

# CALAVERAS TO FOLLOW STOCKTON PATH?

## *POSSIBILITY OF FISCAL CRISIS LOOMS IN ELECTION YEAR*

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SAN ANDREAS - This may be the year that Calaveras County tries to unseat Stockton as the reigning champ of local government financial drama.

A budget crisis that may require midfiscal-year staff cuts as soon as February looms in an election year in which two members of the Board of Supervisors as well as Calaveras County Sheriff Gary Kuntz, District Attorney Barbara Yook and several other county department leaders are all up for re-election.

"Do I think we could do a Stockton? I can't say that couldn't happen," said Supervisor Merita Callaway, who is running for re-election and is the longest-serving member of the board.

Callaway, like other elected leaders interviewed for this story, said she believes Calaveras officials will ultimately rein in excessive spending.

"I don't think we are in the same position that Stockton's in. One, as a county, we normally do not borrow money to pay ongoing expenses."

That's normally.

In the past, the county has occasionally taken short-term loans to get through cash-flow squeezes that can hit in the months before property owners make their twice-a-year property tax payments.

The budget elected leaders adopted last year makes it more likely the county will need to do such short-term borrowing, because the budget drains down several funds that have served as reserves.

That budget spends about \$7 million more than the county is expected to take in for the fiscal year that ends June 30. To put that in perspective, the general fund, which pays for core county services such as law enforcement, is \$39.3 million.

That \$39.3 million is the portion of the budget that local elected leaders actually control. The majority of the \$103 million total budget is state and federal money or one-time capital spending on things such as construction of a soon-to-be-finished county jail.

Calaveras Administrative Officer Lori Norton has repeatedly told supervisors that the budget is not sustainable. She had advised the board not to add new staff positions and not to spend funds that had been saved for contingencies or for purchasing computers and other office infrastructure.

Thursday, Norton said none of the data she's receiving have changed her view of the situation at the start of 2014.

"I don't see revenues growing, which means we really have to focus on the expense side," Norton said.

Norton declined to answer when asked directly if there is a possibility that Calaveras County could follow Stockton into bankruptcy. But both she and other county officials describe a similar situation in which rising salary and benefit costs are outpacing revenues.

Callaway has been the only board member who appeared to heed Norton's warnings. In September, when it was time to adopt a final version of the budget, some of Callaway's colleagues on the board accused her of "grandstanding" when she balked at the spending total, and it briefly appeared that elected leaders would not adopt a budget.

If they hadn't, the county would have reverted to the budget recommended by Norton, and that budget, originally proposed in June, did not include new positions needed to staff the new jail.

Callaway has been a longtime advocate for building the new jail and wants to see it operated in compliance with state law, she said. The state helped pay for construction of the new \$59 million jail. In the end, Callaway agreed to vote in favor of the budget, even though she opposed the overall level of spending.

Supervisor Darren Spellman, also up for election this year, agrees that 2014 will be "a difficult year" but is also skeptical of the bleak financial outlook painted by other county leaders.

Spellman is hopeful, for one, that rising real estate values apparent in coastal parts of the state will reach Calaveras. Spellman also said he believes county revenues are being depressed, because the Assessor's Office is pricing real estate below actual market value.

But assessor Leslie Davis said that is not true. Davis said it will be months before her staff can give a number for how much assessed values will change in the coming fiscal year, but that thus far, she is seeing no signs of a significant uptick.

"I don't see this massive influx of money into the county budget," Davis said.

Another unanswered question is exactly how much additional money the county will need in future years to maintain and operate its new jail.

The Calaveras County Sheriff's Office last summer and last fall repeatedly planned to conduct a study to determine how much it would cost to staff the new jail, which can accommodate up to 160 inmates.

That study never got done. Sheriff Kuntz did not respond to phone messages Thursday asking for comment.

Norton, however, said Kuntz is now saying that he believes he can comply with state rules for operating the jail with the staff he already has authorized.

Kuntz's department eats up the largest share of general fund spending and would inevitably be one possible target for cuts, especially since new positions funded there last year depend on draining savings accounts.

Norton, meanwhile, said she is already preparing plans for consolidations and reorganizations to cut costs in administration and other core departments and plans to make new recommendations in February on how to keep the county financially secure.

Although it will be possible to get through the current fiscal year by spending from savings, Norton does not recommend that elected leaders continue on that path.

"The further we delay making reductions," Norton said, "the more challenging the situation becomes."

Auditor-Controller Rebecca Callen, who is also running for re-election, said she's concerned that the pending election will make it more difficult for supervisors to come to terms with the county's financial limits.

"I haven't seen too much movement on the board for doing any cuts," Callen said. "My hope is that they can start making changes now. My fear is that they won't."

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