



MEMORANDUM

To: Steve Teshara, Sustainable Community Advocates
From: Robert Spencer and Carlos Villarreal
Date: September 27, 2023
Subject: North Tahoe Incorporation Initial Fiscal Feasibility Review **FINAL DRAFT**

INTRODUCTION

This memorandum presents an **initial** fiscal review of the potential incorporation of the North Lake Tahoe area of Placer County into a new Town of North Lake Tahoe. This memorandum was directed and funded by a citizen's group and prepared by Urban Economics under contract to Sustainable Community Advocates.

The purpose of this initial fiscal review is to determine if incorporation of North Lake Tahoe is potentially fiscally feasible. An application for incorporation would have to be submitted to and ultimately approved by the Placer County Local Agency Formation Commission (LAFCO) to create the new town. Under the state statutes governing incorporations, LAFCO would require preparation of a comprehensive fiscal analysis (CFA). This memorandum is not a CFA. Rather, the intent of this memorandum is to provide an initial fiscal analysis to determine if proceeding with an incorporation application is advisable.

SUMMARY OF KEY ASSUMPTIONS, METHODOLOGY, AND FINDINGS

Key assumptions, methodologies, and findings are summarized below.

Assumptions

- ◆ **Boundaries:** The incorporation boundaries for purposes of this analysis (see **Figure 1** on page 8) were designed to:
 - Capture substantially all existing and planned urban development within the North Lake Tahoe area in Placer County
 - Follow the boundaries of existing special districts
 - Exclude federal forests to minimize wildfire protection responsibility.

An application for incorporation could consider alternative boundaries. Reducing the area of the new town may reduce fiscal feasibility because operating revenues typically decrease more than operating costs.

- ◆ **Services:** This analysis assumed that the new town would (**Table 1** on page 9):
 - Assume responsibility for all existing municipal services currently provided by the County
 - Contract with the County for services that the County could provide more cost effectively

- Provide services at the same level and cost as currently provided by the County
- Not assume responsibility for any services currently provided by existing special districts (no reorganization of existing special districts).

An application for incorporation could include fewer services than analyzed here.

- ◆ **Cost and revenue data:** This analysis is based on actual Placer County costs and revenues for FY 2021-22.

Methodology

- ◆ This analysis is based on extensive work with County staff to estimate the North Lake Tahoe share of county service costs and revenues generated by the area.
- ◆ The Town of Truckee budget is used to estimate general government costs (Town Council, Town Manager, Administration, etc.)
- ◆ This analysis is based solely on estimates of ongoing costs and revenues for a normal year of operation, a typical and robust measure of fiscal feasibility.
- ◆ This analysis does not consider:
 - Transition costs and revenues during the first year of operation
 - Fiscal impacts of future land development
 - Town capital costs for facilities such as administration and corporation yard, except to the extent facility costs are included in the County data used to estimate annual service costs
 - Revenue neutrality payments to the County. State law requires newly incorporated agencies to offset negative fiscal impacts on affected jurisdictions (see **Table C**).

These additional considerations would be addressed as part of a CFA (see *Introduction*).

Findings

- ◆ The town would be a \$60 million local government agency with about 140 employees across a general fund and three restricted funds (see **Table A**).
- ◆ General Fund (see **Table B**)
 - Fiscal feasibility of the General Fund is the most critical demonstration of overall feasibility for the new town.¹
 - The town would be fiscally feasible based on a general fund surplus of 27 percent. This surplus is greater than indicated in state guidelines for an adequate general fund surplus.²
 - Fiscal feasibility is also positively indicated by comparing results with the nearby Town of Truckee and City of South Lake Tahoe on a per capita basis (see **Table D**). The new town

¹ Fiscal results for restricted funds providing roads, library, and transit are of secondary importance because these services are not as critical to public health and safety, enabling service levels to be adjusted more easily to match revenues.

² Guidelines suggest a general fund contingency of 10 to 20 percent. See Governor's Office of Planning and Research, *A Guide to the LAFCO Process for Incorporations*, October 2003, p. 34.

is estimated to have per capita General Fund revenues that are about 70 to 80 percent higher compared to these two jurisdictions. Higher revenues are primarily associated with higher transient occupancy tax revenue.

- ◆ Road Fund (see **Table B**)
 - Newly incorporated cities typically assume responsibility for road maintenance.
 - A shortfall in the Road Fund is a typical result of incorporation feasibility analyses. The shortfall is caused by the statutory formulas for allocating gas taxes to counties compared to cities.
 - Most California cities and counties must support their road funds with general fund contributions to maintain adequate service levels, as does Placer County. The new town could choose to do likewise and appears to have the General Fund surplus to do so.
- ◆ Library Fund (see **Table B**)
 - Newly incorporated cities often do not assume responsibility for library services, preferring to leave this service as part of an existing countywide network.
 - The geographic separation between the Tahoe area and the rest of Placer County, and the potential benefits of cooperating with the adjacent Town of Truckee on library services, may indicate that the new town would be better served managing library services.
 - The Library Fund has a significant surplus caused by property tax revenue generated by the North Lake Tahoe area being greater than services provided to the area.
 - The new town could not transfer the Library Fund surplus to other funds because library property tax is restricted to library services. The current surplus supports services throughout the Library's service area and does not support the County's General Fund.
- ◆ Transit Fund (see **Table B**)
 - Newly incorporated cities often do not assume responsibility for transit services, preferring to leave this service as part of an existing countywide network.
 - The geographic separation between the Tahoe area and the rest of Placer County, and the potential benefits of cooperating with the adjacent Town of Truckee on transit services, may indicate that the new town would be better served managing transit services.
 - The shortfall in the Transit Fund is primarily caused by the loss of \$1.5 mil. in Local Transit Funds (LTF) from the Placer County Transportation Planning Agency (PCTPA) because of state apportionment formulas.
 - To avoid a deficit in the Transit Fund, the new town could not include transit services in its incorporation application to LAFCO. If the town does assume responsibility for transit services it may be able to identify additional funding such as from the estimated General Fund surplus.

Table A: Town of North Lake Tahoe Expenditure & Staffing Summary (2022 dollars)

Cost Center	Total Expenditures	Operating/ Other Revenues	Net Cost Funded by General Purpose Revenues	Staffing (FTE) ¹
<u>General Fund</u>				
Animal Services	\$ 507,521	\$ 15,000	\$ 492,521	2.00
Town General Government	5,737,241	1,218,038	4,519,203	4.00
Land Planning and Development	5,898,981	2,566,482	3,332,499	27.76
Law Enforcement	15,344,035	49,220	15,294,815	44.00
Parks	550,101	395,147	154,954	-
Stormwater	685,000	470,000	215,000	3.00
Capital Projects & Economic Development	<u>10,599,268</u>	<u>58,297</u>	<u>10,540,971</u>	-
Total	\$39,322,147	\$4,713,886	\$24,008,993	80.76
<u>Road Fund</u>				
Public Works – Roads	6,713,644	1,344,087	5,369,557	9.56
Public Works – Engineering	<u>6,427,514</u>	<u>5,148,188</u>	<u>1,279,326</u>	<u>8.00</u>
Total	\$13,141,158	\$6,492,275	\$6,648,883	17.56
<u>Library Fund</u>				
Library	\$ 1,241,219	\$ 69,789	\$ 1,171,430	6.10
<u>Tahoe Area Regional Transit (TART) Fund</u>				
Transit ²	\$ 6,708,961	\$3,828,954	\$ 2,880,007	34.00
TOTAL	\$60,413,485	\$15,104,905	\$34,709,313	138.42

¹ FTE is full-time equivalent.

² Revenues exclude transient occupancy tax (TOT) funding currently provided by the County because TOT is a general purpose revenue (see Table B).

Sources: Placer County CEO; Tables 2, 5-10, 14-17.

Table B: Town of North Lake Tahoe Estimated Annual Budget (2022 dollars)

<u>General Fund</u>		
Revenues		
Property Tax	\$16,443,860	
Sales and Use Taxes	3,230,624	
Transient Occupancy Tax	22,739,609	
Property Transfer Tax	2,142,379	
Franchise Fees	862,782	
Operating Revenues	<u>4,713,886</u>	
Total		\$50,123,140
Expenditures		<u>39,322,147</u>
Net Surplus/(Cost)		\$ 10,800,993
Surplus/(Cost) Percent of Expenditures		27%
<u>Road Fund</u>		
Revenues (excludes General Fund contribution)		
Capital Projects	\$ 5,148,188	
State Gas Taxes	<u>1,344,087</u>	
Total		\$6,492,275
Expenditures		
Engineering	\$ 6,427,514	
Road Maintenance	<u>6,713,644</u>	
Total		<u>13,141,158</u>
Net Surplus/(Cost)		\$(6,648,883)
Surplus/(Cost) Percent of Expenditures		(51%)
<u>Library Fund</u>		
Revenues		
Property Tax	\$ 2,682,496	
Operating	<u>69,789</u>	
Total		\$2,752,285
Expenditures		<u>1,241,219</u>
Net Surplus/(Cost)		\$1,511,066
Surplus/(Cost) Percent of Expenditures		122%
<u>Tahoe Area Regional Transit (TART) Fund</u>		
Revenues		\$ 3,828,954
Expenditures		<u>6,708,961</u>
Net Surplus/(Cost)		\$(2,880,007)
Net Surplus/(Cost) Percent of Expenditures		(43%)
Sources: Tables A, 12-17.		

Table C: County General Fund Fiscal Impact

	FY 2021-22
<u>Revenues</u>	
Property Tax	\$ 16,433,860
Sales and Use Taxes	3,230,624
Transient Occupancy Tax	22,739,609
Property Transfer Tax	2,142,379
Franchise Fees	862,782
Operating Revenues ¹	<u>4,087,105</u>
Total	\$ 49,496,359
<u>Expenditures</u>	
Animal Services	\$ 507,521
General Government ¹	714,392
Land Planning and Development	5,898,981
Law Enforcement	15,344,035
Parks	550,101
Stormwater	685,000
Capital Projects & Economic Development	<u>10,599,268</u>
Total	\$ 34,299,297
Net Surplus/(Cost)	<u>\$(15,197,062)</u>

¹ Adjusts operating costs and revenues shown in Table B by substituting County general government operating costs and revenues shown in Table 3 for general government costs and cost allocation funding shown in Table A. This adjustment accurately reflects County costs and revenue for general government.

Sources: Tables A, B, and 3.

Table D: Local Jurisdiction Comparison (FY 2021-22 data)

	Population 2021	General Fund Revenue		Gas Tax Revenue ¹	
		Total	Per Capita	Total	Per Capita
Truckee	16,652	\$33,786,822	\$ 2,029	\$2,005,040	\$ 120
South Lake Tahoe	21,100	46,790,190	2,218	3,302,870	157
North Lake Tahoe (proposed)	13,500	50,123,140	3,713	1,344,087	100

¹ Includes snow removal reimbursement.

Sources: CA Department of Finance, Table E.5, January 1, 2021; *Town of Truckee 2023-24 Annual Operating Budget*, p. 2-5; *City of South Lake Tahoe 2022-23 Annual Budget*, pp. 54, 57; Table B.

METHODOLOGY AND DATA SOURCES

This analysis is generally consistent with best practices for incorporation feasibility studies:

- ◆ Reflects state LAFCO guidelines for incorporations, with certain exceptions (see below).
- ◆ Incorporates findings of the California State Controller’s audit of the 2015 Olympic Valley incorporation study.

- ◆ Assumes the same service levels and expenditures for the new town currently provided by Placer County to the North Lake Tahoe unincorporated area.
- ◆ Reflects current state statutes to determine the revenues that would or would not be transferred from the County to the new town.
- ◆ Relies on actual fiscal data for the most recent year available (fiscal year 2021-22).
- ◆ Segregates out general fund revenues and expenditures from other funds with restricted revenue sources (road, library, and transit funds).

The elements of this study's methodology that vary from typical incorporation feasibility studies include the following:

- ◆ A multi-year projection of revenues and expenditures for the new town based on estimates of new development was not conducted.
- ◆ Capital project revenues and expenditures are included. Consequently, this study's results are more robust because they are more inclusive of all costs and revenues. This study's results are also more conservative because capital budgets typically require contributions from general purpose revenues that otherwise would be unallocated.
- ◆ Wildfire protection costs are not included. These costs are typically based on an estimate of contract costs with the California Department of Forestry (CalFire). For comparison, the Town of Truckee has budgeted \$278,000 for wildfire protection services from CalFire in FY 2023-24.
- ◆ The cost of general fund contingencies and/or reserves are not included and instead are shown as a general fund surplus or cost (see Table B).

The County provided estimates of expenditures and revenues by service area, plus general purpose revenues, that would be transferred to a new town. Urban Economics performed substantial due diligence to compare County estimates for North Lake Tahoe with budget totals by department. The analysis was aided by the structure of the County's budget that segregates out North Lake Tahoe revenues and expenditures in certain services areas such as sheriff, economic development, and transit.

Besides current estimates of county expenditures and revenues, the other major source of data was the Town of Truckee expenditure estimates for general government functions.

TOWN BOUNDARIES

The incorporation boundaries for purposes of this analysis are designed to capture substantially all existing and planned urban development within the North Lake Tahoe area in Placer County. The extent of existing development is a key factor in estimating County municipal costs and revenues for purposes of this initial fiscal analysis. The study area boundary follows the boundaries of the following special districts:

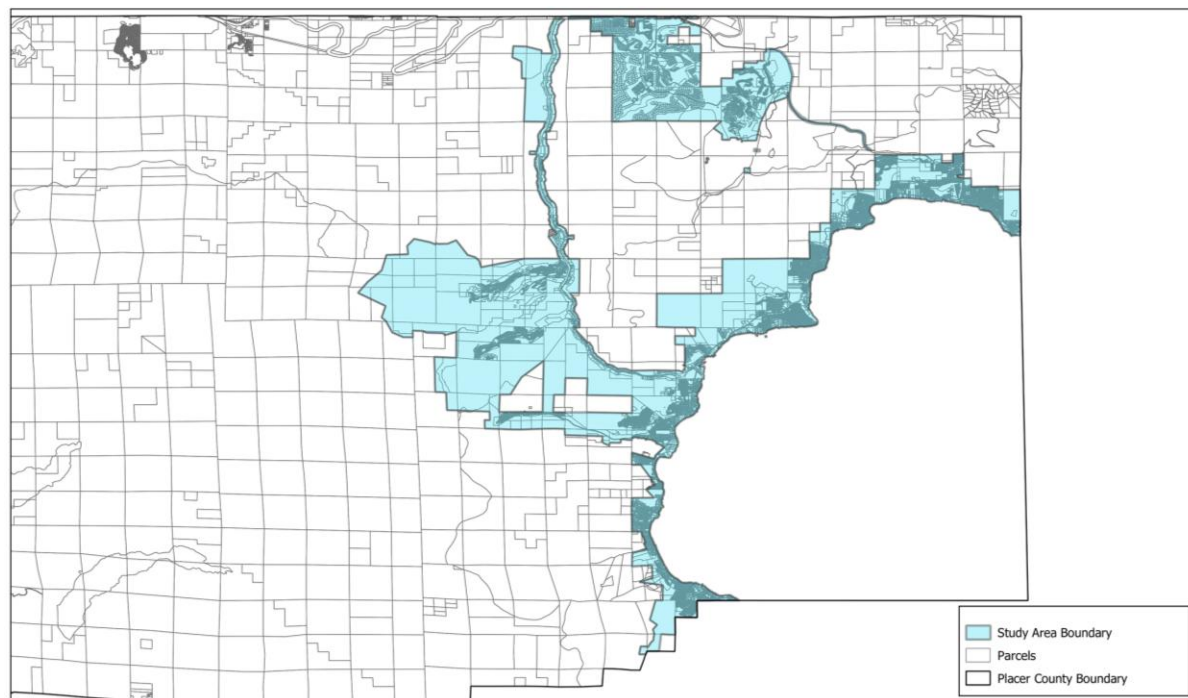
- ◆ Alpine Springs CWD (entire district)
- ◆ North Tahoe PUD (entire district)
- ◆ Northstar CSD (entire district)
- ◆ Olympic Valley PSD (entire district)

- ◆ Tahoe City PUD (entire district)
- ◆ Truckee Donner PUD (small part of district in Placer County adjacent to Town of Truckee)

A small portion of eastern Placer development from the Sierra Crest east to the Town of Truckee is excluded because this area would be non-contiguous with the proposed study area. These excluded areas include Serene Lakes, Sugar Bowl, and a small portion of development west of Donner Lake.

A study area map is shown below in **Figure 1**. Forests and other open space are excluded because these lands do not require municipal services and are largely under the ownership of the federal government through the U.S. Forest Service. Excluding these lands also minimizes the town's wildfire protection responsibility.

Figure 1: Incorporation Study Area



PLAN FOR PUBLIC SERVICES

The plan for public services used as a basis for this fiscal analysis is summarized in **Table 1** below.

This fiscal analysis assumes that the town has responsibility for all municipal services currently provided by the County. The town could contract back with the County for services that would be more cost effective for the County to provide.

The town would also assume responsibility for traffic enforcement currently provided by the California Highway Patrol. This service would be added to services currently provided by the Sheriff.

Because it is unincorporated, the study area is currently in a federal or state responsibility area for wildfire protection. With incorporation the area would become a local responsibility area and wildfire protection would become the responsibility of the town.

The town would not assume responsibility for any services currently provided by existing special districts. This fiscal analysis assumes no change in the organization of existing special districts currently serving the North Lake Tahoe area.

Table 1: Plan for Public Services

Public Service	Current Provider	Anticipated Provider
Animal control	County	New Town
Fire protection (structures) and emergency medical	Special districts	No change
Franchise services	Private through franchise agreement with County	Private through franchise agreement with New Town
General government	County	New Town
Land planning and development	County	New Town
Law enforcement	County and California Highway Patrol	New Town (likely contract with County)
Library	County	New Town (possible contract with County)
Parks and recreation	County	New Town, though no changes is assumed for special districts that currently provide most services
Road maintenance and engineering	County	New Town
Stormwater and floodplain management	County	New Town
Transit	County	New Town (possible contract with County)
Water & wastewater	Special districts	No change
Wildfire protection	CalFire	New Town (likely contract with CalFire)

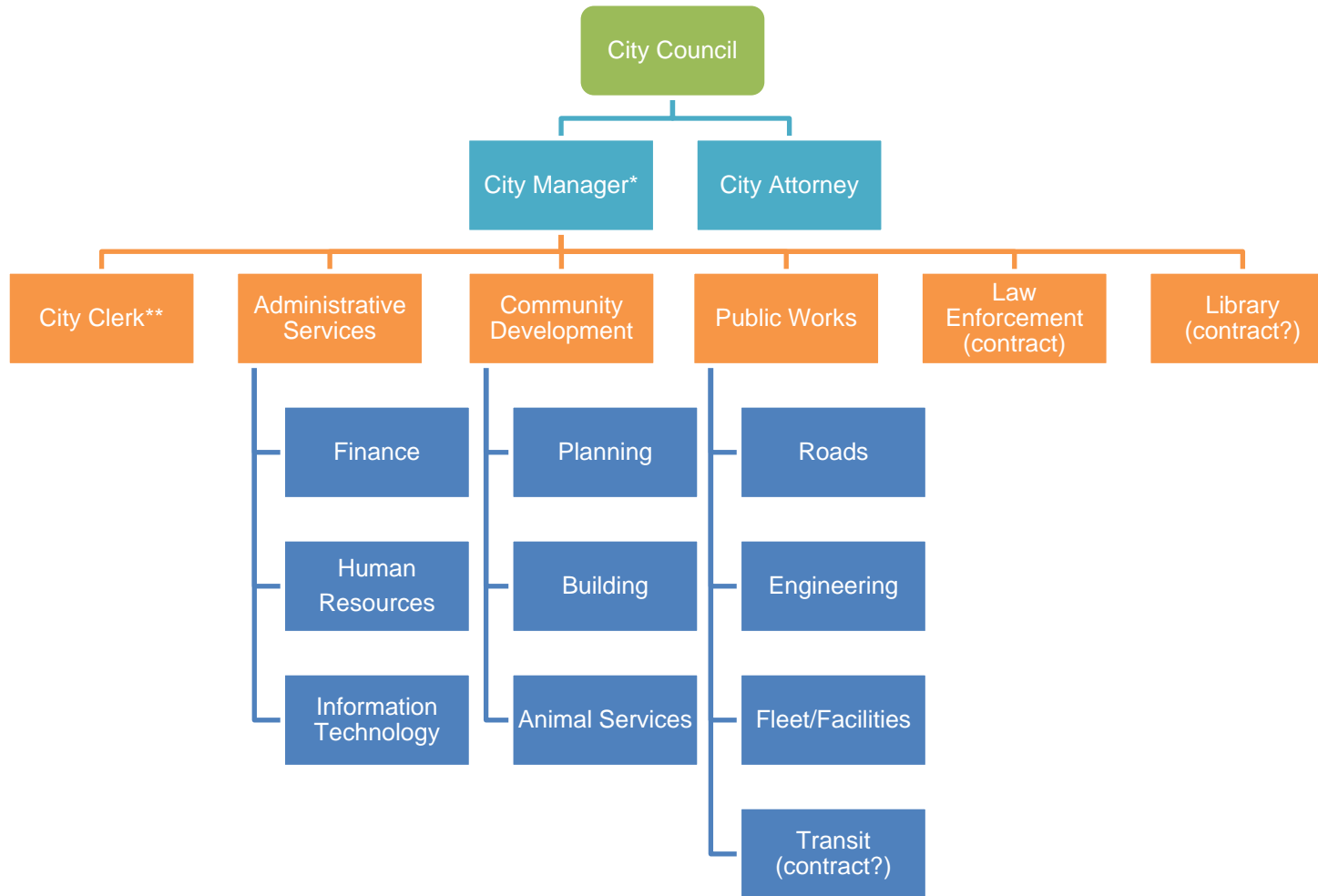
Source: Urban Economics.

Figure 2 displays an organizational chart for the town. The chart is based on the organizational structure for the Town of Truckee. Note that parks and fire protection/EMS services are provided by existing special districts and therefore are not shown in this chart.

GENERAL FUND

For municipal services currently provided by the County, revenues, service standards, and costs are based on FY 2021-22 actual data, the most recent actual fiscal year data available at the time of this study. Data was provided by the County Executive Office regarding costs and revenues generated in North Lake Tahoe specifically for use in this analysis

Figure 2: Town of North Lake Tahoe Organization



* City Manager includes economic development functions.

** City Clerk includes communications functions.

Note: Parks and fire protection/EMS services are provided by special districts.

Source: *Town of Truckee 2023-24 Annual Operating Budget*, p. 4-2.

The analysis identifies the *net cost* of services for each service that would be transferred to the town. *Net cost* includes both direct costs and overhead (indirect costs) funded by general-purpose revenues. The total net cost excludes any portion of the costs funded by operating revenues, generally assumed to mean special revenues, federal revenues, and revenues derived from fees, charges or assessments. Examples of operating revenues include land use planning fees, building permit fees, gas tax revenues, landscape and lighting assessments, and animal licensing fees

The following sections describe the municipal services provided by the County, and the resulting net cost assumptions used in the incorporation feasibility analysis.

Animal Services

Placer County Animal Services provides a variety of services in the North Lake Tahoe area. Animal Services protects the citizens and animals of Placer County by implementing animal care and control programs including rabies and other communicable disease prevention, enforcement of the County Animal Control Ordinance, enforcement of humane laws that protect animals from neglect and cruelty, reunification of lost animals with their owners, programs and partnerships to place adoptable animals in good homes, and programs that help reduce the probability of animal overpopulation.

Placer County contracts with the Humane Society of Truckee-Tahoe for sheltering, adoption, and reunification services in the North Lake Tahoe area. The County has two staff assigned to North Lake Tahoe.

Table 2 displays the total county animal services expenditures, including salaries & benefits, services, supplies & overhead, and operating revenue with allocations to North Lake Tahoe. The table also identifies relevant county budget cost centers for these services.

County General Government

County cost savings from transfer of general government costs to the new town are based on direct costs within the County Executive Office (CEO). The CEO includes the Deputy County Executive – Tahoe and Tahoe support staff. Total CEO costs and allocations to North Lake Tahoe are shown in **Table 3**. The North Lake Tahoe share of services, supplies, and overhead and of operating revenue is based on the North Lake Tahoe share of share of salaries and benefits. Nearly all (96 percent) of operating revenue is from countywide overhead (A-87 costs) paid by other departments.

Table 2: Animal Services

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$ 2,441,103	12%	\$ 290,030
Services, Supplies & Overhead	<u>2,843,364</u>	<u>8%</u>	<u>217,491</u>
Total Expenditures	\$ 5,284,467	10%	\$ 507,521
Operating Revenue	<u>1,104,967</u>	<u>1%</u>	<u>15,000</u>
Net Surplus/(Cost)	\$ (4,179,500)	12%	\$ (492,521)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center	
HHS - SPR Operating Fund	CC14030	Animal Services

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department and countywide overhead.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

Table 3: County General Government

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$ 6,248,701	10%	\$ 630,502
Services, Supplies & Overhead ¹	<u>831,403</u>	<u>10%</u>	<u>83,890</u>
Total Expenditures	\$ 7,080,104	10%	\$ 714,392
Operating Revenue ¹	<u>5,859,754</u>	<u>10%</u>	<u>591,257</u>
Net Surplus/(Cost)	\$ (1,220,350)	10%	\$ (123,135)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center
General Fund	CC10004 County Executive Office

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department and countywide overhead.

¹ Tahoe share based on share of salaries and benefits. Nearly all (96 percent) of operating revenue is from countywide overhead (A-87 costs) paid by other departments.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

Town General Government

General government costs for the town are based on costs for the Town of Truckee. The new town would be of similar size and have similar services responsibilities as Truckee.

The services, supplies, and overhead costs identified for each service currently provided by the County include “A-87 Costs”.³ These are costs for countywide administrative services that support all County

³ Includes all general fund, road fund, library fund, and transit fund services currently provided by the County and documented in this memorandum.

departments. These overhead costs are already included in each of the other service areas analyzed in this memorandum and allocated to the new town. To avoid double counting general government costs for the new town, the estimate of town general government costs had to deduct these A-87 costs from Truckee general government costs.

Table 4 allocates A-87 costs included in each cost center to North Lake Tahoe. The total A-87 cost for each cost center is multiplied by the allocation of total costs to North Lake Tahoe to estimate North Lake Tahoe’s share of general government costs. Again, these overhead costs are already included in North Lake Tahoe costs by service area analyzed in this memorandum.

Table 4: County General Government Overhead Cost Allocation

Cost Center	Countywide Cost Allocation¹	North Lake Tahoe Share²	North Lake Tahoe
<u>General Fund</u>			
Animal Services	\$ 725,312	10%	\$ 69,659
Community Development	1,386,070	23%	318,606
Law Enforcement	496,113	29%	141,966
Parks	-	10%	-
Stormwater	14,560	94%	13,707
Capital Projects & Economic Development	-	99%	-
Subtotal	\$ 2,622,055	21%	\$ 543,938
<u>Road Fund</u>			
Public Works - Roads	\$ 634,799	28%	\$ 176,945
Public Works - Engineering	773,511	22%	168,123
Subtotal	\$ 1,408,310	25%	\$ 345,067
<u>Library Fund</u>			
Subtotal	\$ 621,184	14%	\$ 89,784
<u>Tahoe Area Regional Transit (TART) Fund</u>			
Subtotal	\$ 316,308	76%	\$ 239,248
TOTAL ALL FUNDS	\$ 4,967,857		\$1,218,038

¹ Based on A-87 costs included in cost center expenditures.

² Based on North Lake Tahoe share of cost center expenditures.

Sources: County of Placer 2023-2024 Adopted Budget; Tables 2, 6-10, 14-17.

Table 5 estimates the general government costs that would be incurred by the town. While funding similar functions, these costs are substantially greater than the County’s general government costs shown in Table 4. The town would need to establish its own general government services and would not benefit from the economies of scale reflected in the County’s costs.

The costs in Table 5 are based on actual FY 2020-21 general government costs for the Town of Truckee. The assumption in this approach is that North Lake Tahoe would provide a similar level of service for general government functions as currently provided by the Town of Truckee. General government costs include the full salary and benefit costs for community development and public works department directors that are not fully reflected in the costs allocated to North Lake Tahoe for

those service areas.⁴ As discussed above, the net cost of general government excludes general government costs calculated in Table 4 that are already included in other service area costs.

Table 5: Town General Government

	Staff (FTE)	Salaries & Benefits	Supplies & Services	Capital Outlay	Supplies, Services & Capital Outlay	Total
Town Council	-	\$ 53,243	\$ 86,203	\$ 2,154	\$ 88,357	\$ 141,600
Town Manager ¹	1.79	387,311	48,002	3,698	51,700	439,011
Town Attorney	1.07	290,849	109,474	2,982	112,456	403,305
Town Clerk ²	4.83	552,575	82,743	4,238	86,981	639,556
Administrative Services	8.73	1,111,588	112,493	6,847	119,340	1,230,928
General Government	-	-	1,708,866	-	1,708,866	1,708,866
Information Technology	4.20	479,294	70,220	50,594	120,814	600,108
Community Development Director	1.00	267,445	-	-	-	267,445
Public Works Director/Town Engineer	1.00	306,422	-	-	-	306,422
Total	22.62	\$3,448,727	\$2,218,001	\$70,513	\$2,288,514	\$5,737,241
Cost Allocation Funding ³						<u>1,218,038</u>
Net Cost						\$4,519,203

¹ Includes economic development.

² Includes communications.

³ Estimate of general government overhead costs allocated to and included in the costs for other service areas (see Table 4).

Sources: *Town of Truckee 2023/24 Annual Operating Budget*, pp. 2-6 to 2-7 and 2-33; Transparent California (transparentcalifornia.com/salaries/truckee/); Table 4.

Land Planning and Development

Placer County’s Community Development Resource Agency (CDRA) provides land planning and development services in North Lake Tahoe. These services include planning, code compliance, short term rental regulation, building plan check and inspections, GIS, front counter services, environmental review, grading permits, encroachment permits, Surface Mining & Reclamation Act (SMARA) enforcement, and inspection of public infrastructure construction. There are three General Fund cost centers associated with this agency: building services, engineering & surveying, and planning services.

Table 6 displays the total county land planning and development expenditures, including salaries & benefits, services, supplies & overhead, and operating revenue with allocations North Lake Tahoe. The table also identifies relevant county budget cost centers for these services.

⁴ There is probably some double counting to the extent that estimated County service costs for North Lake Tahoe include department overhead costs and those cost includes a portion of department director salaries. See *Land Planning and Development*, *Stormwater*, and *Road Fund* sections in this memorandum.

Law Enforcement

The North Lake Tahoe Area is served by the County Sheriff's Tahoe operations division. Consequently, the County's identified costs correspond with the total cost of the Tahoe operations division. A portion of the County's Burton Creek facility dedicated to Tahoe Sheriff operations.

Two cities currently contract with County for law enforcement in Placer County, Colfax and Loomis. For the Loomis contract the County provides "24-hour per day service with a targeted response time of less than seven minutes in responding to any priority one (life threatening) call within town boundaries." This analysis assumes that North Lake Tahoe would also contract with the County Sheriff's office for law enforcement services and would receive a similar level of service.

Table 6: Land Planning and Development

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$ 16,416,127	27%	\$ 4,464,529
Services, Supplies & Overhead	<u>9,246,934</u>	<u>16%</u>	<u>1,434,452</u>
Total Expenditures	\$ 25,663,061	23%	\$ 5,898,981
Operating Revenue	<u>12,352,299</u>	<u>21%</u>	<u>2,566,482</u>
Net Surplus/(Cost)	\$ (13,310,762)	25%	\$ (3,332,499)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center
General Fund	CC06002 Building Services
General Fund	CC06001 Engineering & Surveying
General Fund	CC06003 Planning Services

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department (CDRA - Administration & Fiscal Support cost center) and countywide overhead.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

Traffic enforcement costs based on an assumption that the town would contract with the current provider, the California Highway Patrol for traffic enforcement services. The analysis assumes that traffic enforcement costs are 10 percent of gross law enforcement costs (before deducting operating revenues).

Table 7 shows the cost of law enforcement services for North Lake Tahoe. While California cities are allocated a small share of Public Safety Sales Tax (PSST), the town would not get any PSST revenue because it is not affected by the FY 1993-94 Educational Revenue Augmentation Fund (ERAF) shift used to allocate PSST revenue.

Parks and Recreation

While the town would assume responsibility for parks and recreation services, the area is already served by several park and recreation districts who are assumed to continue to provide services uninterrupted. These districts provide snow removal, trash, and grounds maintenance at public parks and recreation facilities in North Lake Tahoe.

Table 7: Law Enforcement

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$ 29,195,165	35%	\$ 10,224,629
Services, Supplies & Overhead	19,551,423	19%	3,724,494
Total Expenditures	\$ 48,746,588	29%	\$ 13,949,123
Operating Revenue	2,177,033	2%	49,220
Net Surplus/(Cost)	\$ (46,569,555)	30%	\$(13,899,903)
Traffic Enforcement Costs ¹			1,394,912
Net Surplus/(Cost) (incl. Traffic Enforcement)			\$(15,294,815)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center	
Public Safety Fund	20002	Tahoe Operations
Public Safety Fund	20004	Sheriff Administration
Public Safety Fund	20005	Support Services

Note: North Lake Tahoe salaries and benefits includes department overhead, and services, supplies and overhead includes countywide overhead.

¹ Assumes traffic enforcement costs are 10% of gross law enforcement costs (before deducting operating revenues).

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

The County contracts with the North Tahoe Public Utility District (NTPUD), Tahoe City - Public Utility District (TCPUD), Rock & Rose, Olympic Valley Public Service District and Juniors Snow Removal for maintenance and snow removal at many park and recreation sites throughout the North Lake Tahoe region.

Table 8 displays the total parks and recreation expenditures, including salaries & benefits, services, supplies & overhead, and operating revenue generated both Countywide and in North Lake Tahoe. The table also identifies the County Budget fund and cost center used to fund these services.

Stormwater

The Placer County Stormwater Quality Division runs the State Municipal Separate Storm Sewer System (MS4) programs in North Lake Tahoe. There are two permit areas within the incorporation boundaries. One is the Phase II area of the Truckee Basin and the other is the Phase I in the Tahoe Basin. Floodplain management is the program that meets FEMA flood insurance requirements as well as participation in the Community Rating System (CRS) Program.

There are currently no water quality facilities within the study area (Truckee Basin) that are used for the stormwater quality. There are water quality improvement basins and other features within the Tahoe basin that are used for the fine sediment reduction crediting program. A map of these facilities can be found at <https://monitoring.laketahoeinfo.org/RSWMP>. In addition to the water quality basins, both in the Truckee and Tahoe area, there are various stormwater facilities in County roadways that are operated and maintained by road maintenance and are relevant to the Road Fund analysis below.

Table 8: Parks

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$ 2,793,308	1%	\$ 28,488
Services, Supplies & Overhead	<u>2,972,473</u>	<u>18%</u>	<u>521,613</u>
Total Expenditures	\$ 5,765,781	10%	\$ 550,101
Operating Revenue	<u>3,353,029</u>	<u>12%</u>	<u>395,147</u>
Net Surplus/(Cost)	\$ (2,412,752)	6%	\$(154,954)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center
General Fund	CC12015 Parks & Grounds Maintenance

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department and countywide overhead.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

Table 9 displays the total stormwater, including salaries & benefits, services, supplies & overhead, and operating revenue generated both Countywide and in North Lake Tahoe. The table also identifies the County Budget fund and cost center used to fund these services. Note that total costs for North Lake Tahoe are not broken out by sub-category and include \$55,000 for department (DPW Administration cost center) and countywide overhead.

Table 9: Stormwater

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$ 639,437		
Services, Supplies & Overhead	<u>88,169</u>		
Total Expenditures ¹	\$ 727,606	94%	\$ 685,000
Operating Revenue	<u>211,612</u>	<u>222%</u>	<u>470,000</u>
Net Surplus/(Cost)	\$ (515,994)	42%	\$(215,000)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center
General Fund	CC19008 Stormwater and Floodplain Management

¹ Total costs for North Lake Tahoe not broken out by sub-category and include \$55,000 for department (DPW Administration cost center) and countywide overhead.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

Capital Projects and Economic Development

The Tahoe Economic and Community Enhancement Fund is a Major Governmental fund and a non-departmental cost center. The Fund supports promotional activities and public improvements that encourage tourism within the North Lake Tahoe area. The Fund is administered by the County

Executive Office. The Fund receives 60 percent of transient occupancy tax (TOT) revenue generated within the North Lake Tahoe TOT Area. The TOT Area includes North Lake Tahoe extending slightly west of Donner Summit.

The County collects TOT at a rate of 10 percent on hotels, motels, and short-term rentals in North Lake Tahoe. The 10 percent tax includes a countywide base rate of eight percent, plus an additional voter-approved two percent tax specific to the North Lake Tahoe Transient Occupancy Tax Area.⁵

Pursuant to Government Code Section 56886, LAFCO has the statutory authority to transfer the voter-approved two-percent TOT levy increase to the town. Additionally, according to State Attorney General Opinion No. 99-602 filed on October 6, 1999, if LAFCO desires to transfer a previously established and collected tax to a new agency, the voter and landowner approval requirements of the Constitution relating to taxes, assessments, fees, and charges do not apply. This analysis assumes that Measure F revenue would transfer to the town as a general purpose revenue and used for the capital project and economic development purposes reflected in the County's spending for FY 2021-22.

Table 10 displays the total capital projects and economic development services costs, including salaries & benefits, services, supplies & overhead, and operating revenue generated both Countywide and in North Lake Tahoe. This cost center is funded entirely by the Tahoe Economic and Community Enhancement Fund (Tahoe Fund). The North Lake Tahoe Share is based on the North Lake Tahoe area share of total North Lake Tahoe TOT area. The only portion of this tax area not in North Lake Tahoe is the Donner Summit area. Operating revenue includes investment income only and excludes \$1,480,803 that was returned to the County by the North Lake Tahoe Resort Association (NLTRA), a major recipient of funding from the Tahoe Fund, to avoid understating net cost.

General Purpose Revenues

The following section describes how the study estimated general purpose revenues that could be transferred from the County to the new town. The largest component of revenues is property tax.

Property Tax

The property tax transferred to a new incorporated city from the County's general fund share is based on the following statutory formula:

$$(\text{Auditor's ratio}) \times (\text{Net County Cost}) = \text{New city property tax revenue in first year of incorporation}$$

Where:

Auditor's ratio = Total general fund property taxes divided by total general fund undesignated revenues.

Net county cost = Total cost of services transferred to the new city from the county, net of designated revenues (such as charges for services and restricted tax revenue); and

⁵ Measure F, which was renewed in 2012 is a general purpose revenue that typically funds infrastructure projects to reduce traffic congestion/tourist impacts, support transportation services, build/maintain local bike trails, parks, indoor recreation opportunities, sidewalks, beaches, and other public services.

Table 10: Capital Projects & Economic Development

	Cost Center 2012-22 Actuals	North Lake Tahoe Share¹	North Lake Tahoe
Salaries & Benefits	\$ -	NA	\$ -
Services, Supplies & Overhead	<u>10,706,331</u>	<u>99%</u>	<u>10,599,268</u>
Total Expenditures	\$ 10,706,331	99%	\$ 10,599,268
Operating Revenue ²	<u>58,886</u>	<u>99%</u>	<u>58,297</u>
Net Surplus/(Cost) ³	\$ (10,647,445)	99%	\$ (10,540,971)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center
Tahoe Economic and Community Enhancement Fund	CC10020 Tahoe Economic and Community Enhancement

Note: The Tahoe Economic and Community Enhancement Fund is a Major Governmental fund and a non-departmental cost center. The Fund supports promotional activities and public improvements that encourage tourism within the North Lake Tahoe area. The Fund is administered by the County Executive Office. The Fund receives 60 percent of transient occupancy tax (TOT) revenue generated within the North Lake Tahoe TOT Area. The TOT Area includes North Lake Tahoe extending slightly west of Donner Summit.

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department and countywide overhead.

¹ Based on North Lake Tahoe area share of total North Lake Tahoe TOT area. The only portion of this tax area not in North Lake Tahoe is the Donner Summit area.

² Includes investment income only. Excludes \$1,480,803 that was returned to the County by the North Lake Tahoe Resort Association, a major recipient of funding from the Tahoe Fund, to avoid understating net cost.

³ Although the County budget shows funding for net costs entirely from transient occupancy tax (TOT) revenue, the California State Controller's Office found in its 2015 audit of the Olympic Valley incorporation CFA that TOT revenue should not be subtracted from the cost of county services.

Sources: Betty T. Yee, California State Controller, *Olympic Valley Draft Comprehensive Fiscal Analysis Review Report*, October 2015, p. 8; County of Placer 2023-2024 Adopted Budget; Placer County CEO.

The first part of the formula used to calculate the share of the County's general fund property tax to be transferred to the new city is the Auditor's ratio. The Auditor's Ratio is equal to property tax revenue divided by the total amount of revenue from all sources available for general purposes. The Auditor's ratio represents that share of the net cost of services that is funded by property tax revenues.

The total amount of revenue from all sources available for general purposes means the total amount of revenue, which the County can use on a discretionary basis for any purpose. The total amount of revenue does not include revenue which, by statute, is required to be used for a special purpose; revenue from fees, charges, or assessments which are levied to specifically offset the cost of particular services and do not exceed the cost reasonably borne in providing these services; and revenue received from the federal government which is required to be used for a specific purpose. Revenues that were project specific or were used to either partially or wholly cover costs for a specific project are also excluded. Consistent with State Controller's review of Olympic Valley CFA, property tax revenue in-lieu of VLF and delinquent property tax revenues are included as general revenues.

Table 11 displays the calculation of the Auditor's ration, using FY2020-21 budget actuals.

Table 11: Auditor's Ratio

Revenue	Budget Code	Amount
<u>Property Tax Revenue</u>		
Taxes - Current Secured Property	40010	\$ 143,186,151
Taxes - Railroad Unitary Property	40040	131,737
Taxes - Unitary and Op Non-Unitary Property	40050	3,801,929
Taxes - Current Unsecured Property	40060	2,744,715
Taxes - Tax Defaulted Land Sales	40080	14,801
Taxes - Current Supplemental Property	40100	6,073,341
Residual Property Taxes	40160	5,852,247
Pass-Through Property Taxes	40170	<u>4,363,818</u>
Subtotal		\$ 166,168,739
<u>Other General Purpose Revenue</u>		
Donations		\$ 10,753
Taxes - Property Tax In-Lieu of Vehicle License Fee	40030	48,367,987
Taxes - Delinquent Secured Property	40070	(25,374)
Taxes - Delinquent Unsecured Property	40090	36,196
Taxes - Delinquent Supplemental Property	40110	5,551
Fines, Forfeits & Penalties	Various	10,300,404
Animal Licenses	41010	65
Business Licenses	41020	377,462
Franchises	41080	2,623,045
Miscellaneous Revenues	Various	974,433
Non-Operating Revenue	Various	29,546,270
Other Financing Sources	Various	1,058,225
Sales and Use Taxes	40150	30,791,087
Other Taxes	40180	8,984,711
Hotel / Motel Tax ¹	40190	<u>29,168,607</u>
Subtotal		\$ 162,219,422
 Total General Purpose Revenues		 \$ 328,388,161
 Property Tax as % of General Purpose Revenues		 50.60%

Note: Consistent with State Controller's review of Olympic Valley CFA, property tax revenue in-lieu of VLF and delinquent property tax revenues are included as general revenues.

¹ Includes total transient occupancy tax revenue allocated to General Fund and Tahoe Economic and Community Enhancement Fund.

Sources: County of Placer 2023-2024 Adopted Budget.

The second part of the property tax allocation formula is an estimate of the current net county cost of providing services that will be transferred to the new city. Net county costs represent service costs funded by discretionary tax revenues, such as property and sales taxes, net of all fees, charges, and transfers. Estimated net county costs for North Lake Tahoe are identified in the cost of services tables throughout this memorandum tables and are summarized in **Table 12**. The table also displays an estimate of North Lake Tahoe's share of the one percent annual property tax revenue and an estimate of the County's share of one percent annual property tax revenue after incorporation.

Table 12: General Fund Property Tax

Net County Cost	
Animal Services	\$ 492,521
County General Government	123,135
Land Planning and Development	3,332,499
Law Enforcement	13,899,903
Parks	154,954
Stormwater	215,000
Capital Projects ¹	10,540,971
Road Maintenance	754,179
Engineering	1,279,326
Transit	<u>1,685,496</u>
Total	\$ 32,477,984
Auditor's Ratio	<u>50.60%</u>
Property Tax Allocation	\$ 16,433,860
Assessed Value	\$ 16,671,464,783
Town of North Lake Tahoe Share of 1%	9.86%
County Share of 1% - Current	<u>31.78%</u>
County Share of 1% - After Incorporation	<u>21.92%</u>

¹ Although the County budget shows funding for net costs entirely from transient occupancy tax (TOT) revenue, the California State Controller's Office found in its 2015 audit of the Olympic Valley incorporation CFA that TOT revenue should not be subtracted from the cost of county services.

Sources: Betty T. Yee, California State Controller, *Olympic Valley Draft Comprehensive Fiscal Analysis Review Report*, October 2015, p. 8; Placer County Auditor-Controller; Tables 2-3, 6-11, 14-15, 17.

Other Revenues

The Placer County Executive office provided estimates of other general purpose revenues generated in North Lake Tahoe in FY2020-21. All these revenue sources are based on where they are generated by geographical location. All revenue generated within the study area would be transferred from the County to the new town and are summarized in **Table 13**.

The new town would receive the one percent share of the statewide sales tax allocated to all local jurisdictions. The new town would not receive public safety sales tax from the County's Public Safety Augmentation Fund created by the Proposition 172 in 1993. Cities with no property tax revenue or that did not exist in 1980 do not receive this funding.

Transient occupancy tax (TOT) collections are based on collections within the North Lake Tahoe Transient Occupancy Tax (NLTOT) area that includes the entire county east of Donner Summit plus a small area extending west of the summit to Cisco Grove. The NLTOT was created to impose a two percent TOT in addition to the eight percent unincorporated areawide TOT (total tax of 10 percent). The tax is imposed on all lodging establishment revenues including short term rentals. Revenue estimates for the study area are based on total NLTOT area revenues for FY 2021-22 excluding the Donner Summit sub-area. The TOT amount shown in Table 13 includes allocations to both the General Fund and the Tahoe Economic and Community Enhancement Fund.

Table 13: Other General Purpose Revenues

Source	FY 2021-22
Sales Tax	\$ 3,230,624
Transient Occupancy Tax ¹	22,739,609
Property Transfer Tax	2,142,379
Franchise Fees	
Cable ²	\$ 284,210
Refuse ³	344,900
Electric ⁴	<u>233,672</u>
Total Franchise Fees	\$ 862,782

¹ Total collections within the North Lake Tahoe Transient Occupancy Tax area excluding Donner Summit sub-area. Includes allocations to both the General Fund and the Tahoe Economic and Community Enhancement Fund.

² Excludes Northstar (\$62,007).

³ Tahoe Truckee Sierra Disposal.

⁴ Liberty Utilities.

Sources: Placer County.

ROAD FUND

Road Maintenance

The County Road Maintenance Division (Cost Center CC19007) maintains approximately 1,050 miles of roadway Countywide; approximately 180 miles of roadway and 5 bridges would be transferred to North Lake Tahoe in the event of incorporation. This includes roadways in the Alpine Meadows and Olympic Valley areas. Roadways within the Northstar Community Facilities District are excluded because that district is responsible for road maintenance.

The division provides road maintenance services for the repair and maintenance of roads within the County maintained roadway system, including, drainage facilities, bridges, guardrail, vegetation management, street sweeping, and preparation and administration of surface treatment projects. The division also issues transportation permits and installation and provides maintenance control traffic assets. This division also provides snow removal services which comprises routine and emergency activities with the control and removal of ice and snow from County roads which includes plowing, sanding, and snow blowing. This is often a 24-7 operation depending on snow level elevations and storm intensity.

Table 14 displays the total road maintenance costs, including salaries & benefits, services, supplies & overhead, and operating revenue generated both Countywide and in North Lake Tahoe. Operating revenues include state gas tax allocations, including a Highway Users Tax Account (HUTA) and Road Maintenance and Rehabilitation Account (RMRA) apportionments based on statewide per capita estimates. Additionally, HUTA funds 50% of actual FY 2021-22 snow removal costs exceeding \$5,000 (Streets & Highways Code, Section 2107(b)).

Table 14: Road Maintenance

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe		
			County Actuals	New Town Estimate	Difference (Town vs. County)
<u>Expenditures</u>					
Salaries & Benefits	\$10,374,545	19%	\$1,939,814	\$ 1,939,814	\$ -
Services, Supplies & Overhead	9,657,254	30%	2,925,770	2,925,770	-
Surface Treatment & Overlay ¹	<u>4,053,759</u>	<u>46%</u>	<u>1,848,060</u>	<u>1,848,060</u>	-
Total Expenditures	\$24,085,558	28%	\$6,713,644	\$ 6,713,644	\$ -
<u>Revenues</u>					
State Gas Tax					
HUTA ²				\$ 267,969	
RMRA ³			Detail Not Requested	228,198	
Snow Removal ⁴				<u>847,920</u>	
Subtotal	10,917,078	20%	\$2,183,416	\$ 1,344,087	\$ (839,329)
General Fund Contribution ⁵	3,770,896	20%	754,179	-	(754,179)
Other Revenue ⁶	<u>10,071,649</u>	<u>37%</u>	<u>3,776,049</u>	-	<u>(3,776,049)</u>
Total Revenues	<u>\$24,759,623</u>	<u>20%</u>	<u>\$6,713,644</u>	<u>\$ 1,344,087</u>	<u>\$(5,369,557)</u>
Net Surplus/(Cost)	\$ 674,065	0%	\$ -	\$(5,369,557)	\$(5,369,557)

County Budget References for FY 2021-22 Actuals

<u>Fund</u>	<u>Cost Center</u>
Road Fund	CC19007 Road Maintenance

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department (DPW Administration cost center) and countywide overhead.

¹ Total cost also included in Engineering cost center. North Lake Tahoe costs shown here are not shown in Engineering cost center to avoid double counting.

² Highway Users Tax Account (HUTA) apportionment based on statewide per capita apportionment amount (\$19.91) multiplied by North Lake Tahoe population (13,462).

² Road Maintenance and Rehabilitation Account (RMRA) based on statewide per capita apportionment amount (\$16.95) multiplied by North Lake Tahoe population (13,462).

⁴ In addition to per capita funding HUTA funds 50% of actual FY 2021-22 snow removal costs (\$1,700,840) exceeding \$5,000 (Streets & Highways Code, Section 2107(b)).

⁵ North Lake Tahoe county actuals estimated based on 20 percent of cost center total.

⁶ Cost center total includes funding for surface treatment & overlay costs that are not part of cost center totals (see note 1). Revenue is primarily from state gas taxes (estimated above) plus sales tax and operating transfers in that are included in General Fund estimates for the new town.

Sources: U.S. Census Bureau; CA State Controller's Office, Apportionment Tables for Cities, FY 2021-22; CA Department of Finance, Table E.5, January 1, 2021; County of Placer 2023-2024 Adopted Budget; Placer County CEO.

Engineering

The Tahoe Engineering Division (TED) provides engineering services for Tahoe transportation projects (including trails), environmental improvement projects, transportation planning, and support for County land development project review. Department of Public Works (DPW) administrative staff in Auburn support TED staff with overhead charges such as payroll, accounting, IT, and HR. Commercial town center maintenance for the Kings Beach Benefit Assessment District is administered by the TED office and wholly funded by assessment of district rate payers.

The TED office works on transportation capital projects within the Placer County portion of the Tahoe Basin. Projects include phased construction of segments of regional trail projects to connect a Resort Triangle trail system along the Truckee River to Lake Tahoe and into Martis Valley.

Table 15 displays the total TED costs, including salaries & benefits, services, supplies & overhead, and operating revenue generated both countywide and in North Lake Tahoe. North Lake Tahoe costs and revenues assumed to be solely associated with capital projects. North Lake Tahoe net cost assumed to equal the transient occupancy tax (TOT) contributions to North Lake Tahoe capital projects from the Tahoe Economic and Community Enhancement Fund.

Table 15: Engineering

	Cost Center 2021-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$ 5,355,998	31%	\$ 1,660,359
Services, Supplies & Overhead			
Operations	2,781,112	23%	652,103
Capital Projects	<u>21,435,067</u>	<u>19%</u>	<u>4,115,052</u>
Subtotal	<u>24,216,179</u>	<u>20%</u>	<u>4,767,155</u>
Total Expenditures	\$29,572,177	22%	\$ 6,427,514
Operating/Other Revenue ¹	<u>30,740,791</u>	<u>28%</u>	<u>5,148,188</u>
Net Surplus/(Cost) ²	\$ 1,168,614	(109%)	\$(1,279,326)

County Budget References for FY 2021-22 Actuals

Fund	Cost Center
Road Fund	CC19006 Engineering

Note: North Lake Tahoe costs assumed to be associated solely with planning and implementation of capital projects. Costs assumed to be fully offset by capital project revenues, with the net surplus/(cost) equal to contribution of transient occupancy tax (TOT) revenue to this cost center.

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department (DPW Administration cost center) and countywide overhead.

¹ Cost center total includes state highway users tax (gas tax) revenue. North Lake Tahoe total only represents federal construction aid and other capital project revenues. See Road Maintenance cost center for estimate of North Lake Tahoe gas tax revenue.

² North Lake Tahoe net cost assumed to equal transient occupancy tax (TOT) contributions to North Lake Tahoe capital projects from the Tahoe Economic and Community Enhancement Fund.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

LIBRARY FUND

The Placer County Library operates of two full-service library branches in North Lake Tahoe: Kings Beach and Tahoe City. The County owns both buildings, and is pursuing a state grant for facility improvements.

Table 16 displays the total library costs, including salaries & benefits, services, supplies & overhead, and operating revenue generated both Countywide and in North Lake Tahoe. The North Lake Tahoe share of operating revenues was estimate to be equal to North Lake Tahoe’s share of total allocated

costs compared to Countywide costs. Further, no General Fund contribution has been allocated to North Lake Tahoe because the actual library property tax revenue generated by the area exceeds the area’s costs and results in a budget surplus.

Table 16: Library

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe
Salaries & Benefits	\$5,046,545	12%	\$ 630,742
Services, Supplies & Overhead	<u>3,541,019</u>	<u>17%</u>	<u>610,477</u>
Total Expenditures	\$8,587,564	14%	\$1,241,219
Library Property Tax	6,850,946	39%	\$2,682,496
Operating Revenue ¹	482,848	14%	69,789
General Fund Contribution ²	<u>1,609,738</u>	<u>0%</u>	<u>-</u>
Total Revenues	<u>8,943,532</u>	<u>31%</u>	<u>2,752,285</u>
Net Surplus/(Cost)	\$ 355,968	424%	\$1,511,066

County Budget References for FY 2021-22 Actuals

Fund	Cost Center
County Library Fund	CC15001 County Library

Note: North Lake Tahoe services, supplies and overhead includes labor and other costs associated with department and countywide overhead.

¹ North Lake Tahoe share of operating revenue based on North Lake Tahoe share of total costs.

² No General Fund contribution allocated to North Lake Tahoe because actual property tax generated by the area results in a surplus.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

TRANSIT FUND

Tahoe Truckee Area Regional Transportation (TART) services consists of three (3) long distance routes directly operated by Placer County connecting the communities and activity centers around North Lake Tahoe and Truckee. The County also operates an ADA complementary paratransit service through a contract with the Town of Truckee.

In 2021 TART began operating on-demand microtransit service known as “TART connect” under a purchased transportation contract with Downtowner LLC. Pre-pandemic TART ran from 5:00am-2:00am in the winter, 6:00am-2:00am in the Summer, and 6:00am-10:00am in the Fall and Spring. TART owns 12 40-foot buses (10 CNG, 2 Diesel) and two 25’ gasoline powered cutaway buses for ADA paratransit service.

The TART operating and maintenance facility for TART services is located at 870 Cabin Creek Road in Truckee in unincorporated Placer County. This facility includes both diesel and CNG fueling. Upgrades to the CNG fueling station are currently underway. Planning for electric bus charging is in progress. This facility was opened in 1999 and was funded with FTA funding on County-owned land adjacent to the MRF and landfill. The Tahoe City Transit Center opened in 2012 and serves as a passenger hub for TART. It is located on US Forest Service land through partnership that included

FTA funding. TART fixed routes operated 31,783 vehicle revenue hours and 648,175 vehicle revenue miles in FY2021-22. TART Connect operated 28,658 vehicle revenue hours and 500,564 vehicle revenue miles. TART ADA operated 1,158 vehicle revenue hours and 21,768 vehicle revenue miles.

Table 17 displays the total transit costs and operating revenues generated both Countywide and in North Lake Tahoe. Operating revenues come from a variety of sources including the Federal Transit Administration, Local Transportation Fund, Placer County Transportation Planning Agency, State Transit Assistance and transient occupancy tax.

Table 17: Transit

	Cost Center 2012-22 Actuals	North Lake Tahoe Share	North Lake Tahoe		
			County Actuals	New Town Estimate	Difference (Town vs. County)
Total Expenditures	\$8,869,857	76%	\$6,708,961	\$ 6,708,961	\$ -
Revenue					
LTF					
TRPA			1,070,024	1,070,024	-
PCTPA ¹			<u>1,797,552</u>	<u>282,400</u>	<u>(1,515,152)</u>
Subtotal LTF	2,867,576	100%	2,867,576	1,352,424	(1,515,152)
Other Funding					
STA					
TRPA			420,394	420,394	-
PCTPA			-	-	-
Subtotal			420,394	420,394	-
FTA					
Section 5307			964,067	964,067	-
Section 5311			<u>517,566</u>	<u>517,566</u>	-
Subtotal			1,481,633	1,481,633	-
Local Contributions			574,503	574,503	-
Subtotal Other	5,298,068	47%	<u>2,476,530</u>	<u>2,476,530</u>	-
Total Revenue	<u>9,851,140</u>	71%	<u>7,029,602</u>	<u>5,514,450</u>	<u>(1,515,152)</u>
Net Surplus/(Cost) Before General Fund Contribution	(704,213)	194%	(1,364,855)	(2,880,007)	(1,515,152)
General Fund Contribution ²	<u>1,685,496</u>	100%	<u>1,685,496</u>	<u>1,685,496</u>	-
Net Surplus/(Cost) After General Fund Contribution	\$ 981,283	33%	\$ 320,641	\$(1,194,511)	\$(1,515,152)

County Budget References for FY 2021-22 Actuals

<u>Fund</u>	<u>Cost Center</u>
Tahoe Area Regional Transit	CC19003 Tahoe Truckee Area Regional Transit

Note: FTA = Federal Transit Administration; LTF = Local Transportation Fund; PCTPA = Placer County Transportation Planning Agency; STA = State Transit Assistance; TOT = transient occupancy tax.

Note: North Lake Tahoe expenses includes department (DPW Administration) and countywide overhead.

¹ Based on \$82.84 per capita (\$32.6 mil. PCTPA total apportionment divided by 393,532 countywide population excluding Tahoe Basin) multiplied by North Lake Tahoe population excluding Tahoe Basin (3,409).

² County response to data request identified \$2,392,707 in transient occupancy tax (TOT) funding. Amount adjusted based on actual cost center data for FY 2021-22.

Sources: County of Placer 2023-2024 Adopted Budget; Placer County CEO.

COUNTY FACILITIES

Placer County currently owns and operates several County facilities in the study area. **Figure 3** identifies these existing County facilities. Some of these facilities serve departments that provide municipal services to the area. Other facilities serve departments that provide countywide services such as probation, health and human services, and district attorney. Countywide services would not be transferred to the town. Some facilities house multiple departments providing a mix of municipal and countywide services. An incorporation proposal to LAFCO would need to address the status of these facilities upon incorporation, including which facilities would transfer to the town.

Figure 3: County Operations and Facilities in the North Lake Tahoe Area



REORGANIZATION ALTERNATIVES

This project included a brief review of local government reorganization alternatives to incorporation of the North Lake Tahoe area. The most likely alternative would be formation of a community services district (CSD).⁶ A CSD is an independent special purpose district governed by a locally elected board. One of the purposes of a CSD is to provide an alternative to incorporation, or to provide an intermediate step prior to incorporation.

⁶ See *California Government Code* sec. 61000 et seq.

The creation of a CSD for the North Lake Tahoe area does not offer any advantages over the current delivery of local government services to the area, and has significant disadvantages compared to a new town:

- ◆ The developed portions of the North Lake Tahoe area are already served by five special districts that provide services such as water, sewer, refuse, fire, and recreation.⁷
- ◆ Unlike the formation of a new town, the formation of a CSD does not result in the transfer of existing general purpose taxes currently generated within its boundaries from Placer County to the district, except for a portion of the property tax.⁸ Consequently, whereas sales tax, TOT, and property transfer tax would transfer from the County to a new town, these revenues would not transfer to a CSD. This lack of general purpose revenue would financially constrain a CSD and could result in the need for new voter-approved taxes to ensure fiscal feasibility.
- ◆ Only general purpose government agencies have authority to regulate land use. Placer County would retain this authority under the special district reorganization alternative.

⁷ See *Town Boundaries* section of this memorandum.

⁸ To the extent that a CSD assumed responsibility for services currently delivered by Placer County, the CSD would receive a portion of the County's general fund property tax currently associated with funding those services (see Table 12). Of the services listed in Table 12, a CSD could not receive property tax revenue associated with land use planning and development (because state statute does not allow CSDs to provide these services) and county general government (because the CSD is a special purpose not general purpose government entity).