

The Impossible Dream...

Making Growth Sustainable and Accountable

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Setting the Stage

- Local Government is like a Psychiatrist
- Audience >> Speaker
- ***Discussion Outline:***
 - ◆ Concepts
 - ◆ Risks
 - ◆ Potential Solutions
 - ◆ Related Topics
- Suggestions to: mccgreggd@gmail.com

Name-Calling

- NIMBY = *"Not In My Back Yard"*
- LMMMG = **"Lemmings"** *"Let Me Make My Money Growing"*
- Sustainability
 - ◆ "Sustainable" means Forever
- "Development" = Expansion = BuildOut
- "Pro-Growth" – I'm pro-growth in QUALITY of life, but no longer in QUANTITY of life.

If growth paid for itself, why is almost every state, county, and city in the country in debt?

Trick Question #1

- There are 8 billion people in the world.
- How many can fit in Pacifica?

Trick Answer #1

- It depends on the sustainable capacity of:
 - ◆ Water
 - ◆ Sewer
 - ◆ Roads
 - ◆ Fire prevention
 - ◆ Policing
 - ◆ Schools
 - ◆ And, Money to pay for all the above
- Again, Sustainable means Forever

Bay-Delta Plan

- *"The Fish Got A Good Lawyer"* in 2016
- Preservation of Tuolumne River, et al
 - ◆ Required minimum drought year flows
- Lawsuit ongoing for years
- Cutbacks in Drought years to SFPUC clients (BAWSCA)
 - ◆ Years 1-3: **56%** cutback
 - ◆ Years 4-8: **68%** cutback
- Longest Droughts? *All BEFORE Climate Crisis*
 - ◆ 8 years (1943-51)
 - ◆ 180 and 240 years in Middle Ages (850AD to 1090 and 1140 to 1320)
 - ◆ 1,000+ years in pre-history

RISK

Water Security - The Fallback Plan?

- Cut back on agriculture, which is ~80%* of use
- Build a dozen massive water supply projects
 - ◆ With unknown initial costs, but \$\$\$ Billions
 - ▶ New reservoirs and conveyance
 - ▶ Desalinization plants (5x cost of water)
 - ▶ Recycling and groundwater replenishment
 - ◆ With unknown operating & maintenance costs, but..
 - ▶ **20% of ALL Calif. Electricity** is used to lift water from Central Valley into LA basin
 - ◆ So, **big increases in cost of water to all**
- Or, control the Population....

* Actually, it's estimated, but not actually measured, per the Pacific Institute

Sewer Security

- In the Mid-Coast..
 - ◆ Irresponsible Lawsuit from HMB against the other agencies
 - ◆ High BOD levels, stemming from Princeton area (?Brewery? Fish?)
 - ◆ Aging infrastructure, in flood zone
 - ◆ Impact of Assembly Bill 377?
 - ▶ Pillar Point, Fitzgerald Marine Reserve listed in 2012 report.
- In Pacifica?
 - ◆ Impact of Assembly Bill 377?
 - ▶ Linda Mar, Rockaway beaches listed in 2012 report.
 - ◆ Tipping point?
 - ◆ How's your sewer agency doing?
 - ◆ Other regulations pending...

RISK

Trick Question #2

A longstanding community leader has died.

How much does it cost to erect a perpetual, memorial park bench for that valued personage?



Trick Answer #2

- \$1,000?
- \$5,000?
- \$10,000?
- The cost is INFINITE, because the bench will forever have to be sanded, repainted, and have parts replenished and/or replaced as they wear out (corrode, rot, etc.) over time and inflation rises costs.

Key Concept behind Trick Question

- *In Public Works...*
- **Once an Asset, Always an Asset**
- That pipe, that pump, that tank will continue to cost money to operate, maintain, and replenish as long as your civilization survives.

Key Concept behind Key Concept

■ **Fiscal Sustainability**

- ◆ The ability to fund what you need, forever
- **A)** If you don't charge new joiners for the full cost of the **new infrastructure** they require, then **the existing** ratepayers will pay for it.
 - ◆ If the new joiners DONATE an asset, they are donating a BURDEN
 - ◆ ... and the rest of the ratepayers will be paying for that extra burden,
 - ▶ Its operations costs
 - ▶ Its maintenance costs
 - ▶ Its replenishment and replacement when the first version wears out

Partner or Parasite?

- **B)** If you don't charge a new joiner for their **pro rata share of the asset foundation** they are joining... *[MWSD ~\$125,000]*
- Then the rest of you paid for their public works capacity, and they are getting a free ride...
 - ◆ This is recognized only in part with Impact Fees, because those fees typically don't include the pro rata share of the **Current Replacement Cost** of the public works infrastructure.
 - ▶ Too often Impact Fees are based on old, pre-inflation asset costs
 - Sometimes the asset values are even reduced by depreciation
 - ▶ Often Impact Fees are based on only near term capital project costs (e.g 5yrs)
 - ▶ Schools and Police and Fire do not charge for a share of the Foundation.
 - Seems schools are always borrowing...

Rights of undeveloped land owners?

- Do they require a zoning change, or waiver?
- Are they bringing more water?
- Are they funding the full, perpetual cost of the infrastructure their new land use requires?
- Are they helping or hurting, and whom?
 - ◆ Owner, small businesses, real estate, construction, financial services **benefit**
 - ◆ Residents and other property owners **suffer**
 - ▶ Reduced water and sewer security
 - ▶ More congestion, noise, traffic
 - ▶ Loss of open space & recreation
 - ▶ Decreased rental and property values due to more supply
 - ▶ Unfunded perpetual costs of population expansion

Inter-generational Justice Issues

- The Climate Crisis
- Unfunded Pension Liabilities
- **U.S. Infrastructure**
 - ◆ Water Rates to Triple (higher out West)
 - ◆ Stringent emissions controls to affect power, water and sewer costs
- Borrowing because you didn't save
 - ◆ You pay the same capital costs,
 - ◆ PLUS you pay Interest, Points, Fees
- Instead of charging for asset replenishment and saving Reserves
 - ◆ ... and earning interest on the Reserves

What to do

- Suspend population expansion until have Water & Sewer Security
- Fiscal Sustainability Reforms:
 - ◆ Assess Capital Adequacy of each PW agency
 - ▶ Establish sustainable connection/impact fees
 - ▶ Build reserves to fund asset replenishment
 - ◆ Fiscal Sustainability Assessment for each population expansion
 - ▶ Initiation Fees (aka "Flip Taxes") for changes in land use
 - ◆ Annual asset replenishment fees for fixed infrastructure
 - ▶ Water, Sewer, School, Fire, Police...
 - ◆ Create special assessment districts for...
 - ▶ Projects which require perpetual new infrastructure
 - ▶ Projects which put the community over a 'tipping point' (e.g. water cost)
 - ▶ The risks created by new joiners

How To Make Reforms Happen

- Lawsuit
- Grand Jury Inquiry
- Recall City Council
- County-wide Citizens' Initiative Petition
- Public Outrage & Media Involvement
- Boycotts

LAFCO

- Oversight of special districts statewide
- Very pro-consolidation
- Little Hoover Commission likes many special districts
- Lack of proven benefit from consolidation
 - ◆ Nobel Prize in Economics on no economies of scale
- No benchmark DB of case studies and outcomes
 - ◆ Financial condition before/after
 - ◆ Level of Service
 - ◆ Coverage
 - ◆ Ratepayer impact
 - ◆ Capital Adequacy

LAFCO 2

- Votes on adding powers to Special Districts (GCSD is only example ever in San Mateo County)
- Votes to eliminate obsolete districts (Some water district with no assets, forgot name, Was voluntary)
- Establishes "spheres of Influence", recently RCD
- Has formal voluntary merger process. Consolidators on Coast refuse to use, since includes voting by each district
- Chartered to do MSR's on cities and special district every 5 years. Can't keep up and probably unnecessary that often.
- Meetings televised and kept.
- Special Districts pay 1/3 of LAFCo expenses, but get all the heat

Accountability & Immunity from Harm

- ... Is missing in most governmental decisions...
 - ◆ ... because the public pays for the government's mistakes
- What would Accountability in gov't and/or population expansion projects include:
 - ◆ Contractual commitments
 - ▶ Cost, level of service, timeliness, reliability, coverage, etc.
 - ◆ Funded, annual independent audits
 - ▶ Auditor selected by ratepayers
 - ◆ Penalties for non-performance
 - ▶ Property seizure if non-payment
 - ◆ Funded restitution to ratepayers/taxpayers/community

Questions and Comments?

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