



6-26-2018 BOS Agenda USDA Loan-Public Safety Building

Joe Harn <joe.harn@edcgov.us>

Mon, Jun 25, 2018 at 5:14 PM

To: Michael Ranalli <michael.ranalli@edcgov.us>, Sue Novasel <sue.novasel@edcgov.us>, Brian Veerkamp <brian.veerkamp@edcgov.us>, Shiva Frentzen <shiva.frentzen@edcgov.us>, John Hidhal <john.hidahl@edcgov.us>
Cc: Donald Ashton <don.ashton@edcgov.us>, EDC COB <edc.cob@edcgov.us>, James Mitrisin <jim.mitrisin@edcgov.us>, Michael Ciccozzi <michael.ciccozzi@edcgov.us>, "John.dagostini" <John.dagostini@edso.org>, Randy Peshon <peshonr@edso.org>, Jon DeVille <devillej@edso.org>, Laura Schwartz <laura.schwartz@edcgov.us>

Dear Board Members,

Please see the attached letter which I sent the your Board in December 2016 regarding the USDA Loan. The letter stands the test of time. I am sending the letter again in case Supervisor Hidahl has not seen it.

I support the the recommended action on this item, but the County will need to find other places to cut spending in the near future.

Joe Harn
Auditor-Controller
El Dorado County

----- Forwarded message -----

From: **Joe Harn** <joe.harn@edcgov.us>

Date: Wed, Dec 28, 2016 at 8:41 AM

Subject: 12-28-16 BOS Agenda USDA Loan-Public Safety Building

To: The BOSONE <bosone@edcgov.us>, The BOSTWO <bostwo@edcgov.us>, The BOSTHREE <bosthree@edcgov.us>, The BOSFOUR <bosfour@edcgov.us>, The BOSFIVE <bosfive@edcgov.us>, Brian Veerkamp <brian.veerkamp@edcgov.us>, EDC COB <edc.cob@edcgov.us>, James Mitrisin <jim.mitrisin@edcgov.us>, Donald Ashton <don.ashton@edcgov.us>, Michael Ranalli <michael.ranalli@edcgov.us>

Cc: Laura Schwartz <laura.schwartz@edcgov.us>, "John.dagostini" <John.dagostini@edso.org>, Michael Ciccozzi <michael.ciccozzi@edcgov.us>

Please see attached

Joe Harn
Auditor-Controller
El Dorado County

 **BOS Public Safety USDA Loan 12-28-2016.pdf**
1689K



County of El Dorado

OFFICE OF AUDITOR-CONTROLLER

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JOE HARN, CPA
Auditor-Controller

BOB TOSCANO
Assistant Auditor-Controller

December 28, 2016

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

RE: USDA Loan for Public Safety Building

Ladies and Gentlemen:

I strongly support the CAO's recommendation to "accept" the USDA loan and "lock in" the 2.375% interest rate being offered through December 30, 2016. As I told the Board of Supervisors on July 18, 2014, "The construction of a new Sheriff's Headquarters is long overdue and much needed. We must get our Sheriff and his staff out of the clearly unacceptable facility in which they now protect and serve the public."

I am disappointed that the County is in the position that we must borrow \$57 million. It is my opinion that the government that borrows least governs best. For the past six years our CAO's Office has been dominated by individuals with no roots in our community who were not concerned about the long term wellbeing of our county. The County should have been saving for this facility and other capital improvement needs for the last six years. If we would have set aside funds over the past six years for this project we would be borrowing significantly less than \$57 million today. Further, I am disappointed that the County did not put this borrowing question to a vote of the people as I requested on July 18, 2014. I am confident that our residents would support this borrowing at the ballot box because our Sheriff has a history of being frugal.

I strongly recommend that you "accept" this loan that will require essentially 40 years of mortgage payments but I also strongly recommend that you direct the CAO to start immediately bringing proposals to cut County spending to your Board. It is important that your Board enact the CAO's recommendations which will be painful.

It will be a challenge for the County to allocate \$2.3 million of general fund money each year for the repayment of this loan when you consider all of the other demands on the County that are on the horizon. Some of the financial challenges facing the County are as follows:

1. **CalPERS**

Before CalPERS lowered its rate of return assumption earlier this month, CalPERS informed us that the County's required annual payment to CalPERS will rise by \$13 million annually over the next six years. CalPERS' decision to lower its rate of return assumption by 0.5% will increase our required annual payment for retirement benefits by an additional \$3 million. In total it will be a \$16 million increase in annual cost over the next six years. In my letter to you dated October 13, 2016, I stated, "What we can do locally now is to work to set aside significantly more funds in our reserves to help cover these costs in the future."

2. **Road Maintenance**

The County needs to appropriate and spend more money for road maintenance. Our citizens demand and deserve better maintained roads.

3. **Retirees Health Insurance Stipend Program**

The County has various contractual obligations to subsidize the health insurance cost of its retirees. As the County's employees work each year that obligation grows. The County is not setting aside funds for this obligation. This is a significant unfunded obligation.

4. **Assistance to Rural Fire Districts**

Throughout Northern California and the Sierra foothills, many small rural fire districts are struggling financially. In Placer, the County government is working with the rural fire districts to find a permanent solution to this problem. Eventually, we will do the same.

5. Public Safety Services

As the State government continues to transfer the responsibility for various groups of criminals and inmates to local communities, the County's obligation and expenses to provide public safety services increases. Further, throughout Northern California and the Sierra foothills significant marijuana grows are being cultivated. Very soon, it is my opinion, the need for additional DA Investigators, probation officers, Sheriff Deputies, mental health services, etc. will be apparent to your Board and will require additional spending.

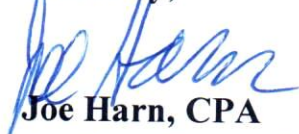
6. Facilities Replacement Reserves

The County needs to start annual putting aside \$3 to \$5 million in a reserve for building replacement. We don't want to be in the position again where we are forced to borrow tens of millions of dollars to replace our buildings.

Aside from spending cuts, the County needs to eliminate the barriers that prevent the establishment of new businesses that generate tax revenues. One way to do this is to condition the approval of residential real estate projects to build roads that are currently in our TIM Fee program. If residential real estate developers pay more for roads, we might be able to lower the TIM Fees for new businesses. Further, CDA and our new CAO need to do a much better job reviewing the fiscal impacts of proposed real estate developments and negotiating development agreements that benefit the County and its residents. Also, the County needs to quit subsidizing the processing of the development agreements and subdivision maps of large residential developers.

This is the biggest borrowing by far in County history. This action will force your Board to run the County in a more fiscally conservative manner effective immediately. This is a huge obligation and a big challenge. I believe that we are up to the challenge.

Sincerely,



Joe Harn, CPA
Auditor-Controller

Attachments Letters to BOS 7-18-2014 & 10-13-2016



County of El Dorado

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JOE HARN, CPA
Auditor-Controller

BOB TOSCANO
Assistant Auditor-Controller

July 18, 2014

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

Re: Discussion of Possible Borrowing for the New Sheriff's Headquarters

Ladies and Gentlemen:

The construction of a new Sheriff's Headquarters is long overdue and much needed. We must get our Sheriff and his staff out of the clearly unacceptable facility in which they now protect and serve the public. Thus, I recommend that your Board place on the July 29th agenda a discussion of the preliminary financing plan for the New Sheriff's Headquarters.

It is my understanding that the cost of the Sheriff's Headquarters could be as high as \$50 million and that construction may begin in about a year. If the cost is in the \$50 million range, this will require the largest borrowing in County history. Regardless of the form of borrowing that the County ultimately chooses (Bonds, certificates of participation, or some form of capital lease), we should discuss asking our citizens for conceptual approval of this borrowing in an advisory vote this November.

In November 1990, the voters enacted Measure A, the intent of which was to require voter approval for future borrowing in connection with the construction of new county facilities. Since at this time the County has not determined the appropriate form of borrowing for this project, I believe that we should discuss the matter at the July 29th Board meeting. This will give the County time to get this advisory vote on November ballot.

If you have any questions, please contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Harn".

Joe Harn, CPA
Auditor-Controller

cc: Sheriff D'Agostini
Terri Daly, CAO
Laura Schwartz, Budget Officer



County of El Dorado

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JOE HARN, CPA
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BOB TOSCANO
Assistant Auditor-Controller

October 13, 2016

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

Subject: Unfunded Obligations to CalPERS

Ladies and Gentlemen:

This letter will serve as my transmittal to you of financial information that I have received regarding our financial relationship with CalPERS.

The most recent CalPERS Actuarial Report (the Report) indicates a significant increase in the size of the huge dark cloud that hangs over our County's financial future. The most recent list of retirees collecting in excess of \$100,000 per year indicates a significant jump in highly compensated former employees. These reports again confirm that the current retirement benefits that have been contractually promised to our employees are unaffordable.

The newly issued Report indicates that our Unfunded Pension Liability at June 30, 2015, was \$282,029,540 (\$106,794,166 Safety and \$175,235,374 Miscellaneous). This is a \$51,837,982 increase in our Unfunded Pension Liability over a twelve month period. \$36,724,328 of this increase is due to our Miscellaneous Plan, while \$15,113,654 is due to our Safety Plan. Further, the County's obligation for the Retiree Health Plan is an additional \$75,621,590. \$62,718,417 of this obligation is unfunded. Our unfunded obligation, per our next actuarial report, to CalPERS alone will exceed \$300,000,000 as of June 30, 2016. CalPERS missed its earnings estimate by a significant margin again for the year ended June 30, 2016.

We need more tools and options that are not currently available to reduce these unaffordable and insurmountable unfunded obligations. Your Board should seek the assistance of CSAC, CalPERS, and our representatives in the legislature so that changes in state law and CalPERS policies will provide better options to enable us to reduce these unaffordable obligations. What we can do locally now is work to set aside significantly more funds in our reserves to help cover these costs in the future.

If you have any questions, please call me at 621-5456.

Sincerely,

A handwritten signature in blue ink, appearing to read "Joe Harn".

Joe Harn, CPA
Auditor-Controller