

PUEBLO COUNTY'S BUDGET CRISIS: Challenges and Potential Solutions

On March 6, 2010, Pueblo County employees were joined by business, labor and community leaders, as well as a labor economist from Washington, D.C., at a town hall forum to discuss the county's budget crisis.

The panel of experts and local leaders provided their insight and ideas, but also wanted to hear the concerns and thoughts of members of the community at-large. Using the community town hall as a foundation, as well as interviews with over 100 county employees, AFSCME (the county's recognized employee organization) produced a white paper on its initial findings and recommendations.

Furloughs and Their Impacts: Our Findings

Although well-intentioned, the decision to impose a monthly furlough day – a day on which the county government shuts down services – was hastily implemented without real input from the county's recognized employee organization (AFSCME) and without sufficient consideration of the negative impacts on Pueblo County's residents.

The failure to adequately consult with the employees' labor organization was contrary to the long-standing practice of Pueblo County, and has resulted in fostering an atmosphere of mistrust between the county and its employees. Failure to sufficiently take into consideration the impacts the furloughs would have on the public has resulted in a growing disconnect between Pueblo County and its residents.

According to published reports, the savings as a result of the monthly furlough day is approximately \$140,000 a month. This amounts to approximately a 4.6% across-the-board pay cut to Pueblo County employees. Although our primary issue and focus is the adverse impact furloughs have on the community, we would be remiss if we did not acknowledge the negative impact on county employees as well, who are also part of the community. A reduction in county workers' spending power in turn hurts the local economy. The salary reduction of county employees is compounded by a recent report released by the Mountain State Employer Council confirming what most county employees already knew – Pueblo County workers receive on average a full **15% less** in salary than similar employees in other jurisdictions.

Although politically expedient to shift the focus of the furlough days onto the *perceived* high salary of a county worker, the fact is the financial crisis facing the county is not the result of our hard-working county employees. The crisis facing Pueblo County has less to do with the salary of public employees and more to do with the recession and the financial decisions made by the county. Contrary to popular propaganda, county employees by and large are not high-paid, and most county employees have not received a pay increase or a cost-of-living increase for at least the last three years. In effort to avoid public scrutiny of their financial decisions, some Pueblo County politicians have sought to stroke public sentiment against county workers by publicly declaring that county workers should just be happy to have a job.

Aside from being an inconvenience, the decision to close county services impacts the most vulnerable and needy residents of Pueblo County. The public safety needs of our community – from the county’s ability to respond to emergency road conditions, to its ability to adequately investigate criminal activity, to its ability to protect the elderly, young and others in need of assistance – all have been placed in jeopardy as a result of the furloughs.

There are a large number of county positions that receive substantial state and federal funding, particularly in the Department of Social Services, that are being forced to also take furloughs despite the stability of the funding source. Although the funding formula ranges, in many cases the county is paying as little as 20% of the employees’ salaries and the balance is being reimbursed or received by the federal and/or state government. Pueblo County’s decision to furlough federally- and state-funded positions is tantamount to throwing away 80 cents to save 20 cents.

Furloughs and Their Impacts: Our Recommendations

We strongly believe that Pueblo County’s services are even more vital throughout this recession. AFSCME does not want to see services cut to county residents in such times. We also understand that the county’s finances are difficult due to the recession and some investments that were either poorly timed or poorly planned. We recommend the idea of using a “payroll lag” – a process where employees’ salaries are deferred until such time the county has the ability to meet its payroll obligations – to keep county employees at work during the furlough days. And it is fair to at least compensate these workers at a later date – giving employees a choice of either getting paid back in a few years’ time (once the county’s finances recover in 2-5 years) or by allowing an additional day of leave for every unpaid day at work.

Specifically, we recommend that effective no later than July 1, 2010, Pueblo County ends the practice of shutting down government services on the third Friday of each month. For administrative purposes, the county should once a month temporarily suspend ***all*** employees’ salaries (whose salaries are paid

exclusively by Pueblo County) by an amount equal to one furlough day from July 1 – December 31, 2010 for a total of six furlough days.

Starting July 1, 2010, Pueblo County should revert back to a fully operational and open calendar – ending the closures to the public. By applying an amount equal to the cost of one furlough day to ***all*** employees, the county will save more money at a faster rate and will be able to permanently end the practice of furloughs sooner by requiring all employees to engage in shared sacrifice.

All county employees should accumulate six days of earned leave for compensation of the required furlough days from July – December 2010. This leave time shall be taken during the calendar year 2011 on dates mutually agreed upon by the supervisor and employee, preventing the need to close an entire unit. Alternatively, the county and the union may mutually agree to a 'payroll lag' allowing the county's finance to improve prior to paying employees appropriate back pay within 2 - 5 years.

Although furloughs may provide to some, what appears to be a convenient and easy solution, in fact, they undermine public support and confidence in local government and deny our residents access to needed services.

Finance Unanticipated Expenditures and Investments: Our Findings

Courthouse – The recent \$6.8 million spent in *unanticipated* clean up costs for the new, yet-to-be-built Pueblo County Courthouse itself is worth ***four years*** of furlough days. Clearly, this expenditure has significantly contributed to the county's financial woes and influenced the decision to close Pueblo County services to its residents.

Desert Hawk Golf Course – This golf course was a shared investment where Pueblo County and Pueblo West Metropolitan District split the debt payments for buying the course. The operating revenues basically pay for the operating expenses, but the purchase price was too high to allow the course to operate at cost or run a profit. We believe the absence of a professional County Manager contributed to Pueblo County paying more for the golf course than it was actually worth.

This county-owned golf course lost \$506,247 in 2007, \$585,000 in 2008, and is expected to lose approximately \$400,000 in 2010. Pueblo County's 2010 budget transfers more than \$253,000 to the golf course, and yet it is still expected to lose at least \$137,000. According to financial documents, the golf course now owes the county's general fund \$5 million.

County taxpayers are in effect paying a subsidy of \$17 per 18 holes of golf or \$68 for a foursome to play a round of golf. The 2010 golf subsidy alone is the

approximate equivalent of three furlough days. We cannot afford to shut down county services while at the same time providing golf subsidies to some of the county's wealthiest residents.

The property that was purchased for the new courthouse cost the county a great deal. The unanticipated clean-up cost of \$6.8 million for the site, coupled with the decision to purchase the golf course at a price that would not allow it to break-even, substantially contributed to the county's financial troubles.

It's not necessarily troubling that the county would want to build a courthouse or keep the golf course available for citizens, but the mishaps and failure to negotiate good deals on the actual purchases are causing harm to the county's finances – and in turn, its ability to provide basic services. We believe the absence of a professional County Manager in the negotiation process for the courthouse contributed to the \$6.8 million unanticipated cost.

Finance Unanticipated Expenditures and Investments: Our Recommendations

All plans to build a new courthouse should be indefinitely placed on hold until such time as the county's finance has improved and the furlough days have completely ended. Pueblo County should explore substantially reducing its taxpayer subsidies to the golf course and consider selling this property to a private vendor.

We believe the county should hire a County Manager to run the day-to-day affairs of Pueblo County, subject to direction of the Board of Commissioners. Pueblo's neighboring counties, including, but not limited to El Paso, Fremont, Huerfano Las Animas, Lincoln and Otero, all have either a professional County Administrator or County Manager.

It is noted that the Pueblo County Board of Commissioners posted a job description/announcement for the position of County Manager more than a year ago. The application period deadline expired January 16, 2009 with at least eight applicants. According to the job specification developed and approved by the Commissioners, the County Manager would have been responsible for setting the county's budget, providing an annual report to county residents and overseeing the development of the county's strategic plan.

The Pueblo County Commissioners were suppose to interview for the County Manager position in February 2009. For reasons that are not clear, the Board of Commissioners never followed through on its plans. There has been rampant rumor and scuttlebutt that the County Manager position is being reserved for a termed-out politician. We recommend that the County commit to hiring a professional County Manager prior to January 1, 2011.

We are not persuaded by the argument that the County Manager would be yet another high-paid County position. Given our current state of affairs, we can't afford ***not*** to hire a professional County Manager to guide and lead the county through its daily complex operations.

We recommend funding by merging some management positions and exploring the possibility of merging some county departments, as to streamline the county's operations and create greater efficiencies.

There are strong indications that the management staffing levels or span of control can be tweaked to provide greater efficiencies and significant cost savings to allow for the hiring of a County Manager. For example, the Department of Social Services, an agency with approximately 300 employees have eight administrators or "mini directors," in addition to a Department Director and several other layers of supervision and management to perform the day-to-day management of the agency's activities.

We recommend that Pueblo County establish a joint labor/management team to evaluate and make collective staffing and efficiency recommendations for each county department to the Commissioners for their consideration and action. If the parties are unable to arrive at a joint recommendation, each party should submit its separate recommendations to the Board of Commissioners for its consideration at its July 13, 2010 meeting. AFSCME and Pueblo County would be required to designate three representatives each to the joint Labor/Management team by May 1, 2010.

Public Safety: Our Findings

Sheriff Kirk Taylor's decision to furlough approximately 1/3 of the Sheriff's Office is reprehensible and morally indefensible. We disagree with his characterization that some of the Department's sworn and civilian personnel are "nonessential" for the purpose of carrying out his furlough days.

Several essential law enforcement personnel including, but not limited to Detectives, Traffic, School Resources Officers and Record Clerks have been furloughed. It is an undisputed fact that crime doesn't take a furlough day. Yet those charged with preventing and responding to criminal activity are forced to.

Sheriff Taylor is the *only* elected official in Pueblo County not to contribute 4.6% of his salary back to the County's general fund as required by all other county furloughed employees. At \$111,100 annual salary, Sheriff Taylor is the ***highest*** paid public official in Pueblo County and should lead by example. There is no clear or compelling reason for the Sheriff not to join in the 'shared sacrifice' of County employees – who enjoy a fraction of his salary.

The Sheriff's assertion that he is contributing an amount equal to a furlough day to an anonymous needy family in favor of the county's general fund is best characterized as self-serving. It is unconscionable, for the Sheriff not to take the same cut as his rank and file deputies, county employees and other elected officials.

Public Safety: Our Recommendations

We recommend that the Sheriff lead by example and contribute 4.6% of his annual salary of \$111,100 (\$5,110) to the County's general fund like every other County employee and elected official.

We also recommend that Sheriff Kirk Taylor meet with both AFSCME and Pueblo County's Fraternal Order of Police (FOP), on or before May 1, 2010 to explore alternatives to effective policing other than furlough days in order to achieve financial savings that won't jeopardize public safety. The men and women on the front lines, both sworn and civilian, are best positioned to identify operational efficiencies for consideration.

Since being elected, the Sheriff has generally stifled constructive input from rank and file employees. Giving the grave financial condition of the county and the threat furlough days has on public safety, we recommend if the Sheriff is unwilling to meet with the FOP and AFSCME, that the Board of Commissioners hold a public hearing to receive input on addressing the County's shortfall without compromising public safety.

Nepotism and Favoritism within Pueblo County: Our Findings

Apparent favoritism and nepotism within Pueblo County coupled with the imposed furlough days have caused morale to sink to an unprecedented low. Despite the plain language of the county's own nepotism policy, there appears to be a flagrant disregard to that policy and in some cases a sophisticated effort to circumvent the policy. The policy states;

County Policy: "Employment of Relatives"

The employment of relatives shall be in accordance with Section 24-34-402 (1) (h) C.R.S. of the Colorado Antidiscrimination Act as amended, which allows the County to transfer an employee based on availability of a position, or refuse to hire a relative of an employee under circumstances where:

One relative directly or indirectly would exercise supervisory, hiring or promotional decisions, or dismissal authority or disciplinary authority over the other relative;

One relative would audit, verify, receive, or be entrusted with monies received or handled by the other relative; or
One relative has access to the employer's confidential information, including payroll and personnel records.

For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose relationship with the employee is similar to that of persons who are related by blood or marriage.

A relative is further defined as a parent, spouse, child, grandchild, grandparent, brother, sister, nephew, niece, aunt, uncle, and the in-laws of the same relationship. A person adopted is also a relative as used herein.

It is said that the appearance of fairness and objectivity is as important as fairness and objectivity itself - this especially holds true in public employment. However, it is clear that some county officials and bureaucrats have shown a flagrant disregard to the county's policies aimed at preventing nepotism and favoritism within public employment.

We find suspect the initial "temporary" hiring of Ted Ortivez into the Social Services Department by Social Services Director Jose Mondragon, who served as Ortivez's supervisor.

Shortly thereafter, Ortivez was named as the director of the Housing Department, where he promptly hired Mondragon's wife, Susie Mondragon, into a management position working under Ted's supervision. The employment arrangements by Ortivez, Jose and Susie Mondragon have the appearance of a quid pro quo. It appears that Jose Mondragon successfully "gamed" the system to circumvent the county's policies in order to secure his wife a high-paid management position within the county working under his protégé, Ortivez. The apparent shenanigans have served to demoralize employees in both the Housing and Social Services Departments and undermine public confidence in Pueblo County's hiring process.

We find the hiring of Charlene Graham, the Campaign Manager of Sheriff Kirk Taylor to be purely political. Graham is now simultaneously serving as Sheriff Taylor's campaign manager, while at the same time working as his subordinate and receiving a full taxpayer's salary from Pueblo County and drawing a retirement salary from the City of Pueblo.

We note that Sheriff Taylor offered employment to Corrine Cordova, a friend whom he worked with while employed in the District Attorney's Office. While we do not necessarily find the hiring of Corrine Cordova troubling, we do however find it an inappropriate use of public resources to use a public employee to advance the Sheriff's political campaign by directing her to send out political

communication on county time, using county equipment (see e-mail from Corrine's Pueblo County e-mail account dated January 28, 2010 at 11:42 a.m. announcing Sheriff Taylor's campaign information).

We find highly unusual the decision of Pueblo County to create "two directors" for one department. It appears the decision to create two director positions was aimed at helping the well-connected husband & wife team of Vonda Mauro and Dan Mauro who "jointly" run the same department without either technically reporting to the other. This arrangement *may* technically comply with the county's policy. However, it significantly undermines public trust and makes a mockery of the intent of the nepotism policy.

The hiring of Patsy Cresswell, the Human Resources Director and niece of Commissioner Anthony Nunez, sent shockwaves throughout the county. Since there is no County Manager, Cresswell was hired in part directly by her uncle, Commissioner Nunez, and reports directly to him. Commissioner Nunez is often called upon to review appeals concerning decisions and actions taken by his niece. Although there has been an effort to minimize their relationship by noting it is "through marriage", we note that the **county policy makes clear it applies to such families ties regardless of whether connected by marriage or blood**.

Nepotism and favoritism within Pueblo County: Our Recommendations

County officials have placed its employees in the very awkward position of having to point out the obvious. The above referenced examples are not all-inclusive; however, they were cited to illustrate the clear lack of adherence to the county's policy. Many county employees fear retaliation, up to and including termination, for merely raising the issue of favoritism or nepotism. We recommend that Pueblo County adopt a written policy specifically prohibiting retaliation against anyone or any organization that raises this issue.

We further recommend that the Commissioners assign the County Attorney to work with AFSCME on developing recommendations to bring Pueblo County in compliance with its current policy with an effort to keep all current employees whole and to prevent future abuse or misuse of the policy.

The County Attorney and AFSCME should jointly submit recommendations to the Board of Commissioners on or before August 1, 2010. If the parties are unable to arrive at a joint recommendation, each party shall submit separate recommendations to the Commissioners on or before August 1, 2010 for consideration.

Cost/Benefit Analysis of Employee Benefits and Vendor Services: Our Findings

There are very strong indications that Pueblo County is grossly over-paying insurance companies and employee benefit vendors. Based on our preliminary review of the county's benefit and insurance plans, as well as employee census and experience information, it is clear to us that the county can achieve better benefits at a cost-savings to the taxpayers.

There has been suggestions that personal and political relationships with some vendors and brokers have interfered with the county's ability to achieve the best possible benefit, at the best cost to the taxpayer. At this time, we make no findings on that suggestion. We do find that the county can save revenue and enhance employee benefits at the same time – a “win-win” proposition for the taxpayers, the county and the employees.

As a substantial business partner with a number of vendors, we find the county can effectively leverage its spending power to achieve some immediate savings. There is no reason that the county contractors can't share in the sacrifice, too. Some government entities have renegotiated better purchase prices from everything from gravel for the roads to computer services. We believe, the county can persuade vendors to take a long-term view on their business relationships with Pueblo County.

Cost/Benefit Analysis of Employee Benefits and Vendor Services: Our Recommendations

We recommend that the County Human Resources Department and AFSCME jointly seek out estimates for insurance benefit packages from a variety of vendors that will enhance existing county employee benefits and reduce costs. All cost-savings shall be contributed to the county's general fund for the benefit of the taxpayers. All vendors shall be required to have the highest insurance ratings and required to provide an appropriate rate lock for a defined period as to provide the county some stability in pricing and to avoid the tactic of “bait and switch.”

We recommend the Human Resources Department and AFSCME jointly submit their recommendations for action to the County Board of Commissioners by July 30, 2010, provided such recommendations result in a cost-savings to the taxpayers and a benefit enhancement to the employees. If the parties are unable to reach a joint recommendation, separate recommendations shall be filed with the Board of Commissioners for consideration.

We recommend that the Board of Commissioners require each Department Head to provide a listing of all vendors that do at least \$10,000 annually in business with their Department and to specify any reduction the Department has been able to negotiate on behalf of the taxpayers by July 30, 2010.

We recommend that the County Attorney identify all service contracts and that the Board of Commissioners instructs and direct its attorneys to drive a harder bargain with the contractors, in an effort to achieve some cost-savings. Even with signed contracts, vendors are often willing to make a "business decision" to renegotiate a favorable cost with the county in the interest of maintaining its business relationship beyond the terms of an agreement. County Attorneys should leverage the county's business relationships for the benefit of the taxpayers. A listing of all service contracts and efforts to renegotiate them should be listed and reported to the Board of Commissioners by July 30, 2010.