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Opinion: Growing the economy is a necessity

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By Nancy Kerry

On June 17, 2014, the City Council held a workshop regarding the city's five-year financial forecast and the overall economic forecast for the local community. While the forecast has improved, we need to attract substantial capital investment over the next 10 years to grow the economy, meet the community's needs and fund projects protecting the natural environment.

Like most state and local government agencies, the city's revenues are dependent upon a thriving local economy and upon the housing market (property taxes) to fund essential public services. Additional services and capital investment require additional revenues. As a result of the Great Recession the city's revenues dropped sharply in 2008. By 2010, the city's five-year forecast projected \$3 million deficit *annually*, which would have drained the city's reserves within a few years and could have driven the city into bankruptcy.



Nancy Kerry

It is July 2014 and that *did not happen*. The city is solvent, midway through its first balanced budget in more than five years and closed out last year with positive cash flow.

How did such a transformation in the city's finances occur in a few short years? In 2010, the City Council changed its course and set sail to establish a local government living within its means. To reduce the majority of expenses, the city eliminated 30 percent of its workforce and focused on delivering quality *core* services to the community. Since 2011, the city has held the line on expenses to the best of its ability, with the exception of skyrocketing pension and health care costs. City employees agreed to changes in health care benefits and reductions in pay ranging from 7 to 9 percent.

Simultaneously, the City Council began heavily investing in streets, roads and infrastructure such as the Harrison Avenue project, local street improvements, Bijou stormwater project, Linear Park and more.

Although these capital investments create a strain on the city's limited financial resources, the community investment is worth the risk. Locals and visitors alike expect the built environment to more closely mirror Tahoe's world-class natural environment. Yet much of the built environment lags far behind the pristine natural beauty of Lake Tahoe.

The City Council's decision in 2010 to change course by significantly reducing expenses while concurrently investing in capital was a risk worth taking. If those difficult decisions during very tough economic times had not been made, Harrison Avenue and other projects would not be under way today.

Capital investment makes a difference. We need \$15 million in public and private capital investment for the next 10 to 15 years to construct the improvements necessary to grow the economy and protect the environment. At first thought, setting a goal of \$150 million may seem unattainable. However, *we are already 20 percent toward that goal* in this year alone: Over \$32 million in public and private capital is being invested in the community through the Harrison Avenue, the Bijou Project, and Chateau project. Another \$5 million to \$10 million in private projects are also under construction in the city.

Clearly, we can attract capital investment. What we need is to more adequately welcome and assist those who want to invest their capital in the community. Government must remove regulations impeding redevelopment of antiquated buildings to encourage modernization, which will benefit the environment and the economy. Growing the economy and protecting the environment are not exclusive goals, but there is a delicate balance. We cannot pursue economic development at the expense of the environment and we cannot protect the environment at the cost of suffocating the economy. When one fails, both fail. Government agencies are the primary funding source of environmental projects. In order to fund those projects, the economy must be thriving beyond the revenues needed for essential public services.

Working together we can develop solutions to welcome capital investment, which will raise the top line across all sectors. As revenues increase, investment in the community will provide long-term sustainability for the next generation. Lakeview Commons was originally just an idea advanced through strategic and visionary leadership. When combined with community engagement and capital investment, we now have a wonderful public facility enjoyed by all.

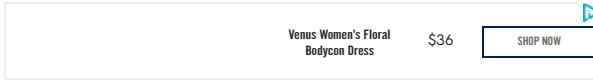
What's next? How can we attract community investment and retain and support local businesses? Your voice is important to the discussion, as are the ideas of your friends, neighbors, and those from a generation behind you because it's their future we are planning for and what we invest in, *they will inherit*.

Nancy Kerry is the city manager of South Lake Tahoe.



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Comments

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BitterClinger says - POSTED: JULY 15, 2014

Very refreshing op ed by Ms. Kerry.

The solution is glaringly evident – lower regulatory burdens, less taxation and limited government is a time proven formula.



CJ McCoy says - POSTED: JULY 15, 2014

Yes,

I agree with you Ms. Kerry, growing the economy is the solution. I also agree with BitterClinger – the best solution is to get the government out of the way and out of the marketplace.

The government should regulate the markets but limit it's participation in the markets to the best degree possible. The city should not be involved in the development projects. The City should instead be ensuring a fair and level playing field where the rules and opportunities exist for all.

Government involvement creates crony capitalism. SLT and El Dorado County history is clear evidence of that fact.

Before I hear the arguments... Exceptions do of course exist. Military Defense, border security, space exploration, and public utilities required much more investment than the private sector could coordinate. These are areas where government must lead and participate but it also must adapt to changes. Many public utilities for instance today need less monopolistic protections then they did in the past during the build out stages.



4-mer-usmc says - POSTED: JULY 15, 2014

"Government must remove regulations impeding redevelopment of antiquated buildings to encourage modernization, which will benefit the environment and the economy." "Like most state and local government agencies, the city's revenues are dependent upon a thriving local economy." "How can we attract community investment and retain and support local businesses? Your voice is important to the discussion, as are the ideas of your friends, neighbors, and those from a generation behind you because it's their future we are planning for and what we invest in, they will inherit."

The balance between government and business is extremely delicate. Oftentimes people think that government is supposed to grow the economy but in actuality most local governments don't have the resources and they rely on the economy and the success of their local businesses for the revenues they need to provide services and make community improvements. If our City gets the majority of its revenue from property tax, sales tax, and TOT, then two out of those three revenue sources are wholly dependent on what local business operators do in the operation of their enterprises to generate revenue for themselves and ultimately for the City in the forms of sales tax and TOT. As Prop P showed some of our local citizens are against the City charging user fees to generate revenues for maintenance and/or improvements so it falls to our local businesses to maximize their opportunities for making more money for themselves and ultimately for our City.

I agree that capital investment is crucial if this community is to be improved and prosper and think people who continually criticize the City should respond to Ms. Kerry's invitation to add their voice to a discussion seeking solutions instead of just limiting their actions to critical blogging on this site. Now is YOUR time to make a positive difference.



Irish Wahini says - POSTED: JULY 15, 2014

I hear Salt Lake City is the fastest growing city economy right now.... Maybe South Lake Tahoe could look closely at the formulas used by other cities that have made economic turn-arounds and/or increased their success levels. We don't have all the elements of a city like Salt Lake City (airport, etc.), but we have the elements of many other smaller cities that have been reinvented and revitalized successfully.