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S. Tahoe balances budget without using reserves

PUBLISHED: SEPTEMBER 13, 2013 BY: ADMIN,IN: FEATURED ARTICLES, NEWS, 14 COMMENTS

By Kathryn Reed

For the first time in five years South Lake Tahoe's budget is balanced without using reserves, cutting staff or cutting services.

The \$1 million ongoing deficit has been wiped off the books at least for the 2013-14 budget that will be presented to the City Council on Sept. 17.

"It's because we have a different budget philosophy," City Manager Nancy Kerry told *Lake Tahoe News*. "I was able to strip \$1 million from the budget."

A thorough scrubbing of the budget has been done. Budgeting is now based on expected expenses, not expected revenues. For example departments that every year budgeted \$5,000 for supplies but only spent \$2,000 will now get a line item of \$2,000 for supplies.



South Lake Tahoe City Manager Nancy Kerry reviews budget documents. Photo/Kathryn Reed

While these excesses in the past were carried over each year in the unassigned excess reserve account, it also meant the budget did not reflect true costs. This excess is on top of the 25 percent reserve the council established in 2004. (In 2003 the city had zero dollars in reserves.)

There is still a balance in this excess reserve account. The city has allocated \$700,000 from it to buy a building and vacant parcel in the industrial area with the goal of moving the fleet yard on Rufus Allen Boulevard there. This in turn would provide more recreation opportunities in that area. The property is in escrow.

The city's total budget is about \$90 million, with approximately \$30 million being the general fund. The general fund is where payroll and the day-to-day bills get

paid.

About \$20 million – or 64 percent – of the general fund pays for salaries, pensions, health care and other benefit costs. Police services cost the most, taking up 27 percent of the general fund, fire at 15 percent, and public works-general government at 8 percent.

Kerry said it makes sense for the city's greatest expense to be people because the city is in the business to provide services to the public and it takes people to provide those services.

While revenues are doing better, the approach is to be conservative and have a true midyear review in March. If there is "extra" money, then the council can decide if it wants to hold onto it or spend it.

The council will be asked to start thinking now about what it would want to do if it even had a small pot of cash like a couple hundred thousand dollars to spend in six months. Public input will be sought how to spend that money.

Not everything costs millions of dollars. A few years back the city spent about \$30,000 to put in the popular dog park.

Hal Cole and Brooke Laine are on the council's budget committee. Their ideas include dedicating money to improve the look of Highway 50, putting a percentage toward recreation infrastructure, and money for roads.

"We need to look at our core values and needs," Laine told *Lake Tahoe News*.

She would rather have the discussion early about what to do with "extra" money than wait. This allows for a more thoughtful discussion.

What Kerry is proposing is to change the way the city operates. Instead of spending everything in the good years and struggling in the lean years, be prudent every year. This also means using the public's money for public projects – this includes infrastructure, recreation and then people.

"Employees need to realize that investing in the public is investing in themselves," Kerry said.

That doesn't mean the employees aren't being considered. In the budget is money for a full time fire chief, after having funded this position on a part-time basis the last fiscal year.

Property, hotel and sales taxes are the city's three main revenue sources.

Property taxes have taken a serious hit as the value of housing has gone down. However, the median price of a single-family residence in South Lake Tahoe has increased 23 percent from July 2012 to July 2013. The city is forecasting 1 percent to 2 percent increases in property taxes through 2018.

While occupancy has been higher at South Shore hotels for the past two summers, national indicators are that the economy is still sluggish. That is why the city is not banking on transient occupancy taxes dramatically increasing. But they are on an upward momentum. The budgeted increase is 1 percent for a total of \$4.85 million.

The expenses that are nearly crippling the city are what it has to pay for employee pension and health benefits. And that doesn't even take into account the city's \$53.6 million unfunded pension liability or \$45 million unfunded health care liability.

The city pays \$3.6 million a year into the California Public Employee Retirement System. As of Oct. 1, 2012, all employees pay their share of PERS – which ranges between 7 percent and 9 percent of their salary.

Public entities are not allowed to change the formula for current employees. This must be done by the Legislature. Change is slow, and what change has occurred affects new hires who have not been part of CalPERS before. And it is not reasonable for entities to abandon CalPERS.

Kerry is proposing the adoption of a pension trust fund to help balance the good and bad investment years. This philosophy has a lot to do with seeing the employer rate jump 155 percent from 2004 to today.

"The real problem is health care," Kerry said.

There are 785 people receiving health benefits from the city. Only 170 of them are active employees. Half of that total number never worked for the city. This is because years ago a city manager thought it a good idea to give spousal benefits to retirees that continued even after the employee died.

The city is self-insured. This means it pays all the medical bills. It comes out to more than \$4 million a year. (This is 13 percent of the general fund.) Employees don't pay any sort of monthly premium for their health care. They have a \$750 deductible with a maximum annual payment of \$4,000.

To begin to solve the problem the city is having Medicare-eligible retirees use Medicare supplements as their secondary insurance rather than the city's plan as their secondary insurance; the goal is early retirees who are not 65 will be able to have health plans through the Affordable Health Care Act; and the city will look at options that could include having a provider and not being self-insured.

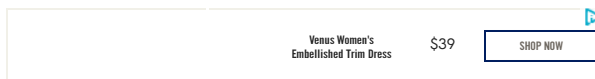
Kerry warns that without those three changes the city may have to only offer catastrophic health care benefits.

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This is a copy of Kerry's [budget message](#) that will be discussed Tuesday at the council meeting, which starts at 9am at Lake Tahoe Airport.



[Previous post : Being grateful is changing the world](#)

[Next post : Festival expands beyond just Kokanee](#)



Comments

Comments (14)



tahoe Pizza Eater says - POSTED: SEPTEMBER 13, 2013

HEY NANCY KERRY ! I have read your report above and find it very informative. I have no ideas to provide towards the health insurance costs. I wish I did. I liked your new change towards providing money for what is spent, not for what is budgeted. What I want addressed is the run down properties in various neighborhoods that have become eyesores. These properties often violate city codes when their occupants discard unwanted old furniture, mattresses, appliances, or other trashy items within public view of city streets. Garbage cans are required to be kept out of sight. My understanding of the city codes is that placing an old sofa in a front yard, within view from a city street, can and should be considered a code violation. Am I correct ? Within this week there was a discussion here in this forum about the craft fairs. A number of people strayed from the subject and expressed concern about trashy looking homes and apartment buildings. If I am correct, I want the city code officers handing out citations without waiting for complaints to come from nearby residents. The reason that some people don't call and report code violations is that they don't know a city code is being violated, or they don't want a neighbor to learn who reported them. It is bad policy to wait for a complaint before taking action. If our neighborhoods were free of these eyesores property values would improve. I, for one, want the city code officers to enforce the applicable codes. Some homes look like junk yards. When occupants of homes and apartments put their refuse out on public display, photograph the violation, and cite them. Please don't wait for complaints. This city could be a better place with consistent code enforcement.



Kevin Chandler says - POSTED: SEPTEMBER 13, 2013

Nancy Kerry is the best City Manager this town has ever had. She is doing an exceptional job.



Atomic says - POSTED: SEPTEMBER 13, 2013

Nancy, this healthcare issue is a real problem. We simply cannot afford this policy of covering all these people who have never even worked for the city.

How is it that private companies can make changes and discharge some of these healthcare costs to stay in business but we the city have to maintain these crushing policies which were enacted in a never never land mentality?

Also, I totally agree with pizza eater. Trash violations need to come down hard and without dancing around the issue. It is our right to not have our neighbors junk be a part of our lives, or our town. We can do better on this.

Lastly, thank you Nancy for being a real bright spot at the city.



A.B. says - POSTED: SEPTEMBER 13, 2013

Hats off to Nancy Kerry for having the fortitude to tow the line on fiscal matters. She should be commended for her efforts.



bronco billy says - POSTED: SEPTEMBER 13, 2013

well, atomic, the reason there is no discharge or adjustment of these healthcare costs seems to me to be rooted in the ridiculous power wielded by public unions, which apparently can continue in perpetuity forcing a never never land playing field at taxpayer's expense...



tahoe Pizza Eater says - POSTED: SEPTEMBER 13, 2013

HEY ATOMIC and BRONCO BILLY We all seem to agree that Nancy Kerry is pulling the city budget into shape. Atomic, I think you are right about the health care problem. The unions have successfully negotiated super health care packages for the government employees. This is our major problem, and this has been a major problem in many U.S. cities. So do we stand up to the unions and stop this unreasonable demand placed upon our city government. Other cities have. If we do, we may have to deal with striking city workers. Who out there would want to risk a strike to change the structure of the city health care benefits ? Does any one have a solution I'm not considering ?



reloman says - POSTED: SEPTEMBER 13, 2013

How about getting health insurance plans that are Health Savings Accounts eligible. These have high deductibles but the city can fund the accounts. These type of policies have a tendency to keep premiums down.



BijouBill says - POSTED: SEPTEMBER 13, 2013

If we would be smart enough to join the rest of the industrialized world and provide some form of single-payer health coverage for all our citizens all these problems would eventually disappear. But that would require people who have been wrong about this issue for decades to admit it.



tahoe Pizza Eater says - POSTED: SEPTEMBER 13, 2013

HEY RELOMAN -- Now that's a constructive suggestion ! Should city counsel explore your idea? Understand, the city employees would likely resist the change. But they'd resist any change, so we shouldn't worry about that. It's your idea. Run it by Nancy Kerry and get her opinion. You might gather information first. Then call her. Before a change is made the current contract has to expire. We should prepare a new plan before crunch time. We got into this mess because a city counsel was not watching out for our interests. Maybe we should watch out for our interests.



A.B. says - POSTED: SEPTEMBER 13, 2013

"...we may have to deal with striking city workers."

And what would be wrong with fewer government workers?



Chief Slowroller says - POSTED: SEPTEMBER 13, 2013

I find it interesting that there is no mention of the Redevelopment Debt

Redevelopment is the reason that the City has been struggling since 1989

prior to 89 the City was Fat with Cash



dryclean says - POSTED: SEPTEMBER 13, 2013

scrubbing the budget is business 101. Should have been done years ago. I believe Nancy heard this basic business tactic from one of the candidates during the last election. No matter, good for her.



Scott Blumenthal says - POSTED: SEPTEMBER 16, 2013

Art fixes eyesores and blight...just saying.



sandsconnect says - POSTED: SEPTEMBER 16, 2013

Wow, groundbreaking. We did this stuff in the private sector after 9/11 jeez!

Anyway thanks for getting it done.
