

# Opinion: EDC supervisors need financial advisor

By Larry Weitzman

Sometimes repetition is a good thing. We did it in school to learn spelling and the times table, athletes do drills over and over again to create what they call muscle memory. Whatever it is, many people swear by it. So, I am going to repeat Jorge Santayana's perhaps most famous statement (or at least it is attributed to him): "Those who do not remember the past are condemned to repeat it."



Larry Weitzman

That oft quoted remark has failed to impress our El Dorado County Board of Supervisors and that was obvious at the first public budget meeting for the year 2017-18. The bottom line is our budget is out of control and is only going to get worse. Our roads are falling apart at an accelerated rate, and while the board pays lip service to this fact and claims it is a high priority (it is the highest priority of the county after public safety), they failed to do anything about it as they keep saying they have no discretionary money within the \$154 million of the discretionary budget and that includes our public safety budget. Eighty percent of that \$154 million consists of salaries and benefits. Of the total budget of about \$657 million, only that \$154 million is discretionary spending, i.e., the balance of the \$500 million is mostly

money from state and federal programs and can only be spent as such.

For three hours and 40 minutes the budget was presented in a 25-page PowerPoint and for most of the meeting there were lamentations about our crumbling roads with no answers, except the one answer I have warned you about since the very ill-advised 15 percent countywide raise for most employees except the sheriff's department, new taxes which were discussed at length at this board meeting. Most of EDC's fiscal problems are a direct result of that 15 percent raise. Without getting into a discussion of how the raises should have been made and distributed, that raise has cost the EDC over \$60 million (in additional salaries and benefits) and it is rising. Also, there has been some new hiring in the last four years as well, including the newly hired public "spin doctor" at a cost of \$150K annually.

EDC needs to recognize and admit they made a mistake. While only one board member, Brian Veerkamp voted for it, and while the rest of the board is newly minted since then, this board has been warned of the impending disaster coming as a result of this raise. Once the board recognizes spending needs to be cut, then there is hope for EDC. And here's why.

Several other things transpired during the meeting worth noting. First, ACAO Shawne Corley who made the presentation, said that salaries and benefits, without considering raises, are increasing at the rate of 4 percent a year just because of step and merit increases and retirement contributions. And with the CalPERS pension crisis of a lowering discount rate and increasing unfunded liabilities, that is going to get worse. Additional CalPERS retirement contributions required from EDC alone will cost EDC over \$60 million over the next six years.

But then Corley said that for every 1 percent rise in salary and benefits, revenue must increase by 1.5 percent. If

salaries go up 4 percent, revenues must go up 6 percent to keep pace with salaries. Revenues are not going up that fast. EDC is headed for a train wreck and very soon, perhaps as little as two years, considering CalPERS issues.

Meanwhile, there is no money to fix our dilapidated roads. Part of CAO Don Ashton's recommendations is to fund reserves to board policy levels, \$8.5 million to general reserves, \$5.3 million to contingency and \$5 million to capital projects and deferred maintenance. About \$19 million in total savings.

As to the roads, Supervisor Sue Novasel was happy that the "loan shark" gas tax bill (SB1) passed the state, saying, "We specifically supported this bill ... it is somewhat of a solution from the state with \$6.9 million to be received, with \$2-\$3 million by November 2018." Supervisor Michael Ranalli said SB1 was like a "plea bargain ... as we are desperate for that money, pushed against the wall." Ranalli you made this bed by abandoning your promised conservative principles.

SB1 is the new gasoline and vehicle registration tax that will cost us effectively 200 percent interest. For every dollar we receive, we have to pay \$3. It's like borrowing a \$100,000 on your home and having to pay back \$200,000 every year as interest. That is the effect of the new gas tax and Novasel and Ranalli are OK with that. Ranalli went on to say, "Roads as a priority are up there, I have a sense of urgency and willingness to solve our problem ... we need to find a creative way to deal with it." You call SB1 creative? In fact, Ranalli voted to spend \$12 million on plush new digs for himself and now says roads are a priority?

Ranalli (and Novasel) and in fact the whole board was told two years ago that the budget was heading for a train wreck by this column and other county officials many times over. They were told spending was out of control and they were living on savings. They obviously didn't listen.

Now to the worst part of the meeting, new proposed taxes. Here's the current new list: Solid waste franchise fees, \$750,000. One of two new sales taxes, \$6,000,000. Motor vehicle registration fee increase, \$2.2 million and a 20 percent increase in the transient occupancy tax, \$500,000. That's about \$220/year for a family of four. And this is on top of the new SB1 gas and motor vehicle registration tax that will cost a family of four about \$600 a year and probably a bit more for El Dorado County residents as we own more motor vehicles per capita.

While there was much talk of new (tax) revenues by the board members, especially from Ranalli, Novasel and Supervisor John Hidahl there is a ray of light as our capable CAO was directed by the board in addition to putting away the reserves of \$19 million above, to find \$300,000 for new district attorney facilities and more important to find \$2-\$3 million for road maintenance, plus a few other items. Finally, that will mean spending cuts of about \$4-\$5 million. Ashton knows how and what to do, but will the board be able to follow through? Ashton understands this is only the beginning, but you have to start somewhere. Now let's see if the board will follow Santayana's axiom so they will understand how they got to the edge of the cliff.

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