# COLAB SAN LUIS OBISPO COUNTY

## WEEK OF AUGUST 10-16, 2014

THE COALITION OF LABOR, AGRICULTURE, AND BUSINESS

# COLAB

San Luis Obispo County

# SOUTH COUNTY MIXER 2014

## LOCK AND LOAD FOR FALL.

KEEPING YOU INFORMED.

**Thursday, August 14, 2014**

5:30-7:30 p.m.

Arroyo Grande Hall
707 Huasna Rd.

(At the intersection of Hwy 227, E. Branch St. and Huasna Rd.)

**Appetizers and Beverages will be served.**

## Guest Speaker

**Supervisor Debbie Arnold**

Join us and hear Fifth District Supervisor Debbie Arnold's front line insights about her efforts to stop the Board of Supervisors majority's reenergized assault on business and private property. A key element of this plan is to prohibit development of single family freestanding homes with a yard, garage, and privacy. A companion policy is to force all development into the core of Nipomo, Oceano Templeton, and San Miguel. Other Current initiatives include manipulation of the housing market; imposing centralized one size fits all control over neighborhood and agricultural water resources, more consolidated power for Board Chairman Gibson, more fees at the Planning Department and APCD, and more job killing permitting delays and costs.

RSVPs appreciated by Monday, August 11th.
Email: colabslo@gmail.com or call (805) 548-0340

# HEAVY DUTY AGENDA THIS WEEK

# PASO WATER DISTRICT BOARD ENDORSEMENT VOTE WILL NOT BE PUBLIC

# PENSION DEBT TO REMAIN HIDDEN

## (NOTWITHSTANDING THE GRAND JURY'S RECOMMENDATIONS)

# GIBSON ON CITIZEN HOUSING PREFERENCES: LET THEM EAT CAKE

# MECHAM: SOME PEOPLE HAVE TO LIVE IN BAKERSFIELD

## No Board of Supervisors Meeting Scheduled for August 5, 2014

There was no Board of Supervisors meeting scheduled for August 5, 2014.

## Board of Supervisors Meeting of Tuesday, August 12, 2014 (Scheduled)

**The Missing Item: A Hearing On AB 2453.** The Bill has been modified to take out some of the dense language about regulation and cross-references to other sections of the Water Code. The threshold requirement for proponents to submit a petition to LAFCO has been reduced from 30% to 10% of the property owners by acreage. Assembly Member Katcho Achadjian, the bill's sponsor, has said that he will move it forward if he receives approval by the Board of Supervisors no later than August 13, 2014. Given this situation, we would have expected that a hearing item would have been added to this agenda to process the question. It's pretty clear that the Assemblyman anticipated this process, since he set the deadline for August 13th, the day after the Board meeting. But no, using their decision to remove the issue of a Paso Robles Water Management District from their Legislative Program as cover, each Board member will separately notify Achadjian of his or her position.

**You Will Pay For The Cost of District Formation:** The new language also allows the County and its Water Agency to become an actual petitioner to apply to LAFCO for the formation of the district. This provision was inserted to save the PRAAGS/Pro Water Equity group members from having to finance the cost of the LAFCO application process which is likely to be costly. The application will require legal, administrative, and financial analysis. Thus we have the very stong possibility that the Board of Supervisors will front for the proponents and use public tax payer money to pay the processing costs.

**A Conflict of Interest?** LAFCO (the Local Agency Formation Commission) is charged with the responsibility to conduct an objective analysis of the feasibility of creating new government entities such as the proposed water district. The LAFCO Board consists of Bruce Gibson, Frank Mecham, 2 city representatives, 2 special district representatives, and 1 citizen representative. If Gibson and Mecham are proponent applicants for the creation of the district and using public money to pay for the application costs how can they render an independent objective decision on the feasibility of the district?

Once again, Board leadership has found a way to get around having a session, debate, and vote in the presence of its constituents. How typically shabby. Will Assembly Member Achadjian accept 3 or more separate expressions of private opinion as the acceptable standard of endorsement?

**Item 2 - Introduction and Set Hearing for August 19, 2014 in County Service Areas (10A-Cayucos, 16-Shandon, 23-Santa Margarita, and 12-Avila Valley).** The proposed ordinance would restrict outdoor watering to two days per week; prohibit washing driveways, patios, and other hardscapes; prohibit water from running off into the street or sidewalk; and provide for fines for violations. The washing of vehicles, etc., requires the use of a nozzle or other device with a shut off valve.

**Item 3 - Extension Number 4 of the Contract with the Ferguson Group for Federal Lobbyist Services, $72,000.** The County has used the Ferguson Group since 2006. The Ferguson Group characterizes itself as:

*Founded in 1982, The Ferguson Group has a proud record of success advocating on behalf of local communities. TFG is a bipartisan federal government relations consulting firm specializing in securing federal funding, authorizations, policy, and regulatory changes for our public sector, private sector and not-for-profit clients. The Ferguson Group is the largest federal representative of local governments in Washington, DC. Our professionals have earned their reputation serving on the front lines as staff to key Members of Congress, federal agencies, state offices and local governments. TFG is ready to put our knowledge, experience, relationships, and track record in federal government relations to work for you.*

The Ferguson Group lists 5 “strategic partners” on its website. One is an outfit called Climate Communities, which states its purpose as:

*Climate Communities is a national coalition of cities and counties that is educating federal policymakers about the essential role of local governments in developing new approaches to create livable communities, reduce energy use and curb greenhouse gas emissions. Climate Communities is working with local governments to ensure that federal policies provide strong incentives and resources for local clean energy and sustainability actions.*

We couldn't find any public information about Climate Communities' finances, structure, budget, or funding sources other than a reference on a website which says that Climate Communities is managed by another entity called Sustainable Strategies DC. Sustainable Strategies DC states its purpose as:

*Sustainable Strategies DC is a government affairs and strategic consulting firm based in Washington, DC, that helps clients secure resources for community revitalization and tools to succeed in the green economy. Sustainable Strategies DC primarily represents local governments, green technology companies and non-profit organizations across the nation, with a focus on sustainable economic development, clean energy, brownfields revitalization and smart growth, community revitalization, clean air and clean water projects, and infrastructure improvements. We provide project funding guidance, grant writing services, congressional and federal agency advocacy, consulting on community revitalization and green technology deployment, and environmental legal counsel. We have helped communities across America succeed on innovative local projects, and have secured hundreds of millions of dollars in resources for those projects.*

Sustainable Strategies DC reports that its key leaders are:

***Matt Ward, CEO***

*Before co-founding Sustainable Strategies DC, Matt Ward was a partner and leader of the Green Practice Group at The Ferguson Group. He previously served as a partner and government affairs advocate at Spiegel & McDiarmid. He is a co-founder of the National Brownfields Coalition and the Brownfield Communities Network, and he has served as national policy director to a number of organizations including the National Association of Local Government Environmental Professionals, the National Association of Towns and Townships, the Climate Communities coalition, the Mayors Automotive Coalition, and the American Waterfront Revitalization Coalition. A practicing attorney, Matt also serves as Of Counsel to the national environmental law firm Somach, Simmons & Dunn.*

Similarly:

***Andrew Seth, President***

*Prior to his role as the President of Sustainable Strategies, Andrew Seth was a partner and the Director of Coalitions at The Ferguson Group. He is the Executive Director of the Climate Communities coalition, and directed the American Waterfront Revitalization Coalition. He previously served as a project manager on environmental issues at the International City/County Management Association, where he directed the Local Government Environmental Assistance Network. Prior to joining ICMA, Andrew was a member of the government affairs team at Spiegel & McDiarmid. He began his environmental career at the conservation non-profit American Rivers.*

**Another strategic partner of the Ferguson Group is the Sacramento/Washington DC law firm of Somach, Simmons & Dunn. The firm is a leader in environmental law and is a major player in water rights and inter-basin water transfer work.**

SOMACH SIMMONS & DUNN
ATTORNEYS AT LAW

Who knows what off-the-record advice and counseling the Board majority is getting in this network? What a web.

**Item 5 - Request to Approve Amendment No. 1 to the Agreement for Services with Mental Marketing Inc. and TJA Advertising in the Total Amount of $1,060,000 ($530,000 per year) to Provide Marketing Services on Behalf of the San Luis Obispo County Tourism Business Improvement District (CBID) for FY 2014-15 through FY 2015-16.** These are local firms, which have worked on promoting SLO County Tourism in the past.

The write-up states in part:

*The CBID is funded by a 2% assessment of the rent charged per occupied room per night from lodging businesses (hotels, motels, bed and breakfasts, and vacation rentals) within the CBID. The agreement with Mental Marketing Inc. and TJA Advertising will be funded completely out of those assessments and no County General Fund dollars will be used.*
*During the term of this amendment, Mental Marketing Inc. and TJA Advertising will be paid a total of $1,060,000 ($530,000 for FY 2014-15 and $530,000 for FY 2015-16) to provide the services as outlined in marketing plan and scope of work attached as Exhibit A of the agreement.*

The work program indicates that hotel stays and vacation rentals are up. Wonder if the Board will figure out ways to mess with success on these fronts? More pointedly, most of the visitors come by car. Meanwhile the Board of Supervisors majority, SLOCOG, and the APCD are knocking themselves out to force SLO County residents and workers out of their cars. Perhaps and in the end, county residents will end up as quaint, museum theme village re-enactors who obediently ride bikes, walk, and use public transit while only eating local foods and constraining their own trips. The tourists can drive in and be served by the SLO Enviro-Smurfs in their own leafy, walkable, dense habitat.

**Your Economic and Housing Future Under Current Board Majority Policies**
**(Of course the lawns and plantings will have to go)**

**Item 6 - Grand Jury Report and Recommendation that the Board of Supervisors Be Clearer About Disclosing Its Pension Debt.** The San Luis Obispo Civil Grand Jury issued a report with 2 findings:

Grand Jury Finding 1:

*Although it is consistent with general accepted accounting practices, the unfunded liability is recorded in the notes of the financial statements which make it difficult to understand the totality of unfunded obligations for San Luis Obispo County.*

Grand Jury Finding 2:

*The County has a 30-year plan to fully fund the pension liability. It is unclear where the county currently stands in this planned recovery.*

On the basis of these findings the Jury has the following recommendation for the Pension Trust and County Auditor-Controller:

*The Pension Trust administrator and the Auditor-Controller-Treasurer should make available to the Board of Supervisors and the residents of San Luis Obispo County an additional simplified transparent reporting of the totality of the county's pension obligation.*

The Auditor Controller and the Board of Supervisors are required to respond, indicating whether they agree or disagree with the findings and recommendations and then whether they are going to implement them. In this instance the Board is proposing that the Auditor Controllers response be their response. You would think that the Board, as an elected governing body, would at least take the trouble to seriously consider the findings and recommendations and provide its own response.
The Auditor Controller's response is bureaucratic and obfuscatory. Here is an excerpt:

*I partially agree with this recommendation. Determining funding requirements for pensions is a complicated, ever changing calculation performed by actuaries. While it would be difficult to simplify the reporting, there are some changes we can make that will help present the pension obligation with more history in one document.*
*As previously mentioned the implementation of GASB 68 in FY 2014-15 is intended to provide additional transparency to pension reporting. Currently, there is a table in the CAFR under "Required Supplementary Information" (Attachment 2) which may have been overlooked by the Grand Jury. This table clearly presents the County's total pension obligation over the last three years. GASB 68 requires that the table be expanded from the current 3 years of pension history to include 10 years of pension history. The reader can see the annual changes in the County's total pension obligation. Even though the GASB 68 requirement to record the unfunded liability in the financial statements is not scheduled until FY 2014-15, we are allowed to early-adopt changes to the Required Supplementary Information and present the expand the reporting time period for the attached Schedule of Funding Progress to 10 years.*
*Based on the Grand Jury's recommendation, we will implement this change for the FY 2013-14 CAFR rather than waiting until FY 2014-15. Both the Pension Trust CAFR and the annual actuarial valuation reports referenced by the Grand Jury also had this data in the form of a Schedule of Funding Progress going back to 2001.*

**Holy Byzantine Obfuscation, Batman!** Why can't the Administrator of the Pension Trust, the Consulting Actuaries, and Auditor Controller (AC) give the Board of Supervisors a 30-minute presentation one time per year on the status of the system? After all, it's a huge and growing expense. A good time to do this would be in June of each year, when the Annual Actuarial Report and recommendations are presented to the Pension Trust Board. The AC basically says he might make a few changes to the Consolidated Annual Financial Report. This is a technical 180 plus page document. It is unlikely that the Board members are studying it in detail. The Public and media only have access through the web and should not have the burden of wading through such a huge technical document (which of course they have never heard of).

Some Quick Facts, which are omitted from the Board item:

1. The entire future funding of the system is based on a bet by the Pension Trust that it will earn 7.25% per year on average, each year, over the next 30 years. It has not done this over the past decade. Also, and to be clear, the relevant rate is the actuarial rate of return (a rate which smooths gains and losses and which takes into account inflation). Note the column entitled *Gain (Loss) Percentage Attributable to Investments* in the middle of the chart below. All charts are copied from the SLO Pension Trust's 2013 Annual Actuarial Report, which became available around June 17, 2014.

## EXPERIENCE GAIN (LOSS) – COMPARATIVE SCHEDULE
## JANUARY 1, 2013

Percentage of Accrued Liabilities

| Valuation Date | Actuarial Gain (Loss) | Beginning of Year Accrued Liabilities | Gain (Loss) Percentage Attributable to Investments | Gain (Loss) Percentage Not Attributable to Investments | Total Gain (Loss) Percentage |
|---|---|---|---|---|---|
| 1/1/2002 | ($7,090,396) | $446,333,883 | (0.30)% | (1.29)% | (1.59)% |
| 1/1/2003 | (31,319,034) | 492,795,245 | (2.79)% | (3.57)% | (6.36)% |
| 1/1/2004 | (19,544,002) | 556,320,953 | (1.45)% | (2.06)% | (3.51)% |
| 1/1/2005 | (10,820,472) | 642,734,312 | (1.15)% | (0.53)% | (1.68)% |
| 1/1/2006 | (36,097,371) | 715,084,943 | (1.34)% | (3.71)% | (5.05)% |
| 1/1/2007 | (12,682,702) | 831,289,683 | 0.01 % | (1.54)% | (1.53)% |
| 1/1/2008 | (8,713,157) | 962,827,691 | 0.50 % | (1.40)% | (0.90)% |
| 1/1/2009 | (39,999,218) | 1,057,124,348 | (3.09)% | (0.70)% | (3.78)% |
| 1/1/2010 | 3,281,208 | 1,150,214,145 | (1.55)% | 1.84 % | 0.29 % |
| 1/1/2011 | 3,596,270 | 1,216,153,057 | (0.55)% | 0.85 %* | 0.30 % |
| 1/1/2012 | 12,704,448 | 1,282,058,335 | (1.73)% | 2.72 % | 0.99 % |
| 1/1/2013 | (18,925,942) | 1,378,549,314 | (0.83)% | (0.54)% | (1.37)% |

*The Board elected to accelerate recognition of $10 million of the 2008 loss base for the year ending December 31, 2010.

2. The next chart displays the funding "progress" over the past decade. Note that the unfunded accumulated actuarial liability of the system grew from $88 million in 2001 to $346 million by 2012. The reader may wonder why there are such gyrations in 2002 and 2005. This is because the County undertook a very bad policy and issued pension obligation bonds. This was a bet that it could borrow at public entity tax exempt rates of 4% and then the system would earn 7.75% (its interest assumption rate at that time). It didn't happen. In effect the County lost the bet and the money. It is now spending $10 million per year from the operating budget to pay off the pension obligation bonds.

## FUNDING PROGRESS INDICATORS
## HISTORIC COMPARISON

($ in Thousands)

| Valuation Date | Valuation Assets[1] | Actuarial Liability[1] | Funded Ratio | Unfunded Actuarial Liability | Member Payroll | Ratio to Payroll |
|---|---|---|---|---|---|---|
| 12/31/2001 | $404,751 | $492,795 | 92.1% | $88,044 | $120,637 | 73.0% |
| 12/31/2002 | 430,351 | 556,321 | 77.4% | 125,970 | 131,997 | 95.4% |
| 12/31/2003 | 604,808 | 619,257 | 97.7% | 14,449 | 136,364 | 10.6% |
| 12/31/2003 [5] | 604,808 | 637,075 | 94.9% | 32,267 | 136,364 | 23.7% |
| 12/31/2003 [2,5] | 604,808 | 642,734 | 94.1% | 37,926 | 136,364 | 27.8% |
| 12/31/2004 [2] | 651,751 | 713,683 | 91.3% | 61,932 | 135,189 | 45.8% |
| 12/31/2004 [6] | 651,751 | 715,085 | 91.1% | 63,334 | 135,189 | 46.8% |
| 12/31/2005 | 700,060 | 803,124 | 87.2% | 103,064 | 143,902 | 71.6% |
| 12/31/2005 [7] | 700,060 | 818,864 | 85.5% | 118,804 | 143,902 | 82.6% |
| 12/31/2005 [2,7] | 700,060 | 831,290 | 84.2% | 131,230 | 143,902 | 91.2% |
| 12/31/2006 | 759,758 | 912,458 | 83.3% | 152,700 | 152,117 | 100.4% |
| 12/31/2006 [2] | 759,758 | 920,285 | 82.6% | 160,527 | 152,117 | 105.5% |
| 12/31/2006 [2,8] | 759,758 | 994,861 | 76.4% | 235,103 | 152,117 | 154.6% |
| 12/31/2006 [9] | 759,758 | 962,828 | 78.9% | 320,627 | 152,117 | 210.8% |
| 12/31/2007 | 829,764 | 1,055,868 | 78.6% | 226,104 | 162,436 | 139.2% |
| 12/31/2007 [10] | 829,764 | 1,057,124 | 78.5% | 227,360 | 162,436 | 140.0% |
| 12/31/2008 | 875,602 | 1,150,214 | 76.1% | 274,612 | 168,677 | 162.8% |
| 12/31/2009 | 937,279 | 1,216,153 | 77.1% | 278,874 | 160,444 | 173.8% |
| 12/31/2010 | 1,000,169 | 1,282,058 | 78.0% | 281,889 | 161,783 | 174.2% |
| 12/31/2011 | 1,057,922 | 1,334,545 | 79.3% | 276,623 | 161,055 | 171.8% |
| 12/31/2011 [2,11] | 1,057,922 | 1,378,549 | 76.7% | 320,627 | 161,055 | 199.1% |
| 12/31/2012 [11] | 1,122,151 | 1,468,001 | 76.4% | 345,850 | 164,299 | 210.5% |

3. The 3rd Chart provides a forecast of pension debt out to 2043. Column 8 - Unfunded AAL - is the key metric. Note that it starts at the current $346 million and peaks in 2022 at $523 million, a 51% increase. Note that on this basis the AAL would not be paid off until 2043. Also, and most problematically, the projection is based on a bet that the system will average an investment return of 7.25%, year in and year out for the entire period.

**San Luis Obispo County Pension Trust**

**Projection Based on January 1, 2013 Actuarial Valuation with Tier 3 (AB 340)**
**7.25% Investment Rate of Return Assumption**
**3.75% Payroll Growth Assumption**

| Valuation as of January 1, (1) | Input Market Return for Past Fiscal Year | Market Return for Past Fiscal Year (2) | Total Contribution Rate (3) | Compensation at Valuation (4) | Total Contribution (5) | Actuarial Accrued Liability (AAL) (6) | Actuarial Value of Assets (AVA) (7) | Unfunded AAL (8) | Funded Ratio (9) | Total Normal Cost Rate (10) | Market Value of Assets (MVA) (11) | Funded Ratio Using MVA (12) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | 7.25% | 12.02% | 35.18% | $ 164 | $ 57.8 | $ 1,468 | $ 1,122 | $ 346 | 76.4% | 23.38% | $ 1,013 | 69.0% |
| 2014 | 7.25% | 7.25% | 35.09% | 169 | 59.2 | 1,549 | 1,184 | 365 | 76.5% | 22.69% | 1,081 | 69.8% |
| 2015 | 7.25% | 7.25% | 35.57% | 174 | 61.8 | 1,629 | 1,230 | 400 | 75.5% | 22.03% | 1,148 | 70.5% |
| 2016 | 7.25% | 7.25% | 36.37% | 179 | 65.1 | 1,710 | 1,266 | 444 | 74.1% | 21.40% | 1,218 | 71.2% |
| 2017 | 7.25% | 7.25% | 36.87% | 185 | 68.1 | 1,790 | 1,313 | 477 | 73.3% | 20.81% | 1,289 | 72.0% |
| 2018 | 7.25% | 7.25% | 37.30% | 190 | 71.0 | 1,868 | 1,362 | 507 | 72.9% | 20.24% | 1,361 | 72.9% |
| 2019 | 7.25% | 7.25% | 37.05% | 196 | 72.7 | 1,945 | 1,431 | 515 | 73.5% | 19.72% | 1,434 | 73.7% |
| 2020 | 7.25% | 7.25% | 36.80% | 203 | 74.5 | 2,021 | 1,501 | 520 | 74.3% | 19.25% | 1,507 | 74.6% |
| 2021 | 7.25% | 7.25% | 36.54% | 209 | 76.4 | 2,094 | 1,572 | 522 | 75.1% | 18.82% | 1,579 | 75.4% |
| 2022 | 7.25% | 7.25% | 36.28% | 216 | 78.4 | 2,165 | 1,643 | 523 | 75.9% | 18.43% | 1,651 | 76.2% |
| 2023 | 7.25% | 7.25% | 36.03% | 223 | 80.5 | 2,235 | 1,714 | 521 | 76.7% | 18.07% | 1,722 | 77.0% |
| 2024 | 7.25% | 7.25% | 35.82% | 231 | 82.7 | 2,302 | 1,785 | 518 | 77.5% | 17.75% | 1,793 | 77.9% |
| 2025 | 7.25% | 7.25% | 35.63% | 239 | 85.1 | 2,368 | 1,856 | 513 | 78.4% | 17.47% | 1,864 | 78.7% |
| 2026 | 7.25% | 7.25% | 35.47% | 247 | 87.7 | 2,433 | 1,927 | 505 | 79.2% | 17.22% | 1,936 | 79.6% |
| 2027 | 7.25% | 7.25% | 35.33% | 256 | 90.4 | 2,495 | 2,000 | 495 | 80.1% | 16.99% | 2,008 | 80.5% |
| 2028 | 7.25% | 7.25% | 35.21% | 265 | 93.3 | 2,556 | 2,073 | 483 | 81.1% | 16.78% | 2,081 | 81.4% |
| 2029 | 7.25% | 7.25% | 35.11% | 274 | 96.3 | 2,615 | 2,147 | 468 | 82.1% | 16.59% | 2,155 | 82.4% |
| 2030 | 7.25% | 7.25% | 35.03% | 284 | 99.5 | 2,673 | 2,223 | 450 | 83.2% | 16.42% | 2,232 | 83.5% |
| 2031 | 7.25% | 7.25% | 34.97% | 294 | 102.9 | 2,730 | 2,302 | 428 | 84.3% | 16.27% | 2,310 | 84.6% |
| 2032 | 7.25% | 7.25% | 34.94% | 305 | 106.6 | 2,786 | 2,383 | 403 | 85.5% | 16.14% | 2,392 | 85.8% |
| 2033 | 7.25% | 7.25% | 34.91% | 316 | 110.3 | 2,841 | 2,468 | 373 | 86.9% | 16.01% | 2,476 | 87.2% |
| 2034 | 7.25% | 7.25% | 34.92% | 328 | 114.4 | 2,896 | 2,557 | 339 | 88.3% | 15.90% | 2,565 | 88.6% |
| 2035 | 7.25% | 7.25% | 34.96% | 340 | 118.8 | 2,950 | 2,650 | 300 | 89.8% | 15.81% | 2,659 | 90.1% |
| 2036 | 7.25% | 7.25% | 35.04% | 352 | 123.4 | 3,004 | 2,750 | 255 | 91.5% | 15.72% | 2,758 | 91.8% |
| 2037 | 7.25% | 7.25% | 35.18% | 365 | 128.5 | 3,059 | 2,855 | 204 | 93.3% | 15.65% | 2,864 | 93.6% |
| 2038 | 7.25% | 7.25% | 35.42% | 379 | 134.1 | 3,114 | 2,969 | 145 | 95.3% | 15.58% | 2,977 | 95.6% |
| 2039 | 7.25% | 7.25% | 35.98% | 393 | 141.3 | 3,171 | 3,092 | 79 | 97.5% | 15.52% | 3,100 | 97.8% |
| 2040 | 7.25% | 7.25% | 16.10% | 407 | 65.6 | 3,229 | 3,226 | 3 | 99.9% | 15.47% | 3,235 | 100.2% |
| 2041 | 7.25% | 7.25% | 15.69% | 423 | 66.3 | 3,289 | 3,288 | 1 | 100.0% | 15.43% | 3,296 | 100.2% |
| 2042 | 7.25% | 7.25% | 15.65% | 438 | 68.6 | 3,351 | 3,350 | 1 | 100.0% | 15.39% | 3,358 | 100.2% |
| 2043 | 7.25% | 7.25% | 15.63% | 455 | 71.1 | 3,416 | 3,415 | 1 | 100.0% | 15.36% | 3,423 | 100.2% |

Projection assumes no actuarial gains and losses, other than from assets. Projection based on constant population.
Tier 3 changes include No DROP, 2% COLA, pay limited to Social Security Taxable Wage Base ($113,700 for 2013), 3 year Final Average Compensation for members hired on or after January 1, 2013.

4. Of course the Pension Trust and its consulting actuaries are smart enough to hedge their bets. The 4th chart below displays a scenario with a 6.75% rate of return. In this case the unfunded liability peaks in 2026 at $585 million, a 69% increase. In this version it is never paid off.

What if the system only averages a 5% return, a figure that many outside experts believe is more prudent?

5. Why doesn't the Board schedule a full hearing on this important subject annually? Instead, they talk about how financially savvy they are. What if a Board member asked the actuary if she professionally supported the 7.25% rate?

**San Luis Obispo County Pension Trust**

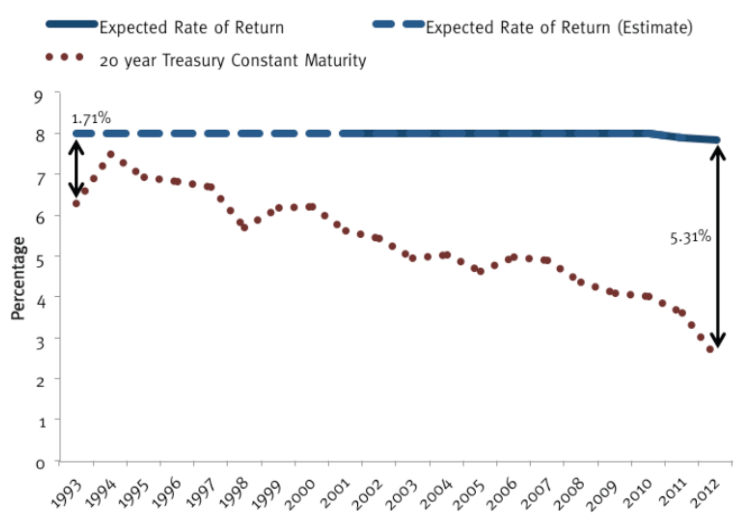
**Projection Based on January 1, 2013 Actuarial Valuation with Tier 3 (AB 340)**
**7.25% Investment Rate of Return Assumption & 6.75% Projected Market Returns**
**3.75% Payroll Growth Assumption**

| Valuation as of January 1, (1) | Input Market Return for Past Fiscal Year | Market Return for Past Fiscal Year (2) | Total Contribution Rate (3) | Compensation at Valuation (4) | Total Contribution (5) | Actuarial Accrued Liability (AAL) (6) | Actuarial Value of Assets (AVA) (7) | Unfunded AAL (8) | Funded Ratio (9) | Total Normal Cost Rate (10) | Market Value of Assets (MVA) (11) | Funded Ratio Using MVA (12) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2013 | 12.02% | 12.02% | 35.18% | $ 164 | $ 57.8 | $ 1,468 | $ 1,122 | $ 346 | 76.4% | 23.38% | $ 1,013 | 69.0% |
| 2014 | 6.75% | 6.75% | 35.12% | 169 | 59.3 | 1,549 | 1,183 | 366 | 76.4% | 22.69% | 1,076 | 69.4% |
| 2015 | 6.75% | 6.75% | 35.68% | 174 | 62.0 | 1,629 | 1,226 | 403 | 75.3% | 22.03% | 1,138 | 69.8% |
| 2016 | 6.75% | 6.75% | 36.60% | 179 | 65.5 | 1,710 | 1,260 | 450 | 73.7% | 21.40% | 1,201 | 70.2% |
| 2017 | 6.75% | 6.75% | 37.26% | 185 | 68.8 | 1,790 | 1,301 | 488 | 72.7% | 20.81% | 1,265 | 70.7% |
| 2018 | 6.75% | 6.75% | 37.89% | 190 | 72.1 | 1,868 | 1,344 | 525 | 71.9% | 20.24% | 1,330 | 71.2% |
| 2019 | 6.75% | 6.75% | 37.88% | 196 | 74.4 | 1,945 | 1,406 | 539 | 72.3% | 19.72% | 1,396 | 71.7% |
| 2020 | 6.75% | 6.75% | 37.87% | 203 | 76.7 | 2,021 | 1,469 | 551 | 72.7% | 19.25% | 1,460 | 72.3% |
| 2021 | 6.75% | 6.75% | 37.87% | 209 | 79.2 | 2,094 | 1,533 | 561 | 73.2% | 18.82% | 1,524 | 72.8% |
| 2022 | 6.75% | 6.75% | 37.89% | 216 | 81.9 | 2,165 | 1,596 | 570 | 73.7% | 18.43% | 1,587 | 73.3% |
| 2023 | 6.75% | 6.75% | 37.94% | 223 | 84.7 | 2,235 | 1,659 | 576 | 74.2% | 18.07% | 1,649 | 73.8% |
| 2024 | 6.75% | 6.75% | 38.03% | 231 | 87.8 | 2,302 | 1,721 | 581 | 74.8% | 17.75% | 1,711 | 74.3% |
| 2025 | 6.75% | 6.75% | 38.17% | 239 | 91.2 | 2,368 | 1,784 | 584 | 75.3% | 17.47% | 1,774 | 74.9% |
| 2026 | 6.75% | 6.75% | 38.36% | 247 | 94.8 | 2,433 | 1,847 | 585 | 75.9% | 17.22% | 1,836 | 75.5% |
| 2027 | 6.75% | 6.75% | 38.59% | 256 | 98.7 | 2,495 | 1,911 | 584 | 76.6% | 16.99% | 1,900 | 76.1% |
| 2028 | 6.75% | 6.75% | 38.87% | 265 | 103.0 | 2,556 | 1,977 | 579 | 77.3% | 16.78% | 1,964 | 76.8% |
| 2029 | 6.75% | 6.75% | 39.20% | 274 | 107.5 | 2,615 | 2,044 | 572 | 78.1% | 16.59% | 2,030 | 77.6% |
| 2030 | 6.75% | 6.75% | 39.58% | 284 | 112.5 | 2,673 | 2,113 | 560 | 79.0% | 16.42% | 2,099 | 78.5% |
| 2031 | 6.75% | 6.75% | 40.03% | 294 | 117.8 | 2,730 | 2,186 | 544 | 80.1% | 16.27% | 2,171 | 79.5% |
| 2032 | 6.75% | 6.75% | 40.56% | 305 | 123.7 | 2,786 | 2,263 | 523 | 81.2% | 16.14% | 2,247 | 80.7% |
| 2033 | 6.75% | 6.75% | 41.17% | 316 | 130.1 | 2,841 | 2,345 | 497 | 82.5% | 16.01% | 2,328 | 81.9% |
| 2034 | 6.75% | 6.75% | 41.90% | 328 | 137.3 | 2,896 | 2,433 | 463 | 84.0% | 15.90% | 2,415 | 83.4% |
| 2035 | 6.75% | 6.75% | 42.79% | 340 | 145.4 | 2,950 | 2,528 | 422 | 85.7% | 15.81% | 2,510 | 85.1% |
| 2036 | 6.75% | 6.75% | 43.92% | 352 | 154.7 | 3,004 | 2,632 | 372 | 87.6% | 15.72% | 2,613 | 87.0% |
| 2037 | 6.75% | 6.75% | 45.45% | 365 | 166.0 | 3,059 | 2,748 | 311 | 89.8% | 15.65% | 2,728 | 89.2% |
| 2038 | 6.75% | 6.75% | 47.75% | 379 | 180.8 | 3,114 | 2,879 | 236 | 92.4% | 15.58% | 2,857 | 91.7% |
| 2039 | 6.75% | 6.75% | 52.43% | 393 | 205.9 | 3,171 | 3,028 | 143 | 95.5% | 15.52% | 3,005 | 94.8% |
| 2040 | 6.75% | 6.75% | 20.32% | 407 | 82.8 | 3,229 | 3,209 | 19 | 99.4% | 15.47% | 3,185 | 98.6% |
| 2041 | 6.75% | 6.75% | 19.72% | 423 | 83.3 | 3,289 | 3,271 | 18 | 99.5% | 15.43% | 3,245 | 98.7% |
| 2042 | 6.75% | 6.75% | 19.70% | 438 | 86.3 | 3,351 | 3,332 | 19 | 99.4% | 15.39% | 3,305 | 98.6% |
| 2043 | 6.75% | 6.75% | 19.67% | 455 | 89.4 | 3,416 | 3,397 | 19 | 99.4% | 15.36% | 3,369 | 98.6% |

Projection assumes no actuarial gains and losses, other than from assets. Projection based on constant population.
Tier 3 changes include No DROP, 2% COLA, pay limited to Social Security Taxable Wage Base ($113,700 for 2013), 3 year Final Average Compensation for members hired on or after January 1, 2013.

*One driver of current unfunded liabilities has been unrealistic assumptions about investment gains and risks, driven in part by optimistic and opaque actuarial assumptions. Investment return assumptions should not be based on past performance, but rather linked to the risk profile of the investment portfolio of the system, the risks of projected pension payments in the future, and discount rates in the current market. The graph below shows how wide of the mark market pension plan investment return assumptions have become.*

**Figure 6: Median Public Plan Expected Rate of Return vs. 20-year Treasury Rate**




And they project 7.5%

**Item 8 - Supervisor Gibson's June 2014 Expense Report.** Gibson had the inside track and herded the mules.

### Expense Reporting

Supervisor Bruce Gibson
Reporting for Time Period 06/01/14 – 06/30/2014

Government Code Section 53232.3(d) requires that members of legislative bodies report on meetings attended for which there has been expense reimbursement (mileage, meals, lodging, etc.). The list below is not a comprehensive list of all meetings attended by the Supervisor, but only those for which compensation and/or reimbursement was received.

In compliance, the following reports on meetings attended are as follows:

| Date | Meeting Name | Location |
|---|---|---|
| 06/12/14 | US Fish and Wildlife Services | Ventura |

| Purpose | Reimbursement Amount |
|---|---|
| Meeting regarding Los Osos Habitat Conservation Plan | $165.69 air, transportation |

| Date | Meeting Name | Location |
|---|---|---|
| 06/18/14 | State Senate Committee on Governance | Sacramento |

| Purpose | Reimbursement Amount |
|---|---|
| Legislative meetings regarding KB2453 | $285.50 air, transportation |

| Date | Meeting Name | Location |
|---|---|---|
| 06/24/14 | State Senate Committee on Natural Resources and Water | Sacramento |

| Purpose | Reimbursement Amount |
|---|---|
| Legislation meetings regarding AB2453 | $301.00 air, transportation |

## LEAKY COUNTY PIPES

**Item 12 - $1,000,000 Needed to Fix Water Line Supplying Morro Bay Golf Course.** The current line is subject to continuous leaks. The golf program has lost money and does not have sufficient reserves. The staff recommends an internal loan from other County funds. Farmers in Paso will be required to cut water use under current pending proposals. Residents are being required to cut water use. Should these taxpayers subsidize the irrigation of golf courses? Why not privatize the course?

**Item 24 - Nacimiento Pipeline Leak(s) Much Worse than First Thought.** It turns out that there are more leaks (number unspecified). The County has expended $132,000 to find the currently known leaks and fix the first leak. (The pressure test failed - is it fixed?) Public Works is requesting authorization to spend an additional $275,000. The prognosis is not good:

*Week of July 21st: District contractors repaired the identified leak. Subsequent pressure testing of the now isolated river crossing failed. Additional work efforts discovered additional leaks and substantial deterioration of the pipe's lining on the west half of the crossing.*

*Due to the number of leaks found in the Nacimiento River crossing, investigation work will be expanded to the Salinas River north crossing; also constructed by Teichert and using the same methods, pipe and supplier, and installation subcontractor. The work anticipated to occur over the next couple of weeks will depend on the extent and number of additional leaks but may include but not be limited to repair of additional leaks, repair of access points into the pipeline, and site restoration*

**Item 31 - Performance Measures Report on the Transitions Mental Health Program.** Readers may recall that several weeks ago COLAB and others raised questions about the adequacy and logic of the performance measures attendant to Transitions' $4.2 million dollar contract. The contract was approved, but the Mental Health Department was directed to bring back a presentation on the measures. This item contains a 17-page report, which details the measures and provides interpretation. Some are better and some are not so good.

All this misses the point. COLAB has no problem with Transitions or its programs. The real and generic issue is the state of the quality and use of performance measurement and management in San Luis Obispo County's operations generally. We have been recommending rigor and meaningfulness in the construction of performance measures. We have also been recommending that the Board actually pay attention and use them to evaluate budget requests, new program requests, ant operations in general.

Specific to the report accompanying this item, consider this example:

| **SLO Hotline - Suicide Prevention and Crisis Intervention** | | | |
|---|---|---|---|
| Year | 2012-13 Actual | 2013-14 Actual | 2014-15 Budgeted |
| Cost | $ 75,000 | $ 105,000 | $ 111,000 |
| Number of calls received | 3,923 | 5,725 | 6,000 |
| Number of suicide prevention trainings | 9 | 4 | 4 |
| Percent of callers surveyed that agreed that support and early intervention that they received from SLO Hotline contributed to improved mental wellness | 92% (33/36) | 94% (31/33) | 90% |
| Percent of callers surveyed that agreed that they would use SLO Hotline again in the future, if needed, or refer someone else to Hotline | 100% (37/37) | 100% (33/33) | 90% |
| Percent of callers surveyed that agreed the overall service they received was satisfactory | 97% (36/37) | 100% (33/33) | 90% |
| Percent of callers surveyed agreed that they received an increased knowledge of local mental health resources | 89% (33/37) | 97% (32/33) | 90% |

The program illustrated here is the Suicide and Crisis Prevention Program, operated for the county by Transitions at a cost of $111,000 per year. It is one of 26 programs operated for the County by Transitions under this contract. The numbers indicate that the service handled 5,725 calls during FY 2013-14 and expects to handle 6,000 this fiscal year. The actual measure is the number of individuals who, in a survey, gave a high percentage satisfaction rating about their call.

Consider:

1. Out of 5,725 calls, the survey sample is only 37, less than .01 percent. (Wonder if Gibson would say this is statistically insignificant?)

2. The title of the program is Suicide and Crisis Prevention. This would suggest that there is a suicide problem and a mental health crises problem that deserve intervention by the County. It also suggests that the problem is significant. But there is no data in the measure about how many suicides occur each year in the County. How many used the service? How many didn't? What about those experiencing other crises?

How can anyone tell if this has any value at all in relation to an ostensible problem? Again, this is not a criticism of Transitions. We don't expect contract social services providers to be experts in the art and science of constructing performance measures. However, we do expect the County Administrator, his Assistants, the budget analysts, the Department Heads, and Department Business Managers to both use and advance the quality of measures.

**Item 32 - Drought Emergency Update.** This is the latest edition of the monthly drought status report. It reiterates the statewide and local problems and lists various steps the County and others are undertaking to try to manage the situation.

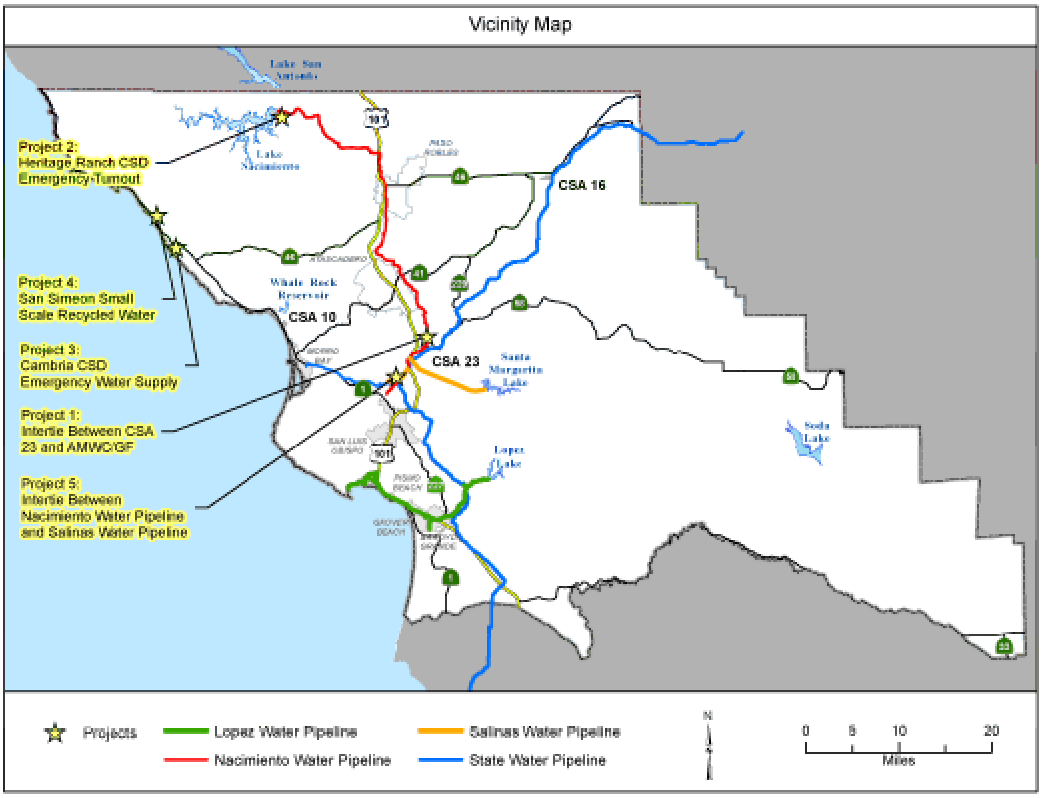
PAY ATTENTION TO THIS ONE

**An Important New Report - County Water Systems One Year Look Ahead:** Included, almost as an afterthought, is a document listed as Attachment 4 to Item 32. It is a projection of conditions if another dry year occurs. It contains a number of steps and potential actions which are to be or might be undertaken and is a very comprehensive summary with maps and charts. It's one glaring omission is that it does not talk about the potential of a desalination feasibility study. This may simply be too politically dangerous for the staff to include in the report (especially if you want to be Public Works Director).

This report is well worth a read and reveals a good deal about potential future manipulations that the Board might invoke. It can be accessed at the link:

http://agenda.slocounty.ca.gov/agenda/sanluisobispo/3663/QXR0YWNobWVudCA0LU1lbW9yYW5kdW0gT25lIFllYXIgTG9vay1BaGVhZC5wZGY=/12/n/31923.doc

The map on the next page displays some of the projects which are underway or will be underway to move water around. It is illustrative of the more comprehensive approach in this report.




**Item 37 - Integrated Regional Water Management Plan (IRWMP).** Proposition 84 provides billions of dollars for water projects. At the local level, cities, counties, water districts, and other entities are eligible to compete for grants to build the projects. To be eligible, the agencies must get together and develop a 5-year plan that prioritizes the projects by area and purpose. The purposes must comport with state priorities set forth in the Proposition. The Plan area is San Luis Obispo County, and 23 agencies worked cooperatively to develop the 800-page plan, which cost over $800,000 (state grant funded) to produce. The Board of Supervisors must give final approval to the Plan by adoption of several resolutions, after which it is to be submitted to the State Department of Water Resources for consideration and hoped-for approval. The executive summary can be accessed at the link:

http://agenda.slocounty.ca.gov/agenda/sanluisobispo/3666/RXhlY3V0aXZlIFN1bW1hcnkgMi5wZGY=/12/n/31945.doc

The various entities ,through the IRWM Group, could apply for tens of millions of dollars over the next 5 years. In the previous cycle, San Luis Obispo County entities received over $14 million. Policy is woven throughout the Plan. For example:

## Climate Change

Consistent with DWR IRWM Guidelines, Climate Change Analysis is now considered a critical component in the planning and implementation of water resources management projects and programs. The 2012 IRWM Guidelines require that IRWM Plans address both adaptation to the effects of climate change and mitigation of greenhouse gas (GHG) emission resulting from IRWM project implementation. As a result, the Region identifies and prioritizes the Region's vulnerabilities to climate change, ranking project impacts an identifying potential mitigation and adaptation responses.

In other words, you have to buy in to climate change and "smart growth" to get the money.

**REGIONAL WATER MANAGEMENT GROUP**

San Luis Obispo County
San Luis Obispo County Flood Control and Water Conservation District
California Men's Colony
Cambria CSD
City of Arroyo Grande
City of Grover Beach
City of Morro Bay
City of Paso Robles
City of Pismo Beach
City of San Luis Obispo
Central Coast Salmon Enhancement
Coastal San Luis Resource Conservation District
Heritage Ranch CSD
Land Conservancy
Los Osos CSD
Morro Bay National Estuary Program
Nipomo CSD
Oceano CSD
Templeton CSD
San Miguel CSD
San Simeon CSD
S&T Mutual Water Company
Upper Salinas - Las Tablas Resource Conservation District

**San Luis Obispo Council of Governments (SLOCOG) Meeting of Wednesday, August 6, 2014 (8:30 AM) (Completed)**

**Item B-3: Sustainable Communities Strategy (SCS).** The SLOCOG Board received the interim report. The Staff will return for final action on September 11, 2014. Supervisor Gibson objected to COLAB's pointing out that the EVC Housing survey demonstrated that respondents overwhelmingly prefer a single-family freestanding house with a yard, privacy, and a garage. Indeed they would prefer to have that house in a rural to suburban setting. Gibson tried to disparage the COLAB presentation by saying that respondents would settle for ("find acceptable") a denser mode of living. What he failed to mention is that a key cause of having to accept a denser mode of living is the County Board of Supervisors majority's "smart growth" stack-and-pack housing policy. In other words, we are going to rig the system against your real aspirations so you will have to "accept" something less. How dishonest.

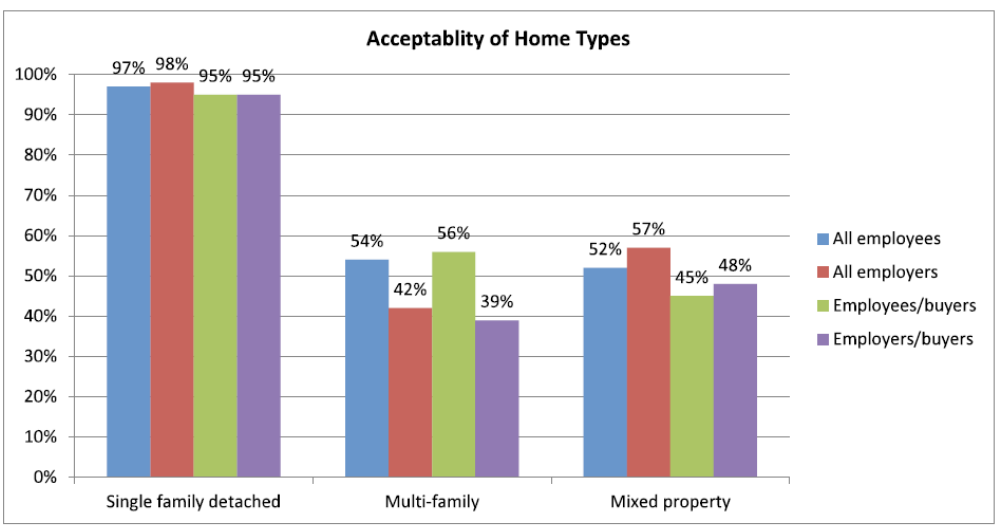
A SLOCOG staff member criticized the EVC report, saying, "they did not drill down far enough."

Mecham, in a shallow attempt to demean the public's preferences, stated, "some people have to live in Bakersfield."

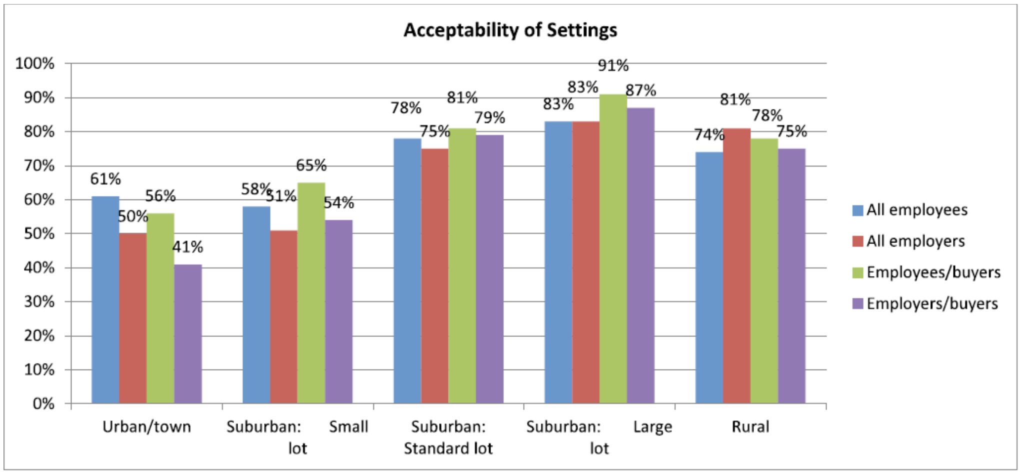
Paso Robles City Councilman and futurist sage, Fred Strong, philosophized that the whole thing is just planning and that the world will be so different in 5 years, it will all be irrelevant. The rising generations are hooked on Twitter and where they live is unimportant.

**Background:** The SCS is a major tool to implement the SB 375 requirement to reduce private commuting in cars and light trucks. To achieve this goal, cities and counties must adopt targets through their council of governments for reduced commuting, which in turn is predicated on concentrating new residential development into existing urban or urbanizable areas. For San Luis Obispo County, this means the 7 incorporated cities and the target areas of Nipomo, Oceano, Templeton, and San Miguel in the unincorporated area.

The County's non-profit business-run economic development arm, the Economic Vitality Corporation (EVC), [just] presented its key data to the Board of Supervisors on July 15, 2014. The data shows that both employers and employees overwhelmingly prefer single-family freestanding homes with a yard, multi-car garage, and privacy to any other form of living.



Not only do our citizens prefer the single-family freestanding home, but also overwhelmingly prefer suburban and rural settings. Will the SLOCOG elected officials ignore this and slap their constituents in the face with a policy that promises to restrict both single-family and the rural/suburban lifestyle in the name of global warming and “smart growth”?




## Planning Commission Meeting of Thursday, August 14, 2014 (Cancelled)

The Meeting of Thursday, August 14th has been cancelled.

## PASO BASIN QUIET TITLE ACTION GROWS

The Protect Our Water Rights group reports that more participants with more acreage have joined the action:

*Concerns over sweeping changes to private property rights has brought tremendous support from the rural community for the Protect Our Water Rights (POWR) Quiet Title Action. The group filed an amended complaint July 31st in Superior Court of Santa Clara County. The POWR group stands at 250 landowner members and 12,800 acres. ! !*
*Quiet Title is a legal procedure which allows landowners large and small to confirm their groundwater rights protected by California law against claims by local agencies which seek to take these protected groundwater rights. The local entities identified as defendants in the case are making claims which impair or take away overlying groundwater rights. As a result, our basin is now in what is called “Adjudication”. The Adjudication process will have two important outcomes: First, there will be a scientific quantification of the amount of water that can be safely pumped from our basin. Second, parties will need to prove that they have a right and priority under California law to pump groundwater assuring that the basin will not be over-pumped. The adjudication process is the best solution for our basin because it will result in a court supervised sustainable water future for our community. ! !*
*Cindy Steinbeck, a founding member of POWR, is a fifth generation family farmer and*

*owner of Steinbeck Vineyards in Paso Robles. She states, "Our group is seeking Quiet Title as the means through which to protect our rights under California Law and to protect our basin from over-pumping. Our rights are under assault. If we cannot use the water then our land has no value. Both our rural lifestyle and our community are at risk."!!*
*About POWR: Protect Our Water Rights (www.protectyourwaterrights.com) is a diverse group of large and small landowners, concerned about water rights and protecting our groundwater basin. POWR believes that standing strong to protect our rights will serve to protect our precious groundwater. POWR formed very quickly after the Urgency Ordinance was passed by the San Luis Obispo County Board of Supervisors and continues to grow because of the threat of state regulation as well as the possibility of a political body such as a California Water District being used to control and export groundwater for financial gain at the expense of overlying groundwater rights and the long term sustainability of the groundwater basin. The group believes that court determination and enforcement of groundwater rights and protection of the groundwater basin is preferable to political decisions which can be affected by money and influence.*