



Consent Item 11

To:	Ava Community Energy Authority
From:	Todd Edmister, Senior Director of Public Policy and Deputy General Counsel
Subject:	Discussion of Potential Proposition 4 Position (Action Item)
Date:	September 18, 2024

Summary/Recommendation

Vote on Resolution in support of Proposition 4.

Financial Impact

On net, Proposition 4 likely would result in savings to local governments, as it could replace local government money that would otherwise be needed to pay for a project. The estimated cost to California taxpayers to repay the bond would be about \$400 million annually over a 40-year period. Adopting a Resolution in support of Proposition 4 would have little to no fiscal impact.

Analysis and Context (with deadlines as applicable)

In the November 2024 General Election, California voters will vote on Proposition 4, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024. The measure would authorize \$10 billion in general obligation bonds for drought, flood, water resilience, wildfire and forest resilience, biodiversity, climate smart agriculture, park, and open space, and more. The \$10 billion would be allocated as follows:

- \$3.8 billion for drought, flood, and water supply
- \$1.5 billion for forest health and wildfire prevention
- \$1.2 billion for sea-level rise and coastal areas
- \$1.2 billion for land conservation and habitat restoration
- \$850 million for energy infrastructure
- \$700 million for park creation and outdoor access programs
- \$450 million for extreme heat mitigation programs; and
- \$300 million for farms and agriculture

Proposition 4 would also require that 40% of the bond revenue be used to fund activities that benefit communities with lower incomes or that are affected by environmental changes or disasters.

Of these allocations, the most relevant to Ava, as detailed in the authorizing legislation SB 867 (Allen), include:

- Energy Infrastructure (\$850 million)
 - Transmission Lines: \$325 million for the public financing of clean energy transmission projects that are necessary to meet the state's clean energy goals to reduce or offset ratepayer costs associated with the public benefits of transmission projects. Preference may be given to projects under this section that provide multiple benefits, including, but not limited to, reducing the risk of wildfire, reducing reliance on fossil fuel plants in disadvantaged communities, and reducing rate pressure, including reconductoring and other grid-enhancing technologies.
 - Battery Storage: \$50 million to support the Long-Duration Energy Storage Program, including zero-emission distributed energy backup assets, virtual power plants, and demand side grid support.
 - Offshore Wind: \$475 million to support various activities related to offshore wind, including construction of port facilities for manufacturing, assembly, staging and integration of wind generation components; and expansion and improvements of port infrastructure to accommodate vessels involved in the installation, maintenance, and operation of offshore wind generation.
- Wildfire and Forest Resilience (\$1.5 billion)
 - \$35 million to reduce wildfire risk related to electricity transmission.
- Extreme Heat (\$450 million)
 - Community Resilience: \$60 million to the Office of Emergency Services and the Strategic Growth Council for competitive grants for the creation of

strategically located community resilience centers across diverse regions of the state at eligible community facilities.

- The remainder of the funding will go to activities to minimize the heat island effect, including urban greening; grants for local communities to conduct activities that provide environmental benefits, such as reducing air pollution; and upgrades to fairgrounds to enhance their abilities to act as a resilience center.

California law strictly limits the actions that Ava can take in support of a ballot measure, and it is not considered as part of the agency's legislative policy platform. Ava may only take a position on a voter initiative by a resolution of the Board of Directors, separate from its legislative policy platform. After adopting the resolution, Ava may publish the resolution and position on its website and provide the resolution to the relevant campaign. Ava cannot participate in any advocacy efforts beyond this formal position statement.

Committee Recommendation

The Community Advisory Committee has placed this item on its agenda for September 16, 2024.

Attachments (if applicable)

- A. Draft Resolution in Support of Proposition 4
- B. California Attorney General Summary of Proposition 4

RESOLUTION NO. R-2024-xx

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF AVA COMMUNITY ENERGY AUTHORITY IN SUPPORT OF
PROPOSITION 4**

WHEREAS The Ava Community Energy Authority (“Ava”) was formed as a community choice aggregation agency (“CCA”) on December 1, 2016, under the Joint Exercise of Powers Act, California Government Code sections 6500 *et seq.*, among the County of Alameda, and the Cities of Albany, Berkeley, Dublin, Emeryville, Fremont, Hayward, Livermore, Piedmont, Oakland, San Leandro, and Union City to study, promote, develop, conduct, operate, and manage energy-related climate change programs in all of the member jurisdictions. The cities of Newark and Pleasanton, located in Alameda County, along with the City of Tracy, located in San Joaquin County, were added as members of Ava and parties to the Joint Powers Agreement in March of 2020. The city of Stockton was added as a member to Ava in September of 2022. The city of Lathrop, was added as a member to Ava in October of 2023. San Joaquin County was added as a member to Ava on July 17, 2024. On October 24, 2023, the Authority legally adopted the name Ava Community Energy Authority, where it had previously used the name East Bay Community Energy Authority since its inception.

WHEREAS in the November 2024 General Election, California voters will vote on Proposition 4, the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024. The measure would authorize \$10 billion in general obligation bonds for drought, flood, water resilience, wildfire and forest resilience, biodiversity, climate smart agriculture, park and open space, and more;

WHEREAS Proposition 4 would also require that 40% of the bond revenue be used to fund activities that benefit communities with lower incomes or that are affected by environmental changes or disasters; and

WHEREAS on net, Proposition 4 likely would result in savings to local governments, as it could replace local government money that would otherwise be needed to pay for a project. The estimated cost to California taxpayers to repay the bond would be about \$400 million annually over a 40-year period.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF AVA COMMUNITY ENERGY AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The Board of Directors hereby declares its support for Proposition 4, which would provide funding for energy infrastructure, wildfire and forest resilience, and community resilience projects.

ADOPTED AND APPROVED this _____ day of _____, 2024.

Jack Balch, Chair

ATTEST:

Adrian Bankhead, Clerk of the Board

PROPOSITION
4 **AUTHORIZES BONDS FOR SAFE DRINKING WATER, WILDFIRE PREVENTION, AND PROTECTING COMMUNITIES AND NATURAL LANDS FROM CLIMATE RISKS. LEGISLATIVE STATUTE.**

OFFICIAL TITLE AND SUMMARY

PREPARED BY THE ATTORNEY GENERAL

The text of this measure can be found on page 75 and the Secretary of State’s website at voterguide.sos.ca.gov.

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- Authorizes \$10 billion in state general obligation bonds for various projects to reduce climate risks and impacts: \$3.8 billion for safe drinking water and water resilience; \$1.95 billion for wildfire prevention and extreme heat mitigation; \$1.9 billion for protection of natural lands, parks, and wildlife; \$1.2 billion for protection of coastal lands, bays, and oceans; \$850 million for clean energy; and \$300 million for agriculture.
- Prioritizes projects benefitting disadvantaged communities.
- Requires annual audits.
- Appropriates money from General Fund to repay bonds.

SUMMARY OF LEGISLATIVE ANALYST’S ESTIMATE OF NET STATE AND LOCAL GOVERNMENT FISCAL IMPACT:

- Increased state costs of about \$400 million annually for 40 years to repay the bond.

State Bond Cost Estimate

Amount borrowed	\$10 billion
Average repayment cost	\$400 million per year over 40 years
Source of repayment	General tax revenue

FINAL VOTES CAST BY THE LEGISLATURE ON SB 867 (PROPOSITION 4)
(CHAPTER 83, STATUTES OF 2024)

Senate:	Ayes 33	Noes 6
Assembly:	Ayes 66	Noes 6

ANALYSIS BY THE LEGISLATIVE ANALYST**BACKGROUND**

State Pays for Natural Resources and Climate Activities. The state pays for many activities aimed at conserving natural resources, as well as responding to the causes and effects of climate change (“natural resources and climate activities”). These activities focus on increasing the amount of water available for use, conserving land to benefit fish and wildlife, increasing recreational opportunities at state and local parks, and other purposes. In some cases, state government agencies perform natural resources and climate activities. In other cases, the state provides grants and loans to local governments, not-for-profit organizations, and businesses to support similar activities.

State Pays for Natural Resources and Climate Activities in Various Ways. Sometimes the state pays up front for natural resources and climate

activities with money it already has. In other cases, the state pays for these activities by using bonds. Bonds are a way that the state borrows money and then repays the money plus interest over time. (For more information about bonds, please see “Overview of State Bond Debt” later in this guide.)

Over the past decade, the state has spent an average of about \$13 billion each year (annually) on natural resources and climate activities. About 15 percent of this amount has been from bonds. The state still has a few billion dollars remaining from prior natural resources and climate bonds that have not yet been committed for specific activities.

Local and Federal Governments Also Pay for Similar Activities. In addition to the state funding, other entities also pay for natural resources and climate activities. For example,

ANALYSIS BY THE LEGISLATIVE ANALYST

CONTINUED

in some areas, local governments pay for water and energy infrastructure as part of their roles as local utilities. Local governments such as cities and counties also pay for local parks. The federal government also pays for various natural resources and climate activities. For example, the federal government provides money to improve local drinking water systems and to build energy infrastructure.

PROPOSAL

New Bond for Natural Resources and Climate Activities. Proposition 4 allows the state to sell a

\$10 billion bond for natural resources and climate activities. Much of the bond money would be used for loans and grants to local governments, Native American tribes, not-for-profit organizations, and businesses. Some bond money also would be available for state agencies to spend on state-run activities.

Funding Would Pay for a Variety of Activities. As shown in Figure 1, Proposition 4 pays for activities within eight broad categories, each with different goals. Some of the main activities in each category are summarized below:

Figure 1

Key Goals of Proposition 4 Bond Funds
(In Millions)

Category	Key Goals	Amount
Drought, Flood, and Water Supply	Increase the amount and quality of water available for people to use and reduce the risk of flooding.	\$3,800
Forest Health and Wildfire Prevention	Improve the health of forests and protect communities from wildfires.	1,500
Sea-Level Rise and Coastal Areas	Reduce the risks from sea-level rise, restore coastal areas, and protect fish.	1,200
Land Conservation and Habitat Restoration	Protect and restore natural areas.	1,200
Energy Infrastructure	Support the state’s shift to more renewable sources of energy, such as offshore wind.	850
Parks	Expand, renovate, and repair local and state parks.	700
Extreme Heat	Reduce the effects of extreme heat on communities.	450
Farms and Agriculture	Help farms respond to the effects of climate change and become more sustainable.	300
Total		\$10,000

PROPOSITION
4 AUTHORIZES BONDS FOR SAFE DRINKING WATER, WILDFIRE PREVENTION, AND PROTECTING COMMUNITIES AND NATURAL LANDS FROM CLIMATE RISKS. LEGISLATIVE STATUTE.

ANALYSIS BY THE LEGISLATIVE ANALYST

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- Drought, Flood, and Water Supply (\$3.8 Billion).** Roughly half of this money would be for activities to increase the amount and quality of water available for people to use (\$1.9 billion). This would include storing water so it can be used during future droughts, as well as cleaning polluted water to make it safe to drink. Money would also be used to help reduce the risk of floods, such as by repairing dams and capturing and reusing stormwater (\$1.1 billion). The rest of the money would be used for various activities, such as restoring rivers and lakes.
 - Forest Health and Wildfire Prevention (\$1.5 Billion).** All of this money would support activities to improve the health of forests and reduce the risk of severe and destructive wildfires. This would include thinning trees in forests that are overgrown and clearing vegetation near where people live. Money would also be used for other activities, such as helping homeowners make their properties more resistant to wildfire damage.
 - Sea-Level Rise and Coastal Areas (\$1.2 Billion).** Most of this money would pay for activities to restore coastal areas and protect them from the effects of rising sea levels (\$890 million). This could include restoring wetlands so they can serve as buffers to rising sea levels. The rest of this money would be used to improve ocean habitats and protect fish and other marine wildlife (\$310 million).
 - Land Conservation and Habitat Restoration (\$1.2 Billion).** This money would be used to protect and restore land for the benefit of fish and wildlife. For example, it could support purchasing land to set aside so that it is not developed.
 - Energy Infrastructure (\$850 Million).** More than half of this money would support the development of wind turbines off the California coast (\$475 million). Most of the remaining money would pay for building infrastructure such as transmission lines to carry electricity long distances (\$325 million). The rest of the money would pay for projects to build large batteries that store electricity for when it is needed (\$50 million).
 - Parks (\$700 Million).** The bulk of this money would support various activities that expand recreational opportunities at parks or reduce the impacts of climate change on parks (\$300 million). These activities could include adding new trails and parking areas. Some of this money would provide grants to local communities to build new parks or renovate existing parks (\$200 million). The rest of this money would be used to repair state parks and provide nature education (\$200 million).
 - Extreme Heat (\$450 Million).** Much of this money would pay for activities focused on protecting communities from extreme heat (\$200 million). These activities could include adding trees and greenspaces. Money would also support places for people to go during heatwaves or disasters (\$100 million). The rest of the money would provide grants for local communities to conduct activities that provide environmental benefits, such as reducing air pollution (\$150 million).
 - Farms and Agriculture (\$300 Million).** Much of this money would be used for activities that encourage farmers to improve soil health, reduce air pollution, and use less water (\$105 million). This money would also support community gardens and farmers' markets, such as by purchasing shade canopies (\$60 million). The rest of this money would support a range of other activities, such as purchasing vans to transport farmworkers and conserving farmland.
- Establishes Other Requirements for the Use of Funds.** Proposition 4 requires the bond money to be used in certain ways. For example, at least 40 percent of bond money must be used for activities that directly benefit communities that

ANALYSIS BY THE LEGISLATIVE ANALYST

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have lower incomes or are more vulnerable to the impacts of climate change. Proposition 4 also requires regular public reporting of how the bond money is spent.

FISCAL EFFECTS

Increased State Costs of About \$400 Million Annually for 40 Years to Repay the Bond. The estimated cost to repay the bond would be **about \$400 million annually over a 40-year period.**

Payments would be made from the state General Fund. (The General Fund is the account the state uses to pay for most public services, including education, health care, and prisons.) This would be less than one-half of 1 percent of the state's total General Fund budget. Since the state has to pay interest on the money it borrows, the total cost of the bond would be about 10 percent more (after adjusting for inflation) than if the state paid up front with money it already has.

Likely Reduced Local Costs for Natural Resources and Climate Activities. The availability of state bond funds could have various fiscal effects on local governments. In some cases, the additional state funding could replace local government money that would otherwise be needed to pay for a project. For example, this could include using bond funds to help support an essential water treatment facility the local government otherwise would have needed to fund by itself. In other

cases, however, the availability of state funds could encourage local governments to spend more money to build larger projects than they otherwise would. For example, this could include adding additional amenities to a local park. On net, Proposition 4 likely would result in savings to local governments. The amount of these savings is uncertain but could average tens of millions of dollars annually over the next few decades.

Potential State and Local Savings if Funding Prevents Disasters. To the extent the bond funds result in completing activities that reduce the risk or amount of damage from disasters, it could reduce state and local costs for responding to and recovering from those events. For example, improving a levee could reduce the amount of flooding that occurs. Additionally, thinning trees in a forest could reduce the severity of wildfires. The amount of such potential savings is uncertain.

Visit sos.ca.gov/campaign-lobbying/cal-access-resources/measure-contributions/2024-ballot-measure-contribution-totals for a list of committees primarily formed to support or oppose this measure.

Visit fppc.ca.gov/transparency/top-contributors.html to access the committee's top 10 contributors.

★ ARGUMENT IN FAVOR OF PROPOSITION 4 ★

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YES on 4: TO CLEAN AND PROTECT OUR DRINKING WATER, PREVENT WILDFIRES

Prop. 4 makes urgent, commonsense investments to protect our communities, health, economy, and natural resources by:

- Cleaning up and protecting water supplies
- Preventing devastating wildfires
- Protecting forests, beaches, fresh water sources, and wildlife habitat

Voting Yes on 4 is urgently needed. California faces increasing threats from wildfires, water pollution, and extreme heat. Investments *today* can prevent future costs and damage from a changing climate and more frequent natural disasters.

PROVIDING CLEAN, SAFE DRINKING WATER

Prop. 4 will clean up and protect California’s drinking water supplies in all regions of California—remove toxic pollutants from our drinking water, addressing infrastructure risks like weakened dams and levees, and increasing supplies.

Today, nearly 1 million Californians lack access to drinking water that meets safety and reliability standards, according to the State Water Board. Yes on 4 helps ensure we all have safe water to drink.

PREVENTING DEVASTATING WILDFIRES AND SMOKE

Recent California wildfires have burned 2 million acres, released toxic smoke into our air, and polluted drinking water supplies. Fire damage and smoke have harmed quality of life and health, including children’s lungs, in every corner of California. Prop. 4 invests in projects to prevent wildfires, reduce their intensity when they do occur, and improve disaster response.

“Giving firefighters the tools to prevent wildfires is the best, most cost effective way to prevent the human and financial costs of these disasters. Prop. 4 makes the right investments to save lives and billions in response and recovery costs.”—Tim Edwards, President, CALFIRE Firefighters

PROTECTING FORESTS, BEACHES, RIVERS, STREAMS, AND WILDLIFE

Our beaches, forests, and mountains make California special, and we have a responsibility to protect them for our children and future generations. Protecting natural areas and wildlife is more urgent today than ever before, as we lose wildlife habitat, farm and ranchland, and even beaches wash away. Prop. 4 protects these natural areas from wildfire, pollution, and other threats from a changing climate.

PROTECTING PUBLIC HEALTH

By removing pollution from the air and toxins from our water, Prop. 4 protects the health of vulnerable seniors and children.

STRONG FISCAL RESPONSIBILITY, ACCOUNTABILITY & TRANSPARENCY

California is already paying the price for failing to adequately prepare for drought and a changing climate. This measure helps shift from disaster response to *prevention*.

Our state and communities will save billions more by avoiding and reducing damage from wildfires, droughts, and floods.

Prop. 4 contains strict fiscal accountability and transparency:

- Annual independent audits
- Full public disclosure of all future funding

Join California firefighters (CalFire Local 2881), the National Wildlife Federation, the Nature Conservancy, Clean Water Action, and water agencies including San Diego Co Water Authority: YES on 4.

Jennifer Clary, State Director
Clean Water Action

Tim Edwards, President
CALFIRE Firefighters

Beth Pratt, California Regional Executive Director
National Wildlife Federation

★ REBUTTAL TO ARGUMENT IN FAVOR OF PROPOSITION 4 ★

Clean drinking water and preventing destructive wildfires are necessities, not luxuries. These should be addressed within our state budget, not by demanding \$10 billion more from the taxpayers in the form of a bond that will cost nearly double to repay—\$19.3 billion.

The challenges we face with wildfires and water supply are the result of decades of neglect and mismanagement of our resources. Empowering tribal leaders for forest management and investing in water infrastructure could have prevented these crises. These aren’t random occurrences, but repercussions of misguided policies.

Despite politicians’ frequent promises for accountability, since 2000 California voters have approved over \$30 billion in natural resources bonds—with little to show. After years of refusing to prioritize spending on forest management, we are suffering the aftermath of major wildfires that could have been prevented, or at least minimized. After years of refusing to invest in water storage, we are facing water supply instability.

Instead of burdening taxpayers with a bond that overpromises, we should tackle these issues in the budget. *Real change stems from commitment, not quick fixes.* This isn’t just policy, it’s our future. Let’s choose pragmatism over procrastination.

Sacramento politicians should not demand more money from the taxpayers or pressure voters to pass an unrealistic bond package that lacks any lasting change to state policy. Vote NO on Proposition 4.

Vote NO on deferring our environmental responsibility at double the cost. Let’s invest in a greener tomorrow today.

Senate Minority Leader Brian W. Jones
Assemblyman Jim Patterson

Jon Coupal, President
Howard Jarvis Taxpayers Association

★ ARGUMENT AGAINST PROPOSITION 4 ★

TOO MUCH DEBT, TOO LITTLE BENEFIT: THE PROBLEM WITH PROPOSITION 4

Bonds are the most expensive way for the government to pay for things. Proposition 4 would add a whopping \$10 billion of debt to the taxpayers—PLUS an estimated \$9.3 billion in interest—to pay for climate-related programs. This funding would also cover administrative costs and salaries for grant recipients. But remember, this is borrowed money.

At the start of the year, California already had over \$78 billion of bond debt. Proposition 1 in March added another \$6.38 billion. Now there's a proposal to add an additional \$10 billion for ambiguous climate programs. Guess who's going to foot the bill? That's right—we taxpayers. Our tax dollars will be diverted from essential services to cover interest payments and principal repayment of the bond.

Bonds are borrowed money that must be paid back, PLUS INTEREST, no matter what the state must cut to do it. Governor Newsom already declared a budget emergency because the state spends more than it takes in. How many programs will have to be cut in the future to pay for Proposition 4? According to the nonpartisan Legislative Analyst's Office, we had a \$62 billion deficit this year. What will happen when we have both a deficit AND the obligation to repay this enormous bond debt?

Two years ago, California had a nearly \$100 billion SURPLUS. If these climate projects had been prioritized then, we could have covered the entire cost of this bond with just 10 percent of that surplus. Now, due to the government's inability to manage its spending, they are asking voters for more of their hard-earned money.

AS A VOTER, YOUR TAX DOLLARS SHOULD FUND YOUR HIGHEST PRIORITIES, NOT PET PROJECTS.

Bonds should be reserved for financing essential projects that will build infrastructure lasting beyond the 30-year payoff period. However, many elements of Proposition 4 fail to meet that standard, resulting in \$10 billion of spending just being added to the taxpayers' credit card—with a lack of accountability or measured metrics for success! Proposition 4 is full of money being funneled to unproven technologies that may sound promising on paper but have no concrete evidence of success. By committing funds to speculative projects, Proposition 4 overlooks long-term water storage and critical wildfire fuel management programs in favor of short-term, unproven projects.

IT'S RECKLESS TO USE COSTLY BORROWED MONEY TO PAY FOR UNPROVEN PROGRAMS.

Proposition 4 represents a reckless increase in state debt with questionable benefits. The government should prioritize essential services and ensure that any borrowing is reserved for projects that provide lasting, tangible benefits to the state and its residents. Vital programs should be funded in the budget with the taxes we already pay, not through costly borrowing. What's in the budget that's a higher priority than safe drinking water and wildfire prevention? Politicians should answer that question before racking up another \$10+ billion in debt that will have to be paid back, WITH INTEREST.

Senate Minority Leader Brian W. Jones
Assemblyman Jim Patterson
Jon Coupal, President
Howard Jarvis Taxpayers Association

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★ REBUTTAL TO ARGUMENT AGAINST PROPOSITION 4 ★

YES on 4: ADDRESSES CALIFORNIA'S HIGHEST PRIORITY DRINKING WATER and FIRE PREVENTION NEEDS

California firefighters, clean water organizations, public health experts, and conservation groups urge YES on 4, to address our state's *most vital needs* for a safe water supply, wildfire prevention, and clean air.

The opposition itself admits, clean water and wildfire prevention are critical priorities.

Prop. 4 makes efficient, sensible investments in proven solutions: upgrading drinking water treatment to remove contaminants, fixing crumbling dams and levees to prevent floods, creating groundwater storage and recycling plants to boost supply and prepare for drought, and investing in effective wildfire prevention and containment strategies.

YES on 4: SMART, URGENT INVESTMENTS WITH STRICT ACCOUNTABILITY REQUIREMENTS, PROTECTS COMMUNITIES AND PREVENTS BILLIONS IN FUTURE COSTS

Yes on 4 is fiscally responsible and fully transparent. Nearly 1 million Californians lack access to clean drinking water. Yes on 4's investments strengthen safe water

supplies and flood control infrastructure—saving billions in temporary fixes and economic losses.

A UCLA study found 10 years of wildfire smoke have caused 50,000 premature deaths and \$400 billion in economic losses. Wildfire prevention saves six times its cost in reduced damage, while protecting our health.

“California's financial health is vulnerable to natural disasters, neglected infrastructure, and a changing climate. Without raising taxes, Yes on Prop. 4 saves California money while helping state and local governments protect our communities.”—Tim Gage, former state Director of Finance. California communities can't wait.

YES on 4: CLEAN DRINKING WATER, WILDFIRE PREVENTION, and OUR HEALTH.

Susana De Anda, Executive Director
Community Water Center
Sarah Gibson, Fire Manager
The Nature Conservancy

Christopher Chavez, Deputy Policy Director
Coalition for Clean Air