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LATE DISTRIBUTION
 DATE 4/26/16
 BOS 4/26/16

April 21, 2016

Subject: Design funding for Connector Segment E1

Dear Mr. Defanti:

Since you have been following the progress of the Connector for some time, I know you are aware of the recent approval of the CEQA Environmental Document for Segment D3/E1. This document and subsequent approval of the final alignment covers the 5.3-mile stretch between Prairie City Road and Latrobe Road in El Dorado County. With these approvals, JPA staff would like to solicit for Final Design and Right of Way acquisition services from a qualified engineering consultant team. While the cost of services for the Sacramento County portion (Segment D3) of the project can be funded using Measure A Sales Tax funding allocated to the Connector JPA, the short one-mile stretch in El Dorado County cannot be funded with Sales Tax dollars. And unlike the cost of the CEQA process for the El Dorado County portion (Segment E1) of the project, which was funded using a portion of your annual dues, the final design cost for E1 exceeds the remaining dues available, and must therefore be provided by El Dorado County using discretionary funds. We currently estimate the design cost for the E1 portion of the project to be \$300,000 spread over a two to three year period. Currently available and expected annual JPA dues from El Dorado County could reduce that estimate to approximately \$225,000.

It has come to our attention that upcoming budget workshops by your Board of Supervisors will begin on Tuesday, April 26th, ahead of a formal presentation and request by the JPA to the Board, which is currently scheduled for May 17th. Since decisions on budget priorities could be established prior to the JPA's scheduled presentation date, we respectfully request that this letter act as a placeholder for the upcoming design contribution request and that the Board of Supervisors add the design funds to the list of potential uses for available funds in FY 2016-17. I have spoken to Supervisor Mikulaco about this upcoming request and will continue to work with his office on the details and timing of the final design process.

Please feel free to call me at 916-876-9095 if you have any questions regarding the action requested. I will be available to provide clarifications to the Board if necessary at the upcoming workshops. Thank you.

Sincerely,

Tom Zlotkowski
 Executive Director

c. Supervisor Mikulaco and Board members
 Craig Schmollinger, CAO's office

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Bullet points regarding county budget workshop for 4/26/16

This conclusion based on the numbers prepared by the CAO's office (17 pg. doc) underestimate the seriousness of the budget shortfall by about \$4 million annually and that number will grow every year in the projection and here's how:

On 4/21/16 the CBO sent a letter to all dept. heads that said there is a huge list of unfunded (no funding source identified) that have been discussed as needed like the new Sheriff's bidg, road maintenance, fire, ambulance service, land use litigation and more.

Depts. have already made funding requests outside of the above and it causes budget requests to exceed project revenue revenues by \$7Mil.

But here's the rub, in the 17 pgs. produced for the 4/26 workshop Budget Policies are listed 1) pursue operation efficiencies (does that mean layoffs?), 2) look for new revenues, the BOS already raised fees (read taxes) by \$1Mil (sales taxes next?) 3) no new programs without identifying funding (that means no road maint. and certainly no new sheriff's facility after we just spent \$2.7Mil buying land). 4) no new hiring for new positions, but CAO still intends to hire a \$150K PIO 5) depr set aside of \$5Mil annually.

Pg. 5 is the 5-year overview assumes that all allocated positions are 100% funded including step increases 2) 5% growth in health rates (interesting that the ACA Obamacare is going up 11-17% just this year. 3) at least she used current CalPERS rates 3) no growth in non-salary op expenses 4) one percent growth in Dept. revenues (are these already accounted for in the fee increase?).

Pg. 6 Future revenue growth: Used the percentages given (4&2) the overall growth in taxes is about 3.2% and with \$100 MIL in both taxes (Prop tax is about \$62 mil and sales tax is \$38 mil) revenue growth will be about \$3.2 mil annually (see revenue growth on pg. 9)

Pg. 7) It claims sal/bene growth of 4.5% without considering that a new contract is due on 7/1/16. The assumption upon which this is based is baseless. Sal/bene were flat at \$118 Mil for f/y/e 10, 11, 12 & 13. f/y/e 14, 15 & 16 sal/bene went to \$132 Mil, \$145 Mil and this year will be \$153-\$155 Mil a rate of growth of 10-11%. But using the 4.5% means sal/bene will increase about \$7 Mil a year which is more than double the revenue growth using the CAO's numbers (see pg. 9 appropriations) and will compound every year thereafter with a growing differential.

In other words, we are never going to catch up unless big cuts are made. The roads will fall apart/the Sheriff doesn't get his new facility and everything else on pg. 13 the \$25Mil unfunded list is off the table as EDC slowly sinks into oblivion. And that's using EDC's optimistic growth numbers and the sal/bene number which is way understated. CalPERS contributions alone are going up 1-2% annually.

And finally the county just incurred a huge damage liability because they didn't fix Tahoma's roads correctly. If it's the emulsion's fault, why aren't they being sued? Or maybe there is something we don't know?

On top of that, on 4/19 the county in transferring another \$1/4Mil to EDH fire from prop tax revenue made the following findings in the county resolution (item # 14-0428 4A 1 of 3) (two months ago they made the same findings transferring to EDH Fire when giving them \$1//2 Mil of gen'l fund money). From the actual resolution: 2a) "Revenues are available for this purpose." and 2c) "The transfer WILL

NOT impair the ability of the County to provide existing services." Can this be explained in light of the budget work shop papers? Has a funding source been identified?

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By Kathryn Reed

El Dorado County has substantial money issues with no obvious solutions.

The Board of Supervisors on Tuesday begins the process to come up with a budget for 2016-17. The fiscal year begins July 1. By law the budget has to be balanced.

The staff report says the county will be nearly \$5 million in the hole in 2018-19 if things don't change. The structural deficit will be part of the discussion April 26.

Even though CAO Larry Combs says the budget is balanced, that's a bit of misnomer and not everything department heads or electeds want is getting funded.

Combs, in his report, does not suggest any ideas of how to come up with more revenue or to cut expenses. Combs, who is the interim CAO, only works a few hours a week. (One of his other primary jobs is to find a permanent leader for the county.) In the past the CAO has been proactive with the budget, even starting in the fall.

All he offered in his report was, "For any items that the board wishes to add to the budget, something must come out of the budget or a new funding source must be identified."

The staff report for Tuesday's session also says, "Use of one-time revenue or one-time savings to fund ongoing operational expenses will not help future year deficit, but will only buy time."

As with most organizations, salaries and benefits are the biggest drain on the General Fund.

However, the CAO has been driving up those costs. And in doing so he keeps violating board policy when it comes to hires. Anyone hired at step 4 or 5, the latter being the highest, must have this run by the supervisors. Combs hired his friends for the assistant CAO and risk manager positions at the higher levels. The recently appointed chief counsel is also at a higher step. The board has not been brought into the loop on these decisions.

Various county departments put in requests that totaled \$7 million more than revenues. There is another nearly \$25 million that is also not accounted for and some of those are ongoing expenses.

"Department requests exceed our available revenues by \$7 million. If we maintained our 'status quo', in other words, no new positions or other appropriations increases and no decreases to department revenues, the budget would be balanced. Requests came in \$7 million higher than status quo," Laura Schwartz, chief budget officer, told *Lake Tahoe News*.

The job of the electeds is to prioritize spending. There will be several budget hearings in May, with approval set for June.

Schwartz in an email that Combs was copied on did not explain why General Fund money is not being used for road maintenance when this has been the norm for years. This \$3 million line item is part of the nearly \$25 million that isn't being funded.

Also not in the budget is the \$2.2 million needed to pay the debt on the new sheriff's headquarters.

"We have purchased the property for the new public safety facility, but we are still researching financing options," Schwartz said. "You are correct. Currently we do not have funding to build the facility allocated."

The unfunded list also contains \$1 million for land use litigation. In other words, there is no money budgeted to fight the lawsuit challenging the General Plan. Neither Schwartz nor Combs explained how the lawyers would get



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One item the five all agreed to was approved last week when they allocated \$256,651 in property taxes – annually – to El Dorado County Hills Fire Department. This is the richest fire district in the county.

They went against Auditor-Controller Joe Ham's recommendation. He told them in writing, "I believe that it will be a major challenge to continue to provide existing services at current levels in future years."

This is also the same fire district from which Supervisor Brian Veerkamp receives an annual pension of approximately \$200,000 from having been the fire chief. He voted for the allocation, even made the motion, without anyone stating this is a conflict of interest.



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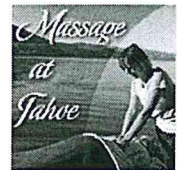
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