



COLAB SAN LUIS OBISPO COUNTY



WEEK OF JUNE 7-13, 2015

FY 2015-16 BUDGET REVIEW HEARINGS

(Monday June 8th and Wednesday June 10th)

HILL WAS ACTUALLY SERIOUS

NEW RULE WOULD HAVE REQUIRED BOARD MEMBERS TO REPORT CONVERSATIONS WITH COLAB ABOUT AGENDA ITEMS EACH WEEK
(SEE PAGE 1 BELOW)

SAVE THURSDAY JULY 30, 2015

(FOR THE PLANNING COMMISSION FINAL HEARING ON THE MORATORIUM, AG OFFSET REQUIREMENTS, AND MORE)

Board of Supervisors Meeting of Tuesday, June 2, 2015 (Completed)

Item 30 - Submittal of a report on options for addressing ex parte communications for members of the Board of Supervisors. Supervisor Hill was actually serious about requiring Supervisors Compton and Arnold to report each week about whatever they discussed with COLAB representatives. He characterized the COLAB Director of Government Affairs as a “lobbyist who comes every week.” Clearly his intent was to single COLAB out from the get-go. Hill not only wanted the Board to adopt the rule, as stated below, but wanted it crafted to only impact COLAB.

To the extent any member of the Board has an ex parte communication related to matters before the Board, the communication shall be reported to the Board in open public session, including sufficient detail so as to provide adequate information to the other members of the Board and the public as to the substance of the communication.

Supervisor Arnold, who has been around the County in various guises for a while, pointed out that there were years when the Sierra Club representatives came and walked the Board every week over the proposed San Simeon resort development.

In the end the Board voted unanimously to formalize their process for explicating who they talked with on zoning appeals, avoiding a vote on the more discriminatory version. Gibson said he was sympathetic with Hill but that there were more important items of business to focus on than this one.

COLAB representative Brown again pointed out that he would like to meet with every Board member prior to the ensuing meeting. We have slots open on Monday afternoons. The Board meetings are on Tuesday. The Board itself recognizes this and entertains a constant stream of department heads and other supplicants on all Mondays that precede Board meetings. It wouldn't do any good to come on Wednesday, after the issues have been decided. Moreover, the Board letters for the next meeting are generally posted on Wednesday and must be studied.

He also pointed out that the subjects are covered in the Weekly Update and published online for the entire world to see.

For Shame: This whole episode reflects badly on San Luis Obispo County. Here we have a Board member, perhaps with some sympathetic silent allies, in a powerful half billion dollar government bureaucracy, backed by taxpayer paid lawyers, CPA's, administrators, engineers, analysts, information technology gurus, etc., deliberately mischaracterizing a citizen advocacy group and seeking to chill the ability of members of that government from hearing ideas and facts different from what that very bureaucracy is advocating. The fact that such a ploy would even see the light of day, let alone result in a staff assignment and agenda item, condemns the County more than anything we could say.

Background: Back in March, Hill and Gibson suggested that the Board adopt a rule which would require disclosure of any contacts that a Board member receives concerning matters on an upcoming agenda. This arose because they don't like COLAB systematically providing information and recommendations to Board members and others. Apparently they want to know what COLAB is covering and suggesting. By floating this idea, they hope to chill and suppress any regular contact between COLAB and Board members. Actually, all they need to do is to read the Weekly Update, because it is all disclosed here in advance of the meetings for the entire world to read. We are willing to meet with any Board member to go over the upcoming agenda items as well. Moreover, we are available for questioning at Board meetings, LAFCO meetings, APCD meetings, and Planning Commission meetings. We are the only civic group that attends all the Board meetings as well as many of the other County agency board meetings, and that reads the Annual Budget, Comprehensive Annual Financial Report, and Annual Pension Valuation Report from cover to cover. We are also the only group that reports weekly on the issues relevant to businesses, agriculture, homeowners, and taxpayers.



**Board of Supervisors Meetings of Monday, June 8, 2015 and Wednesday, June 10, 2015.
FY 2015-16 Budget Review Week.**

Item 1 - General Public Comment For Matters not on the Agenda.

Item 2 - Budget Hearings for the Fiscal Year 2015-16 Proposed Budget. The Board will take a few short hours to review the proposed \$564.3 million operating budget. It may also review and certainly approve a subsidiary budget document entitled the Special Districts Budget, which contains another \$49.5 million. This is a compendium of budgets for the county Water District and various subsidiary dependent community water districts, a lighting district, and payments to water suppliers such as the State. During the past 4 years the review has been perfunctory, with no rigorous questioning of the department heads or testing the logic and rationality. Even if the Board members believe that the County staff is the most perfect, insightful, and brilliant set of public administrators and municipal finance experts on the face of the earth, they have a duty to poke and test. Often when we raise this point a Board member will say, “well we question staff in our offices at length and are satisfied. We don’t want to micromanage.” The problem is that these discussions and questions don’t take place in open session and the public cannot assess the quality and intensity of the questions by the Board on the most important annual public policy document for which it is responsible.

The C Section of the Budget contains the actual departmental and program appropriations and explanations. Its several hundred pages are rich with information. What if the Board spent 3 minutes per page? At 250 pages, that would be 750 minutes or 12.5 hours. So far the Planning Commission has spent 3 full days on the so-called water conservation program. Why wouldn’t the Board spend 3 full days really examining its most important policy tool?

Some Sample Areas on Which the Board Might Spend Time: For the 7 fiscal years from 2008-09 through 2014-15 the County adopted measures to balance its budget in the face of the recession, as State and local revenues were stagnant or fell. Key steps included deferring some capital projects, deferring maintenance, reducing staffing levels from around 2,600 FTE’s to 2,400 by attrition (no layoffs or furloughs), and, primarily, negotiating concessions from its labor unions. The unions agreed to forego previously negotiated raises in some cases and agreed to no raises during the peak recession years. This program was called the 7-year pain plan. The CAO states that these steps saved \$80 million.

Despite improvement in the County’s budget, we are very mindful of the work that it took to get to this point. Over the course of the downturn, the County incrementally and methodically reduced its budget by over \$80 million. The proposed budget reflects a balanced approach to addressing spending priorities while remaining sustainable in the long term. However, growth in the budget should not be viewed as “adding back” to those programs and services that were reduced. County operations have changed over the past seven years in response to policy changes at the State and Federal levels, as well as changing community needs. The proposed budget reflects a focus on ensuring that the County is able to meet current needs in FY 2015-16 and into the future.

This notwithstanding, the budget has grown from \$474.9 million and 2,598 FTE's in FY 2007-08 (the budget was prepared before the recession was recognized) to \$564.3 million and 2,633 FTE's in the proposed FY 2015-16 version. This is an actual \$89.4 million (19%) increase in dollars and a 35 FTE increase (even though the roster floated down by 200 after 2008, so the true gain is around 235). Some portion of the dollar increase and some significant portion of the staffing increase stems from the inception of 2 programs.

The first is the State of California AB 109 legislation, which shifted responsibility for incarceration of some sentenced prisoners from State prison to county jails. The program also shifted responsibility for some felons who would be in the state parole system to county probation programs. As part of a deal for the counties to agree to this program and support Proposition 30, the State guaranteed to provide the funding by constitutional amendment. At this point the actual cash is provided because of Proposition 30. Most of the Proposition 30 money is going to K-12 schools and being sucked into servicing rapid rate increases to pay for the criminally unfunded liability in the State Teachers' Retirement System. The AB 109 money is spread among several departments, including Sheriff, Probation, and Behavioral Health.

The 2nd program stems from the local impact of the Affordable Health Care Act (Obama Care). The Feds delegated responsibility to the States to determine who is eligible for the vastly expanded Medicaid program (MediCal here) and who is eligible for the private sector exchange programs. The states in turn delegated this responsibility to the counties and provided funding for them to staff up to perform this work.

Some key questions:

a. Net of these two programs, what accounts for the rest of the \$90 million dollar increase and 235 FTE increase? If they saved \$80 million as they state, is the real run-up impact \$80 million plus \$90 million, or \$170 million? Or was the \$80 million not actual savings, but temporary onetime cost avoidance? If they reduced by attrition 200 FTE's, what is the true increase from the base?

- Program restorations?
- Raises?
- Other?

The tables below provide comparisons at the accounting fund level (very general). Note that the General Fund, which contains the appropriations for the major operating services such as Sheriff, Probation and Behavioral health, went up slightly more in proportion to the total budget, \$372.8 million to \$464.6 million. Given the inflow of Obama Care eligibility money and the AB 109 money, what went away to maintain this proportionality?

b. Note that servicing the pension obligation bond debt cost increased from \$6.8 million in 07-08 to \$10 million in the proposed 15-16. They didn't issue more bonds, so what happened? Is there another cliff coming with a big balloon payment in a few years. How much is that balloon payment? Page C 370 of the Budget, where the Pension bond debt is displayed, says nothing about the future needs. During the 3rd quarter report the CAO and Auditor Controller talked

about creating a reserve for some Pension bond early retirement. Is it a balloon payment or early payoff of the bonds? Or both?

Table 1 FY 07-08 Final Budget

All Funds Expenditure Comparison			
	FY 06-07 Adopted	FY 07-08 Proposed	% Increase /Decrease
General Fund	369,625,995	372,828,652	1%
Road Fund	28,554,354	37,542,963	31%
Library	7,952,753	8,550,288	8%
Parks	6,607,305	7,325,071	11%
Capital Projects	11,093,742	13,713,700	24%
Community Development	4,868,199	4,625,364	-5%
Organizational Effectiveness	869,135	822,408	-5%
Public Facilities Fees	3,854,276	3,677,317	-5%
Automation Replacement	4,588,262	3,174,731	-31%
Building Replacement	1,128,768	2,300,000	104%
Traffic Impact Fees	4,205,250	2,972,750	-29%
Wildlife and Grazing	8,194	9,517	16%
Drinking Driver Program	1,273,219	1,477,172	16%
Fish and Game	80,368	29,231	-64%
Medical Services Program	3,778,160	3,771,296	0%
Emergency Medical Services	512,970	1,092,420	113%
Indigent Programs	1,186,018	1,195,934	1%
Tax Reduction Reserves	425,798	0	-100%
Debt Service	2,400,299	2,281,471	-5%
Pension Obligation Bonds	7,159,408	6,793,670	-5%
Total	460,172,473	474,898,770	3%

Continued on the next page.

Table 2 FY 2007-08 Final Staffing

2007-2008 Summary	
2006-07 Adopted Budget	2553.25
2006-07 Current Allocation	2574.50
2007-08 Recommendation	2598.00
Net Adds (from Adopted Budget)	44.75
Net Adds (from Current)	23.50
Percent Net Increase	1%

Table 3 Proposed FY 2015-16 Operating Budget

Authorized Funding Levels by Fund			
Fund	FY 2014-15 Adopted	FY 2015-16 Proposed	% Inc/ Dec
General Fund	\$439,810,183	\$464,625,664	6%
Automation Replacement	\$3,996,738	\$4,884,099	22%
Building Replacement	\$5,850,498	\$6,169,222	5%
Capital Projects	\$5,285,576	\$7,245,000	37%
Community Development	\$3,957,209	\$3,895,341	-2%
Medically Indigent Services Program	\$2,531,938	\$1,493,222	-41%
Debt Service	\$2,080,057	\$2,090,151	0%
Driving Under the Influence	\$1,634,352	\$1,371,002	-16%
Emergency Medical Services	\$801,000	\$846,000	6%
Fish and Game	\$35,768	\$46,222	29%
Library	\$9,256,100	\$9,416,425	2%
Organizational Development	\$1,116,151	\$911,317	-18%
Parks & Recreation	\$9,582,259	\$9,121,898	-5%
Pension Obligation Bonds	\$10,096,445	\$10,037,420	-1%
Public Facilities Fees	\$1,670,500	\$1,984,049	19%
Road Fund	\$42,220,081	\$39,099,112	-7%
Tax Reduction Reserves	\$4,550,000	\$0	-100%
Traffic Impact Fees	\$1,141,503	\$1,079,283	-5%
Wildlife and Grazing	\$5,807	\$3,548	-39%
TOTAL	\$545,622,165	\$564,318,975	4%

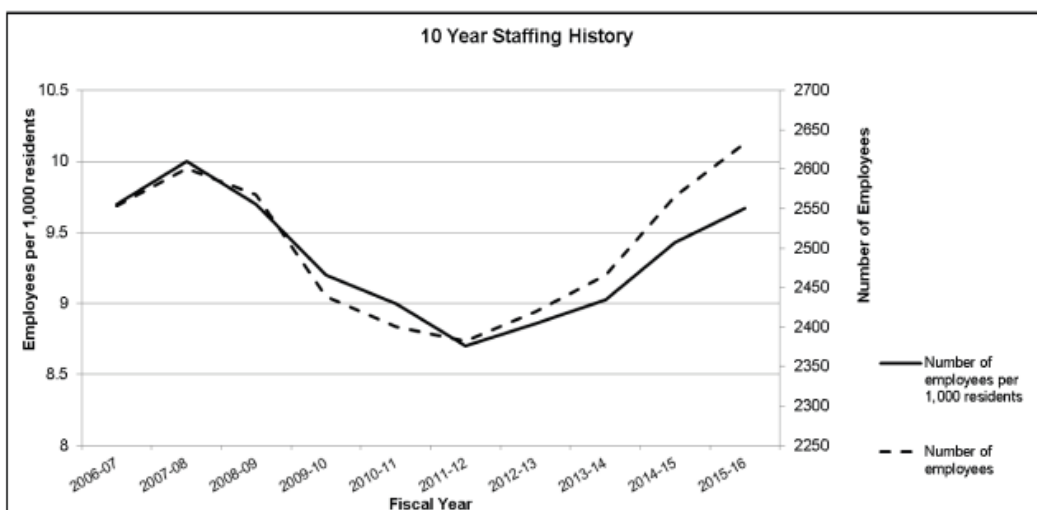
profits

Table 5 FY 2015-16 Proposed Staffing

Summary of Position Allocation Changes by Department	
FY 2014-15 Adopted Budget Allocation	2,554.75
FY 2014-15 Current Allocation	2,579.25
FY 2015-16 Proposed Allocation	2,633.50
Net Change (from Adopted)	78.75
Net Change (from Current)	54.25
% Change (from Current)	2.10%

c. The chart below summarizes how the County staffing levels have been built back since dipping in the recession. Note that the number of authorized employees now exceeds the pre-recession peak. This was a wasted opportunity. Instead of building back, what if the County had privatized more services, partnered with other agencies, and used limited term contracts? SLO County uses a contract private system for its Public Defender function and contracts with Cal Fire for fire and all hazard emergency services, rather than running its own fire department. These are both very cost effective ways to provide these services.

During the recession the County could have looked at a variety of maintenance functions, golf courses, portions of Planning and Building, and so forth. The large run-up in Social Services to provide the staff to handle the Affordable Care Act (Obama Care) eligibility workload was a perfect opportunity to work with a not-for-profit or private entrepreneur rather than build a much larger staff.



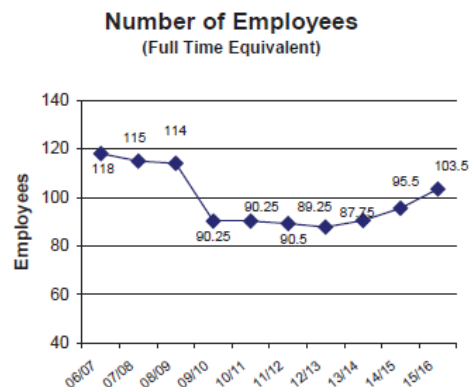
d. **Roads:** How much would it cost per year over how many years to bring the road system to a PCI of 65? How could this budget be modified to provide that amount? How would the CAO prioritize the other program reductions to achieve this?

e. Budget page C-48 says that general fund support constitutes 29 % of the road budget, which would be about \$11.3 million.

Public Works Infrastructure Deferred Maintenance

The County road system comprises over 1300 miles and 190 bridges. Overall condition of the road system is rated on a 0 to 100 scale referred to as the Pavement Condition Index (PCI). The desired goal is to maintain the overall system at a PCI rating no less than 65 as this is a level which indicates that the key roadways of the system are in good repair and that preventative maintenance can be done with cost effective techniques on the remaining system. Once a PCI for the system falls into the mid-50's, repairs and maintenance require much more expensive techniques. Currently, the system has an overall rating of 60 and a deferred maintenance value of \$182 million to bring the full system to an overall good rating (PCI of 80). The 2012 Pavement Management Plan is available at www.slocounty.ca.gov/PW/Traffic/Road_Condition_Report.htm. The Department of Public Works continues to identify and determine strategies to address these conditions. The overall Road Fund, for both routine and preventative road maintenance, has been averaging about \$15 million annually. In order to prevent deferred maintenance values from increasing, an additional \$ 7.5 million would be required each year.

f. The Planning and Building Department budget and staffing is back on the upswing toward its halcyon days when the Gibson, Hill, Patterson triumvirate fronted for the brilliant and ruthless proto architect of “smart growth,” former Planning Commissioner Sarah Christie. Reducing staff in the Land Use Planning and Resource Management and Monitoring Divisions of the Department would lessen the ability of the County to develop more reductions, steal your water, and engineer stack-and-pack collective living.



g. Water Management: Earlier this spring the Board authorized the separation of the staff that actually manages water systems (plans at the utility level, turns valves, and does maintenance) and the staff that conducts larger strategic planning and management of water countywide. Several positions were added. The current proselytizing by Public Works Project Manager John Diodati on behalf of proponents of the proposed Paso Basin Water Management Authority is an example. Major basin studies and plans for inter-ties and other work are presumably funded in public works. We are not sure if the people and consultants who do this work are budgeted in the Public Works Special Services Division on page C-42 or somewhere else. It's possible that actual dollars are funded out of the countywide Flood Control District, budgeted in the separate

\$49 million Special Districts Budget, which is above and beyond the general budget. This document has decayed since last year's version. We were able to ascertain how and where the County was budgeting for its costs for the LAFCO application and other large-scale water planning efforts. The format provided in this year's version eliminates the program descriptions and simply lists general character of expenditures, such as services and salaries. One cannot ascertain the actual program purpose. How much will the County expend on its LAFCO application in 2015-16? How much will it expend in promoting it? How much will it expend in promoting the so-called Water Conservation Ordinance (permanitizing the moratorium and spreading it to other areas)? How much will it expend on planning and preparing for developing plans for the State's Sustainable Groundwater Management Act requirements? How much will it expend suing 500 or more of its own citizens as a lead plaintiff opposing quiet title adjudication?

Again the Board needs to spend some real quality time going through the Budget at the program level to understand what it is buying with over half a billion dollars of tax and fee revenue entrusted to its care.

Matter at 1:30 PM on Wednesday, June 10, 2015

Item 4 - Hearing to consider a resolution declaring the results of majority protest proceedings, establishing the San Luis Obispo County Tourism Marketing District (TMD) within the County of San Luis Obispo and levy of assessments. This hearing should result in the completion of the process for creating a Tourism Marketing District, by which members of the lodging industry would assess themselves to fund advertising and promotion of the County's tourist resources and attractions. The key issue in play at this hearing is whether 50% percent of the lodging businesses, when measured in terms of the assessment, are opposed. If they are, the TMD may not be approved. At this point it does not appear that 50% are opposed.

Chart #1	# of Protest forms received	# of lodging businesses within jurisdiction	Percentage of protest forms returned per jurisdiction
Unincorporated County	329	1,052	31.27%
Arroyo Grande	5	16	31.25%
Atascadero	3	13	23.08%
Grover Beach	2	11	18.18%
Morro Bay	42	201	20.90%
Paso Robles	13	70	18.57%
Pismo Beach	6	51	11.76%
San Luis Obispo	9	39	23.08%
TOTALS	409	1,453	28.13%

An issue which emerged in relation to this item is a schism between the owners of larger hotels and motels and owners of bed and breakfasts, tourist RV parks, and single-family vacation renters. The latter group seems to have a significant members who are opposed and do not see any benefit from the district. They are asking that their properties be carved out. So far, the Board has been postponing consideration of this issue. It will be interesting to see what happens on Wednesday, June 10th at 1:30. It appears that there are not sufficient protests to prevent formation of the proposed district.

Planning Commission Meeting of Thursday, June 4, 2015 (Completed)

Item 3 - Continued Hearing on the Request of the County of San Luis Obispo to Establish A Water Conservation Program by Amending Various Portions of the Plan of Development and Zoning Ordinances Which Will:

- 1. Make the Paso Water and Development Moratorium permanent.**
- 2. Create a Water Offset Program (Pay to use your own water).**
- 3. Add miscellaneous restrictions on the use of water.**
- 4. Begin to spread various portions of the moratorium to other parts of the county.**

The Commission continued to review (for about 6 hours) the various ordinance additions and changes as well as Plan amendments necessary to approve the program. They actually finished the review and continued it on calendar to July 30, 2015, when they will presumably take final action. Because of the noticing problem discussed in prior weekly updates, July 30, 2015 is the earliest date on which the Commission can take action to recommend a program to the Board of Supervisors. It is not clear how new information that may be developed as a result of the recirculation of the EIR will impact that discussion in July.

The Commission has made many clarifications to the program and has developed some exemptions for smaller properties and attempted to the extent possible to assist agriculture.

The Commission's review was largely technical and did not deal with the larger issues of water rights, property rights, costs for the County and residents and agriculturalists to implement. They did maintain that most applications for exceptions to the program would be subject to ministerial permits rather than more costly discretionary permits.

One unresolved issue stems from a provision in the proposal that the whole program sunsets when whatever water management authority program for the Paso basin is adopted. Is it when it is adopted locally? Or is it when the State Department of Water Resources receives it or approves it or doesn't reject it within some time frame? The State has not developed its procedures. What if a groundwater sustainability plan adopted by whatever entity is managing the basin in the unincorporated county but a city or other entity overlying the basin does not agree with dovetailed policies which make the whole basin sustainability plan conform?

There was considerable discussion of the legal implementation date gap between the expiration of the current urgency moratorium ordinance and the effective date of the new program. Clearly County legal staff and others are working like mad in the background to find short cuts and work-arounds.

The Commission also had a brief discussion with County Counsel about what would happen if quiet title/adjudication goes into effect. The County Counsel's response was vague and ambiguous because a real answer would impinge on the County's legal strategy to defeat the adjudication option. This would violate executive session confidentiality.

It sounds as if everyone is assuming that the Commission recommendation for the Board of Supervisors to adopt the program is a foregone conclusion.

**SAVE THURSDAY, JULY 30, 2015
MARK YOUR CALENDAR NOW**

Planning Commission Meeting of Thursday, June 11, 2015 (Scheduled)

There do not appear to be any issues of general policy significance on this agenda.

San Luis Obispo County Council of Governments (SLOCOG) Meeting of Wednesday, June 3, 2015 (Completed)

Item C-1: SLOCOG State and Federal Legislative Program Update. COLAB opposed SLOCOG endorsing SB 16 motorist related tax and fee increases. We pointed out that we were already living with Proposition 30 income tax and sales tax increases, which were supposed to be temporary but are now regarded by the government class as essential and must be renewed in 2 years. We also pointed out that the Governor's May revenue revise shows that State general revenues will be \$7 billion more that was forecast in January, when the budget was submitted.

After some procedural debate and substantive discussion, the SLOCOG Board voted 5-4 to place the County and its 7 cities on the record as supporting the new taxes. Supervisors Arnold, Compton, and Mecham and Mayor O'Malley from Atascadero dissented. Several members abstained or were absent.

SB 16 Background: The staff recommended that SLOCOG endorse Senator Beall's bill, which would create a new stream of road maintenance funding. Beall's bill would provide a new \$3.5 to \$3.9 billion each year for 5 years. The funding would be used by the State, counties, and cities. This is proposed to begin reducing what the Governor has termed a \$59 billion ten-year

shortfall to maintain the state highway system and \$78 billion for city and county roads and bridges.

Current State transportation taxes and fees:

Current taxes and fees

Existing law imposes state taxes and fees related to transportation as follows:

- Gasoline excise tax: \$0.36/gallon
- Diesel excise tax: \$0.11/gallon
- Diesel sales tax: \$0.27/gallon
- Vehicle license fee (VLF): 0.65% of market value
- Vehicle registration fee (VRF): \$43 per vehicle
- Weight fees, for commercial vehicles only, up to a maximum of \$2,271

SB-16 would add:

This bill increases taxes and fees, and creates new fees, over time as follows:

- Gasoline excise tax: \$0.10/gallon
- Diesel excise tax: \$0.12/gallon
- Vehicle license fee: for non-commercial vehicles, 0.07% each year so that the VLF is 1.00% by July 1, 2019
- Vehicle registration fee: \$35 per vehicle plus an additional \$100 for zero-emission vehicles

The bill provides a bonus to those counties which adopt a new transportation sales tax. SLOCOG is considering placing a ½ cent sales tax on the 2016 ballot.



It doesn't pay gas tax.