Opinion: No one dealing with bloated budget

By Larry Weitzman

At the April 15 special meeting of the El Dorado County Board of Supervisors' meeting, whose main purpose was a CAO budget update presentation to address the continuing county annual deficits, the operative word was "bloated." During the meeting CAO Pamela Knorr admitted that the budget was bloated and she said it more than once. While Knorr admits the problem, she effectively refuses to solve the problem and three members of the BOS refuse to take the necessary action to solve this most critical EDC problem, a severe case of overspending.

Only Supervisors Shiva Frentzen and Ron Mikulaco apparently can see, as said by Mikulaco, the elephant in the room.

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And this is not the first time that the BOS and CAO were advised that the EDC budget was heading full steam for an iceberg. Auditor Joe Harn, in an email to the board on March 25, 2014, warned that the county was deficit spending and to continue to do so "will result in the necessity of draconian spending cuts next summer (of 2015)."

At the end of the FY 12-13 (6/30/13), the county had a cash balance of $54,461,348. By June 30, 2014, it was $45,106,043 and by June 30, 2015, that number is projected to be about

$29,000,000 and perhaps as low as $25,000,000. Although this number goes up and down at the end of each month, the general fund cash balance which could be called a surplus will be depleted by as much as $30 million by the end of this fiscal year. The county has been living on savings for two years. Without these savings, the county would be upside down by that number.

And last week the CAO admitted the cause; bloated county budget spending. The main cause of the bloat was massive hiring by the prior CAO (about 170 general and non general fund employees, including many administrative employees) and a three-part 15 percent raise. From the June 2010 to June 2013 the county spent approximately $118 million on salaries and benefits annually. But when the cost of the new hiring hit, general fund spending on salaries and benefits grew to $132 million by June 2014 and will grow to about $141 million by the start of fiscal year 2015-16. Most of this increased spending is from hiring and not the raises that aren't fully implemented until July 1 this year.

Salaries and benefits are about 70 percent of EDC's general fund spending and the most significant, if not the only cause of the growth in county spending. When private businesses get in trouble, the first place they cut is their biggest expense, labor (employees). Governments across the nation have done the same thing. What is most interesting is that the growth in public safety spending for EDC has been minimal comparatively speaking. Since June 2013 the sheriff's office has grown by two, probation has not grown, public defender is up by five and the District Attorney's Office is down by two. Public safety departments have not grown. Total new county hiring since that date as said by a county official at the meeting was 134 employee.

Knorr made another significant comment about correcting this growing problem when she said, "The work force is the last thing we look at."

The other source of significant county expense is the hiring of consultants, but there is little growth in that expense. Where else are we supposed to cut? Pens and pencils? The county is a service business; it doesn't buy raw materials and manufacture products, except for some raw materials for road repair. At a BOS meeting last September, the prior CAO and chief financial officer could only point to a senior day care center with two employees as to any increase in county services.

What about revenue growth? County general fund revenues have grown from June 2006-14 at a rate of less than 1 percent annually ($185 million to $197 million), and the new forecast the county is using is a 4 percent growth for sales and property tax, but still not close to the pace of general fund spending. For four straight prior years (June 2010-13) revenues exceeded expenses by a total of $30 million. With the growth in spending from July 1, 2013, the deficits started and for the next fiscal year the annual deficit will touch $20 million if spending is not drastically reduced.

"For the last 12 months spending has exceeded revenues by about $1.3 million a month, and during the next fiscal year starting July 1, 2015, most county employees are going to receive a five percent raise," said County Auditor Joe Harn. You can do the math. We have an accelerating deficit.

When BOS member Frentzen recently asked for analysis of that new hiring for the last three years or so by the county, the rest of the BOS gave her no support. Too bad for the county. Knorr didn't do it on her own saying the BOS didn't direct her to do so. In business do the shareholders have to vote to get the CEO to take action?

In the past when discussing the budget problem I mentioned that you should watch your wallets for increases in taxes and fees. Such a recommendation was part of CAO Knorr's presentation when she suggested that a fee study should be done regarding fees charged by the Community Development Agency, HHSA, Treasurer/Tax Collector, Clerk/Recorder and the Surveyor. In more pulling at straws, Knorr even suggested cutting infinitesimally small programs like saving $13,200 annually by cutting the Perks Court Transitional Housing program. How's that for saving the molehill while giving up the mountain? That's rich (no pun intended); we're going to balance the county budget that has had its salary and benefits balloon by $38 million by cutting a $13,200 program. If we could only cut about 1,500 Perks Court type programs, we would be at a $20 million saving. Perks Court is not the problem.

Unless spending is cut, and hopefully cut in an intelligent manner, this county will be facing those draconian cuts within six to 12 months. Next time you call the sheriff's office, I hope it's not recorded music.

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