

Opinion: Political jargon means little without action

By Larry Weitzman

Ordinary people and politicians use buzzwords to not only highlight a problem, but also as solutions to a problem. In El Dorado County, new buzz words may have been created at the June 13, Board of Supervisors meeting – “operational efficiencies.”

The term is not new, but it is used to describe the solution to El Dorado County’s continuing budget deficit problems created by a massive hiring campaign starting in about 2013 where EDC’s government and administration has grown from about 1,700 to about 1,900 employees with some growth in every year since 2013 right up until the present. So much for the soft hiring freeze allegedly instituted about two years ago. Since that “freeze” new hiring obviously has continued, just not as rapidly. I am surprised that no one has yet to blame global warming for the failure of the freeze.



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In addition to new hiring within the county, a 15 percent raise was given to most county employees over a three-year period for the period from July 1, 2013, to June 30, 2016. With a new contract currently under negotiation, the 15 percent raise will only be exacerbated.

What has made this problem most important is the approval by the BOS to take on a \$61 million obligation, albeit at a low interest rate of about 3 percent, over 40 years that will create a \$2.6 million annual General Fund obligation for the county. The purpose will be a new badly needed sheriff's facility which will replace the existing facility and consolidate the sheriff's department under one roof instead of everything being scattered over the entire county. The net will be about \$2.3 million as the county will save about \$300,000 a year in current leasing costs.

It should be pointed out that the growth in county employees over the last several years has not been in public safety, which has remained relatively static. The sheriff, district attorney, public defender and probation departments have had almost no employee growth. In fact, a couple of departments have shrunk an employee or two.

Employee salary and benefits have grown to the point that even without a new raise under a new contract being negotiated currently (perhaps EDC should ask for a give back of a percent or two in salary over three years), salary growth is now outstripping total General Fund revenue growth, not in percentages but in actual dollars, by about \$4 million annually and growing. And with the poor CalPERS pension performance that number of \$4 million will grow considerably. In other words, even without a new salary increase, the county deficit will continue to grow. The only saving grace is a county surplus of funds, which after the 2012-13 fiscal year had a cash balance of \$54 million and no debt. That surplus is dwindling and it being used to balance the budget every year.

Since salaries and benefits are about 70 percent of the General Fund budget, the rest of the budget has grown little and would be difficult to cut to make a significant difference or inroad on the budget issue. However, last year the chief administrative officer spent \$10.5 million in contracts (consultants, lawyers, etc.) that didn't require BOS approval.

That could be a huge area where our staff hires less consultants and performs much more of that work in house. That could be an "operational efficiency."

Our new CAO brought us the term operational efficiencies at the June budget meeting when he proposed that the county could save significant funds by implementing comprehensive "operational efficiencies." At that same meeting he restated the three priorities of county government as being public safety, roads and infrastructure, in that order. The sheriff's new facility fits into two of those priorities.

Besides cutting outside contracting which could provide a budget boon for EDC, what or how are "operational efficiencies" going to cut salary and benefit spending which are about 70 percent of general fund expenses? EDC Chief Financial Officer Don Ashton said in July that budgets will be balanced for the next five years.

Understand that the employees of the county don't produce anything in the way of goods or significantly billable services except for some fee and permit charges which is a drop in the bucket when considered part of overall revenue. In a normal business improving efficiencies would mean more production of salable goods and services by its employees. EDC can't do that. So what kind of efficiencies will save money without the "L" word (layoffs)? With layoffs, the balance of employees will become more efficient in doing more work by picking up the "slack" created by layoffs.

But according to what was said at the July 26, BOS meeting when staff was being asked by Supervisor Ron Mikulaco, "If expenses will exceed revenues, how do we achieve a balanced budget for the next five years?" the reply by the CFO was, "We'll constrain salaries." Mikulaco responded, "Do we lay people off or cut senior programs?"

To that the CAO responded "No, please don't say layoffs.

Instead we we'll use efficiencies with no cuts to service. It's time to start getting some efficiencies." As a side note, cutting senior services is another drop in the bucket as many of those programs survive very inexpensively because of substantial volunteerism within the community with regard to these programs.

While the CAO said there will be "no new positions," Supervisor Brian Veerkamp said, "I'll guarantee we'll add positions (within the next five years) ...we don't know when or who but I guarantee we will have to add positions." The BOS has already done that with a new public information officer (spin doctor or PR person) at about \$150K annually.

To make serious cuts in government, there is only one way and that's the "L" word. One painless way to consider is what is the county attrition rate (not replacing retirees)? In the federal government it is about 5 percent a year. But we have to study history. In fiscal year 2012-13, EDC had 1,700 employees and there were little if any service issues and salaries and benefits totaled about \$118 million. Last year salaries and benefits with 200 more employees and the 15 percent raise totaled about \$160 million.

Adding to the negative mix is the issue of road maintenance of which the BOS voted unanimously to change policy last year that no general fund money shall be used for such. If the sheriff's new facility is approved, does that mean 40 more years of no General Fund road maintenance?

While this new facility will be done via the subterfuge of a "certificate of participation" it is \$61 million of new obligations or borrowing. Pursuant to Measure A passed in 1990, does this borrowing require approval of the voters? And what about the California Constitution Article 16, Section 1 also providing for voter approval of such borrowing. Apparently the BOS has hired a consultant and bond counsel (more taxpayer money) for the very purpose of circumventing

Measure A and the California Constitution requiring voter approval.

At the July 11, BOS meeting Supervisor Shiva Frentzen made a motion that was passed 5-0 directing the CAO and staff "to report back to the board on possible operational efficiencies during the September 2016 budget hearings." Let's hope for the best and plan for the worst.

PS: With respect to what corporations do when budget problems arise, they lay people off. Cisco Systems just announced they are going to layoff 7 percent (5,500 employees) of their 78,000 total employee workforce to improve their financial situation. That's how it's done. They will achieve improved "operational efficiencies."

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