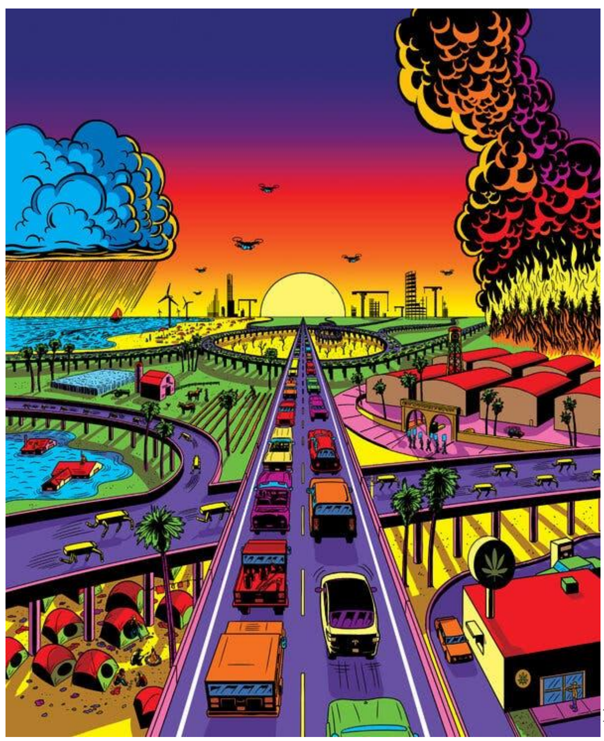
COLAB
San Luis Obispo County
The Coalition of Labor Agriculture and Business

WEEKLY UPDATE JUNE 18-24, 2023

THE BOARD SUMMER RECESS RUNS JUNE 25 – JULY 8, 2023. THE WEEKLY UPDATE WILL BE SUSPENDED UNTIL JULY 9, 2023.

PARASITIC "PROGRESSIVE" CALIFORNIA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THIS WEEK

1,Art by Joseph Marra for the New York Times

BOS MEETING

Federal Lobbyist Contract
State Lobbyist Contract
Grand Jury Gives County Jail Excellent Bill of Health
Board to Select Outside Auditors for Next 5 Years
FY 2023-24 Pension Rate Increases
Struggling Cannabis Industry Hold on Tax Increase
Ordinance to Dump Columbus Day for Native Americans Day
Final FY 2023-24 Budget Adoption
Yet Another "Annual Performance Review" of the New CAO
(He's only been here for a month)

Regional Energy Program Funded By Your PG&E Bill
New Recurring Section – BOS Member Meeting Reports

APCD

Wood Smoke Prevention Program - Fireplaces Now Bad
FY 2023-24 Budget Adoption
New 2-year contract and raise for the Air Pollution Control Officer

CENTRAL COAST COMMUNITY ENERGY AUTHORITY

Receives Clean FY 2022 Audit
Struggles with Regulatory & Energy Supply Issues
Mandates Project Labor Agreements for Its Energy Suppliers
$177 Million Debt Issuance Proposed to Arbitrage Energy Costs

LAST WEEK

BOARD OF SUPERVISORS BUDGET WEEK

$966 MILLION "STATUS QUO" TENTATIVELY ADOPTED

LOCAL AGENCY FORMATION COMMISSION
CANCELLED

EMERGENT ISSUES

WILDFIRES & CLIMATE DENIERS

WHO WILL BENEFIT FROM MORRO BAY WIND ENERGY JOB CREATION?

WORK ETHIC DECLINE & DISDAIN FOR THE FREE MARKET ECONOMY

CALIFORNIA'S LATEST TAX-THE-RICH SCHEME:
ELECTRIC BILLS BASED ON INCOME

CALIFORNIA IS LOSING ITS MIND

COLAB IN DEPTH
SEE PAGE 35

HOW DO YOU SOLVE A PROBLEM LIKE CEQA? PART ONE

Environmentalism run amok is destroying economic opportunities for all Californians, and CEQA is the beating heart of the beast

BY EDWARD RING

CALIFORNIA'S WAR AGAINST PROSPERITY

The Golden State's abundant resources and innovative people are not reflected in the way it is governed

BY EDWARD RING

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

Board of Supervisors Meeting of Tuesday, June 20, 2023 (Scheduled)

Item 3 - Request to: 1) approve a sole source contract for Federal lobbyist and advocacy services with The Ferguson Group, L.L.C. for FY 2023-24 through FY 2025-26, with two one-year options to renew, in the total amount of $216,000; and 2) delegate authority to the Chief Administrative Officer, or designee, to renew the contract for two additional one-year terms. The firm has been the County's Washington lobbyist for a number of years. Its main role is advising the County on various grant opportunities and assisting the County to obtain the grants. Its website states in part:

FG devises and implements innovative strategies for appropriations and authorizations and builds on our successes from year to year. Over the course of our history representing local communities in Washington D.C., we have secured tens of billions of dollars in direct appropriations and project authorizations for our clients. Our work on federal funding issues encompasses supporting funding requests for federal programs and projects that benefit our clients as well as pursuing authorizations for specific client projects. We foster our clients' projects through every step of the process, from project conception to construction. Today, we rank as one of the top federal funding and competitive grants lobbying firms in Washington D.C. representing public agencies.

Item 4 - Request to: 1) approve a sole source contract for State lobbyist and advocacy services with Shaw, Yoder, Antwih, Schmelzer & Lange, Inc. for FY 2023-24 through FY 2025-26, with two one-year options to renew, in the total amount of $228,088; and 2) delegate authority to the Chief Administrative Officer, or designee, to renew the contract for two additional one-year terms. The firm assists the County with its annual legislative program, identifies both positive and negative legislation, and assists the County to identify and capture State revenue and grants. Paul Yoder, one of the founders of the firm, directly assists SLO County. The firm's website states:

PARTNER

PAUL J. YODER
A founding partner in the firm, Paul J. Yoder has earned an impeccable reputation among Sacramento decision makers during his long career as a legislative advocate. Clients praise Paul's vast institutional knowledge, and his propensity for always making them feel like they are his highest priority.

Paul represents dozens of local governmental entities both in legislative and regulatory matters. His duties and experience include drafting legislative language; reviewing, tracking and analyzing bills, laws, and regulations, testifying at hearings; coordinating legislative strategies *with other interest groups and related associations; and, maintaining liaison with clients regarding pending legislative issues; and developing strategies to move client interests forward.*

After beginning his advocacy career as a lobbyist for the County of San Diego, Paul joined Gerber and Associates, Inc., where he lobbied for many of the firm's public clients, including counties, water agencies, transit agencies, and solid waste interests, as well as the firm's corporate clients. In 1998, Paul joined with Joshua Shaw to acquire Gerber and Associates, Inc. The firm was subsequently renamed Shaw / Yoder, Inc., then Shaw / Yoder / Antwih, Inc. prior to becoming Shaw Yoder Antwih Schmelzer & Lange. Concurrent with these metamorphoses, the firm acquired three other Sacramento lobbying firms and grew itself into a perennial occupant in quarterly Top 10 rankings in California.

Paul holds a Bachelor of Arts degree in English Literature from Yale University. He has completed all the course work towards a Master of Arts degree in Public Policy and Administration, at California State University, Sacramento.

Anyone with a traditional English literature degree from Yale is probably pretty aghast at what is happening in Sacramento.

Item 6 - Request to 1) approve responses to the FY 2022-23 Grand Jury report titled "Inspection Report for San Luis Obispo County Law Enforcement and Detention Facilities"; and 2) forward the responses to the Presiding Judge of the Superior Court by July 18, 2023. This is an annual report required by State statute. The Jury's recommendations were fairly minor and practical. Some have already been implemented, and some are in the process of being implemented. Control click on the link below to see the report. It may take a half minute or so to open.

153232 (ca.gov)

The report was very positive per the excerpts below:

As noted in last year's SLOCGJ report on detention facilities, the Sheriff's Office continues to achieve recognition for exemplary programs and services across the facilities. In October 2022, for example, the comprehensive health program, including mental health services, received accreditation by the National Commission on Correctional Health Care. In addition, the ongoing bicycle refurbishment program remains a successful component of the Sheriff's Office programming.

The Jail facilities overall were found to be extremely clean, updated to modern standards, and run efficiently. The bathrooms and shower areas have recently undergone notable renovations, and the kitchen area presented as clean and orderly

Item 9 - Request to approve the FY 2023-24 through FY 2027-28 Financial Audit Services agreement with Clifton Larson Allen, LLP in an amount not to exceed $694,985 ($133,365 for FY 2023-24) over the five-year term of the agreement to provide professional independent auditing services. This contract will provide for the annual audit of the County's financial records in compliance with applicable state and federal laws and generally accepted accounting principles. The Department conducted a competitive request for proposals, which were reviewed by a committee.

Actual contract costs are based on the classification of personnel and number of hours utilized by the contractor as well as out of pocket expenses but shall not exceed the amounts listed below. All costs will be actual costs, so final expenses may be less than the contract cost.

The total "not to exceed" cost of the five-year contract is $694,985 over five fiscal years from FY 2023-24 through FY 2027-28, as represented in the table below:

FY	Contract Cost
23-24	$133,365
24-25	$142,330
25-26	$137,430
26-27	$137,430
27-28	$144,430
Total	**$694,985**

Item 20 - Submittal of a resolution approving 1) increases in employee-paid pension contribution rates and County-paid pension contribution rates based on both the January 1, 2022, Actuarial Valuation report and related recommendations and applicable memoranda of understanding, and 2) amendments to the San Luis Obispo County Employees Retirement Plan appendices. The rates are up an average of 2.8%. The item does not reveal the estimated increased cost to the budget. Unfunded liability increased from $806.8 million to $878.8 million.

Table I-2
Change in Unfunded Actuarial Liability (UAL)
(in thousands)

Unfunded Actuarial Liability, January 1, 2021	$	806,858
Expected change in Unfunded Actuarial Liability		(8,079)
Decrease due to actuarial asset gain		(39,343)
Increase due to liability loss		31,692
Increase due to contribution timing delay and expense:		9,568
Increase due to assumption changes		78,054
Total UAL change	$	71,892
Unfunded Actuarial Liability, January 1, 2022	$	878,750

Employee Association	Bargaining Unit (BU) and Description	Full Pension Rate Increase	Employee Share of Increase	County Share of Increase
District Attorney Investigators Association (DAIA)	BU06, District Attorney Investigators' Unit and District Attorney Investigators' Supervisory Unit	All Tiers: 2.92%	All Tiers: 0.0%	All Tiers: 2.92%
Deputy County Counsel Association (DCCA)	BU12, Deputy County Counsel Attorneys	All Tiers: 2.38%	Tiers 1 & 2: 1.00% Tier 3: 0%	Tiers 1 & 2: 1.38% Tier 3: 2.38%
Deputy Sheriffs' Association (DSA)	BU03, Law Enforcement Unit BU14, Supervisory Law Enforcement Unit BU21, Non-Safety Law Enforcement Unit BU22, Dispatcher Unit	All Tiers: 2.92% (Safety) 2.38% (Misc.)	All Tiers: 0.0% (Safety) 0.0% (Misc.)	All Tiers: 2.92% (Safety) 2.38% (Misc.)
Sworn Deputy Sheriffs Association (SDSA)	BU27, Sworn Law Enforcement Unit BU28, Sworn Law Enforcement Supervisory Unit	All Tiers: 2.92%	All Tiers: 0.0%	All Tiers: 2.92%
San Luis Obispo County Employees' Association (SLOCEA) "Big Unit"	BU01, Public Services Unit BU05, Supervisory Unit BU13, Clerical Unit	All Tiers: 2.38%	All Tiers: 0.00%	All Tiers: 2.38%
San Luis Obispo County Employees' Association (SLOCEA) "Trades Unit"	BU02, Trades, Crafts, and Services Unit	All Tiers: 2.38%	All Tiers: 0.00%	All Tiers: 2.38%
San Luis Obispo County Probation Peace Officers' Association (SLOCPPOA)	BU31, Probation Unit BU32, Probation Supervisory Unit	All Tiers: 5.08%	All Tiers: 0.00%	All Tiers: 5.08%
San Luis Obispo County Sheriffs Managers' Association (SLOCSMA)	BU15, Sheriff's Management	All Tiers: 2.92%	All Tiers: 0.0%	All Tiers: 2.92%
San Luis Obispo Prosecutors' Association (SLOPA)	BU04, Deputy District Attorneys	All Tiers: 2.38%	Tiers 1 & 2: 1.19% Tier 3: 0%	Tiers 1 & 2: 1.19% Tier 3: 2.38%
Unrepresented Employees and Board of Supervisors	BU07, Operations/Staff Management BU08, General Management BU09, Appointed Department Heads BU10, Elected Department Heads BU11, Confidential BU16, General Management Law Enforcement BU17, Board of Supervisors	All Tiers: 2.38% (Misc.) 2.92% (Safety) 5.08% (Prob.)	All Tiers: 0.0% (Misc.) 0.0% (Safety) 0.0% (Prob.)	All Tiers: 2.38% (Misc.) 2.92% (Safety) 5.08% (Prob.)

Item 38 - Request to consider the annual Cannabis Business Tax Rate for Fiscal Year 2023-24 and, if necessary, adopt the proposed resolution to maintain the Cannabis Business Tax Rate at 8% of gross receipts for the next fiscal year. The tax is on automatic pilot to increase from 8% to 10% on July 1st. The County's hopes for a robust industry and commensurate taxes have not materialized. The failure is due to a combination of over-supply, a lengthy and costly permitting process, an overbearing and costly annual relicensing process, high fees, high taxes, and the consequent expansion a competitive black market. The industry has requested that the Board take action to prevent the automatic increase to 10%.

During the June 6, 2023, Board of Supervisors meeting, staff was directed to schedule an item for your Board to discuss the Cannabis Business Tax (CBT) rate and the automatically scheduled rate increase from 8% of gross receipts to 10% on July 1, 2023. Section 3.05.050 of County Code establishes the automatic rate increase schedule and also grants discretion to your Board to maintain or decrease the current CBT rate for the next fiscal year by a 3/5ths vote

FINANCIAL CONSIDERATIONS

If the proposed resolution is approved, it is anticipated that forecasted CBT revenue, which had been forecasted based on the scheduled increase to a 10% rate, will be reduced. The FY 2023-24 Recommended Budget includes $645,000 in Cannabis Business Tax Revenue assuming a rate of 10% and total gross receipts of $6.45 million. At the current rate of 8% and projecting the same total gross receipt amount, it is anticipated that the Cannabis Business Tax Revenue would generate $516,000 or $129,000 less than what was recommended in the FY 2023-24 budget.

Some Questions:

1. Is the County continuing to lose money overall in its foray into the world of cannabis (after regulatory and enforcement costs)?

2. What would the County Superintendent of Schools, the Sheriff, and the Behavioral Health Director say about the impact of legalization to date?

Cheech and Chong in a scene from Up in Smoke

Item 39 - Hearing to consider an ordinance amending Section 2.44.070 of the County Code regarding holidays and time off. At the prior Board meeting the Board supplanted Native American Day for Columbus day. They did so by Resolution. It turns out that they must also amend the Personnel Ordinance, and to do that, they must have a hearing.

The County is catching up with the City of Berkeley, which established Indigenous People's Day back in 1990, 40 years ago.

The Board avoided the cultural discussion, as the item is presented as an effort to realign the holiday with the State Court system's prior action of eliminating Columbus Day in favor of Native American Day, which occurs in September, verses October for Columbus Day.

In presenting the matter, the item was cast as a technical amendment to all of the County's labor contracts to enable law enforcement and the courts to have the same holiday schedule. There is no analysis of the relative social and historical background. Apparently the action was supported by the County's unions, as it is reported that they all agree.

Contrast this with our Woke idiots who are tearing down our monuments and cancelling important historical heroes on the basis of current political ideology.

Item 40 - Hearing to consider adoption of the Fiscal Year (FY) 2023-24 Recommended Budget including: 1) a resolution adopting budgets for the County and Board of Supervisors governed Special Districts; and 2) a resolution adopting the FY 2023-24. This will be the closure of the Budget Hearing that began on June 12, 2023. It is likely the Board will adopt the Budget, which they tentatively set on June 12th.

Item 41 - Closed Session - PERSONNEL (Government Code section 54957.) It is the intention of the Board to meet in closed session to: (16) Consider Public Employee Annual Performance Evaluation for the Position of Interim County Administrative Officer. The week after the Interim CAO was appointed, the Board held a performance review. We assumed they were giving him direction and/or information on various department heads and/or perhaps future policy. The latter would be illegal, as policy should be developed in the open meetings.

Now after a month, the Item is back on. It can't be an annual performance review because he hasn't been here for one year yet, just one month. Is the item a lie? They seemed quite pleased with him during the Budget hearing.

Matters After 1:30 PM

Item 42 - Receive and file an update on the Tri-County Regional Energy Network's (3C-REN) program metrics from 2019 to 2022, review of current programs, and overview of proposed future programs. This is yet another program financed by your electric rates, as PG&E and SCE are compelled by law to provide funding for the program to the Public Utilities Commission, which in turn provides grants to the counties.

The Tri-County Regional Energy Network (3C-REN) is a partnership between the Counties of San Luis Obispo, Santa Barbara, and Ventura established to deliver energy-saving programs and industry trainings that help reduce Page 3 of 6 energy use, strengthen local job markets, and support efforts to achieve climate goals. Currently, 3C-REN's primary focus is providing services for homeowners, renters/rental property owners, and both public and private building professionals, via three programs. The three programs are each delivered by a leading county, and its staff, who are responsible for delivering and coordinating programming across this region. Program assignments are as follows: -

Workforce Education and Training – County of Ventura –
Residential Direct Install – County of Santa Barbara –

What is a Regional Energy Network (REN)?

- RENs are new administrators – as opposed to Investor-Owned Utilities (IOU) – of energy efficiency programs authorized by the CPUC to draw on the capacity and innovative ideas of local governments
- RENs receive "rate payer" funding to administer programs in specified territories
- RENs are recognized by the CPUC and others for their unique ability to:
  - Understand regional needs and fill gaps
  - Serve "Hard to Reach" communities
  - Provide holistic solutions for customers

The report does not indicate how many dollars have been raked off from PG&E rate payers for the program. Any CO_2 savings achieved is a meaningless drop in the bucket compared with the growth of CO_2 from Asian industrial expansion, forest fires, volcanos, and ocean oil and gas seeps. This is yet another virtue signaling patronage program for elected officials to pretend as if they are accomplishing something.

Item 44 - Board Member Comments and Reports on Meetings. This is a new feature added to the agenda, which would appear to be a regular item on all future agendas. There is no writeup. Will the public be allowed to comment on whatever the Supervisors bring up? For example, Supervisor x reports he met with a radical health group and now thinks we should ban beef or whatever? Perhaps Supervisor Gibson will use the recurring item to pontificate about all the "wonderful" conniving he is doing in Sacramento.

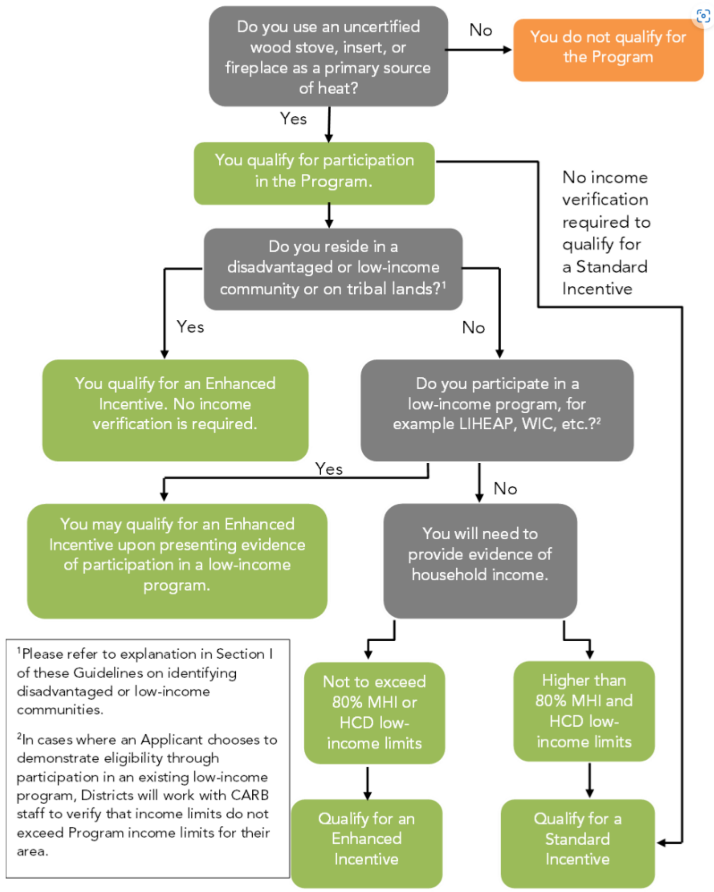
SLO County Air Pollution Control District APCD Meeting of Wednesday, June 21, 2023 (Scheduled)

Item A-7: Request to approve APCD participation in the state Wood smoke Reduction Program. Recommendation: Approve APCD participation in the Wood smoke Reduction program and authorize the APCO to enter into all grant agreements and authorization forms necessary to implement the Programs. Currently the program is voluntary, but ultimately they want to ban your woodburning fireplace. The write up states in part:

State Wood smoke Reduction Program: The Program is part of the California Climate Investments, a statewide program that invests California Cap-and-Trade dollars from emission sources to reduce greenhouse gas emissions (GHG), strengthen the economy and improve public health and the environment. The Program is administered by CARB and implemented by the California Air Pollution Control Officers' Association (CAPCOA) in partnership with local air districts. The role of CAPCOA is to centralize and standardize Program implementation. The Program offers financial incentives for homeowners countywide to replace old, inefficient, and *highly polluting wood stoves, wood inserts, or fireplaces with cleaner burning and more efficient home heating devices to reduce GHGs, criteria pollutants, and air toxics.*

This is just the first step. The Bay Area Air Pollution Control District already bans fireplace burns on many days in the winter.

Just another brick in the wall.



Item B-1-3: Hearing to adopt the District's Fiscal Year 2023-2024 Final Budget. The Budget is pretty much status quo and geared to the State mandated functions of Air Districts.

AIR POLLUTION CONTROL DISTRICT
COUNTY OF SAN LUIS OBISPO
SUMMARY BUDGET REQUEST - FY 2023-2024 06/21/23

	BUDGET 2022-23	ESTIMATED 2022-23	REQUESTED 2023-24
REVENUES			
Property Taxes	$ 431,656	$ 452,811	$ 454,736
Operating & Authority to Construct Permits	1,596,000	1,657,295	1,800,000
Other District Fees (Asbestos, Environ Assess, Burn Fees)	278,304	347,072	323,304
Mutual Settlements	75,000	135,000	80,000
Interest Revenue	20,000	51,045	50,000
DMV Air Fees	1,080,000	1,086,998	1,080,000
State & Federal Aid	816,233	756,547	311,350
Other Govt Aid	16,355	16,355	0
Other Sales & Miscellaneous Revenues	15,203	15,982	15,353
Cancelled Reserves & Designations	0	0	240,407
Fund Balance From Prior Year	1,611,377	1,611,377	1,226,249
Encumbrance Reserve From Prior Year	33,051	33,051	0
TOTAL FINANCING	**$ 5,973,179**	**$ 6,163,533**	**$ 5,581,399**
EXPENDITURES			
Salaries, Benefits, & Taxes	$ 4,326,593	$ 3,857,987	$ 4,304,399
Communications - Phones, Mail	33,440	29,102	34,440
Computers, Software, & Support	149,400	95,510	153,370
County Services (excluding Computer Support)	92,235	87,107	112,087
Insurance	67,000	65,500	71,000
Leases & Rents	7,600	3,600	4,000
Maintenance - Equipment & Facilities	175,509	127,408	159,370
Office Supplies & Copies	33,786	15,336	39,836
Other Department Expenses	20,390	36,337	20,570
Professional Services	421,939	230,709	261,300
Public Outreach & Education	54,100	42,600	46,500
Training & Travel	55,442	30,545	51,442
Utilities	21,410	18,107	21,500
Vehicles - Maintenance & Fuel	24,400	21,106	24,400
Subtotal - Services & Supplies	1,156,651	802,967	999,815
Other Charges / Contributions to Other Agencies	6,000	1,000	2,000
Fixed Assets	213,261	159,362	98,200
Contingencies	154,706	0	162,132
Increased Reserves & Designations	115,968	115,968	14,853
TOTAL EXPENDITURES	**5,973,179**	**4,937,284**	**5,581,399**
Net District Cost	**$ -**	**$ (1,226,249)**	**$ -**

AIR POLLUTION CONTROL DISTRICT
COUNTY OF SAN LUIS OBISPO
FY 2023-2024 PROPOSED BUDGET

POSITION ALLOCATION LIST

Job Class	Title	Part Time	Current Alloc.	2023-2024 Request	Change
0839	Air Quality Specialist I/II/III*		8.00	9.00	+1.00
0840	Supervising Air Quality Specialist		1.00	0.00	-1.00
0841	Air Pollution Control Engineer I/II/III*		2.00	2.00	0.00
3100	Administrative Assistant I/II/III*		3.00	3.00	0.00
3103	Systems Administrator I/II/III*		1.00	1.00	0.00
300252	Senior Air Quality Scientist		1.00	1.00	0.00
3093	Air Pollution Control Officer		1.00	1.00	0.00
3096	Division Manager		2.00	2.00	0.00
4001	Fiscal/Administrative Division Manager		1.00	1.00	0.00
4002	Administrative Supervisor/Clerk of the Board		1.00	1.00	0.00
	TOTAL:		21.00	21.00	0.00

Item B-2-2: Employment Contract modification for the Air Pollution Control Officer. The APCO's contract would be extended for 2 years, and his salary rises to $228,000 per year. The write-up does not list his current salary. His vacation would be increased from 20 to 25 days per year.

Central Coast Community Energy Authority Board Meeting of Wednesday, June 21, 2023 (Scheduled) 1:30 PM

Item 3 - 2022 Independent Audit. The agency received a clean bill of health with no violations of accounting procedures and no reportable discrepancies.

One significant aspect of the audit is the listing of 3CE's long term energy contract obligations listed below:

PURCHASE COMMITMENTS POWER AND ELECTRIC CAPACITY

In the ordinary course of business, 3CE enters into power purchase agreements to acquire energy and electric capacity. The price and volume of purchased power is largely fixed. Variable priced power, which is a small part of 3CE's portfolio, is generally linked to the market price of either natural gas or power at the date of delivery. Variable volume is generally associated with contracts to purchase energy from resources with varying availability and production, such as solar, wind and hydroelectric facilities. 3CE enters into long-term power purchase agreements to ensure stable competitive rates for its customers and to comply with state law and voluntary targets for renewable and greenhouse gas (GHG) free products. The following table represents the expected, undiscounted, contractual obligations outstanding as of September 30, 2022:

Year ending September 30,	
2023	$ 304,000,000
2024	236,000,000
2025	156,000,000
2026	141,000,000
2027	136,000,000
2028-2053	2,280,000,000
Total	$ 3,253,000,000

The contracts, extending out to 2053, seem risky in that vast technological changes and economic changes are likely to occur in the decades ahead. What if these energy contracts become obsolete (new technologies result in other producers which are much lower cost), or are unfulfillable? Is all this a policy of mortgaging the future to obtain lower rates today?

Item 13 - CEO's Report. The 3CE's CEO report is extensive and underscores a variety of issues. Most involve the complexity of the energy markets and 3CE's prospects for 1) maintaining lower rates than PG&E and SCE, and 2) complying with evermore complex regulations issued by the State Energy Commission, the California State Public Utilities Commission, and the California Independent System Operator, which manages the energy loads throughout the grid. Here is a sample of one section which describes the need for 3CE and other CAAs to ensure that they have sufficient energy (Resource adequacy - RA).

Issue
The Resource Adequacy (RA) program is California's main grid reliability program. A combination of increasing demand and decreasing supply of eligible RA capacity over the past five years has resulted in sharply increased prices and unprecedented difficulty procuring sufficient RA to achieve compliance. Over the past year the CPUC has also sought to tie RA compliance to other, unrelated functions such as CCA expansion into new communities.

Status

After a year and a half of reform that completely restructured the RA program, the California Public Utilities Commission (CPUC) issued a Proposed Decision on May 25th containing a final set of program changes before the proceeding closes. Many of these are concerning, including prohibiting expansion for CCAs with an RA deficiency in the past two calendar years, increasing penalties for RA noncompliance, and further restrictions on RA capacity imported from outside California.

Next Steps

3CE, CalCCA, and other stakeholders filed comments on the Proposed Decision opposing the CCA expansion limitation and other concerning elements. The CPUC is set to vote on the Proposed Decision on June 29th, after which the proceeding will close and there will be no new RA policymaking until at least early 2024. In the meantime, focus will shift to implementation of the new slice-of-day RA framework approved in this proceeding in 2022, with the next round of RA reform likely focused on issues with this framework that emerge during implementation.

The fragility of the CCA model is revealed in this and other issues in the report.

Project Labor Agreements (PLAs)

A separate section of the report reveals that 3CE is now requiring that its suppliers utilize project labor agreements. Does the County of SLO support this policy? What about the Cities of Santa Maria, Paso Robles, Atascadero, Pismo Beach, and Morro Bay, which are all members? PLAs increase costs because they lockout non-union contractors and promote the use of large out of county and out of state contractors. The large trade unions have rigorous seniority rules, and contractors must hire apprentices and journeymen in the seniority order from wherever they live.

3CE and the other CCAs are not popular with the trade unions because they undermine the investor-owned utility work forces by charging government advantaged lower rates and thereby stealing their customers. Now the trade unions are complaining and asking what can the CCAs to do for our workers?

PLAs

3CE's Existing Commitment to Local Economy and Workforce 3CE's commitment to our local workforce and sustaining our local economy is demonstrated through our existing power purchase agreements and energy storage agreements (PPAs and ESAs); our local-only request for offers; our Front of the Meter Energy Storage effort, our Local Purchasing Preference Policy, and our Energy Programs. 3CE has executed a total of 19 PPAs and ESAs, totaling over $2 Billion in commitments for energy. Most of these agreements include a contractual requirement that developers pay prevailing wages as required by law or commit to a project labor agreement with local trades. To date, each of 3CE's PPAs has project labor agreements in place, except where projects are delayed or the developer operated as their own general contractor, and in those cases subcontractor work was performed by union labor. To date, six of these projects are online and have generated over 3,000 construction jobs and over one hundred on-going operation and maintenance jobs.

Item 15 - Adopt Resolution PB-2023-05 Authorizing CEO to Execute a Clean Energy Purchase Contract with California Community Choice Financing Authority and Ancillary Documents and Agreements to Effectuate the Prepay Financing Transaction. The item was considered back in April 2023 by the 3CE Operations Board, which recommended it to the Policy Board that will consider it here. Significantly, the County of Santa Barbara abstained and the City of Santa Maria voted no. The Santa Barbara County CEO and the Santa Maria City Manager are two of the more sophisticated and conservative local government CEOs on the central coast. The Policy Board should solicit their input as it considers this matter.

This appears to be a form of debt issuance that is approved by the CCE Board, not the voters in the CCE service area. In this regard, it seems somewhat similar to Certificates of Participation (COPs) and Pension Obligation Bonds currently issued by cities and counties to get around normal bond approval requirements. It is also much more complicated.

The basic theory seems to be:

1. 3CE has long term energy purchase contracts - 20 to 30 years (as noted in item 3 above).

2. By prepaying some of these contracts, 3CE believes it will derive rate discounts estimated to be from 7% to 10%.

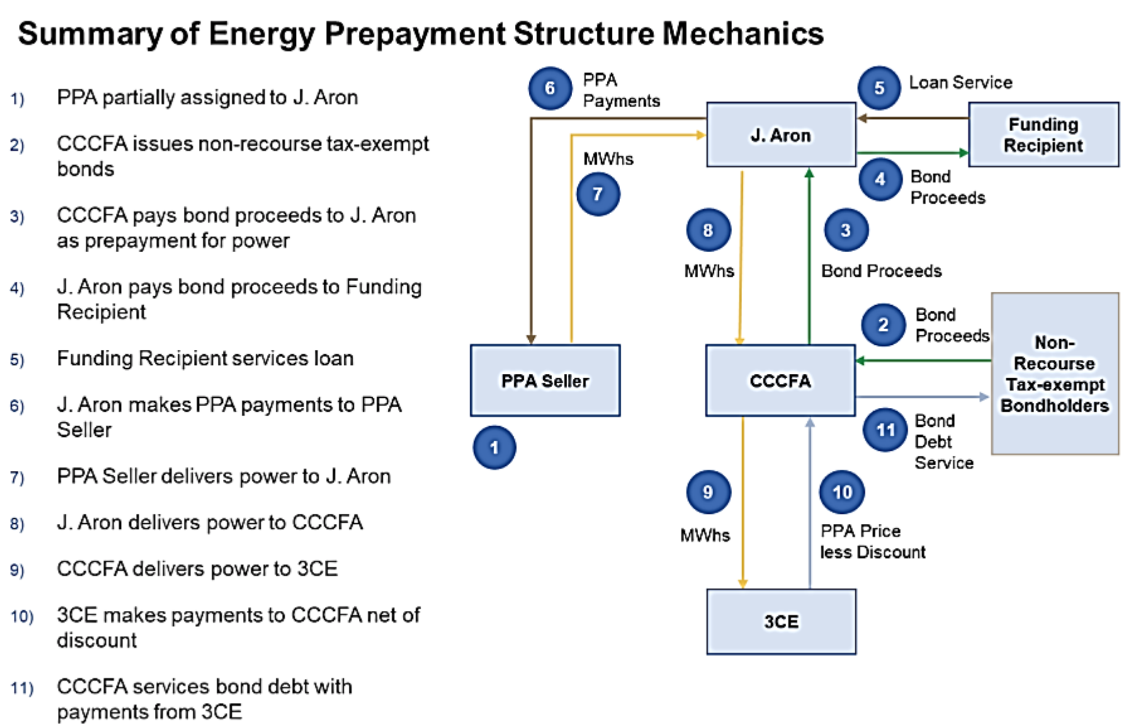
3. To obtain the funding to prepay the suppliers, 3CE would indirectly issue tax exempt bonds (debt).

4. The bonds would be issued by an intermediary agency, the California Community Choice Financing Authority (CCCFA), so that a group of community choice aggregators including 3CE could pool their debt. The write-up states in part:

Prepay Deal Structure: If approved, 3CE will become the fifth CCA to execute a prepay transaction for the benefit of its customers. Following nearly a year of negotiations, 3CE's proposed prepay transaction involves a series of agreements between 3CE, a set of its PPA seller partners, a facilitating banking partner (J. Aron), the California Community Choice Financing Authority ("CCCFA") (a JPA founded by 3CE, East Bay Community Energy, Marin Clean Energy, Silicon Valley Clean Energy, and Clean Power Alliance), and a funding recipient to be selected by 3CE through a competitive process.

CCCFA issues non-recourse, tax-exempt bonds, the proceeds of which are used to prepay for electric power delivered under assigned PPAs at the terms originally negotiated by 3CE. CCCFA provides the bond proceeds to J. Aron, who loans them to the funding recipient, then uses debt service of that funding to make regular payments to the PPA sellers and deliver the power to CCCFA. CCCFA provides that power to 3CE at a discount from the original PPA price and uses those payments to service the bonds.

A "simplified" diagram of the flow of funds and power is presented below:



J. Aron is a subsidiary of Goldman Sachs.

CCCFA

The California Community Choice Financing Authority (CCCFA) was established in 2021 with the goal to reduce the cost of power purchases for member community choice aggregators (CCAs) through pre-payment structures. The founding members of CCCFA include Central Coast Community Energy, East Bay Community Energy, Marin Clean Energy, and Silicon Valley Clean Energy. CCCFA is a Joint Powers Authority which can help member CCAs save up to 10% or more on power purchase agreements, helping reduce costs for ratepayers and increase available funding for local programs.

The CCCFA Board consists of 4 Directors. Tom Habashi, who just retired as 3CE's CEO, is one of the Directors.

Some questions:

1. How much debt is 3CE going to issue?

2. What is the interest rate?

3. In what denominations will the bonds be issued?

4. Shouldn't 3CE customers get first crack at them?

5. Does this bonded debt count as accumulated overlying debt of government agencies in the 3CE service area? Would SLO County's member agencies have to disclose their proportionate shares it on their CAFRs?

6. What happens, as in the case of the pension obligation bonds, if the 3CE does not achieve the savings over time to cover the interest and principal on the bonds? Will the member jurisdictions have to pony up, or will the 3CE customers be forced to pay higher rates?

No matter what, the whole scheme is paradise for investment bankers, bond counsel, consultants, etc.

FIRM	ROLE
PFM Financial Advisors LLC (PFM)	Municipal Finance Advisor ("FA"): Advise 3CE in negotiations; required by Municipal Securities Rulemaking Board
Nixon Peabody	Bond, Disclosure, Issuer, and Tax Counsel: Represent 3CE and CCCFA; provide tax opinion on the transaction
Hall Energy Law	Special Counsel to 3CE; review and negotiate primary and ancillary documents
Stradling Yocca Carlson & Rauth	Special Counsel to 3CE; review and negotiate primary and ancillary documents

EMERGENT ISSUES

Item 1 - Wildfires and Climate Change – The Wall Street Journal recaps the obvious.

Wildfires and Progressive Climate Deniers

Progressives are proclaiming that the smoky skies engulfing the eastern U.S. from Canadian wildfires are another sign that the climate apocalypse is nigh. Instead, they're a reminder that government policies to mitigate the impact of natural disasters matter more than those to reduce CO2 emissions.

> **CO2 emissions from fires overwhelm the cuts from regulation.**

Much of the East Coast has been under air-quality alerts since Friday. Smoke was so thick Wednesday that the Federal Aviation Administration halted flights at New York City's LaGuardia airport. As of Tuesday, there were 415 active wildfires across Canada with 238 burning out of control. No doubt drought and a warm start to the summer have contributed, but the bigger culprit is poor forest management that has let fuel accumulate over decades.

This hardly gets a mention in media reports, nor from anti-fossil fuel politicians. "Since the Paris Accords, the 4 major U.S. banks—including 2 with HQs here in the city with the worst tonight—have lent over $1 trillion for new fossil fuel supply projects," New York City comptroller Brad Lander tweeted Tuesday. "Tonight's a smoke signal that it's time for them to stop." Maybe the smoke clouded his judgment.

The reality is that even if U.S. banks stopped financing fossil-fuel projects today, global CO2 emissions would rise for decades owing to growing coal production in India and China. Another inconvenient truth is that government policies to reduce CO2 emissions will be swamped by wildfire emissions.

University of California researchers last year calculated that wildfire emissions in 2020 were two times higher than the state's greenhouse gas reductions from 2003 to 2019. California wildfires in 2020 were the state's second largest source of CO2 emissions after transportation and generated double the greenhouse gases of all the state's power plants.

Another study this spring in the journal Science estimated that burning boreal forests in North America and Eurasia in 2021 released 1.76 billion tons of CO2, nearly twice as much as global aviation that year. That's also more than four times New York State's annual emissions and about three times as much as the Inflation Reduction Act's projected reductions in 2030.

Government land management policies that prevent wildfires from spreading out of control, such as prescribed burns, would reduce CO2 emissions more than offshore wind or electric-vehicle mandates. Alas, this doesn't fit with the climate left's book of Revelation.

Item 2 - Local Jobs and Wind Generation – Karen Velie and The Cal Coast News expose the truth.

Who will benefit from Morro Bay wind energy job creation?

Floating windmill designs

By KAREN VELIE

A proposed wind energy project in Morro Bay will create 24,000 jobs during construction, primarily for people who do not live on the Central Coast, according to a new report by two professors at Cal Poly's Orfalea College of Business.

California plans to rely on offshore wind energy to achieve its renewable energy goals. The off-shore wind farms are projected to generate 2,000 to 5,000 megawatts of energy by 2030 and 25,000 megawatts by 2045.

Cyrus Ramezani and Mahdi Rastad's 86-page report details the economic impacts of the Morro Bay wind energy projects and identifies the types of jobs that will be created.

Last year, the federal government auctioned off three offshore wind energy sites located between 20 and 30 miles off the coast near Morro Bay. While the components will be manufactured out of area, multiple agencies are working to identify the best ports to assemble the parts, which may or may not be done on the Central Coast.

Of the 24,000 jobs that are anticipated during the six-year construction and assembly phase, the report estimates 50% will be local with some support facilities on the Central Coast. However, if the assembly work is primarily completed in the Los Angeles area, those numbers would drop.

In addition, the local jobs will primarily be filled with workers who currently do not live in San Luis Obispo or Santa Barbara counties, according to the report.

"The California labor market is only capable to partially meet the demand for specialized workers created by commercial scale floating offshore wind projects," according to the report. "Absent robust and comprehensive educational and skill training programs, California's floating offshore wind industry will have to import trained labor from other states, while simultaneously investing in the developing of a local workforce."

During the projected 25 years of operations, the Morro Bay floating offshore wind industry is expected to generate approximately 600 jobs, with 480 in San Luis Obispo and Santa Barbara counties, according to the report.

The report does not discuss the number of jobs the county will lose in the fishing and hospitality industries.

The report notes the future of the county's current energy producer, the Diablo Canyon nuclear power plant, is uncertain and a closure could affect hundreds of high-paying jobs in the county. While a shutdown would likely have a significant impact on the local economy, Ramezani said the Central Coast wind energy projects represent a potential bountiful job replacement, right around the time Diablo could potentially shutter.

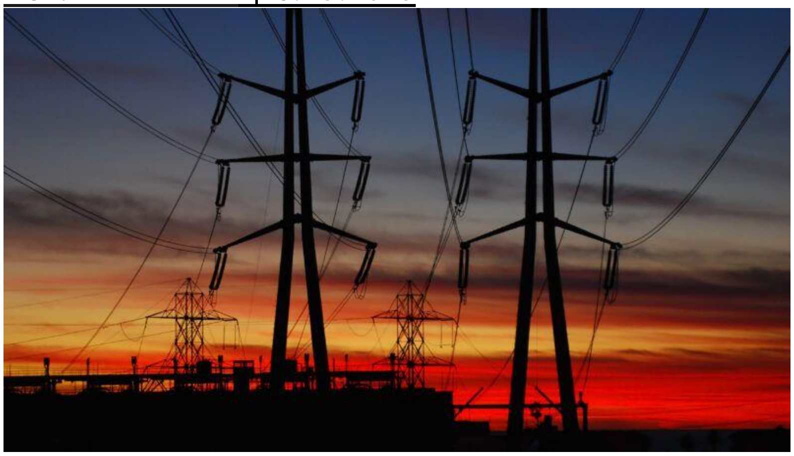
Item 3 - Work Ethic Decline and the Disdain for the Free-Market Economy

A weak work ethic also reinforces other troubling signs, such as the unpopularity of marriage and bearing children; an indifference to service in the armed forces; and the disdain for the free-market economy, and the preference for socialism, "wokeism," and the progressive Leviathan state ruled by regulatory agencies staffed by unaccountable bureaucrats who fancy themselves "experts" smarter than everybody else, when in fact they execute policies and rules that an illiterate farmer in 1776 would have known are preposterous and dangerous.

America's greatness was in great part a product of the American work ethic. The contempt for that virtue by a significant number of our younger generations is a troubling sign that our greatness may not endure. This quote is by Bruce Thornton who is a Senior Fellow of the Hoover Institution.

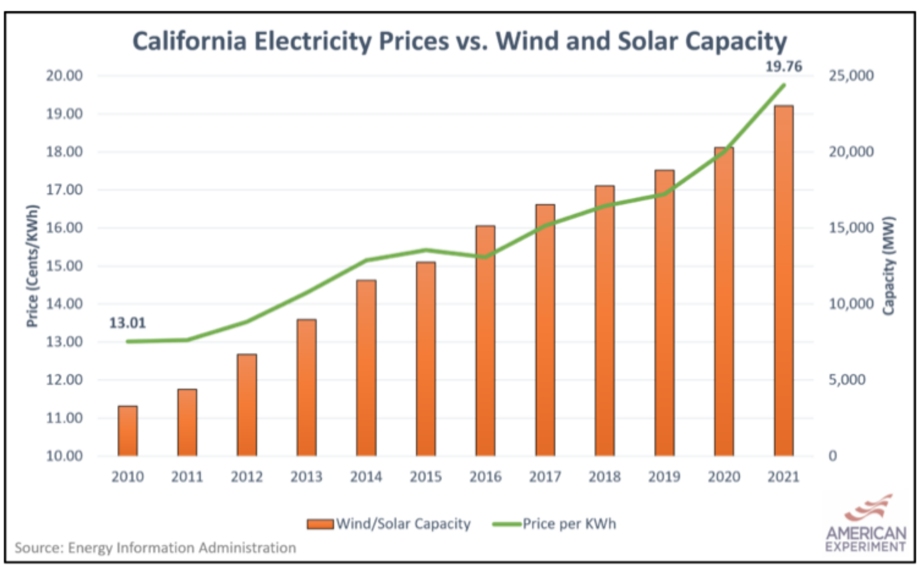
Item 4 - California's Latest Tax-the-Rich Scheme: Electric Bills Based on Income. ***And it undercuts energy efficiency investments already made by millions of Californians.***

RONALD BAILEY | 6.13.2023



(Ron Kacmarcik | Dreamstime.com)

Electric power customers typically pay more if they use more. Under a new law, customers of California's three largest private utilities will be charged a fixed fee based on their incomes, not just how much power they use. The chief motivation behind this scheme is to provide some relief to low-income customers who are being hammered by escalating electricity rates as the Golden State transitions from fossil fuels to wind and solar power.



Center of the American Experiment

The average cost of electricity to residential customers in California is now $0.27 per kilowatt-hour (kWh). The U.S. average is around $0.16 per kWh. The state's three big private utilities are proposing to the California Public Utilities Commission to add Income Graduated Fixed Charges (IGFCs) to all of their residential rate schedules. The idea is to pay for the various fixed costs, including those associated with connecting customers to their grids, billing, and meter reading. In addition, they want the fixed fee to cover "the costs of wildfire mitigation and vegetation management, reliability improvements, safety and risk management distribution costs, ongoing distribution operations and maintenance, many regulatory balancing accounts, and various programs and policy mandates through its distribution rates."

Income Bracket	Criteria	PG&E IGFC ($/month)	SDG&E IGFC ($/month)	SCE IGFC ($/month)
1	CARE (< = 100% FPL)	$15	$24	$15
2	All Other CARE/FERA	$30	$34	$20
3	Non-CARE/FERA < = 650% FPL	$51	$73	$51
4	Non-CARE/FERA > 650% FPL	$92	$128	$85

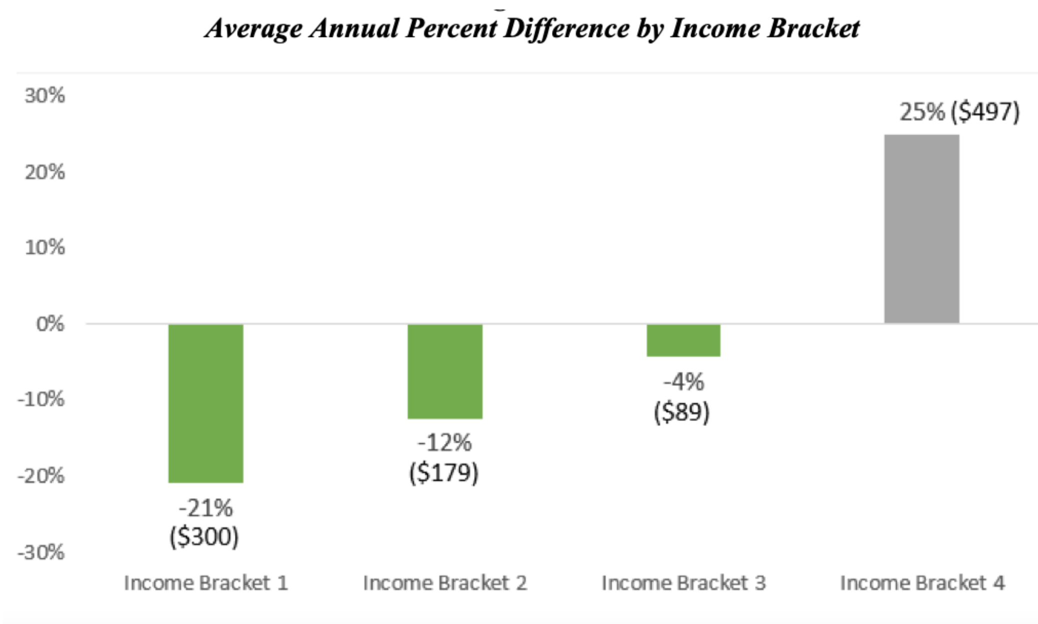
CPUC

The four income brackets for families of four are divvied up as follows: (1) less than $28,000, (2) $28,000 to $69,000, (3) $69,000 to $180,000, and (4) $180,000 or more. The acronyms CARE and FERA refer to programs that already offer electric power rates discounted by 30 percent to 35 percent and 18 percent, respectively, to lower-income families.

So let's do some rough calculations using the proposed San Diego Gas & Electric rates. First, the average non-CARE monthly electric bill is $156 per month, adding up to $1,872 annually. Under the new scheme, electricity rates would drop from $0.47 to $0.27 per kWh, amounting to a rate cut of about 42 percent. For the lowest income bracket, this would mean that their expense for power consumption would drop to $1,085 annually. Adding $288 in fixed fees cuts their bill to $1,373, a drop of nearly $500 per year.

Let's now assume that higher-income customers use 50 percent more electricity so that their bill averages $234 per month, totaling $2,808 annually. Applying the 42 percent rate cut would mean the amount they pay for the electricity they use would fall to $1,629 annually. However, their monthly fixed fee of $128 adds up to $1,536 annually. This yields a total annual bill of $3,165, or an increase of $30 per month.

Perversely, if a high-income residential customer's monthly electric bill is $400 per month, that is, $4800 annually, the fixed fee scheme ends up lowering their power bills. The new lower rates mean that the expense for their electricity use drops to $2,784. Adding the $1,536 fixed fee brings the new bill's total to $4,320 annually, an annual reduction of nearly $500 for such a high-income customer.



CPUC

Still, the utilities calculate that the cost of the new fixed rates would be largely borne by the 19 percent of California households earning more than $180,000 per year.

The power companies argue that the lower per kWh rates will encourage people to further electrify their homes and switch to electric vehicles. This would help to address the problem of climate change that is associated with the atmospheric increase of greenhouse gases emitted from the burning of fossil fuels like natural gas.

However, under the current rate structure, prices escalate as customers use more electricity, thus strongly encouraging residents to conserve. In fact, California ranks number 50 out of 51 U.S. jurisdictions in residential energy consumption. The lower flat rate per kWh under the new proposal will significantly reduce the incentive for customers to conserve energy, thus hampering the state government's goal of cutting greenhouse gas emissions. Furthermore, the rising demand for electricity will stress the state's already shaky power grid even more, possibly resulting in more brownouts and blackouts.

In addition, the value of the investments in energy efficiency already made by millions of Californians will be undercut. For example, consider a high income customer who has put in better insulation, bought energy-sparing appliances, or even installed a solar energy system and thereby cut his monthly electric bill to $50 per month. His cost for electricity is now $600 annually. The 42 percent cut in his rates lowers that to $348 per year, but the total fixed fee is $1,536. That results in more than tripling his bill to $1,884 annually.*

One further consideration: How would power companies keep track of the incomes of their customers? The utility companies want the state government to supply them with that information. But transferring and protecting such information would be a bureaucratic nightmare fraught with significant privacy concerns.

As a final note, California's confiscatory tax rates are driving many high-income residents out of the state. This new income-based fixed electricity rates proposal will add to that impetus since it largely functions as just another tax aimed at already fed up high-income earners.

**CORRECTION: The original version of this piece miscalculated the annual cost of electricity in this hypothetical case and the ultimate consequences for his bill.*

California Is Losing Its Mind

Left: California State Capitol in Sacramento. Right: Transgender flag at a protest in New York City in 2018.*(rschlie/iStock/Getty Images; Brendan McDermid/Reuters)*

By **THE EDITORS OF THE NATIONAL REVIEW**
June 14 2023 6:30 AM

A CALIFORNIA bill, AB 957, would require family courts to interpret a child's "health, safety, and welfare" to "include a parent's affirmation of the child's gender identity" for the purpose of custody disputes.

The bill, which has already passed the state assembly, was sponsored by Assemblymember Lori Wilson, who encouraged the transition of her own child, and who would like to see similar laws enacted in every state. It is of a piece with last year's trans-tourism bill, encouraging out-of-state minors to travel to California to undergo transition treatments behind their parents' backs, as well as a bill passed earlier this year requiring foster parents to agree to "best practices for providing care for LGBTQ+ youth," including — of course — "gender-affirming care."

Already we have seen the toxic effects of gender ideology infiltrating family law. Across the country, activist-minded judges are penalizing parents who don't accept the claims of trans activists. Judges in California, Illinois, and Texas have denied custody rights to divorced parents opposed to, or even skeptical of, their child's transition. In some cases, judges have received special "training" on these matters from transgender activists.

AB 957 goes even further than favoring one divorced parent over another for political reasons. In interpreting the refusal to affirm a gender identity as an affront to a child's "health, safety and welfare," the bill effectively defines non-affirmation as abuse, creating a precedent for much broader applications. If a parent can lose custody rights after a divorce for not affirming his or her child, what's to stop the state from removing children from happily married or even single parents?

This is happening already in some jurisdictions. Take Abigail Martinez, a single mother of four, living in Los Angeles, Calif., whose trans-identifying teenager was removed from her custody in 2016 by a judge interpreting non-affirmation as "emotional abuse." Oddly, the judge permitted Martinez to retain custody of her other three children and to continue working as a nanny. After three years of her daughter living in state custody and undergoing hormone treatments, the abuse charges against Martinez were changed by the Department of Child and Family Services from "substantiated" to "inconclusive." But too late; the damage was already done. One month later, her daughter — by then a severely depressed 19-year-old who'd spent critical years away from her loving family — took her own life by kneeling in front of a freight train.

Laws like AB 957 would make stories like that of Martinez less an egregious outlier and closer to the new legal norm. In demanding parental affirmation, the bill sets no requirements for clinical evaluations and includes no mention of mental-health comorbidities. Whether they're depressed, autistic, bullied, or sexual-abuse survivors: If children say they're trans — they are trans. End of discussion.

Under such a broad definition of child abuse, even the wider community — schools, churches, and other organizations — could be obliged to "affirm." And all this while — as we noted in our editorial yesterday — the global credibility of the "gender-affirming" model is crumbling. On trans issues, California is losing its collective mind.

LAST WEEK'S HIGHLIGHTS

Item 2 - Review of the Proposed FY 2023-24 Operating Budget. The Board spent a grand total of 4 hours reviewing the proposed $966.2 billion document, or $241,500,000 per hour. Some of the key takeaways from the session include:

1. The staff recommended Budget was tentatively approved intact. Supervisor Gibson would have liked to see more funding go to homeless programs and the Behavioral Health Department, but indicated that he would approve the Budget next week when it is up for a final vote. The County Administrator indicated he would be bringing back proposals for revising the budget in September once he has had more time to examine it.

2. The general public and various interest groups within the County arena interested in the Budget produced only 3 public speakers.

3. Little examination was given to the base budget. The Board is interested in the margins.

4. The Department Heads have the strongest power in formulating the budget. As long as their current base is continued, and salary raises are funded by revenue growth and/or reserves, they will go along. The fact that five are independent elected officials does not help the situation.

5. In parallel, many of the interest groups in the County and the Departments are co-dependents which promote the status quo.

6. The actual performance of the programs is regarded very subjectively. Unless someone dies, large scale physical destruction occurs, or a case of blatant corruption is revealed, no one really cares. Thus standard management tools of successes are either not applied or are only applied sporadically. No one is measuring controls in line with:

Efficiency

Velocity

Cost benefit

Outcome

Comparative cost/ benefit

Is each service or program actually needed? What problem is actually being solved?

Obviously, those who staff the system have extensive education, training, socialization, and professional indoctrination and believe that they and their programs are absolutely essential. Thus, there are very few institutional points which can assert an opposite point of view. Everyone is on the team.

Further reinforcement of this culture is boosted in that the Board continuously praises staff for its work. Meanwhile the public just pays and pays.

7. One point of contention involved the Clerk Recorder's Budget. The proposed budget contains a new position of a Public Information Specialist assigned solely to the that Department. Its fully loaded cost is reportedly $250,000 per year. During consideration of the section of the Budget, which includes the Clerk Recorder Department, Supervisor Gibson spied a citizen activist in the audience who has been challenging vote counts. He figured she would speak, so instead waiting to see what she said, he launched into a diatribe about how evil and wrong anyone who criticizes the elections process, results or officials is. This was a blatant attempt to chill public comment in advance. Once public comment was over on the matter, he again voiced his disdain in an attempt to chill public moment in the future. When we criticized him, he had County Counsel rule that he had the First Amendment right to "respond to public comment." She ignored his blatant attempt to suppress public opinion with which he disagrees.

The Budget narrative states:

Establish the office of the County Clerk-Recorder as the most reliable source of elections related information with the addition of a Public Information Specialist.

8. There was a special presentation by the HR Department about the County's continuing problem of high staffing vacancy rates along with some of the efforts to enhance recruitments. One problem is that many County jobs require extensive professional education, certification, and experience. People who possess the drive and smarts to achieve such qualifications

understand that having a job all of their lives is a dead end and in most cases will not establish intergenerational family wealth. Even with the generous pensions, real wealth is not achieved as the pension ceases when the annuitant dies.

The narrow class 5 step traditional civil service system is obsolete because obviously government cannot provide an equity position and remain a democracy. Privatization of many services would enable the best potential employees to rise through the ranks of their companies and end up owning stock and other forms of equity. This in turn would provide a major incentive to perform at the highest levels possible and for employees to not be so concerned with time off, hours of work, vacations, and other perks. Instead, each person would be incented to rise through the ranks and reach partnership or other ownership status.

Background:

In General: For at least the last 12 years, the Budget document has remained structurally (presentation-wise) the same except for some graphic improvements. The long term conceptual/structural issue continues to present a major opportunity for the County. The entire budget document and presentation should be restructured to enhance transparency, analytical tools, and comprehensiveness. Saying this is not meant to criticize the staff or any officials involved in the design and production of the budget personally. They need help. The new interim CAO signaled some changes but it is not clear what he means.

The Board considered its $966.1 million budget. It proposed no reductions and several small increases. At this point about $2.9, million in expansion requests (net of related revenue) have been requested by departments and recommended by the County Administrative Officer. The Board members may have more in September.

The write-up indicates they the staff made some small reductions to bring in a balanced proposal.

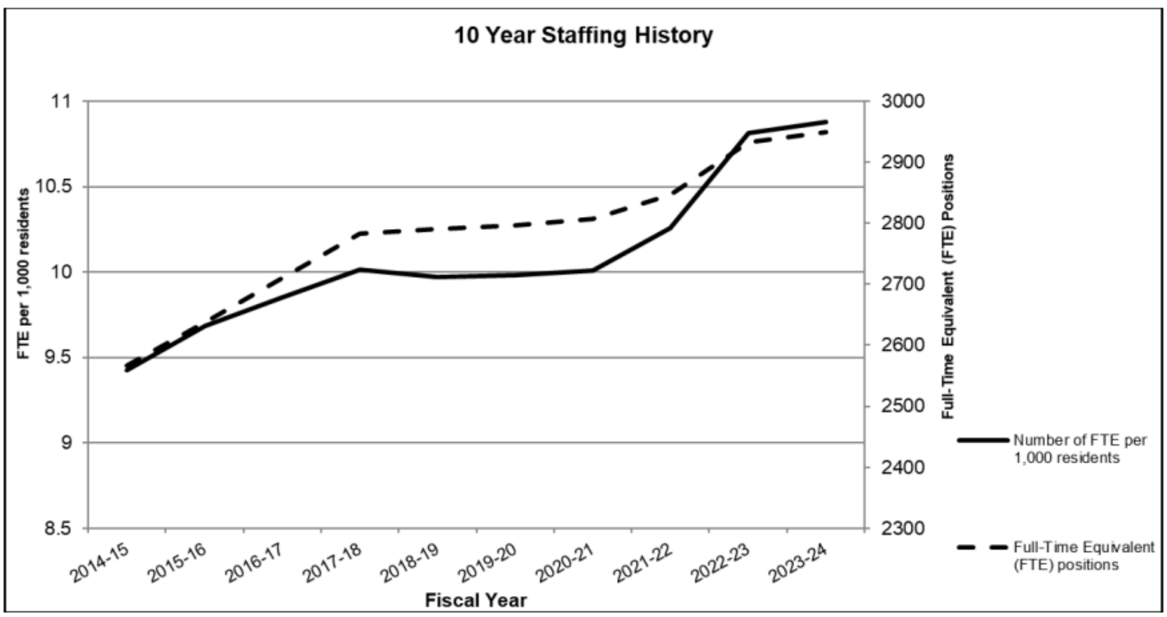
Budget Recommendations to Close the Gap (in Millions)

Recommendation for $5.1 M Gap	$	(5.1)
Trimming General Fund support by $1.8 million compared to departments' Status Quo submittals. These reductions do not represent cuts to any programs or services but are the result of an intensive effort to reduce expenditures that do not qualify as "Status Quo".	$	1.8
Long-term structural budget reductions totaling $898 thousand in General Fund Support.	$	0.9
Use of one-time General Fund Local Assistance and Tribal Consistency Fund (LATCF) funds.	$	1.4
Use of one-time General Fund Rainy Day designation Reserves.	$	3.9
Funding limited General Fund Budget Augmentation Requests.	$	(2.9)
Balanced Total	**$**	**-**

The table below displays the budget at the highest level of generality. The Board focuses on the $838.7 million total government funds portion.

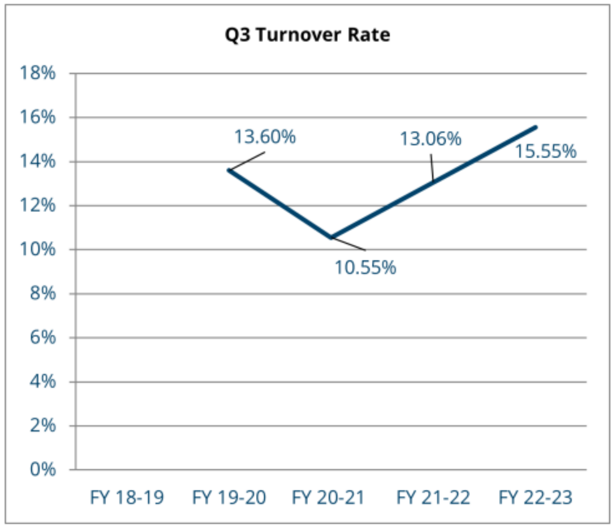
State Controller Schedules	County of San Luis Obispo						Schedule 1
County Budget Act	All Funds Summary						
	Fiscal Year 2023-24						
	Total Financing Sources				**Total Financing Uses**		
Fund Name	**Fund Balance Available June 30, 2023**	**Decreases to Obligated Fund Balances**	**Additional Financing Sources**	**Total Financing Sources**	**Financing Uses**	**Increases to Obligated Fund Balances**	**Total Financing Uses**
1	2	3	4	5	6	7	8
Governmental Funds							
General Fund	$ 43,879,431	$ 15,951,521	$ 649,150,373	$ 708,981,325	$ 703,768,927	$ 5,212,398	$ 708,981,325
Special Revenue Fund	2,064,462	5,443,168	87,035,016	94,542,646	79,932,106	14,610,540	94,542,646
Debt Service Fund	915,000	---	23,339,245	24,254,245	19,161,445	5,092,800	24,254,245
Capital Projects	---	---	10,975,405	10,975,405	10,975,405	---	10,975,405
Total Governmental Funds	**$ 46,858,893**	**$ 21,394,689**	**$ 770,500,039**	**$ 838,753,621**	**$ 813,837,882**	**$ 24,915,738**	**$ 838,753,620**
Other Funds							
Enterprise Fund	$ ---	$ 2,098,474	$ 30,511,647	$ 32,610,121	$ 31,694,438	$ 915,683	$ 32,610,121
Internal Service Fund	---	4,640,190	76,255,541	80,895,731	79,813,799	1,081,932	80,895,731
Special Districts and Other Agencies	2,295,312	2,700,752	8,846,763	13,842,827	13,612,181	230,646	13,842,827
Total Other Funds	**$ 2,295,312**	**$ 9,439,416**	**$ 115,613,951**	**$ 127,348,679**	**$ 125,120,418**	**$ 2,228,261**	**$ 127,348,679**
Total All Funds	**$ 49,154,205**	**$ 30,834,105**	**$ 886,113,990**	**$ 966,102,300**	**$ 938,958,300**	**$ 27,143,999**	**$ 966,102,299**

The overall County budget policy is simply to accept last year's costs as the base (status quo) and then add both as much natural revenue growth as possible and any new Federal and State revenues that occur. It then raises fees, proposes new taxes (a new 12/cent gas tax and a fire tax are under consideration for 2025 and going forward), and expands staffing.



As we have reported over the years, the County does not distinguish between the number of authorized positions (which it calls full time equivalents – FTE's) and the actual work hours filled per positions, which are the real FTE's. With the County's significant vacancy rate, this means that departments are under-running their budgets and the Board is over budgeting. The surplus then becomes bounty for increased salaries and bait to expand the subsequent year's budget.

Vacancies: The County Administrative Officer should generate a monthly vacancy report by department and division that lists the individual vacancies, their fully loaded value per pay period, the number of weeks the positions have been vacant, and the year-to-date accumulated savings. The savings should be differentiated by true local discretionary general fund and categorical (restricted) funds. The report should forecast any yearend balance. This will give the Board an idea of how much slack there is in the system. It will also give them an idea of how well they are planning and using the resources that the Board has provided.



Lost time: Similarly, the Administrative Office should generate a quarterly lost time (absence) report by department and division. Lost time is failure to report to work as scheduled for any reason. Note, “As scheduled” means that vacation, maternity leave, bereavement leave, training, etc., are not counted as lost time. The report should be broken down to show lost time from sickness, workers’ comp, and AWOL. The hours lost should be expressed both in ordinate numbers and as percentages. Lost time in safety departments can generate the need for more employees and, of course, overtime required to fill “mandated” post positions. With 3000 employees, an average lost time rate of 5% would mean an average annual effective work force with 150 fewer employees.

Productive Time vs. Paid Time: Unlike private sector companies, the County does not measure how much paid time is actually work time in the aggregate**.** For example, employee X is paid for a standard 2080-hour work year (40-hour week), but not all of the 2080 hours are working hours. Employee X may receive 3 weeks of vacation, which subtracts 120 hours.

Employee X may be absent for a week with an illness, which subtracts 40 hours. He or she receives 11 paid holidays, which subtracts another 88 hours. All in all, employee X (assuming he or she arrives every day on time and does not leave early for lunch or quitting time) actually puts in only 1832 hours. Accordingly, 248 hours, or more than 10% of the hours paid, are not productive. If this ratio were true on average for the County’s 3000 employees across the system, it means that of the 3000 employees paid, it as if 10% or 3000 never existed.

Working From Home: Working from home is based on the idea that as long as the work gets done, it doesn’t make any difference. However, this is really only true for project type work with a beginning, an end, and a specified product. It really fits gig workers and piece work workers, but is not appropriate for staff that are paid every 2 weeks no matter what. For example, deliver the novel, software code, or whatever by a date certain. Even with that category, the lack of intellectual interaction, accidental encounter, team spirit, and all is highly detrimental. Then there are the obvious distractions, feeding the baby, receiving the appliance repair guy, watching the roast, patting the dog, etc., etc.

Intellectual, analytical, and creative work are best performed in silence and when the person is in the "zone." The presence of children, pets, and other distractions is detrimental. See the COLAB In Depth article on page 47 for an update on the problems of working at home.

Some Departments underrun their salary accounts in the current year, yet are budgeted large salary account increases in the subset year:

	FY 2022-23 Adopted	FY 2022-23 Estimated	FY 2023-24 Requested	FY 2023-24 Recommended	Change from FY 2022-23
Planning Department					
Salary and Benefits	$17,189,785	$15,508,476	$16,979,377	$17,190,210	$425
Services and Supplies	$2,796,633	$5,193,519	$2,867,952	$2,920,593	$123,960
Other Charges	$0	$153,980	$30,000	$336,000	$336,000
Gross Expenditures	**$19,986,418**	**$20,855,975**	**$19,877,330**	**$20,446,803**	**$460,385**

In this case the Department was budgeted at $17.2 million but only ran at $15.5 million, a $1.7 million underrun. Why not leave them at $15.5 plus any negotiated raises, and then see what happens? There are no indicia that giving Planning more staff will speed up the permitting process in any case.

Some other examples include:

Public Works

Salary and Benefits	$36,066,571	$34,866,635	$39,145,609	$39,145,609	$3,079,038
Services and Supplies	$9,255,015	$9,399,523	$9,437,535	$9,437,535	$182,520
Other Charges	$1,584	$7,331	$7,303	$7,303	$5,719
Capital Assets	$1,190,000	$1,190,000	$1,997,300	$1,997,300	$807,300
Gross Expenditures	**$46,513,170**	**$45,463,489**	**$50,587,748**	**$50,587,748**	**$4,074,578**

Behavioral Health

Salary and Benefits	$42,355,218	$39,735,182	$46,521,370	$46,894,179	$4,538,961
Services and Supplies	$54,791,784	$61,375,172	$59,550,686	$59,553,586	$4,761,802
Other Charges	$2,069,745	$2,228,745	$2,069,745	$2,069,745	$0
Gross Expenditures	**$99,216,747**	**$103,339,100**	**$108,141,801**	**$108,517,510**	**$9,300,763**

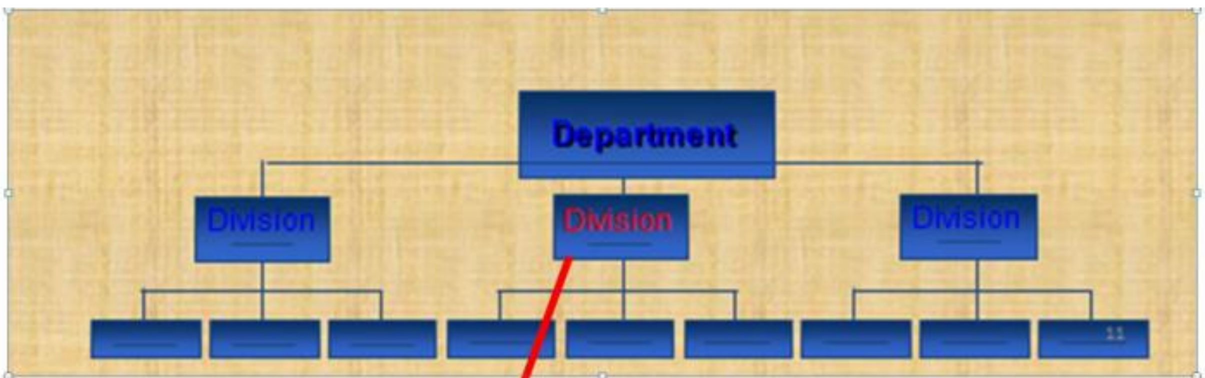
Public Health

Salary and Benefits	$39,900,389	$33,211,366	$35,739,187	$35,868,225	$(4,032,164)
Services and Supplies	$16,381,301	$14,639,419	$10,543,041	$10,496,758	$(5,884,543)
Other Charges	$1,557,856	$8,332,221	$875,200	$875,200	$(682,656)
Capital Assets	$0	$14,247	$0	$0	$0
Gross Expenditures	**$57,839,546**	**$56,197,253**	**$47,157,428**	**$47,240,183**	**$(10,599,363)**

Administrative Office

Salary and Benefits	$2,877,195	$2,315,666	$2,947,559	$2,947,559	$70,364
Services and Supplies	$494,732	$7,097,796	$505,253	$492,414	$(2,318)
Other Charges	$0	$7,346,000	$0	$0	$0
Gross Expenditures	**$3,371,927**	**$16,759,462**	**$3,452,812**	**$3,439,973**	**$68,046**

Inconsistent Structure: Budget is presented at a high level of abstraction utilizing an arbitrary accounting construct labeled "Fund Centers" as the basic organizing and information tool. The fund center structure does not always correspond to the County organizational structure and contains very general financial information. The actual program level information is omitted in most cases. In fact the amount of dollars and staff resources applied to specific operating units is largely invisible.



Program level.

It is the equivalent of McDonalds not knowing how the individual stores are performing.

The table to the left illustrates how the Sheriff's Law Enforcement Division should be displayed as an example. How is the Patrol Program doing? How much does it cost? How many FTE's are assigned? How much time does it take to clear the calls? What is the deployment pattern? How much overtime does it run and what does that cost? What is the vacancy rate? What % of the calls is crime related vs. services related (car collisions, fires, health and accidents, etc.)

This presentation problem occurs all across the entire budget and is worse in the large departments. Moreover, it undermines department head accountability.

The Parks Department is composed of 3 separate fund centers corresponding to Community Parks, Golf, and Regional Parks, respectively. The 3 units (are they divisions or what?) report to the same Parks and Recreation Department Director, but there is no overall consolidated presentation of the Parks and Recreation Department.

It appears that the Community Parks Division/Fund Center contains two subordinate units (program cost centers?): 1) Community Parks Facilities, Programs and Project, Total Expenditures: $4,774,682, Total Staffing (FTE): 21.00, and 2) Public Grounds Maintenance, Total Expenditures: $570,479, Total Staffing (FTE): 3.00. The financial data is presented as summaries. No prior year data is presented at this level. It is thus impossible to relate the costs to the program inputs and outputs over time.

The accompanying performance measures are presented in such a manner that it is not possible to determine which measures go with which program. Improperly, the measures do not seem to actually represent the amount of work, velocity of work, efficiency of the work, or actual benefit of the work.

1. Performance Measure: Usage of community park facilities by visitors and residents per 100,000 residents and visitors.

This measure is to assure that the Department of Parks and Recreation provides the services and facilities to contribute to the enrichment of park users' lives by attracting more residents and visitors to our facilities. This will be measured as an overall usage rate determined by the following formula: Rate = [Total Park Usage / (County Visitation + County Residents)] x 100,000. The target and actual results are the sum of all County Community Park facilities use figures from the four park management districts based on the above formula.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Target	14,323.00	14,350.00	14,350.00	14,350.00	19,000.00
Actual	22,603.00	21,200.00	24,489.00	21,000.00	

Notes: Visitation has declined slightly post COVID with a projection of stabilization.

2. Performance Measure: Percentage of positive responses based on annual customer enrichment experience reviews of county community park facilities.

This measure provides information related to the enrichment of park users lives through the use and enjoyment of county community park facilities.

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Target	80.00%	81.00%	81.00%	81.00%	81.00%
Actual	93.00%	86.81%	85.84%	81.00%	

Notes: No comment.

What did we get for all this?

a. Faster cheaper permitting?
b. More homes and/or a slow down on home cost escalation?
c. Fewer people on TANF (welfare), General Relief, Cal Fresh (Food Stamps)? – that is, less poverty?
d. Less severe wildland urban intermix fires?
e. More water security?
f. Any expansions of existing or additions of new private sector industries that provide career benefited head of household jobs?
g. Less acute and chronically ill mental health patients?
h. Fewer homeless people on the streets?
i. Less illegal cannabis or scheduled narcotics?
j. An improvement in the road pavement condition index (PCI)?

k. A reduction in the SBCERS unfunded actuarial liability?
l. A better election system?
m. Smoother flowing traffic?
n. Retention of the Diablo Canyon Nuclear Plant, Phillips 66, Wetherby Firearms, or Mindbody? Replacement of any of Diablo's career benefited head of household jobs averaging $147,000 per year full compensation?
o. Less harassment suits, less large legal settlements, or less workers comp?
p. Meaningful cannabis tax revenue?
q. Retention of the Oceano Dunes off road riding area?
r. Less CO_2 emissions as a result of climate action plans, installation of solar panels, and years of rhetoric?

Is there any outcome measure which actually improved with the addition of hundreds of millions in additional resources over the past 10 years?

For example , one stunning statistic from the County's own Financial Report shows that the total labor force in the County dropped by 10,000 over the past decade:

County of San Luis Obispo
Principal Employers
Current Year and Ten Years Ago
(UNAUDITED)

	2022			2013		
Employer	Number of Employees	Rank	Percentage of Total County Employment	Number of Employees	Rank	Percentage of Total County Employment
County of San Luis Obispo*	2,847	1	2.04%	2,800	1	1.88%
Atascadero State Hospital	2,300	2	1.67%	2,300	3	1.55%
California Men's Colony	2,000	3	1.45%	2,000	4	1.35%
Cal Poly State University, SLO	1,912	4	1.39%	2,573	2	1.73%
Pacific Gas and Electric Company	1,700	5	1.23%	1,700	5	1.14%
Tenet Healthcare	1,312	6	0.95%	1,200	6	0.81%
Lucia Mar Unified School District	1,070	7	0.78%	1,000	7	0.67%
Community Action Partnership of San Luis Obispo County	942	8	0.68%	-	-	-
Paso Robles Public Schools	935	9	0.68%	935	8	0.63%
Cuesta College	854	10	0.62%	-	-	-
San Luis Coastal Unified School District	-	-	-	902	10	0.61%
Cal Poly Corporation	-	-	-	906	9	0.61%
Total Employment Labor Force	137,800			148,600		

Sources:
Pacific Coast Business Times
State of California Employment Development Department
2012-13 San Luis Obispo County Annual Comprehensive Financial Report
2021-22 County Budget Report*

And they want to drive the gas company out of business.

How are the County's economic development programs actually working? What about all the job training programs?

Debt: There is $556 million in bonded debt plus $878.7 million in unfunded pension liability.

Financing Sources and Uses Summary

Description	2020-21 Actual	FY 2021-22 Actual	2022-23 Final	FY 2023-24 Recommended
Financing Sources				
Taxes	234,665,121	246,503,420	249,713,956	268,681,743
Licenses and Permits	12,269,991	12,561,188	15,322,834	16,241,426
Fines, Forfeitures and Penalties	3,567,089	3,821,371	4,553,762	4,369,539
Revenue from Use of Money & Property	4,291,177	4,183,530	3,047,859	8,197,099
Intergovernmental Revenues	312,954,589	323,675,921	346,449,807	355,197,364
Charges for Services	33,186,764	31,791,694	33,902,789	34,590,758
Other Revenues	41,191,424	34,629,778	34,607,031	40,630,460
Fund Balance	0*	0*	63,639,968	46,858,893
Use of Reserves & Designations	0*	0*	10,300,683	21,394,689
Other Financing Sources	48,152,967	57,264,973	45,447,105	42,591,649
Decreases to Fund Balance	0	0	0	0
*cancellation of reserves and designations and use of fund balance included in Other Financial Sources				
Total Financing Sources	**690,579,121**	**714,431,875**	**806,985,794**	**838,753,620**
Uses of Financing by Function				
Land Based	52,626,626	55,853,366	75,253,634	69,758,978
Public Protection	171,779,085	183,878,614	198,019,870	210,582,458
Health and Human Services	255,530,626	269,555,065	304,928,255	330,877,656
Community Services	22,930,504	24,804,433	25,000,380	27,715,530
Fiscal and Administrative	28,030,997	31,665,053	30,967,104	33,417,684
Support to County Departments	33,674,627	37,316,447	44,438,604	47,069,170
Financing	29,995,999	41,016,292	57,121,860	45,429,521
Capital and Maintenance	2,925,622	3,486,341	9,069,598	14,656,405
Contingencies	0	0	32,539,280	34,330,480
Reserves & Designations	0	0	29,647,208	24,915,738
Increases (Decreases) to Fund Balance	93,085,035	66,856,264	0	0
Total Financing by Function	**690,579,121**	**714,431,875**	**806,985,794**	**838,753,620**
Uses of Financing by Type				
Salary & Benefits	315,637,608	335,560,816	376,092,373	401,241,546
Services & Supplies	207,364,627	227,845,653	238,334,474	256,609,607
Other Charges	108,679,876	122,370,694	130,157,192	135,827,520
Fixed Assets	32,949,799	39,800,037	40,491,290	22,520,747
Transfers	(67,137,824)	(78,001,589)	(40,276,023)	(36,692,018)
Increases to Reserves/Designations	0*	0*	29,647,208	24,915,738
Increases/(decreases) to Fund Balance	93,085,035	66,856,264	0	0
Contingencies	0*	0*	32,539,280	34,330,480
*use of reserves and designations and contingencies are included in individual financing types				
Total Financing by Type	**690,579,121**	**714,431,875**	**806,985,794**	**838,753,620**

Table I-2
Change in Unfunded Actuarial Liability (UAL)
(in thousands)

Unfunded Actuarial Liability, January 1, 2021	$	806,858
Expected change in Unfunded Actuarial Liability		(8,079)
Decrease due to actuarial asset gain		(39,343)
Increase due to liability loss		31,692
Increase due to contribution timing delay and expense:		9,568
Increase due to assumption changes		78,054
Total UAL change	$	71,892
Unfunded Actuarial Liability, January 1, 2022	$	878,750

County of San Luis Obispo
Ratios of Total Debt Outstanding
Last Ten Fiscal Years
(In Thousands)
(UNAUDITED)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Governmental Activities										
Certificates of Participation	$ 25,662	$ 24,640	$ 23,600	$ 22,527	$ 21,411	$ 26,135	$ 24,808	$ 18,004	$ 19,619	$ 18,290
Less deferred amounts:										
For issuance discounts:	(99)	(95)	(91)	(87)	(83)	(79)	(75)	-	-	-
Add deferred amounts:										
For issuance premiums:	1,329	1,240	1,152	1,063	975	886	797	708	619	530
State notes	-	-	-	-	-	2,056	1,901	1,744	1,586	1,426
Pension Obligation Bonds	115,624	111,234	146,219	145,291	143,890	99,407	96,903	93,733	89,825	85,112
Lease revenue bonds	-	-	-	-	-	-	-	20,380	19,970	19,380
Add deferred amounts:										
For issuance premiums:	-	-	-	-	-	-	-	4,023	3,837	3,652
Assessment Bonds from direct borrowings	-	-	-	-	-	-	-	436	391	344
Leases*	-	-	-	-	-	-	-	-	-	92,248
Total bonds and notes payable	142,516	137,019	170,880	168,794	166,193	128,405	124,334	139,028	135,847	220,982
Business-Type Activities										
Certificates of Participation	17,920	18,257	17,745	17,194	16,470	15,678	14,811	13,908	12,966	14,668
Add deferred amounts:										
For issuance premiums:	492	459	426	393	361	328	295	262	229	196
State Note	34,399	46,529	72,774	86,611	85,674	87,667	84,409	81,079	88,385	84,528
Other Notes	-	-	-	-	-	-	-	-	-	196
Revenue Bonds	190,389	187,170	183,813	177,198	173,535	168,410	164,126	159,841	155,330	150,585
Add deferred amounts:										
For issuance premiums:	5,945	5,732	5,519	10,058	9,623	8,926	8,502	8,077	7,653	7,230
Unamortized outflow on Bond Refinancing	-	-	-	(4,171)	(3,990)	(3,808)	-	-	-	-
General Obligation Bonds	9,890	9,530	9,155	8,760	8,350	7,925	7,485	7,025	6,540	6,030
Add deferred amounts:										
For issuance premiums:	1,015	959	902	846	790	733	677	620	564	508
Bond Anticipation Notes	-	-	-	-	-	-	-	-	-	-
Assessment Bonds	39,527	76,438	79,829	79,396	78,089	76,746	75,358	73,943	72,483	70,978
Leases*	-	-	-	-	-	-	-	-	-	250
Total bonds and notes payable	299,577	345,074	370,163	376,285	368,902	362,605	355,663	344,755	344,150	335,169
Total Outstanding Debt	$ 442,093	$ 482,093	$ 541,043	$ 545,079	$ 535,095	$ 491,010	$ 479,997	$ 483,783	$ 479,997	$ 556,151
Percentage of Personal Income	3.52%	3.76%	3.86%	3.76%	3.58%	3.13%	2.92%	2.80%	2.54%	N/A
Percentage of Assessed Value of Taxable Property[1]	1.06%	1.12%	1.19%	1.13%	1.06%	0.92%	0.85%	0.81%	0.77%	0.87%
Net outstanding debt Per Capita	$ 1,624.28	$ 1,770.08	$ 1,972.50	$ 1,960.88	$ 1,916.46	$ 1,753.31	$ 1,713.66	$ 1,708.81	$ 1,700.62	$ 1,964.09

Note: See the Demographic Statistics Schedule for detailed information on personal income and population.

[1] Due to Article XIII-A, added to the California Constitution by Proposition 13 in 1978, the County does not track the estimated actual value of all County properties; therefore, the ratio of net outstanding debt to the estimated actual value of taxable property is unable to be determined; however, the ratio of net outstanding debt to the assessed value of taxable property is determinable and presented in the table.

* GASB Statement 87 was implemented in FY 2021-22. Prior year leases were not recognized as capital leases pre-GASB 87.

Source: Notes to the Financial Statements, Note 10

Local Agency Formation Commission Meeting of Thursday, June 15, 2023 (Completed)

The meeting was cancelled.

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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

How Do You Solve a Problem Like CEQA? Part One

Environmentalism run amok is destroying economic opportunities for all Californians, and CEQA is the beating heart of the beast

BY EDWARD RING

Part One – How CEQA Has Made California Unaffordable
The following is the first of a three part series on the impact of the California Environmental Quality Act on development in California and ways to potentially improve the law. It is written in response to hearings conducted over the past three months by the California's Little Hoover Commission.

The California Environmental Quality Act, universally known by its serendipitously phonetic acronym "SEE-kwa," was passed by the state legislature in 1971. At that time, it was the first legislation of its kind in the nation, if not the world. Its original intent was to "inform government decision makers and the public about the potential environmental effects of proposed activities and to prevent significant, avoidable environmental damage."
Over the past half-century, however, CEQA has acquired layers of legislative updates and precedent setting court rulings, warping it into a beast that denies clarity to developers and derails projects. When projects do make it through the CEQA gauntlet, the price of passage adds punitive costs in time and money. Knowing this will happen deters countless investors and developers from even trying to complete a project in the state.

Starting earlier this year, California's nonpartisan Little Hoover Commission began studying the impact of CEQA and soliciting suggestions from the public. They have held four public hearings so far, on 3/16, 4/13, 4/27, and 5/11. The live hearings, lasting in total over 12 hours, in all four cases were attended by almost nobody apart from the commissioners and the people invited to testify. Altogether, so far on YouTube these four hearings have attracted just over 1,000 online views. Not much, considering CEQA's impact.

Anyone who has waded through all 12 hours of these hearings may agree that certain themes came up again and again, and will doubtless factor significantly in determining what the commission ultimately recommends. The remainder of this report will summarize some of the recurrent or noteworthy observations and recommendations from these hearings, along with ideas solicited elsewhere from Californians that have had to deal with CEQA either as attorneys, judges, developers, or activists. To be clear, and in the interests of full disclosure, this report is not intended to offer a neutral perspective on CEQA. It is rather an attempt to further expose how problematic CEQA has become, and offer alternatives.

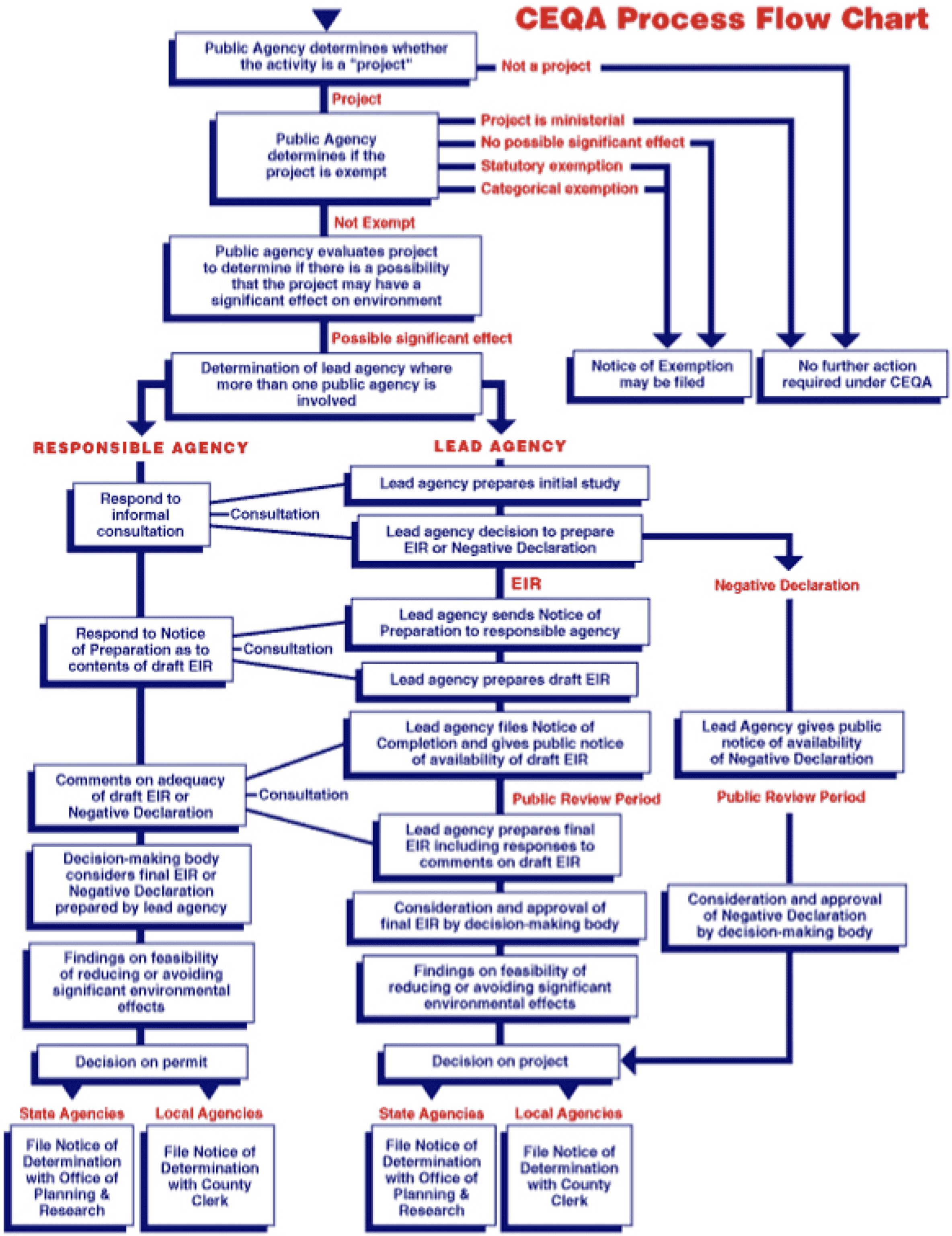
While CEQA is most often associated with housing, and is often cited as a major obstacle to building more housing in California, it affects any project that has potential environmental impacts. Along with housing development, this includes commercial development, sports facilities, and all types of infrastructure including dams, aqueducts, wastewater treatment plants, desalination plants, power plants, power transmission lines, pipelines, ports and port upgrades, rail, road, mines, quarries, logging, land management; anything that changes land use and may cause "significant" environmental damage. And in every case, the influence of CEQA has its champions and its detractors.

What may inform CEQA judgments has changed over the decades. In one of the first of the Little Hoover Commission's hearings, a panelist informed the group, speaking with almost reverent certainty, that five of California's major airports "would be underwater by 2050." Such remarks and sentiments now pervade CEQA proceedings. Climate change impact, which was absent from CEQA cases in the 1970s, has become one of the dominant concerns brought in CEQA cases today.

The Labyrinth Called CEQA

The concept of CEQA is unassailable. If a project may cause "significant impact" to the environment, the CEQA process will ensure that either the impact is appropriately mitigated, or the project is stopped. The chart depicted below, courtesy of the California Department of Conservation, depicts the CEQA process. If anything, this elaborate flow chart understates what a project developer is up against thanks to CEQA. There is rarely just one "responsible agency." If any of these agencies determine there are any flaws or omissions in the required "Environmental Impact Report" (EIR), the process often has to be restarted. The delays between inter-agency responses can consume months if not years. The "public review period" leaves room for a 3rd party to file a time consuming lawsuit right up to the last minute before a project is finally approved.

If the complexity of CEQA as depicted in this flowchart makes obvious the difficulties facing anyone who develops property or manages land, it also explains why exemptions have become the shortcut taken for politically favored projects. Exemption from CEQA has been the default remedy pursued by the state legislature whenever they decide it is important to prioritize any project, or category of projects. But carving out one exemption after another does not fix CEQA. Even if the state legislature were capable of correctly prioritizing projects, which is an absurd reach, it remains an absolute process without gradation. Anointed projects skip through the exemption portal and are fast-tracked, even though many of them may cause environmental impacts that are significant. Meanwhile, all other projects, many of which are just as urgently required, must go through the labyrinth called CEQA.



Would True Environmental Justice Include More "Greenfield" Development?

Along with the relatively new and central role of climate change impact in the CEQA process, another major new concern now considered in CEQA cases is "environmental justice," that is, the alleged disproportionate effect development projects may have in low income neighborhoods. This allegation is not unfounded, although the causes predictably attributed to this – a legacy of systemic racism – are more nuanced than conventional wisdom may acknowledge. Residential areas that are situated in close proximity to a network of freeways, industrial parks, airports, seaports, and warehouse districts, for example, are going to have more noise and more air pollution than residential areas that are in the foothills peripheral to a major urban center. Homes and apartment rentals in less desirable neighborhoods will be more affordable, so it is natural that on average, residents with lower household incomes will be living there. Campaigns for environmental justice can be based solely on economics without sacrificing credibility or moral worth.

Regardless of the underlying causes, it is valid to argue that yet another industrial project in a neighborhood that already has a high density of industrial development is going to add its incremental contribution of noise and pollution to a place already saturated with noise and pollution, whereas putting that same project in a pristine affluent suburb will not. It is also valid to argue that the residents and elected officials in wealthy neighborhoods have the economic wherewithal to hire attorneys to litigate against industrial projects and high density housing in their neighborhoods, whereas these same projects can be directed into lower income neighborhoods where the residents do not have the resources to resist.

This gives rise to a criticism of CEQA that is double edged. On one hand, CEQA offers people in low income communities one of the only legal tools available to fight high density housing and industrial or warehouse development that will create more noise, more congestion, more of a service burden, and more pollution in their communities. But at the same time, while residents in these low income communities have to find an attorney willing to carry their objections, often pro bono, into a legal battle, CEQA is an off-the-shelf, potent weapon in the hands of wealthy residents across town, who deploy it at will to keep high density housing and unwanted commercial development out of their communities.

One solution to this conundrum which some would consider a win-win would be to develop entire new cities on open land in California. Doing this would preserve the ambiance of existing neighborhoods, regardless of their average household income, and might even facilitate de-densification. It would lower the price of housing everywhere, making it easier for low-income residents to afford to either improve their neighborhoods or migrate to new communities. Doing this, however, would require massive state investment in enabling energy, water, and transportation infrastructure. Back in the 1950s and 1960s, building enabling infrastructure was something the state made a budget priority and performed remarkably well. Today, California's state government has not made infrastructure investment a sufficient priority, and this failure to maintain and expand California's infrastructure is frequently blamed on the roadblocks thrown up by CEQA.

Should densification and rationing be the only answer to environmentalist concerns? This question should be faced honestly. Is it impossible to construct new infrastructure to enable suburban growth? Why? California is a big state, with thousands of square miles of land that seems to be ripe for carpeting over with sprawling wind and solar farms, while new homes and new roads remain anathema. There's room for both. California's urban footprint consumes about 8,000 square miles, which is only about 5 percent of its area. You could build new cities housing 10 million people on raw open land, in four person households in single family dwellings on quarter-acre lots, with an equal amount of space allocated for roads, schools, parks, and

commercial and industrial space, and it would only require 2,000 square miles. In the geography of vast California, that is an insignificant amount of land. Why not?
It is ironic that CEQA and related laws have made it almost impossible to build on “greenfields,” that is, on raw undeveloped land on the periphery of cities, and yet the laws are streamlined to fast-track infill development in relatively toxic and already densely populated urban environments. Perhaps in the interest of environmental justice, low income communities should be supporting laws to permit the expansion of California’s urban footprint.

The Tentacles of CEQA Intersect with Other Regulatory Beasts

It’s easy to digress into a discussion of urban planning, and ask why a green straightjacket has been thrown around every major urban center in California, but at the center of such a tangent one still finds omnipresent CEQA. And CEQA, for all of its regulatory tentacles, is only part of a consortium of similar regulatory creatures. The Endangered Species Act, the National Environmental Policy Act, the California Global Warming Solutions Act (AB 32, passed by the state legislature in 2006), and seemingly infinite laws, executive orders, agency regulations, and court rulings pursuant to these and others, along with CEQA, have combined to make development in California nearly impossible.

For example, development proponents who testified in the Little Hoover Commission hearings repeatedly brought up a relatively recent regulation pursuant to AB 32, the requirement that any new housing development calculate the projected annual “vehicle miles traveled” (VMT) the residents will generate. Taking effect in 2018, this new analysis must be done in order to determine how much mitigating fees the developer will be assessed in order to fund mass transit or otherwise offset the anticipated greenhouse gas emissions from vehicles owned by residents of a new community.

But in the meantime, developers whose projects have been mired in the CEQA process since well before 2018 are now required to supplement the portions of their EIR that evaluated traffic impacts based on congestion with a new evaluation that estimates vehicle miles traveled. And while this VMT analysis is meant to supersede the traffic congestion as “the new lens for assessing transportation impacts,” potential congestion remains grounds for 3rd parties use CEQA to sue developers to stop their projects.

More generally, critics of CEQA have made clear that the law, in combination with other environmentalist inspired laws, have created a web of regulatory hurdles that are so unclear and so costly that only a small handful of housing developers, government agencies, or civil engineering contractors are big enough to navigate them. As one person testifying said, CEQA will turn a $1.0 billion project into a $1.5 billion project simply because when it takes ten years to go through the typical rounds of CEQA reviews, then debt financing taken out at 5 percent interest after 10 years will have ballooned up to a sum more than 50 percent higher than at the start.

Another compounding problem with CEQA and related laws designed to protect the environment is because so many years are required to get approval, by the time the design of a project is approved, the design has become obsolete.

Changing the rules in midstream, conflicting rules depending on the agency, an approval process that takes years if not decades, financing that dries up or is driven up to punitive levels, excessive, unreasonable fees, projects that take so long that if and when they finally get the green light, either the market or the technology has left them far behind. Start over. This is life with CEQA. This is California. For all its virtues, and there are plenty of them, environmentalism run amok is destroying economic opportunities for all Californians, and CEQA is the beating heart of the beast.

Edward Ring is a contributing editor and senior fellow with the California Policy Center, which he co-founded in 2013 and served as its first president. The California Policy Center is an educational non-profit focused on public policies that aim to improve California's democracy and economy. He is also a senior fellow of the Center for American Greatness. Ring is the author of two books: "Fixing California - Abundance, Pragmatism, Optimism" (2021), and "The Abundance Choice - Our Fight for More Water in California" (2022).

CALIFORNIA'S WAR AGAINST PROSPERITY

The Golden State's abundant resources and innovative people are not reflected in the way it is governed

BY EDWARD RING

According to the U.S. Small Business Administration, small businesses are the backbone of the U.S. economy, generating 44 percent of all business activity. Take them out of the equation, and the economy collapses. But that is exactly what's happening. The cards are stacked against small businesses in America today, and nowhere is it worse than in the state of California.

Here, the rules are rigged to make it more difficult for small, independent contractors and independent businesspeople to survive, much less thrive. Excessive regulations invariably favor large companies because the cost of complying is far easier for a company with a billion dollars in annual revenue than it is for a company with a million dollars in annual revenue.

This obvious fact is well understood by corporate monopolists whose rollup and consolidation of industry after industry in America has only accelerated in recent years. This excerpt from a January report by S&P Global, sums up the trend: "In 91 of 157 primary industries, the five largest U.S. companies by revenue combine for at least 80% of total revenue."

The report goes on to explain how monopoly power is a double-edged sword. On one hand, "growing monopoly power stifles competition and productivity in the U.S. economy." The counterargument is that "very, very productive firms end up dominating the industry." From the perspective of the ordinary American worker, either as an employee of a monopolistic corporation, or as an independent proprietor trying to compete in markets getting swallowed up by the giants, both of these arguments are true, and both are bad news.

The fact that regulations actually benefit the largest corporations clearly doesn't translate to a recognition by progressive voters that deregulation—or at the very least, a more judicious application of regulatory oversight—might help small business survive and might help consumers avoid new rounds of price gouging when a few giant companies capture entire markets. And California is ground zero for this cognitive dissonance.

A more subtle impact of excessive regulations is how it redirects productivity, rendering the value of enhanced productivity far more ambivalent than one might suppose. In California, for example, with costs for land, energy, and raw materials driven artificially high due to regulations, gains in productivity are offset by higher costs for these inputs and by higher costs to comply with regulations. Apart from wiping out the smaller competition—which is good for the monopolies—where is the benefit?

The Punishing Middle-Class Tax Burden

If a sole proprietor aspires to upward mobility by working harder, the cards are particularly stacked. The following chart shows just how demoralizing current tax laws are for people with taxable income between $90,000 and $160,000, particularly in California, where state taxes are especially onerous.

In California, depending on where you live, it is difficult, if not impossible, to support a family on $90,000 per year. That income is the entry-level to the middle class. For the same reasons, in California, a taxable household income of $160,000 per year is by no means upper middle class. In many parts of the state, it still spells tight budgets and tough spending decisions for families.

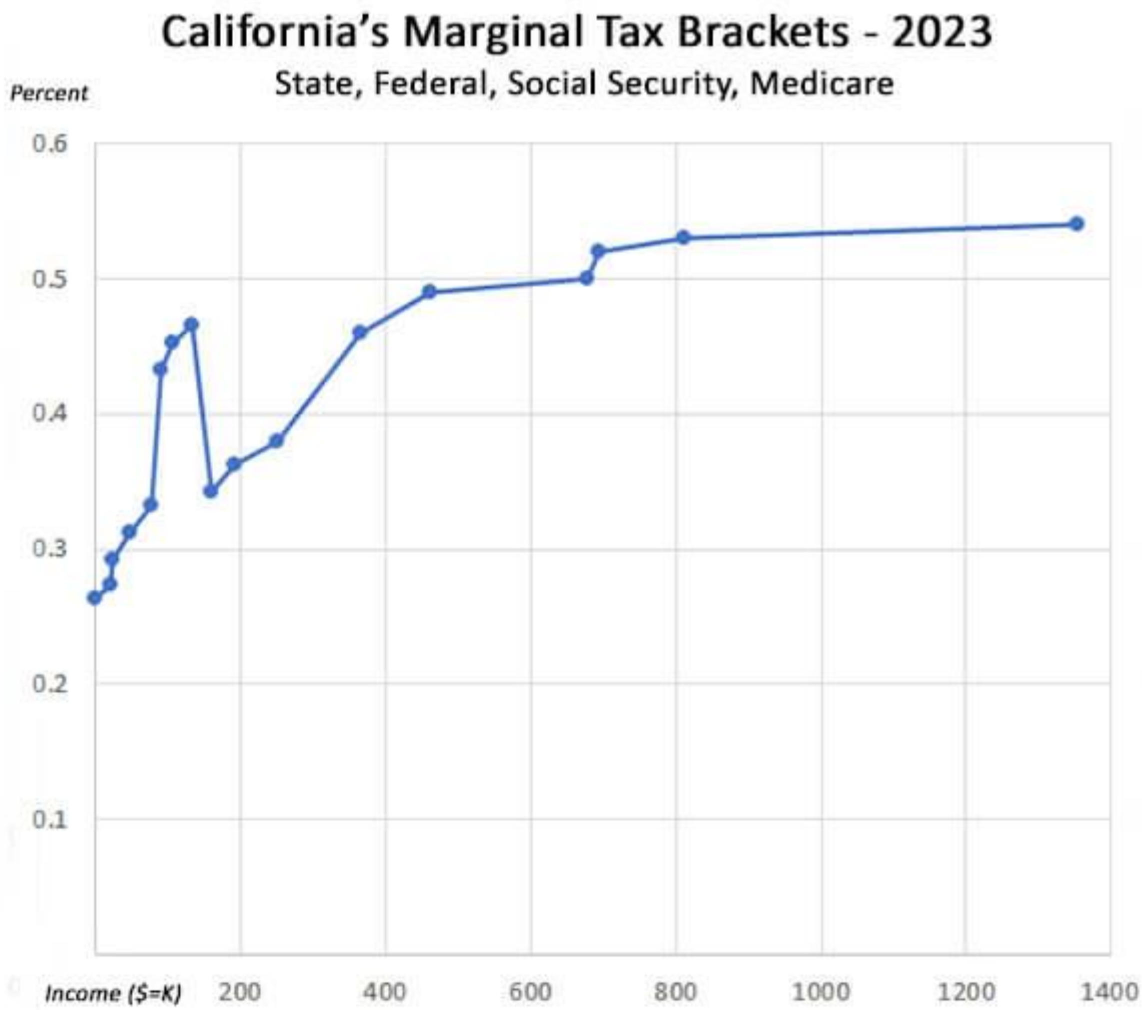
But where is the incentive to work harder, beyond the pure necessity to survive? If a person is making $90,000 per year as an independent contractor (married filing jointly) and they forfeit nights or weekends to take on extra work, they will give 43 percent of their income to the government. That is, for every $100 they earn, they'll only keep $57. If they are set to make $132,000 per year, and they take on an extra job, they'll pay 47 percent of their earnings to the government. *Forty-seven percent tax.*

This is an appalling abuse of some of the hardest-working citizens in America.

People who are barely able to make ends meet, who need to supplement their income by sacrificing whatever time they can spare after fulfilling their obligations to their family and to their primary clients, are forced to give nearly half of every dollar they earn to the government.

And in a bizarre twist of logic, white collar law partners and consultants, who collect higher compensation as hired clerisy for monopolists and billionaires, end up paying *less* in marginal taxes. As soon as their taxable income exceeds $160,000 per year, their 12.4 percent Social Security assessment goes away, and their marginal tax burden drops from 47 percent to 34 percent. In America's supposedly progressive tax environment, a 47 percent marginal tax burden is not reached again until income exceeds $400,000 per year.

Interesting, isn't it? A guy who takes on extra work to pay rent for his home and tuition for his kids and scrapes together $130,000 per year is paying more taxes on that last dollar than a corporate litigator whose last billable hour topped out at $390,000 per year. Some might say there is a distinction between Social Security taxes and "taxes." But when your biggest concern is having enough money left to cover your monthly bills, that's mumbo jumbo. Money for the government is money for the government. It doesn't matter where it's going or what you call it.



The Cost-of-Living Burden

It's not easy to draw the line between what regulations facilitate authentic capitalism, where companies have to use their productivity innovations in order to sell competitive products at competitive prices to customers with options, versus regulations that empower monopolies and throw up impassable barriers to smaller emerging would-be competitors. In California's case, nobody has even tried to thread that needle.

Instead, the state legislature has never considered a regulation it didn't like. With accelerating frequency and intensity, and specifically with respect to "saving the planet," California's regulatory state has made it impossible to live a middle-class lifestyle.

Thanks to environmentalists pressuring the state to impose ridiculous "net zero" building codes, along with cordoning off cities to prevent the far less expensive option of building on open land, the average home in California costs over $728,000. That's actually down slightly compared to a year ago, but payments are still way up. With a 30-year fixed mortgage now up to 7 percent, the average home in California will set you back $4,844 per month.

But that's not all: California's much-vaunted low property taxes, at 1 percent, still pack a wallop on such a huge base. Add at least another $1,200 per month for the 1 percent property tax, the various local "fees" that get around the 1 percent cap, plus mortgage insurance, and homeowners insurance.

How far is that $90,000 per year going, now that you've spent $72,000 just to get your family under the average roof? Add to that the most expensive total costs for natural gas, electricity, gasoline, and water in the United States, and you'll be lucky to have a dime left over for clothing, groceries, or health care. Want to keep your kids out of the public schools? Good luck. On average, that will cost another $16,000 per year per child in the Golden State. And it is not tax deductible.

All of these costs are elevated either indirectly or explicitly thanks to environmentalist regulatory excess. The state has plenty of land for homes, trees for lumber, abundant reserves of gas and oil, and amazingly productive farmland. But in every one of these areas—the foundations of prosperity—environmentalist-inspired rules have restricted supply and raised costs. The only economic interests that have benefited are monopolists.

What Kind of Government Is This?

How did it come to this? Californians pay ridiculously high taxes. If they are within that middle-class band of income between $90,000 and $160,000 per year, their marginal tax rate is *more* than people earning up to $400,000 per year. And for what? A government passing regulations that have made the state unaffordable? California's government has declared war on its hardest-working citizens. It is engaging in what amounts to the economic expulsion of its middle-class citizens.

For California's low-income communities, the situation is no better. How does it serve social justice to make the most basic necessities of life unaffordable? How does it serve environmental justice to cram millions of people into already crowded cities because a "greenbelt" has been stretched around every urbanized region of this vast, underpopulated state? How does it foster upward mobility for low-income families when the only thing achieving middle-class economic status brings is no more government subsidies and brand new, crippling rates of taxation in their place?

And then there is the entire spectrum of failed state phenomena—rampant drug addiction, decriminalized crime, a completely unregulated homeless population, and public schools where children are taught identity politics and climate crisis indoctrination, filling their heads with resentment and terror, instead of grammar and multiplication tables.

Why should anyone work anymore? Why try? The government schools teach values that nurture irresponsibility—blame systemic racism and corporate greed for anything missing in your life—

and at the same time, government regulations have created an economy where even a hard-working and responsible person cannot afford to live.

California's only hope is for its voters to recognize what has happened and, in a multiethnic, nonpartisan seismic wave of populist rage, replace every one of their dysfunctional, wholly owned legislators. California's voters must demand politicians and policies that strike a reasonable balance between the needs of the environment and the needs of civilization in order once again to enable an economy where small companies can compete with large companies, where consumers have choices, and a *low* cost of living appropriately reflects California's abundant resources and innovative people.

Edward Ring is a senior fellow of the Center for American Greatness. He is also a contributing editor and senior fellow with the California Policy Center, which he co-founded in 2013 and served as its first president. Ring is the author of Fixing California: Abundance, Pragmatism, Optimism (2021) and The Abundance Choice: Our Fight for More Water in California (2022). This article first appeared in the American Greatness of June 14, 2023.

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