COLAB SAN LUIS OBISPO COUNTY

WEEK OF JUNE 5 - 11, 2016

THIS WEEK

VOTE JUNE 7, 2016
BOARD OF SUPERVISORS IN THE BALANCE
BEST CHANCE IN YEARS FOR REFORM

HOW MUCH SHOULD TOPAZ SOLAR FARM PAY FOR FIRE AND EMS SERVICES?

HOW LONG WILL LOPEZ LAKE WATER LAST?

LAST WEEK

SLOCOG SOLICITS FORMAL CITY & BOS ENDORSEMENT OF ½ CENT SALES TAX
(ARNOLD AND COMPTON VOTE NO)

NO BOS MEETING LAST WEEK

SLO COLAB IN DEPTH

(SEE PAGE 9)

TAXPORTATION: PROFLIGATE WASTE NEGATES JUSTIFICATION FOR TRANSPORTATION TAX HIKE

CALIFORNIA'S CAP-AND-TRADE BUBBLE THE CARBON-CREDIT MARKET SPUTTERS, AS IT ALSO HAS IN EUROPE

THIS WEEKS HIGHLIGHTS

Board of Supervisors Meeting of Tuesday June 7, 2017(Scheduled)

Item 3 - Topaz Solar Farm Fire and Emergency Medical Service (EMS) Contract. The write-up summarizes the issue in a nutshell:

In 2012, the County entered into an agreement with the firm building the Topaz Solar Farm to provide full-time, 24 hour a day, 7 day a week, 365 days a year (24/7) fire protection and emergency medical services to the builder and the residents of California Valley during construction of the Topaz Solar Farm project. Prior to this agreement, the County funded services for only three days a week. When construction was completed at the end of 2014, Topaz Solar Farms entered into an agreement to ensure full-time services continued through 2015. The proposed agreement will continue the provision of services through calendar year 2016. The County and Topaz Solar are in on-going discussions to continue services in 2017 and future years.

The County is benefiting, since the extra firefighter and paramedic staffing is available to everyone in California Valley.

Topaz has been paying the County $456,000 per year for the service. Now that construction is complete, they have not been able to settle the issue. The Board letter is silent on the substance of the disagreement. Our guess is that it may be related to cost. The original agreements were for providing the service during a time period when hundreds of workers were on the site performing heavy construction work (inherently risky). In the operational mode there are supposed to be only about 20 workers at the site. Since the risk is so much less, Topaz may be objecting to paying $450,000 per year for the service.

One clause of the contract states:

b. Respond to requests for emergency medical services within fifteen (15) minutes, on no less than 90% of calls. This "response time" shall be measured from the time the request for service is first received at the County Fire Department Emergency Command Center until the first paramedic arrives at the scene of the emergency. All medical aid calls at Station 42 will be used in the calculation of this response time.

The agenda item does not contain any statistical or performance data about current call volume and responses.

Readers may remember that the California State legislature exempted solar farms from paying the local property tax on all electrical generating and transmission facilities attendant to the projects (just about everything). Thus and because of this huge taxpayer subsidy, the solar farms escape tens of millions of dollars of property tax payments, which over decades will amount to hundreds of millions of dollars. In the meantime PG&E makes the largest property tax payment and the County remains unsupportive of the Diablo Plant relicensing.

Ironically and sadly, 3 members of the Board of Supervisors are supporting a new ½ cent sales tax because there is not sufficient money to maintain the roads. (See last week's highlights in the section on the SLOCOG sales tax meeting.)

Item 4 - Monthly Drought Report. The write-up summarizes the situation as follows:

The Seasonal Drought Outlook is calling for the drought to persist, and it appears likely that the Central Coast will remain in "exceptional" drought at least until next winter.

Reservoir Levels (% of capacity):

Reservoir	% of Capacity	Current Acre Feet Storage
Nacimiento	33%	125,500
Whale Rock	35%	13,809
Lopez	29%	14,238
Salinas	13%	3,067

Source: www.slocountywater.org County of San Luis Obispo

Please see item 30 below which provides many details about conditions and plans for the Zone 3/Lopez system.

Item 30 - Hearing to consider adoption of the 2015 Urban Water Management Plan Update for the Lopez Reservoir, Zone 3 of the San Luis Obispo County Flood Control and Water

Conservation. This item is a 113-page water management plan for Zone 3, the Lopez System, which is a County-operated zone of the Flood Control District that wholesales water from Lake Lopez to cities and water districts. These entities in turn retail the water to their municipal customers. The report is formatted to conform to the State Department of Water Resources reporting requirements, which require water purveyors to provide updated reports every 5 years. Zone 3 serves Avila Beach, Pismo Beach, Arroyo Grande, Grover Beach, and Oceano. A significant portion of the water is released into the creek for fish, wetlands preservation, and the natural environment. The report contains much history, trend data, and a long-range look into the future about the system's capacity. A map of the area served is displayed below.

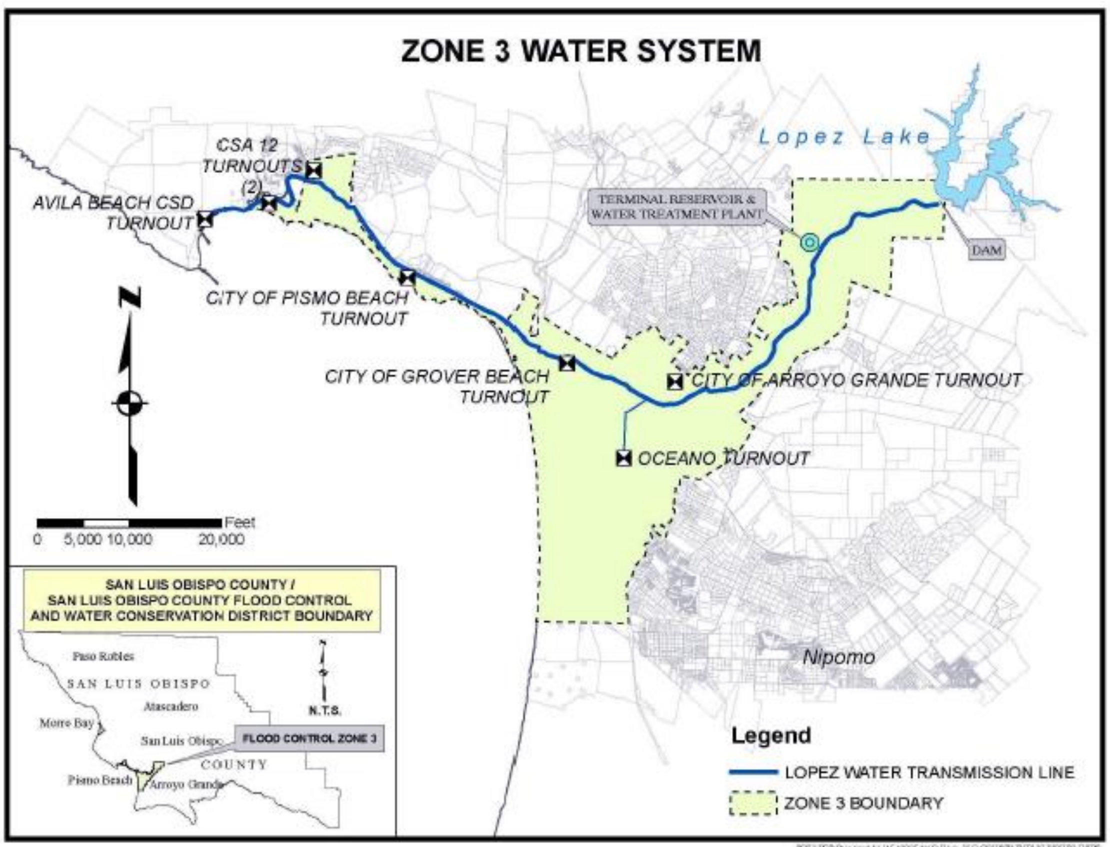

Figure 1: Service Area Boundary Map

The most significant aspect of the report is the data about phased water rationing as a result of the continuing drought and the increasing potential of the lake to run out. To this end the County and the member agencies, as we have reported in the past, have adopted a phased plan to reduce usage as the reservoir reaches lower levels.

That plan is expressed in the 2 charts displayed below. The lake is currently at @ 14,000 acre-feet, so the 10% reduction stage is in effect for municipal use and the 9.5% reduction is in effect for the environmental diversion.

Table 8-A: Initial Prescribed Municipal Diversion Reduction Strategy

Amount of Water In Storage (AF)	Municipal Diversion Reduction	Municipal Diversion (AFY)
20,000	0%	4,530
15,000	10%	4,077
10,000	20%	3,624
5,000	35%	2,941
4,000	100%	0

Table 8-B: Initial Prescribed Downstream Release Reduction Strategy

Amount of Water In Storage (AF)	Municipal Diversion Reduction	Municipal Diversion (AFY)
20,000	9.5%	3,800
15,000	9.5%	3,800
10,000	75.6%	1,026
5,000	92.9%	300
4,000	100%	0

The first chart shows the reductions for the municipal users, and the second shows the reductions for environmental releases. For whatever reason they call it municipal diversion but it's for fish and weeds.

The Water Management Plan Update contains an additional table which goes to the heart of the matter.

Table 8.4: Wholesale: Minimum Water Supply Next Three Years[10]

Table 8-4 Wholesale: Minimum Supply Next Three Years			
	Water Year 2016 (April-March)	Water Year 2017 (April-March)	Water Year 2018 (April-March)
Available Water Supply	3,624	2,941	2,639
Available Downstream Release	3,800	300	0
Total	7,424	3,241	2,639
NOTES: Total water supply anticipated to be available for municipal diversion and downstream release per the LRRP and based on historical hydrology of reservoir for water years 2012-13, 2013-14, and 2014-15.			

At worst, the minimum water supplies for the next 3 years are projected above. One important question is, if the municipal supply is reduced to 2,639 acre feet, what does that actually mean in terms of reductions for the typical household? All of this is interesting but it is pretty abstract.

What % reduction is necessary?

What if the lake runs out?

Will alternative sources such as the Diablo desal water be in place?

At what rationing level is the value of your home, hotel, restaurant, or whatever is actually impacted from both functionality and financing standpoints?

When would the County and cities impose a development moratorium? After all, the Paso basin is under what is likely to be a permanent moratorium. (Some apologists claim it's not a moratorium because a developer, farmer, homeowner, etc., can apply to buy water credits, but it is not known if that process is really working or what the costs are.) Supervisor Hill is a huge proponent of the Paso Basin moratorium, although he doesn't seem to be so concerned about a portion of his own district, which actually appears to be running out of water.

The staff report summarizes the issue:

The entire State of California is amidst the worst drought it has ever seen. With below rainfall for the past 4 years, and only normal rainfall to date, water supply will continue to be a major concern for all water suppliers. The amount of water available varies depending on the total amount of water stored in the reservoir. The LRRP sets the criteria for reducing municipal diversions and downstream releases during periods of low reservoir storage (i.e. less than 20,000 AF) to preserve water within the reservoir, above minimum pool level for a minimum of 3 to 4 years under continuing drought conditions. Above 15,000 AF contract allocations are delivered at 100%. However that number decreases by 10% (applied to the agency's contract allocations only) if the reservoir reaches 15,000 AF in storage and 20% when reservoir levels reach 10,000 AF. The LRRP is currently being implemented with 10% reductions to the Contract Agencies occurring. Zone 3 maintains a reservoir storage projection chart that is updated monthly. It is anticipated that the reductions, per the LRRP, to the Contract Agencies will remain in effect until significant rainfall occurs and reservoir levels return to 20,000 AF or higher.

Separately from all the numbers and plans, the report betrays the County's adopted policy of climate change causality in the paragraph below, which is part of the report.

Climate Change

The County recognizes that global climate change will have significant impacts locally and throughout California unless significant steps are taken to reduce greenhouse gas (GHG) emissions. One of the impacts is anticipated to be disrupted precipitation patterns which may affect water supplies. In May 2010, San Luis Obispo County adopted a Greenhouse Gas Inventory (Inventory) and Forecast as part of the Conservation and Open Space Element of the General Plan. In November 2011, the County Board of Supervisors adopted the Energy Wise Plan (Climate Action Plan)5, which contained updates to the Greenhouse Gas Inventory. Both *plans demonstrate the County's continued commitment to addressing the challenges of climate change by reducing local GHG emissions and preparing the county to adapt to a changing climate. The plan also outlines the County's approach to reducing GHG emissions through a number of goals, measures, and actions that provide a road map to achieving the County's GHG reduction target of 15% below baseline levels by 2020.*

LAST WEEK'S HIGHLIGHTS

No Board of Supervisors Meeting on Tuesday, May31, 2016 (Not Scheduled)

There was no Board of Supervisors Meeting on May 31, 2016, as it was the day after a holiday. The Board typically does not meet on a Tuesday following a Monday holiday.

San Luis Obispo County Council of Governments (SLOCOG) Meeting of Wednesday, June 1, 2016 (Completed)

Item A-1: Self-Help County Efforts: Introduction of Ordinance No. 2016: San Luis Obispo County Self-Help Transportation Investment Plan and Retail Transactions and Use Tax (Transportation Sales Tax). The SLOCOG Board, on a vote of 9/2 (Arnold and Compton dissenting, Gibson absent), voted to send the proposed tax ordinance to each of the 7 city councils in the county with a request that they endorse the November tax measure and instruct their respective SLOCOG representatives to vote for placing the measure on the ballot.

There was a great deal of rhetorical hand wringing about how the State has failed to provide sufficient transportation funds. The Home Builders Association of the Central Coast indicated that its Board of Directors unanimously voted to support placing the measure on the ballot.

As a result of comments at prior meetings, the SLOCOG staff recommended changes to the ordinance and supporting addenda. These included:

1. A maintenance of effort clause. Unfortunately the language is very weak and contains significant loopholes.

2. Inclusion of representatives of one representative each from the Central Coast Tax Payers Association and the Home Builders Association of the Central Coast on the Citizens Oversight Committee.

3. Not including the SLOCOG President and Executive Director on the Citizens Oversight Committee.

4. The staff ignored COLAB's request, in addition to the maintenance of effort provision, that the ordinance require that the 7 cities and County be required to demonstrate their commitment to roads, by budgeting 25% of new local general revenue growth each year to their respective capital transportation programs. Thus if local general revenue grew by $1 million in a given year (in a particular jurisdiction), it would be required to add $250,000 to its transportation program, which would then constitute the new base for the following year.

The Central Coast Taxpayers Association spokesperson, Andrea Seastrand, reported that its Board had voted to decline the offer to be on the oversight committee. They felt that acceptance of such a role could compromise their position opposing the tax and might confuse voters. The SLOCOG Board, as a result of comments by a trade union rep, directed staff to amend the position list for the oversight committee and include a trade union representative to be nominated by the unions.

Some Board members rationalized their vote, not as actual support, but as providing the voters with an opportunity to approve or reject the new tax. They only want to be a "little bit" pregnant. Mecham expressed the prevailing intellectual vacuity of most of the Board: **"We are not implementing a tax. If you don't like it – vote against it."** No doubt, this will become a slogan for organized opponents of the tax.

Background:

Upcoming Schedule

In order to place the Measure before the voters in November, first, the Transportation Investment Plan must be approved by the Cities (at a minimum, a majority of cities with a majority of the incorporated population); second, the Transportation Investment Plan must be approved the Board of Supervisors; third, the SLOCOG Board must adopt the Transportation Investment Plan and approve the Ordinance; fourth, the Board of Supervisors must place it on the November ballot. Final approval of the measure requires two-thirds of the voting public.

Meeting Schedule for Cities:

Jun. 7: Pismo Beach City Council
Jun. 14: Atascadero City Council
Jun. 14: Morro Bay City Council
Jun. 20: Grover Beach City Council
Jun. 21: San Luis Obispo City Council
Jun. 21: Paso Robles City Council
Jun. 28: Arroyo Grande City Council

Jul. 12: **Board of Supervisors**; only if approved by majority of the cities with majority of the incorporated population. Requires BoS action.

Jul. 13: **SLOCOG**: Adopts Plan and calls for election (only if approved the by BoS).

Jul. 19: **Board of Supervisors**: Place materials on Nov. 2016 Ballot

Aug. 3: SLOCOG Board meeting (tentative last date for action)

Aug 9: Last possible date for BOS to place materials on November 2016 Ballot.

Nov. 8: **Election Day**

More details are available in last week's Supplement to the Weekly Update. Also, please see the article contained in the SLO COLAB IN DEPTH section, beginning below, which provides perspective on the transportation funding problem.

SLO COLAB IN DEPTH

In fighting the troublesome, local day-to-day assaults on our freedom and property, it is also important to keep in mind the larger underlying ideological, political, and economic causes and forces.

TAXPORTATION: PROFLIGATE WASTE NEGATES JUSTIFICATION FOR TRANSPORTATION TAX HIKE

By Jon Coupal

A personal digression: My father was head of the Iowa Department of Transportation (then called the Iowa Highway Commission) in the late '60s and early '70s before he was appointed by President Ford to serve as Deputy Federal Highway Administrator. (Of course, he lost that job when Jimmy Carter became president, but he continued to work in the private sector for a transportation think tank). When I was in high school, I remember him coming home from an ASHTO conference. That organization, the Association of State Highway and Transportation Officials, was a pretty well respected group and still is. He was complaining bitterly about what was going on in California. I don't recall his exact words, but the gist of it was that the new head of California's transportation agency, called CalTrans, had been taken over by a certifiably crazy person (with no background in transportation policy) by the name of Adriana Gianturco. According to my father, in the 1950s and '60s, California had the best transportation agency in the entire world. But all that changed with the election of a new, anti-growth, small-is-beautiful governor by the name of Jerry Brown.

Now, fast forward 40 years. Governor Brown, version 2.0, proposes a budget that assumes a big increase in transportation taxes and fees. The California Legislature shouldn't just say no, it should say hell no.

Where to start? First, let's take judicial notice of the fact that California is already a high tax state with the highest income tax rate and the highest state sales tax in America. But more relevant for the issue at hand, we also have the highest fuel costs in the nation. This is because of both the 4th highest excise tax on fuel and the fact that refineries are burdened with additional costs to comply with California's environ-mental regulations.

The high cost to drive in California might be understandable if we were getting value for our tax dollars. But we aren't. A big problem is that Caltrans is dysfunctional, plain and simple. It has never fully recovered from the days when the agency was effectively destroyed by Gianturco. A report by the California State Auditor just a couple of months ago concluded that a primary responsibility of Caltrans – maintenance of our highways – is not being executed in a manner that is even close to being efficient or competent. Senator John Moorlach, the only CPA currently serving in the California legislature, reacted saying that "This audit reinforces the fact that our bad roads are not a result of a lack of funding. They're a result of a lack of competence at Caltrans." Moreover, a report by the Legislative Analyst concluded that Caltrans is overstaffed by 3,500 employees costing California taxpayers over a half billion dollars a year. All this compels the obvious question: Why, for goodness sake, do we want to give these people even more money?

Another unneeded and costly practice consists of project labor agreements for transportation construction projects. These pro-union policies shut out otherwise competent companies from bidding on projects resulting in California taxpayers shelling out as high as 25% more than they should for building highways and bridges.

Finally, California's environmental requirements are legendary for their inefficiency while also doing little for the environment. Exhibit A in this foolishness is Governor Brown's incomprehensible pursuit of the ill-fated high speed rail project. Not only has the project failed to live up to any of the promises made to voters, it is currently being kept alive only by virtue of the state's diversion of "cap and trade" funds which are supposed to be expended on projects that reduce greenhouse gas emissions. But in the Kafkaesque world of California transportation policies, the LAO has concluded that the construction of the HSR project actually produces a net increase in emissions, at least for the foreseeable future.

No one disputes the dire need for improvements in California's transportation infrastructure. But imposing draconian taxes and higher registration fees that serve only to punish the middle class while wasting billions on projects that don't help getting Californians get to work or school cannot and should not be tolerated. Legislators who present themselves to voters as fiscally responsible need to understand that a vote for higher transportation taxes will engender a very angry response from their constituents.

Jon Coupal is president of the Howard Jarvis Taxpayers Association — California's largest grass-roots tax-payer organization dedicated to the protection of Proposition 13 and the advancement of taxpayers' rights.

CALIFORNIA'S CAP-AND-TRADE BUBBLE
THE CARBON-CREDIT MARKET SPUTTERS, AS IT ALSO HAS IN EUROPE.

By The Wall Street Journal

When carbon cap and trade flopped in Europe, liberals blamed design flaws and hailed California's embryonic program as a better regulatory model. But cap and tax is struggling in the Golden State too.

A mere 2% of the carbon emissions credits that the California Air Resources Board (CARB) put up for auction in May were sold. The quarterly auction raised only $10 million of the $500 million that CARB projected. That's awful news for Democrats in Sacramento who planned to spend the windfall on high-speed rail, housing and electric-car subsidies.

Each year, CARB ratchets down the statewide emissions cap. Most energy-intensive businesses including refiners, manufacturers and fuel suppliers must cut their carbon output or buy credits for exceeding the cap.

In 2005 the European Union launched its Emissions Trading System, which the Obama Administration and even some Republicans hoped to copy before Rust Belt Democrats revolted. Europe's cap-and-trade bubble has since burst as sluggish economic growth and heavily subsidized renewables have produced a glut of credits. By 2013 the roughly €30 price per ton that was putatively needed to reduce use of coal had plummeted to a few euros. Politicians have been reluctant to withdraw credits to prop up the price because they don't want to handicap struggling businesses. Regulatory uncertainty has amplified price fluctuations.

As Europe went, so heads California. CARB's auctions kicked off in 2012 with robust demand and have raised nearly $5 billion. But demand has shrunk this year amid regulatory and legal risks. The California Chamber of Commerce has challenged the auctions as an illegal tax that CARB imposed without the constitutionally required two-thirds vote of the legislature.

Cap-and-trade revenues are supposed to fund only projects that reduce emissions, and the state Legislative Analyst's Office has questioned whether the funding recipients are doing so. For instance, the bullet train will release more carbon over the next three decades.

The legislature will likely also have to reauthorize cap and trade beyond its 2020 expiration date, and many Democrats will want changes. In 2014, 16 Assembly Democrats exhorted CARB to exempt transportation fuels. CARB estimates that cap and trade increases the price of gasoline by about 12 cents per gallon.

While a Sacramento superior court has upheld the program, an appellate court last month appeared more skeptical. Traders who hoped to flip allowances at a higher price have since been offloading credits and undercutting CARB's auction floor.

In 2014 then Senate President Darrell Steinberg warned that cap and trade was "asking the trading market to enter directly into the energy segment again and that brings back bad memories" of rolling blackouts and electricity price spikes last decade. Reading Europe's tarot cards, he told the Los Angeles Times that "this is an experiment that is yet unproven."

CARB says this spring's auction bust is no big deal and regulators can withhold credits until the price rises. Unlike their European counterparts, California's climate crusaders don't seem to care if their businesses and consumers suffer.

This editorial first appeared in the Wall St. Journal of May 30, 2016 and was widely distributed It appeared on line on May 30, 2016 5:25 p.m. ET

PLEASE SEE IMPORTANT ANNOUNCEMENTS ON THE FOLLOWING PAGES.

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