

L. Weitzman #28 BOS 9/23/14

Mountain Democrat



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The balancing act: Is it incompetence or arrogance?

By Larry Weitzman

From page A4 | September 22, 2014 |

As the investigation grows it becomes apparent that the chief administrative officer, her assistant and most of the office is in trouble. An El Dorado County Board of Supervisors meeting on Sept. 9 revealed a new scandal could be happening and it involves a simple snowplow. It seems the CAO's office can't even buy equipment without messing it up. The equipment is necessary for clearing roads north of Emerald Bay to the Placer County line and serves some 2,000 property owners.

This problem started over a year ago when an item appeared on the BOS consent calendar Sept. 10, 2013, for the purchase of two John Deere Motor Graders (snowplows) for a zone of benefit in the Tahoe Basin from the low bidder, Pape Machinery of Sacramento. Funding was to come from a special assessment placed on the benefitting land owners who live in the zone of benefit. They pay a \$50 a year parcel tax, totaling about \$100,000 annually. This was not even a general fund item.

While the BOS approved this item on the Consent Calendar, the approval perhaps was a bit unclear. The approval said it was for a one time purchase of two John Deere motor graders for approximately \$814,000, but it had a provision for lease financing of the snowplows as well.

Pape finished the delivery of the two snowplows in about May of this year. The first one appears to have been paid for with cash, but the second one has not been paid for, although EDC has had possession for four months. The county Community Development Agency, which was handling this transaction, could have paid for it, but for some unknown reason they wanted to change the deal to an operational lease, according to the hearing paperwork of the Sept. 9 meeting that has been continued to Sept. 23.

In the meantime Pape Machinery is out a \$407,000 snowplow and has not been paid. To summarize a series of e-mails from Pape and EDC, it appears that EDC has not been telling the truth to Pape. They are getting the run-around from EDC officials and Pape is threatening repossession. Imagine, an EDC official fibbing to a vendor?

In attempting to get the original documents from the September 2013 BOS meeting from the BOS Website, they have mysteriously disappeared. Of all the agenda items from that date, only item No. 16, 13-0778, the consent item to buy these snowplows, is missing. Is this the beginning of a cover-up?

For reasons unknown, the CAO and Community Development Agency wanted to change the deal, according to the Sept. 9 agenda. Using the consent calendar and hoping no member of the public or BOS wanted an open public hearing, the CAO,

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CDA asked to waive the bidding requirements required by law and requested permission to enter into a new, different and probably more expensive operational lease. Because the CAO, CDA want to change the deal it requires a new bidding process by law. This simple purchase of two needed snowplows has turned into a nightmare for Pape and the residents of the affected Lake Tahoe area. This problem developed long before Steve Pedretti became the CDA director.

At this point nothing should be approved until the whole truth of who in the CAO's Office messed this otherwise simple deal up and why. Although every item with respect to this transaction was requested via the California Public Records Act over 10 days ago by this writer, nothing has been received.


Terri Daly, the CAO is well aware of her office's mistakes, whether intentional or negligent. I have the purchase order and receipt document for snowplow No. 1, which she personally signed, among other documents I otherwise have obtained through other sources. What else smells bad is the use of the consent calendar to slide mistakes by the public and the BOS. Daly used the exact same procedure to hang Amador County on a \$20 million unnecessary lease obligation, for which Amador will pay \$1.5 million annually for another 14 years.

But this example of incompetence and/or arrogance is just scratching the surface. The CAO is directly responsible for most of the upcoming budget deficits of about \$20 million annually that are now projected over the next four years. Can you say \$80 million dollars upside-down? That will wipe out the surplus in the General Fund of \$54 million built up by Auditor Joe Harn over the last 21 years, a budget surplus that started as a small deficit when he became auditor. Harn also was able to retire an additional \$22 million in bond indebtedness over the same period. As of this date, the county has no bond indebtedness.

Since that General Fund peaked on June 30, 2013, it has already decreased by about \$9 million to have an ending balance of about \$45 million on June 30, 2014. The year-end county budget of for June 30, 2015, appears to have a \$0 deficit (a zero balance created by using more of that General Fund cash balance), but in the next four years as projected by the CAO's chief financial analyst, Laura Schwartz, the budget shows a total deficit of \$60 million but that assumes a \$20 million savings from the implementation of the multi-million dollar Fenix accounting system. Many experts in the county think the \$20 million benefit from Fenix is a pipe dream as the CAO has yet to develop any work paper showing where and how this money will be saved.

So how did these deficits materialize? In the last three years the county at our CAO Terri Daly's recommendation added about 170 new employees at an average salary and benefits of about \$80,000 a year. On top of that, Daly recommended that all county employees except sheriff deputies (deputies have their own system of compensation increases set by the voters) get a 15 percent raise over three years starting at the beginning of 2014. That's one way to buy loyalty. According to our county auditor and per the chief financial analyst's own budget projections, the county's salary and benefit expense will increase by about \$14 million, which just about equals next year's deficit. This is typical of big government bureaucrats. But wait, there is more.

When our new and very perceptive Supervisor, Shiva Frentzen, asked the CFA what benefit did we get from all these new employees, Schwartz replied that we have a new senior day care center. I was advised that this new center employs about two people. So where were all these new people absorbed? Yes you guessed it; the CAO's office received the

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majority of this new staff. I don't care how many new analysts they have, they are doing a lousy job. As said before in the Balancing Act, if Daly is doing such a good job, why does she need two press/PR officers to brag about all her "good" work? The bottom line is that for all these new employees, the county service levels are about the same.

But wait, there is more. There is a pattern here. As mentioned above, Daly as the former CAO of Amador County saddled them with a \$20 million lease obligation over the next 14 years which they didn't need that has become an albatross. Daly did it through the consent calendar. And if that doesn't worry you, Daly wants the new Sheriff's HQ to be acquired in a manner similar to the HHS lease in Amador, the most expensive way to do it. More on that in a later Balancing Act.

Daly hired the Assistant CAO Kim Kerr, telling everyone what a lucky find she was. Kerr was about to get fired as city manager of the city of Ione (The details are in a 06/16/14 Balancing Act column). Why? You can read my column or the Amador County Grand Jury report, but in a nutshell, Kerr took Ione in just four years from a positive fund balance of \$8 million to a negative balance of about \$1 million. The Grand Jury called her incompetent or words to that effect. She didn't even reconcile Ione's bank account for over two years. And so what did Daly do? Hire her and gave her a \$10,000 raise in doing so. Now Kerr is making over \$160,000 a year plus benefits.

I am not done yet. Daly claimed in hiring our newest HR Director Pam Knorr that the top of the salary schedule was "only" \$132K plus benefits and Knorr wouldn't take the job without more money. Reports from some of the employees of Alpine County where the unemployed Knorr was the previous CAO were less than glowing. But that didn't matter and Daly talked the then-BOS into giving her about \$160K a year plus benefits plus the coming raises.

Daly's excuse for all this unnecessary hiring? "We are just back at pre-recession levels." Hey I got news for Daly, most people will tell you we are still in a recession. County revenues are going up a lot slower than inflation. Just today at a bank (in El Dorado County), I asked the teller (making about \$12 per hour) when did he finished college? He said he graduated CSUS recently with a degree in accounting and couldn't get a job. Ask him if we are still not in a recession.

Even our new county counsel was hired in at the highest pay step. Hey, what does Daly care? The money is OPM (other people's money) to her.

But there appears to be no recession if you work for El Dorado County. Ask an analyst who makes \$110K plus benefits in the CAO's office.

Since corporate America went through the recession and many are still in it, there were massive layoffs. Many corporations found that productivity remained high and profits rose (why do you think the stock market is at 17,000 (DJIA)? Corporations do better for their stockholders when they become leaner by trimming the fat.

When a corporate executive's company loses money year after year, they get fired. You don't give them a raise. Most of top management is removed. When a football, baseball or basketball team becomes a consistent loser year after year, sometimes just a bad losing streak within a season, do the players get fired? No, it's bye-bye head coach, assistant head coach and/or manager. How many new coaches have the Sacramento Kings gone through in the last few years? The coaches make a huge difference with respect to a team's performance.

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The residents of El Dorado County are the stockholders. They deserve better. If the CAO was an elected position there would have already been a recall. But it's up to our BOS, who have the power to hire and fire the CAO, to take this county in a new, more fiscally responsible direction. The bleeding needs to stop now before exsanguination kills us.

Oh, and Terri Daly's salary? In a couple of years it will be over \$220,000 a year plus benefits.

Larry Weitzman is a resident of Rescue.

Comments

8 comments

8 comments Add a comment



Evelyn Veerkamp · Top Commenter

Larry Weitzman has become predictable.

Reply · Like · 1 · Follow Post · Yesterday at 6:50am



James E. Longhofer · Placerville, California

Evelyn, there is always a place for a gadfly in EDC.

Reply · Like · 1 · Follow Post · Yesterday at 8:33am



Richard Smith

Wait, there's more. I suspect that if his holiness in the auditor's office had the power to, over 21 years, generate a 54 million dollar surplus then his holiness should be able to keep the county from sliding into a deficit, after all he is also the controller. I believe that the payments for the snowplows would have come from the auditor's office. With his holiness's ability to read and interpret contracts, the question becomes, how could the snowplow purchase become such a sticky wicket? Could it be that his holiness only scrutinizes contracts involving those of who he disapproves, thus shirking his legitimate responsibility?

Reply · Like · Follow Post · September 21 at 3:46pm



Phillip Veerkamp · Top Commenter · El Dorado High School

Richard Smith, Larry Weitzman is Vern's ghost writer. Vern needs to deflect and destroy and attract attention away from his sham prosecutions of Nutting, Dellenger, and Alarcon . . . not to mention Vern's white elephant multi million \$\$\$ IT catastrophe. Ms, Daly was just a little too close to Harn's/Vern's bullying/hostile work environment bs . . . psst . . . heads up . . . be skeptical of Vern's arsonist catch . . . just sayin'

Reply · Like · September 21 at 4:43pm



DeeDee Gneri · Top Commenter · Works at Nobody's business

The reporting/editorials in this paper have also become predictable. Notice not to many comments anymore?

Reply · Like · Follow Post · 43 minutes ago



Ken Steers · Cameron Park, California

I must have just went completely brain dead. Do we want/need 2 snow plows or what? Government is a slow payor? Always. I think someone could clean up in the ax grinding business

Reply · Like · Follow Post · Yesterday at 9:43am

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September 23, 2014

Board of Supervisors
County of El Dorado
330 Fair Lane
Placerville, California 95667

Subject: Seven Year Operating Lease for a Motor Grader

Ladies and Gentlemen:

The purpose of this letter is to document (1) my opposition to the CDA Director's recommendation on this matter, (2) my disappointment in the CDA's Board letter, and (3) my recommendation that your Board instruct the CDA Director to take the initial steps to improve the administrative controls at CDA.

Opposition to Recommendation

CDA determined that the County was better off owning this motor grader versus leasing this motor grader. I have not seen CDA's analysis that supports that determination, but it seems reasonable. I recommend that this item be trailed until 2:00 PM today. If CDA has an analysis that indicates that it is better to own than lease, I recommend that the County general fund loan \$350,000 to CSA#3, and that the County buy this motor grader. The County Treasurer's pool rate is generally less than 1%, significantly lower than the rate charged by John Deere.

Disappointment with Board Letter

A CDA employee signed a purchase contract with Pape Machinery, Inc. for \$753,526 for two motor graders dated April 29, 2014. I can find no evidence that this purchase contract was approved by County Counsel. I think that this is a significant omission from the Board letter. It is unclear to me whether the signed purchase contract dated April, 2014, will hold precedence over the operating lease that your Board is being asked to approve today.

It is very unusual for any County employee other than the CAO or the Board Chair to sign a \$750,000 contract. Accordingly, one would assume that a copy of the contract would be routed to the employee's superiors as soon as possible. I am disappointed that the Board letter does not indicate when a copy of the signed purchase contract was delivered to CDA Administration.

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Improvements needed to CDA's Administrative Controls

An unauthorized purchased contract, dated April 2014, was signed by a CDA employee and the matter was not brought before your Board until September 2014.

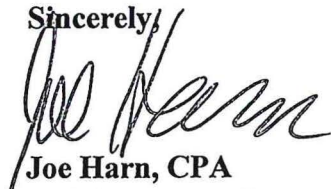
A \$350,000 motor grader was delivered to CDA in May, and the matter was not brought before your Board until September 2014.

I have asked a number of questions of the CDA Director regarding this matter that he has been unable to answer. The CDA Director supports an investigation of the matter by an outside consultant that is being recommended by the CAO.

This motor grader Legistar file was established on June 19, 2013, fifteen months ago. A number of questions remain unanswered regarding this item. CDA's e-mail records indicate an enormous amount of time has been spent on this matter due to confusion at CDA. CDA is a sputtering, slow bureaucracy.

I recommend as part of this agenda item your Board direct the CDA Director to make efforts to significantly improve the administrative control structure at CDA.

Sincerely,



**Joe Harn, CPA
Auditor-Controller**