O’Rourke: Revamp how SLT operates, create a clear vision

Publisher’s note: ***This completes this three-part series on South Lake Tahoe’s budget. More stories will come in the future.***

By Kathryn Reed

South Lake Tahoe’s budget is convoluted and difficult to understand. After probing by *Lake Tahoe News* started earlier this year more documents have been placed on the city’s website. This is a good first step.

Transparency, though, is still a bit elusive.

City Manager Tony O’Rourke plans to change how the next budget document looks. He wants a budget message at the front and a summary so the public can more easily discern what lies within.

Although warrants are paper clipped to the councilmembers’ agenda packets, they are not actually part of the packet. This means they are not part of that public record. Warrants are a list of checks that have been written.

Councilman Bill Crawford for years has been trying to get this practice changed, as well as to have copies available at the meetings for the public.



Tony O'Rourke

But these warrants in many ways are useless. This is because there is no record to whether the check written was for something that was budgeted. It doesn’t say what account the money came from. Nothing indicates what percentage or dollar amount of the account the money came from has been spent to date.

Without knowing if the various departments are within budget as the warrants are written, the information is as valuable as the paper it’s printed on.

O’Rourke since his arrival in early August has called for a monthly budget update to be in the council’s packet. That happened on Nov. 16, but it contained information for the month ending Sept. 30.

A case could easily be made that this is dated material, not current.

Councilmembers Kathay Lovell and Hal Cole represent the finance committee that is supposed to be working with staff. But neither has said anything about the budget at a council meeting since the 2010-11 budget was passed in August. This August approval of a budget that took effect Oct. 1 was unprecedented by a South Lake Tahoe City Council.

Ex-City Manager Dave Jinkens wanted it approved before he was out of office the first week of August.

“The budget process was highly centralized under David. It was him and the finance director,” O’Rourke said.

Not much vision

The city has seldom been forward thinking more than the end of the fiscal year. But the deficits are going to continue. Transient occupancy tax, sales tax and property tax are the three main sources of income. They are stagnant.

The Teeter Law that allows the county to keep the pass through of property tax dollars going from the convention center parcels to the city will expire in a little more than a year.

Even though hotel bookings are up going into winter, the cost of those rooms is not what they were three years ago. Full occupancy does not mean the same amount of TOT collected in years past because the price of a room night is not the same.

What does the budget look like for fiscal year 2015-16 – five years from now? No one knows because the city hasn't planned for the future.

O'Rourke is shaking things up so that last paragraph can't be written again. He has assembled 40 people to develop a five-year financial plan. Rank and file staff up to directors are part of the panel.

"We need fingerprints and DNA of staff on (the budget)," O'Rourke said. "The result is they will have greater ownership. The process should be transparent and inclusive."

This process should eliminate department heads finding out about staff reductions days before the City Council votes for them – as was the case in August.

"The City Manager [Dave Jinkens] notified the Fire Chief via e-mail on July 28, almost one week prior to the August 3 City Council meeting," Vuletich wrote *Lake Tahoe News* in reference to the freezing of a division chief's job once the person who has the position retires in January.

Strategic planning

Without goals, the budget ends up taking a shotgun approach to city services instead of being streamlined.

O’Rourke wants to convene the council that will be seated next month – with 60 percent new faces – to create a strategic plan what will be “a shared vision for the community.”

He wants to focus on a handful of goals and achieve them. From his first interviews, O’Rourke said he is results-driven. To get there he believes the city needs to change its business model.

“We need to modify the business model to reflect the priorities,” O’Rourke said. “There is a thorough lack of infrastructure. We are so deficient in curbs and gutters it’s mindboggling.

“We need to look at where we can get the money. We need to look at the expense side of the ledger, too.”

He’s well aware the city cannot be all things to all people – thus the need to create priorities. And he doesn’t want them to change on an annual basis.

A goal of his is to create a survey for staff and a separate one for the public in the next month.

“I want data to drive the decision-making,” O’Rourke.

When told the public has filled out surveys in the past only to have their wishes ignored, O’Rourke said it’s still a necessity “to make sure we are on the same playing field.”

He wants to look at the services the city is providing to the public in addition to the facilities. His face contorts a bit while mentioning the locker room at the city pool and the condition it is in. “Hideous” was the word he used.

Lahontan board approves TMDL

The Lahontan Regional Water Quality Board unanimously approved the amendment to the Total Daily Maximum Load rules.

The state board met Nov. 16 at Lake Tahoe Community College.

Board members commended staff, said they are eager to work with partners in the basin, and that the regulations are needed to ensure Lake Tahoe's clarity.

It was also said that as new science is introduced, the document would be revisited to ensure it is current.

More information about the TMDL is on Lahontan's website.

– Kathryn Reed

Refusing invasive airline patdown keeps man off plane

By Robert J. Hawkins, San Diego Union Tribune

SAN DIEGO – John Tyner won't be pheasant hunting in South Dakota with his father-in-law any time soon.

Tyner was simultaneously thrown out of San Diego International Airport on Saturday morning for refusing to submit to a security check and threatened with a lawsuit and $10,000 fine if he left.

And he got the whole thing on his cell phone. Well, the audio at least.

The 31-year-old Oceanside software programmer was supposed to leave from Lindbergh Field on Saturday morning and until a TSA agent directed him toward one of the recently installed full-body scanners, Tyner seemed to be on his way.

Tyner balked.

Read the whole story

Admission of pressure in Lakeview Commons debacle

By Kathryn Reed

“If there had not been the pressure to award the contract, I may have recommended at the August 3 meeting to continue the decision to August 17, to further review the last minute submittal by Clark & Sullivan [and perhaps had their attorney appear at the hearing to make his case].”

That is what South Lake Tahoe City Attorney Patrick Enright wrote to the City Council in a five-page memo dated Nov. 10. It has also been given to the three incoming councilmembers despite the entire Nov. 2 ballot not being certified.



Patrick
Enright

After a 50-minute closed session hearing Nov. 16 there was no reportable action. However, the participants all looked haggard when it was over.

As for the pressure, with the meeting being in closed session, the details are not public. But the vote in August came at former City Manager Dave Jinken's last meeting and this has been a pet project of Mayor Kathay Lovell's, whose term ends in less than a month.

City engineer Jim Marino and Enright were asked to defend last summer's recommendations to the council regarding awarding the bid to Reeve-Knight for the nearly $6 million Lakeview Commons project at El Dorado Beach.

It's a serious concern because a competing contractor, Clark & Sullivan, sued the city and won – meaning the judge tossed out the bid and the city must start over. The legal brouhaha has added another nearly half million dollars to the project.

Although no one lost their job or was reprimanded Tuesday, that isn't necessarily going to remain that way. A new council will be seated Dec. 14. Getting the item on the agenda worded correctly for closed session will be the key. That oversight precluded such a vote from taking place Tuesday.

Enright in his memo defends his legal opinion and advice to the council.

Enright plans to have on the Dec. 14 agenda for open session

the rescinding of the contract with Reeve-Knight – which based on the judge's decision is just a formality. The council – this would be the new one – will also consider Clark & Sullivan's bid. The council could also reject all bids.

Patrick Markham, Clark & Sullivan's attorney, was at the council meeting Nov. 16 telling the council his client is the responsive low bidder and should be awarded the bid. He anticipates resuming work May 1 and being done by October.

"With no urgency to award the Project immediately, my recommendation will probably be to rebid the Project …," Enright said in the memo. Ultimately, it's up to the council to decide which direction to go – rebid the whole thing or award the project to Clark & Sullivan.

El Dorado supes spare aging programs in $4 mil. cuts

By Kathryn Reed

By the time the meeting wrapped up after 8pm, nearly $4 million had been trimmed from the 2011-12 El Dorado County budget.

This leaves a $7 million projected deficit before the fiscal year begins July 1. That sum will be dealt with sometime next year, possibly not until June. Getting agreements from the 13 bargaining units and waiting to see what the state does are factors that will play into what the supervisors will need to do.

The Board of Supervisors heard the county's outcry to save senior services. Not a dime was taken from that budget on Nov. 15. The museum, GIS and UC Extension also all remain intact.

"The programs were spared (Monday), but they are still discretionary programs. That is not to say they are forever out of the budget discussion," explained Mike Applegarth, analyst with the Chief Administrator's Office.

The budget document shows how much was taken from which departments and what had been proposed.

Law and justice (sheriff's, probation, district attorney, public department) is losing more than $1.6 million.

Although it appears Veterans Affairs is taking a $100,000 hit, that's not entirely true. Half that amount will be offset by the state in a bill passed to increase veterans services statewide.

Applegarth said there would be no reduction in services. With an employee retiring, the county is hiring a person in the community with experience to do the vet work on an as-needed basis.

S. Tahoe paychecks don't shrink; manager perks intact

Publisher's note: ***This is the second in a three-part series on South Lake Tahoe's budget.***

By Kathryn Reed

For most municipalities, people are the biggest expense. South

Lake Tahoe is no different.

In the 2010-11 fiscal year budget, the city has 205.75 full-time positions; 61 in the police department and 40 in the fire department.

Lake Tahoe News asked the city to provide the total annual amount of money spent on salaries and total allocated for benefits. Finance Director Christine Vuletich said, "… we don't have the ability to respond that quickly to questions that require research or complex calculation."

LTN's financial consultant in 15 minutes figured out the combination of salaries and benefits in the 2010-11 budget is $32,830,145.

The issue is they are not separate entities in the budget document. El Dorado County's budget does separate out the benefits – which include taxes, medical, retirement – that can be accessed online. What the city is doing is not a universally accepted practice.

Further analysis on Tuesday by *LTN* of the 2010-11 Budget Work Papers-A shows on average about 42 percent (or $13,788,660.90) of that nearly $33 million figure is solely for benefits.

Vuletich said it would take her a week to provide *LTN* the answer.

Furlough days v. salaries

The city claims to be saving money by instituting furlough days. But that really isn't the case because employees have been getting approximately 5 percent annual raises in the last two budgets. It means their paychecks are the same as they were in 2008.

A reason to have a higher salary on the books is so when it

comes to retirement those dollars are calculated on the higher rate of pay. Had the city decided to cut pay and keep employees at full-time status, it would have hurt them come retirement.

Instead, it is the 24,000 people who live in the city who are hurt by not having the same city services as they had two years ago because staff isn't there to do the work. But residents are paying the same in taxes – just getting less.

What employees have is more time. They are working less and getting paid the same amount as two years ago.

There are a number of city employees working on their furlough day or beyond eight hours and not getting paid overtime. Those discrepancies are for the state Labor Department to resolve.

Most city employees were mandated to take two days off a month last fiscal year. That switched to three days a month this fiscal year. By closing city offices for two weeks in December and swapping furlough days like what happened last week to make for a four-day weekend with the Veterans Day holiday, the furlough days are an average of three a month, not literally three a month.

City Manager Tony O'Rourke is not a proponent of furlough days.

"We can't be in a constant state of furloughs. That is postponing the inevitable," O'Rourke said.

He believes, as do most economists, that it's a new day when it comes to finances. It's not about waiting to return to how it was, but learning to operate with less for the indefinite future.

O'Rourke wants to take a look at the structure of the city government to make sure the positions are needed and the appropriate people occupy them. He says most of the staff is

competent and an asset, but is recognizing some people are dead weight.

Some positions are at-will employees, while other workers are covered by one of the seven bargaining units. What could hamstring O'Rourke as he tries to get the staff in place he desires is the seniority rule. Eliminating a position means the person who had it can stay employed by bumping the low person on the totem pole onto the unemployment line.

Regarding personnel, an item not identified in the budget is administration time. Beyond the allotted sick days and vacation time, all directors are given 80 hours of what's call "admin time" and managers get 40 hours.

No one tracks these hours. It's not accounted for on time cards.

With revelations about the tiny town of Bell making headlines, one would think all cities – especially in California – would not be having transactions occurring off the books and under the table.

An email from *Lake Tahoe News* to O'Rourke and Finance Director Christine Vuletich said, "Can one of you tell me how the admin time works? I don't see it accounted for in the budget. I know all the directors get those 80 hours and managers get 40 a year. Can you tell me how many people this affects?"

"We will do our best to get this information to you today," Vuletich wrote Tuesday morning. She didn't come through.

Lake Tahoe News has been told by sources that admin time is essentially time-off that is given with a wink and nod. This means these people don't have to use sick time or vacation time. This means those hours on the book are increasing. They can add up to big bucks the city would be responsible to pay when someone leaves the city.

They are costing the city dollars now with loss of work. Again, this equates to taxpayers ultimately having a reduction in services.

With California essentially making “comp time” a phrase to be banned in the workplace, dealing with salaried employees’ overtime had to be addressed. They don’t get overtime like hourly workers do. El Dorado County also has a form of admin time and was able to explain it in about two minutes.

This begs questions for the city: What are you hiding? Is admin time really comp time? Or is admin time just more time off for higher ups to take whenever?

Grants pay for salaries

The general fund, the money where basic services are covered and the bulk of discretionary dollars are found, also covers salaries. But the city budget (South Lake Tahoe is not alone in budgeting this way) does not actually have the funds to pay all city employees their wages and benefits.

Depending on the worker the money may come from grants or an outside agency.

“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,” the city Finance Department told *Lake Tahoe News*.

One of those California Tahoe Conservancy projects is the stalled $6 million Lakeview Commons makeover. No staff is being laid off while that project is in limbo. Their salaries will be paid by city and CTC dollars.

The question, though, is what happens when the work resumes and goes into the 2011-12 fiscal year and the CTC dollars have

been spent? Where does the money come from to keep paying people in the Engineering Department?

The city is co-mingling all of its income, which without careful oversight can lead to fiscal mismanagement.

Grant dollars are thrown into a department's general pool of money instead of being tracked separately. For instance, the $1.5 million federal grant to deal with ridding city residences of lead paint was put into the Redevelopment and Housing budget. This makes that budget seem like it has spiked by 58 percent. There is no easy way for someone to know by looking at the budget why the increase occurred. It took the finance director to explain it.

"I have never been in any community that is so grant dependent," O'Rourke said. "I would feel more secure if could just rely on what we control for revenue."

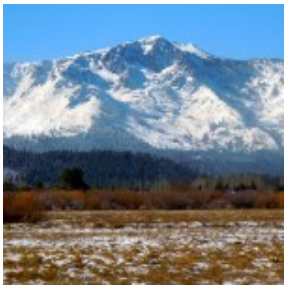
Sales, hotel and property taxes are the three main revenue sources the city has outside of grants.

Snow in Tahoe basin may be measured in feet this weekend

By Steve Timko, Reno Gazette-Journal

A storm expected to form off the coast of British Columbia today could drop several feet of snow in the Sierra and several inches in the valleys of western Nevada, the National Weather Service said.

This is good news for more ski resorts scheduled to open this week.



Mount Tallac will have even more snow in a matter of days. Photo/Kathryn Reed

There is a large area of high pressure in the central Pacific Ocean an it is creating a flow of air from Alaska to the coast of California, weather service meteorologist Brian Brong said.

“What that pretty much does is open up the door and allow cold air from Alaska to drop into the Sierras and Nevada,” Brong said.

That means stronger winds moving into the area on Thursday, Brong said. Winds could top 50 mph in the Sierra and 90 mph on some ridges.

Read the whole story

Tighter rules for puppy mills approved by voters

By Cathy Scott, Best Friends

“It’s a good day for the dogs.”

Those were the words Wayne Pacelle used when he announced to an anxious group of animal lovers that Proposition B – the Puppy Mill Cruelty Prevention Act – had officially been approved by the citizens of Missouri, sending an unmistakable message to the puppy mill industry.

“This is a tremendous victory for the hundreds of thousands of dogs suffering in Missouri’s puppy mills,” said Elizabeth Oreck, national campaign manager for Puppies Aren’t Products and representing Best Friends as a member of a coalition of animal welfare charities and organizations gathered on election night to hear the results. Pacelle, as president and CEO of the Humane Society of the United States, was at the gathering too. “The people of Missouri recognized that change needed to happen and that they are no longer willing to support this cruel and inhumane industry,” Oreck said.

With the Nov. 2 vote, life, indeed, is looking up for the puppy mill dogs of Missouri. And Missourians are one step closer to shedding their state’s reputation as the “puppy mill capital” of America. The statewide ballot initiative, which drew national attention, summarily ends substandard conditions at overcrowded commercial breeding operations.

It translates to changes for puppy mill dogs in other states too. “If it can be done in Missouri, where the problem is the most severe, it can be done anywhere,” Oreck said.

Read the whole story

S. Tahoe workers to be

questioned about Lakeview Commons

By Kathryn Reed

Will any city employee be reprimanded for the botched Lakeview Commons project?

An answer may come today. The court decision favoring the firm not originally awarded the multi-million contract is on the South Lake Tahoe City Council's agenda. It will be discussed in closed session at the end of the meeting. (The meeting starts at 9am at Lake Tahoe Airport.)

The scathing decision singles out two city employees in particular – Jim Marino from the engineering department and City Attorney Patrick Enright. Both have been asked to address the council and explain any pressure that may have been put on them from current or former city employees and/or councilmembers.



Lakeview Commons in the middle of South Lake Tahoe is indefinitely off-limits. Photo/Kathryn

Reed

Lake Tahoe News asked the five councilmembers who will be in charge of city matters starting next month whether they think anyone employed by the city should be reprimanded.

Current Councilman Hal Cole and Bruce Grego never responded to the email. They, along with Councilmembers Bill Crawford and Kathay Lovell, voted to award the bid despite flaws with it being brought up when it was approved this past summer.

Their decision not only caused the project to be stalled and the potential for it not to be completed next summer, but the city must pay for Clark & Sullivan's legal bills.

The company took issue with the bid process and successfully sued for the project to stop. The judge ruled the bid awarded to Reeve-Knight Construction is invalid.

As for the incoming councilmembers' views:

Councilwoman-elect Angela Swanson is out of town on a family emergency.

"Obviously, there were some serious problems. Just who should be reprimanded is something the current council should consider first," wrote Councilwoman-elect Claire Fortier.

Councilman-elect Tom Davis said Monday, "I have asked the city manager and city attorney for a full report. I just received this Friday – a five-page report from the city attorney. I will review it in the next few days. Any reprimand, if any at all, will have to come from the council."

To prevent such a boondoggle happening again, City Manager Tony O'Rourke is making sure the city's purchasing agent is involved in matters like this in the future.

He said he has never seen a project this size not go through the purchasing agent.

“It’s a critical role to ensure purchases of goods and services are done under state law,” O’Rourke said. He will make sure the person in the finance department is involved on the front end, not just the back.

Convoluted accounting bogs down South Tahoe budget

Publisher’s note: ***This is the first in a three-part series about the South Lake Tahoe city budget.***

By Kathryn Reed

Based on review of documents provided by South Lake Tahoe officials, including the current 2010-11 fiscal year budget, the city is deficit spending even though by state law it must have a balanced budget each year.



Deficit spending is when a government spends more money than it generates in a particular period of time.

Even the 2010-11 budget doesn’t balance. Revenues are projected to be $101,013,904, while expenses are expected to be $101,838,705.

The deficit spending is occurring because the city for several years has been moving money around without actually operating within its means. Some of this money is being taken out of the multiple reserve accounts to make ends meet. But those

reserves are a limited resource and one day could be drained if this practice were to continue.

It is a practice that will eventually backfire because it does not address the issue of expenses outpacing revenues – or living within one's means.

"The city does have sound operating reserves. It's in excess of 25 percent," City Manager Tony O'Rourke said. "But at some point you can't continue to utilize that cushion. That's why the business model has to be overhauled."

O'Rourke inherited the budget structure from his predecessor who was well known for his micromanaging. He also is stuck with the 2010-11 budget because former City Manager Dave Jinkens fast-tracked the budget through the council during his last week on the job in August.

An example of the robbing Peter to pay Paul practice is in the 2009-10 budget when $100,000 was taken out of the Redevelopment Agency budget and put into the budget for the City Attorney's Office. This was done because when Patrick Enright was hired in June 2009 he was touted as a redevelopment specialist. The City Attorney's Office's budget for that fiscal year didn't have the funds to cover doubling the number of city attorneys. The money had to come from somewhere – that somewhere being redevelopment's pockets.

Reconciling 2009-10 budget

In the Nov. 16 council agenda packet is the monthly financial statement for September 2010, the last month of the 2009-10 fiscal year – so it has nothing to do with the current fiscal year. The current fiscal year started Oct. 1. The council is not publicly being provided current financials, just 6-week-old information for a fiscal period that is already closed.

Like a personal checkbook, city financial information should be readily accessible and easy to disseminate. Presumably,

elected officials depend on this information to make timely, informed decisions. Information given to the council should be from the most current month, not weeks behind.

(They and anyone in the public has a right to this information and may request it – all are public documents.)

In the documents provided in the council packet (click on Consent 2) it shows the actual revenue in the general fund for fiscal year 2009-10 was $27,103, 362; expenses were $29,168,991. This means the general fund generated a deficit of $2,065,629.

The general fund is essentially the discretionary part of the budget.

Adding all the reported fund numbers together in the 2009-10 report the total deficit comes to $4,249,819, twice the amount for the general fund.

The staff report signed by O'Rourke and Finance Director Christine Vuletich says $2.1 million will come from "one-time un-assigned funds" to balance the budget. This is another way of saying reserves.

But in this paperwork it does not specifically say how the remaining gap will be filled. An annotation says the Capital Improvement Project fund revenues are expected to increase. Yes, after the close of the fiscal year.

O'Rourke told *Lake Tahoe News* he is trying to make changes to how the budget information is disseminated.

"We need to do more work on it," he said of the monthly report. "We need to simplify it."

CIP budget issues

However, to confuse matters more and not make it easy for the public to figure out what is going on, the last graphic on the

report to the council is dated Nov. 2, 2010, saying about $2.4 million has been added to the CIP fund.

But it never says which fiscal year these dollars will be applied to.

The CIP fund never seems to be in balance based on looking at stacks of paperwork. It's not reported concisely. It is hard to determine when and how the matching of expenses to income is occurring.

Interpreting the comments and answers received from the city it appears the accounting of CIP is done on a cash basis, while the other accounts are on an accrual basis. This distorts what is happening in the overall budget. Most businesses use one accounting method, not multiple, in order to make for clean accounting practices and a sense of transparency.

The CIP reported in the 2010-11 budget forecasts $34,524,280 in revenues and $30,805,295 in expenses. This would appear to mean there would be a surplus of more than $3.7 million in this account.

Not true, says the city.

Lake Tahoe News on Oct. 9 published responses by Vuletich to a series of questions *LTN* had asked.

Regarding the CIP, she wrote, "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.”

That answer points to using the cash basis accounting formula.

But this doesn’t make sense when the city’s three major revenue sources – transient occupancy tax, sales tax and property tax – don’t come in one lump sum either. In the budget, the dollar amounts are recognized before the money is in hand.

Proper accounting would have the city claiming the CIP dollars – whether they are from the feds, state or other grantor – in the ledger when it’s known the grant has been awarded, and as funds are disbursed for expenses in order to accurately match income and expenses. Instead, the current practice appears to recognize revenues when the check arrives.