

INSIDE OUT

# Not Getting What You Pay For

**BY RICHARD SCHMIDT**

Up in Paso Robles, where the city council turned down state water, they're unhappy about the county's plan to tax the citizenry in order to finance State Water for others.

As City Manager Richard Ramirez put it in a letter to the Board of Supervisors, "During our City Council meeting of April 21, 1992, a report dealing with state water was given by our city attorney that was not well received by El Paso de Robles City Council.

"Specifically, we learned that the Board of Supervisors does not intend to remove the 'special tax' currently being charged to the North County/Paso Robles citizens, regardless whether or not the area desires to receive State Water... Further, the tax may actually be increased.

"Frankly, we find the above hard to believe. As represented, the county would keep a tax in place that serves a select group of people at the expense of tens of thousands of North County residents."

The tax Ramirez refers to is the infamous State Water entitlement fee proponents of the state project keep reminding us we've been paying all these years. Levied against real estate, the tax has increased gradually over the years, and today is about \$10 for every \$100,000 of property value. Paso's council, probably like other citizens, had assumed when the project is built, its financing would be shifted those who subscribe and benefit, and the countywide tax would end.

But water agencies that once said they might subscribe to State Water have been pulling out in such numbers that most of the county's 25,000-acre-foot annual allotment may be unspoken for

when the Board of Supervisors decides what to do about State Water on May 27. The county could give up or sell its rights to the unsubscribed water, but instead, county bureaucrats came up with a scheme to use the tax to finance taking as an "unallocated reserve" some or all of the State Water no qualified purchaser wants. The resulting tax, they admit, could be as much as four times the present levy.

The reason for taking this unallocated water, quite bluntly, is to subsidize a few land speculators' dreams.

And it's this that irks folks in Paso.

It's a question of subsidy, says Ramirez. "If you're subsidizing somebody in South County so they can have water, the question that goes begging is why. Why aren't they paying for it? If they need it, let them pay for it. Don't make us pay for it."

This is but one of many complex issues connected with the State Water debate that even public officials find difficult to understand. "Quite frankly," says Ramirez, "the city was not aware of a lot of those issues until very recently."

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Taxpayer subsidy of land speculators' water allocations is even more complex than indicated by the North County concerns.

For one thing, taxpayers countywide might not only end up paying higher taxes for speculators' water allocations, they could also see taxes raised further to cover the debts of private subscribers who default on their State Water payments. Furthermore, according to County Engineer Clint Milne, since the present tax was

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enacted prior to Proposition 13, voters would have no chance to vote down an increase.

This situation stems from a conscious shift in county policy. Initially, to protect taxpayers, the county decided to limit State Water subscriptions to public agencies such as cities and water districts because these were unlikely to default on their debts and leave countywide taxpayers to pick up the tab. But as fewer and fewer public agencies decided to sign up, Milne began peddling unwanted water to private subscribers, who have a higher likelihood of default. In March, this came to the attention of the Board of Supervisors who voted 3-2 to let Milne deal with private subscribers. (David Blakely and Bud Laurent opposed this policy shift.)

The only way water sales to private parties were possible, however, was to use the county tax both to pay for the water and to guarantee repayment of the private debt. (Costs of water treatment for private purveyors, on the other hand, will be picked up by public agencies that take State Water—which represents a second public subsidy to speculators.)

Milne now has a long list of potential private subscribers who would be underwritten by taxpayers. One of the most interesting is the 750-acre La Lomita Ranch in the Edna Valley whose owners, Spanish nobility residing in Spain, are badgering both the county and the city of San Luis Obispo for permission to develop a fancy 328 suite corporate resort, conference center and two golf courses on land zoned for agriculture.

Water is the key to this venture, so La Lomita is seeking two different State Water allotments (as well as the city's treated sewage effluent). These multiple applications for water are, in the words of La Lomita promoter Keith Gurnee of RRM Design, "an effort to hedge all of our bets."

One State Water application is through the California Cities Water Co., a private company Gurnee prevailed upon to apply for State Water to serve thousands of acres near the airport, an effort initially designed to bully the city into taking its State Water allotment and to annex the airport acreage, but which appears to have taken on a life of its own.

The other application is for 1,700 acre feet per year for the Edna Valley Mutual Water Company, which records show is the La Lomita Ranch. At the rate water is currently used in San Luis Obispo, an allotment of this size would serve 17,000 persons. Records show Edna Valley Water was formed in 1990 for the purpose of developing La Lomita Ranch, with the possibility of serving additional properties.

For this sort of enterprise to be subsidized by county taxpayers has raised the hackles of some observers. Fumes one: "Foreign nationals doing real estate speculation through a Netherlands Antilles corporation are asking the taxpayers of San Luis Obispo County to subsidize their speculation. This is outrageous!"

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Paso Robles may have fired the first shot in the state water tax wars, but in recent weeks they've acquired substantial company. Grover City has opposed the countywide tax. Arroyo Grande is

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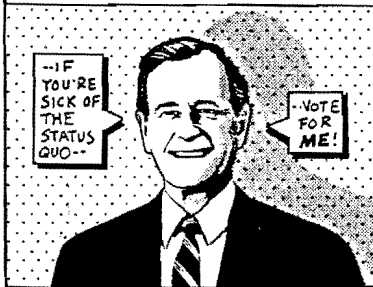
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voicing its concerns to supervisors. The County Water Advisory Committee voted 12-4 to oppose a countywide tax for unallocated state water.

As we went to press, the issue was even heating up the June 2 election campaign, with Supervisor David Blakely, who opposes the tax, charging that opponents Wendy Nogle and Mike Whiteford want to "raise county property taxes... just to make excess state water available for real estate speculators and high-rolling developers."

Higher taxes are something everybody

understands. The brewing flap over tax subsidies for State Water is but the tip of the iceberg of that fiscally unsound boondoggle. If folks can get past the emotionality of the tax issue and look at what the tax plan reveals about State Water's uncontrollable fiscal entanglements, we'll all finally see that the State Water Project is a financial house of cards we'd best leave for fools in other places to stand upon. △

*Richard Schmidt lives in San Luis Obispo.*