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Harn critiques EID finances

By Mike Roberts | Mother Lode News | February 09, 2010 11:30

EL DORADO HILLS - Members of the Four Seasons Civic League invited El Dorado County Auditor-Controller Joe Harn to discuss El Dorado Irrigation District's financial situation Monday night.

Harn warned the 40-or-so El Dorado Hills active adults present not to expect him to rail on EID. "I came here tonight wearing my bean counter hat, not my revolutionary hat."

That said, Harn made it clear, "I have some interest and expertise on how EID has spent taxpayer money, and how they've been financially managed."

He recapped the district spending and debt figures from audited financial reports for 2002 and 2008. During that time:

- Long-term debt grew from \$106 million to \$270 million, and is currently around \$390 million.
- Spending by the general manager's office grew from \$3 million to \$7 million.
- Spending in "Finance and Management Services" grew from \$4.5 million to \$7.7 million.
- A new \$4 million "Strategic Management and Communications" line item appeared.
- A 2002 surplus in the district's CalPERS account eroded to an \$18 million unfunded obligation, with another \$16 million projected for retiree's health insurance.
- Facilities management spending grew from \$16 million to \$20 million.

Harn forgave the latter as "high but in the ballpark." He was less kind about the others, concluding, "The EID board did an extremely poor job of controlling expenses."

As examples he cited a 35 percent increase in retirement benefits, a doubling of management staff and an 86 percent increase in support staff between 2000 to 2008, according to the Westin Report. During that time, "hands-on staff" grew by one person.

Harn wondered how much salary and benefits had been charged to capital improvements during that time.

He balanced his comments by commending EID's staff reductions and spending cuts over the past 18 months, much of which wasn't reflected in the most recent financial report. Harn called General Manager Jim Abercrombie a "hard working fiscal conservative."

"Don't forget, the state makes EID's life very difficult," he said.

What concerns Harn most, he said, is the district's \$110 million in variable rate debt, which will get expensive if the district's credit rating slips. Inflation, a constrained money supply or simply an improved economy could cause interest rates to rise, and might require another rate increase, he said.

Abercrombie and his board members have consistently held that budgetary action wasn't taken sooner because revenues from new hookups didn't decline until 2009.

Harn conjectured that El Dorado Hills' developers purchased large volumes of water licenses in advance, inflating new hookup revenues during the steep decline in building permits over the last five years.

Four Seasons resident Coy Baugh asked if those advance payments should have been booked into a deferred income account, rather than booked as income.

"I'm not here to criticize EID's bookkeeping," said Harn. "But what you're saying makes sense."

Members of the Four Seasons Civic League are considering requesting a Grand Jury investigation into EID's financial practices.

Harn reminded the residents that the Grand Jury is strictly civil, and that as voters, they are the EID board's ultimate governing body. In the past, he said, board members have often run uncontested, "but I have a feeling that may change."

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