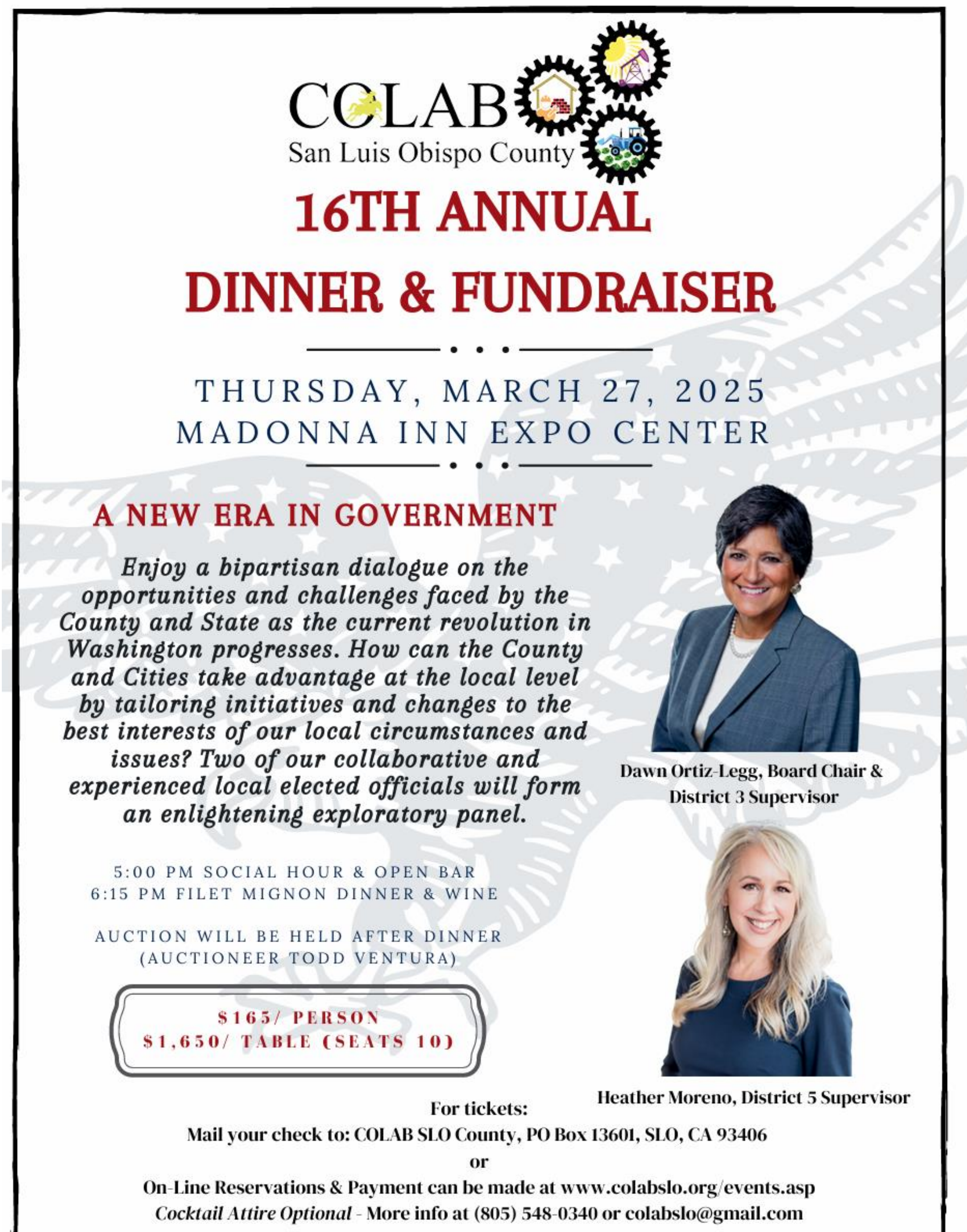
COLAB San Luis Obispo County

The Coalition of Labor Agriculture and Business

WEEKLY UPDATE
March 23 - 29, 2025

THIS IS IT: CALL 805 548-0340 FOR LAST TICKETS



THIS WEEK'S HIGHLIGHTS
SEE PAGE 6

PENSION TRUST MEETING

PENSION COST TO INCREASE AS SALARIES INCREASE, RETIREES LIVE LONGER, & INVESTMENT RETURNS FLUCTUATE

BOARD OF SUPERVISORS MEETING

CAL POLY CORP HOTHOUSE INCUBATOR ECON
DEV. PROJECT $350,000 FOR FACILITY RENOVATION
IS THIS REALLY ECONOMIC DEVELOPENT OR PATRONAGE?

MORRO BAY TO CAYUCOS CONNECTOR PATHWAY PROJECT TO ADD MORE FUNDS
BUT ISN'T IT DEAD FOR NOW?
SLOCOG SWITCING FUNDING TO BOB JONES TRAIL

OLDER ADULTS GUARANTEED INCOME PILOT PROGRAM
STAFFING & CONSULTANTS TO EAT UP MUCH OF THE RENT MONEY

FISCAL YEAR 2025-26 COUNTY AND STATE BUDGETS - NEW GAP PROJECTIONS
CAO REVIEWING PROGRAMS
SEEKS $40 MILLION IN REDUCTIONS

CANNABIS RETAIL STOREFRONT ZONING EYED
IS THE JUICE WORTH THE SQUEEZE?

COUNTY EDUCATION OFFICE SEEKS ZONING FOR HOUSING FOR TEACHERS & STAFF
A DANGEROUS PRECEDENT
WHAT IF OTHER GOVERNMENT EMPLOYEES DEMAND IT?
THE COUNTY HAS LAND ALL OVER THE PLACE
SHOULD GOVT. EMPLOYEES GET SPECIAL SUBSIDIZED HOUSING?

EVERYONE ELSE

LAST WEEK
SEE PAGE 15

NO BOARD OF SUPERVISORS MEETING

CENTRAL COAST COMMUNITY ENERGY

3CE SWITCHES 75,000 CUSTOMERS FROM PG&E
ALL OF UNINCORPORATED COUNTY AND ATASCADERO GRABBED

3CE'S COST PER KILOWATT RATES FOR BASIC RESIDENTIAL WILL BE ABOUT THE SAME AS PG&E

PERILS OF POWER CHARGE INDIFFERENCE ADJUSTMENT (PICA) - STRANDED COSTS IMPACT 3CE RATES

3CE LOST MONEY IN FY 2023-24
RATES TO GO UP APRIL 1ST

3CE HAVING PROBLEMS ACQUIRING ENERGY
BEHIND ON GREEN ENERGY

LOCAL AGENCY FORMATION COMMISSION

SUED BY DANA RESERVE PROJECT OPPONENTS
PLAINTIFFS ASSERT CEQA VIOLATIONS

EMERGENT ISSUES
SEE PAGE 21

PHILLIPS 66 TO SHUT LOS ANGELES REFINERY BY OCTOBER, CEO LASHIER SAYS

WE'LL NEVER HAVE AN ENERGY TRANSITION
DESPITE A TENACIOUS NARRATIVE, HISTORY SHOWS THE GREEN NEW DEAL VISION IS NOT INEVITABLE— IT'S IMPOSSIBLE

REVIVE NUCLEAR ENERGY IN AMERICA

REVIVING NUCLEAR POWER IN THE U.S. IS KEY TO ENERGY INDEPENDENCE, LOWER COSTS, AND CUTTING EMISSIONS—BUT BUREAUCRACY, MYTHS, AND POLITICS KEEP AMERICA LAGGING BEHIND GLOBAL LEADERS

CALIFORNIA HOMELESSNESS RISES TO 187,000, PERHAPS MANY MORE, DESPITE $37 BILLION SPENT

COLAB IN DEPTH

SEE PAGE 29

WHAT ARE THE LEFT'S SOLUTIONS FOR THE PROBLEMS THEY CREATED?

THE U.S. FACES MOUNTING TRADE DEFICITS, IMMIGRATION CRISES, AND ENDLESS FOREIGN WARS, WHILE CRITICS OF TRUMP'S POLICIES OFFER NO VIABLE ALTERNATIVES TO BIDEN-ERA FAILURES

BY VICTOR DAVIS HANSON

SPONSORS

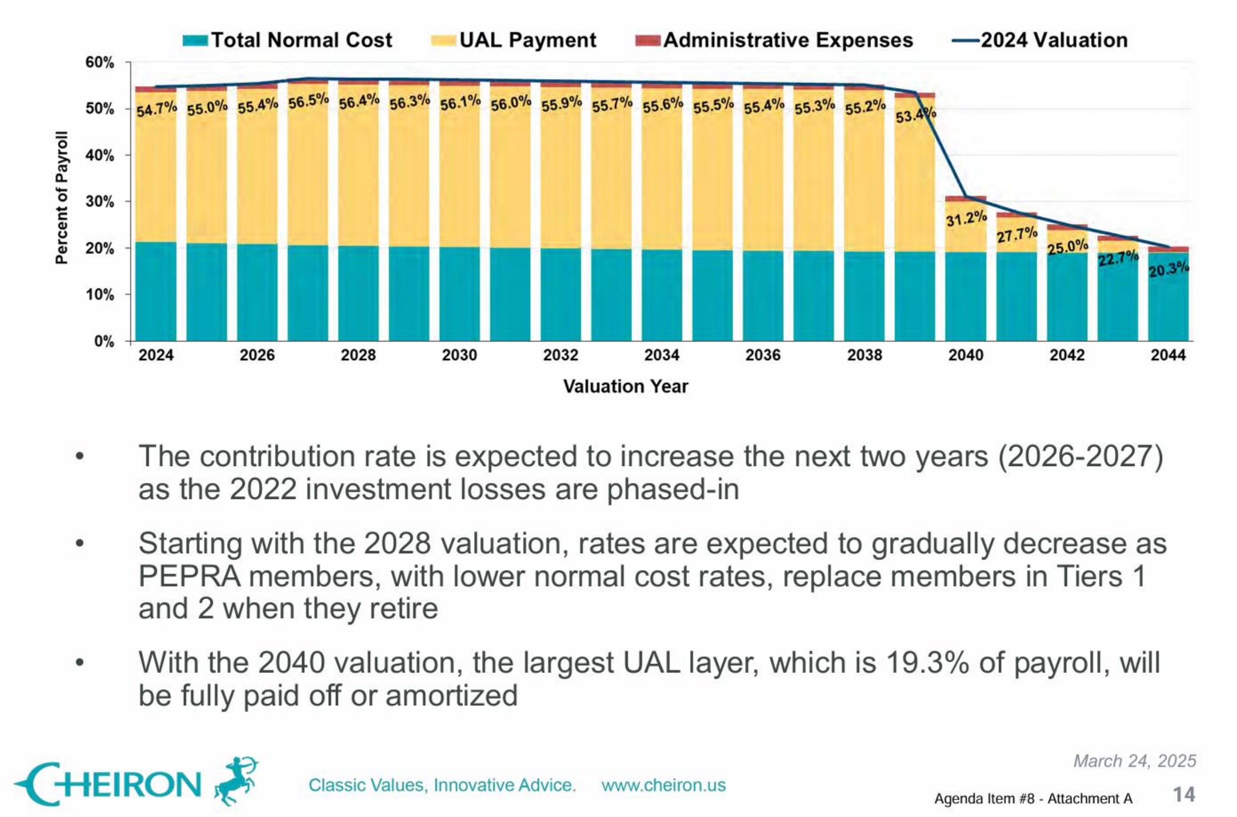
THIS WEEK'S HIGHLIGHTS

SLO County Pension Trust Meeting of Monday, March 24, 2025 (Scheduled) 9:30 AM

Item 8 - 2025 Actuarial Valuation Planning. The Pension Trust Board will receive a preview of the actuarial status of the plan. The good news is that rates charged to the County and the employees will increase only slightly. Thus for every dollar paid in salary, the contribution to the pension system will go from 55.0 cents to 55.4 cents. Superficially, the County pays about 39.7 cents of this, while the employees pay about 15.7 cents. However, the County provides what is called a "pension offset" benefit payment to the employees, which reduces the employee share to about 4% of the total. Additionally, the non- safety employees receive social security. The County contribution to Social Security for the 2023 calendar year was 6.20% of wages, up to $160,200. The County also matches the employee's contribution to Medicare. The 2023 calendar year Medicare rate is 1.45% of total wages (no maximum). Thus, in addition to the 55.4 cents, there is 6.2 cents for Social Security and 1.45 cents for Medicare, or a total of 63.3 cents per dollar of salary going to retirement.

The table below illustrates the actuary's projection for the amortization of the unfunded liability over the next 2 decades. It assumes that the system earns an average of 6.75% return on investment for every year over the 20 years. This is highly unlikely, given the fragility of the national and world economic situation with $36 trillion in national debt; multi-trillion annual national deficits; pervasive leftist radicalism on climate, economics, and civic order; accelerating decay of the metropolitan cities; and the growing power of the Sino-Russian-Iranian-North Korean Axis. Of course, SLO County is a geographic captive of the lunatic California State government and its marginalization of business, agriculture, private sector labor, and private property.

Thus, don't count on this prediction for reduction of the liability, which has now reached just over $1 billion.



Item 12 - Monthly Investment Report for February 2025. February was a down month for the financial markets. The Report stated in part:

Following a strong start to the year, February was a month of increased volatility and deteriorating investor sentiment. This was driven by both economic news and geopolitical developments. Domestic equity markets experienced their steepest declines since April 2024, with the S&P 500 down 1.3%. Investors responded by seeking safety in U.S. Treasury Bonds.

	1-month	YTD	2024	2023	2022	2021	2020
Total Fund (%) *(Gross)*	0.30	2.1	7.0	8.9	(8.0)	15.2	8.9
Policy Index (%)	0.40	1.9	8.5	10.2	(9.7)	12.8	10

	YTD	2024	2023	2022	2021	2020
Market Value *(millions)*	$1,796	$1,763	$1,694	$1,614	$1,775	$1,552

* Policy index as of Nov. 2021 Strategic Asset Allocation Policy with 2024 Interim targets:

Public Mkt Equity-	20% Russell 3000, 17% MSCI ACWI ex-US
Public Mkt Debt-	4% Bloomberg/Barclays US Aggregate,
Risk Diversifying	8% Barclays 7-10yr Treasury, 7% Barclays 5-10yr US TIPS
Real Estate & Infrastructure-	14% NCREIF Index (inc. Infrastructure)
Private Equity-	12% actual private equity returns
Private Credit-	10% actual private credit returns
Liquidity-	8% 90-day T-Bills

Pending annual updates to interim targets.

Board of Supervisors Meeting of Tuesday, March 25, 2025 (Scheduled)

Item 7 - It is recommended that the Board approve the agreement with the Cal Poly Corporation to support the Cal Poly - Center for Innovation and Entrepreneurship HotHouse renovation and expansion in the amount of $350,000 from SB1090 Economic Development Funds. This appears to be a $350,000 grant for building renovations at a new Hothouse Office. This is on top of the $200,000 already allocated to the program (at the last Board meeting) that is run by the Cal Poly Corporation. The Cal Poly Corporation is a semi-captive not-for-profit service provider for the University. It runs cafeterias, housing, and other facilities.

The progress report submitted with that item listed various jobs created and business loans obtained for some of the incubated firms. The program has been running for at least ten years. The metric would be how many of the incubated firms have survived from each year, how much have they grown, and how many people are they now employing.

The Board and County management should examine the actual impact of the millions provided to the program over the years.

Is this $350,000 grant for a capital expenditure currently budgeted, and if not, shouldn't it require a 4/5 vote? Are the Diablo settlement dollars just a slush fund for anyone's pet project?

Item 23 - Request to: 1) authorize a budget adjustment in the amount of $200,000 to Fund Center (FC) 230 – Capital Projects in WBS 320054 – Morro Bay to Cayucos Connector Pathway Project using funds from the Parks Public Facilities Fees Designation in FC 247 - Public Facility Fees, by 4/5 vote; 2) approve and execute Contract Amendment No. 8 with Cannon Corporation, in an amount not to exceed $210,126 for additional engineering design, environmental review, Caltrans coordination, environmental permitting, right-of-way, acquisition, and construction documents services for the Morro Bay to Cayucos Connector Pathway Project. Is this project dead for now? It is on the SLOCOG list of projects to be reprogrammed to fund the new $7.5 million required for the Bob Jones trail.

Item 28 - Request to authorize submission of a grant application to the California Department of Social Services in the total amount up to $4,750,000 for the Older Adults Guaranteed Income Pilot Program. This item authorizes staff to apply for a State grant, that if approved, would provide elderly people (defined as over 60, with a $750 per month grant).

Eligible recipients: o Staff propose to serve the following subpopulations:

▪ *Residents of San Luis Obispo County who are age 60 or above and who are either experiencing homelessness or at imminent risk of homelessness. A current point in time count indicates there are 816 individuals currently enrolled in homeless serving programs who are age 60 or above.*

▪ *Residents of San Luis Obispo County who are age 60 or above and who are caring for a dependent minor placed through foster care with the County of San Luis Obispo.*

It is anticipated the GI Program will serve a minimum of 200 clients. If all 200 clients do not receive the full amount of payments, additional clients may be added if there is sufficient funding.

What happens when the money runs out? Won't there be pressure for the County to step up and backfill?

Below is a summary of the estimated program cost and funding distribution:

Item	Annual Funding	Total Funding
County staffing costs for two Limited Term FTE	$260,104	$897,691
Indirect costs		$332,500
Direct benefits to participating clients (monthly payments plus supportive services)	$1,634,904.50	$3,269,809
Contract services for case management	$125.000	$250,000
		$4,750,000

It seems like a very inefficient program: The non-direct benefits, staffing, and contract services add up to $1,480,000, or 31% of the funding.

Item 35 - Request to 1) receive and file a presentation regarding the Fiscal Year 2025-26 County and State Budgets, including the County's Financial Rebalancing and Resilience Initiative; and 2) provide staff direction as necessary. The purposes of this item includes updating the Board on the financial forecast for preparation of the FY 2025-26 Budget and soliciting any related new Board direction based on that information.

In General:

1. The County Budget has historically been developed from the standpoint of the so-called "status quo budget." The status quo budget is one that contains all the services and costs from the prior year and then is adjusted upwards based on higher personnel costs and higher prices for goods and services. New or expanded programs are considered as add-ons, called budget expansion requests BAR's. These are approved on a limited basis.

2. The fundamental budget problem facing the County is that its personnel costs continue to outstrip the natural growth of revenues, such as the property tax, sales tax, hotel tax, and recurring grants from the State government. As the Board letter states:

While the FY 2025-26 status quo gap is calculated at $15.3 million, the multi-year forecast continues to present a challenging picture as projections indicate that the County will continue to experience constrained revenue growth with expenditures outpacing revenues. Additionally, as we progress through the current fiscal year, the County remains focused on a key internal priority: strengthening our workforce. To recruit and retain the talent necessary to deliver consistent, high-quality services, we must continue our efforts to provide competitive wages and benefits

Thus, the County is trapped in a system where personnel costs increase relentlessly. Much of the County workforce consists of technical professionals, including engineers, attorneys, information technology types, nurses, doctors, social workers, accountants, managerial experts, and so forth. A very large segment consists of public safety professionals, including deputy sheriffs, custodial officers, fire fighters, and probation officers. These groups have become increasingly highly trained over the decades and are now subject to complex educational and legal requirements. The discipline and the flawless personal records required are rare in our society today. The jobs often require long shifts away from home and, of course, night and weekend work. They are also dangerous and require mental courage and physical conditioning. Many in society cannot or will not meet the requirements.

At the same time and as noted above, local and State supplied revenues cannot keep up with the costs.

Moreover, government personnel systems include ridged civil service ranks, work rules, pay grades, and seniority rules, and are often filled with minute requirements. Reinforcing this environment is the fact that almost all the employees are in labor unions that negotiate for pay and working conditions, further complicating operations. Until the 1960's it was inconceivable that government staffers could be part of unions that can bargain adversarially and take other actions. Finally, the unions themselves have become powerful political forces, endorsing candidates, injecting campaign funding, and lending other support to candidates who end up representing governments such as the County at the bargaining table.

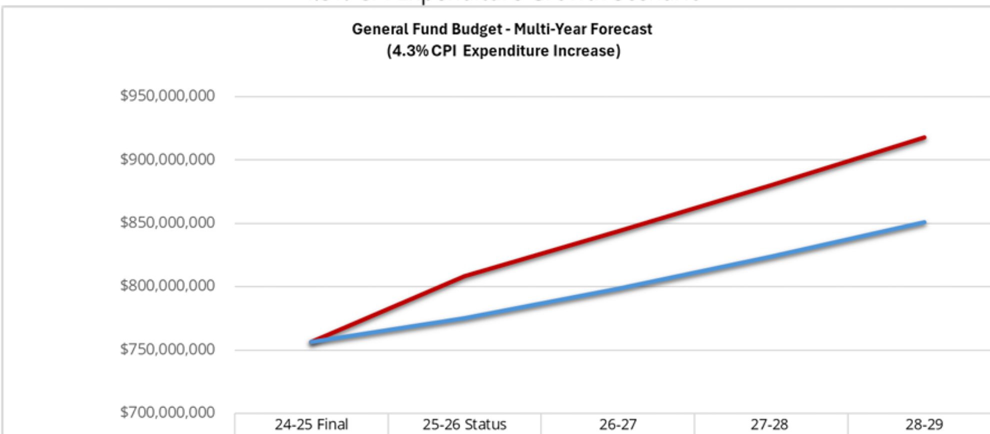
Most of these employees are professional, service oriented, approachable, and hard working. Thus, it is difficult for executive management and elected officials ignore their needs. The price of homes, medical care, and other goods and services adds consistent pressure.

Hence the relentless pressure of higher taxes and fees .

3. The County, at least in the last decade, has not related its Budget to its strategic land use, economic development, social, and environmental policies. SLO County has benefited especially from is agricultural land owners who have protected and enhanced its environment for 200 years. Its charming small cities and unincorporated villages have provided a perfect complement.

Yet now, the urban places cannot provide sufficient revenue to fund the increasingly expensive and expanding government services. CAO Pontes has rendered a great service this year by providing a 5-year budget forecast – the current year plus 4 subsequent years.

Chart 1: Multi-Year Forecast
4.3% CPI Expenditure Growth Scenario



	24-25 Final Budget	25-26 Status Quo	26-27 Projection	27-28 Projection	28-29 Projection
Total Expenditures	$756,759,220	$808,572,677	$844,031,207	$880,117,501	$917,755,505
Total Revenue	$756,759,220	$775,158,295	$798,677,968	$824,133,925	$850,967,632
Total (if + gap, if - surplus)	$-	$33,414,382	$45,353,239	$55,983,576	$66,787,873

Note that the projected revenue expenditure gaps for each year (Status Quo Budgets) total $201.5 million cumulatively over the 4 years. Remember that in addition to this recurring shortfall, the County needs $19 million (and growing) of increased revenue to properly fund the Fire Department. Similarly, the County and 7 incorporated cities are short billions for needed road and highway projects. Likewise, the pension unfunded liability is $1 billion, and even if all of its investment projections work out, it will still have to pay hundreds of millions over the next 40 years.

Thus, when we say the County is broke, it is not a term of art.

The Projected 2025- 26 Budget

1. The forecast is for a $15.3 million revenue/expenditure gap on a government funds $790.4 million Budget next fiscal year. The term "government funds" is important, as these do not include expenditures for some of the County dependent utility districts, water agency, and others that add another $102 million. Those are presented in a separate budget book from the main budget.

with departments to refine the status quo budget.

Table 1: FY 2025-26 General Fund Budget (Status Quo)

FY 2025-26 General Fund Budget	November Forecast	Status Quo
Total Financing Uses (expenditures)	$770,428,209	$790,467,963
Total Financing Sources (revenues)	$756,515,505	$775,158295
Total General Fund (if + gap, if - surplus)	**$13,912,704**	**$15,309,668**

2. The gap is probably greater because the County does not build into its estimates dollars for negotiated raises.

Salaries and Benefits – Salaries and benefits or labor costs are budgeted at $421 million in the status quo budget which is $18.2 million or 4.5% higher than the FY 2024-25 adopted budget and includes additional salary and benefit costs only for increases that have already been negotiated and approved by the Board and are being paid for as of the current year. A pension rate cost increase is assumed for rate increases for July 1, 2025.

These costs are likely to be higher because there are other contracts under negotiation, including the Sheriff's Deputies.

3. Reducing the gap will require each department to reduce or eliminate some programs. New this year, the CAO is conducting an analysis of each program. The Boards letter states in part:

This structural imbalance highlights the need for reductions through strategic rebalancing as well as sustained ongoing efforts aligned with the Board's adopted policies. The County Administrative Office is currently reviewing departmental budget submittals, including status quo budget submittals, Budget Augmentation Requests (additional resource requests), and reduction lists to develop the Recommended Budget. Due to the increasing magnitude and permanent nature of deficits in updated forecasts, the County Administrative Officer is recommending an alternative deficit reduction approach, namely a "Financial Rebalancing and Resilience Initiative", in place of the "Austerity Plan", in developing the FY 2025-26 Recommended budget. The plan targets to reduce an estimated $40 million of General Fund support in FY 2025-26 to help the course correct the structural budget imbalance and better align our expenditures with the projected revenue growth. To support this rebalancing effort, we are conducting a comprehensive review of all County programs across departments, assessing program impacts and efficacy to our community, costs, outcome tracking, and overall alignment with our Board Priorities. This approach aims to recommend a budget that adjusts the County's current spending, preventing recurring deficits and the need for annual budget cuts. v

This is a very positive step and should be supported strongly by the Board and the public. Undoubtedly, there will be some staff whining and end-run attempts. The Board should not tolerate these.

4. An element of warning is included here. Last year and prior to the new CAO arriving, Supervisor Gibson was pushing for budget reductions. His general reasoning was that we would be entering tougher financial times. Of course, the tougher financial times are primarily a result of decades of cumulative decisions about land use, economic development, environmental overreach, and failure to link budgeting and these larger strategic factors. He is the primary author and instigator of the policies over the decades. So, why the sudden concern now? Does he want to lay the groundwork for tax increases? Or is there a cafeteria of new social programs for the homeless that he might wish to install?

Matters After 1:30 PM

Item 37 - Request to 1) receive and file a Board-requested policy framework for a proposed Land use ordinance amendment to allow cannabis storefront retail within the Coastal Zone and provide staff direction, as necessary; and 2) Provide staff direction as deemed necessary to initiate an amendment to County Code Title 23 to allow for storefront retail

dispensaries within the Coastal Zone Land use ordinance as a Tier II Planning and Building priority. The staff has developed a set of principles and recommendations for inclusion in an ordinance that would permit retail storefront cannabis shops in the unincorporated county. The purpose to the item is to allow the Board to pick and choose among the policies and add or delete them.

The outline of the polices can be viewed at the link:

https://agenda.slocounty.ca.gov/iip/sanluisobispo/file/getfile/168511

The proposed ordinance amendment should consider allowing for storefront retail dispensaries in the CR, IND, and CS within the Urban Reserve Line land use categories. Allowing storefront retail dispensaries within the CR, IND, and CS land use categories (and maintaining the prohibition of storefront retail dispensaries within AGnps, RR, and RL land use categories) would ensure that storefront retail dispensaries are primarily located in areas with traditional retail characteristics. This amendment provides for enhanced storefront visibility, improved customer experience, and would avoid commercial retail-induced impacts to areas of the unincorporated county that are not suited for customer-serving locations.

Item 1- Hearing to consider a request by the San Luis Obispo County Office of Education (SLOCOE) for a Land Use Ordinance (LUO) Amendment (Case Number: LRP2023-00001) to allow for school district housing on a SLOCOE property (APN: 073-221-021).

The project is located at 2450 Pennington Creek Road, on the east side of Highway 1, near the intersection of Gilardi Road and Education Drive in the County of San Luis Obispo. The Planning Commission kind of-sort of approved the project, but in doing so sent the Board a complex list of choices. Aside from the zoning nuances, the project raises a major policy issue of the morality of governments providing housing for their employees when they won't even allow the private sector to provide housing for the citizens.

More Socialism

COLAB is covering this item, as it constitutes a new expansion of the role of Government. The County Education Office is seeking amendments to the land use ordinance to create faculty and staff housing. Previously, the State legislature approved laws to permit and encourage this activity. At this time no specific project is proposed. If approved, this item would include provisions to the Land Use Ordinance that would allow applications for specific permits in the future.

On September 26, 2023, the Board of Supervisors ("Board") authorized processing of the SLOCOE request pursuant to the typical analysis. At that meeting, Board expressed their interest in the potential to expand school district housing to other local educational agency parcels and directed staff to develop a framework that may be expanded to other parcels in the future, but for the purpose of this request, would limit school district housing to the project site until otherwise directed by Board.

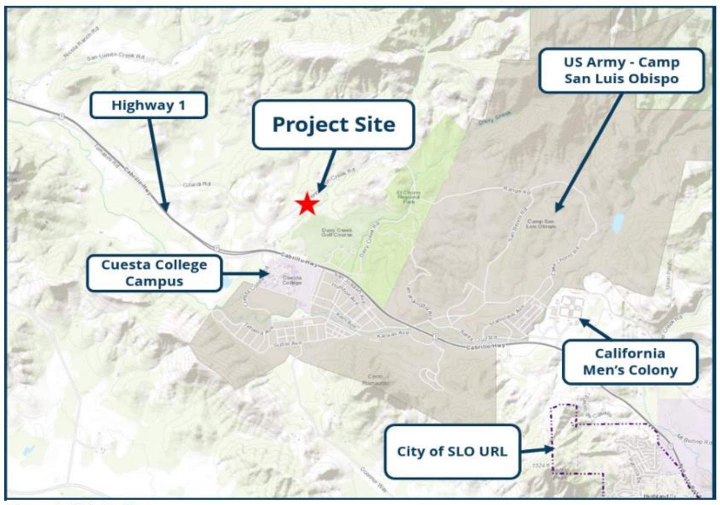
The San Luis Obispo Office of Education (SLOCOE) submitted a request for a Land Use Ordinance (LUO) Amendment (LRP2023-00001) to allow for school district housing on a 1.4 acre portion of a SLOCOE property at 2450 Pennington Creek Road (APN 073-221-021). T

The request stems from difficulty of retaining faculty and staff due to the high cost and limited supply of housing in the region and a desire by the applicant to provide affordable housing options for current and future employees (**Attachment 6**). The recommended amendment would allow for residential use on the project site; however, any proposed residential development would be subject to a separate discretionary review. The larger policy issue is: Should local governments get into the housing business with units provided for their employees? Some universities have offered faculty housing over the years in an effort to attract and retain both up-and-coming and experienced professors. However, easing the County and local school districts into a "new business" opens a new level of government activity that could spread to other jobs, including public safety, medical specialties, engineers, planners, social workers, financial experts, and others.

Over the years, more and more housing would be developed and would need to be managed, maintained, insured, receive utility services, etc. Administering the developing personnel issues, including selection)of who receives the housing, when do they have to move out if fired or laid off, labor contract issues, and all the rest. As these groups grow in number, they will become a political interest group protecting their status.

Labor negotiations will become even more complex and costly, especially when the unions assert equity issues. The teachers and other government employees already receive salaries and benefits that exceed those of most of the taxpayers who are funding them. They have double protection of civil service and unions.

The problem is that the State, counties, and cities simply refuse to zone enough land for homes in the name of resource unavailability, climate change, and the desire to preserve a leafy and visually pleasing environment. The madness continues. Go look at the City of Thousand Oaks, that was planned and began developing in the 1960's by a private developer (Bill Janns) who converted the Lynn Ranch in the Conejo Valley into a new city. There was no CEQA, no ten-year permitting process, no design review, etc. It is much better designed than most of the crap that is being so tortuously planned today by governments.



LAST WEEK'S HIGHLIGHTS

No Board of Supervisors Meeting on Tuesday, March 18, 2025 (Not Scheduled)

Central Coast Community Energy Authority Policy Board Meeting of Wednesday, March 19, 2025 (Completed)

In general: 3CE's slight energy cost advantage per kilowatt hour under PG&E is narrowing. For the first time, its costs are growing faster than its revenues. It is also piling up uncollectable accounts receivable.

Separately, the government agency involuntarily added more than 74,000 customers in the City Atascadero and the unincorporated SLO County. A number of these have elected to opt out.

See the graphics on the next 2 pages for details:

3CE Enrollment

Atascadero and Unincorporated San Luis Obispo County

Engagement:

- Three of the four enrollment mailers for customers in the City of Atascadero and unincorporated San Luis Obispo County were delivered to USPS mailboxes and email inboxes beginning Saturday, November 2. The fourth and final notification is scheduled for distribution during the first week of March.
- Staff has conducted monthly meetings with representatives from the City of Atascadero and the County of San Luis Obispo to provide updates on the enrollment process.
- Additionally, staff has engaged with large commercial accounts and community groups in the enrollment areas to address questions and promote available rebate programs.
- On February 18, 3CE hosted a reception at the Atascadero City Hall Council Chambers, where representatives from the City and 3CE discussed the benefits of community choice aggregation for both customers and the broader community.

Customer Retention and Opt-Outs (11/1/24-2/26/24):

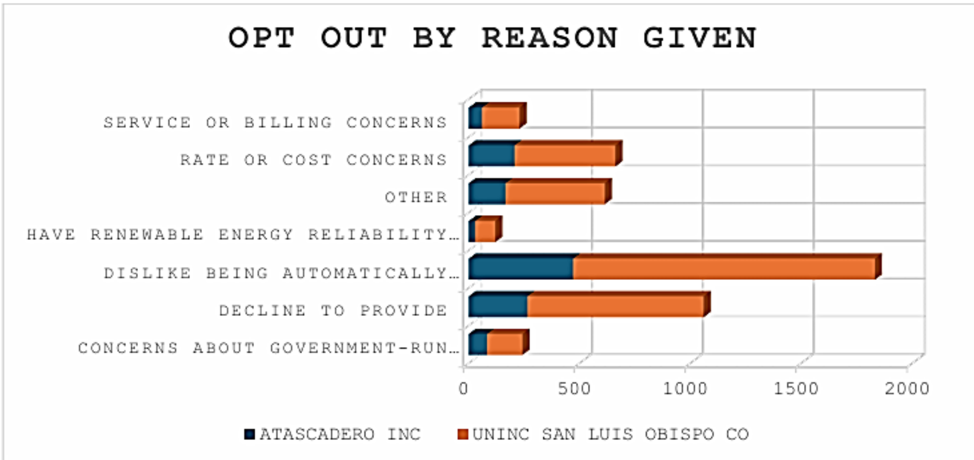
3CE's goal for enrollment in the City of Atascadero and unincorporated San Luis Obispo County is to retain 90% of eligible load.

In **Atascadero**, 14,051 customers are eligible for 3CE service. 1,281 customers opted out, including 1,180 residential customers and 100 commercial customers. The opt outs represent 8.9% of eligible accounts, meaning that 91.1% of customers elected to stay with 3CE. The current enrolled eligible load is 91.6%.

In unincorporated **San Luis Obispo County**, 60,842 customers are eligible for 3CE service. 3,465 customers opted out, including 3,101 residential accounts, 232 commercial, and 132 agricultural accounts. The opt-outs represent 5.7% of eligible accounts, meaning that 94.3% of customers elected to stay with 3CE. The current enrolled eligible load is 97.5%.

Below is a breakdown of opt-outs in the City of Atascadero and Unincorporated San Luis Obispo County following 3CE's third enrollment notification mailer. Opt-outs coinciding with customer notifications about automatic enrollment are expected as part of the Community Choice Aggregation model of automatic enrollment. Staff expects to effectively retain 90-94% of customers in the enrolled areas.

Reasons for Opting Out (11/1/24-2/26/2025):



Summary of Customer Retention and Opt-Outs to Date

3CE's goal for enrollment in the City of Atascadero and unincorporated San Luis Obispo County is to retain 90% eligible load.

- In Atascadero, opt-outs to date represent 8.9 % of eligible accounts, with 91.1% of customers electing to stay with 3CE and retaining 91.6% of eligible load.
- In unincorporated San Luis Obispo County, opt-outs to date represent 5.7% of eligible accounts, with 94.3% of customers electing to stay with 3CE and retaining 97.5% of eligible load.

Consistent with past enrollments, 3CE's customer service center received higher than average call volume following the enrollment mailers. Most customers who elected to opt-out did so because they disliked being automatically enrolled.

Overall, this data indicates that 3CE is on track to meet its goal of retaining 90% of eligible load in both the City of Atascadero and unincorporated San Luis Obispo County.

Item 10 - Receive a presentation on the Power Charge Indifference Adjustment (PICA) and provide staff direction. The report stated s in part:

Initially conceived in 2001, the PCIA was designed to prevent cost shifts between Investor-Owned Utility (IOU) customers and Direct Access (DA) customers.1 With the growth of CCAs across the state since 2010, it also now applies to customers who depart IOU service for a CCA electric generation provider.

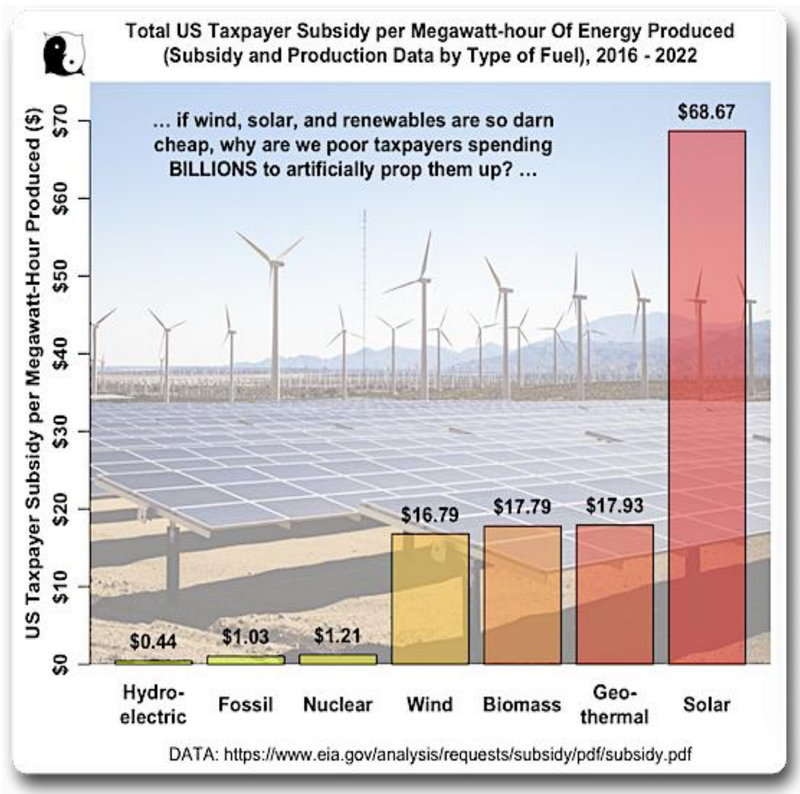
California Public Utilities Code Section 365.1 mandates that utilities not be penalized for the departure of customers to other providers (unbundled customers) and calls upon the California Public Utilities Commission (CPUC) to establish a mechanism to ensure that the customers remaining with Investor Owned Utilities (IOUs) for generation service (bundled customers) remain indifferent to such departures.2 The PCIA is the CPUC's response to this mandate, and is designed to ensure that customers who switch to a CCA or DA provider do not unfairly benefit by leaving bundled customers with a disproportionate share of the stranded costs resulting from their departure. The charge seeks to ensure that customers who leave IOUs for alternative generation providers still contribute to the costs of power procurement and other obligations previously incurred by the utility on their behalf. Importantly, both bundled and unbundled customers pay a portion of the stranded costs associated with the PCIA.

Annually, the PCIA is set through the Energy Resources Recovery Account (ERRA) Forecast Proceeding, which determines IOU generation rates for the next calendar year. Applications filed by the IOUs are submitted every May, with Commission decisions scheduled for December and resulting rate changes effective January 1.

The methodology for PCIA calculation directly affects the competitive differential between IOUs and Community Choice Aggregation entities, such as 3CE. 3CE's generation rate reflects its cost to serve customers, including operations, portfolio construction, and risk management – factors within the agency's control. On the other hand, the PCIA, which is applied to 3CE customers' bills, reflects IOU legacy costs and is set by the CPUC. A high PCIA reduces CCA competitiveness, and a low or negative PCIA enhances CCA's competitive position.

3CE and the other CCAs are fighting the CPUC over proposed increases in the PICA, as those costs will increase CCA customers' bill. The costs are further eroding the already diminishing 3CE price advantage of PG&E.

Item 11 - Receive a presentation on 3CE's FY 2023-24 audited financial statements. The 3CE, with a $580 million operating budget, lost $36 million in FY 2023-24. The large reserves that it accumulated in its early years of operation cushioned the loss. Nevertheless, the staff is recommending a rate increase for April 1, 2025.



CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Electricity sales, net	$ 544,358,419	$ 450,713,404
Liquidated damages	-	750,000
Other income	98,215	155,868
Total operating revenues	544,456,634	451,619,272
OPERATING EXPENSES		
Cost of electricity	547,248,240	398,746,769
Contract services	13,387,839	10,820,099
Staff compensation	7,830,528	6,200,592
Other operating expenses	1,695,758	1,869,295
Program incentives	10,248,121	8,484,775
Depreciation and amortization	585,758	418,568
Total operating expenses	580,996,244	426,540,098
Operating income (loss)	(36,539,610)	25,079,174
NONOPERATING REVENUES (EXPENSES)		
Investment income	12,893,661	8,184,122
Grant revenue	-	1,450,969
Interest and financing costs	(59,933)	(53,498)
Nonoperating revenues (expenses)	12,833,728	9,581,593
CHANGE IN NET POSITION	(23,705,882)	34,660,767
Net position at beginning of year	241,871,325	207,210,558
Net position at end of year	$ 218,165,443	$ 241,871,325

Note that 3CE made a profit of $25 million in FY 22 -23. Thus, the swing is $61 million from one fiscal year to the next. The cost of energy is rising. Also, there are delays in the construction of green energy projects and increases in cost of some of the green energy projects that 3CE had contracted with previously. As of the end of fiscal year 2024, these totaled more than $4.9 billion.

Year ending September 30,	
2025	$ 554,000,000
2026	329,000,000
2027	265,000,000
2028	248,000,000
2029	270,000,000
2030-2053	3,299,000,000
Total	$ 4,965,000,000

Two weeks ago the 3CE operations Board contracted with a company building a gas fired battery storage facility for another $750,000,000. This brings the total to $5,715,000,000. Member city and county officials should ask 3CE for a breakdown on what portion of these long range contracts is atributable to their membership. Were they to determine to leave 3CE, what would they owe? If 3CE were to go out of business, what would they owe? Do 3CE contracts with these vendors contain specific lanaguage insulating the member jurisidictions from liability in the case of defualt? Should they be disclosing this long term obiligation on their comprehensive annual financial reports?

Item 12 - Adopt Resolution No. PB-2025-02 approving adjustments to the calendar year 2025 electric generation rates effective April 1, 2025. The 3CE staff is recommending a rate increase for April 1, 2025. The increase will make 3CE's basic residential generation rate almost equal to that of PG&E. As we forecasted, 3CE's initial advantage from coming into the market late, is diminishing over time. Another factor is the increase in the PICA (see **Item 10** above).

PG&E RATE

Tiered Rate Plan E-1*

Residential: E-1	PG&E	3Cchoice
Generation Rate ($/kWh)	$0.14744	$0.12400
PG&E Delivery Rate ($/kWh)	$0.28389	$0.28389
PG&E PCIA/FF ($/kWh)	$0.00906	$0.01064
Total Electricity Cost ($/kWh)	$0.44039	$0.41853
Average Monthly Bill ($)	**$171.23**	**$162.73**

Monthly usage: 389 kWh

3CE RATE AFTER April 1, 2025

ATTACHMENT A

3CE Single Territory Effective Generation Rates by Class

3CE Class	3CE Single Territory Effective Gen Rates April 1, 2025 ($/kWh)
Residential	$ 0.14646
Small Commercial	$ 0.13385
Medium Commercial	$ 0.13410
Large Commercial	$ 0.11732
Agricultural Sml/Med	$ 0.13092
Agricultural Large	$ 0.11988
Business Electric Vehicles	$ 0.14807
Standby	$ 0.09921
Lighting	$ 0.11761

There will be an infinitesimal difference. The other components as displayed in the PG&E table will be the same since 3CE has to wires, dams, transformer stations, and anything else. Thus 3CE customers pay for these components on top of the generation rate.

Local Agency Formation Commission (LAFCO) Meeting of Thursday, March 20, 2025 (Completed)

Closed Session Item B-1 - Conference with Legal Counsel: Pending Litigation Pursuant to California Government Code Section 54596.9(d)(1) Case: Nipomo Action Committee et al. v. San Luis Obispo LAFCO (San Luis Obispo Superior Court Case No. 24CV-0768). The opponents of the recently approved Dana Reserve planned community in Nipomo are suing LAFCO for approving annexation of the project into the Nipomo Community Service District for water and sewer service. These plaintiffs assert that the LAFCO ignored CEQA findings and thereby illegally approved the annexation.

The same plaintiffs have also sued SLO County for approving the project.

The Dana reserve project will provide 1435 of badly needed housing, plus commercial and recreational amenities.

EMERGENT ISSUES

Item 1 - Phillips 66 to shut Los Angeles refinery by October, CEO Lashier says

Phillips 66 (NYSE:PSX) expects to close its 147K bbl/day Los Angeles refinery by October, CEO Mark Lashier said Tuesday at the Piper Sandler Energy Conference in Las Vegas, Dow Jones reports.
The company previously said it planned to shut the plant during Q4 on concerns that the refining business in California will face increasing challenges.

The timeline for the refinery shutdown could have a significant impact on fuel supply and prices; according to OPIS data, Los Angeles spot CARBOB prices rose to nearly $5/gal in September 2022 and 2023.

Also, fuel supply can become tight in the fall, since it is a traditional time for refinery maintenance outages as well as the switch from summer to winter grade motor fuel in California.

Item 2 - We'll Never Have an Energy Transition, By Mark Mills

Despite a tenacious narrative, history shows the Green New Deal vision is not inevitable—it's impossible.

In his March 4 address to Congress, President Trump proclaimed that he had "terminated the ridiculous Green New Scam," referring to assorted Biden-era Green New Deal policies directed at an "energy transition." The weekend before, the Wall Street Journal featured a lengthy essay with a title seemingly calibrated to pre-bunk Trump's expected remarks: "The Clean Energy Revolution Is Unstoppable." The authors, two Oxford professors, asserted that the "clean energy revolution is being driven by fundamental technological and economic forces that are too strong to stop," and that "large segments of fossil fuel demand will permanently disappear . . . in the next two decades." Two weeks later, the Wall Street Journal featured another op-ed, this one coauthored by former vice president Al Gore, proclaiming the "energy transition is inevitable."

So, which is it? Inevitable or a "scam?"

We find a useful referee in this war of words with the recently released Eye on the Market 15th Annual Energy Paper by Michael Cembalest, J. P. Morgan's chairman of market and investment strategy. As this 70-slide, deep-dive report pointedly notes, "after $9 trillion globally over the last decade spent on wind, solar, electric vehicles, energy storage, electrified heat and power grids, the renewable transition is still a linear one; the renewable share of final energy consumption is slowly advancing at 0.3%–0.6% per year [emphasis added]." One does not need a mathematics degree to understand that such anemic growth rates are not the hallmarks of an "unstoppable" juggernaut. Hence, Cembalest's bottom line: "Growth in fossil fuel consumption is slowing but no clear sign of a peak on a global basis." That is to say, no "energy transition" is in sight.

For the transitionists, this is just proof that we need more spending and more aggressive mandates. Set aside whether any political appetite exists for either more such inflationary spending or more intrusive energy diktats. The fundamental question is whether any energy transition is even possible—or even whether such has ever happened.

The transition narrative is tenacious. Even Cembalest uses the word 41 times in his report. While the idea of an energy transition anchors the raison d'être for green and climate-advocacy groups, it also gets bandied about constantly in popular media, as well as in virtually all the statements from major energy companies, electric utilities, energy analysts, and investment banks. Among myriad examples, the week after Trump's congressional address, The Economist hosted an Energy Transition Summit, and Reuters holds its Energy Transition North America conference this fall in Houston.

Underlying the narrative is the implicit—and often explicit—conviction that the long and now "accelerating" march of technology means that ancient energy sources, like fossil fuels, are inevitably being replaced by newer ones. We are reminded, constantly, of analogous tech transitions such as landline-to-cellphone or horses-to-cars. But such analogies are category errors. Technological progress more often changes—rather than replaces—how we access, move, and manipulate materials. We still use ancient materials like wood, stone, concrete, and glass, and at far greater scale than any time in history. Indeed, the facts show that no energy transition of any kind has ever occurred in history (with one minor exception, which we'll get to).

Humanity has used the same six primary energy sources for millennia. In reductionist terms, these are: grains, animal fats, wood, water, wind, and fossil fuels. The world today uses more of all of these categories than ever before.

Of course, we have seen reductions in the share of energy supplied by these sources, but that's not what the transitionists mean. To illustrate the fatuousness of the central idea of an "energy transition" that eliminates the use of any of these sources, consider some history.

Grains have long fueled the biological "machines" of human civilization, the various beasts of burden—and, tragically, slave labor—used in farming, industry, and transportation. Sadly, civilization hasn't even transitioned away from slavery, not least in the case of African mining, as documented in the book Cobalt Red. If the Global Slavery Index is correct, more humans are mired in forced labor now than at any time in history. Likewise, the world today uses more "working animals" than ever—some 200 million, fueled by grain.

Even in the U.S., despite far fewer grain-fueled working animals (mainly in boutique applications like policing or entertainment), the tonnage of grain used to fuel transportation is now 300 percent greater than during America's peak horse era. This is the result of the ill-advised 10 percent grain-ethanol mandate for gasoline.

Since ancient times, humans have used the fat from slaughtered animals, rendered as oils or tallow for illumination, including candle-making. Today, global biofuels production (biodiesel) is about 1,000 times greater than two centuries ago. While that production is now dominated by plant oils (especially soybean and Jatropha), roughly 100 times more animal fats are used today for fuel as during the peak whale-harvesting era. Abandoning whale oil is history's one clear exception to the no-energy-transitions rule.

Whales were saved by advances in chemical science and the invention, circa 1840, of coal-to-kerosene synthesis (well before the modern oil era began). As inefficient as this early process was, it meant that one ton of coal could yield as much oil as harvesting three tons of whales. This staggeringly more cost-effective chemical process collapsed the value of harvesting whales.

As for wood, the amount burned for energy today is <u>greater</u> than at any time in history. Overall, burning wood supplies the world with twice as much energy as do all the world's solar and wind machines combined. Even in the U.S., use of wood for fuel is greater now than a century ago. A wood transition? Not yet.

The use of watermills for industrial grinding of grains dates back to ancient Greece. It soared during the Middle Ages, when an estimated 500,000 watermills operated in Europe. But that was hardly peak waterpower. Global hydro dams today produce roughly 500 times more energy.

Windmills, similarly, didn't peak in the past, though there were, by most counts, 200,000 of them in the Middle Ages, as well as tens of thousands of wind-powered vessels, a.k.a. sailing ships, by the nineteenth century. Global wind turbines harvest at least fifty-fold more wind energy than at any time in history.

Finally, there are the reviled fossil fuels. Despite the epic expansions in all of the above itemized fuel sources, the fossil fuels supply over 80 percent of all global needs today. Their use, however, is hardly new. Archeologists date coal use back to the Paleolithic era. The ancients also used hydrocarbon tars and pitch for heat and lighting (and warfighting). But the world obviously uses far more coal, oil, and natural gas than at any time in history. Indeed, the world today uses more of every kind of energy deployed since the dawn of civilization (with the notable exceptions of whale oil).

There's never been an energy transition.

Notably missing from this historical account is the relatively recent discovery of atomic phenomena: the energy released in splitting an atom's nucleus (first demonstrated in 1939) and the energy from the photoelectric effect, using the atom's orbital electrons (first demonstrated in 1954). Both sources will doubtless see extraordinary expansion in the coming decades and centuries, but the pattern of adding to, rather than replacing, other energy sources will continue. (Though we should hope that the use of animals, and especially pray that the use of slave labor, will decline.)

The Trump administration is shining a welcome light on the inflationary, unproductive, and even socially destructive magnitude of spending in pursuit of the unachievable that has been marbled into legislation and federal programs. History will likely record the elimination of government largesse in pursuit of an impossible energy transition as a kind of transition itself.

Mark P. Mills is a City Journal contributing editor and the executive director of the National Center for Energy Analytics.

Item 3 - Revive Nuclear Energy in America, By Edward Ring

Reviving nuclear power in the U.S. is key to energy independence, lower costs, and cutting emissions—but bureaucracy, myths, and politics keep America lagging behind global leaders.

The United States used to be the undisputed leader in nuclear power and still has more operating reactors than any other nation, with 94 currently in service. But in the last 35 years, only one new nuclear power plant has been built in the U.S.—Plant Vogtle in Georgia, which only recently began commercial operations.

Meanwhile, 25 nuclear reactors are under construction in China, seven in India, four each in Turkey, Egypt, and Russia, and two each in South Korea, Bangladesh, Japan, the UK, and Ukraine. The nations of Argentina, Brazil, France, Iran, and Slovakia are all building one plant at present.

When it comes to nuclear energy, the world is leaving the USA behind, and despite a recent return to sanity with the incoming Trump administration, conventional wisdom in the US is that nuclear power is too expensive and too dangerous. Both are incorrect.

In California, where insanity retains a firm grip on energy policy, one might think nuclear power would nonetheless be getting serious consideration. After all, nuclear energy doesn't generate greenhouse gases, which is the official explanation for every imaginable mishap in the Golden State, from wildfires to alleged gender inequality. Is California serious about reducing greenhouse gas emissions? If so, then maybe if the myths of high costs and excessive risk could be debunked, California could embrace nuclear energy. It isn't as if there isn't precedent.

California was once home to six nuclear power plants, generating a total of 5.8 gigawatts. Three of them, Humboldt Bay, Vallecitos, and Santa Susana, were small-scale, generating barely 100 megawatts in total. But San Onofre, with three reactors that could have been retrofitted, took its 2.6 gigawatts offline in 2012. The other big plant was Rancho Seco in the Sacramento Valley, generating 913 megawatts until it was taken offline in 1989. Now, instead of building more nuclear power plants, California's last operating reactors at Diablo Canyon are scheduled for shutdown. In the face of hyperbolic opposition, PG&E has applied to renew its license for another 20 years. This final surviving nuclear power plant generates 2 gigawatts of baseload electricity. California's grid has the capacity to absorb at least ten times this much continuous, nonstop power.

Total electricity demand in California never drops below around 20 gigawatts, even during the middle of the night when total electricity consumption is at its minimum. So constant nuclear power generation at a minimum could be used up to 20 gigawatts. And even if California overbuilds its baseload electricity generating capacity, the excess production can be used to power desalination, generate hydrogen, or export to other states.

Proponents of renewables claim nuclear power is inherently more costly than renewables. This is inaccurate. In an article published by *Ars Technica* in 2020, science editor John Timmer explains the role that litigation and bureaucratic obstacles play in elevating the cost of nuclear power, estimating these costs account for one-third of the overruns. The other source of increased costs? "The largest increases were indirect costs: engineering, purchasing, planning, scheduling, supervision, and other factors not directly associated with the process of building the plant," and "about a quarter of the unproductive labor time came because the workers were waiting for either tools or materials to become available. In a lot of other cases, construction procedures were changed in the middle of the build, leading to confusion and delays. All told, problems that reduced the construction efficiency contributed nearly 70 percent to the increased costs." And finally, "R&D-related expenses, which included both regulatory changes and things like the identification of better materials or designs, accounted for the other third of the increase."

Another fallacy underlying the misconception that nuclear energy is more expensive than emerging renewable technologies is based on how energy costs are calculated. A peer-reviewed paper from Robert Idel at Rice University published in 2022 discusses the difference between the traditional levelized cost of electricity analysis and the more recently introduced, and more accurate levelized *full system* cost of electricity. The study identified the lowest full system cost for renewables in the U.S., the blend of wind and solar on the Texas grid. By mixing input from both of these intermittent sources of electricity, the required storage capacity is minimized since solar and wind produce power at different times of day. Even in this case, when accounting for the cost of storage and new transmission lines, nuclear power was found to be *half* as expensive as these renewables. No accurate evaluation of energy costs can fail to take into account full system costs, which are inherently greater when, for example, you must install a high-voltage transmission line to connect a ten-megawatt wind turbine, floating in 4,000 feet of ocean, 20 miles offshore, to land-based battery farms and the grid.

Robert Zubrin, a nuclear engineer and author of the book "The Case for Nukes," wrote a three-part series on clean energy for *Quillette* with a focus on the nuclear option. The third installment provides an overview and makes specific recommendations in the areas of regulatory reform, the licensing process, waste disposal, and progress and priorities in research and development. In terms of advancing the technology, he writes, "Breeder reactors could multiply our nuclear fuel resources a hundredfold. Small modular reactors could open up new markets unsuited to large pressurized water reactors and potentially make reactors much cheaper by enabling mass production in factories. High-temperature gas-cooled reactors and molten salt thorium reactors both hold great promise. New types of fission reactors for space applications are needed. The promise of thermonuclear fusion needs to be explored and developed."

Can nuclear power ever be completely safe? This article from 2019 offers a useful summary of how France has managed nuclear power, which provides over 70 percent of that nation's electricity. In particular, it is worth noting the success the French have had in recycling spent fuel, which enables a more efficient and secure supply of fuel and reduces radioactive waste. Every form of power generation carries with it an assortment of safety risks and environmental impacts. To belabor the question—because it is appallingly obvious a fraud of historic proportions is sleepwalking to fruition—why are environmentalists obsessed with eliminating oil, gas, and nuclear power, while ignoring the aquatic and avian slaughter and squandered billions that are coming to California with offshore wind?

Since 1976, California has had a moratorium on the construction of new nuclear energy generators until there exists in the United States the capacity to reprocess spent fuel rods into new nuclear fuel as well as long-term storage. But the conditions of the 1976 Warren Alquist moratorium are now satisfied. There are now fuel reprocessing technologies ready to be deployed in Ohio and elsewhere. The spent fuel is valuable and can be reprocessed into HALEU fuel quickly for advanced reactors across the U.S. This could allow for the immediate planning of new nuclear energy resources in California.

California once had electricity transmission and distribution plans that called for the state to be mostly powered by nuclear reactors. There were over a dozen sites identified, including Corral Canyon (Malibu), Bodega Head (Sonoma County), San Joaquin (Kern County), Stanislaus (Stanislaus County), Davenport Beach (Santa Cruz County), Sundesert (Riverside County), Vidal (San Bernardino County), Point Arena (Mendocino County), as well as legacy sites like Humboldt Bay (Humboldt County), Rancho Seco (Sacramento County) and San Onofre (San Diego County).

Massive development of nuclear energy would offer California a chance to act on two of its currently most cherished political objectives—electrifying its economy and dramatically reducing greenhouse gas emissions. We probably shouldn't hold our breath.

But for the rest of the United States, bringing back nuclear energy would go a long way toward ensuring abundant and affordable electricity for everyone.

Edward Ring is a senior fellow of the Center for American Greatness. He is also the director of water and energy policy for 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.

Item 4 - California Homelessness Rises To 187,000, Perhaps Many More, Despite $37 Billion Spent, By Lee Ohanian

California's number of homeless individuals, measured by taking a count on a single night each January, grew from about 116,000 in 2015 to about 151,000 in 2019. Governor Gavin Newsom stated in his January 2019 inaugural address, "We will launch a Marshall Plan for affordable housing and lift up the fight against homelessness from a local matter to a state-wide mission."

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That mission has spent $37 billion on homelessness, but it hasn't succeeded. The number of homeless Californians has increased to about 187,000, a 60% increase from its 2015 level and a 24% increase since 2019. To put the number of homeless Californians in perspective, if these 187,000 individuals were their own city, that city would be ranked around the 137th largest in the country, roughly the same size as Akron, Ohio, and Fort Lauderdale, Florida, and larger than Oregon's capitol city, Salem.

California's homelessness policies are clearly not working as intended. And deciphering what has gone wrong is complicated by the fact that we don't know nearly enough about where the funding is going, and which of the many homeless programs within the state are underperforming. Moreover, these problems are becoming chronic. About one year ago, the state auditor reported the following:

The State lacks current information on the ongoing costs and outcomes of its homelessness programs, because Cal ICH [California Interagency Council on Homelessness] has not consistently tracked and evaluated the State's efforts to prevent and end homelessness. . . . Cal ICH has also not aligned its action plan to end homelessness with its statutory goals to collect financial information and ensure accountability and results. . . . Another significant gap in the State's ability to assess programs' effectiveness is that it does not have a consistent method for gathering information on the costs and outcomes for individual programs.

Last August, a federal audit of California homelessness programs evaluated California's Department of Housing and Community Development, which is the overseer of California's homelessness programs, and gave it the lowest possible score, due to inadequate fraud detection. The audit stated that California did not have adequate protections in place to safeguard the $319.5 million it was provided in federal funding for homelessness.

California's lack of fraud protection in distributing homelessness funding is particularly noteworthy, because the state's Employment Development Department (EDD), which administers its unemployment benefits program, was hacked for perhaps over $30 billion in fraudulent unemployment payments. At the same time, at least one million legitimate claims were improperly denied and many others were delayed due to EDD's outdated IT system, some of which dates back to the early 1980s.

The most recent report on California homelessness programs, from the Legislative Analyst's Office (LAO), noted:

Despite the various reporting requirements . . . no data have been provided to the Legislature on how many people living in an encampment have received permanent housing (or any other type of housing). The Legislature lacks other key outcomes data such as the number of encampments that have been resolved. In addition, although some partial information on outputs was shared with the Legislature in prior years, updated and more complete data have not been provided. As a result, the Legislature does not have basic information on program outputs such as how many people in encampments have been provided with case management services (such as housing search assistance) and the number of housing units brought on line with grant funds.

Given these shortcomings, the LAO recommends that the legislature wait on funding additional resources for encampment clearance until adequate data is provided to determine if the program's goals are being satisfied.

Taken together, these three audits are extremely problematic. But the problems with California's homelessness policies go beyond those cited above. A major goal of these policies is building permanent housing for people experiencing homelessness. However, this housing can be remarkably expensive to build. A 2022 *Los Angeles Times* article reported that low-income housing "routinely costs more than $1 million per unit to build." Last year, Santa Monica approved a 122-unit high rise complex for the unhoused at a cost of $1 million per unit, not including the value of the land. The location of the new housing will be just three blocks from Ocean Avenue, which overlooks Santa Monica beach, and is about a block from Wilshire Boulevard. The land at this location is likely some of the most valuable land per square foot in the country.

Another problem is that the principles of harm reduction and Housing First underlie California's homelessness policies. Harm reduction means that society should accept that some individuals will use drugs, respect people who use drugs, and support social interventions that will reduce the harm that may arise from drug use and its stigma. Housing First means that the first order of business in dealing with homelessness is providing permanent supportive housing.

These visions of dealing with homelessness mean that California doesn't require those receiving housing to be sober, nor to receive any type of treatment for mental health or substance abuse issues. This approach implicitly incentivizes the continued use of drugs and alcohol and avoidance of mental health treatment. About 75% of chronically homeless individuals are dealing with substance abuse, severe mental illness, or both, which means that even if many of them are provided housing, they may remain unable to contribute to society.

California's homeless count, like all other states, is based on counting the number of individuals that are identified as unhoused on a single evening in late January or early February of each year. However, a one-night survey almost certainly undercounts people experiencing homelessness, particularly in California, where so many are living on the streets. The LAO reported that through September of last year, about 310,000 individuals had received shelter or some form of services for the homeless. Previously, in 2023, the LAO reported 337,000 homeless individuals for the full year. Returning to the city size comparison used above, a city of 337,000 would be larger than Orlando, Florida, and nearly as large as Honolulu, Hawaii.

The $37 billion spent on homelessness by California is equivalent to about $245,000 per each of the 151,000 homeless people counted in 2019. And despite that level of spending, homelessness increased by 36,000 individuals since that time—perhaps by many more. California can't address homelessness until it can track its spending and the effectiveness of that spending. Until it does that, we will continue to spin our wheels in dealing with a problem that has become intractable.

Lee E. Ohanian is a senior fellow (adjunct) at the Hoover Institution and a professor of economics and director of the Ettinger Family Program in Macroeconomic Research at the University of California, Los Angeles (UCLA).

He is associate director of the Center for the Advanced Study in Economic Efficiency at Arizona State University and a research associate at the National Bureau of Economic Research, where he codirects the research initiative Macroeconomics across Time and Space. He is also a fellow in the Society for the Advancement of Economic Theory. Hoover Institution Daily Update, March 21, 2025.

COLAB IN DEPTH

IN FIGHTING THE TROUBLESOME, LOCAL DAY-TO-DAY ASSAULTS ON OUR FREEDOM AND PROPERTY, IT IS ALSO IMPORTANT TO KEEP IN MIND THE LARGER UNDERLYING IDEOLOGICAL, POLITICAL, AND ECONOMIC CAUSES

WHAT ARE THE LEFT'S SOLUTIONS FOR THE PROBLEMS THEY CREATED?

THE U.S. FACES MOUNTING TRADE DEFICITS, IMMIGRATION CRISES, AND ENDLESS FOREIGN WARS, WHILE CRITICS OF TRUMP'S POLICIES OFFER NO VIABLE ALTERNATIVES TO BIDEN-ERA FAILURES

BY VICTOR DAVIS HANSON

The *Wall Street Journal* has consistently criticized Trump's economic policies, particularly his ongoing "trade war" with Canada, over the past several weeks. And certainly, the tensions are regrettable. Trump's trolling of the insufferable Justin Trudeau, with talk of Canada becoming the "51st state," perhaps only galvanized the Canadian left. It unfortunately may ensure that the only real hope for a Canadian return to normality, the election of Pierre Poilievre, may be lost.

That said, does the WSJ truly believe that the current $1.7 trillion budget deficit stacked on top of $36 trillion in national debt and an annual $1 trillion trade deficit are sustainable in any fashion? Do they believe any Republican president would have survived the midterms if he cut or "reformed" Social Security? If so, consult the fate of the recommendations of left-wing Barack Obama's 2010 Simpson-Bowles commission ("The National Commission on Fiscal Responsibility and Reform").

DOGE, the effort to demand either symmetrical or no tariffs, closing the border, the rare minerals agreement, etc., are all controversial, even desperate efforts to stave off insolvency.

NAFTA was sold on the promise of trade equilibriums, eventually leading to no tariffs and rough parity. Yet Canada currently runs a $60 billion surplus largely because of its energy sales and selective tariffs on U.S. agriculture and some manufactured goods. That sum might be tolerable from a friend and not worth the acrimony, even with the present massive trade and budget deficits—if it had occurred in isolation.

But it did not. The Canadian surplus is force multiplied by its chronic refusal to spend a measly 2 percent of its GDP on defense. Canada could have easily offered a partnership with the U.S. to explore joint missile defense or shared Arctic Ocean naval patrols with a new fleet of Canadian and American icebreakers.

But it did nothing of the sort.

Worse still, no Canadian leader can offer any defense of their policies, such as: "We believe a $60 billion surplus with our free-trade American partner is justified, and we also believe we are further correct in not spending our promised 2 percent of GDP on defense." Their veritable retort of "Trump is a monster" is no defense at all.

And there is wider context still. Mexico currently siphons off $63 billion in remittances from the U.S. economy, most of it from illegal aliens. Most of them enjoy some sort of subsidy from the American local, state, and federal governments.

Its trade surplus has ballooned to over $170 billion, largely because of opportunistic partnering with the Chinese to avoid US duties on imported Chinese-produced goods.

No one truly knows the full cost of an open border paid in American blood and treasure to Mexican cartels—70,000 lives and $20 billion annually?

Add up our northern and southern neighbors' various surpluses and one could argue that $300 billion flows out of the U.S. to our so-called best friends and supposed partners in a so-called free-trade agreement supposedly designed to promote "free," if not truly "fair," trade.

Did any of the appeasements from the prior somnolent Biden administration—printing money, open borders, kindred socialist and green programs, USAID reckless generosity, and no concern over massive trade deficits—have any effect on either Canada or Mexico?

Or was Biden's appeasement interpreted as weakness to be exploited rather than magnanimity to be reciprocated?

All Mexico has to do is promise to reduce its surpluses down to say $20-30 billion, patrol its side of the border, and bar the importation of raw fentanyl product from China. It could also stop its citizens from swarming the border and accept a 20 percent U.S. tax on remittances. But once reciprocity is lost, any attempt to restore balance is often mischaracterized as aggression, allowing the former victimizer to recast themselves as the blameless victim.

We are also currently watching massive demonstrations in New York to protest the ongoing deportation effort of Mahmoud Khalil. He is not a U.S. citizen, currently residing in the U.S. as a green card holder/former student visa resident alien.

He has led protests, often turning violent, at Columbia and in New York on behalf of radical Palestinian groups, including Hamas, which is designated a terrorist organization by the U.S. State Department.

Surely, he knew that, as a guest on American soil, he has no inalienable right to enter and remain in the U.S., especially if the State Department believes there is “a reasonable ground to believe that [his] presence or activities in the United States would have potentially serious adverse foreign policy consequences for the United States.”

It would be difficult to imagine a more anti-American group than Hamas, which currently holds several U.S. hostages and openly boasts of the mass murders it carried out on October 7, 2023. That awful date sparked mass protests from both Americans and Middle Eastern students in support of Hamas killers. The slaughter and, along with Israel’s response to it, ignited the worst epidemic of anti-Semitism in a hundred years, predominantly driven by American campuses and, in particular, tens of thousands of guest students from the Middle East.

When the ACLU and liberal congressional representatives protest and work on behalf of Khalil, what is their rationale? Are they at all worried that Hamas murdered American hostages and still holds several? Is it really in the U.S.’s best interest to welcome students from radical, anti-American countries, such as Syria, Iran, or Gaza, to American campuses, to see them champion anti-American terrorist groups like Hamas and Hezbollah, and help fuel a climate of anti-Semitism and attacks on Jewish-Americans? Does the ACLU realize that our elite universities are fanning the worst anti-Semitic outbursts in memory? If black students were targeted in the same manner as Jews, would it remain similarly silent?

So, is this really what the left is fighting for? Why doesn’t the new Democratic Party and its street brigades simply be honest and say, “We support the efforts of radical Palestinian foreign students even when they openly champion Hamas and intimidate Jews, and so welcome their constructive presence and protests on American campuses”?

There are many problems with leftist-inspired immigration protests. The foremost is hypocrisy, usually couched in anti-Americanism. In places like Los Angeles, protestors burned the flags of the country they demanded to remain in while waving the flags of countries to which they seemingly refuse to return.

If America is such an intolerable place, why did 12 million knowingly break the law to enter it? The entire theme of today’s ethnic studies programs on U.S. campuses is a story of how awful America is, was, and will always be. And yet these are the very university loci that are the most strident about welcoming into the U.S. illegal aliens. Should they not be down at the border warning of the white toxicity that awaits any illegal migrant?

There is another sort of hypocrisy at work.

Left-wing elites in Washington, on campuses, in the media, and among the foundations and NGOs are rarely subject to the consequences of their own open-borders philosophies. It is one thing to virtue signal a world without borders that welcomes in millions of its impoverished, but quite another to help feed and house them when they show up in Martha’s Vineyard or Malibu rather than in the Rio Grande Valley, the San Joaquin Valley or the inner city.

The latter places do not traffic in cheap rhetoric but deal with swamped healthcare faculties, housing shortages, insolvent social service budgets, spiking crime, overcrowded schools, increased gang activity, and overtaxed infrastructure—issues one would expect with the sudden addition of 12 new San Franciscos in just four years under Biden.

Finally, regarding Ukraine, Trump is receiving a lot of criticism for the hot-cold treatment of Ukrainian President Zelenskyy. He used both verbal and policy leverage in hopes of forcing Ukraine and Russia towards negotiations—a task that has historically proven to be impossible without U.S. coercion. One can easily criticize Trump for being overly naive about Vladimir Putin's ultimate intentions or any strategic resolution of the war that only Trump seems to wish to end.

But again, what is the alternative to his efforts?

Is to keep feeding the ongoing current Stalingrad desolation where 1.5 million dead, wounded, and missing Ukrainians and Russians have fought for three years without any end in sight? Do we really want an endless war that has created a new alignment of anti-Western Russia, China, Iran, North Korea, and, at times, a number of Middle Eastern, South American, and Asian opportunists?

What is the European alternative plan to Trump's?

The old Biden notion "as long as it takes"—as if the Europeans may finally mobilize and send two million soldiers the way the U.S. did in 1917-18 to break up the deadlock of the World War I Western Front?

Do Ukrainians have a secret reserve of manpower to send another 10 divisions to the front?

A new wave of 5,000 drones to hit Moscow and do the sort of damage it is now suffering?

Non-U.S. NATO fighter aircraft number around 2,000. So, is it the plan of France and the UK to spearhead some 1,000 European jets and send them to Ukrainian bases, where they will fly ground support missions and conduct strategic attacks on Russian infrastructure to stop the stasis?

The answer is no.

There is no other plan but the current one of a 500-million-person proximate Europe screaming at the 335-million-person distant U.S. for not doing more to aid the now 30-million-person Ukraine fighting against the 145-million-person Russia.

Before one can fault the herky-jerky, art-of-the-deal Trump effort to find a stable peace and stop the slaughter, his critics must at least chart a plan for victory, explain the cost in lives and treasure, and outline exactly the eventual goals of reclaiming all the 2022 borders or the 2014 borders. Instead, we hear only 'this won't work,' 'that can't work,' 'this is stupid,' 'that is naïve,' but never a comprehensive defense of the EU/Biden/Zelenskyy policy or some enlightened replacement for it.

On matters of trade, immigration, and foreign policy, we are witnessing a counter-revolutionary effort to erase the madness of the Biden revolutionary years. Then unnamed and largely unknown radicals, under the veneer of a waxen effigy president, hijacked the country and imposed upon it the most radical and nihilist agenda in the past century.

The current correctives are not easy or pretty. But the alternative to the prior status quo was not the status quo at all, but a Jacobin nihilism that had led only to insolvency, civil strife, the destruction of the southern border, at least two theater-wide wars abroad, and the end of the U.S. as we once knew it.

Victor Davis Hanson is a distinguished fellow of the Center for American Greatness and the Martin and Illie Anderson Senior Fellow at Stanford University's Hoover Institution. He is an American military historian, columnist, a former classics professor, and scholar of ancient warfare. He has been a visiting professor at Hillsdale College since 2004, and is the 2023 Giles O'Malley Distinguished Visiting Professor at the School of Public Policy, Pepperdine University. Hanson was awarded the National Humanities Medal in 2007 by President George W. Bush, and the Bradley Prize in 2008. Hanson is also a farmer (growing almonds on a family farm in Selma, California) and a critic of social trends related to farming and agrarianism. He is the author of the just released New York Times best seller, The End of Everything: How Wars Descend into Annihilation, *published by Basic Books on May 7, 2024, as well as the recent* The Second World Wars: How the First Global Conflict Was Fought and Won, The Case for Trump, *and* The Dying Citizen.

American Greatness, March 17, 2025

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