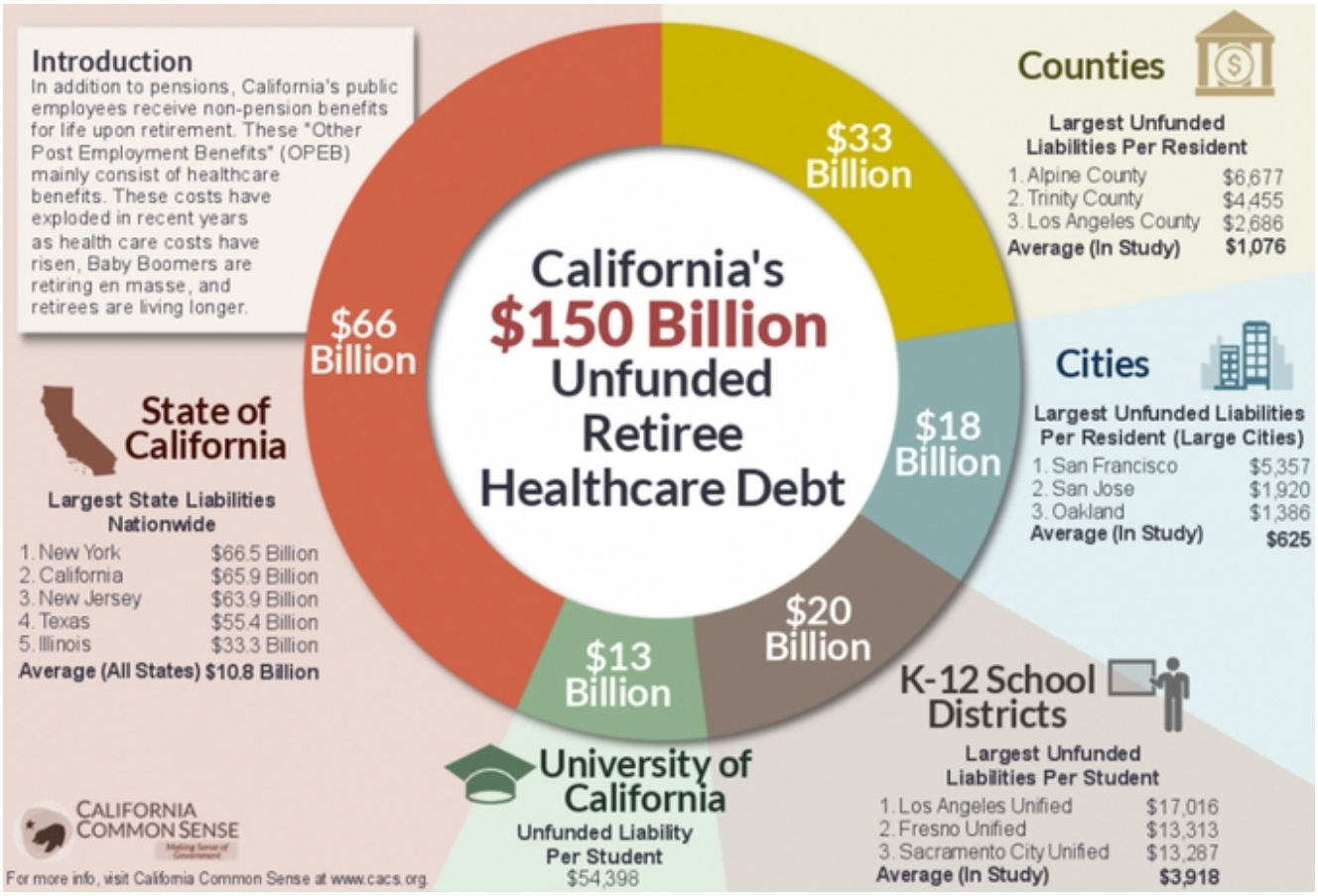
S. Lake Tahoe's midyear budget shows promise



Unfunded health care liabilities are not unique to South Lake Tahoe. Graphic/California Common Sense

By Kathryn Reed

Two budgets in one year. That is essentially what South Lake Tahoe will have.

While the City Council will go over the midyear budget a week from today, the reality is that what will be presented by staff is more like a brand new budget. This is because timing of events did not allow inclusion of the employee contracts when the 2014-15 budget was adopted last fall.

The contracts with the six employee groups include a complete overhaul of health care benefits and raises.

Those changes along with adjustments to the expense and revenue columns have created a midyear surplus of approximately $890,000. The council on April 21 will be tasked with allocating that pot of cash.

Staff is recommending $600,000 be set aside for year three of the employee contracts to pay for the raises. About $50,000 will be used for the city's 50th birthday bash. The remainder is expected to be set aside to see how the fiscal year ends. This in part has to do with the drought and not knowing if projected revenues will be forthcoming if tourists don't make Tahoe their vacation spot of choice.

However, hotel taxes through January, the last numbers available, are up 5 percent for the fiscal year.

"Last year the drought brought people up (here)," City Manager Nancy Kerry said. "This year could be different. It may be hard to get a boat in the water."

Another concern of the city is property values because they are declining. Property taxes, along with transient occupancy tax and sales tax are the three main revenue sources for South Lake Tahoe.

The county tax collector has advised the city to expect $1 million less in property taxes from the redevelopment area, Kerry said. This is because values have been adjusted. Numbers for the rest of town remain unknown. The city will cover that shortfall with money that has been set aside in the TOT trust fund for redevelopment.

Refinancing redevelopment bonds is a way the city is cutting its expenses. That should occur later this spring.

A sign the economy is doing better is the robust number of building permits being issued; with revenues up $250,000 beyond what was forecasted.

With three key changes, Kerry practically revolutionized how the budget is done and the council's role. One change is to only put in the budget what the true needs are, second is to bring more one-time expenses to the council, and the biggest change was to tackle the unfunded health care liability. One-time expenses include buying defibrillators for most public buildings, additional containers for marijuana evidence, and money to invest in economic development. When Kerry took the helm less than three years ago, the employee unfunded liability expense in the city was about $45 million. Had changes not taken place last fall, that number would now be $53 million. An actuarial last month found that the liability has been reduced by 73 percent and that in 11 years the liability will be nearly non-existent.

By changing the health care plan, eliminating retiree health benefits for employees not yet retired, and modifying coverage the city will see a cost savings of $1.5 million a year for three fiscal years starting with the current one.

"Now resources will be able to be spent on residents' needs," Kerry told *Lake Tahoe News*.

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Notes:

• South Lake Tahoe City Council meets April 21 at 9am at Lake Tahoe Airport.