COLAB
San Luis Obispo County
The Coalition of Labor Agriculture and Business

# WEEKLY UPDATE
# DECEMBER 17 - 23, 2023

**THE WEEKLY UPDATE WILL RETURN FOR THE WEEK OF JANUARY 7 - 13, 2024**


## MERRY CHRISTMAS AND HAPPY NEW YEAR

## THIS WEEK
SEE PAGE 4

## NO BOARD OF SUPERVISORS MEETING

## LAFCO CANCELED

## MOST AGENCIES OFF UNTIL WEEK OF JAN. 8, 2024

## LAST WEEK
SEE PAGE 4

## DEVELOPMENT FEE INCREASES APPROVED
**PUBLIC BUILDINGS, FIREHOUSES, PARKS, LIBRARIES, ETC.**

## APPOINTMENT OF BOS MEMBERS TO OTHER BOARDS AND COMMISSIONS
**IWMA, CSAC, PASO BASIN COORDINATING COMMITTEE & MORE**

## NEW MILLION DOLLAR AUDIO VISUAL SYSTEM APPROVED FOR BOARD ROOM
**THEY WANT THE RIGHT SOUND AND LIGHTING TO SET THE MOOD**

## SMALL PENSION SHARE INCREASES FOR SOME EMPLOYEES

## REVIEW OF THE PENSION SYSTEM $943 MILLION UNFUNDED LIABILITY - SUGAR COATED
**STAFF SAYS NOT TO WORRY - IT WILL BE PAID OFF IN 17 YEARS**
***BUT EACH YEAR IT GETS WORSE***

## COUNTY COUNSEL DEFENDS PERMITTING INDEMNITIES - BOARD INERT

***DOES DEVELOPMENT ACTUALLY BENEFIT ONLY THE PERMITEE?***

## PERFORMANCE REVIEW OF THE CAO & PLANNING FOR RECRUITMENT OF A NEW CAO

**NO REPORT FROM CLOSED SESSION**

## SHELTER CRISIS - PERMITTING WAIVERS

**EMERGENT ISSUES**

**SEE PAGE 15**

## POLITICIANS REFUSED TO FIX CALIFORNIA'S BOOM-AND-BUST TAX SYSTEM.

***THEY NOW FACE A $68 BILLION DEFICIT***

## THE STATE'S PUNISHING TAX STRUCTURE YIELDS A STAGGERING DECLINE IN REVENUES

## CALIFORNIA GAS TAX REVENUE WILL DROP BY $6 BILLION, THREATENING ROADS

## WHO BUYS ELECTRIC CARS IN CALIFORNIA — AND WHO DOESN'T?

***Electric cars are almost nonexistent in Black, Latino, low-income and rural communities***

# COLAB IN DEPTH
SEE PAGE 21

# CIVILIZATION VERSUS THE NEW NIHILISTS
### *AMERICANS MUST CHOOSE BETWEEN CIVILIZATION—OR ITS DESTROYERS*

# THIS WEEK'S HIGHLIGHTS
**ALL MEETINGS ARE AT 9:00 AM UNLESS OTHERWISE NOTED**

**No Board of Supervisors this week - The next meeting will be on January 9, 2024**

# LAST WEEK'S HIGHLIGHTS

**Board of Supervisors Meeting of Tuesday, December 12, 2023 (Completed) - Last Scheduled Meeting of 2023**

**Item 3 - Request to receive and file the Annual Report for the Public Facilities Fees Program for FY 2022-23.** The fees were approved without discussion on the consent calendar.

**More fee increases:** The Board letter stated in part:
*The County's Public Facilities Fees Program (PFFP) was originally adopted in 1991. The intent of the PFFP is to ensure that public services continue to be provided at acceptable service levels to County residents as the population grows. The program establishes fees and associated infrastructure improvements specifically related to general government, fire protection, law enforcement, parks and libraries that will be needed to serve new development and population estimates over a 20-year horizon. The PFFP includes the Public Facilities Financing Plan (Financing Plan), which identifies needed capital improvements to accommodate future populations and establishes corresponding fees that are charged to new residential and commercial development to offset impacts.*

Again, the theory of these fees is that new development requires expanded government services. Therefore, and notwithstanding that the development pays property taxes, sales taxes, and excise taxes, there is never enough.

Attachment 2, Current Fees

| 2022 PUBLIC FACILITIES FEES | | | | | |
|---|---|---|---|---|---|
| CURRENT | RESIDENTIAL (per unit) | | NON-RESIDENTIAL (per 1000 Sq') | | |
| Fee Category | Single Family | Multi-Family | Commercial | Office | Industrial |
| Parks | $ 2,644 | $ 1,859 | - | - | - |
| Sheriff | $ 764 | $ 531 | $ 269 | $ 597 | $ 192 |
| General Gov't | $ 1,144 | $ 797 | $ 403 | $ 894 | $ 287 |
| Fire | $ 2,232 | $ 1,552 | $ 787 | $ 1,745 | $ 562 |
| Library | $ 767 | $ 550 | $ 78 | $ 173 | $ 56 |
| Admin Fee 2.0% | $ 151 | $ 106 | $ 31 | $ 68 | $ 22 |
| **Total Fees** | **$ 7,702** | **$ 5,395** | **$ 1,568** | **$ 3,477** | **$ 1,119** |

| 2023 PUBLIC FACILITIES FEES | | | | | |
|---|---|---|---|---|---|
| ADJUSTED | RESIDENTIAL (per unit) | | NON-RESIDENTIAL (per 1000 Sq') | | |
| Fee Category | Single Family | Multi-Family | Commercial | Office | Industrial |
| Parks | $ 2,737 | $ 1,925 | - | - | - |
| Sheriff | $ 807 | $ 561 | $ 284 | $ 631 | $ 203 |
| General Gov't | $ 1,209 | $ 842 | $ 426 | $ 945 | $ 303 |
| Fire | $ 2,359 | $ 1,640 | $ 832 | $ 1,844 | $ 594 |
| Library | $ 811 | $ 581 | $ 82 | $ 183 | $ 59 |
| Admin Fee 2.0% | $ 158 | $ 111 | $ 32 | $ 72 | $ 23 |
| **Total Fees** | **$ 8,081** | **$ 5,660** | **$ 1,656** | **$ 3,675** | **$ 1,182** |

**Item 6 - Request to review and approve the appointments of Board members to various committees and commissions.** The Board majority on a 3/2 voted refused to allow Peschong or Arnold to serve on the Paso Basin Cooperative Committee. They falsely accused Arnold and Peschong of not making sufficient progress on the SGMA Plan and basin water management in general.

Worse yet, Gibson snidely pontificated that the Patten redistricting map mandated that he represent the area. The sleaze is growing. Paulding and Ortiz-Legg had better watch out to whom they have hitched their wagons.

Historically, individual Board members have served on a variety of commissions and committees. Based on input from Board members individually, several assignments are recommended to remain the same, and two assignments are recommended to change. The following assignments are recommended based on individual feedback, with no conflicts.

**Addendum to Item #6 - Request to review and approve the appointments of Board members to various committees and commissions. Staff is amending the item to add the San Luis Obispo County Integrated Waste Management Authority (IWMA) as an appointed committee and moving the item placement from consent to board business to discuss the appointment of one representative and one alternate to the IWMA.** This item was heard as the first board business item of the day after public comment as **Item 23**.

| TITLE | 2023 Appointments | 2024 Interest |
|---|---|---|
| Adult Services Policy Council | Jimmy Paulding | John Peschong |
| Behavioral Health Advisory Board | Jimmy Paulding | Jimmy Paulding |
| Cal ID Advisory Board | John Peschong | John Peschong |
| Carrizo Plain National Monument Advisory Committee | Debbie Arnold | Debbie Arnold |
| Cal Poly Campus Planning Committee | Debbie Arnold | Debbie Arnold |
| California State Association of Counties (CSAC) | Bruce Gibson<br>Alternate-Jimmy Paulding | Bruce Gibson<br>Alternate – Jimmy Paulding |
| Central Coast Community Energy Board | Dawn Ortiz-Legg<br>Alternate – Jimmy Paulding | Dawn Ortiz-Legg<br>Alternate – Jimmy Paulding |
| Children's Resource Network of the Central Coast | Dawn Ortiz-Legg | Dawn Ortiz-Legg |
| Community Action Partnership of San Luis Obispo (CAPSLO) | Jimmy Paulding | Jimmy Paulding |
| REACH<br>(2 Appointees) | Dawn Ortiz-Legg<br>Jimmy Paulding | Dawn Ortiz-Legg<br>Jimmy Paulding |
| Fire Safe Council | Debbie Arnold | Debbie Arnold |
| First 5 Children & Families Commission | Dawn Ortiz-Legg | Dawn Ortiz-Legg |
| Golden State Finance Authority | John Peschong<br>No Alternate | John Peschong<br>No Alternate |
| Golden State Connect Authority | John Peschong | John Peschong |
| Homeless Services Oversight Council | Dawn Ortiz-Legg | Dawn Ortiz-legg |
| Latino Outreach Council | Debbie Arnold | Debbie Arnold |
| Local Agency Formation Commission (LAFCO) | Debbie Arnold,<br>Jimmy Paulding<br>Alternate – Dawn Ortiz-Legg | Debbie Arnold<br>Jimmy Paulding<br>Alternate - Dawn Ortiz-Legg |
| Nacimiento Water Project Commission | John Peschong | John Peschong |
| National Estuary Program Executive Committee | Bruce Gibson | Bruce Gibson |
| Psychiatric Health Facility Committee | Jimmy Paulding | John Peschong |
| ural Counties Representatives of California (RCRC) | John Peschong<br>Alternate-Debbie Arnold | John Peschong<br>Alternate – Debbie Arnold |
| B/SLO Regional Health Authority (CenCal) | Dawn Ortiz-Legg | Dawn Ortiz-Legg |
| Student-Community Liaison Committee | Debbie Arnold | Debbie Arnold |

| | | |
|---|---|---|
| Visit SLO Advisory Committee | Dawn Ortiz-Legg | Dawn Ortiz-Legg |
| Countywide Oversight Board | Debbie Arnold | Debbie Arnold |
| SLO Basin Groundwater Sustainability Commission | Dawn Ortiz-Legg<br>Alternate – Jimmy Paulding | Dawn Ortiz-Legg<br>Alternate – Jimmy Paulding |
| Los Osos Basin Management Committee | Bruce Gibson | Bruce Gibson |
| Paso Basin Cooperative Committee | Bruce Gibson<br>Staff Alternate-Blaine Reely | Bruce Gibson<br>Staff Alternate – Blaine Reely |
| Atascadero Basin GSA Exec Committee | Debbie Arnold<br>Alternate-John Peschong | Debbie Arnold<br>Alternate – John Peschong |
| Cuyama Basin JPA Board of Directors | Jimmy Paulding<br>Staff Alternate-Blaine Reely | Jimmy Paulding<br>Staff Alternate – Blaine Reely |

Is it possible that the Board would appoint John Peschong or Debbie Arnold to the Paso Basin Cooperative Committee?

**Addendum to Item #6 - Request to review and approve the appointments of board members to various committees and commissions. Staff is amending the item to add the San Luis Obispo County Integrated Waste Management Authority (IWMA) as an appointed committee and moving the item placement from consent to board business to discuss the appointment of one representative and one alternate to the IWMA. This item will be heard as the first board business item of the day after public comment #23.**

| TITLE | 2023 Appointments | 2024 Interest |
|---|---|---|
| Integrated Waste Managment Authority | N/A | |

*Staff did not receive individual interest for the following committee due to adding this committee after the item was already published. It is requested that your Board discuss adding a one representative and one alternate for the following.* Paulding was appointed as the representative and Ortiz-Legg as the alternative.

**Item 10 - Request to 1) approve a 2-year contract with AVI-SPL, LLC effective January 1,2024 in the amount of $735,513.03 to provide professional services to upgrade the audiovisual (AV) system within the Board of Supervisors chambers and adjacent meeting room and provide related support services; 2) approve a budget adjustment in the amount of $1,067,513 for total project costs in FC 266 – Countywide Automation Replacement using $731,782 Countywide Automation Replacement Designations in FC 266 and $335,731 from FC 853 – Governmental Restricted Revenue – Public, Educational, and Governmental (PEG) Access Funds, by 4/5 vote.** With a looming budget deficit next year, why would the County spend over a million dollars on this? The system seems to be working fine. Nevertheless, the item was approved unanimously on the consent calendar without discussion.

| Table 1 - Summary of Estimated Project Costs and Funding | | | |
|---|---|---|---|
| | | Requested Funding Source | |
| **Description** | **Cost Estimate** | **FC266** | **FC853** |
| **One-Time Project Costs** | | | |
| One-time costs to AVI-SPL, LLC | $ 708,083 | $ 384,352 | $ 323,731 |
| Computers and network improvements | $ 72,000 | $ 60,000 | $ 12,000 |
| Accessibility and facility improvements | $ 30,500 | $ 30,500 | $ - |
| ITD Staff (Project Management) | $ 25,000 | $ 25,000 | $ - |
| Year 1 - Support & Maintenance | $ 27,430 | $ 27,430 | |
| Project contingency | $ 204,500 | $ 204,500 | |
| **Total One-Time Project Costs** | **$ 1,067,513** | **$ 731,782** | **$ 335,731** |
| | | | |
| **Operating Costs After the Project** | | | |
| Support & Maintenance | $ 27,430 | $ - | $ - |
| **Total Ongoing Costs Beginning 2025-26** | **$ 27,430** | **$ -** | **$ -** |

The write-up states in part:
*The existing AV system, installed in 2015, is aging, difficult to support, and overly complex for many user needs. Several components are no longer supported by the manufacturer and exact replacement parts are not available. Meeting organizers need a user-friendly option to host hybrid meetings from the Chambers. There are also known reliability issues, making it difficult to troubleshoot. Updating the AV system for the Chambers, D161/162 meeting room, and AV control room will address these issues.*

**Item 11 - Submittal of a resolution approving 1) adjustments in employee-paid pension contribution rates and employer appropriation rates for the listed San Luis Obispo County Employees Retirement Plan's Contracting Agency employers per applicable instructions of officers of said agencies, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the San Luis Obispo County Superior Court, and the San Luis Obispo County Air Pollution Control District.** This item was approved and provides for slight increases in the employee share of pension contributions of contracting agencies, such the courts and the APCD.

| Contracting Agency Employer | BU | Employees As of 12/31/22 | Pension Rate Increase Effective 1/1/2024 | Employee Share | Employer Share |
|---|---|---|---|---|---|
| SLO County Superior Court | BU17 – Interpreter<br>BU18 – Technical<br>BU19 – Supervisory Employees<br>BU20 – Court Employees<br>BU24 – Management<br>BU25 – Subordinate Judicial Officers<br>BU26 – Confidential<br>BU27 – Professional<br>BU28 – Attorney | 135 | 0.35% | 0.00% | 0.35% |
| APCD – Tier 1 & 2 | BU98 – APCD Miscellaneous<br>BU99 – APCD Management | 11 | 0.35% | 0.00% | 0.35% |
| APCD – Tier 3 | BU98 – APCD Miscellaneous<br>BU99 – APCD Management | 10 | 0.35% | -1.00% | 1.35% |

These pension rate increases shall be effective and implemented the pay period including January 1, 2024.

**Item 24 - Request to receive and file a presentation on the County of San Luis Obispo's Retirement Plan regarding the Unfunded Actuarial Liability ("UAL").** The item was contained in a slide presentation. The presentation was a sugar coated outline of the status of the pension fund. Both County staff and the Pension Trust staff indicated that things are under control, that the 20 year plan to eliminate unfunded liability is working, and that there is really nothing to worry about in the short or long run.

Peschong did ask how the unfunded liability grew from $600 million to $943 million in the last 4 years**.** Staff responded that there was one bad year's investment returns which had been phased into the actuarial calculations. This really avoided the real answers that the fund did not achieve its planned returns and that the actuaries recommended reductions in the interest assumption rates, which in turn jumped up the liability. Moreover, higher than forecast salaries, earlier retirements, and retirees living longer all contributed.

The session was a lovefest with the Board members praising County staff and the Pension Trust staff for the great report as well as great management of the retirement issue. By implication, they were praising themselves. Some of the real questions, which were never asked, included:

Why doesn't the UAL payment decrease gradually over time, instead of all of a sudden at the end of the 20 year plan?

What would this chart look like if the system achieves only a 5% return over time?

The table below shows the gap between the actuarial liability and the assets closing gradually over the assumed 20 year plan. Why don't the rates decline proportionately?

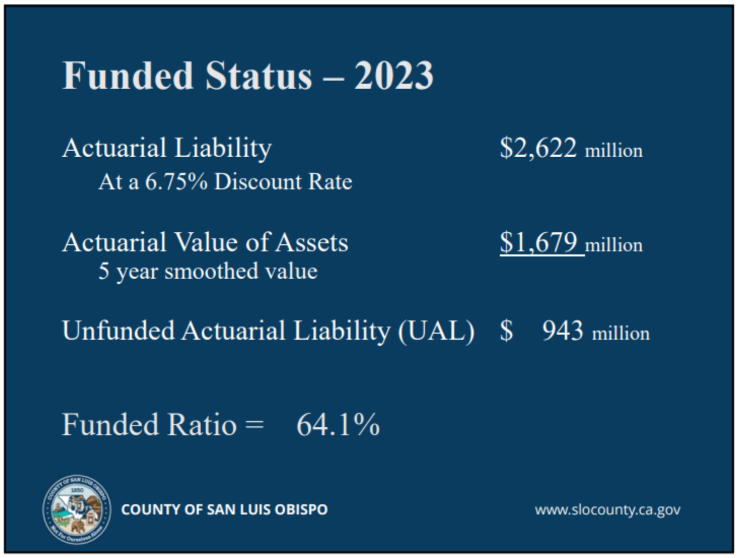
As salaries increase and retirees live longer, is this model sustainable?

What percent of payroll should be applied to pensions? When is it too much?

**Actuarially Determined Contributions - 2023**

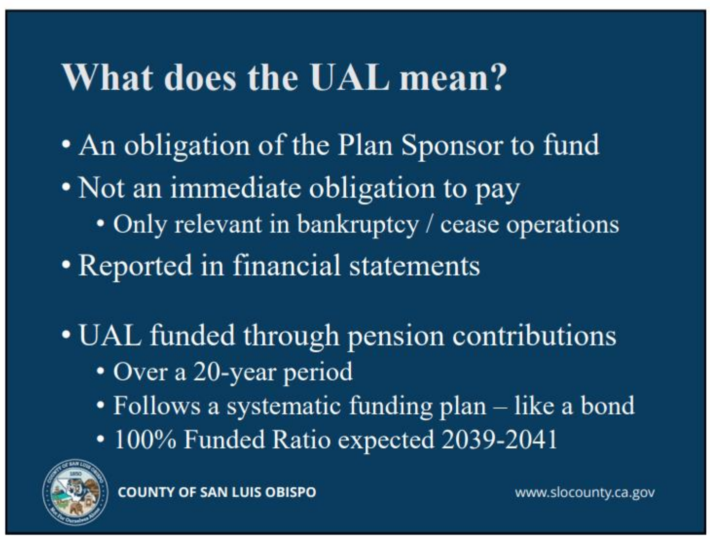
| As a % of pay | Misc. | Probation | Safety | TOTAL |
|---|---|---|---|---|
| Normal Cost | 20.03% | 26.56% | 27.09% | 21.24% |
| Admin. Cost | 1.01% | 1.01% | 1.01% | 1.01% |
| UAL Amort. | 28.42% | 30.98% | 44.24% | 30.56% |
| Total ADC | 49.46% | 58.55% | 72.34% | 52.81% |
| | | | | |
| Employee Paid | 12.91% | 18.86% | 14.25% | 13.34% |
| Employer Paid *. | 36.55% | 39.69% | 58.09% | 39.47% |
| Total ADC | 49.46% | 58.55% | 72.34% | 52.81% |
| | | | | |
| + POB Debt Service | | | | 6.00% |

ADC = Annually Determined Contribution For each Class, the three Tiers are blended here.
* Includes Employer Paid Member Contributions ("pick-up") which vary by BU



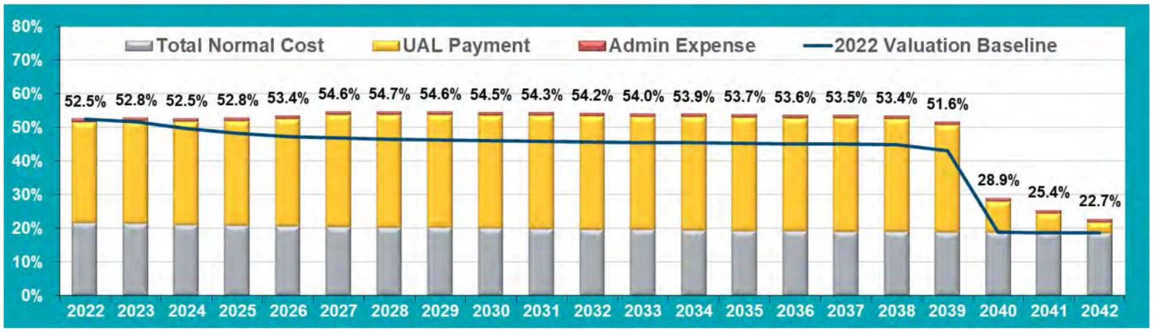

9

**An overly optimistic view:**



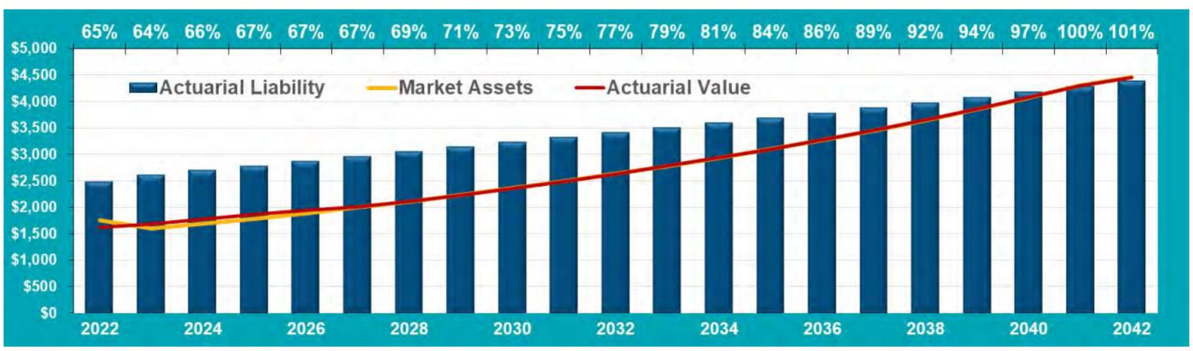

10

# 2023 Projections – Total Contribution Rate




- The Total Contribution (ADC) is projected to be relatively constant over the next two years
  - But reaches the peak of 54.7% once the deferred losses from 2023 are fully recognized
- Pattern of future contributions driven by pattern of UAL payments
- Total Normal Cost rate declines very gradually over the projection period from 21.2% in 2023 to 18.6% in 2042 as new hires continue to enter the PEPRA Tier






- SLOCPT is projected to make some funding progress over the next five years
- Recognition of the $85 million deferred assets losses causes the slower progress
- UAL payment is still large enough to pay down interest and principal
- Current funding policy is sufficient for SLOCPT to reach full funding by the end of the projection period shown



Note that payment of pension bond debt (POB) adds another 6% across the totals presented here.

## Actuarially Determined Contributions - 2023

| As a % of pay | Misc. | Probation | Safety | TOTAL |
|---|---|---|---|---|
| Normal Cost | 20.03% | 26.56% | 27.09% | 21.24% |
| Admin. Cost | 1.01% | 1.01% | 1.01% | 1.01% |
| UAL Amort. | 28.42% | 30.98% | 44.24% | 30.56% |
| Total ADC | 49.46% | 58.55% | 72.34% | 52.81% |
| | | | | |
| Employee Paid | 12.91% | 18.86% | 14.25% | 13.34% |
| Employer Paid *. | 36.55% | 39.69% | 58.09% | 39.47% |
| Total ADC | 49.46% | 58.55% | 72.34% | 52.81% |
| | | | | |
| + POB Debt Service | | | | 6.00% |

ADC = Annually Determined Contribution For each Class, the three Tiers are blended here.
* Includes Employer Paid Member Contributions ("pick-up") which vary by BU

COUNTY OF SAN LUIS OBISPO www.slocounty.ca.gov

**Item 25 - Discussion regarding County imposed conditions of approval on land use permits requiring applicant/property owner indemnification of County.** The Board received the report without much comment.

**Background:** Someone must have asserted that the County's indemnification requirement for development permits is a problem. County Counsel Rita Neal has prepared report defending the practice. Some excerpts include:

*On July 11, 2023, the Board of Supervisors directed staff to bring back an agenda item so that the Board could discuss the County's practice of including a condition of approval on land use permits which requires the applicant and/or the property owner to "defend, hold harmless and indemnify" the County if a third party challenges the land use permit in court. Below is a discussion on the background and the underlying legal basis for this practice as well as a discussion about the practicalities of indemnification when a lawsuit is filed.*

*Similar to every other public agency in California with land use authority, the development/entitlement process begins with an applicant and/or property owner (collectively referred to in this report as "applicant") with submitting an application with the agency regarding their proposed development. By adopted policy and generally speaking, the applicant is responsible for the costs and expenses of processing the application as well as any conditions of approval or necessary mitigation measures to mitigate the impacts of the project on the environment. Otherwise, the General Fund and the public are subsidizing what is otherwise a personal investment of the applicant/property owner.*

*There has been some suggestion that the County indemnification requirement has significantly changed over time. To the contrary, the language and requirements have remained relatively the same with minor changes and updates over the years to clarify the language. Attachment 2 illustrates the changes that have been made since the year 2000 and identifies the types of projects that the clauses have been used on. Also illustrated is the current land use permit language compared with the language in 2000. The most significant change added to the current* *provision is language to state that the applicant may be required to enter into a separate Indemnity Agreement. This had been a requirement in prior years and was added back in to clarify that for certain projects (mostly larger projects) the County would require a separate agreement instead of just relying on the indemnification clause in the project approval.*

This is another Pontius Pilot Law. We set up the rules by which your project is judged and ultimately denied or approved. The permit may take years and cost hundreds thousands or even millions to process. Then the County says that if someone challenges it, it's all on you. Does that mean, it might be worth nothing? Or is development permitting really a form of gambling?

What does the government (in this case the County) owe its citizens in exchange for their fees, consultants, costs, and time?

**Item 26 - Conference with Legal Counsel PERSONNEL (Government Code section 54957.) It is the intention of the Board to meet in closed session to: (15) Consider Public Employee Performance Evaluation for the Position of Acting County Administrative Officer; and (16) Consider Public Employee Appointment for the Position of County Administrative Officer.** Presumably, they are going to tell her to do something that sounds like policy which should be taken up in open session. It appears that they will also discuss the recruitment for a new CAO.

**Item 27 - Hearing to consider adoption of an ordinance redeclaring the shelter crisis in the County of San Luis Obispo and extending the establishment of local standards and procedures for the design, site development, and operation of emergency homeless shelters at public facilities.** Per State enabling legislation, the County can adopt and renew an ordinance to relax zoning and permitting standards for affordable housing, due to the State housing crisis and evictions. Extending the ordinance will probably be approved. What projects have been given waivers pursuant to the ordinance?

The write-up stated in part:

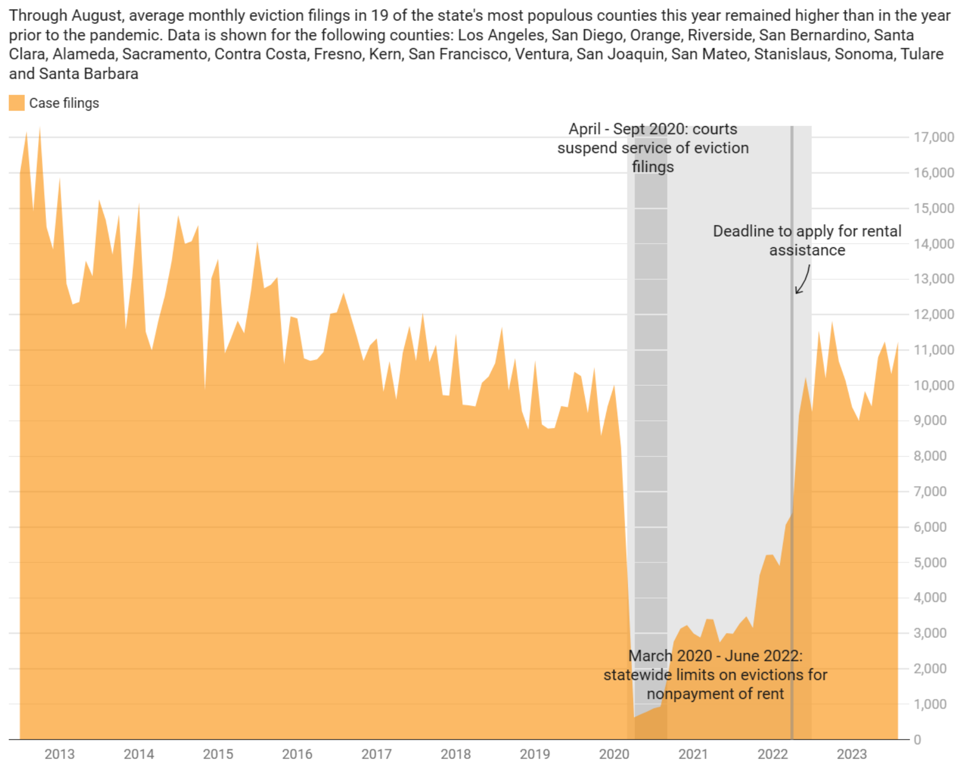
*The County initially declared a shelter crisis on October 2, 2018, however, with that action, the County did not choose to suspend state or local building codes for emergency shelters. On September 28, 2021, however, the County adopted Ordinance No. 3459 re-declaring a shelter crisis and, with that action, suspended and modified certain state and local rules for the design, site development and operation of emergency homeless shelters at public facilities. Ordinance No. 3459 had an automatic expiration date of December 31, 2022. On November 1, 2022, the County renewed the ordinance adopted as Ordinance No. 3479, which has an expiration date of December 31, 2023. County staff recommends that the Board re-declare an emergency shelter crisis and to continue to suspend state and local building codes for emergency shelters on County owned or leased property.*

**And**

*The most recent Homeless Point in Time Count demonstrated that the number of unhoused individuals residing in the County of San Luis Obispo far exceeds the number of shelter beds available to the extent that only 20% - 30% of the number of unhoused individuals can be accommodated with a shelter bed on any given day*
California eviction cases are still higher than pre-pandemic levels after state moratorium ended.

*Through August, average monthly eviction filings in 19 of the state's most populous counties this year remained higher than in the year prior to the pandemic. Data is shown for the following counties: Los Angeles, San Diego, Orange, Riverside, San Bernardino, Santa Clara, Alameda, Sacramento, Contra Costa, Fresno, Kern, San Francisco, Ventura, San Joaquin, San Mateo, Stanislaus, Sonoma, Tulare and Santa Barbara.*

The chart below shows the court filings for evictions for California's larger counties for each year over a decade. This is good indicia on the housing crisis. It is much more precise than just the raw number of unsheltered homeless.




Staff should have prepared this same chart for San Luis Obispo County. The data is available from the Court. This could have been done prior to the December 12th hearing.

It is not known if the County has utilized provisions of this ordinance to push through affordable housing.

**Item 28 - Hearing to present needs identified during community outreach and allow for public comment to establish funding priorities for allocating local, State, and Federal funds towards affordable housing, homelessness, and community development.** This was a required hearing to discuss proposed allocation of Federal Housing funds for affordable housing.

Of course the Board of Supervisors could zone a new 4,000 acres for homes in a 3,250 mile square mile county, but they won't.

**Item 29 - Any Supervisor may ask a question for clarification, make an announcement, or report briefly on his or her activities. In addition, Supervisors may request staff to report back to the Board at a subsequent meeting concerning any matter or may request that staff place a matter of business on a future agenda. Any request to place a matter of business for consideration on a future agenda requires the majority vote of the Board.** This is now a standing item at the end of each Board Meeting. It would be better to set it for after General

Public Comment, when more of the public is in attendance. This one ended up another lovefest with the Board members complimenting each other on the year's work.

**Planning Commission Meeting of Thursday, December, 14, 2023 (Completed)**

The agenda contained permit requests for small projects that do not seem to reach the level of policy impact. One is on a steep slope that could be trouble for the owners.

# EMERGENT ISSUES

**Item 1 - Politicians refused to fix California's boom-and-bust tax system. They now face a $68 billion deficit**

**BY DAN WALTERSDECEMBER 11, 2023**

The state Capitol in Sacramento on July 6, 2022. Photo by Rahul Lal, CalMatters

**IN SUMMARY**

California politicians have steadfastly refused to deal with the volatile revenues that plague the state budget. They now face a whopping $68 billion deficit.

It is truly amazing – and not in a good way – that California's politicians cannot grasp a phenomenon that has plagued state finances for years, known as "volatility."

It's this: The state budget is extraordinarily dependent on personal income tax revenues, most of which comes from a relative handful of upper-income taxpayers whose incomes vary year to year because much of it comes from investments.

When the affluent make lots of money, the state treasury overflows with revenue, but when the economy falters, incomes and tax revenues fall. Unfortunately, because politicians have short attention spans, they tend to increase spending when revenues surge, only to face deficits when they inevitably decline.

The syndrome's peaks and valleys have become more severe because dependence on the wealthy has increased, economic cycles have become more acute and windfalls tend to be spent on services that are politically difficult to adjust, such as public schools, health care and aid to the state's poor families.

Actually, California politicians do grasp volatility. That was demonstrated 11 months ago when Gov. Gavin Newsom proposed a 2023-24 budget that addressed what he said was a $22.5 billion deficit just eight months after he had boasted of a $97.5 billion surplus.

"No other state in American history has ever experienced a surplus as large as this," Newsom had bragged in May 2022, thus encouraging his fellow Democrats in the Legislature to sharply increase spending.

When Newsom acknowledged the looming deficit last January, he blamed revenue volatility, displaying a chart showing big swings in income taxes on capital gains and saying it "sums up California's tax structure, sums up boom and bust."

Gabe Petek, the Legislature's budget analyst, revealed last week that accumulated deficits for the 2022-23, 2023-24 and the forthcoming 2024-25 fiscal years, based on spending commitments already made and current and projected revenue, are $68 billion.

California budget rollercoaster: Analyst predicts $68 billion deficit

California's Legislative Analyst's Office projects a 2024-25 budget deficit twice as large as 2023-24. It says the state could dip into reserves and cut some one-time spending.

"Largely as a result of a severe revenue decline in 2022-23, the state faces a serious budget deficit," Petek told the Legislature. "Specifically, under the state's current law and policy, we estimate the Legislature will need to solve a budget problem of $68 billion in the coming budget process."

Moreover, Petek's office projects deficits in the neighborhood of $30 billion a year for the remainder of Newsom's governorship.

So it's not that Newsom and legislators don't know about the corrosive effects of volatility – it's that they, like their predecessors, are unwilling to do what's necessary to counteract it: overhaul the revenue system.

When volatility first became a major problem during the Great Recession, then-Gov. Arnold Schwarzenegger and legislative leaders created a commission to suggest remedies. Chaired by businessman Gerald Parsky, the commission held months of hearings and finally, on a divided vote, recommended the state reduce its dependence on income taxes and shift to a revised form of sales tax.

The report was buried as soon as it reached the Legislature. When Jerry Brown returned to the governorship in 2011, he persuaded voters to create a "rainy day fund" that would absorb some revenues during boom times and cushion the impact of future downturns.

The fund now has about $24 billion and a separate school reserve has $8.1 billion. At best, reserves would cover less than half of the $68 billion deficit and none of the $90 billion in projected deficits for the three following years.

It's certainly better to have those reserves than not, but they are incomplete responses to volatility and that a judicious, even gradual, overhaul of the tax system is still the best solution, as politically difficult as that may be for a Legislature dominated by left-leaning Democrats.

Procrastination will only make the problem worse.

*Dan Walters, December 12, 2023 Cal Matters*

**Item 2 - The state's punishing tax structure yields a staggering decline in revenues.**

During his much-touted recent debate with Florida governor Ron DeSantis, California governor Gavin Newsom described his state's economy as without "peers," claimed that business is "booming" in the U.S. under President Biden, and argued that his state's steeply progressive tax regime was fairer than Florida's "regressive" lower and flatter scheme. Not even 24 hours later, however, the Legislative Analyst's Office, California's nonpartisan budget watchdog, painted a strikingly different picture of the state's economy. The LAO reported that a surging state unemployment rate and a slowing stock market had cratered California's tax revenues, causing a potential $68 billion budget hole over the next two years. The shortfall is far greater than anyone had anticipated, and according to LAO, is reminiscent of cataclysms like the Great Recession and the dot-com bust.

The swift turnaround in California's budget fortunes, at a time when the national economy is slowing but still growing, is a reminder of the Golden State's volatile fiscal affairs. The progressive regime that Newsom defends relies on high taxes aimed at a narrow band of upper-income residents, whose own fortunes rise and fall dramatically with the stock market. At the same time, ballot initiatives crafted and passed by special interests over the years now tie up increasingly large portions of the state's revenues, boosting a few areas, like education and mental health, at other areas' expense. Nothing better illustrates the state's precarious situation than the fact that merely 18 months ago, Sacramento projected a $98 billion surplus on the wings of a surging national economy and billions of dollars in aid from Washington.

California's fiscal volatility is driven by its income-tax rates, the highest of any state, amounting to as much as 13.3 percent for those earning more than $1 million. As a result, the top one-half of 1 percent of California taxpayers—about 100,000 filers—pay about 40 percent of the state's total income taxes. Much of those high earners' income comes in the form of capital gains, that is, selling stocks or other assets for a profit. Unlike the federal government, California's state government makes no distinction between short- and long-term capital gains, taxing both at the same rates as other types of income.

But capital-gains revenues can vary greatly from year to year, essentially drying up when investment markets fall—as they did in 2022, when high interest rates slammed both the stock and bond markets. One consequence of those declines was an 80 percent contraction in the number of companies going public in California over the past two years, reducing the growth of the number of tech "millionaires" produced by the IPO market. As a result, for the fiscal year that started in mid-2022 and ended mid-2023, tax collections are $26 billion below projections. The LAO now estimates that the next two years' tax shortfall could total $58 billion.

Officials compound California's problems by refusing to budget in a way that recognizes this volatility. For instance, a report by the Volcker Alliance, a state-budget watchdog founded by late Federal Reserve chairman Paul Volcker, noted last year that California had spent an unusually large amount of the one-time money Washington sent to states under the Biden stimulus bill on programs that would continue after funding ceased. That decision left the state vulnerable to a "fiscal cliff" when the federal money ran out—a cliff that has now materialized.

California also has expanded its spending with controversial new programs. It now offers Medicaid coverage to all illegal immigrants at a cost of $2.6 billion, a figure that likely will skyrocket in coming years because of the migrant surge at the border. The state also offers illegals disability insurance and paid family leave; the legislature is even considering offering unemployment benefits to illegals, at a cost of $350 million.

Making this spending even more burdensome are budget mandates passed by California voters that force the state to maintain certain funding levels in areas like education. In 1988, for example, the state's most powerful teachers' union helped pass Proposition 98, which requires the state to spend 40 percent of its annual general-fund revenues on education. During years of plenty, schools have been left with soaring budgets. From 2012 to 2022, the money from the California state budget sent to schools grew by 130 percent, to $110 billion, an average annual growth rate of nearly 9 percent. Those mandated increases effectively limit the state's ability to redirect money to other areas of need, or to use surpluses for tax cuts or to accumulate enough rainy-day money to cushion the blow of future revenue declines.

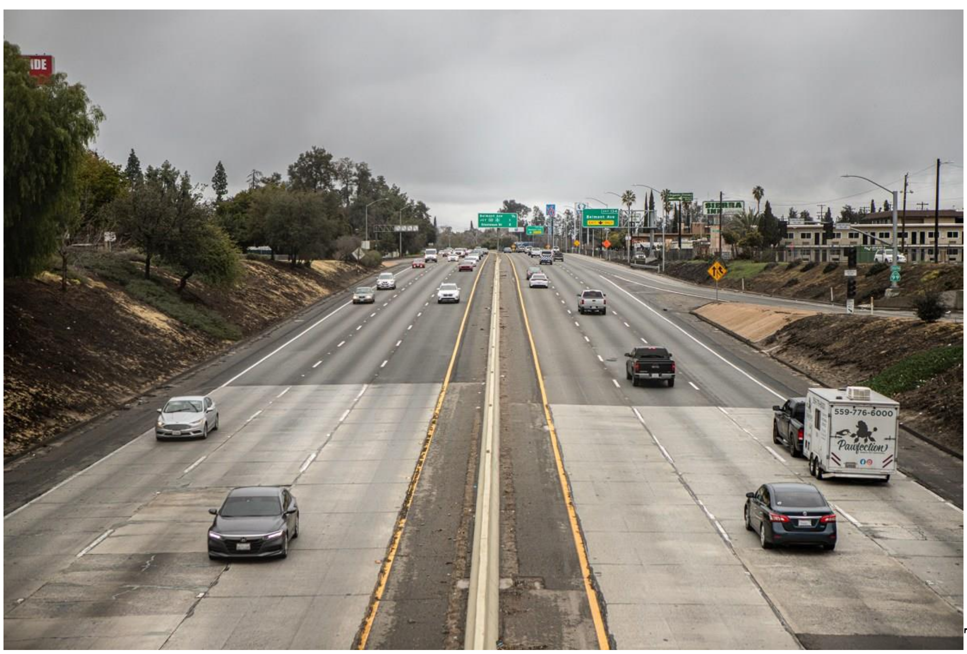
News of the tax shortfall has prompted the state's dominant progressive faction to call for even higher taxes. Their favored levy would be a controversial wealth tax—that is, a tax on an individual's wealth, rather than his income. It's unclear whether such taxes, which dun taxpayers based on their estimated net worths, are even constitutional, since they tax the value of assets taxpayers own but haven't sold to realize gains. California progressives are willing to test that idea. The state's politicians are similarly eyeing other "creative" taxes, including a so-called "exit" tax, to be levied on individuals who leave the state. Though progressives often argue that people don't leave a state because of taxes, California's strikingly high rate of outmigration, including of prominent wealthy individuals and companies, clearly irks Sacramento policymakers. Newsom's opposition to such taxes is likely to be severely tested in coming months, especially as the need for major budget cuts become clearer.

The search for innovative new ways to extract money from Californians reflects the reality that raising the state's already-punishing taxes even further would yield diminishing returns. What never seems to diminish in California these days is the desire to tax and spend.

**Steven Malanga is the senior editor of** City Journal **and a senior fellow at the Manhattan Institute. This article first appeared in the December 14, 2023 City Journal.**

**Item 3 - California gas tax revenue will drop by $6 billion, threatening roads.**

**By Alejandro Lazod**

- Traffic on Highway 99 near Parkway Drive in Fresno on Feb. 25, 2023. Photo by Larry Valenzuela, CalMatters/CatchLight Local

**IN SUMMARY**

As the state battles climate change and Californians drive fewer gas-powered cars, tax revenue will drop substantially, according to a new state analysis. EV fees will make up only part of the transportation shortfall so lawmakers need new funding options.

California's funding from gas taxes will drop by nearly $6 billion in the next decade due to the state's electric car rules and other climate programs, "likely resulting in a decline in highway conditions for drivers," according to a new state analysis released today.

As California phases in major policies aimed at reducing greenhouse gas emissions — such as the mandates for zero-emission cars and trucks — consumers buy less gasoline and diesel, and consequently pay less taxes.

Those declines in tax dollars will be partially offset by the state's road improvement fee, which drivers pay when they register their electric cars. But the Legislative Analyst's Office stressed that overall the state will still see a $4.4 billion drop in funding, a 31% decline, over a decade, so the Legislature and governor must come up with substantial new funding sources.

Unless the drop is accounted for with new fees or other funding, there would be substantially less money for highway programs as well as local road maintenance, the analysts wrote. Work supporting buses, trains and other public transit options across the state also would face drops in funding.

"As the state tries to meet its ambitious climate goals through the adoption of zero emission vehicles, and greater fuel efficiency within conventional vehicles, the report finds that we'll see a decline in fuel tax revenues," said Frank Jimenez, a senior fiscal and policy analyst with the office.

Fuel taxes and vehicle fees fund about a third of state spending on transportation. This year's budget, passed in June, includes about $14.2 billion in state funding for transportation.

The report projects declines of $5 billion, or 64%, in the state's gasoline excise tax, $290 million, or 20%, in the diesel excise tax and $420 million, or 20%, in the diesel sales tax, over the next decade.

Highway maintenance is funded primarily by the fuel taxes "and therefore will face significant funding declines," the report says. "…We project funding for these programs will drop by roughly $1.5 billion (26 percent) over the next decade, from $5.7 billion to $4.2 billion."

The state's transportation agency, Caltrans, declined to comment. "Caltrans is reviewing the report but does not comment on potential legislative proposals," a spokesperson said.

Lawmakers could make up for the shortfalls in many of these programs by spending less on transportation, but that would likely mean worsening roads and highways, and also some public mass transit cuts. They might also consider further increasing gas taxes or vehicle fees. But that might have an outsized impact on the state's lower-income communities, who are expected to adopt zero-emission vehicles more slowly as middle- or higher-income Californians.

Lawmakers also could consider using other state funds for transportation or implementing a road charge, which would tax people based on the number of miles they drive.

The report comes as California is bracing for a projected $68 billion budget deficit next year. Gov. Gavin Newsom's Finance Department on Tuesday ordered departments and agencies across government to rein on everything from travel to office supplies.

California aims to reduce its greenhouse gas emissions by 85% below 1990 levels by 2045, when the state is expected to reach a statewide goal of net zero emissions. One of the most prominent ways the state is doing that is by banning the sale of all new gas-powered cars by 2035.

*Alejandro is a climate reporter who previously reported on issues of inequality for the California Divide team. He joined CalMatters from The Wall Street Journal, where he covered the West Coast for eight years. He previously wrote about housing and real estate for the Los Angeles Times and The Washington Post. He's a native of Modesto who attended the University of San Francisco and the Columbia University Graduate School of Journalism.*

**Item 4 - Who buys electric cars in California — and who doesn't?**

Communities with high concentrations of electric cars are affluent, Electric  cars are almost nonexistent in Black, Latino, low-income and rural communities — revealing the enormous task that California faces electrifying the entire fleet.

by Nadia Lopez

# 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**

# CIVILIZATION VERSUS THE NEW NIHILISTS

## *AMERICANS MUST CHOOSE BETWEEN CIVILIZATION—OR ITS DESTROYERS*

Nihilism is the religion of the Left. Anarchy is now at the core of the new Democratic Party.

If the Left wished radically to alter the demography of the U.S., it could have expanded legal immigration through legislation or the courts.

Instead, it simply erased the border and dynamited federal immigration law.

By fiat, nihilists ended the wall, and stopped detaining and deporting illegal aliens altogether.

Or was it worse than that when candidate Joe Biden in September 2019 urged would-be illegal aliens to “surge” the border?

As a result, through laxity and entitlement incentives, eight-million illegal entrants have swarmed the southern border under the Biden administration.

They are swamping border towns, bankrupting big-city budgets, and infuriating even Democratic constituencies.

The same nihilism applies to crime.

In the old days liberals gave light sentences to criminals or reduced bail. But today leftist prosecutors do not even seek bail. They hardly prosecute theft or random assaults.

Criminals are arrested and released the same day. Is the nihilist plan to destroy the entire body of American jurisprudence, and to ensure “equity” in being victimized?

Is the woke idea that all Americans—inclusive of diverse Beverly Hills elites, Hollywood celebrities, or members of Congress alike—must share victim equity, and thus experience first-hand street robbery, car-jacking, smash-and-grab, and home invasion?

The United States can produce annually more natural gas and oil than any nation on earth. It once pioneered nuclear power. It has vast coal reserves and sophisticated hydroelectric plants.

The old idea was to use these unmatched resources to transition gradually to other cleaner fuels such as hydrogen, fusion power, solar, and wind. That way consumers would still enjoy affordable energy. And the United States could remain independent of coercion by the oil-producing Middle East.

But that was not the nihilist way.

Instead, the left deliberately cut back on pipelines, new energy leases, and fracking. It bragged of an upcoming ban on fossil fuels. In drought-stricken, energy-short California, the state is blowing up, not building new dams.

Is the nihilist agenda to punish with bankruptcy the energy-using middle class?

Is the hope that Americans will have to beg the Saudis, Iranians, Venezuelans, and Russians to pump more of the hated goo for our benefit so we would not have to dirty ourselves helping ourselves?

When Joe Biden entered office in January 2021 the U.S. was naturally rebounding from more than a year of Covid-enforced lockdowns.

Overtaxed supply chains were still fragile. Pent-up demand was soaring. Consumers were flush with government cash. Trillions of dollars had been printed and infused into the economy to ward off a feared recession.

All economists advised **not** to increase the deficit, spike further consumer demand, and expand entitlements.

Instead the Left did just the opposite.

Four-trillion dollars were printed and distributed. In no time, Americans, recovering from Covid, next experienced the worst, but entirely preventable, inflation in 40 years.

Three years later prices on staples remain 30-40 percent higher than when Biden took office. Mortgage rates tripled.

Abroad the nihilism is even more inexplicable and terrifying.

All nations suffer military setbacks. But none in memory have shamefully hightailed out of a theater as we did from Afghanistan.

Few countries could even imagine discarding billions of dollars of weapons and hardware into the hands of the terrorist Taliban, or abandoning a $1 billion new embassy, and a huge, remodeled air base.

Why did the administration simply allow a huge Chinese spy balloon to float and photograph leisurely over the continental U.S.?

Naïve countries might endure two or three attacks on their overseas bases without serious retaliation. But how could the U.S. military permit 135 rocket barrages by Iranian-supplied terrorists on American soldiers without a major and sustained response?

Is the point to humiliate our own troops? To destroy what is left of U.S. deterrence?

Popular culture is especially captive to leftist nihilism.

It is not enough to object to a statue or artwork. Instead, without deliberation or public input, they must be defaced or destroyed, all the better stealthily and by night.

After the massacres of October 7—but well before Israel had even responded to the barbaric invasion—thousands of students swarmed their elite universities cheering on the violence.

And what so exhilarated them?

The nihilist, ghoulish beheading, torture, mutilation, mass rape, dismemberment, and necrophilia of unarmed, civilian Israeli elderly, women, children, and infants.

In sum, we are witnessing an epidemic of leftist nihilism similar to the 16th-century European mad wave of iconoclastic destruction of religious art.

Or is the better parallel the suicidal insanity that Mao Zedong unleashed during his cultural revolution of the 1960s?

The old politics of right versus left, and Republican opposed to Democrat have now given way to a new existential struggle: Americans must choose between civilization—or its destroyers

*Victor Davis Hanson is a distinguished fellow of the Center for American Greatness and the Martin and Illie Anderson Senior Fellow at Stanford University's Hoover Institution. He is an American military historian, columnist, a former classics professor, and scholar of ancient warfare. He has been a visiting professor at Hillsdale College since 2004. Hanson was awarded the National Humanities Medal in 2007 by President George W. Bush. Hanson is also a farmer (growing raisin grapes on a family farm in Selma, California) and a critic of social trends related to farming and agrarianism. He is the author most recently of* The Second World Wars: How the First Global Conflict Was Fought and Won, The Case for Trump *and the recently released* The Dying Citizen.

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