



# Financial Planning and Community Investment

Background Materials Provided  
for Discussion

City Council Study Session  
Feb 2, 2016

# Study Session

## The City's Roles and Responsibilities

- In 1965, the City was formed to provide “police, fire and snow removal”
- Since then, the City's roles and responsibilities have expanded over time due to:
  - Visions, goals and priorities of community members and leaders
  - Community needs and interests
  - Impact of increasing number visitors to the south shore
  - Unfunded state and federal mandates
  - State budget impacts to local government
  - Exponential rise in annual operational costs (personnel to materials)
  - Environmental regulations:
    - 1977 expansion of the Clean Water Act and subsequent implementation
    - Stormwater / water quality regulations NPDES (EPA) (Lahontan) and other federal governmental regulations requiring the City to invest **substantial financial resources**
    - Eg: \$18M Bijou Stormwater project

# Study Session

- **5 years of strategic decision making:**
- City is living within it's means; resolved budget deficits, reduced unfunded liabilities and invested nearly \$60M in capital
  - ❖ However, the need for consistent long-term funding solutions is clear
- **2012-2014 Street Rehabilitation & Replacement Priority**
  - ❖ City borrowed \$7.1M to invest in roadway rehabilitation projects demonstrating the impact of such a large investment in streets
- **City substantially invested in planning for the future**
  - ❖ Parks, Trails & Recreation Master Plan & Airport Master Plan
  - ❖ Tahoe Valley & Tourist Core Area Plans; General Plan Update
  - ❖ Business & Strategic Vision and Plans
- **City invested in Asset & Facility Management Programs**
  - ❖ 2014 presented with need to adequately assess streets, facilities & fleet
  - ❖ Assessment is updated on project-by-project basis



## Update from Public Works

Streets, Infrastructure & Facilities:  
infrastructure assets do not remain in  
a static condition:  
they are either declining or improving



# IMPROVING THE BUILT ENVIRONMENT THROUGH ASSET MANAGEMENT AND STRATEGIC PLANNING



# Improving the Built Environment

## *Goals and Objectives*

- Inspect, document, and analyze the current condition of all major assets
- Establish baseline condition index scores (ratings) for major capital assets
- Develop asset maintenance and capital replacement budget priorities that partner directly with Strategic and Business Plan priorities
- Develop long term programs to begin reversal of accumulated deferred maintenance obligations
- Develop long term plans for realization of Community Investment Projects derived from Regional, Area, and Master Plan Documents

# Improving the Built Environment

## *Capital Improvement Plan Categories*

- **CAPITAL REPLACEMENT PROGRAM (CRP)**
  - Replacement of assets in kind
    - Vehicles & Equipment
    - Facility Infrastructure & Components
    - Roadway and Transportation Elements
    - Communications/IT Equipment
- **COMMUNITY INVESTMENT PROGRAM (CIP)**
  - New or significantly modified assets
    - Parks/Grounds
    - Transportation Elements
    - Civic/Public Areas/Facilities
    - Recreation Improvements
    - Development Assistance
- **ENVIRONMENTAL IMPROVEMENT PROGRAM (EIP)**
  - New or modified assets improving environmental conditions.
    - Water Quality Projects
    - Air Quality Projects
    - Recreation and Access Projects
    - Scenic Corridor Projects
    - Stream Environment Zone Restoration Projects

# Improving the Built Environment

## *Capital Improvement Plan Process*

### Project Development Process

Program  
Funding

- Projects developed from Planning Documents, Environmental Objectives and Community input
- Project scoping identifies opportunities and constraints
- Rank based on City's Priorities and Initiatives
- Return on Investment (ROI) identified if any
- Operations and Maintenance (O&M) determined
- Budget/revenues by phase identified
- Financial capacity to produce and maintain project
- Project placed on Capital Improvement Plan
- Funding requested (grants submitted), etc

# Improving the Built Environment

## *Determining Priorities and Needs*

- Assess Existing Infrastructure and Operational Needs
- Assess Environmental Improvement Needs
  - *And prioritize by Threshold Benefit*
- Assess Opportunities for Regional, Area, and Master Plan Projects
- Prioritize Community Investment Opportunities by Alignment with Strategic and Business Plans and Return on Investment
- Categorize Potential Projects - Capital Replacement, Community Investment or Environmental Improvement
- Forecast budgetary needs for each project

# Improving the Built Environment

## *Priorities*

- Roadway Rehabilitation & Street Maintenance
- Fleet and Heavy Equipment Replacement
- Facilities Maintenance and Rehabilitation
- Storm Water Infrastructure Rehabilitation
- IT/Communications Maintenance & Upgrades

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# 5-year Capital Replacement Needs

Typically funded through  
General Fund revenues

# Improving the Built Environment *5-Year Capital Replacement*

If funding wasn't an issue, the City needs:

○ \$3M/yr in roadway rehabilitation	\$ 15M
○ \$1.2M/yr for Snow Removal equipment	\$ 6M
○ Facility replacement/repairs	\$3.3M
○ Fleet replacement (\$1M/year)	\$ 5M
○ Fire station upgrades	\$ 1M
○ Information Technology replacement	\$1.6M
○ Stormwater/WQ replacement needs	\$ .6k
○ Campground replacement needs	\$ 1M
○ ADA & misc replacement (\$250k/yr)	\$1.2M
○ Bike path replacements/repairs	\$ .3k

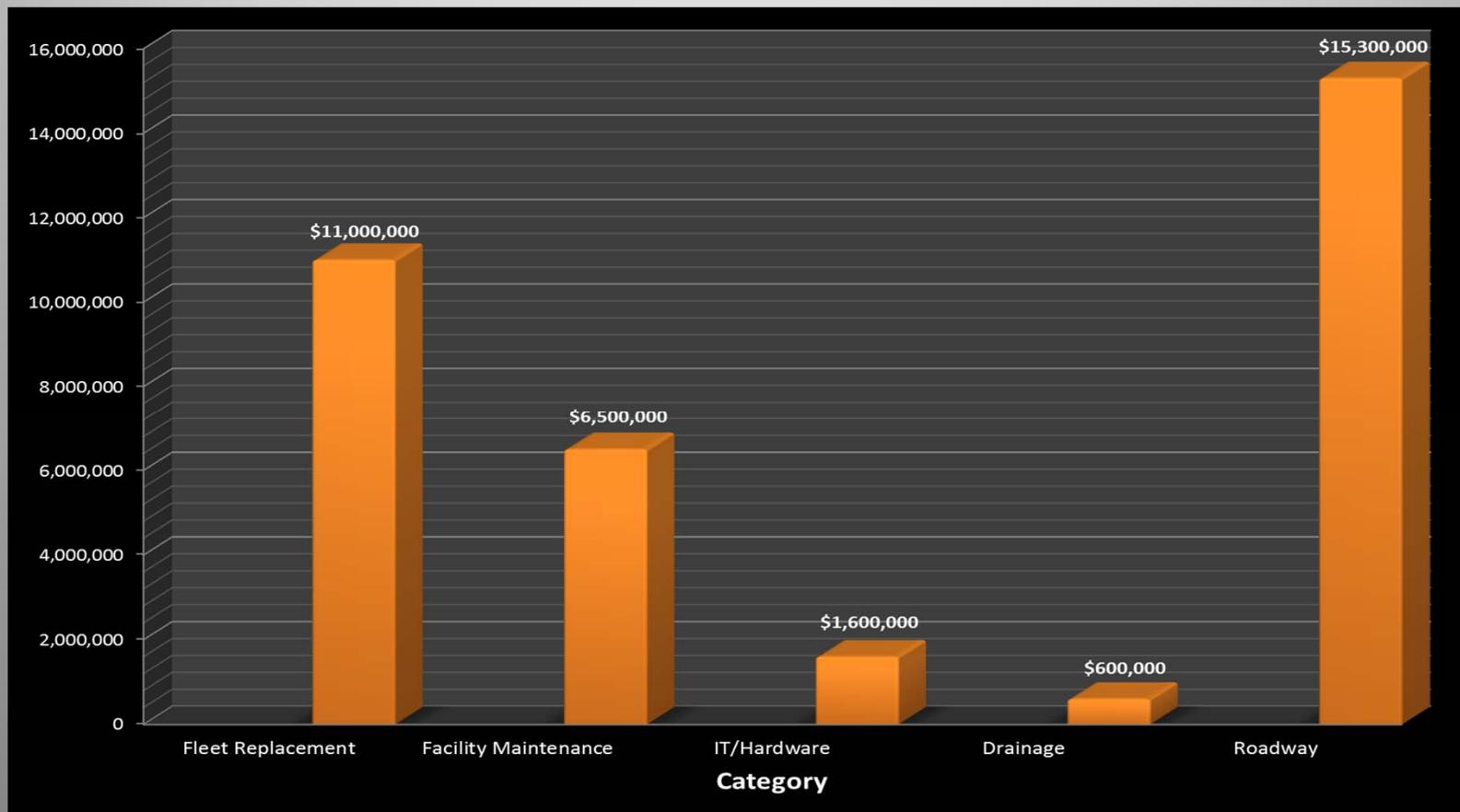
**Total Estimated Need (\$7M/yr.)**

**\$35M**

# Improving the Built Environment

## *Budget Needs - Capital Replacement (5yr.)*

Capital Replacement Budget Needs : \$35M

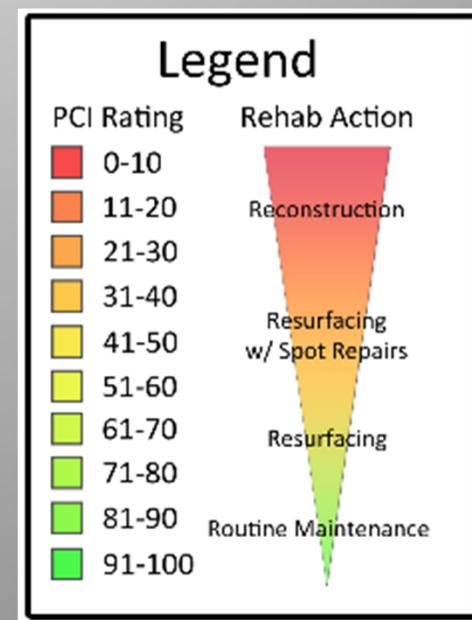
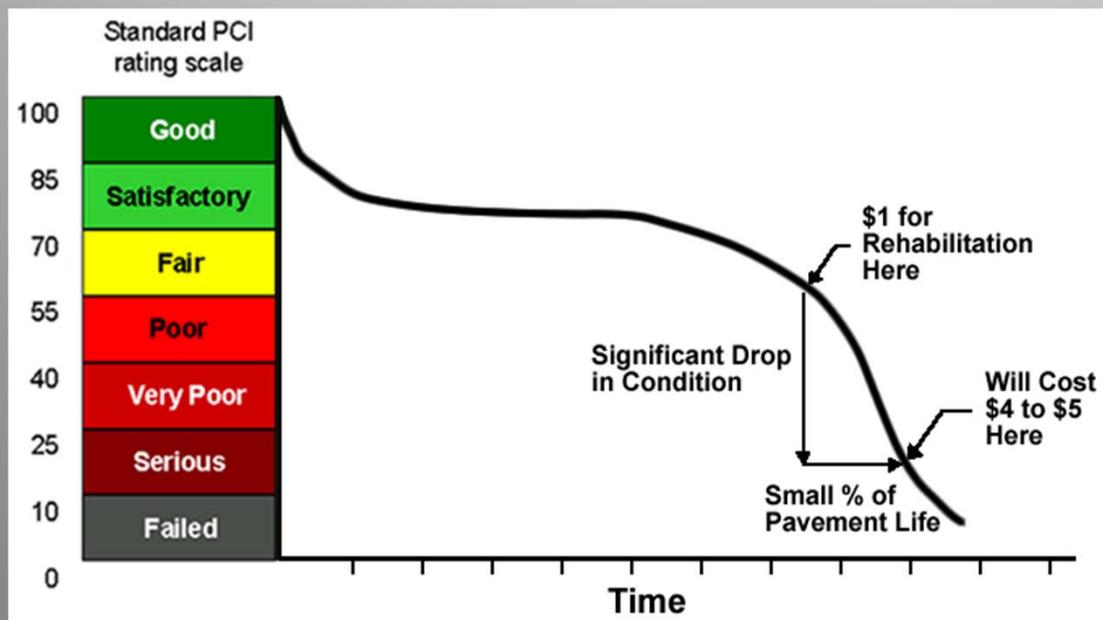


# Improving the Built Environment

## Streets – Condition Index Defined

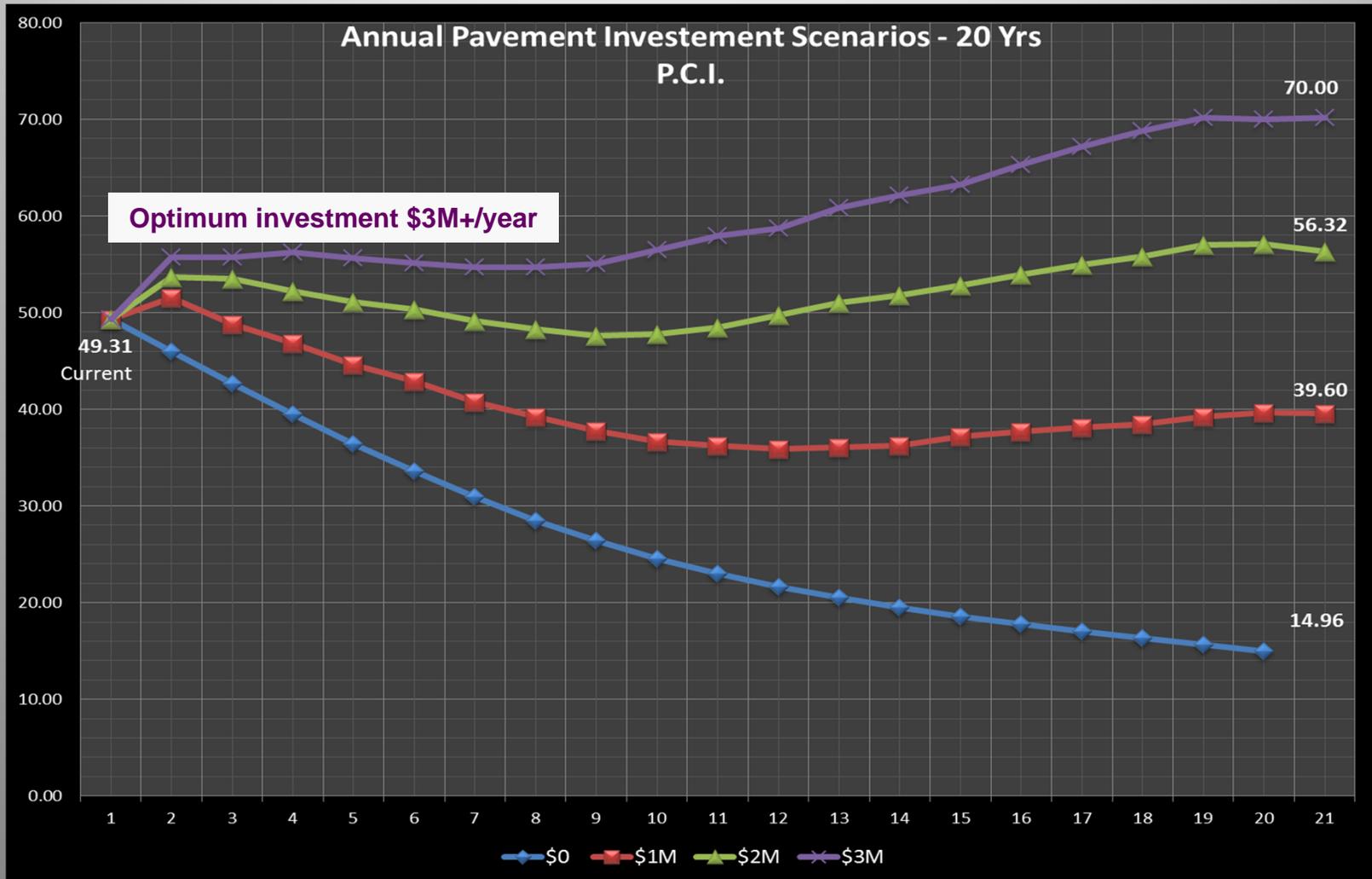
Pavement Condition Index (PCI) - A visual survey of the number and types of distresses in a pavement. The result of the analysis is a numerical value between 0 and 100, with 100 representing the best possible condition and 0 representing the worst possible condition.

- City's Overall Average PCI is **50** as of January 2016



# Improving the Built Environment

## *Dedicated Annual Funding Scenarios - Roads*





# 5-year Community Investment Opportunities

Typically funded through  
General Fund revenues;  
public / private partnerships

# Improving the Built Environment 5-Year *Community Investment*

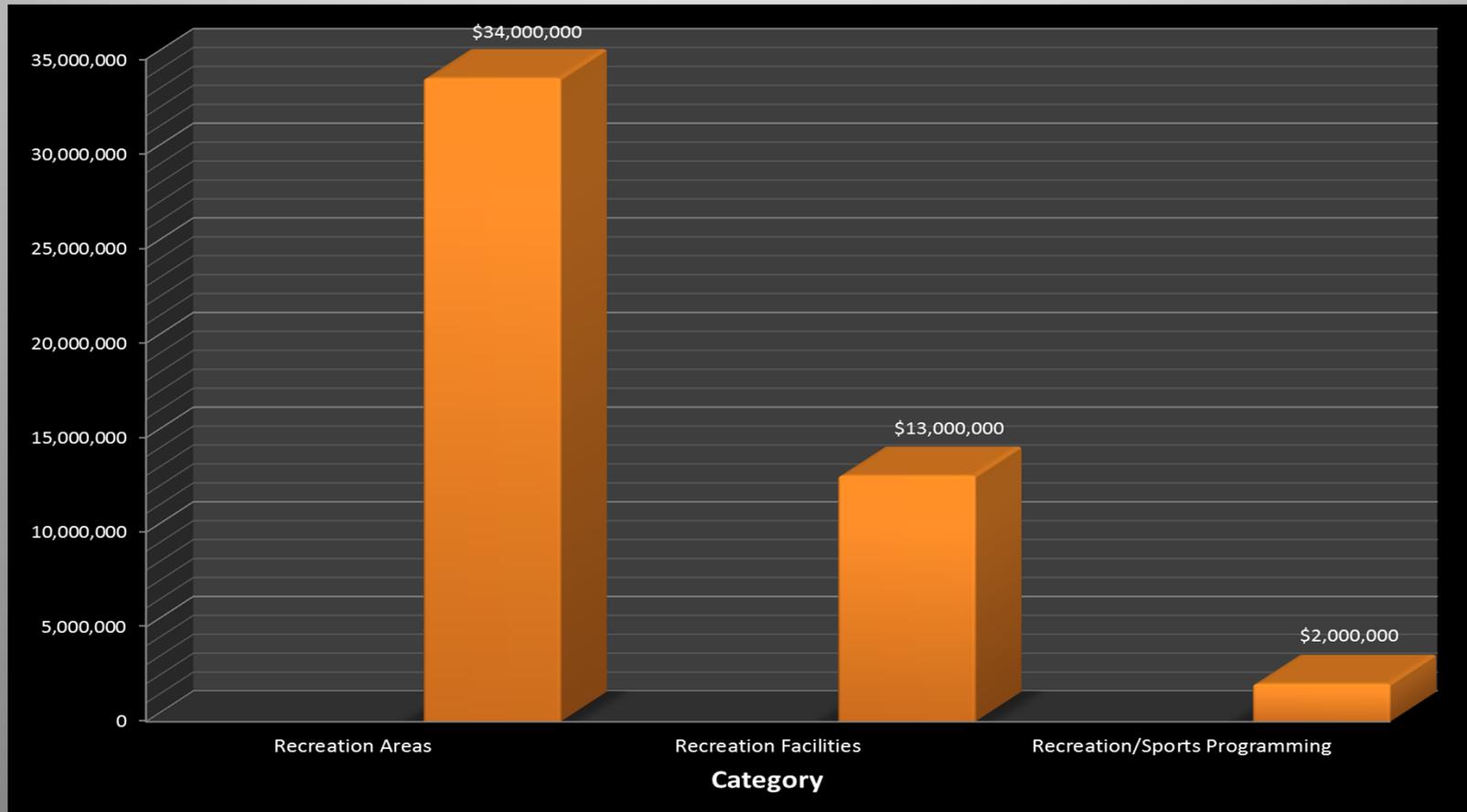
## If funding wasn't an issue:

- Recreation Center Rebuild \$13M
- Regan Beach Rebuild \$ 9M
- 56 Acres (with County) \$20M
- Campground Improvements (beyond O&M) \$ 5M
- Recreation and sports programming \$ 2M
  
- **Total Estimated Investment (approx.) \$50M**

# Improving the Built Environment

*Budget Needs – Community Investment (5yr.)*

Community Investment Budget Needs : \$50M



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## 5-year Environmental Improvement Program

Typically funded through federal/state grants for construction; O & M City obligation

# Improving the Built Environment 5-Year *Environmental Improvement*

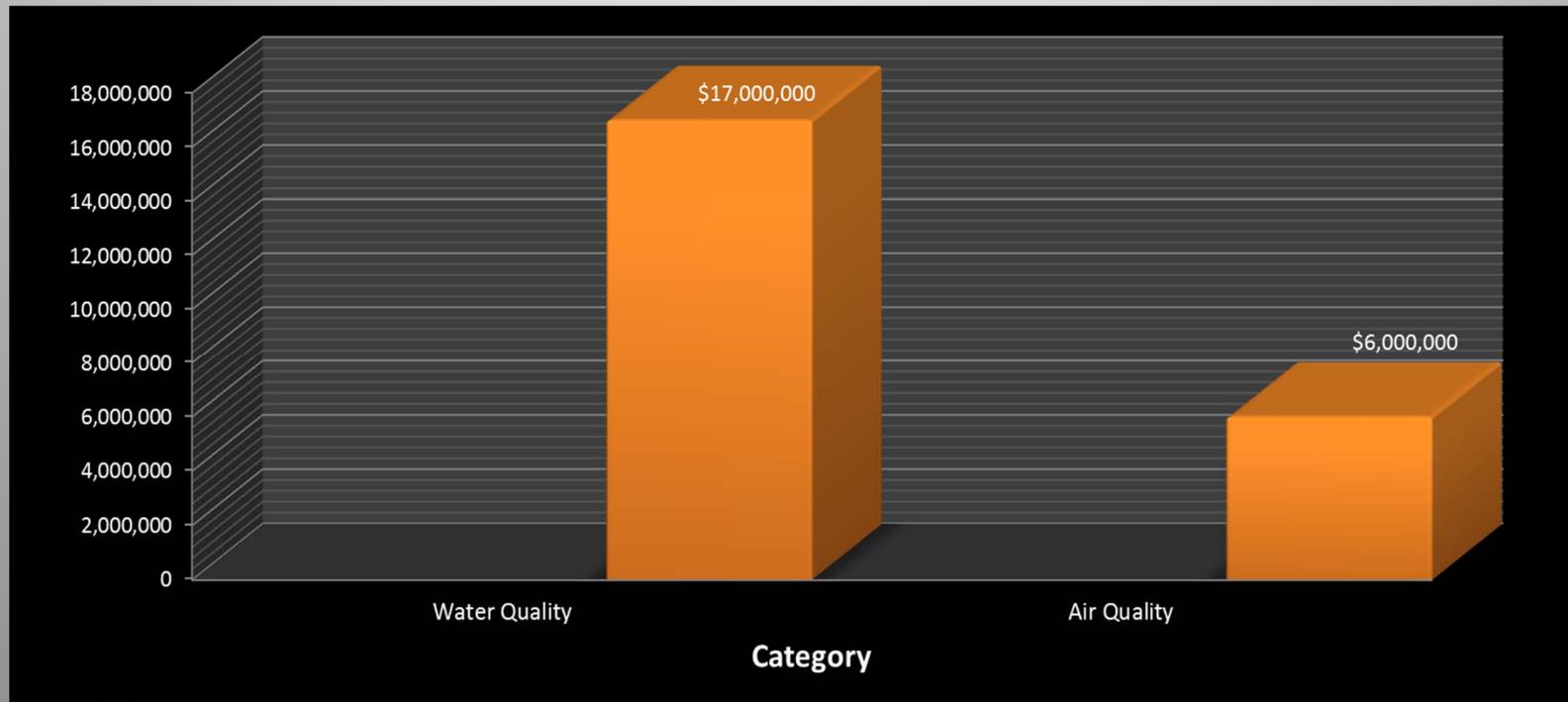
## If funding wasn't an issue:

- |                                     |                 |
|-------------------------------------|-----------------|
| ○ Tahoe Valley / Greenbelt          | \$ 5M           |
| ○ Drainage Improvements             | \$ 2M           |
| ○ Sierra Blvd Complete Streets      | \$ 4M           |
| ○ Pioneer Trail Pedestrian Upgrades | \$ 2M           |
| ○ Bijou Park Watershed & SEZ        | \$ 7M           |
| ○ Osgood Basin Expansion            | \$ 2M           |
| ○ Various small projects            | \$ 1M           |
| ○ Pollutant Load Reduction Strategy | TBD             |
| ○ <b>Total Budget Needed</b>        | <b>\$23-25M</b> |

# Improving the Built Environment

## *Budget Needs – Environmental Imp. (5yr.)*

EIP Budget Needs : \$23M



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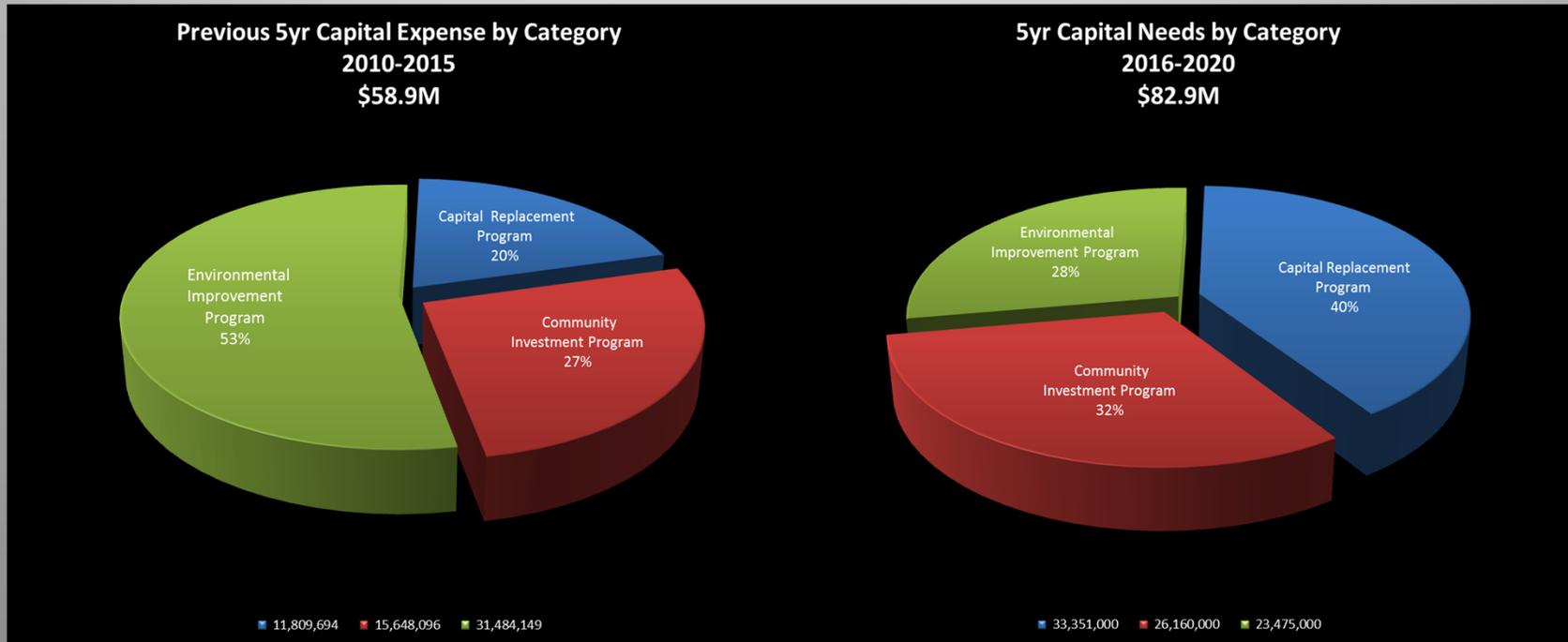
# CIP 5-Year Budget Needs

# Improving the Built Environment

## *Capital Plan 5yr Comparison*

2010-2015  
CIP Expenditures: \$59M

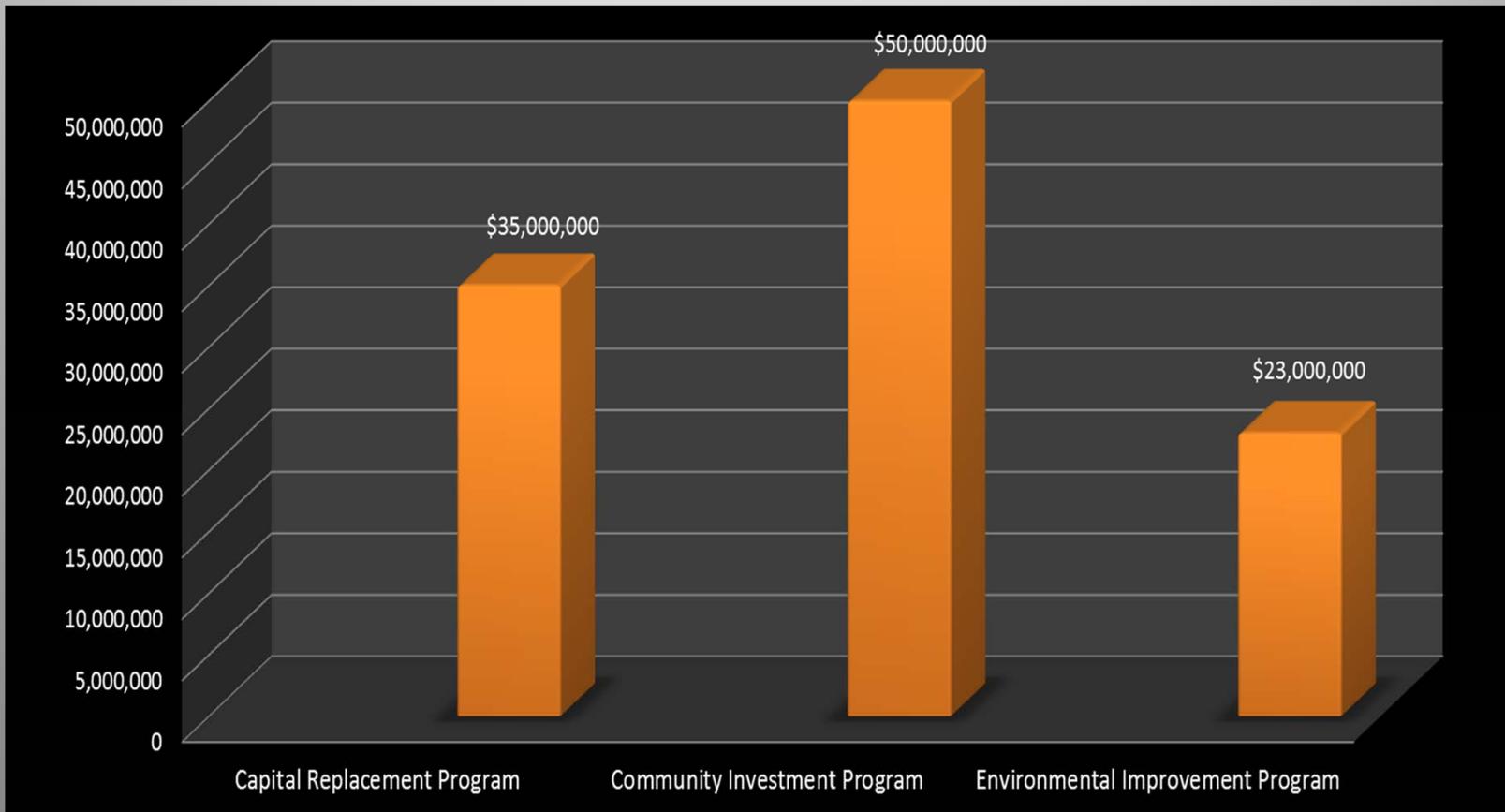
2016-2020  
CIP Budgetary Needs: \$83M



# Improving the Built Environment

## *Capital Improvement Plan Summary (5yr.)*

Capital Plan Budget Needs (5yr): \$108M



# Public Works Needs Summary

## ■ *Roads*

- \$31M deferred maintenance
- \$3.0M annually would keep PCI at 50
- Deferred maintenance obligations will continue to rise approx \$2M-\$3M annually without substantial, consistent funding to streets program

## ■ *Facilities*

- Estimated \$6.5M in deferred maintenance
- Buildings and equipment are approaching end of life cycle

## ■ *Fleet*

- 74% of City's fleet is beyond service life
- \$3.8M in Short term (1-3yrs) needs
- Approximate \$8M total replacement cost
- CARB Compliant Mandate will require additional funding to meet 2021 deadline

## ■ *Storm Water Infrastructure\**

- Estimated \$18M in deferred maintenance
- 40% of underground network is beyond service life
- Estimated \$600,000 required annually to meet Regulatory Compliance

*\* Example of City's expanded role and financial obligations*

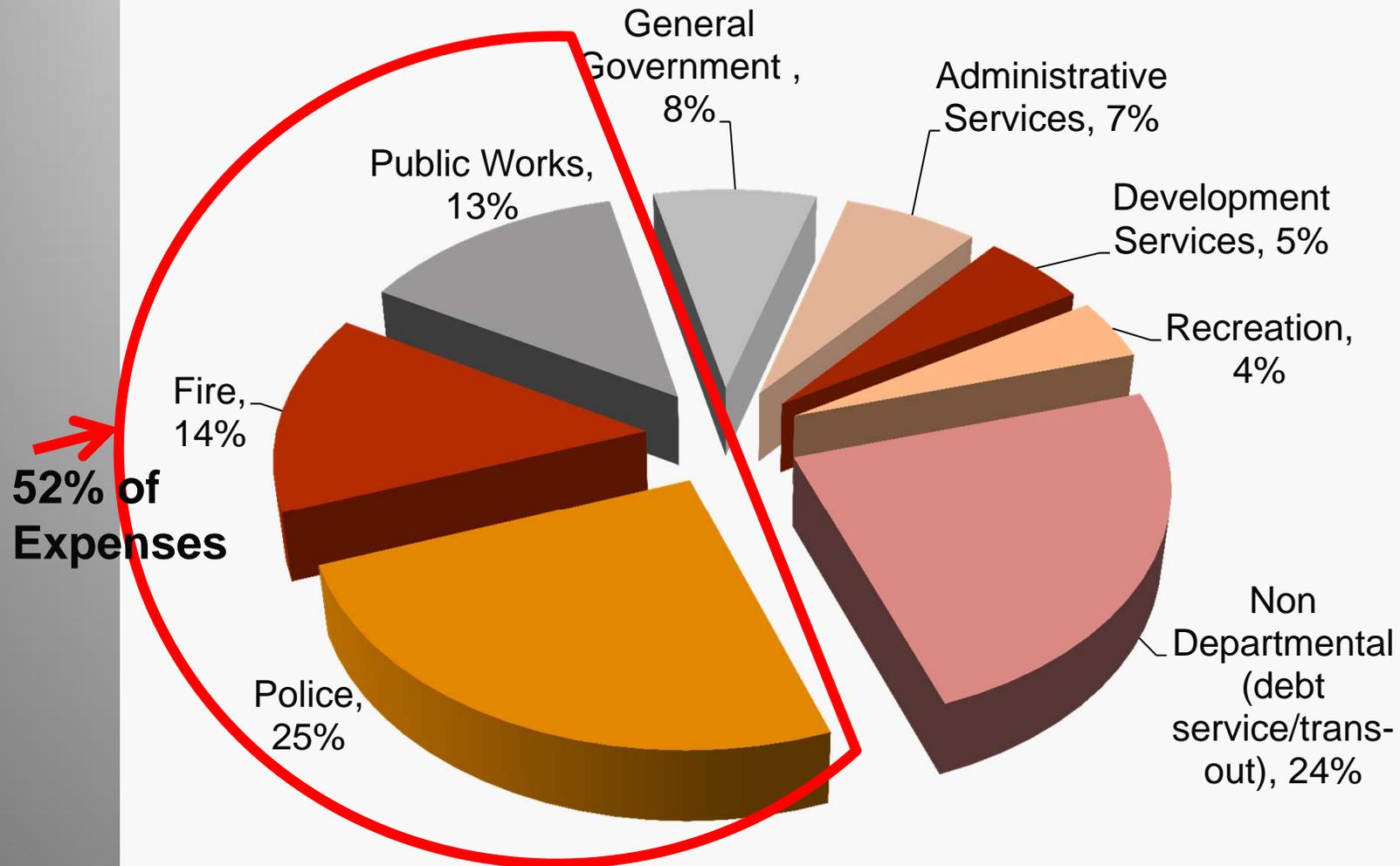
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# Funding Options

# Funding Options

- General fund (GF) revenues are insufficient as a *consistent* on-going funding source for long-term capital replacement needs
- **GF are committed to operations**
  - Unpredictable “excess” revenues are allocated at mid-year on a pay-as-you-go basis
- **Consistent, dedicated funding source needed for:**
  - Infrastructure needs, which clearly exceed available resources
  - Stormwater / WQ regulatory compliance obligations
  - Investment opportunities in local economy (recreation, capital development)

# FY 2016: EXPENSES BY DEPT



# Funding Options

## Potential sources of new funding:

- **General Fund options**
  - Short Term Option from GF Reserves: reduce 25% set-aside and/or utilize portion of reserves for current urgent needs
  - Longer-term: Borrow against GF (not recommended). Borrowing additional funds is high risk for repayment
- **Property (Parcel/Assessment) taxes**
  - Locals, businesses and second home owners
- **Sales taxes**
  - BID, TID and General Sales Taxes
  - Impacts locals and visitors
  - Greater impact on locals and low-income
- **Tourism taxes**
  - Amusement taxes
  - Hotel (TOT) taxes

# Property or Sales Tax Revenues

## ■ Property (Parcel) Taxes

- Community surveys indicate property taxes are not likely supported
- Recent LTUSD/ LTCC measures have likely maximized voter interest for additional parcel taxes

## ■ Sales Tax

- Maximum allowed: 1% (Currently ½%)
- ½% increase: \$2.5M annually
- Bondable revenue
- May be considered regressive

# Revenues from Tourism Taxes

## ■ Amusement Tax

- A 5% rate could generate \$500k-\$1M
- Sports rental equipment, entertainment tickets, gondola sight-seeing tickets
- Not bondable funding source

## ■ Hotel (TOT) Tax

- Currently: 12% RDA/10% City
- Each 1% would generate \$1M
- Bondable revenue source
- Each \$1M would support \$10-12M in bonding

# Funding Sources Summary

	Primary Source	Community "Survey Says..."	Potential Annual Revenue	Bondable
Property (Parcel) Assessment	Property Owners (locals & 2 <sup>nd</sup> )	Would not support	Varies	Yes
Sales (1/2%)	Locals & visitors	May support	\$2.5M	Yes
Amusement (5%)	Locals & visitors	Survey did not include	\$500k-\$1M	No
Tourist Occupancy (2%)	Visitors	Indicated support	\$2M	Yes

# Ballot Measure

- Community consistently supports weighing in through formal vote on matters of importance
- City could ask voters whether or not they support additional funding
- Voters should also be asked to prioritize funding if measure is approved. For example:
  - “Yes/No” revenue question
  - If yes, please select highest priority where funding should be directed:
    - Streets/Roads
    - Recreation (projects identified)
    - Other (?): Facilities, general Infrastructure, etc.



# Summary & Recommendations

# Summary

- Since the City's incorporation, there has been inadequate resources to meet all expectations for services, capital replacement and community investment
- Priorities and economic conditions impact resource allocation
- In the past 5 years, City's strategic approach to decision making delivered results in projects, programs and budgeting
- City is able to currently able to operate "within its means"
  - *Caution: Operational costs will continue to increase annually*
- City lacks long-term consistent funding for:
  - street, facility & infrastructure maintenance & replacement
  - support of the recreation economy
  - local government's continually expanding role

# Staff Recommendations

- Discuss proposed financing strategies and provide direction
  - Thoughts and views on funding options?
  - Other funding options ?
  - Discussion priorities of City Council: infrastructure, recreation investments, capital replacement and investment
  
- Following today's discussion, consider utilizing sub-committee to evaluate suggestions and return to City Council with formal recommendation