# COLAB SAN LUIS OBISPO
# WEEK OF OCTOBER 15 - 21, 2017

## THIS WEEK

## ALERT

**NEW CLIMATE ACTION PLAN UPDATE TO COMMENCE**

**OCEANO RESIDENTS TO BE GUINEA PIGS IN ENERGY REDUCTION SCHEME**

**NEW HIGHWAY 227 DEVELOPMENT FEE ZONE PROPOSED – FEE AMOUNTS NOT DISCLOSED**

**MARIJUANA REGULATION BACK FOR BOARD DELIBERATION – PM SESSION**

## LAST WEEK

**NOT STRATEGIC & NOT PLANNING**
**SHOW AND TELL**

**LIMITED BUDGET FORECAST**
**MORE SHOW AND NOT ENOUGH TELL**

# PUBLIC FACILITIES FEES
**PAY MILLIONS UP FRONT BUT NO SHOW IN NIPOMO**

# INTERIM PLANNING DIRECTOR SAYS WORK PROGRAM SETTING NEEDS REFORM

# REDUCING THE NUMBER OF MENTALLY ILL PEOPLE IN THE JAIL

# SLO COLAB IN DEPTH

**(SEE PAGE 18)**

# HOW PENSION COSTS REDUCE GOVERNMENT SERVICES

**BY ED MENDEL**

# CITIES FACING FISCAL MESS PLEAD WITH CALPERS AS PENSIONS CONSUME BUDGETS

**BY STEVEN GREENHUT**

# THIS WEEK'S HIGHLIGHTS

**Board of Supervisors Meeting of Tuesday, October 17, 2017 (Scheduled)**

**Item 1 - Set Hearing for November 14, 2017 to adopt proposed 2018-19 Fee increases.** The increases (permitting and inspection fees) of interest to COLA members are limited. In fact Planning and Building proposes to lower 10 of its fees. We will report back prior to the November 14 meeting. You can see them all at the link:

http://agenda.slocounty.ca.gov/agenda/sanluisobispo/7968/RlkgMjAxOC0xOSBTY2hlZHVsZSBCLnBkZg==/12/n/85024.doc

Let us know if there are any (including existing – not just increases) which are problematical for your business or industry. This is important because Hill and Gibson state each year that the fees are not a problem because no one is complaining and no one is in the Board room to complain. The fee presentation is organized by department. Planning & Building, Ag Commissioner, Health, Fire, and Public Works are the departments with the fees that impact property, home building, development, farming, and operating businesses. Note that the APCD is separate. Their fees have not yet been presented.

**Item 14 - $327,000 California Energy Commission Grant to Update the Climate Action Plan and begin Control Of Citizen Energy Usage – Oceano Neighborhood Selected as Guinea Pigs.** The staff is attempting to blow this past the Board by placing it on the consent calendar even though it has major policy implications.

Moreover, they have preliminarily selected a portion of Oceano as a guinea pig for developing a program called "Zero Net Energy Neighborhoods." The write-up never really explains what will constitute a Zero Net Energy Neighborhood, what the benefits to its citizens will be, how their life styles might have to be changed to achieve the unstated goals, what personal information may have to be collected to perform the analysis, or anything else.

The staff never informed the 4th District Supervisor that they were thinking of making a neighborhood in her district the guinea pig. Did they go around her to set up a political wedge with some of her political opponents in the area?

What about the CAO's office? They are supposed to review agenda items. Why did they let this propagandistic and ideological item on the consent agenda in the first place? Don't they know that this stuff is highly controversial and sensitive throughout the County?

On the climate action side they propose moving the goal posts established in 2006, when International Council For Local Environmental Initiatives (ICLEI) staffers conducted the County's original greenhouse gas assessment prefatory to establishing its climate action plan. Who says the Board wants to update its climate action plan and make the targets more extreme?

The one-page Board letter tells the Board and the public nothing. The description of the program states:

*On March 7, 2017, the Board approved submittal of a grant application to the California Energy Commission (CEC) to determine financial, technical, and organizational feasibility of developing and supporting "zero net energy neighborhoods" in existing low income areas of the county. The work program in the grant application proposes to assess how much neighborhood energy efficiency potential exists using existing County programs; how much renewable energy is required to meet existing neighborhood electricity load; what types of energy storage, infrastructure and energy management systems are required to manage neighborhood energy supply and demand; how much these assets would cost; and how they would be financed, owned, and operated. A small portion of the grant would be used to prepare an emissions inventory update for the County's EnergyWise Plan (Climate Action Plan).*

But check out some of the language from the 108 page contract, which the staff figured the Board, let alone the public, would have no time to read:

*The Recipient shall:*

- *Update the existing 2006 baseline GHG inventories consistent with current best practices.*

- *Develop interim year GHG inventory consistent with current best practices for all emissions sectors.*

- *Forecast community GHG emissions to future years consistent with state guidance and identify GHG reduction targets consistent with the AB 32 scoping plan.*

- *Conduct energy sector assessment to identify fine-grained energy use activity and emissions data for different segments, geographic locations, and building types, allowing for better measure development in Task 2.2.*

- *Develop energy specific reduction targets consistent with SB 350.*

*Products:*

- *Community and Government GHG Emissions Inventory, Forecast, and Targets Memo.*

*Task 2.2 Develop and Quantify Energy GHG Reduction Measures*

*The goal of this task is to identify feasible and effective measures to achieve energy sector reduction targets identified in Task 2.1. Findings from Tasks 3 and 4 will be quantified and included here, as applicable.*

*The Recipient shall:*

- *Identify best practices, existing activities, and cutting edge measures that are feasible and effective in reducing energy use and demand from buildings, infrastructure, etc.*

*Establish a set of priority energy measures and quantify the reduction benefits using a Microsoft Excel based tool to illustrate ability to reach energy sector target.*

*Products:*

- *Energy Sector GHG Reduction Measure Memo.*
- *Microsoft Excel based Energy Sector GHG Reduction Measure Quantification Workbook.*

*Task 2.3 Climate Action Plan*

*NOTE: The climate action plan update will require additional work in the water, waste, transportation, agriculture, and off road sectors. The energy work completed for this grant will either stand alone as an energy action plan or will be integrated into the final climate action plan depending on external funding and staffing support. Task 2.3 is retained here for informational purposes, but is not included in the request for grant funding.*

*TASK 3 ZERO NET ENERGY NEIGHBORHOOD FEASIBILITY, DESIGN, AND IMPLEMENTATION STUDY*

*Task 3.1 Existing Neighborhood Conditions and Energy Profile*

*The goal of this task is to identify a pilot neighborhood and develop an in depth understanding of the existing energy use, power demand, and load profile of that neighborhood by sector, as well as the constraints, opportunities, and requirements for designing and implementing a zero net energy neighborhood. The task also seeks to develop a comprehensive understanding of the physical and regulatory conditions in the project area. A comprehensive understanding of these conditions is critical to the analytic task of assessing financial, organizational, and technical feasibility of a zero net energy neighborhood in the planning area.*

*The Recipient shall:*

- *Identify the pilot neighborhood and planning area.*
- *Obtain and summarize annual energy use and demand for residential, commercial, and institutional sectors at a level detailed enough to support the analytic work in Task 3.*
- *Work with San Luis Obispo County Energy Watch, PG&E, and SoCal Gas to develop a replicable method and Microsoft Excel based tool for identifying neighborhood energy profiles in other areas of the county.*
- *Inventory existing physical conditions including power and water infrastructure, information about building stock, and identification of County owned and other governmentally controlled assets.*

- *Assess existing physical conditions opportunities, constraints, and needs for zero net energy neighborhood design.*

- *Inventory existing planning conditions including existing land use, land use designations, zoning, and existing energy efficiency and renewable energy programs and policies.*

- *Identify existing energy efficiency programs in the County including the EnergyWatch Partnership, emPower Residential Energy Efficiency Program, and income-qualified energy efficiency programs.*

- *Assess existing conditions opportunities, constraints, and needs for net-zero energy design in the existing planning conditions.*

Figure 1. Potential Oceano Project Area


This item should be pulled and rescheduled as a business item.

**Item 28 - Status of State and Federal Legislative Programs. T**his item is part of the semi-annual ritual in which the County receives a report on the status of the work of its Sacramento and Washington lobbyists. The Board letter contains no substantive information. The report from the State lobbyist is simply a list of some of the bills that passed in the last session which impact cities and counties in general. There is no written report from the Washington lobbyist.

**Item 30 - New Development Exaction Fee For Properties in Vicinity of State Highway 227 – Tank Farm Rd. to Price Canyon Rd.** The staff proposes that a new zone of taxation ("fees") be established to fund road improvement projects needed to deal with the increased use of Highway 227 during the commute. Astonishingly the Board is being requested to approve the creation of the zone without being told how much the fees would be for a home, multi-family development, retail use, winery, or anything else.

The proposed use of the "fees" is outlined in the table below. Again there is no projection of how much the fee would raise over what time period. Consequently, there is no projection of how much of the total implementation costs would be covered by the fees.

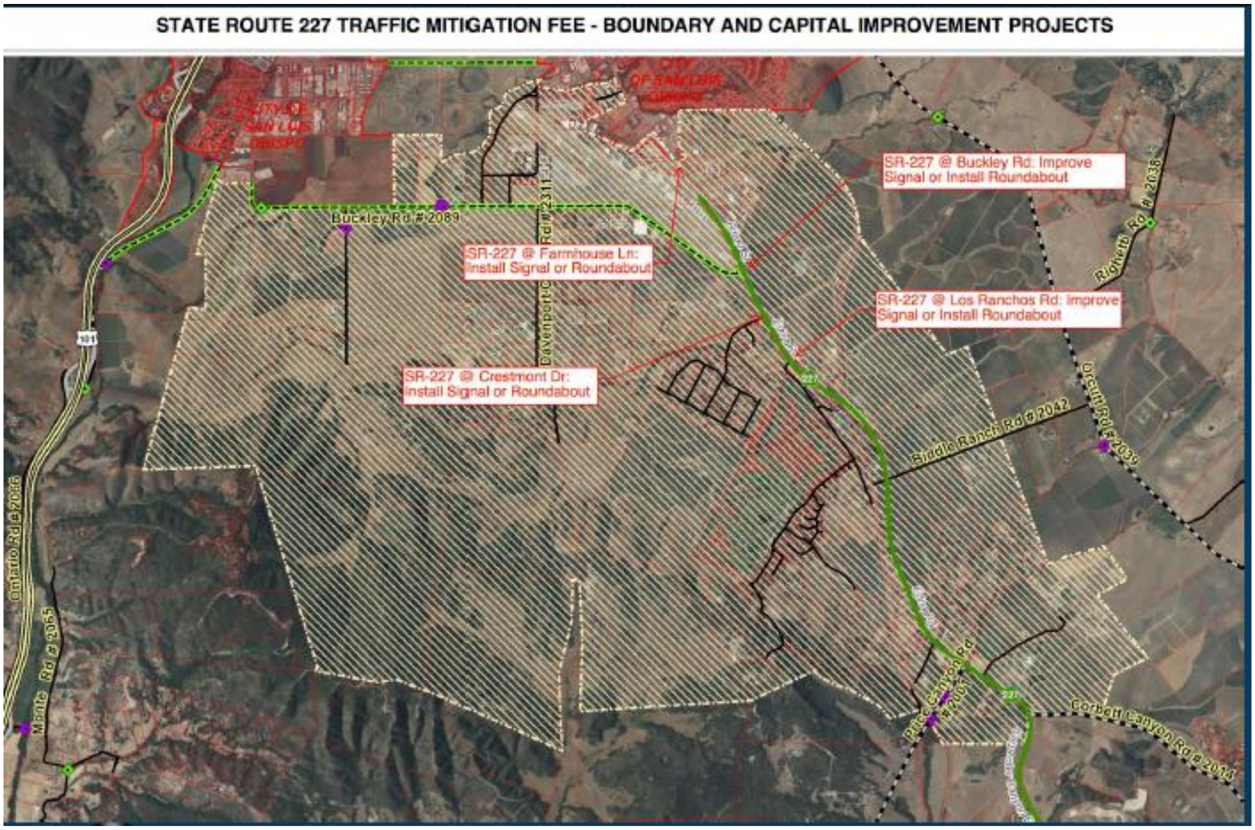
| Project No. | Project Description | Cost Estimate Roundabout | Cost Estimate Signal |
|---|---|---|---|
| 1 | SR 227 at Farmhouse Lane install roundabout or signal | $2,000,000 | $1,250,000 |
| 2 | SR 277 at Buckley Road install roundabout or improve signal | $2,700,000 | $2,640,000 |
| 3 | SR 227 at Crestmont Road install roundabout or signal | $2,700,000 | $1,920,000 |
| 4 | SR 277 at Los Ranchos Road install roundabout or improve signal | $2,700,000 | $3,430,000 |
| | **Total** | **$10,100,000** | **$9,240,000** |

The write-up in this regard is inadequate:

*FINANCIAL CONSIDERATIONS*

*The SR 227 Operations Study identifies several Capital Improvement Project programs for the SR 227 Corridor to alleviate future congestion. The fees will be held in a separate Road Improvement Fund account and are not part of the Road Fund. As noted, the fees will be based on current project development and construction costs, and will be determined at the time development project applications are submitted. Budget will be established for FY 2018-19. No budget adjustment is necessary at this time.*

The boundary of the proposed "fee" area is displayed in the PowerPoint slide below.




The fact that the State and County are broke and could never widen Highway 101 to 3 lanes in each direction is a main contributor. Also the refusal of the City of SLO to zone sufficient land for workforce housing over the decades has loaded Highway 227 up with commuters**.**

## Matters After 1:30 PM

**Item 35 - Regulation of Marijuana.** This is a continuation of the item, which was first heard during the October 3, 2017 meeting. At that time the Board received a staff report on the Planning Commission's recommendations for permitting and regulating marijuana pursuant to its legalization by the voters through Proposition 64. Most of the 4-hour session was consumed by public speakers objecting to the limitations contained in the proposed ordinance.

As predicted, most of the objections were related to the limitation on the number of outdoor grows to only 50 countywide. There were many nuanced comments concerning to various details.

The hearing was continued to October 17, 2017. It is expected that the Board will get into its questions and policy deliberations at this meeting.

**The overarching policy questions:**

1. If marijuana is not problematical from health mental health, and other societal impacts, which seems to be the general consensus, why do the number of grows, processing facilities, and retail outlets need to be limited and strictly regulated? This is not the case for wine, beer, tobacco, or cardiac-endangering sugary soft drinks.

2. Should the County Board consider the tax and revenue potentials at different scales of industry size before determining the size though its regulations? In other words, at this point neither the public nor presumably the Board, have any idea what potential tax revenue might be generated. Absent some modeling of this issue, would the Board be locking itself into limits by adopting a very restrictive scheme of regulation? As we know, undoing land use regulations is very difficult because they set a CEQA baseline, which in turn requires extensive mitigations for future expansion. Suppose the Board adopts a limited industry policy and everything goes fine? Later this Board or a future board determines to reduce restrictions and allow a more expansive industry? Will it be blocked by a list of Class I unmitigated impacts?

On the other hand, what if the wide use of recreational marijuana has negative impacts on cognitive development, motivation, mental acuity, ambition, educational attainment, and public safety? Certainly most of us have had friends or family members whose quality of life became severely disrupted by the frequent use of marijuana. One only need walk through certain areas in San Francisco (particularly the Civic Center and South of Market), Berkeley (particularly both Telegraph Avenue and the downtown, and Santa Monica (particularity both the downtown and Palisades Park). All 3 communities, in effect, provide a forecast of the impact of widespread adult use of marijuana because they de facto legalized its use years ago by ordering their police departments to treat marijuana possession, use, and sales as their lowest priority.

**Background:** The Board will continue its consideration of the Planning Commission's recommendations for permitting and regulating marijuana pursuant to its legalization by the voters through Proposition 64. The law allows cities and counties to regulate the cultivation, refining, transportation, manufacturing (of finished marijuana products), wholesaling, and retailing of marijuana within the bounds of the State law. If a particular city or county does not wish to regulate it, then the State will step in. SLO County has opted for local control.

Within the State law, cities and counties have broad range of discretion from banning it altogether (except for 6 plants per household for personal use) all the way to permitting a very robust industry with many

outdoor and indoor farms, processing facilities, wholesale operations, and retail outlets. Theoretically the County could allow just about any type of retail outlet to sell the product. Out in Ag Land, the County could theoretically permit an unlimited number of outdoor and indoor grows. The maximum size of a grow (in acres or sq. ft.) is limited by the State law, which the County may not abridge.

However, such an expansive approach does not seem to be in the offing for San Luis Obispo County. The ordinances sent forward by the Planning Commission are significantly more restrictive. In this regard, some of the provisions received from the Commission were supported by a majority or plurality of the Commissioners, but most did not achieve consensus. The staff memo reports the splits, but there is insufficient room to post all that detail here.

**Summary Provisions:** Accordingly, the summary of the key measures, by means not all, contains the following provisions for the Board's consideration:

**Zoning:** Cannabis cultivation would be limited to the Agriculture (AG), Rural Lands (RL), Residential Rural (RR), and Industrial (IND) land use categories with a land use permit in each case and as may further be restricted.

**Indoor cultivation:** There would be no limit to the number of permitted indoor cannabis cultivation operations that may be permitted within the unincorporated area of the County at any one time.

**Outdoor cultivation:** No more than fifty (50) outdoor cannabis cultivation operations would be permitted within the unincorporated area of the County at any one time. Any site could receive land use permit approval for up to five (5) outdoor cannabis cultivation operations, provided each cannabis cultivation operation does not exceed the canopy size threshold established by State law.

**Distribution of the number of outdoor cannabis cultivation operations:** The allowed number of permitted outdoor cultivation operations (50) would be distributed as follows by Planning Area based on the total number of available parcels in land use categories allowing cannabis cultivation. The distribution would contain a maximum for each Planning Area.

North County 30

San Luis Obispo 3

South County 11

Coastal Planning Areas (combined) 7 - (Estero, North Coast, San Luis Bay-Coastal, and South County-Coastal)

Carrizo Prohibited

**Land use permit expiration:** All land use permits issued for cannabis cultivation would expire in seven years from the approval date. Prior to expiration, the applicant may request the land use permit be renewed for an additional seven-year period. Any request for renewal would be in writing to the Department prior to the expiration date of the land use permit, and would be submitted in conjunction with the appropriate land use permit application.

**Application requirements:** In addition to any specific requirements in this Section, land use permit applications shall comply with the requirements of Chapter 22.60 and Section 22.40.040.

1. A detailed water management plan including the proposed water supply, proposed conservation measures, and any water offset requirements.

2. Information regarding stormwater control and wastewater discharge.

3. A list of all pesticides, fertilizers, and any other hazardous materials used in the cultivation process.

4. A storage and hazard response plan for all pesticides, fertilizers, and any other hazardous materials kept on the cultivator's site.

5. For indoor and mixed-light cultivation, all power sources proposed to be used.

6. (If applying for a land use permit for outdoor cannabis cultivation) Proof that the applicant has been selected to operate a cannabis cultivation operation pursuant to Section 22.40.040.A.1.

**CULTIVATION**

**Location:** Cannabis cultivation would not be located within one thousand (1,000) feet from any pre-school, elementary school, junior high school, high school, library, park, playground, recreation or youth center, licensed drug or alcohol recovery facility, or licensed sober living facility.

**Minimum site area:** No minimum site area is required in the Agriculture, Rural Lands, and Industrial land use categories. Indoor cannabis cultivation in the Residential Rural land use category would be located on sites that are a minimum of 5 acres in area. Outdoor cannabis cultivation in the Residential Rural land use category would be located on sites that are a minimum of 20 acres in area.

**Setbacks:**

a. Indoor cannabis cultivation would be within a fully enclosed building that has been setback as set forth in Section 22.10.140.

b. Outdoor cannabis cultivation would be set back a minimum of 300 feet from the property lines of the site.

c. Indoor cannabis cultivation would be setback 100 feet from any existing offsite residence, swimming pool, patio, or other living area of separate ownership. A new adjacent use does not affect the continuation of an existing use that was legally established under the standards of this Section.

d. All outdoor cannabis cultivation would be located at least 50 feet from the upland extent of riparian vegetation of any watercourse.

e. Setbacks could be modified through Minor Use Permit approval, except for setbacks required by the California Building Code.

**Screening and Fencing:** Cannabis plants will not be allowed to be easily visible from offsite. All cannabis cultivation activities would occur within a secure fence at least six (6) feet in height that fully encloses the cultivation area and prevents easy access to the site.

The fence must include a lockable gate(s) that is locked at all times, except for during times of active ingress/egress. Said fence shall not violate any other ordinance, code Section, or provision of law regarding the height, location, materials, or other fencing restrictions, and shall be both solid and durable. All screening and fencing would conform to the requirements of applicable area, community, specific and design plans.

**CANNABIS MANUFACTURING**

**Cannabis Manufacturing Limitation on use:** Non-volatile cannabis manufacturing facilities may be permitted in the Commercial Service (CS), Industrial (IND), Agriculture (AG), and Rural Lands (RL) land use categories subject to a land use permit in each case, as required below. Cannabis manufacturing facilities involving volatile processes or substances (requiring a volatile Cannabis Manufacturing State license) would be permitted only in the Industrial land use category

**CANNABIS DISPENSARIES**

**Limitation on use:** Cannabis dispensaries within a permanent structure open to the public for retail sales may be permitted in the Commercial Service (CS) and Commercial Retail (CR) land use categories subject to a land use permit. Cannabis dispensaries within a permanent structure that are not open to the public for retail sales (mobile deliveries only) may be permitted in the Commercial Service (CS) and Industrial (IND) land use categories subject to a land use permit. Cannabis dispensaries not operating within a permanent structure (mobile dispensaries) are prohibited.

Cannabis dispensaries with storefronts open to the public would not be allowed within one thousand (1,000) feet from any pre-school, elementary school, junior high school, high school, library, park, playground, recreation or youth center, licensed drug or alcohol recovery facility, or licensed sober living facility. Distance shall be measured from the structure that contains the dispensary to the property line of the enumerated use using a direct straight line measurement. This location standard may be modified through Minor Use Permit approval to reduce the distance to six hundred (600) feet.

The pressures on the board to liberalize the current Planning Commission document (it's less than a recommendation) are intense.

There has been no substantial public interest in this matter outside of the industry and some concerned residents of California Valley, let alone opposition, manifested at the Commission, Board of Supervisors, or the media to this point, including the October 3 hearing.

**Item 36 - Hearing to consider an ordinance amending Title 6 (Business Licenses and Regulations) of the County Code to allow for licensing of cannabis businesses, per Board direction. Introduced August 22, 2017 and Continued form October 3, 2017.** In anticipation of the approval of a regulatory scheme, the elected County Auditor-Controller/Treasurer has prepared amendments to the County's business license ordinance to include marijuana cultivation and retailing, and other points in the production supply chain. The ordinance requires that marijuana operation should have the requisite County and State permits before a license can be granted. It also requires that the application for a business license be referred to the Sheriff, the Planning Department, and the regional Water Quality Control Board. The latter referral may send many applicants packing because the Water Board can be very picky and strict, and can demand measures which become very costly.

It seems strange that the Water Board would be consulted at a point after the Planning Department and the State have signed off on permits. You would think such a review would take place as part of the initial processing of the permit.

The Water Board is going to get into all sorts of concerns about marijuana, pesticides, solvents, etc., as well as getting into the aquafers, wells, and water systems. Growers may have to receive approval of some very complex and rigid water management plans. This provision could be the death knell for the whole industry. Ask anyone who is subject to the current Water Board AG Water Runoff Rule.

# LAST WEEK'S HIGHLIGHTS

**Board of Supervisors Meeting of Tuesday, October 10, 2017 (Completed)**

**In General: The theme of the meeting is "Strategic Planning."** The meeting was announced as a "strategic planning" session but it was merely business as usual with some show and tell.

There were no consent calendar, zoning matters, specific business, or public hearing issues. Instead the Board took a look at its FY 2018-19 budget forecast, Public Facilities Fees (development exactions), Planning Department work program for 2018 -19, status of the new airport terminal, and potential for a program designed to reduce the number of mentally ill people in the jail.

**Background:** Again, some large strategic drivers were mentioned, but how the County plans to deal with their impacts were not dealt with at a comprehensive policy level. Some of the issues included:

1. Closure of Diablo, particularly if the PUC rejects the PG&E rate increases to fund the "Joint Proposal" and it must be shut down in 2018 (and as well as the decade-long run-up to the scheduled 2025 closing). The write-up states in part:

*Diablo Canyon Power Plant*

*Over the longer term, the closure of Diablo Canyon Power Plant will have significant ramifications. The plant produces approximately 18,000 gigawatt-hours of electricity annually and accounts for roughly 20% of PG&E's electricity portfolio and 9% of California's electricity consumption. According to a 2013 study by Cal Poly, Diablo Canyon is one of the largest employers in the county and its annual local economic impact is estimated at $1 billion. Additionally, the total economic impact of Diablo Canyon is approximately $2 billion per year nationally. Per the 2013 study, Diablo Canyon directly employs over 1,500 people and supports over 3,358 local jobs, 4,542 statewide, and 10,372 nationwide. PG&E is one of the largest taxpayers in the County and pays over $30 million per year in unitary taxes (property taxes for a public utility), which is allocated to over 80 governmental agencies or jurisdictions within the County.*

**Item 2 - County's FY 2018-19 Financial Forecast.** There was nothing particularly notable here. There is modest natural growth (a few percent) in the property tax, sales tax, and transient occupancy tax, which allows the County to add staffers, provide annual raises, and fund increasing pension costs. The County can pay its current bills.

Somewhat masked are the bigger picture items such as decay of the road system, worn out buildings, inability to update and maintain facilities such as the Dairy Creek Golf Course and the Pirates Cove vista area, parking lot, and beach. Operational gaps, blamed by staff on lack of funding, occur from time to time, as exemplified by the jail death of Andrew Holland, which has been attributed to the inability of the County's Behavioral Health Deparment to place him in the County Public Health Facility or a contracted facility, which in turn was blamed on lack of funding.

The County (in the sense of the total State local picture) lacks sufficient funds to make major highway improvement and is almost totally reliant on Federal and State grants and subventions. In turn the cities and some Board members continue to call for a new sales tax to fill in the massive gaps.

The question is then:  Do policy makers and management make course changes based on data or do they conduct business as usual? And, will they make hay while the sun shines? If the results of the  meeting are any indicator, apparently not!

**Need For Five-Year Forecast:** Each year we plead with the Board to provide a five-year projection, at least for the true discretionary general fund revenues and expenditures. Again and for the 7th year we have been involved, this has been omitted.

**Item 3 - Public Facilities Fees (PFFs).** This item contained an annual report on the amount of fees raised and the uses for which they were expended in FY 2016 -17.

**Background:** PFFs are fees that are levied on new development to help offset the costs of expanded services attributed to the increased population generated by the new development. Services covered include Sheriff, Fire, Parks, Libraries, and general government. Fees are also collected for roads and traffic impacts under a separate road impact fee program not covered here.

The report also contained data going back 13 years on how much has been collected and where and how much has been expended.

The good news is that no increases are being proposed by staff.

Readers will remember that Supervisor Compton exposed this misappropriation, which caused a big stink.

Supervisors Hill and Gibson have attacked Supervisor Compton, who represents the Nipomo area, for raising the issue. They assert that it is a non-issue and dub it a manufactured issue. As we pointed out in the Weekly Update several weeks ago,  the plain language of the enabling statute clearly shows that the intent of the Legilsature was that the areas impacted by the new development should receive the benefit of the related fees. The County blatantly violated this intent.

When Hill/Gibson shill candidates are put up to attempt to replace Compton, voters should remember both the misappropriation of the funds and the blatant attack on Compton for raising the issue.

**Item 4 - Status Update on Department of Planning and Building Priority Projects.** The Board heard the presentation and took no action. The staff will return in December with more specifics.

The projects discussed here are internal staff projects, such as revising plan elements, zoning ordiances, developing new policies, and so forth. Matters such as the new marijuana ordinance, oak tree ordinance, water restrictions, the Climate Action Plan, the banning of short term rentals, and research into ways to stimulate more housing are examples. Prior activist leftist Boards had so many ideas that they had to make lists and tell the Planning staff which ones to work on. This was an annual exercise during which the the status of the current projects were reviewed and preliminary direction given. Subsequent sessions were held in the Spring where direction was refined.

In a refreshing new development the staff report indicates that the process was not so good.

*The Department presents the Priorities Report to your Board in February and October during scheduled Strategic Planning Sessions. In recent years, the Department has presented a proposed list of projects and the Board has provided direction on which projects the Department is responsible for completing. Currently, there are 30 Board directed projects on the list, notwithstanding all other Department functions and operations such as processing land use and building permits, and those projects are not prioritized in terms of importance, urgency, or other criterion in the context of Department resources. This is largely due to an absence of a formalized process that allows the Department and Board to prioritize those projects and allocate resources accordingly. The Department wants to ensure that it is meeting Board goals and expectations. To that end, the Department plans to return with a "tiered" prioritization process for consideration to ensure the Department is allocating its resources in accordance with Board expectations. As a result, this report for October 10, 2017 will be limited to an update on all Board directed projects. On December 12, 2017, the Department will return to your Board with a "tiered" prioritization process for your Board's consideration, and seek specific direction on how to prioritize all existing and new projects in context of Department resources.*

How about that? Perhaps the new Board majority, in combination with the presence of an outside interim Planning Director, is breaking things loose.

**Item 6 - Update on the current status of the new terminal at the San Luis Obispo County Regional Airport and future airports-related development.** The Board heard the report on the completion of the new terminal. The project is on time and on budget, with the terminal opening on November 1, 2017. The report (actually a nice PowerPoint) also contained other useful information about airport concessionaire leases and possible new destinations, including the addition of Dallas/Fort Worth.

The PowerPoint can be seen at the link:

http://agenda.slocounty.ca.gov/agenda/sanluisobispo/7948/QWlycG9ydCBVcGRhdGUgMjAxNy5wZGY=/12/n/84414.doc

**Item 7 - Stepping Up Program.** The Board officially endorsed a program (which is apparently already underway) to reduce the number of people with mental illness held in the jail. Hill and Gibson actually asked some good questions about how real the project is in terms of execution, delivery of measurable products, time lines and so forth. Their concerns essentially echoed our questions from last week, as repeated in the following paragraph.

**Project Management:** It's not exactly clear how the fact that the Board adopts a Resolution supporting the program actually does anything to begin reducing the problem. "Coordinating" the Sheriff's jail program, Behavioral Health Department, Health Agency, District Attorney, Public Defender, and Probation, as well as other non-county agencies is a somewhat vague effort. If the goal is to reduce the number of mentally ill people in the jail (around 240 out of 600 inmates on average at any one time), the Board should direct staff to present a structured project plan with a project schedule, specific measurable performance goals, staff and financial resources required, a project manager with the authority to command others to meet their portion of the schedule, the organizational structure of the project showing the action project team members who will do the work, and the measures of success.

Who is in charge? Who is accountable? And for what? When?

One of the PowerPoint slides suggested that some of this information will be presented on December 5th. So, before endorsing the program, shouldn't the Board have seen what staff comes up with on December 5th?

Also in selecting an approach to a serious problem of public policy and operations, shouldn't any potential alternatives be considered? You wouldn't usually buy a new car without looking at some different brands, models, colors, finish options, safety records, and prices, would you?

**Background:** In December 2016, County staff attended a 2-day presentation on the program in Sacramento and set up a taskforce to consider its techniques. Recent jail deaths underscore the fact that jails are not the best place to house mentally ill people. Often they end up in jail because there are no other locked facilities capable of dealing with them. Jails are not mental hospitals, and sheriff's departments are not equipped to deal with them.

The problem is national. As a result, there is a National Initiative to Reduce the Number of People with Mental Illnesses in Jails (Stepping Up), which is sponsored by the National Association of Counties, the American Psychiatric Association Foundation, and the Council of State Governments Justice Center, in partnership with the U.S. Department of Justice's Bureau of Justice Assistance. The program provides an organization and process template for counties across the country to reduce the prevalence of people with mental illnesses being held in county jails.

*The Stepping Up Initiative promotes crisis intervention team training and other specialized law enforcement responses that are supported by community-based resources and brings together not only state and local policymakers and purse-string holders, but also ensures the voices of people with mental illnesses and their families are heard.*

The write-up does not indicate if there are additional costs resulting from conducting the process or implementing its structural and process recommendations.

**Planning Commission Meeting of Thursday, October 12, 2017 (Completed)**

There did not appear to be any major policy issues on this agenda.

# 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**

## HOW PENSION COSTS REDUCE GOVERNMENT SERVICES

### BY ED MENDEL

A think tank at Stanford University, known for bringing investment earnings forecasts into the public pension debate in California, issued a new study last week that looks at how rising pension costs are reducing government services.

The study found that while pension costs in a large sample of retirement systems increased an average of 400 percent during the last 15 years, the operating expenditures of the government employers only grew 46 percent.

Because of the "crowd out" from soaring pension costs, money for services have been reduced, including some "traditionally regarded part of government's core mission," said the study by Joe Nation of the Stanford Institute for Economic Policy Research.

"As pension funding amounts have increased, governments have reduced social, welfare and educational services, as well as 'softer' services, including libraries, recreation, and community services," said the study. "In some cases, governments have reduced total salaries paid, which likely includes personnel reductions."

The Stanford institute drew national attention in 2010 when graduate students calculated state pension debt was much larger than reported. To discount future pension debt, they used earnings forecasts for "risk-free" bond rates, rather than stock-based investment portfolios.

Nation's study uses both the actuarial assumptions baseline of the retirement systems and a bond-based alternative to project that pension costs, even without a big stock-market drop, will continue to crowd out funding for government services during the next decade.

"Employer contributions are projected to rise an additional 76% on average from 2017-18 to 2029-30 in the baseline projection and 117%, i.e., more than double, in the alternative projection," said the study.

There have not been many attempts to show how rising pension costs reduce services. A report last year from a citizens committee appointed by Sonoma County supervisors found $269 million in "excess costs" in the county retirement system between 2006 and 2015.

With $10 million a year, said the committee, Sonoma County could fund 44 more deputy sheriffs or pay for 40 miles of road improvement. Some Sonoma officials said concern about pension costs played a role in voter rejection of a 1/4-cent sales tax for transportation.

A Los Angeles Times story last month said a big part of a tuition increase at the University of California is going for increasingly generous pensions, including $357,000 a year for a former president, Mark Yudof, who worked for UC only seven years.

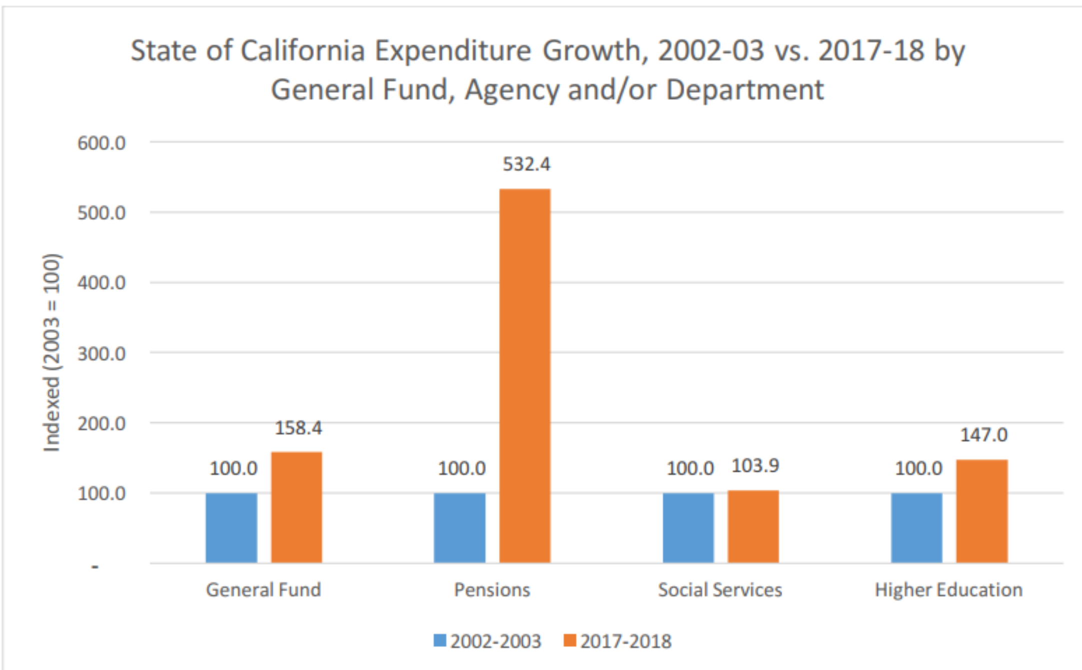
David Crane, a Stanford lecturer ousted from the CalSTRS board a decade ago for questioning overly optimistic earnings forecasts, showed in April and July reports how rising retirement costs are "shortchanging students and teachers" despite large school revenue gains.

The new Stanford institute study has 14 separate case studies: the state, six local governments in CalPERS including formerly bankrupt Vallejo and Stockton, the independent Los Angeles system, three county systems, and three school districts in CalSTRS.

The study said their "pension contributions now consume on average 11.4% of all operating expenditures, more than three times their 3.9% share in 2002-03," and by 2029-30 will consume 14 percent under the baseline, 17.5 percent under the alternative.

In contrast, a survey of the public retirement systems done for former Gov. Arnold Schwarzenegger's Public Employee Post-Employment Benefits Commission found pension contributions had been stable for more than a decade prior to the report in January 2008:

"Even though State pension contributions have risen in the past decade, they have remained at a relatively stable 3.5% to 4% of total General Fund revenues from the mid-1990s to present. The exception is 1999 to 2002 when contributions were significantly lowered."




The Stanford institute's case study of state spending on CalPERS and CalSTRS said $6 billion was shifted from other expenditures to pensions this fiscal year, much of the money apparently coming from social services and higher education.

The calculation was based on the growing cost of pensions during the last 15 years that, despite an expanding state budget, took 2.1 percent of operating expenditures in 2002-03 and an estimated 7.1 percent of operating expenditures this fiscal year.

The pension share of state operating expenditures in the baseline projection reaches 10.1 percent in 2029-30 and 11.4 percent in the alternative, crowding out an additional $5.2 billion or $7.4 billion.

"This expansion in pension funding requirements could be accommodated with additional 27% reductions in DSS and Higher Education expenditures (or reductions in other agencies and/or departments), or with slightly more than 4% across-the-board budget reductions," said the study.

In an unrelated coincidence of numbers, the state got a $6 billion low-interest loan from its large cash-flow investment fund this year to double its annual payment to CalPERS, saving an estimated $11 billion over the next two decades by more quickly paying down debt.

The big loan, criticized by some who wanted more study, was bolstered late last month by a state Finance department analysis of the cash management, repayment plan, interest rates, investment earnings, and expected savings.

Annual state payments to CalPERS are expected to average about 2.2 percentage points less over the next two decades. Peak miscellaneous rates would drop from 38.4 percent of pay to 35.7 percent, peak Highway Patrol rates from 69 percent of pay to 63.9 percent.

"It is expected that any deviation from assumed CalPERS returns, or projected U.S. Treasury rates, will still result in significant net savings, and that any issues with funds' ability to repay its share of the loan can be absorbed by the repayment schedule and effectively resolved," said the Finance analysis given to the Legislature.

The California Public Employees Retirement System, like many public pensions, has not recovered from huge investment losses in the financial crisis a decade ago. The CalPERS state plans only have 65 percent of the projected assets needed to pay future pensions.

CalPERS estimates the $6 billion extra payment will increase the funding level of the state plans by 3 percentage points. The Finance analysis also said the extra payment would "partially buy down the impact" of a lower CalPERS discount rate.

Last December CalPERS lowered the investment earnings forecast used to discount future pension costs from 7.5 percent to 7 percent, triggering the fourth employer rate increase since 2012.

The annual valuations CalPERS gave local governments this fall reflect a drop of the discount rate from 7.5 percent to 7.35 percent next fiscal year, the first step in a three-year phase in.

A number of cities unsuccessfully urged the CalPERS board last month to analyze two ways to cut pension costs: suspend cost-of-living adjustments and give current workers lower pensions for future work.

The Oroville finance director, Ruth Wright, told the CalPERS board: "We have been saying the bankruptcy word." Salinas Mayor Joe Gunter created a stir by using the "bankruptcy word" at a city council meeting on Sept. 26 while talking about rising salaries and pension costs.

"How do we get this under control? How do we keep this city sustainable so we don't have to file for bankruptcy?" Gunter asked.

*Reporter Ed Mendel covered the Capitol in Sacramento for nearly three decades, most recently for the San Diego Union-Tribune.*

*This article was originally published by Calpensions.com.*

# CITIES FACING FISCAL MESS PLEAD WITH CALPERS AS PENSIONS CONSUME BUDGETS

### BY STEVEN GREENHUT

Sacramento – If you ask the union-controlled California Public Employees' Retirement System about the state's looming pension crisis, you're likely to get this answer: What pension crisis?

But the story was much different at CalPERS' own Finance and Administration Committee meeting held Sept. 19. City officials from across California warned CalPERS board members about the dire fiscal situation their cities face because the pension debt is consuming larger portions of local budgets. The energetic discussion included 18 speakers, many of them local officials who trekked to Sacramento. "In Hayward, 68 percent of our unfunded pension cost is retiree benefits," said Hayward City Council member Sara Lamnin, who pointed out that "this means the promises of the past weren't paid for, frankly." Hayward's future is really troubling. She said that "over the next three fiscal years, the city of Hayward's revenue is projected to grow 1.4 percent, but our cost for PERS is going to go up 30.5 percent." Lamnin wasn't asking for someone to rescue Hayward. Officials just want to know how bad the damage will be. "We ask you for data," she said.

Oroville Finance Director Ruth Wright said her Butte County city has been forced to cut its workforce by a third and negotiated cuts in police salaries by 10 percent. Oroville expects its cash flow to be gone in three to four years, she said. "We've been saying the 'bankruptcy' word."

These city officials were there to support state Sen. John Moorlach, R-Costa Mesa, who sent a letter to the CalPERS board of administration requesting detailed answers to two seemingly straightforward actuarial questions.

First, Moorlach wanted to know the financial effect of moving employees from "their current tiers to a PEPRA tier on a going-forward basis." That would mean providing them with the slightly-less generous pensions offered after the 2013 reforms went into effect. Moorlach also wanted the pension fund to study the cost savings if cost-of-living adjustments to retirees were temporarily suspended until the fund's liabilities are stabilized. No one is proposing any cuts, but Moorlach was just seeking cost comparison data.

"Cities all across the state of California are gravely concerned about the rising costs of their annual retirement contributions and the growing size of their unfunded actuarial liability," said Bruce Channing, the city manager for Laguna Hills in Orange County, and chairman of the League of California Cities' pension-services committee.

He warned of "severe hardship" and cutbacks in staff in many cities if the problem isn't addressed – and reminded CalPERS officials that "saying we have to invest our way out of this really is not the answer."

The League's Dane Hutchings noted a shocking statistic: "I have members who by all accounts are considered financially healthy cities" but their financial models "suggest that by fiscal year '27-'28 as much as 94 cents of every current dollar of payroll will be allocated to CalPERS contributions." That's without accounting for new hires or raises in the coming decade.

Lodi City Manager Steve Schwabauer said his city's pension costs are expected to double by 2022, which is the equivalent of a fire station and "all of my parks and recreation and all of my library." These are ominous warnings from actual city officials.

Given CalPERS' touting of PEPRA as a key reason that the state is "bending the cost curve" regarding pension liabilities, Moorlach's first request should have been a no-brainer. Why not figure out other PEPRA-related savings possibilities? The second question would make sense, too, if the pension fund were interested in exploring ways to protect cities from potential insolvency rather than simply protecting public employees from any pain.

As expected, CalPERS gave the final say to union officials, who feared that the data would be used to justify lower benefits.

"Yes, it's painful for employers to deal with those rising costs," said Jai Sookprasert, a California School Employees Association lobbyist. "It's doubly more painful for the employees. What part of negotiate, talk to your employees is not clear? … Really, data? This is just data? … Is it data or conjectures?"

So, learning actuarially sound information about what different benefit levels might do to unfunded liabilities is now just a conjecture, at least in the view of some union officials. Apparently, it's better for local officials not to know what different options will mean for their budgets. They should just pay up and quit their complaining.

The CalPERS board fell in line and didn't even vote on the request, meaning that Moorlach's proposal will not be heeded.

In 1999, CalPERS promised that the Legislature's proposal that would lead to 50-percent retroactive pension increases for public-safety officials across the state wouldn't cost taxpayers "a dime" because investment returns would make up the difference. The fund was laughably wrong, and their efforts led to the current problems cities across the state are facing.

Now CalPERS and its union allies typically claim that there's no pension crisis and that Gov. Jerry Brown's modest PEPRA reform will right the ship. Apparently, there's no need to worry about what these hard-pressed city officials are saying. But what will they say 10 to 15 years from now, as pension costs gobble up majorities of local budgets and services will be slashed and burned?

For now, denial is the easiest course. CalPERS had a good year with investment returns of 11.2 percent. Likewise, the Democratic-controlled state Legislature totally ignored the pension liabilities and the arguably even-larger problem surrounding soaring retiree-medical costs during its recently concluded legislative session. But the problems only are going to get worse, and other cities are going to hit the fiscal wall.

"The unions will say it wasn't our fault. We didn't vote for it. You guys voted for it," said Sen. Moorlach in an interview Monday. He was shocked by their audacity. No doubt, they'll also be blaming Wall Street and stingy California taxpayers. But by then the state and cities could be in full crisis mode. Will CalPERS still be in denial if dozens of cities are using about the "b" word?

*Steven Greenhut is contributing editor for the California Policy Center. He is Western region director for the R Street Institute. Write to him at sgreenhut@rstreet.org.*

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(Revised 2/2017)