

Opinion: Daly left Amador in financial chaos

By Larry Weitzman

El Dorado County's chief administrative officer, Terri Daly, has a history. Before she came to El Dorado County, she was the CAO of Amador County from 2007 to 2010. Prior to that she was the assistant CAO of Amador County for about a year and a half. Before assuming that post she was originally hired by Amador County as director of In-Home Health Services.

In 2006, a lease was negotiated by the apparently inept director of Amador Health and Human Services because the department claimed they had outgrown the two buildings they were currently using (a combined 22,800 square feet) at a total cost of about \$200,000 annually (75 cents a square foot per month). A "need" study completed in early 2004 showed that by 2023, because of a projected population growth of 15 percent, the county HHS would need about 44,000 square feet.



Larry Weitzman

Using that study, the director of HHS went looking for new space and what she came up with was a build-to-suit structure that the county would lease. It would be 49,000 square feet at the exorbitant rental price of \$2.43 a square foot (plus COLA) per month (more than three times the 75 cents the county was paying per square foot) totaling \$1.43 million annually (seven times the prior rental rate). That \$1.43 million is 2 percent

of the total Amador County annual budget; 2 percent of the county budget on a rental property for one department in a county that employs about 400 people. And although you would think for that kind of money you would get the Taj Mahal, it was a simple single-story structure that was nothing special. In showing the plans and pictures to some builders, it shouldn't have cost more than \$8 million to \$10 million to build.

The original lease signed in 2006 (it apparently took effect upon occupancy in December 2007) was for 15 years with three five-year options, and it had a walkout clause seven and half years into the lease (July 2015) where the county could terminate the lease with an additional one-time payment of \$500,000. The walk out clause continued for a period of five years until 2020 when the county could cancel the lease without penalty. (Each successive year the termination fee decreased by \$100,000. In 2016 the fee would be \$400,000.)

Before this lease was signed the highest rental rate for suitable space was about half that amount and today it is that or less. Today the building is underutilized with less than 70 percent occupancy. No departments want to move in as their budgets are charged the abhorrent rate of \$3.74 a square foot per month. It makes the EDC Logan building look like nickels and dimes.

It turns out the county never grew and in fact slightly declined in population. There is no need for the building. It's a \$1.5 million annual rental albatross around the neck of a county with a total budget of just \$73 million a year. Two percent of the annual budget is spent on a space requirement that should cost at most \$360,000 annually. Amador County could have with the difference nine more full time sheriff's deputies or perhaps a dozen more health professionals. By contrast, the EDC budget is about \$500,000,000 annually. Amador County's population at the time of the initial lease was about 37,000 (including 4,000 involuntary residents at

Mule Creek State Prison), which has fallen to about to about 36,000 today, not withstanding a small increase in the prison population.

It is a good thing, that is, it is almost a good thing ("almost" being the operative word) that Amador County is only a year away from the walk-out provision from being effective so it can get out of this albatross and not be stuck for another \$10.7 million in rent (7½ years of rent) and step down to perhaps 25,000 to 30,000 square feet for about \$360,000 a year which is the current going rate for the area.

But everything is not going to be OK.

Something happened on the way to the asylum. In 2008, Terri Daly was the Chief Administrative Officer of Amador County for about a year with a total of about 2½ years as the No. 1 and No. 2 person in the county. The CAO is where the buck stops with county business. And considering this probably is the single largest monthly expenditure of Amador County and its largest boondoggle, you would want to terminate it as quickly as possible.

While the Amador County Grand Jury report publish on June 25 didn't name names, there are documents which I obtained from the current Amador County CAO a few weeks ago when I started investigating this debacle, including all lease documents, that have Daly's signature and name all over them, especially for the renegotiated lease agreement done in March 2008. Yes, Amador County officials renegotiated the original lease taking a bad situation into an abysmal, unforgivable situation.

Renegotiating the lease did two very bad things for the county; first it extended the hard lease from 15 years to 20 years with no reduction in rent. Totally unnecessary as the county already had three five-year options. But second and much worse was the elimination of the walkout clause from the first lease. With the renegotiated lease the county is bound

to a nearly \$1.5 annual payment for an additional five years or about \$7.15 million for a space the county could replace for about \$360,000 annually. And what did the county receive as consideration for removing the walkout clause and a hard five-year lease extension – \$400,000. Some may say the county was in a cash crunch and needed the money, maybe the CAO wasn't running the county very well, but to trade \$400,000 for another \$7.1 million obligation is absolute insanity. But wait, there is more.

The grand jury assessed the "mistake" at \$7.15 million, five additional years of rent at \$119,070 (not counting the COLA) a month ($60 \times \$119,070 = \$7,144,200$), but the grand jury failed to account for the elimination of the walkout clause which would have shortened the lease by an additional $7\frac{1}{2}$ years, which adds up to an additional \$10.7 million ($90 \times \$119,070 = \$10,716,300$). The renegotiation actually cost Amador County more than \$18 million, not the \$7 million as the grand jury report said. While the HHS director may have had something to do with this, it is the chief administrative officer who is responsible to recommend it to the board, which she did. If Daly claims stupidity or she does an Obama "I didn't know anything about it," there is absolutely no excuse.

Board member Brian Oneto, who had just joined the board, said he tried to give direction to the CAO regarding the lease renegotiation and did not want the walkout provision eliminated but somehow the modification was done via the consent calendar and slipped through.

"What the modification was portrayed as is not what we were sold," he said.

While \$400,000 may seem like a lot, it is less than chicken feed when compared to locking yourself to an additional \$18 million albatross you actually didn't need. It was the worse deal ever done in Amador County. Daly turned a bad deal into a nightmare deal, a nightmare that will last another 13 years.

Something smells fishy.

Recently Amador County tried to buy the structure for \$8 million, which is the market value of the property. The lessor countered at \$16 million, understanding that they will collect \$20 million from the county over the next 13 years. Twenty million dollars at current interest rates works out to a present value of about \$16 million. And whom does the county have to thank for this heinous monstrosity? That's right, Daly, who is now in charge of a \$500 million budget. And she wants the EDC Charter changed to obtain complete control for herself, including the elimination of the county's most important check and balance, our elected county auditor. Daly wants the power to hire and fire all county officials. That would essentially give Daly complete control of El Dorado County. And we, the citizens, would have no direct say with anything to do with county business.

The county auditor-controller is probably the only person keeping us from an Amador County-like debacle. I wouldn't trust Daly to reconcile my checkbook. The next time EDC hires a CAO (and I hope it happens soon) hopefully the candidate will have some proven business background, perhaps a degree in business or better yet, accounting. Running a county is a numbers game.

Larry Weitzman is a resident of Rescue.