

# Opinion: EDC budget debacle all because of Daly

By Larry Weitzman

With winter coming, it was a good thing that Supervisor Ron Mikulaco and Auditor Joe Harn came up with a plan to pay for the second snowplow and saved the county \$50,000 interest instead of following the Community Development Agency's plan to lease it, which is usually the most expensive way to acquire anything.

It was an item that dated from June 2013, that the chief administrative officer and the CDA handled more like the Three Stooges with no insult to the Stooges intended. There will be an investigation to find the mistakes made, by whom and why. Even our CAO, who signed the purchase order, made a \$30,000 mistake on the purchase price (she doubled the sales tax), which did get corrected during the Sept. 23 Board of Supervisor meeting. At the same meeting, unfortunately the overall El Dorado County budget was approved on a 3-2 vote with a huge deficit with Mikulaco and Shiva Frentzen voting no.



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But the fiscal future of El Dorado County may be beyond help. While Terri Daly's CAO's office has grown from 16 employees in the 2011-12 fiscal year to 72.5 employees for the 2014-15 fiscal year, which included half dozen or more new highly paid

“analysts” with titles like CAO administrative analyst, department or principal administrative analyst, overall county hiring in the last three years by CAO Daly amounted to 170 new employees. But none of those hires was in the most important county departments such as the sheriff’s or the DA’s offices. In other words, county services have not improved and if you consider the snowplow debacle, services have gone in the other direction.

These new county employees have added about \$14 million to county expenses. If you add in the cost of the 15 percent raises recommended by Daly, you can add another \$7 million to budget expenses or about \$20 million to \$21 million annually.

Here is the problem Daly has created. While the CAO claims the budget will be in balance for fiscal year 2014-15, it isn’t. Revenues (which are mostly property taxes and sales tax with the division being about 60/40) are projected at \$222 million. But expenses are \$254 million. That’s not balanced, but a negative \$32 million. The way the CAO figures it is that as of the end of the last fiscal year (June 30) the county had \$45 million on hand (down from \$54 million at the end F/Y 2013) and EDC will plug the gap with the county savings. In the following year (15-16) spending will outstrip revenues according to county forecasts by \$27.5 million. Known bank reserves will only be \$13 million. The county will be out of cash.

In the three following years the combined forecasted deficits will be another \$89 million. El Dorado County will be upside down by \$103 million. Perhaps there will be a higher sales tax proposed for El Dorado County, possibly a 25 percent rise and that will still not totally solve the problem while damaging local business.

And why? Because our CAO, Terri Daly, hired 170 new employees over the last three years, claiming we are still not back to pre-recession levels of staffing (and implying that the

recession is over). Being a county employee making over \$200,000 a year plus benefits (about \$250,000-\$260,000 a year total), Daly never felt the recession. We are still in a severe recession, with real unemployment well over 10 percent and housing prices significantly depressed.

With respect to those employees who were hired within the CAO's office, salaries have grown by about \$4.5 million since June 30, 2012, with a total of about 56 new employees. That equates to an average salary of \$80,000 per employee. And you wonder why we have a budget problem. Using that same salary cost for the 170 employees hired by Daly during the last three years and the total reaches \$13,600,000.

But wait there's more.

Within that hiring of 56.5 employees 18 were classified as some sort of analyst, fiscal tech or administrator; 18, all hired in the last two years. Is Daly that bad an administrator that she needs that much help? If they are analysts or administrators, they are not doing their jobs as can be seen by the terrible fiscal shape the county is in. The total cost for those 18 employees is \$112,700 a month or about \$1.35 million a year plus benefits (about \$1.7 million a year total). Those seven newly hired (within the last two years) CAO employees with the actual title of analyst had total monthly salaries of totaling \$43,000 or about \$645,000 a year with benefits. And you wonder why we are looking at huge deficits.

On top of all this spending, Daly recommended that the county give all employees a 15 percent raise over three years starting in 2014. Total cost of that will be about \$7 million annually. Without the hiring and without the 15 percent raise, there would be no budget deficit.

If you study Chief Financial Officer Laura Schwartz's budgets projections, the total deficits through F/Y 2018-19 are only

\$51 million. CAO Daly claims there will be savings of \$32 million from the multimillion dollar Fenix accounting system of which she has yet to produce one work paper demonstrating these savings and other county budget saving of about \$20 million that will materialize out of totally unproven savings devices. Please CAO, show us the data.

Daly's solution is an across the board 3 percent salary savings in all departments. First, why should longer-term employees pay for Daly's excesses? Second, about 35 percent of the new hires were under the CAO's office, she gains, every other department suffers. And finally, a 3 percent salary savings does nothing. It's a gimmick. It would only save about \$5 million a year, still leaving EDC about \$80 million upside down. The solution is laying off the new hires, especially those in Daly's office. Looking at the budget deficits, they and Daly are responsible.

Daly loves the words "strategic investments" and uses them liberally in everything she writes and says. The term should be as demonstrated above – "useless and wasteful spending." One more thing, with all these new employees, there has been no improvement in county services. More is coming.

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