

‘Fiscal cliff’ less of a concern in Nevada than other states

By Sean Whaley, Nevada News Bureau

CARSON CITY – The impacts of the so-called “fiscal cliff” on Nevada’s state budget would likely be less significant than for many other states because of its lower dependence on federal spending, according to an analysis by the Pew Center on the States.

The impact on state tax revenues do not apply because Nevada does not have a personal or corporate income tax, according to the report *The Impact of the Fiscal Cliff on the States*. The report examines the potential effects on each of the states.

On the federal spending cut side of the equation, Nevada’s share of federal grants subject to sequester, looked at as a percentage of state revenue, is slightly higher at 6.7 percent than the national average of 6.6 percent, and so could mean financial impacts.

But Nevada ranks well below the national average for federal spending on procurement, salaries and wages as a percentage of the state’s gross domestic product at 3 percent compared to the national average of 5.3 percent.

Nevada is also below the federal average for federal defense spending on procurement, salaries and wages as a percentage of the state GDP at 1.8 percent compared to the national average of 3.5 percent.

Federal non-defense spending on procurement, salaries and wages as a percentage of state GDP is 1.2 percent in Nevada compared to 1.8 percent nationally.

These numbers cited in the Pew report are all based on 2010 information.

And federal non-defense workforce as a percentage of total employment in the state is 0.9 percent in Nevada compared to 1 percent nationally, based on 2012 data.

But the Pew analysis notes: "The general economic slowdown that could result if the full fiscal cliff were allowed to take effect would likely overwhelm any of the separate impacts."

The report, released Nov. 15, comes as Nevada Gov. Brian Sandoval is finalizing his 2013-15 state spending plan, which will take effect on July 1, 2013.

The impact of the federal fiscal cliff is just one more variable that could affect Nevada's general fund budget. Another is expanding Medicaid to a new group of eligible state residents. Sandoval has not yet announced his decision on whether to support the expansion, which would be paid for nearly entirely with federal funds in the first few years.

"The Budget Division is currently evaluating the impacts of sequestration on federal funding to the state of Nevada," said Director Jeff Mohlenkamp in a statement. "Specifically, we are researching reductions that would have direct impact on services to citizens. Some federal reductions may eliminate the resources to provide services but not eliminate requirements to maintain service levels. The potential for this type of unfunded mandate is of particular interest to the Budget Division as we prepare the budget for FY 2013-2015.

"There is a great deal of uncertainty surrounding other elements of the 'fiscal cliff,'" he added. "We understand the possible implications on the larger economy. At this point, we cannot speculate further as most of the critical decisions have not been made."

The Pew report on the fiscal cliff says that federal grants to the states constitute about one-third of total state revenues, and federal spending affects states' economic activity and thus their amount of tax revenues.

Roughly 18 percent of federal grant dollars flowing to the states would be subject to the fiscal year 2013 across-the-board cuts under the sequester, according to the Federal Funds Information for States, including funding for education programs, nutrition for low-income women and children, public housing, and other programs.

Because states differ in the type and amount of federal grants they receive, their exposure to the grant cuts would vary. In all, the federal grants subject to sequester make up more than 10 percent of South Dakota's revenue, compared with less than 5 percent of Delaware's revenue.

Federal spending on defense accounts for more than 3.5 percent of the total gross domestic product (GDP) of the states, but there is wide variation across the states. Federal defense spending makes up almost 15 percent of Hawaii's GDP, compared with just 1 percent of state GDP in Oregon.

The fiscal cliff, a series of expiring federal tax provisions and scheduled spending cuts, are set to take effect in January unless Congress reaches agreement on a deficit-reduction plan.

Scheduled tax changes account for roughly four-fifths – or \$393 billion – of the total amount of the fiscal cliff. The scheduled spending cuts account for \$98 billion – or about one-fifth – of the federal budget impact of the fiscal cliff. Over half of this amount is due to sequestration required under the Budget Control Act of 2011.

“To understand the full cost and benefits of proposals to address the fiscal cliff, policy makers need to know how federal and state policies are linked,” said Pew Project Director Anne Stauffer. “The implications for states should be

part of the discussion so that problems are not simply shifted from one level of government to another.”

If the full force of the fiscal cliff is realized, the federal deficit would be reduced by \$491 billion, the Pew Center analysis says. However, the Congressional Budget Office has projected that the entirety of the fiscal cliff would be a major driver of a general economic slowdown in 2013. Such an outcome would likely negate the more specific, separate impacts described in the analysis.

“Given the uncertainty about whether any or all of the policies in the fiscal cliff will be addressed temporarily or permanently, it is important to understand that the effects of the different components will vary across states,” Stauffer said.

DiMatteo indicted on federal charges; S. Tahoe never did background check on pot club owner

By Kathryn Reed

Gino DiMatteo has been indicted by a federal grand jury on three drug charges.

The grand jury had been looking into DiMatteo for longer than the city of South Lake Tahoe has allowed medical marijuana dispensaries to operate within its borders. The federal investigation was between June 1, 2009, and Sept. 5, 2012,

with the indictment being handed down Nov. 21.

DiMatteo operated City of Angels II collective until this summer when he had to close shop because his landlord wanted him out and the City Council would not allow him to move his operation. Since then he bought Push Fitness.



Gino DiMatteo

Right now he is sitting in a Sacramento jail awaiting a bail hearing set for Nov. 26.

The indictment reveals DiMatteo was convicted in January 2002 in New York of conspiracy to distribute marijuana.

No one with a felony conviction was supposed to receive a permit by South Lake Tahoe officials to operate a medical marijuana collective.

When DiMatteo was arrested in August on state charges the documents included reference to a felony weapons charge from 1999 in New Jersey. At that time city officials believed the reason that charge did not turn up in their search was that DiMatteo also goes by Sergio Franco Ottomanelli.

Names can change, but fingerprints don't; so that logic was suspect.

Lake Tahoe News has since learned that the city does not have DiMatteo's prints.

"We did have a checklist. We did not have checked off the criminal history review," Police Chief Brian Uhler told *Lake*

Tahoe News. “We dropped the ball. I don’t have any other way of putting it.”

DiMatteo did go in to have his prints run. But he outsmarted officials by having the number at the top of the paperwork go to some obscure firm instead of back to the city, Uhler said.

Ultimately it is the city manager who issues pot club permits. That would have been Tony O’Rourke in this case.

“I was told those applicants were screened,” O’Rourke told *Lake Tahoe News*. “Yes, I was ultimately responsible. When I signed off it was based on everything being reviewed and consistent with requirements.”

Clearly, that was not the case. And clearly O’Rourke did not review the checklist and instead went with what he was told, not with the facts.

What is not known is why the city attorney would allow the city manager to sign the permit without everything being in order. City Attorney Patrick Enright did not return a phone call.

While it’s possible DiMatteo would still be in trouble with the feds because they were looking at him before he set up shop in South Lake Tahoe, had the city done its due diligence and all the players done their jobs accurately, the resulting chaos involving Councilwoman Angela Swanson would not likely have been an issue. This is because DiMatteo would not have had a business from which to make a donation to a nonprofit she is affiliated with.

Swanson got caught up in the DiMatteo matter in August when the El Dorado County District Attorney’s Office charged DiMatteo with bribing a public official – Swanson. While the charges against DiMatteo have been dropped, the DA says he is still investigating city officials and keeps Swanson on a yo-yo in what appears to be a game of politics.

The three counts leveled against DiMatteo in the indictment are conspiracy to manufacture and possess with intent to distribute marijuana; possession with intent to distribute marijuana; and manufacture marijuana.

If DiMatteo were convicted of at least one of the offenses, he would have to give up all his property deemed to have been associated with or bought by money from drug transactions.

If convicted on three counts, DiMatteo could face 60 years to life in prison and fines of more than \$30 million.

Rob Woelfel, DiMatteo's attorney, was not available for comment.

Nevada Fire Safe Council files for bankruptcy

By Kathryn Reed

The beleaguered Nevada Fire Safe Council has filed for bankruptcy.

Lake Tahoe News in July 2011 first reported about the agency's financial difficulties.

Documents filed this week with the bankruptcy court in Reno show the agency has liabilities up to \$10 million.

A Dec. 27 meeting has been set in Reno for creditors to meet with the bankruptcy judge.

Creditors range from individual homeowners who were supposed

to be refunded money for tree removal work via a Nevada Fire Safe Council grant, to private tree service companies, to fire departments, to the U.S. Forest Service. And most live and or do business in the Lake Tahoe Basin.

Earlier this year in a report the U.S. Department of Agriculture's Office of Inspector General found that NVFSC violated several federal regulations, including commingling federal grant money with other funds, allowing one person to be in charge of all aspects of managing the grant money and not conducting annual audits.

The council stopped doing business in the spring.

S. Lake Tahoe to begin searching for city attorney

By Kathryn Reed

On a morning that started out with Mayor Claire Fortier giving the State of the City address – looking back and forward – the big news of the day didn't come until staff comments.

South Lake Tahoe will have a new city attorney by summer, if not sooner.

Patrick Enright during his comments at Tuesday's City Council meeting said he would not ask his bosses to renew his contract that expires May 31. He had presented them with a letter regarding his intentions prior to his public announcement.

The council in October had a closed session item on the agenda

to give Enright a performance review. That never came about. But the council also did not offer him a contract extension.



Patrick
Enright

“It had to be up to Patrick what he wanted to do. He made the decision not to get his contract renewed,” Fortier told *Lake Tahoe News* after the Nov. 20 meeting. “I think Patrick had a lot of huge issues to face as city attorney. What a grueling job.”

Enright was not available for comment after the meeting.

He was hired in 2009 to be the city attorney who would focus on redevelopment, while Jacqueline Mittelstadt was hired to do much of everything else. Mittelstadt resigned in March 2010 after a contentious few months.

The idea when they were hired was that they would provide a one-two punch. That never materialized.

Enright, while never accused of wrongdoing per se, has made some questionable legal decisions that have hurt the city financially or given it a bit of a black eye.

There was the first contract with Lakeview Commons that ended up in a lawsuit and the project needing to be rebid; questions about privatizing the ice rink and how the bonds worked; a dust-up over the concessionaire agreements at city beaches; questionable advice given regarding the ongoing South Tahoe Area Transit Authority lawsuit; and ongoing issues with the

successor agency involved with dissolving redevelopment.

It's expected the council will decide soon whether it wants to hire an outside firm to recruit the future city attorney of South Lake Tahoe or if staff will do it.

"I'll figure out the costs and make some recommendations. We are capable of conducting a recruitment," City Manager Nancy Kerry told *Lake Tahoe News*.

The letter Enright gave the council says he could leave sooner than May 31; it will depend on where he goes next.

Fortier in her address to a packed room let it be known she would like to see some changes to the council. She wants electeds to be paid a livable wage so it would provide for a more diverse council.

In other action:

- On a 3-2 vote, with Councilmen Tom Davis and Bruce Grego in the minority, the parking permit idea for certain areas was scrapped, but meters will go up in select areas of town.
 - Community Services Officer Bob Albertazzi, who has overseen the parking program, is retiring at the end of the month.
 - Per a unanimous vote, the council has decided not to change the fire department's structure. That means beyond the fire marshal services and longstanding mutual aid response agreements, Lake Valley and city fire departments will remain separate.
-

DiMatteo remains behind bars; DA won't answer questions

By Kathryn Reed

Gino DiMatteo will be spending Thanksgiving in jail.

The South Lake Tahoe resident accused of federal drug violations had a hearing Nov. 19 in Sacramento and is scheduled to be back in court on Nov. 26 to discuss whether he will be granted bail.



Gino DiMatteo

Lake Tahoe News requested an accounting of hours and money spent on the DiMatteo case by the El Dorado County District Attorney's Office and El Dorado County Sheriff's Department. The leaders of those two departments, Vern Pierson and John D'Agostini, respectively, never got back to *LTN*.

Personnel in the county's Chief Administrators Office and Auditors Office said they are not privy to those numbers.

Pierson via press release, because that's the only way he communicates, says there is still an investigation into possible wrongdoing by South Lake Tahoe officials. He refused to elaborate.

Because Pierson's position is elected, the Board of Supervisors has no control over him. He is supposed to be accountable to the people. All the board can do is approve

that office's budget.

2 men caught with bleeding deer in vehicle

Two men were arrested this week after numerous 911 calls about blood coming out of a vehicle led officers to the suspects.

Not knowing exactly what they were dealing with, El Dorado County sheriff's deputies and California Highway Patrol officers conducted a felony stop on the SUV and detained the two occupants Nov. 18 at about 2:20pm.

Multiple law enforcement officers converged on the area and the Toyota was spotted by an El Dorado County K9 unit traveling west on Highway 50 nearing the Sacramento County line at a high rate of speed.

Officers said the the two subjects illegally shot the spike male deer with a shotgun off Ponderosa Road, and after the deer collapsed, threw it in the back of the Toyota. Shortly thereafter, while driving away, the deer regained consciousness and began struggling. One or both of the subjects used an edged weapon to stab the deer until it finally died, leaving the car and it's occupants splattered in blood, and blood dripping heavily out the back of the car, deputies said.

Scott Lee, 46, of Sacramento, and 32 year old Nai Saechao, 32, of Sacramento were arrested by Fish and Game officers on charges of violating multiple laws related to hunting,

including poaching, as well as felony animal cruelty. Both have posted bail.

– Lake Tahoe News staff report

Truckee man recovering from gunshot wound by officer

A 27-year-old Truckee resident who was shot Nov. 10 by a Washoe County sheriff's deputy has improved to stable condition, authorities said Monday.

Michael Nelson Heil remained hospitalized Tuesday in Reno.

Reno police said Heil was shot in Verdi by a sheriff's deputy who made contact with Heil during a routine patrol. The deputies name is not being released.

– Lake Tahoe News staff report

Black Friday shopping extravaganza loses uniqueness with early store openings

By Kathryn Reed

Retailers are no longer content with Black Friday; instead they are starting the holiday shopping frenzy earlier.

“Last year we lost out on this weekend. Kmart's lost out to all stores that opened early,” explained Melodie Johnson, manager of the South Lake Tahoe store.

In the past Kmart would open at 5am on the Friday after Thanksgiving. Not so anymore.

This year the general merchandise store will be open Thanksgiving Day from 6am to 4pm, then reopen that night at 8 and stay open until 3am Friday. It will be closed for two hours, before reopening at 5am.



While opening day was a big deal this month for TJ Maxx in South Lake Tahoe, Black Friday will be rather ho-hum. Photo/Tracy Franklin

While Kmart is closed employees will be restocking and changing signs. The different hours will have different specials. For instance, the first set of specials on Thanksgiving Day includes two-for-one shoe sales. The evening specials will be on clothing, jewelry and Craftsman products. Door busters start Friday at 5am.

Johnson told *Lake Tahoe News* the goal is to keep people in Tahoe instead of having them go off the hill for specials like they did last year.

TJ Maxx, which opened in South Lake Tahoe on Nov. 11, won't be any competition for Kmart because it will be closed

Thanksgiving Day.

A salesperson told *Lake Tahoe News*, “We have no specials on Black Friday because our items are discounted all the time.”

But just in case Black Friday shoppers want to start early, the store will be open at 7am and won’t close until 10pm.

Apricot Lane in the Heavenly Village “isn’t doing anything crazy for Black Friday,” a saleswoman said, but to capture holiday shoppers a three-day sale begins Wednesday. And the store is open Thanksgiving Day.

Targets and Wal-Marts everywhere, including the Carson Valley, are opening earlier on Thanksgiving than last year – 9pm for the former, 8pm for the latter.

The National Retail Federation predicts consumers to spend \$749.51 on gifts and other holiday items this season. A year ago, \$740.57 was spent per person. This would mean holiday sales for 2012 would total \$586.1 billion – an increase of 4 percent for 2011.

This does not include online purchases. Forrester Research believes online sales will be up 15 percent over 2011 levels to total \$68.4 billion. Cyber Monday – the Monday after Thanksgiving – is usually the big day for online retailers.

STPUD employees receive pay raise, change to health care

By Kathryn Reed

Most South Tahoe Public Utility District employees, including managers, are making more money.



The board of directors this month unanimously approved a four-year contract for the union and two-year for management that is retroactive to July 1. Union members received between a zero and 13.31 percent pay hike, while the management group increase was between zero and 14.1 percent. About two-thirds of the 92 union employees received a raise.

The increases are based on a survey of 14 other agencies. STPUD uses the median to base its salary scale.

The last raise was in 2009 – 2 percent for everyone. This was based on the 2006 contract that called for the salary adjustment.

The medical plan changes Jan. 1. No longer will South Tahoe PUD be self-insured. STPUD will be part of the joint powers insurance agency through the Association of California Water Agencies. Over the course of the four-year contract the district will save \$1.5 million. This savings pays for the salary increase.

District spokesman Dennis Cocking told *Lake Tahoe News* no rate increase will be used to pay for the salary changes.

“It’s a good solution when nobody is happy, but everyone can live with it. We have a good agreement,” board President Eric Schafer told *Lake Tahoe News*.

“I think some of these things are taken out of our hands like pension reform in California and the Affordable Health Care Act. We brought ourselves into compliance with those,” Schafer said. “Who knows what the state of California will do next? We know they need money. I hope it does not come from us.”

It’s likely with an aging workforce, STPUD will see more savings in terms of salary and PERS contributions because new employees will make less and have a different pension formula.

Nevada continues to grant online gaming licenses

By Steve Green, Las Vegas Sun

The Nevada Gaming Commission last week issued licenses for three more companies to compete in the state’s new intrastate online poker industry.

The Commission, meeting in Las Vegas, approved licenses for MGM Resorts International and lesser-known companies Z4Poker LLC of Las Vegas and CAMS LLC of Los Angeles.

The applications had received initial recommendations Nov. 1 from the State Gaming Control Board.

The poker approved is not video poker, but players competing against each other like they do in physical casino poker rooms.

MGM Resorts plans to put up a play-for-fun site in the coming months. This would be in addition to the myVEGAS social media site it's using in partnership with myVEGAS developer Playstudios.

Both MGM Resorts and Boyd Gaming are partnering for real-money poker with bwin.party digital entertainment plc, which may be considered for licensure in Nevada next year. If bwin is approved, MGM Resorts and Boyd could choose to go live with real-money play.

Gaming commissioners commented today that they still need to consider the bwin application and that their approvals for MGM Resorts and earlier for Boyd are independent of the upcoming examination of bwin, a big offshore poker operator known for the PartyPoker, PartyCasino, World Poker Tour and other brands.

Z4Poker is developing a poker system while also working on potential bingo and keno systems that might be offered around the country should online gaming be approved in various states.

CAMS has systems to manage online player accounts and verify the age, location and identity of players, while also preventing problems like money laundering and problem gambling.

CAMS hopes to serve the poker and lottery industries.

"Your business is important to us. The issues you deal with are important to [gaming] providers and to us," Commissioner Randolph Townsend told CAMS officials during a discussion on maintaining the integrity of online gaming by preventing cheating and other problems.

"This is where the wise guys are going to cause the hiccup," added Commissioner Tony Alamo.

With testing of poker systems still under way, Nevada poker applicants approved earlier this year were Boyd, Station Casinos LLC and the founding Fertitta family's Ultimate Gaming-Ultimate Poker brand, the Golden Nugget with casinos in Las Vegas and Laughlin, South Point Poker, Global Cash Access Holdings and Bally Technologies.

Also approved were SHFL entertainment (formerly Shuffle Master), American Casino and Entertainment Properties, PokerTrip Enterprises, NetEffect Networks, International Game Technology, Monarch Interactive and WMS Industries.