Opinion: EDC budget boondoggle a disgrace

By Larry Weitzman

About two years ago, I told the El Dorado County Board of Supervisors that if the budget wasn't cut, they were going to run out of money, money to maintain county roads, buildings and other assets, money to build a new sheriff's HQ and another half dozen items that require about $12.5 million a year with another $12.5 million left wanting. But it gets worse as county departments have filed their next year's budget requests and they total $7 million more than projected revenues, including the use reserves to prop up the revenue number.

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That means when you add in the aforementioned $12.5 million above ($2.2 million for new sheriff's HQ, $3 million for road maintenance, $5 million for deferred maintenance and a capital replacement fund, plus 2.5 million for funding retiree health) it adds up to a $20 (12.5 + 7) million budget shortfall. The proposed budget as presented (not including the $20 million), while in balance per government standards (using reserve money to balance it), was structurally imbalanced because annual expenditures exceeded annual revenues. Most people and business work off structurally balanced budgets.

What's even more amazing is that our CAO, Larry Combs, obviously knew we didn’t have the funding to build the new sheriff’s HQ a month ago when he advised the BOS to spend $2.6 million to buy the land upon which to build it. The loan payment would be an ongoing $2.2 million annual expense for 40 years. Where is this money coming from in year two, year 15 or year 39? No one in our administration has a clue. And this is the guy our BOS takes advice from? Maybe the CAO and BOS need help from our Mental Health Department?

So if we want to fix and maintain the roads, build a sheriffs HQ (I am surprised that the current HQ hasn’t been declared a Superfund site), pay retiree health care and another half a dozen or so county items, $20 million in cuts will have to be made somewhere else in the current proposed budget. Here’s a place to start. In the last fiscal year the CAO executed about $10.5 million in contracts, which were under the $64,000 requirement of BOS approval. I am sure there are millions in waste there alone. Double damaging is that the CAO only reports these contracts to the BOS once a year. Maybe that should change to a weekly reporting requirement and discussion.

Within the workshop and proposed budget were some BOS platitudes in the form of budget policies like no new positions unless funding is identified or a significant need established. How is that for an out. But the BOS wants that new salesman, (all except Shiva Frentzen) for a $150,000 public information officer, which in the political world is known as a “spin doctor.” The other policy was no growth of non-salary/benefit operating expenses.

But the biggest area on the expenditure side of the budget is salaries and benefits ($155 million) which is about 70 percent of General Fund spending. And it is the biggest problem area. I am sure, under great pressure, this issue wasn’t monetized by the CBO in the presentation, but was shown as percentages in the power point presentation which served as the basis of the four-hour discussion which considered budget items as small as $2,500 and several items that where in the $10K-25K range. Only one BOS member, Frentzen, recognized the real elephant in the room of an annual revenue short fall of $4 million to $7 million, the difference between revenue growth and salary/benefit growth. No other BOS member said a word about it or wanted to discuss it and the county administrative staff acted oblivious. It might have been the basic algebra (solving for the unknown) that was beyond their capability (this is not meant to be an indictment of our educational system).

Here is this deficit issue as contained on pages 6, 7 and 8 in the 17-page power-point presentation as presented to the BOS called future year assumptions: property taxes and sales taxes will grow annually at 4 and 2 percent, respectively. Department revenues will grow at 1 percent (about $1 million). We were told that 1 percent of growth on tax revenues equals $1 million. That means that that total revenue growth will be about $4 million in new revenues every year. Expenditures will grow only from salary and benefits at 4.5 percent a year, no new expenses shall be incurred from expenses that are not from sal/bene, and no new positions will be filled unless funded within the budget. The problem is that 4.5 percent equates to $7 million this year and growing from CalPERS and health benefits as the contribution requirement are on a huge uptick as it was recently reported employer contributions are going up by 9 percent as their investment portfolio continues to perform poorly. This year will be a $3 million deficit that will continue to grow every year.

A new union contract is already in negotiation. The current contract which provided a 15 percent contract is over in two months. Even a new 1 percent raise in salaries will add $1.6 million to the growing deficit, plus the projected 4.5 percent growth as health benefits and CalPERS benefit contributions continues to rise. A half a point hike in bene costs will add another $1 million. Those numbers will outstrip revenue growth so the dollar gap between total revenue and salary and benefit expense will continue to widen, perhaps by $10 million in three or four years. As it is now, EDC’s budget in unsustainable.

So what did the BOS spend their time on last week? Of course not one word as to the growing built in budget deficit. The BOS is going to use reserves to balance the budget just like the failure of Pan Am Airlines. Near the end, they were losing money every year and to sustain themselves they sold off their profitable route structure to the point they had nothing left to sell. Bankruptcy grounded Pan Am as it became unsustainable. Instead of short circuiting the deficit, the BOS discussed whether they should spend $25,000 on keeping a swimming pool open longer hours during the summer. Here the county is drowning in built-in continuing deficits of which they refuse to recognize and discuss with the county infrastructure and buildings crumbling around them, and they are worried about swimming pools. It’s unbelievable. Worse yet is that Combs never mentions it during the entire meeting. Ditto for the ACAO.

There are two solutions, one of course is raising sales tax a point or two. That could bring in a few million dollars annually to the detriment of taxpayers and merchants, taking away one of their business advantages. It would encourage EDC residents to shop out of the county while sales drop for local merchants. But there is another, better solution and that is to cut expenses. This is where a real CAO comes into to play. Don Ashton or someone like him (maybe he has an identical twin?), will turn this county around. He will end favoritism, demand excellence and value from our work force (more productivity) and most important will tell the BOS the reality of the situation and give them real choices from which they can make real decisions.

Perhaps we should study the solution of the city of South Lake Tahoe when its budget got out of hand. The solution worked well.

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