

CALIFORNIA STATE ASSOCIATION OF COUNTIES
BOARD OF DIRECTORS
Thursday, May 31, 2012
12:15pm - 4:00pm
CSAC Conference Center, Sacramento, CA

A G E N D A

Presiding: Mike McGowan, President

12:15pm **BUFFET LUNCH**

12:45pm **PROCEDURAL ITEMS**

1. Roll Call *Page 1*

2. Approval of Minutes of February 23, 2012 *Page 3*

- 1:00pm** **SPECIAL PRESENTATION** *Page 7*
3. Governor's May Revision of the 2012-13 State Budget
 - *Ana Matosantos, Director, State Dept. of Finance*

- 1:30pm** **ACTION ITEMS**
4. Consideration of Proposed CSAC Budget for FY 2012-13 *Page 25*
 - *Supervisor Terry Woodrow, CSAC Treasurer*
 - *Paul McIntosh, CSAC Executive Director*

5. Consideration of Proposed Litigation Coordination Program Budget for FY 2012-13 *Page 30*
 - *Jennifer Henning, County Counsel Association Director*

6. CSAC Policy Committee Reports

- Administration of Justice *Page 36*
 - *Supervisor Federal Glover, Chair*
 - *Elizabeth Howard Espinosa, CSAC staff*

- Agriculture and Natural Resources *Page 37*
 MOA with US Forest Service & Bureau of Land Management
 Agricultural Flood Management Alliance
 - *Supervisor Kim Vann, Vice-Chair*
 - *Karen Keene, CSAC staff*

- Government Finance and Operations *Page 50*
 AB 1831: Local Government Hiring Practices
 - *Supervisor Bruce Gibson, Chair*
 - *Eraina Ortega & Geoff Neill, CSAC staff*

- Health and Human Services *Page 53*
 - *Supervisor Liz Kniss, Chair*
 - *Kelly Brooks-Lindsey, CSAC staff*

- Housing, Land Use and Transportation *Page 54*
 Recommendations for New Transportation Revenues
 CSAC's Policy on California High Speed Rail Project
 - *Supervisor Efren Carrillo, Chair*
 - *DeAnn Baker, CSAC staff*

3:00pm INFORMATION ITEMS

7. CSAC Finance Corporation Report *Page 70*
 ▪ Nancy Parrish, CSAC Finance Corp. Executive Director

8. Legislative Report *Page 85*
 ▪ Jim Wiltshire & CSAC Legislative Staff

9. ***The following items are contained in your briefing materials for your information, but no presentation is planned:***

Institute for Local Government (ILG) Update *Page 89*

CCS Partnership Report *Page 91*

CSAC Institute for Excellence in County Government Update *Page 92*

CSAC Corporate Associates Report *Page 94*

CSAC Litigation Coordination Program Update *Page 95*

10. Other Items

4:00pm ADJOURN

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Board of Directors

2012

<u>Section</u>	<u>County</u>	<u>Director</u>
U	Alameda County	Keith Carson
R	Alpine County	Terry Woodrow
R	Amador County	Louis Boitano
S	Butte County	Maureen Kirk
R	Calaveras County	Merita Callaway
R	Colusa County	Kim Dolbow Vann
U	Contra Costa County	Federal Glover
R	Del Norte County	Michael Sullivan
R	El Dorado County	Norma Santiago
S	Fresno County	Henry Perea
R	Glenn County	John Viegas
R	Humboldt County	Mark Lovelace
S	Imperial County	Gary Wyatt
R	Inyo County	Susan Cash
S	Kern County	Jon McQuiston
R	Kings County	Doug Verboon
R	Lake County	Anthony Farrington
R	Lassen County	Jim Chapman
U	Los Angeles County	Don Knabe
R	Madera County	Frank Bigelow
S	Marin County	Susan Adams
R	Mariposa County	Lee Stetson
R	Mendocino County	Carre Brown
S	Merced County	Hubert "Hub" Walsh
R	Modoc County	Jeff Bullock
R	Mono County	Duane "Hap" Hazard
S	Monterey County	Fernando Armenta
S	Napa County	Brad Wagenknecht
R	Nevada County	Ted Owens
U	Orange County	John Moorlach
S	Placer County	Jim Holmes
R	Plumas County	Jon Kennedy
U	Riverside County	John Benoit

U	Sacramento County	Susan Peters
R	San Benito County	Margie Barrios
U	San Bernardino County	Gary Ovitt
U	San Diego County	Greg Cox
U	San Francisco City & County	Eric Mar
S	San Joaquin County	Larry Ruhstaller
S	San Luis Obispo County	Bruce Gibson
U	San Mateo County	Carole Groom
S	Santa Barbara County	Joni Gray
U	Santa Clara County	Liz Kniss
S	Santa Cruz County	Mark Stone
S	Shasta County	Glenn Hawes
R	Sierra County	Lee Adams
R	Siskiyou County	Jim Cook
S	Solano County	Mike Reagan
S	Sonoma County	Valerie Brown
S	Stanislaus County	Vito Chiesa
R	Sutter County	Larry Munger
R	Tehama County	Robert Williams
R	Trinity County	Judy Pflueger
S	Tulare County	Steve Worthley
R	Tuolumne County	Richard Pland
U	Ventura County	Kathy Long
S	Yolo County	Matt Rexroad
R	Yuba County	Roger Abe

President: Mike McGowan, Yolo
 First Vice President: David Finigan, Del Norte
 Second Vice President: John Gioia, Contra Costa
 Immed. Past President: John Tavaglione, Riverside
 SECTION: U=Urban S=Suburban R=Rural

CALIFORNIA STATE ASSOCIATION OF COUNTIES
 BOARD OF DIRECTORS
 Thursday, February 23, 2012
 CSAC Conference Center, Sacramento

M I N U T E S

Presiding: Mike McGowan, President

1. ROLL CALL

Alameda	Keith Carson	Plumas	Jon Kennedy
Alpine	Terry Woodrow	Riverside	John Benoit
Amador	absent	Sacramento	Susan Peters
Butte	Steve Lambert	San Benito	Margie Barrios
Calaveras	Merita Callaway	San Bernardino	Brad Mitzefeld (audio)
Colusa	Kim Dolbow Vann	San Diego	Greg Cox
Contra Costa	Gioia/Glover	San Francisco	Eric Mar
Del Norte	Sullivan/Finigan	San Joaquin	Larry Ruhstaller
El Dorado	Norma Santiago	San Luis Obispo	Bruce Gibson
Fresno	Henry Perea	San Mateo	Carole Groom
Glenn	John Viegas (audio)	Santa Barbara	Joni Gray
Humboldt	Mark Lovelace	Santa Clara	Liz Kniss
Imperial	Gary Wyatt	Santa Cruz	Mark Stone (audio)
Inyo	Susan Cash	Shasta	absent
Kern	Jon McQuiston	Sierra	Lee Adams
Kings	Dour Verboon (audio)	Siskiyou	Jim Cook
Lake	absent	Solano	Mike Reagan
Lassen	absent	Sonoma	Valerie Brown
Los Angeles	Don Knabe (audio)	Stanislaus	Vito Chiesa (audio)
Madera	Frank Bigelow (audio)	Sutter	Larry Munger
Marin	Susan Adams (audio)	Tehama	Robert Williams
Mariposa	Lee Stetson	Trinity	absent
Mendocino	Carre Brown	Tulare	Steve Worthley
Merced	Hub Walsh (audio)	Tuolumne	Richard Pland (audio)
Modoc	Jeff Bullock (audio)	Ventura	Kathy Long (audio)
Mono	"Hap" Hazard	Yolo	McGowan/Provenza
Monterey	Fernando Armenta	Yuba	Roger Abe
Napa	Keith Caldwell	Advisors:	Matthew Hymel & Charles McKee
Nevada	Ted Owens		
Orange	John Moorlach		
Placer	absent		

The presence of a quorum was noted.

2. APPROVAL OF MINUTES

The minutes of December 1, 2011 and January 5, 2012 were approved as previously mailed.

3. POSITION ON SCHOOLS AND LOCAL PUBLIC SAFETY PROTECTION ACT OF 2012

Paul McIntosh described the previous action taken by the Board of Directors at the special meeting held on January 5, which was to reaffirm that obtaining a constitutional guarantee of revenues to support the 2011 realigned programs, as well as protecting counties from costs associated with future changes to those programs, remained the top priority of the Association. The Board also voted to suspend all efforts by CSAC to qualify an independent ballot measure. No action was taken on the Governor's measure at that time. On January 19, the CSAC Executive Committee voted to recommend that the Board of Directors support the Governor's ballot measure.

Staff distributed a memo outlining recent activity regarding the Governor's initiative which included a list of organizations that have made financial contributions to the Governor's initiative campaign. Also, a new poll conducted last week found that if the Governor is unsuccessful in "clearing the field" of the other two tax measures currently on the ballot, all three measures stand a strong chance of failure.

Sheriff Mark Pazin, current president of the California State Sheriffs Association (CSSA), spoke in favor of the Governor's initiative and noted that CSSA has taken a formal position in support. Linda Penner, Fresno County Chief Probation Officer, also spoke in favor of the Governor's initiative and indicated that the Chief Probation Officers Association voted to support it.

Motion and second to support the Schools and Local Public Safety Protection Act of 2012. Motion carried (31 in favor).

4. STATE AND FEDERAL LEGISLATIVE PRIORITIES FOR 2012

Staff presented the draft State and Federal Legislative Priorities for 2012 as contained in the briefing materials. Staff has identified 2012 as the "Year of Reform" and it is anticipated that state advocacy efforts will be primarily focused on: Gaining constitutional protections for 2011 Realignment; Pension Reform; and Regulatory Reform. In addition, there are several issues within each of the five policy areas that were outlined in the briefing materials.

On the Federal side, the following eight issues were deemed significant in 2012 following consideration by the Officers and Executive Committee:

New Authorization of Surface Transportation Law (SAFETEA-LU)
State Criminal Alien Assistance Program
Property Assessed Clean Energy/Renewable Energy Policy
Native American Affairs
Temporary Assistance for Needy Families Reauthorization
Secure Rural Schools Reauthorization
Clean Water Act
Levee Vegetation Management

In addition, the following federal issues have been identified for internal monitoring:

National Health Care Reform	Farm Bill Reauthorization
Transient Occupancy Tax	Waters of the U.S.
Federal Geothermal Royalties	FEMA Mapping
Community Development Block Grant	Pension Tier Changes (conflicts with IRS)
Child Welfare Financing Reform	Medical and Long-Term Care Premiums

Byrne Grant Funding
Cooperative Endangered Species Conservation Fund
2-1-1 Statewide
State's Water Crisis
Payments-in-Lieu-of-Taxes (PILT)

Concerns were raised regarding the Federal Clean Air Act and EPA's state implementation plan. Staff was directed to add the Clean Air Act to the federal internal monitoring list.

Motion and second to approve the State and Federal Legislative Priorities for 2012. Motion carried unanimously.

5. CSAC GUIDING PRINCIPLES FOR PENSION REFORM

Supervisor Bruce Gibson, Chair of the CSAC Government Finance & Operations policy committee, presented the revised CSAC Guiding Principles on Pension Reform as contained in the briefing materials. The principles were developed by the CAOAC Pension Reform Task Force along with CSAC staff, and approved by the Government Finance & Operations policy committee.

The three main principles are: Ensure Sustainability; Improve Counties' Ability to Recruit and Retain the Best Talent; and Eliminate Abuse. Staff was directed to amend the language in the second sentence under "Ensure Sustainability" as follows: ***Market losses in 2008 have for the first time raised the specter and increased benefits granted over time have increased the risk*** of unsustainability, with retirement funds dipping to their lowest historical funding ratios ...

Motion and second to adopt 2012 CSAC Guiding Principles on Pension Reform as amended. Motion carried unanimously.

6. LETTER REGARDING POST OFFICE CLOSURES

The US Postal Service has proposed closing 3,653 local post office locations nationwide as part of a restructuring plan to save \$20 billion by 2015. The proposal includes the closure of 111 California post office locations in 37 counties over the next three years. The public comment deadline and a decision regarding the closures is May 15.

The CSAC Rural Caucus considered this issue during its November 30 meeting and is recommending that the Board of Directors approve a draft public comment letter outlining county concerns as contained in the briefing materials. Members of the rural caucus expressed concerns about the economic, social, and environmental impacts of post office closures in small rural communities.

Staff was directed to add the Regional Council of Rural Counties as a co-signer to the letter. In addition, staff was directed to include the Clerks of the Board Association concerns regarding how California voters will be affected if post offices are closed.

Motion and second to approve the public comment letter to US Postal Service outlining county concerns. Motion carried.

7. CSAC COUNTY EMPLOYEE HEALTH BENEFIT COOPERATIVE UPDATE

Last summer, the Board of Directors authorized the pursuit of an analysis of the feasibility of establishing an Employee Health Benefits pool within CSAC to provide an opportunity for California counties to better manage and contain employee health care costs. A consultant was chosen to conduct a focus group discussion and prepared a survey to gauge the interest of counties. Staff reported that there does not appear to be a level of interest on the part of California counties to overcome the potential hurdles of setting

up an employee health insurance pool. There remain, however, other opportunities such as developing a model for wellness programs and partnering with other pools, such as the Excess Insurance Authority. CSAC will continue to seek such opportunities, but will not further pursue establishing a stand-alone employee health insurance pool.

8. CSAC AGRICULTURE & NATURAL RESOURCES POLICY COMMITTEE REPORT

Supervisor Kim Vann, Vice-chair of the CSAC Agriculture & Natural Resources policy committee, presented a report from the meeting held on February 15. The policy committee had a lengthy discussion on the Governor's Regional Water Quality Control Board budget proposal. They also received reports on the proposed National Flood Insurance Program federal legislation and Farm Bill Reauthorization. No action items were brought forward for consideration. The next policy committee meeting will take place during the CSAC Legislative Conference in May.

Staff was directed to send a letter to the Agriculture Commissioners Association urging them to coordinate with CSAC on legislative positions.

9. UPDATE ON REDEVELOPMENT AGENCIES

On December 29, 2011, the California Supreme Court ruled in CRA v. Matosantos, upholding AB 26X which eliminated community redevelopment agencies, but striking down AB 27X, the companion measure that would have allowed the agencies to continue to operate if they made specified payments to the state. The Supreme Court's decision requires that community redevelopment agencies be dissolved by February 1, 2012.

Counties have a variety of responsibilities associated with the dissolution of redevelopment agencies, including:

- Acting as successor agency to county-sponsored former redevelopment agencies
- Appointing members to the oversight boards of successor agencies
- Administering the allocation of property taxes to successor agencies for purposes of meeting enforceable obligations; auditing successor agencies to determine the agency's assets and liabilities, pass-through obligations, and existing indebtedness; allocating residual property taxes to other affected taxing entities.

The briefing materials contained specific duties of counties required by AB 26X. Staff reported that stakeholder meetings have been taking place to work on technical issues regarding the dissolution process. In addition, a group of county counsel and CSAC staff have been meeting to discuss issues related to oversight committees and encumbered money.

10. INFORMATIONAL REPORTS

The briefing materials contained reports on: CSAC Corporate Associates Program; Institute for Local Government; CSAC Finance Corporation; and the CSAC Litigation Coordination program, but no presentations were made.

11. OTHER ITEMS

John Samartzis was introduced as the new CSAC Director of Corporate Relations. Board members were urged to attend the upcoming NACo Legislative Conference in Washington, DC and participate in the California Caucus and reception.

Meeting adjourned.



**2012-13 Governor's May Revision
Week of May 13, 2012**

May 14, 2012

TO: CSAC Board of Directors
County Administrative Officers
CSAC Corporate Associates

FROM: Paul McIntosh, CSAC Executive Director
Jim Wiltshire, CSAC Deputy Executive Director

RE: **Summary of the Governor's May Revision**

The Governor released his May Revision to the 2012-13 State Budget this morning, calling for "a modicum of stoicism" as he outlined how he proposes to rectify a \$15.7 billion estimated deficit. The deficit is larger than his Administration predicted in January due to lower than expected revenues (-\$4.3 billion loss), higher than expected school costs (-\$2.4 billion loss), and decisions by the federal government and courts that blocked certain budget cuts (-\$1.7 billion loss).

Governor Brown's proposed budget relies on voters approving his November statewide ballot initiative, and all of his May Revision materials (and therefore the information below) are based on the presumption that it will pass. Accordingly, the May Revision Budget would increase school funding from the current year by \$5.2 billion (16 percent). Spending outside of Proposition 98 would decline by \$2.4 billion (-4.5 percent), although that number excludes a \$2.1 billion repayment of funds borrowed pursuant to Proposition 1A three years ago.

The May Revision includes severe trigger cuts should the ballot measure fail to pass so that the state can borrow money to meet its cash flow needs with intra-year financing. These trigger cuts of \$6.1 billion would fall largely on schools, both K-14 (\$5.5 billion) and higher education (\$500 million). Other trigger cuts, some of which would affect programs of interest to counties, are detailed later in this *Budget Action Bulletin*.

The Governor's ballot measure would constitutionally protect the revenues shifted to counties to fund 2011 Realignment. It would also temporarily raise taxes; the sales and use tax would rise one quarter cent for five years and the personal income tax would,

for seven years, rise one, two, and three percent for joint filers making over \$500,000, \$600,000, and \$1 million respectively (half of those amounts for single filers).

Finally, the Governor’s budget would balance into future years, and the state would even be able to begin paying down the \$33 billion in outstanding budgetary borrowing – called the “Wall of Debt” by Governor Brown – that it has regularly accumulated since the dot-com bust. The May Revision notes that the proposal, with “diligent fiscal management,” would reduce this \$33 billion to only \$6.6 billion by the end of 2015-16.

Budget Balancing Proposals
(\$ in millions)

Expenditure Reductions	50%
<u>Health and Human Services</u>	
Medi-Cal	\$1,219.2
CalWORKs	879.9
In-Home Supportive Services	224.5
Other HHS Programs	161.0
<u>Education</u>	
Proposition 98	1,497.9
Child Care	452.5
Cal Grant Program	291.7
Other Education	64.4
<u>All Other Reductions</u>	
Redevelopment Assets	1,405.0
State Mandates	828.3
Judiciary	544.0
Employee Compensation	401.7
Other Reductions	333.4
Expenditure Reductions	\$8,303.5
Revenues	35%
Temporary Taxes	\$5,579.8
Other Revenues	339.1
Revenues	\$5,918.9
Other	15%
Loan Repayment Extensions	\$1,158.3
Transfers and Loans from Special Funds	612.2
Additional Weight Fee Revenues	385.2
Unemployment Insurance Interest Payment	312.6
All Other	49.6
Other	\$2,517.9

Total	\$16,740.3
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With Budget Balancing Solutions — General Fund
(\$ in millions)

	2011-12	2012-13
Prior Year Balance	-\$2,844	-\$2,535
Revenues and Transfers	\$86,809	\$95,689
Total Resources Available	\$83,965	\$93,154
Non-Proposition 98 Expenditures	\$53,988	\$53,658
Proposition 98 Expenditures	\$32,512	\$37,729
Total Expenditures	\$86,500	\$91,387
Fund Balance	-\$2,535	\$1,767
Reserve for Liquidation of Encumbrances	\$719	\$719
Special Fund for Economic Uncertainties	-\$3,254	\$1,048
Budget Stabilization Account	-	-
Total Available Reserve	-\$3,254	\$1,048

Revenue Sources — General Fund
(\$ in millions)

	2011-12	2012-13	\$ Change	% Change
Personal Income Tax	\$52,958	\$60,268	\$7,310	13.8%
Sales and Use Tax	18,921	20,605	1,684	8.9%
Corporation Tax	8,208	8,448	280	3.4%
Motor Vehicle Fees	92	27	-65	-70.7%
Insurance Tax	2,148	2,089	-59	-2.7%
Estate Taxes	-	45	45	-
Liquor Tax	331	337	6	1.8%
Tobacco Taxes	93	90	-3	-3.2%
Other	4,058	3,740	-318	-7.8%
Total	\$86,809	\$95,689	\$8,880	10.2%

Expenditures by Agency — General Fund
(\$ in millions)

	2011-12	2012-13	\$ Change	% Change
Legislative, Judicial, Executive	\$2,541	\$2,074	-\$467	-18.4%
State and Consumer Services	619	689	70	11.3%
Business, Transportation & Housing	573	448	-125	-21.8%
Natural Resources	1,933	1,921	-12	-0.6%
Environmental Protection	51	46	-5	-9.8%
Health and Human Services	26,772	25,963	-809	-3.0%
Corrections and Rehabilitation	8,082	8,889	807	10.0%
K-12 Education	34,038	38,540	4,502	13.2%
Higher Education	9,770	9,516	-254	-2.6%
Labor and Workforce Development	354	342	-12	-3.4%
General Government:				
Non-Agency Departments	443	485	42	9.5%
Tax Relief/Local Government	544	2,531	1,987	365.3%
Statewide Expenditures	780	-57	-837	-107.3%
Total	\$86,500	\$91,387	\$4,887	5.6%

REALIGNMENT

In the May Revision, the Administration is updating the funding allocations on a program-by-program basis with updated caseload information and proposing trailer bill language to create a permanent funding structure for 2011 Realignment. The trailer bill is expected to be released on the Department of Finance [website](#) later today. Once CSAC reviews the trailer bill language, we will provide counties with additional information.

Below is an updated funding chart. Compared to the program allocation and funding chart included in the January Budget, the 2011-12 and 2012-13 funding level for several programs has increased.

Note: Realignment information pertaining to public safety programs can be found in the Administration of Justice section of this *Budget Action Bulletin*.

2011 Realignment Funding
(\$ in millions)

Program	2011-12	2012-13	2013-14	2014-15
Court Security	\$496.4	\$496.4	\$496.4	\$496.4
Public Safety Programs	489.9	489.9	489.9	489.9
Local Jurisdiction for Lower-level Offenders and Parole Violators				
Local Costs	239.9	581.1	759.0	762.2
Reimbursement of State Costs	989.9	-	-	-
Realign Adult Parole				
Local Costs	127.1	276.4	257.0	187.7
Reimbursement of State Costs	262.6	-	-	-
Mental Health Services				
EPSDT	-	584.2	584.2	584.2
Mental Health Managed Care	-	196.7	196.7	196.7
Existing Community Mental Health Programs	1,083.6	1,120.6	1,120.6	1,120.6
Substance Abuse Treatment	183.6	183.6	183.6	183.6
Foster Care and Child Welfare Services				1,621.1
Adult Protective Services	55.0	55.0	55.0	55.0
Existing Juvenile Justice Realignment	97.1	98.8	98.8	98.8
Program Cost Growth	-	221.7	456.6	1,014.7
TOTAL	\$5,592.3	\$5,889.8	\$6,303.6	\$6,810.9
1.0625% Sales Tax	5,152.9	5,434.7	5,840.3	6,339.8
Vehicle License Fee Funds	439.4	455.1	463.6	471.1
TOTAL Revenues	\$5,592.3	\$5,889.8	\$6,303.6	\$6,810.9

The updated allocation chart reflects changes to the base for the following programs in 2011-12:

- The allocation for Substance Abuse Treatment programs has increased by \$3.9 million, from \$179.7 to \$183.6 million. These funds will be included in the Behavioral Health Subaccount beginning in 2012-13.
- The allocation for Foster Care, Child Welfare and Adult Protective Services increased by \$5.1 million from \$1,562.1 million to \$1,567.2 million. These funds will be included in the Protective Services Subaccount beginning in 2012-13.

Additional changes include:

- The 2011-12 allocation for Existing Community Mental Health Programs is \$1,083.6 million, which represents the amount that will be allocated to the Mental Health Account pursuant to the formula in statute for 2011-12. This amount is greater than the \$1,068.8 million that is now estimated to have been available for Mental Health in 2011-12 under 1991-92 Realignment.
- The 2012-13 allocation for Existing Community Mental Health Programs is \$1,120.6 million, which represents the amount that is estimated to otherwise have been available for Mental Health in 2012-13 under 1991-92 Realignment. Although this is less than the \$1,164.4 million reflected in the Governor's Budget, Mental Health programs have a dedicated growth account in the new ongoing funding structure. These programs will also continue to receive any Mental Health growth resulting from 1991-92 Realignment.
- The allocations for Early and Periodic Screening, Diagnosis and Treatment program and the Mental Health Managed Care program have increased by \$48.1 million, from \$732.8 to \$780.9 million. Please recall that the 2012-13 funding level establishes the base for these programs and these programs will be included in the Behavioral Health Subaccount beginning in 2012-13.
- The allocation for Foster Care and Child Welfare Services now changes from year-to-year from 2012-13 through 2014-15. This reflects the costs for counties to expand foster care benefit eligibility up to age 21 as authorized by Chapter 559, Statutes of 2010 (AB 12) for a cumulative increase of \$53.9 million. These funds are included in the Protective Services Subaccount and will be phased in over a three-year period beginning in 2012-13.

ADMINISTRATION OF JUSTICE

While the vast majority of local public safety programs now are funded through the 2011 realignment construct, several justice-related budget items of interest to counties are addressed in the Governor's May Revision, which are summarized below. Please note that overall 2011 Realignment funding issues are discussed in a separate section dedicated to that topic.

Division of Juvenile Justice

As counties will recall, the Governor proposed in his January 2012-13 budget the closure of the Division of Juvenile Justice (DJJ), beginning with ceasing intake of youthful offender commitments beginning January 1, 2013. In the May Revision, the Governor revises his juvenile justice proposal to keep DJJ available as a placement option for youthful offenders, but makes other proposed operational efficiencies and policy changes, which include:

- A new fee structure that would charge counties \$2,000 per month (\$24,000 annually) for each ward committed to the DJJ by a juvenile court; the fee would be charged beginning July 1, 2012, and would apply to all eligible youthful offenders regardless of commitment date;
- A change in the DJJ age jurisdiction from 25 to 23 years, applied prospectively;
- Termination of juvenile parole six months early (on January 1, 2013 instead of July 1, 2014); and,
- Reduction of administrative staffing levels within the California Department of Corrections and Rehabilitation (CDCR) headquarters and DJJ facilities.

With these changes, the trigger fee — that was part of the 2011-12 budget and originally scheduled to be levied against counties beginning January 1 of this year — will essentially be forgiven.

2011 Public Safety Realignment

It is anticipated that the trailer bill language related to the 2011 Realignment fiscal structure — not yet available at the time of this writing — will detail a county-by-county allocation related to both the AB 109 programmatic activities as well as the separately allocated funds to district attorneys and public defenders for new revocation activities associated with Realignment. Details on the recommended allocation formula, which would be in place for 2012-13 and 2013-14 (with a permanent formula to be determined), have been sent to county administrative officers statewide under separate cover.

In addition, we also anticipate that budget trailer bill language will include a provision that permits two consenting counties to enter into a contract for transfer of jail inmates. It is our understanding that the inmate transfer authority would be in place for three years to allow for review and evaluation of frequency and usage.

Finally, we anticipate that trailer bill language will be made public later today that recasts and revises statute governing the provision of court security services (Government Code Sections 69920-69927). These changes are necessitated by the change in the funding structure for court security.

Department of Corrections and Rehabilitation

Last month, CDCR released what is being called its “blueprint” plan to save billions of dollars over a four-year period as the department adjusts to its changing demographics as a result of realignment. In the May Revision, the Governor reiterates his commitment to following through on the CDCR blueprint. Of particular interest to counties is that the

state will be restructuring the delivery of its rehabilitation programs due to the reduction in the state's prison population. As a result of the 2011 criminal justice realignment, the state will be able to engage approximately 70 percent of its remaining population in rehabilitation programs by converting existing space into rehabilitative programming space.

Additionally, CDCR will be establishing reentry hubs within some of its institutions to better prepare inmates for reintegration back into the community. Further, as a result of the state reducing its prison population through realignment, the CDCR will return 10,000 inmates currently housed in out-of-state facilities to its 33 state prisons. Counties interested in viewing the complete blueprint can do so by visiting CDCR's [website](#). Upon full implementation of realignment and implementation of this blueprint, CDCR will save over \$1 billion annually.

Board of State and Community Corrections

Effective July 1, 2012, the Corrections Standards Authority (CSA) will be reconstituted as the Board of State and Community Corrections (BSCC). The BSCC will, in addition to other specified functions, assume the duties of the CSA and will take on a newly enhanced role to provide statewide leadership, coordination and technical assistance for the state and local jurisdictions as the two operate California's juvenile and adult corrections systems. Further, it will be the responsibility of the BSCC to guide state and local jurisdictions through the implementation stages of the 2011 criminal justice realignment.

The May Revision outlines funding to the BSCC, which includes \$27.7 million in General Fund and \$92.2 million in other funding sources. Other components of interest in the BSCC's proposed budget include:

- **AB 900 Phase III local jail construction funding** – The May Revision includes \$500 million of additional lease revenue bond authority to assist counties in managing offender population in county jails. These funds are in addition to the current \$1.2 billion already awarded to counties for Phase I and Phase II AB 900 local jail construction projects. The parameters and criteria surrounding the release of Phase III funds will be determined by the BSCC through a stakeholder process similar to the previous two phases.
- **Local subvention grants to city police departments** – The BSCC will develop a formula to award \$20 million in state general funds (not tied to realignment funding) to local police departments in recognition of reductions to city police departments.

Judiciary

The Governor's May Revision signals intent to evaluate the effects of trial court funding reforms. Given that 15 years have passed since the enactment of the Trial Court Funding Act of 1997 (AB 233), the Administration proposes to establish a working group to analyze workload metrics and staffing standards, among other factors, in an effort to assess the effective statewide administration of the trial courts.

As for the judicial branch budget, the Governor's May Revision proposes a \$544 million General Fund reduction, of which \$419 million is one-time and \$125 million is ongoing. However, in 2012-13, \$540 million of the reduction would be offset using trial court reserves and delaying courthouse construction. The remaining \$4 million in reductions would be achieved by permanent changes in retirement contributions for Administrative Office of the Court, supreme and appellate court, as well as Habeas Corpus Resource Center employees. Additional permanent reductions include \$40 million that will be redirected from court construction funds to support trial court operations.

Department of Justice

The Governor proposes to reduce funding to the DNA Identification Fund by eliminating the \$10 million general fund transfer to the fund. This elimination will be offset by an increase in the penalty assessment of \$1 for every \$10 in base fine.

AGRICULTURE AND NATURAL RESOURCES

Governor's Reorganization. As part of Governor Brown's Reorganization Plan, he submitted a comprehensive plan to the Little Hoover Commission (Commission) in May. The May Revision states that the Commission is expected to submit its findings and recommendations to the Legislature by May 22. The Governor's plan calls for the Emergency Management Agency to become an office directly reporting to the Governor; the Department of Resources, Recycling and Recovery (CalRecycle) to be transferred from the Natural Resources Agency to the California Environmental Protection Agency (EPA); and the Delta Stewardship Council to be transferred to the Natural Resources Agency.

Department of Food and Agriculture. The Governor's May Revision includes a permanent, unallocated reduction of \$2.5 million to the Department of Food and Agriculture's budget. This builds on the \$31 million General Fund reduction already adopted, which primarily affects various programs related to border control stations, pest prevention and food safety activities.

GOVERNMENT FINANCE AND OPERATIONS

Redevelopment

The May Revision assumes that local K-14 schools will receive an additional \$818 million in property taxes in 2011-12, and \$991 million in 2012-13. These gains offset the state's Proposition 98 obligation. The amounts are down from the \$1.05 billion and \$1.08 billion assumed in the January budget proposal. The declines from previous estimates are due to lower-than-expected property tax revenues and samples of obligated payment schedules of successor agencies. These are ongoing revenues.

ABX1 26, which dissolved redevelopment agencies, requires that unencumbered assets be distributed to taxing entities, but sets no deadline for doing so. The May Revision would create a framework for those distributions, and the Administration estimates that \$2 billion would go to K-14 schools, \$1.4 billion in 2012-13 and \$600 million in 2013-14. Again, these funds would offset the state General Fund's Proposition 98 expenses. These are one-time revenues.

The May Revision also proposes to increase school funding by allowing K-14 schools to retain some of the money that would under current law otherwise offset the state's Proposition 98 guarantee. Specifically, schools could retain one percent of the increased property taxes and five percent of the distributed assets.

Dry-Period Financing

The Governor's January Budget proposed allowing charter schools to borrow money from county treasuries upon a showing of need. This benefit is currently granted only to entities that bank solely through the county treasury, like public schools. In those cases, the treasury is assured of repayment. Extending this to private entities, as many charter schools are, is both legally questionable and financially risky. The May Revision includes this provision, but it is not specific as to whether the lending would be optional or mandatory.

EMPLOYEE RELATIONS

State Employees. In his May Revision, Governor Brown proposes eliminating the use of retired annuitants and temporary employees for non-essential positions which are not critical to a department's core mission.

Additionally, the Governor proposes to score \$830.1 million savings in state employee compensation by pursuing a four-day, 38-hour work week for most represented and unrepresented employees (about 214,000 positions). This would require re-opening existing labor contracts and/or amending them; the Administration hopes to negotiate these changes by July 1, 2012.

The Governor's May Revision includes an intention to further save state costs by continuing to pursue changes to current employees' and retirees' health coverage.

Unemployment Insurance Program. Counties will recall that due to a structural imbalance between revenues and benefit payments, the Unemployment Insurance (UI) Fund has been making benefit payments with borrowed federal funds since 2009. The UI Fund deficit is projected to be \$11.7 billion at the end of 2012. Interest in the amount of \$303.5 million was paid in September 2011 through a loan from the state's Unemployment Compensation Disability Fund. The Governor's January budget proposed to continue to borrow from the Disability Fund to pay the 2012-13 interest expense of \$417 million; his May Revision includes this expense, but costs it at \$412.6 million as the federal government has since lowered the interest rates on funds borrowed.

The Governor additionally proposes in his May Revision an increase of \$4.3 billion in 2012-13 for UI benefit payments due to additional federal benefit adjustments and an increase of \$16.9 million and redirection of \$6.3 million UI Administration Fund in 2012-13 to provide continued support for the Unemployment Insurance Modernization Project, a federal incentive program offered through the American Recovery and Reinvestment Act that provided states with additional UI administration dollars to modernize information technology.

Reducing State Government. As mentioned above, , Governor Brown proposed eliminating or consolidating several employment-related boards and commissions in January and provided his blueprint for doing so to the Little Hoover Commission. The plan includes the creation of a "CalHR" department which would combine the State Personnel Board and the Department of Personnel Administration, and aligns the Public Employment Relations Board (PERB) with the Labor Workforce Development Agency. Again, the Commission is expected to submit its findings and recommendations to the Legislature by May 22.

HEALTH AND HUMAN SERVICES

The Governor's May Revision includes \$1.2 billion in cuts to health and human services out of \$8.3 billion total proposed cuts for the 2012-13 fiscal year. The California Health

and Human Services Agency's total budget for 2012-13 is \$103.9 billion, of which \$25.5 billion is state General Fund and \$78 billion in federal and other funds.

Medi-Cal

Coordinated Care Initiative. The Governor proposes a number of changes to the Coordinated Care Initiative (CCI) in the May Revision. The Administration is proposing to phase-in long-term care benefits as each county transitions into managed care. The Administration is reducing the number of counties in phase one from 10 to 8 (Alameda, Los Angeles, Orange, Riverside, San Bernardino, San Diego, San Mateo and Santa Clara) and will delay implementation from January 1, 2013 to March 1, 2013. Sacramento and Contra Costa counties, along with the other counties with existing Medi-Cal managed care plans, will be in the second phase of CCI implementation in 2014.

Counties will continue to assess and authorize hours for the In-Home Supportive Services (IHSS) program. Consumers will continue to select and direct their provider. The Administration is proposing a county-specific maintenance of effort to hold county expenditures to the estimated level that would have been incurred absent the CCI. As CCI is implemented, collective bargaining will eventually transition to the state. The Administration does not provide additional detail about collective bargaining changes; the most recent trailer bill language leaves collective bargaining to local public authorities and does not address future changes.

The modified CCI proposal saves \$663.3 million in 2012-13 (as in January the savings are from the Medi-Cal payment deferral) and \$887 million when fully implemented. The CCI savings are contingent on securing a six-month stable enrollment period and 50 percent shared savings from the federal government.

Hospital Payment Changes. The Administration proposes to reduce supplemental payments to private hospitals, eliminate public hospital grants and eliminate increases to managed care plans for supplemental payments to designated public hospitals. All told, these changes save \$150 million General Fund in 2012-13 and \$75 million in 2013-14. The May Revision also proposes to delay the transition to a new diagnosis related group-based payment methodology for hospitals by six months (from January 1, 2013 to July 1, 2013).

Unexpended Federal Waiver Funds. The May Revision proposes to split unexpended federal funds from the Medi-Cal Section 1115 Bridge to Reform Waiver equally between the state and designated public hospitals. The proposal saves \$100 million General Fund in 2012-13 and \$9 million in 2013-14. The unexpended funds come from the funding available for the Low-Income Health Programs designated for persons with incomes over 133 percent of the federal poverty level. Subsequently, the unexpended funds

were earmarked to reimburse public hospitals for uncompensated care costs. The Administration is asking public hospitals to use their uncompensated care costs to draw down federal match and split the federal match with the state for the benefit of the state General Fund.

Non-Designated Public Hospital Payment Changes. Non-designated public hospitals have historically been funded similar to private hospitals (50 percent General Fund, 50 percent federal funds), rather than like designated public hospitals (no state General Fund; local funds are used to draw down federal match) for inpatient Medi-Cal fee-for-service. The Administration is proposing to align non-designated hospital funding with designated hospitals funding methodology for inpatient Medi-Cal fee-for-service. The proposal generates \$75 million in General Fund savings in 2012-13 and ongoing. The Department of Health Care Services (DHCS) will be seeking additional federal funds for these hospitals through an amendment to the Section 1115 Bridge to Reform Waiver. Please note the non-designated public hospitals are primarily district hospitals.

Nursing Homes. The Administration is proposing to rescind the 2012-13 nursing home rate increase while continuing the collection of fee revenue. The state would retain the fee revenue for a General Fund benefit of \$47.6 million. Existing law also requires DHCS to set aside one percent of nursing home payments for supplemental payments based on quality measures. The Administration is proposing to sweep the one percent for a General Fund benefit of \$23.3 million.

First 5 Funding. The Administration is proposing that \$40 million of state First 5 Commission funds be used for Medi-Cal services for children aged birth through 5. This decreases Medi-Cal General Fund dollars by \$40 million.

Medi-Cal Caseload Adjustment. The Administration is projecting a decrease in Medi-Cal caseloads, which results in a \$200 million General Fund savings in 2011-12 and \$700 million General Fund in 2012-13.

Provider Payments. The Administration is adjusting the May budget to reflect court rulings that have prevented the implementation of provider payment reductions. The May Revision includes an additional \$245.5 million in 2011-12 and \$174.6 million in 2012-13.

Co-Payments. The federal government rejected the Administration's 2011-12 budget proposal to implement co-payments. The May Revision reflects the increased costs from the proposal not being implemented – \$555.3 million in 2012-13.

Additionally, the Administration is proposing new co-payments of \$15 for non-emergency emergency room visits and \$1 and \$3 pharmacy co-payments based on drug

status and how medications are dispensed to achieve \$20.2 million in General Fund savings in 2012-13.

Healthy Families Program (HFP)

The May Revision continues to anticipate the shift of 875,000 Healthy Families Program (HFP) participants into Medi-Cal starting in October of this year. However, the savings anticipated have dropped from about \$64 million to about \$49 million. This is due to an increase in the estimated per-member per-month average cost of a Medi-Cal beneficiary from \$76.86 to \$83.91. This new estimate includes the costs for mental health managed care benefits for this population. Further, the Administration has been forced to drop its January budget proposal to increase premium and copayments in HFP to save \$42 million because it was blocked by the federal government.

CalWORKs

The Administration makes some policy changes to its January proposal to “redesign” the CalWORKs program into two tracks, but the basic structure introduced in January remains, including:

- **CalWORKs Basic.** This track would serve as the entry-point for the welfare-to-work program and would be operational by October of this year. The eligibility time limit for this phase would be 24 months, with an assessment of the recipients’ progress after 12 months. For six months following the October 2012 implementation of the CalWORKs Basic program, all currently aided eligible adults will be eligible for welfare-to-work services and child care. The budget has increased the county single allocation by \$35.6 million to provide some of these services. Additionally, families who are sanctioned for more than three months would be disenrolled from the program.
- **CalWORKs Plus.** If a CalWORKs Basic participant maintains unsubsidized employment at specified levels (30 hours for adults and 20 hours for those with children under age 6), they would move to the CalWORKs Plus program. This program would become operational in April 2013, and reward participants with a higher grant level by allowing them to utilize a higher income disregard (first \$200 earned and 50 percent of subsequent income). Participants would be eligible for this program for up to 48 months, and if they reach the time limit but continue to work specified amounts, they would retain the higher earned income disregard.
- **Child Only Grants.** The income support program of child only grants will continue under the name of Child Maintenance Program (CMP), but grants will

be cut by 27 percent, or about \$70 a month, beginning in October of this year. Also, families on CMP will be subject to annual eligibility determinations and required to have children in the program seen annually by a doctor.

- **Work Participation.** Furthermore, under the proposed restructuring, low-income families who are CalFresh recipients or child care subsidies – but not on CalWORKs – and meet work participation requirements may receive \$50 bonus payments.

The May Revision includes some changes to the above policy proposals, including counting any combination of state-allowable work activities in the first 24 months and federally allowable activities for up to 48 months toward work participation, instead of counting only paid employment. Further, the May Revision also abandons the proposal to retroactively count previously exempt and sanctioned months toward the adult recipient's 48-month time limit.

Child Care

In January, the Governor had proposed nearly \$500 million in changes and reductions for subsidized child care programs in California. In the May Revision, the Governor remains committed to saving the state \$452.5 million in child care costs, but has altered some of the above proposals, including:

- Allow education and training activities, not just paid employment, to count toward eligibility for child care services for up to two years. This will cost the state \$180.1 million in 2012-13.
- Reduce reimbursement rates for voucher-based programs by \$184.2 million by reducing the reimbursement rate ceiling from the 85th percentile to the 40th percentile of the private pay market. License-exempt providers would be reimbursed based upon 71 percent of the lowered licensed ceilings.

The new proposals will eliminate 29,600 child care slots, while the previous plan would have eliminated 54,800.

In Home Supportive Services (IHSS)

The Governor continues to focus on the IHSS program for state savings, noting in the May Revision that costs for IHSS are "...considerably higher than in the 2011 Budget Act." One aspect of this plan, CCI, is covered in the Medi-Cal section of this document. Other proposals include:

- **Reducing Hours by Seven Percent.** The May Revision includes a proposal to reduce total authorized IHSS hours by seven percent across the board to save \$99 million General Fund in 2012-13. This would be effective August 1, 2012. This is on top of the 20 percent across-the-board reduction that the courts prevented the state from implementing in the fall of 2011. The seven percent reduction is proposed to be permanent and ongoing.
- **Eliminating Domestic Services.** The Governor is maintaining his January budget proposal to eliminate domestic services and related services for IHSS consumers living with other adults who are not participants in the IHSS program, unless those adults are found to be unable to perform such services. This reduction in domestic services also applies to children in the IHSS program who reside with their parents, and the state assumes budget savings of \$164 million in the current year if implemented by July 1 of this year. This proposal would affect 254,000 IHSS recipients.

Please note that the Governor has been prevented from implementing the December 2011 IHSS 20-percent trigger cuts through a court injunction and Legislative action. The May Revision again includes a set-aside to fund the IHSS program in light of this reality.

Child Support

Suspend County Share. In January, the Governor asked to suspend the County share of child support collections and redirect it to the state's General Fund. He maintains that proposal in the May Revision for a state savings of \$32 million General Fund in 2012-13.

Reduce Funding to Local Agencies. In his May Revision, the Governor also proposes to decrease the funding for Local Child Support Agencies (LCSAs) by \$14.7 million in 2012-13 to save \$5 million General Fund. This is a significant cut to local agencies, and, as a result, the Administration has said that the LCSA's will no longer be required to prepare cases for state hearings. They would, however, still have to continue their required complaint resolution process and refer cases for state administrative review.

Reduce Automation Funding. The Governor also wants to reduce funding for the California Child Support Automation System (CSSAS) again in 2012-13, this time by \$1 million. The current 2011-12 budget reduced CCSAS funding by \$5.5 million. The 2012-13 reduction would be achieved by sweeping remaining CCSAS reappropriation dollars, and would reduce the ongoing project maintenance and operations budget by \$2.9 million.

Public Health

AIDS Drug Assistance Program. The Governor maintains his January budget proposal to increase the client share of cost for the AIDS Drug Assistance Program (ADAP), but with a significant change: private insurance clients would be exempted from the share of cost because it would exceed their out-of-pocket costs for private insurance. The Governor also proposes a 90-day implementation delay to make billing system modifications. With these changes, the ADAP cost-sharing proposal is estimated to save the state \$10.7 million in 2012-13.

Further, the Governor anticipated a net increase in funding for ADAP due to a combination of factors, including a delay in ADAP clients enrolling in the county Low-Income Health Programs, increased federal Ryan White funding, a decrease in Safety Net Care Pool funds, and an increase in the projected drug rebate collection rate.

Mental Health

The May Revision includes an increase of \$15 million in the Mental Health Services Fund as part of a \$60 million commitment toward the California Reducing Disparities Project in 2012-13.

LEADER Replacement System

The May Revision includes \$36.5 million (\$15.3 General Fund) in 2012-13 to replace the existing Los Angeles Eligibility, Automated Determination, Evaluation and Reporting System (LEADER).

HOUSING, LAND USE AND TRANSPORTATION

The Governor's May Revision would appropriate \$708.5 million to counties and cities from new gasoline excise tax revenues, or the Highway User Tax Account (HUTA), pursuant to the Transportation Tax Swap (swap) and formerly Proposition 42 revenues. Counties are estimated to receive approximately \$354 million. This amount is consistent with estimates DOF has provided since January. State highways would receive \$901.7 million, specifically \$193.2 million for the State Highway Operation and Protection Program (SHOPP) and \$708.5 for the State Highway Improvement Program (STIP).

Also included in the Governor's May Revision is a proposal to take \$312 million in the new HUTA for General Fund relief, which corresponds to the amount of the new gas tax collected on gasoline used for off-highway vehicles (OHV) since the enactment of the swap. Specifically, the State will have collected and retained \$184 million through the

end of 2011-12 in new HUTA taxes associated with OHVs. The proposal would also take \$128 million annually on a permanent basis beginning in 2012-13. According to the Governor's office, statute directs a portion of all HUTA to the Department of Parks and Recreation and the Department of Motor Vehicles for purposes of OHVs. Since the enactment of the swap, the State has retained these funds associated with the new HUTA and not made appropriations to these departments. The new HUTA that replaced the sales tax on gasoline under the swap was expected to be revenue neutral for transportation purposes. However, the Governor indicates that this portion of the new HUTA is not protected under the Constitution and therefore the State is taking this share of revenues for General Fund purposes. This money would otherwise be allocated as: 12 percent to SHOPP, 44 percent to STIP and 44 percent to local streets and roads.

STAY TUNED FOR THE NEXT BUDGET ACTION BULLETIN!

If you would like to receive the Budget Action Bulletin electronically, please e-mail Stanicia Boatner, CSAC Senior Legislative Assistant at sboatner@counties.org. We're happy to accommodate you!



May 31, 2012

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To: Board of Directors
California State Association of Counties

From: Terry Woodrow, Treasurer
Paul McIntosh, Executive Director

RE: **CSAC FY 2012-13 Budget**

As Treasurer of CSAC, it is my pleasure to present the proposed budget for the 2012-13 fiscal year. In conjunction with the Executive Director and Finance Director, the attached revenue and spending plan for the upcoming year is hereby submitted for your approval.

Revenues are increasing \$226,201 or 2.65% over last year. The increase is due to how Corporate Associates revenues are presented in this year's budget, at the request of the Board of Directors last year. The Corporate Associates program, in previous years, used the revenues to offset program and conference costs. This budget has a clearer reflection of the actual revenues and costs (explained below) of the Corporate Associates program. It should be noted that the program is in the process of a significant change to improve the financial stability of the program. Membership dues are flat (for the 4th year in a row) as are revenues expected to be contributed from the CSAC Finance Corporation.

Expenditures are increasing \$257,571 or 2.85% with the largest single increase in the salary and benefits item. This item contains adequate funding to provide up to a 5% merit increase for those employees performing above expectations during the year as well as covering the increased costs of employee benefits. Pension costs increase due to adjustments from the actuarial analysis, as well as merit increases given to employees in years past. In addition, this item is increased due to the fact that the Corporate Associates program and meeting planner staffing costs are now included in the budget, whereas in years past these were offset by program revenues.

The public affairs and communications item is increasing to reflect an anticipated roll out of a revised web page for the Association. The Operations item, which includes professional contracts, is increasing to reflect ongoing consultation on the November ballot measures, as well as public affairs support.

Several items are decreasing in a year over year comparison. Conference expenditures fluctuate year to year due to changes in venue, facilities costs are

declining due to negotiated reductions in interest costs on mortgages, Corporate Associates is decreased due to some costs being reflected in the conference item.

Finally, the budget relies upon the use of \$521,339 in reserves to balance, an increase of \$31,370 over last year's budget. Last year, though, we had a carryover balance of \$256,204 to partially offset the use of reserves. However, over the past two years, we have experienced revenue growth in the CSAC Finance Corporation above expectations with the excess being contributed to the reserve. This year's budget is balanced with the reserve remaining at \$2.8 million.

Since 2007, when the contributions from the CSAC Finance Corporation exceeded \$4 million, CSAC has weathered a drop in funding by nearly \$1 million, held dues without an increase, expanded programs and services to members, and maintained a \$2.8 million reserve. The budget, as presented will ensure that CSAC will continue to provide sound analysis and vigorously engage when county issues are at hand. These are critical times for California's counties and CSAC has answered the call.

As you review the attached material in preparation for the Board of Directors meeting, I hope that you will feel free to contact me or the CSAC staff if you have any questions or concerns.

Attachments

**California State Association of Counties
Proposed Budget
FY 12-13**

	Actual FY 10-11	Budget FY 11-12	Projected FY 11-12	Budget FY 12-13
Revenues:				
Membership Dues	2,799,506	2,799,506	2,799,506	2,799,506
Finance Corp Participation	3,000,000	3,300,000	3,300,000	3,300,000
Rental and Parking Income	945,988	900,698	882,170	907,118
Administrative Miscellaneous	517,501	474,000	490,341	471,000
CSAC Conferences	471,840	570,000	572,742	355,000
Outside Contracts	128,125	131,250	132,891	134,531
Campaign			307,515	
Corporate Associates	71,360	78,000	14,000	500,000
CSAC Institute	<u>76,209</u>	<u>70,000</u>	<u>70,000</u>	<u>82,500</u>
Total Revenues	8,010,529	8,323,454	8,569,164	8,549,655
Expenditures:				
Salaries/Benefits	4,398,622	4,823,433	4,783,659	5,722,095
Staff Outreach	114,265	130,000	130,000	130,000
Leadership Outreach	96,824	100,000	123,858	100,000
NACo Meetings & Travel	118,142	80,000	80,000	80,000
Public Affairs/Communications	64,898	57,500	49,403	92,349
CSAC Conferences	499,848	836,121	755,103	552,150
Facilities	966,641	1,060,219	917,986	831,060
Operations	815,862	954,363	1,298,338	1,027,860
Outside Contracts	273,585	251,250	242,442	254,531
Health Care Pool		125,000	90,000	
Campaign			307,515	
Corporate Associates	141,474	164,036	200,296	36,800
CSAC Institute	<u>264,165</u>	<u>231,500</u>	<u>214,165</u>	<u>244,150</u>
Total Expenditures	7,754,324	8,813,423	9,192,766	9,070,994

ACCOUNT EXPLANATIONS -
BUDGET YEAR 12-13

12/13 Budget

ACCT#	EXPLANATION
INCOME:	
MEMBERSHIP DUES	ANNUAL DUES FROM COUNTIES. NO INCREASE SCHEDULED THIS YEAR, FOR THE 4th YEAR IN A ROW.
FINANCE CORP PARTICIPATION	CSAC FINANCE CORPORATION CONTRIBUTIONS TO CSAC. CSAC MAY BRING OVER ALL FINANCE CORP FUNDS IN EXCESS OF THE REQUIRED RESERVE OF 50% OF THEIR OPERATING EXPENSE.
RENTAL & PARKING INCOME	RENTAL INCOME FOR 1100 K STREET AND 1029 K STREET. ANTICIPATED 30% VACANCY RATE WHICH APPEARS TO BE IN LINE WITH SACRAMENTO'S CURRENT OFFICE RENTAL MARKET . ALSO INCLUDES 53 PARKING SPACES FOR STAFF AND TO RENT, AND RENTAL FEES FOR CSAC CONFERENCE CENTER.
ADMINISTRATIVE MISCELLANEOUS	1) ADMINISTRATION FEES COLLECTED FROM CSAC AFFILIATES FOR PAYROLL AND BENEFIT SERVICES. 2) 15% OF TOTAL DUES COLLECTED FOR SB90. 3) SALES FOR CSAC ROSTERS & LEGISLATIVE BULLETIN. 4) PRINTING AND COPYING REVENUE GENERATED FROM THE CSAC PRINT SHOP. 5) INTEREST INCOME FROM CHECKING ACCTS AND CAL TRUST ACCOUNTS. REDUCTION IN PROJECTED AND BUDGET YR DUE TO A DECLINE IN INTEREST RATES. 6) CONTRACT FOR COMP SERVICES WITH LA COUNTY. 7) SALE OF DATABASE MAILING LIST, LABELS, SOFT DRINK COMMISSIONS AND FEES FROM JOB ADVERTISING ON CSAC WEBSITE.
CSAC CONFERENCES	EXHIBITOR REGISTRATION AND GENERAL REGISTRATION FEES FOR CSAC ANNUAL CONFERENCE AND LEGISLATIVE CONFERENCE.
OUTSIDE CONTRACTS	CEAC CONTRACT.
CORPORATE ASSOCIATES	CORPORATE ASSOCIATES MEMBERSHIP DUES AND SPONSOR REVENUES FOR CSAC CONFERENCES. **PROGRAM BUDGET HAS BEEN RESTRUCTURED TO REFLECT ACTUAL REVENUE GENERATED BY PROGRAM.
CSAC INSTITUTE	REGISTRATION REVENUE.
EXPENSES:	
SALARIES/BENEFITS	1) SALARIES ASSUMES A MERIT INCREASE IN JANUARY '13. DOES NOT ASSUME ANY COLA'S. 2) RETIREMENT CURRENTLY AVERAGING 30% OF SALARIES. 3) BENEFITS TO INCLUDE HEALTH, DENTAL, VISION, EAP, LIFE AND WORKERS COMP. 4) PAYROLL TAX 5) AUTO ALLOWANCE 6) ANNUAL EMPLOYEE WORKSHOP
STAFF OUTREACH	INCLUDES ALL IN AND OUT-OF-TOWN BUSINESS EXPENSES FOR LEGISLATIVE AND ADMINISTRATIVE STAFF, AWARDS, PLAQUES FOR MEMBERS AND OTHER MISC EXPENSES FOR EMPLOYEES.
LEADERSHIP OUTREACH	ALL BUSINESS EXPENSES FOR CSAC BOARD OF DIRECTORS, EXECUTIVE COMMITTEE AND OFFICERS.

ACCOUNT EXPLANATIONS -
BUDGET YEAR 12-13

ACCT#	EXPLANATION
NACO MEETINGS & TRAVEL	ALL COSTS ASSOCIATED FOR ALL LEGISLATIVE, ADMINISTRATIVE STAFF AND BOARD MEMBERS TO ATTEND NACO SUPPORTED EVENTS.
PUBLIC AFFAIRS/COMMUNICATIONS	1) ALL COSTS ASSOCIATED WITH PRODUCING & DISTRIBUTING THE ROSTER 2) CHALLENGE AWARDS 3) LEGISLATIVE BULLETIN 4) WEB SITE 5) WRITTEN, AUDIO AND VIDEO COMMUNICATIONS
CSAC CONFERENCES	ALL COSTS ASSOCIATED WITH LEGISLATIVE AND ANNUAL CONFERENCE.
FACILITIES	ALL COSTS ASSOCIATED WITH THE MAINTENANCE OF 1100 K STREET AND 1029 K STREET. COSTS INCLUDE REPAIRS, UTILITIES, PHONES, INSURANCE, JANITORIAL, DEBT SERVICE AND PROPERTY TAXES.
OPERATIONS	ALL COSTS ASSOCIATED WITH OPERATIONS SUCH AS 1) CELL PHONES 2) MEMBERSHIP FEES 3) OFFICE SUPPLIES 4) POSTAGE/DELIVERY 5) R&M AND PURCHASES OF COMPUTERS AND EQUIPMENT 6) CPA'S AND LEGAL CONSULTING 7) PROFESSIONAL SERVICES SUCH AS WATERMAN CONTRACT 8) COPIERS AND BUSINESS EQUIPMENT 9) CSAC'S RENT
OUTSIDE CONTRACTS	CEAC EXPENDITURES AND CONTRIBUTIONS TO CCSP AND ILG.
CORPORATE ASSOCIATES	ALL COSTS ASSOCIATED WITH MANAGING CORPORATE ASSOCIATES PROGRAM.
CSAC INSTITUTE	ALL COSTS ASSOCIATED WITH MANAGING AND IMPLEMENTING THE CSAC INSTITUTE.
OTHER:	
RESERVES	PRUDENT RESERVES HAVE BEEN ESTABLISHED IN THE AMOUNT OF \$2.8 MILLION.
SALARY/BENEFITS	IT IS THE INTENT FOR CSAC TO DEVELOP A MIGRATION PLAN TO IMPLEMENT WHERE EMPLOYEES WOULD ULTIMATELY PAY 100% OF THEIR PORTION OF THEIR RETIREMENT CONTRIBUTIONS.



County Counsels' Association of California

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EXECUTIVE DIRECTOR

Jennifer B. Henning

MEMORANDUM

To: Supervisor Mike McGowan, President, and
Members of the CSAC Board of Directors

From: Jennifer Henning, Litigation Coordinator

Date: May 31, 2012

Re: 2012 – 2013 Litigation Coordination Budget

Recommended Action:

Adopt the proposed 2012-2013 Litigation Coordination Program budget.¹

Reason for Recommendation:

There is no fee increase in the proposed budget, which projects absorbing any cost increases through a reduction in rent that was negotiated for the County Counsels' Association office space for the upcoming fiscal year. The Litigation Coordinator's salary is also held flat for the upcoming fiscal year. The proposed budget will permit the Litigation Coordination Program to continue its amicus and coordinated litigation work on behalf of counties at minimal cost to counties.

Background:

The Litigation Coordination Program is an important service provided by CSAC to its members. The Program allows counties to save litigation costs by coordinating in multi-county cases, and by sharing information and resources. The Program also files *amicus curiae*, or "friend of the court," briefs on CSAC's behalf in State and federal appellate cases in order to advance the interests of all counties in the courts.

The Litigation Coordination Program is funded through a fee administered and collected directly by CSAC.² The fees are held in a separate fund and used to pay

¹ The proposed budget was approved by the County Counsels' Association's Board of Directors approved the budget on April 18, 2012, and the CSAC Executive Committee on April 19, 2012.

Supervisor Mike McGowan, President, and
Members of the CSAC Board of Directors
May 31, 2012
Page 2 of 2

for costs of the program, including 80% of Litigation Coordinator's salary, a portion of the County Counsels' Association's office space, and other expenses.

The Program is able to operate in the 2012-2013 fiscal year without a fee increase based primarily on an office space rent reduction negotiated for the upcoming year, and a decision to hold the Litigation Coordinator's salary flat for the second straight year.

Conclusion

The proposed 2012-2013 Litigation budget is a responsible budget intended to ensure the program services continue with as little impact on county revenues as possible. I appreciate the opportunity to serve your counties by managing this important program, and thank you in advance for your continued support.

Attachments:

Proposed 2012-2013 Budget
Budget Comparison for Years 2011 to 2012
Current Dues Schedule

² The County Counsels' Association agreement with CSAC provides: "The CSAC Board of Directors shall annually adopt a program budget and assess fees from its member counties consistent with the budget. Invoices shall be sent to the counties each year in time to allow inclusion of the fee in the counties' budget process."

CSAC/County Counsels' Association
LITIGATION COORDINATION PROGRAM
FISCAL YEAR 2012-2013 BUDGET

Approved by Litigation Overview Committee on April 18, 2012
Approved by County Counsels' Association Board of Directors on April 18, 2012
Approved by CSAC Executive Committee on April 19, 2012
Adopted by CSAC Board of Directors on _____, 2012

INCOME:

Membership Dues	299,362.00
TOTAL INCOME.....	299,362.00

EXPENSES:

Salaries.....	\$158,005.00
Retirement.....	54,851.00
Employee Group Insurance.....	40,342.00
Payroll Tax.....	2,289.00
CSAC Administrative Fees.....	6,386.00
Staff Expense and Travel.....	1,000.00
Communications.....	1,200.00
On-Line Expense	2,200.00
Membership Fees.....	425.00
Office Supplies	400.00
Postage/Delivery	500.00
Printing - Commercial	2,000.00
Printing - In House.....	650.00
Leases - Property.....	24,500.00
TOTAL EXPENSES.....	294,748.00
Projected Revenue Over Expenses	4,614.00

LITIGATION COORDINATION PROGRAM
FISCAL YEAR 2012-2013 BUDGET

LITIGATION COORDINATION PROGRAM
Budget Comparison (2010/11-2012/13)
 Prepared for Fiscal Year 2012-2013 Budget

	2010-11 Actual	2011-12 Budget	2011-12 Projected+	2012-13 Budget
INCOME:				
Membership Dues	\$285,098.00	\$299,362.00	\$299,362.00	\$299,362.00
Misc. Income	0.00	0.00	0.00	0.00
TOTAL INCOME:	285,098.00	299,362.00	299,362.00	299,362.00
EXPENSES:				
Salaries	157,242.40	157,268.00	157,692.55	158,005.00
Retirement	57,210.74	56,606.00	54,308.00	54,851.00
Employee Group Insurance	34,181.30	35,907.00	38,348.00	40,342.00
Staff Travel/ Training	344.89	1,000.00	677.57	1,000.00
Law Clerk	0.00	2,000.00	0.00	0.00
Communications	1,768.21	1,100.00	1,167.95	1,200.00
On-Line Expenses	2,193.84	3,044.00	2,112.00	2,200.00
Publications	1,403.47	0.00	1,337.74	0.00
Membership Fees	410.00	410.00	410.00	425.00
Office Supplies	190.00	450.00	288.00	400.00
Postage/Delivery	279.21	600.00	205.87	500.00
Printing- Commercial	3,727.00	1,000.00	1,534.12	2,000.00
Printing – In-House	407.67	800.00	439.58	650.00
Leases – Property	26,024.37	27,178.00	27,065.96	24,500.00
Payroll Tax	2,257.76	2,221.00	2,224.00	2,289.00
Admin Fees	6,272.30	6,611.00	6,296.00	6,386.00
TOTAL EXPENSES	294,420.60	296,195.00	294,107.14	294,748.00
Excess of Revenues Over/(Under) Expenditures	(9,322.60)	3,167.00	5,254.86	4,614.00

+ Based on Financial Statements through February 29, 2012

LITIGATION COORDINATION FEES

(Grouped by 2007 Department of Finance population figures.)

Approved by the Board of Directors of the County Counsels' Association on January 20, 2011.

Approved by the CSAC Executive Committee on May 5, 2011.

Approved by the CSAC Board of Directors on June 2, 2011.

(9 counties 1,000,000 or over)

Los Angeles	\$15,456
San Diego	
Orange	
Santa Clara	
San Bernardino	
Riverside	
Alameda	
Sacramento	
Contra Costa	

(7 counties 500,000 to 999,999)

Fresno	\$10,303
San Francisco	
Ventura	
San Mateo	
Kern	
San Joaquin	
Stanislaus	

(11 counties 200,000 to 499,99)

Sonoma	\$5,152
Santa Barbara	
Monterey	
Solano	
Tulare	
Santa Cruz	
Marin	
San Luis Obispo	
Placer	
Merced	
Butte	

(8 counties 100,000 to 199,999)

Shasta	\$2,062
Yolo	
El Dorado	
Imperial	
Humboldt	
Napa	
Kings	
Madera	

(8 counties 50,000 to 99,999)

Nevada	\$1,030
Mendocino	
Sutter	
Yuba	
Tehama	
Lake	
Tuolumne	
San Benito	

(12 counties 10,000 to 49,999)

Siskiyou	\$517
Calaveras	
Lassen	
Amador	
Del Norte	
Glenn	
Plumas	
Colusa	
Inyo	
Mariposa	
Trinity	
Mono	

(3 counties under 10,000)

Sierra	\$175
Alpine	
Modoc	



CSAC Legislative Conference

Administration of Justice Policy Committee

Thursday, May 31, 2012 ■ 8:30 – 10:00 a.m.

**Regency Ballroom A-B ■ Hyatt Regency Sacramento
1209 L Street ■ Sacramento, CA ■ 95814**

Supervisor Federal Glover, Contra Costa County, Chair Supervisor Merita Callaway, Calaveras County, Vice-Chair

- 8:30 **I. Welcome and Introductions**
Supervisor Federal Glover, Contra Costa County
- 8:35 **II. Consideration of Support for Governor's Revised Ballot Initiative – ACTION ITEM**
Elizabeth Howard Espinosa, CSAC Senior Legislative Representative
- 8:45 **III. Potential Resources to Manage Realignment Risks and Responsibilities**
- Catastrophic Medical Insurance for Jail Inmates
Jessica Blushi, ARM-P, AIS, Underwriting Manager, CSAC Excess Insurance Authority; Kevin Bibler, ARM, Senior Vice President, Alliant Insurance Services
 - Public Community Correctional Facilities
Steve Miklos, Vice-Mayor of the City of Folsom and President, Association of California Cities Allied with Public Safety; John Mineau, Undersheriff, Lassen County Sheriff's Department
 - Alcohol and Drug Treatment Programs
Elizabeth Siggins, Director (A), Division of Rehabilitative Programs, California Department of Corrections and Rehabilitation
- 9:30 **IV. 2011 Criminal Justice Realignment Update**
Elizabeth Howard Espinosa and Rosemary L. McCool, CSAC Administration of Justice Staff
- Year 2 AB 109 Realignment Allocation Formula
 - Court Security, Local Law Enforcement Subventions, and other Trailer Bill Updates
 - Rural County Issues Update
 - Future Realignment Training Efforts
- 9:40 **V. Realignment Roundtable Discussion**
All Committee Members
- 9:50 **VI. 2012 Budget and Legislative Update**
Elizabeth Howard Espinosa and Rosemary L. McCool, CSAC Administration of Justice Staff
- Governor's 2012-13 May Revision
- 10:00 **VII. Closing Remarks and Adjournment**
Supervisor Federal Glover, Contra Costa County



Agriculture and Natural Resources Policy Committee

**Thursday, May 31, 2012 · 10:30 a.m. – 12:00 p.m.
Hyatt Regency – 1209 L Street, Sacramento, CA 95814
Regency Ballroom A-B**

AGENDA

Supervisor, Richard Forster, Amador County, Chair
Supervisor Kim Vann, Colusa County, Vice- Chair

- 10:30- 10:40 a.m. **I. Welcome and Introductions**
*Supervisor Richard Forster, Amador County
Supervisor Kim Vann, Colusa County*
- 10:40- 11:00 **II. Legislative & Budget Update**
*Karen Keene, CSAC Senior Legislative Representative
Cara Martinson, CSAC Senior Legislative Analyst*
- 11:00- 11:30 **III. ACTION ITEM: Proposed Voluntary Memorandum
of Agreement (MOA)**
*Karen Keene, CSAC Senior Legislative Representative
Supervisor Richard Forster, Amador County
Supervisor Kim Vann, Colusa County*
- 11:30- 11:50 **IV. ACTION ITEM: CSAC to Join Agricultural Flood
Management Alliance (AFMA)**
Supervisor Kim Vann, Colusa County
- 11:50-12:00 p.m. **V. Other Items & Adjournment**



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May 11, 2012

To: CSAC Agriculture & Natural Resources Policy Committee
CSAC Board of Directors

From: Supervisor, Richard Forster, Amador County, Chair
Supervisor Kim Vann, Colusa County, Vice- Chair

Re: **ACTION ITEM: Memorandum of Agreement with the U.S. Forest Service and Bureau of Land Management**

Recommendation. A subcommittee of the Agriculture and Natural Resources (ANR) Policy Committee recommends that the full ANR Policy Committee and the CSAC Board of Directors approve the attached Memorandum of Agreement (MOA).

Background. In March 2010, Supervisors and staff met with representatives from the U.S. Department of Agriculture (USDA) to discuss the strained relations some California counties had been experiencing with local representatives of U.S. Forest Service (USFS) Region 5. At that meeting, staff was strongly encouraged to work with Region 5 staff to jointly develop a strategy to help counties alleviate some of the difficulties with their local forests before pursuing other means to force better relationships. Specifically, the concept of working out and signing a Memorandum of Understanding or Memorandum of Agreement between relevant federal land management agencies and the counties was recommended.

As a step towards solving some of those difficulties, RCRC and CSAC staff members have been negotiating with USFS and BLM to create a statewide, **voluntary** MOA outlining a structure under which counties and federal public land management agencies consent to communicate and work with one another. RCRC and CSAC began discussions with USFS and BLM in mid-2010 and have continued these discussions over the past several years. A subcommittee of the CSAC ANR Policy Committee met in August of 2011 to discuss the MOA. The subcommittee recommended that the full ANR Committee and the CSAC Board of Directors approve the attached document. In addition, the RCRC Board of Directors has approved the MOA. The attached document incorporates changes and suggestions received over several months from multiple counties and county counsels. The proposed MOA is a voluntary process.

Action Requested. ANR subcommittee recommends the CSAC ANR Policy Committee and the CSAC Board of Directors approve the attached Memorandum of Agreement (MOA).

Staff Contact. Please contact Karen Keene (kkeene@counties.org or (916)327-7500 x511) or Cara Martinson (cmartinson@counties.org or (916) 327-7500 x504) for additional information.

MEMORANDUM OF AGREEMENT (MOA)
AMONG
CALIFORNIA, USDI BUREAU OF LAND MANAGEMENT,
USDA FOREST SERVICE
AND THE
CALIFORNIA STATE ASSOCIATION OF COUNTIES and
REGIONAL COUNCIL OF RURAL COUNTIES,
REPRESENTING CALIFORNIA COUNTY GOVERNING BODIES

Definitions. As used in this MOA, the following terms shall be defined as stated below:

“CSAC” means California State Association of Counties.

“RCRC” means Regional Council of Rural Counties.

“County” means a county in California that has a national forest or public land administered by the USDA Forest Service or the Bureau of Land Management within its boundary, and that elects to participate in this MOA.

“USFS” means Region Five, USDA Forest Service, and that part of Region Four including its National Forests in California.

“BLM” means California, USDI Bureau of Land Management, including its Districts and Field Offices in California.

Preface:

1. The USFS and BLM, under the laws of Congress, executive orders, and federal regulations are responsible for the management of the federal public lands, national forests and their resources. The USFS and BLM have a responsibility to sustain the health, diversity, and productivity of these federal public lands and national forests for the use and enjoyment of present and future generations.

2. CSAC and RCRC represent all of California’s 58 counties, which encompass large amounts of federally held land. CSAC and RCRC work with federal and state governments and other stakeholders to improve the ability of county governments to serve California’s citizens efficiently and effectively.

Statement of Purpose:

The USFS, BLM, and counties share a long partnership in the management of federal public lands and national forests in California. The purpose of this MOA is to help improve interagency relationships by facilitating early and frequent communication between the defined federal agencies and counties to foster a more

productive partnership that results in positive land management decisions for all parties.

Specifically, this MOA is intended to establish enhanced mutual communication between the USFS, BLM, and county governing bodies to assure consistency in process and outcomes among all parties. This regular, consistent communication is intended to build positive working relationships; maximize trust; minimize misunderstanding and potential conflicts; and produce actions that result in better conclusions for California, thereby enhancing community support for those actions.

It is agreed that with the implementation of this MOA;

- a. The governing body of each county that chooses to participate in this MOA shall designate a county contact for the USFS and BLM. This contact can be a "position" such as "County Planner," rather than a specific individual. This agreement is only in effect for counties that choose to participate by officially designating a county contact.
- b. The USFS Regional Forester shall designate a USFS contact for each participating county. This contact can be a "position" rather than a specific individual.
- c. The BLM State Director shall designate a BLM contact for each participating county. This contact can be a "position" rather than a specific individual.
- d. After these designations have been finalized, within each county the designees from each entity shall convene a meeting at the request of either entity to discuss the MOA, and the process by which it will be implemented in that county.
- e. This MOA is a beginning point and individual counties and federal agencies may agree to additional processes and norms that will enhance their communications and understanding of each other's work and be effective in their particular area.
- f. The USFS Regional Forester or BLM State Director and county governing bodies shall convene to discuss and resolve issues related to overall land management in California as needed.

I. THE USFS and BLM SHALL:

- A. Include the County in any planning processes to assure that the County's plans and policies are considered throughout the process
- B. Request the participation of the County in any planning process before public scoping. The federal managers will mail an updated list of potential projects to the County designated contact. County participation at this stage provides the opportunity for county concerns and ideas to be accommodated in the development of the project description prior to public scoping. Such notification shall be to the

designated key county contact, who will advise the key federal contact regarding desired County participation in such planning activities.

C. Understand that county plans and other adopted policies reflect the objectives of the Board of Supervisors on behalf of the residents of the County.

D. Meet with the County Board of Supervisors on an agreed upon time frame to update and confer with the County on upcoming programs, projects and other matters of interest.

E. Meet with the County at their request.

F. The federal agencies will evaluate written comments from the County regarding how project proposals affect county plans and other adopted policies, and where consistent with federal laws, regulations, policies and agencies objectives, make every effort to make their decisions consistent with the identified county plans and other adopted policies. If the federal manager's decision is not consistent with identified county plans and other adopted policies, then the manager will notify the county and document in writing how they considered county plans and other adopted policies and input, and why they could not achieve consistency.

II. THE COUNTY SHALL:

A. Participate in requests for involvement at the earliest possible time, preferably before public scoping and identify concerns, needs and relevant county plans and other adopted policies in writing.

B. Within the County's constraints, make available staff support at the federal managers' request to enhance the agencies' interdisciplinary capability as a partner.

C. Provide written interpretations of germane sections of county plans and other adopted policies when the County thinks a proposed project is inconsistent.

D. The County will endeavor to provide written feedback with sufficient specificity that the federal managers are able to respond with particularity. Additionally, the County will attempt to provide alternative approaches to proposed projects.

E. Meet with the federal agencies at their request.

F. Request the participation of the federal managers in any county planning process relevant to the federal agencies, and consider written information received from the BLM or USFS during County land-use and project planning decisions.

G. Make every effort, consistent with state and county plans, policies, laws, regulations, agency goals, to harmonize county land-use planning decisions with current USFS and BLM plans and regulations regarding lands managed by USFS and BLM within the county boundaries.

Limitations:

The USFS, BLM, and county governing bodies recognize that this MOA is not intended to replace presently existing lines of communications or alter existing required communications, such as communications made pursuant to state or federal statutes or regulations, Resource Advisory Committees, federal or county

workgroups, and informal or formal policy meetings between the USFS or BLM, and CSAC, RCRC, or an individual county.

Nothing in this MOA shall require the USFS, BLM, CSAC, RCRC or an individual county to violate or ignore any laws, rules, directives, or other legal requirements imposed by state or federal law.

This MOA is adopted to enhance communication and working relationships between the USFS, BLM, and counties. It does not create any other right, benefit, or responsibility, enforceable by any party against the USFS, BLM, CSAC, RCRC or county governing bodies, their agencies, officers, employees or any other person.

This MOA becomes effective <Date TBD> upon signature of all parties.

This MOA is expected to continue for five years, after which it will automatically renew for additional five year terms, unless canceled according to the termination clause.

This agreement is neither a fiscal nor a funds obligation document. Any endeavor to transfer anything of value involving reimbursement or contribution of funds between the parties to this agreement will be handled in accordance with applicable laws, regulations, and procedures including those for Government procurement and printing. Such endeavors will be outlined in separate documents that shall be made in writing by representatives of the parties and shall be independently authorized by appropriate statutory authority. This agreement does not provide such authority. Specifically, this agreement does not establish authority for noncompetitive award to the cooperator of any contract or other agreement.

FREEDOM OF INFORMATION ACT (FOIA). Any information furnished to the agencies under this instrument is subject to the Freedom of Information Act (5 U.S.C. 552).

MODIFICATION. Modifications within the scope of the instrument shall be made by mutual consent of the parties, by the issuance of a written modification, signed and dated by all parties, prior to any changes being performed.

PARTICIPATION IN SIMILAR ACTIVITIES. This instrument in no way restricts the agencies or the counties from participating in similar activities with other public or private agencies, organizations, and individuals.

TERMINATION. Any of the parties, in writing, may terminate the instrument in whole, or in part, at any time.

ESTABLISHMENT OF RESPONSIBILITY. This MOA is not intended to, and does not create, any right, benefit, or trust responsibility, substantive or procedural,

enforceable at law or equity, by a party against the United States, its agencies, its officers, or any person.

AUTHORIZED REPRESENTATIVES: By signature below, the signatory certifies that the individuals listed in this document as representatives of the signatory are authorized to act in their respective areas for matters related to the development of this agreement.

Signatories for this MOA are:

USDA-Forest Service, Pacific Southwest Region-Randy Moore

California Bureau of Land Management-Jim Abbott

CSAC-Paul McIntosh

RCRC-Greg Norton

DRAFT



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May 11, 2012

To: CSAC Agriculture & Natural Resources Committee
CSAC Board of Directors
From: Karen Keene, CSAC Senior Legislative Representative
Cara Martinson, CSAC Senior Legislative Analyst

RE: ACTION ITEM: The Agricultural Flood Management Alliance (AFMA)

Recommendation: Staff recommends that the CSAC become a member of the Agricultural Flood Management Alliance (AFMA). This would include an endorsement of the AFMA's Principles (see attachment). Staff's recommendation is predicated on the caveat that any particular legislative proposal sponsored or supported by AFMA must be brought back to the CSAC Agriculture & Natural Resources (ANR) Committee and CSAC Board of Directors for consideration.

Background: Over the last three months, a group of local agencies and landowners organized themselves to pursue the creation of a new agricultural flood hazard area under the National Flood Insurance Program (NFIP). This new zone would apply to established agricultural areas that would otherwise be mapped into the 100-year floodplain and would help ensure that agriculture and the communities it supports continue to thrive. On February 17, 2012, the Agricultural Flood Management Alliance (AFMA) was formed as a coalition of local agencies, organizations, and individuals interested in protecting the long-term viability of agricultural communities, industries, and operations located in the regulatory floodplain. These communities have a significant historic cultural presence and play an integral role in the viability of agriculture locally, regionally, and nationally.

The Alliance strongly supports the mission of FEMA and the NFIP to identify and mitigate flood risk and protect life and property in all floodplain communities. However, the Alliance is concerned that the current approach under the NFIP places a disproportionately impactful economic burden on agricultural communities in the mapping of Special Flood Hazard Areas (SFHA) which imposes highly restrictive flood protection regulations and establishes burdensome flood insurance rates.

Policy Considerations: By joining the Alliance, CSAC would endorse the AFMA Principles, located in the following attachment. However, any legislative proposal sponsored or supported by the Alliance would have to be brought back to the CSAC ANR Policy Committee and CSAC Board of Directors for consideration.

CSAC has extensive policy direction in place that recognizes the importance of agriculture and its contribution to the state's economy. The CSAC California County Platform specifically states that, "If California is to continue as the leading

agricultural state in the nation, the remaining viable agricultural lands must be protected.” Participation in AFMA would provide CSAC with the opportunity to contribute to solution-oriented discussions, concerning the impacts of NFIP mapping requirements on agriculture, from a statewide perspective.

As of April 2012, the following entities have formally joined the Alliance and endorse the Guiding Principles:

- Butte County
- Central Valley Flood Control Association
- California Farm Bureau
- Colusa County
- Knights Landing Ridge Drainage District
- Levee District #1
- Local landowners in California
- Reclamation District 108
- Reclamation District 1500
- Regional Council of Rural Counties
- Sacramento County
- Sacramento River West Side Levee District
- Sacramento Valley Landowners Association
- San Joaquin County
- Sutter Butte Flood Control Agency
- Sutter County
- Yolo County
- Yolo County Farm Bureau
- Yuba County
- Yuba Sutter Farm Bureau

Action: Staff recommends that the CSAC become a member of the Agricultural Flood Management Alliance (AFMA), and support the AFMA’s Principles.

Staff Contact. Please contact Karen Keene (kkeene@counties.org or (916)327-7500 x511) or Cara Martinson (cmartinson@counties.org or (916) 327-7500 x504) for additional information.

AGRICULTURAL FLOODPLAIN MANAGEMENT ALLIANCE (AFMA)

Communities Working toward Necessary Changes to the National Flood Insurance Program in Light of its Impact on Agriculture

Agricultural economies have a dramatic impact on the economy of the United States, and the local and state economies in the areas of the country with the most agriculture production rely on the viability and success of this robust industry. In these states, a significant portion of agricultural lands are being mapped within the Federal Emergency Management Agency's (FEMA) regulated floodplain. In order for these states to continue to sustain a strong agricultural economy, changes are needed to the National Flood Insurance Program (NFIP) that will promote the sustainability of agriculture in the floodplain. The proposed changes will promote prudent floodplain management principles and minimize the risk of increased urbanization of the floodplain.

Throughout the history of the United States, people have settled near waterways for reasons that include transportation, irrigation and water, aesthetics, and the fertile soils that benefitted from active floodplains. As the nation's population grew, so did the damage associated with flooding from these waterways. Landowners and river communities attempted to protect themselves from flooding by constructing levees around their property. During the 1960s, people began to question the effectiveness of structural facilities to reduce flood losses. Studies indicated that, although flood control structures continued to be built and reinforced, flood losses continued to increase. In response, the NFIP was established by Congress in 1968. The program works by allowing communities to receive federally-backed flood insurance, in return for the community regulating development within the established floodplain.

Through the NFIP, FEMA regulates development in areas subject to flooding from a base flood, or a flood that has a 1-percent chance of occurring in any given year. Through the 1970s and 1980s, FEMA comprehensively mapped all communities in the United States within the base floodplain and delineated them on Flood Insurance Rate Maps (FIRMs). The original FIRMs showed areas protected by levees in a Zone X, not a Special Flood Hazard Area (SFHA) bound by the requirements of the NFIP floodplain development regulations. These levees often had no engineering documentation supporting the level of protection provided by that levee. After years of repeat stress from flooding, changing hydrology and hydraulics within the levee systems, and changed engineering standards, many levees had become deficient in their ability to protect from the base flood. In 2001, the Map Modernization Program was initiated by FEMA to update FIRMs that had become outdated and digitize those maps to reduce paper and make them more easily accessible by the public.

As a result of FEMA's Map Modernization Program and the limited financial ability of most rural communities to improve their levee systems to meet FEMA's 100-year certification criteria, these rural agricultural communities have been, or will be, remapped into an SFHA. The restrictions on development in an SFHA, while effectively curbing development in the floodplain, do not provide the flexibility needed to sustain agriculture. The strict regulations have made reinvestment in agricultural operation facilities, commercial facilities in support of agriculture, equipment repair facilities, livestock and crop processing facilities, housing for agricultural operators, or temporary farm worker housing financially infeasible and/or unattainable in these areas. Agriculture represents a necessary and vital component of our nation's economy. In addition, maintaining rural open space and agriculture is an integral component of prudent floodplain management. However, as currently implemented, the result of NFIP policies will be to displace vibrant agricultural communities with rural "ghost towns," which will have long term implications to the decline of agriculture in the floodplain.



GUIDING PRINCIPLES OF THE ALLIANCE

Over the last three months, a group of local agencies and landowners organized themselves to pursue the creation of a new agricultural flood hazard area under the NFIP. This new zone would apply to established agricultural areas that would otherwise be mapped into the 100-year floodplain and would help ensure that agriculture and the communities it supports continue to thrive.

On February 17th, 2012, the Agricultural Flood Management Alliance (AFMA) was formed as a coalition of local agencies, organizations, and individuals interested in protecting the long-term viability of agricultural communities, industries, and operations located in the regulatory floodplain. These communities have a significant historic cultural presence and play an integral role in the viability of agriculture locally, regionally, and nationally.

The Alliance strongly supports the mission of FEMA and the NFIP to identify and mitigate flood risk and protect life and property in all floodplain communities. However, the Alliance is concerned that the current approach under the NFIP places a disproportionately impactful economic burden on agricultural communities in the mapping of SFHAs which imposes highly-restrictive flood protection regulations and establishes burdensome flood insurance rates. In particular, changes must be made to the building limitations on structures needed to support agricultural production, storage, and processing. Further, flood insurance must be offered at a rate which is variable depending upon the risk, but which makes flood insurance a meaningful and affordable option for the property owner.

The Alliance is also concerned about the small dependant towns located adjacent to these agricultural communities. The fate of these small communities has a direct bearing on the sustainability of agriculture in the regulatory floodplain as these are the communities where people gather to worship, shop, socialize, educate their children, and conduct business. The NFIP does not currently take into consideration the unique interdependency and tenuous economic balance that exists between the agriculture industry and adjacent small communities as compared to urbanized economies. Without recognizing the unique characteristics of agricultural and small communities in the NFIP structure, and by instead applying an urban-focused flood insurance standard, the existing agriculture enterprises and their dependent small communities will continue to degrade and ultimately fade away.

The Alliance adopted the following guiding principles to describe its members' common concerns and interests. The Alliance believes that the framework of flood risk management as applied in agricultural areas and agricultural communities must:

1. Support and protect the economic viability and vitality of agriculture industries and dependant small communities.
2. Recognize the benefits locally and nationally of the agricultural uses of the floodplain as a practical means to limit long-term flood risk while supporting a critical element of our economy and the security of our food supply.
3. Include provisions for agricultural and small dependant communities that allow for practical and feasible replacement of and reinvestment in industrial and commercial structures, to ensure long term socio-economic sustainability.
4. Establish flood insurance rates for agricultural and small dependant communities that are economically manageable by property owners while contributing to the overall fiscal viability of the NFIP.
5. Provide a role for representatives of the agricultural and small dependant communities to participate in the process of developing recommended modifications to the NFIP that are specific to address these and related issues.



PROPOSAL FOR AN AGRICULTURAL FLOOD HAZARD AREA

Legislative changes are required to allow the NFIP and its implementation to not devastate agricultural communities. Those changes are required to address the inability of these communities, after being mapped into the floodplain, to reinvest in the economic activities that make them strong, and to allow affordable and available flood insurance to help these communities after the rare flood event.

- Congress should establish a FEMA flood zone for agriculturally-based communities to allow replacement or reinvestment development in historically agricultural floodplains. This program would not require expensive elevation of structures or dry flood proofing, but would have requirements for wet flood proofing certain structures.
- Congress should instruct FEMA for these special agricultural zones to adjust the NFIP rate to be more actuarially structured to evaluate the actual flood risk based on levees providing historical protection, as opposed to assuming that no protection actually exists. This would lower the base rates for people in lower risk areas while not affecting rates for frequent claims and higher risk areas.

The Alliance is developing a proposal for Congress and the Administration that addresses its concerns. A few of the issues and ideas that have been discussed in this regard include:

- Agricultural Properties in areas protected by levees that are not accredited by FEMA, but where the levees do provide protection with at least 1' of freeboard above the FEMA 1/100 year water surface elevation, may construct agricultural and non-residential structures directly related to the support of agricultural production, storage, and processing, without needing to meet any wet or dry flood-proofing requirements. For existing residential structures in these areas, substantial improvements must be constructed to NFIP standard; however, the substantial damage test (due to causes other than flood) shall be increased from the traditional 50% to 100% damage.
- Legacy Communities in areas protected by levees that are not accredited by FEMA, but where the levees do provide protection with at least 1' of freeboard above the FEMA 1/100 year water surface elevation, with population less than 2000 (where defined by the NFIP community), may allow repair, rehabilitation, or replacement of existing residential and non-residential structures. This repair, rehabilitation, and replacement exception should not be applicable to repetitive loss structures.
- FEMA and the Department of Agriculture (USDA) should be directed to convene a task force which should produce a report on the challenges of legacy communities surviving in an NFIP floodplain. The report should include recommended changes to the NFIP to strengthen the economic viability and vitality of these communities, including such considerations as allowing infill development and building expansion. The task force should be co-chaired by the Administrator of FEMA and by the Agriculture Secretary, or their designees, and include representatives from the following: one from a national farm organization; one from a national banking organization; one from a national floodplain management organization; one from a national organization of flood and stormwater management agencies; one from a national agricultural commodities organization; two from states affected by these issues; one each from flood control associations in California's Central Valley, the Mississippi Valley, and the Missouri Valley; two from legacy communities; and three at large members with an interest in the topic.
- In light of the national interest in preserving agricultural lands and the legacy communities which support agriculture, flood insurance should be made available for all structures in the first two bullets above at a rate equal to the Zone X rate which would otherwise apply to the structures.



ALLIANCE MEMBERSHIP AND ORGANIZATION

The Alliance is in the initial stages of organization and invites participation from any interested agency, group, or individual. While initially started in California, the Alliance is particularly interested in working with local communities from other states to learn how NFIP practices may impact their agricultural industries.

As of April 2012, the following entities have formally joined the Alliance and endorse the Guiding Principles:

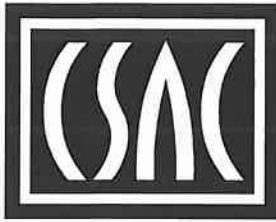
- Butte County, California
- California Central Valley Flood Control Association
- California Farm Bureau
- Colusa County, California
- Knights Landing Ridge Drainage District
- Levee District #1
- Local landowners in California
- Reclamation District 108, California
- Reclamation District 1500, California
- Regional Council of Rural Counties (RCRC), California
- Sacramento County, California
- Sacramento River West Side Levee District
- Sacramento Valley Landowners Association
- San Joaquin County, California
- Sutter Butte Flood Control Agency, California
- Sutter County, California
- Yolo County, California
- Yolo County Farm Bureau, California
- Yuba County, California
- Yuba Sutter Farm Bureau, California

On April 16, 2012, the first Executive Committee of AFMA was elected by the member agencies. Members of the Executive Committee include:

- Tara Broker, Landowner
- Supervisor James Gallagher of Sutter County, California
- Lewis Bair of Reclamation District 108, California
- Elisa Noble of the California Farm Bureau
- Supervisor Don Nottoli of Sacramento County, California
- Melinda Terry of the California Central Valley Flood Control Association
- Supervisor Denise Carter of Colusa County, California

For more information about AFMA, please contact Kristi More of The Ferguson Group at (916) 985-3740 or kmore@tfgnet.com or Scott Shapiro of Downey Brand at (916) 444-1000 or sshapiro@downeybrand.com.





Government Finance and Operations Policy Committee
CSAC Legislative Conference
Thursday, May 31, 2012 — 9:30 a.m. - 11:00 a.m.
CSAC Conference Center, 1020 11th Street, 2nd Floor
Sacramento County, California

Supervisor Bruce Gibson, San Luis Obispo County, Chair
Supervisor John Moorlach, Orange County, Vice Chair

- 9:30 a.m. **I. Welcome and Introductions**
Supervisor Bruce Gibson, San Luis Obispo County, Chair
Supervisor John Moorlach, Orange County, Vice Chair
- 9:35 **II. Governor's Initiative — ACTION ITEM**
Geoffrey Neill, CSAC Senior Legislative Analyst
- 10:00 **III. AB 1831: Pro and Con — ACTION ITEM**
Eraina Ortega, CSAC Legislative Representative
- 10:10 **IV. LAO on Budget**
Marianne O'Malley, Director, General Government, Legislative Analyst's Office
- 10:25 **V. S. 637 / H.R. 3125 — Earthquake Insurance Affordability Act**
Glenn Pomeroy, CEO, California Earthquake Authority
- 10:35 **VI. Pension Reform Update**
Eraina Ortega, CSAC Legislative Representative
Faith Conley, CSAC Senior Legislative Analyst
- 10:45 **VII. Redevelopment Legislation Update**
Geoffrey Neill, CSAC Senior Legislative Analyst
- 10:55 **VIII. Unlicensed Contractors**
Eraina Ortega, CSAC Legislative Representative
- 11:00 **IX. Closing Comments and Adjournment**
Supervisor Bruce Gibson, San Luis Obispo County, Chair
Supervisor John Moorlach, Orange County, Vice Chair

May 8, 2012

To: Supervisor Bruce Gibson, San Luis Obispo County, Chair
Supervisor John Moorlach, Orange County, Vice-Chair
Members, Government Finance and Operations Policy Committee

From: Eraina Ortega, Legislative Representative
Faith Conley, Senior Legislative Analyst

Re: AB 1831 (Dickinson): Local government: hiring practices

Recommendation: Neutral.

Background. AB 1831 would prohibit a city or county from inquiring about criminal history on an initial employment application. AB 1831 is sponsored by the National Employment Law Project and is part of a movement called “Ban the Box” in reference to the check-box that indicates whether an applicant has a history of criminal conviction. According to a Fact Sheet distributed by Assembly Member Dickinson, one in four adult Californians has an arrest or conviction record on file with the state, creating major, unnecessary employment barriers. Further the Fact Sheet states:

Realignment of California’s criminal justice system seeks to produce budgetary savings by reducing recidivism and promoting rehabilitation. Employment of eligible people with a conviction history is key to the success of realignment at the local level, as studies have shown that stable employment significantly lowers recidivism and promotes public safety.

Policy Considerations.

Local control is the chief principle underlying the California County Platform. The committee should consider whether some diminution of local control is acceptable in order to achieve a broader policy goal of potentially increasing the number of individuals who have a criminal conviction record to be considered for county employment. CSAC staff submitted a letter of concern regarding AB 1831 because it removes discretion to design a policy that works locally. However, since CSAC is aware of four California counties (Alameda, Los Angeles, Santa Clara, and the City and County of San Francisco) and several more cities that either do not make an inquiry into criminal history on the initial employment application or are modifying their application process to remove such an inquiry, staff recommends consideration of a neutral policy on the bill.

The California State Sheriffs’ Association and the Chief Probation Officers of California asked for and received exemption from the policy for law enforcement positions; however their opposition has not been formally removed. Additionally, the California District Attorneys Association is opposed to the bill because they do not believe the law enforcement exemptions go far enough. Finally, the Rural County Representatives of California (RCRC) remain opposed to the bill.

The League of California Cities has an “oppose unless amended” position and seeks amendments to apply the bill to State of California employment applications and to allow employers some discretion to exempt positions as they deem necessary.

Action Requested. Staff recommends the Government Finance and Operations Policy Committee recommend a neutral position on AB 1831 (Dickinson) to the Board of Directors.

Staff Contact. Please contact Eraina Ortega (eortega@counties.org or 916/650-8180) or Faith Conley (fconley@counties.org or 916/650-8117) for additional information.



Health and Human Services Policy Committee
Thursday, May 31 • 10:30 a.m. – Noon
Regency Ballroom E-F • Hyatt Regency Sacramento
1209 L Street • Sacramento, CA

Supervisor Kniss, Santa Clara County, Chair
Supervisor Woodrow, Alpine County, Vice Chair

This policy committee meeting is an in-person meeting only and is being held as part of the CSAC 2011 Legislative Conference.

- 10:30 a.m. I. **Welcome and Introductions**
Supervisor Liz Kniss, Santa Clara County
- 10:35 –
10:45 a.m. II. **Governor’s Ballot Measure**
Kelly Brooks-Lindsey, Senior Legislative Representative
- 10:45 –
11:35 a.m. III. **Federal Health Reform Implementation: Eligibility & Benefits**
Cathy Senderling McDonald, County Welfare Directors Association
Elizabeth Landsberg,, Executive Director, Western Center on Law and Poverty (invited)
Sarah Muller, California Association of Public Hospitals and Health Systems
- 11:35 –
11:55 a.m. IV. **2012-13 Budget Update**
- May Revision Budget
- Care Coordination Initiative
- 2011 Realignment Implementation

Kelly Brooks-Lindsey, CSAC Senior Legislative Representative
- 11:55 –
Noon V. **Consider Frequency of HHS Policy Committee Meetings**

Supervisor Liz Kniss, Chair
- VI. **Adjournment**



Housing, Land Use & Transportation Policy Committee
2012 CSAC Legislative Conference
Thursday, May 31, 2012 ▪ 8:30 a.m. to 10:00 a.m.
Hyatt Regency Sacramento ▪ Regency Ballroom E-F
Sacramento ▪ California

DRAFT AGENDA

Chair, Supervisor Efren Carrillo, Sonoma County
Vice Chair, Supervisor Matt Rexroad, Yolo County

- 8:30 a.m. I. **Welcome, Introductions, & Approval of the Agenda**
Chair, Supervisor Efren Carrillo, Sonoma County
Vice Chair, Supervisor Matt Rexroad, Yolo County
- 8:35 a.m. II. **Future of Transportation Revenues – ACTION ITEM**
 - **A New Transportation Funding Concept**
 - **Recommendations for New Transportation Revenues***Mark Watts, Transportation California*
Mike Penrose, Director of Transportation, Sacramento County
- 9:00 a.m. III. **High Speed Rail Update & Revisiting CSAC Policy – ACTION ITEM**
Dennis Trujillo, High Speed Rail Authority (Invited)
Attachment Three: CSAC Policy on High Speed Rail
- 9:20 a.m. IV. **Housing Element Reform Update**
Pete Parkinson, Planning Director, Sonoma County &
CSAC Representative, Housing Element Working Group
- 9:40 a.m. V. **State Budget & Legislative Update**
DeAnn Baker, Senior Legislative Representative, CSAC
Kiana Buss, Senior Legislative Analyst, CSAC
Attachment One: AB 1989 (Carter): Bicycle Surcharge: State Parks: Bicycle Facilities
Attachment Two: SB 1220 (DeSaulnier): Permanent Source for Affordable Housing
- 9:55 a.m. VI. **Other Items & Adjournment**



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May 31, 2012

To: CSAC Housing, Land Use, and Transportation Policy Committee

From: Mike Penrose, Chair, CEAC Transportation Committee
DeAnn Baker, CSAC Senior Legislative Representative
Kiana Buss, CSAC Senior Legislative Analyst

Re: **Recommendations for New Transportation Revenues**

Background

During the CSAC Housing, Land Use, and Transportation Policy Committee (HLT Committee) meeting in November 2011, after a presentation on the California Transportation Commissions' Statewide Transportation System Needs Assessment Report (CTC Report), Chair, Supervisor Efred Carrillo (Sonoma County), directed staff to develop a list of revenue options for the HLT Committee to consider to address California's enormous and still growing needs on the transportation network. As reported to the HLT Committee, the CTC Report found that the total cost of system preservation, system management, and system expansion over a ten-year period in California is roughly \$536.2 billion. With a total estimated revenue of \$242.4 billion over the same period, Californians are facing a \$293.8 billion shortfall in order to bring the transportation network into a state of good repair and maintain it in that condition into the future.

CSAC staff has worked with the County Engineers Association of California (CEAC) to develop a list of possible revenue sources for new transportation funding. In addition to developing the list of possible revenue sources, the CEAC Transportation Committee developed a set of principles for evaluating each possible revenue stream to see how well each option fits within existing CSAC policy and the goals of the HLT Committee and Association as a whole. Staff has also listed the major pros and cons related to each possible revenue stream.

After an in-depth discussion on eleven various revenue options, CEAC agreed that four in particular were the most appropriate to fund the transportation needs that are most important to counties (i.e. local streets and roads, state system, and transit). They are listed in alphabetical order and do not reflect any sense of priority.

Principles

- I. Unified Statewide Solution. All transportation stakeholders must stand united in the search for new revenues. Any new revenues should address the needs of the entire statewide transportation network.
- II. Equity. New revenues should be distributed in an equitable manner, benefiting both the north and south and urban, suburban, and rural areas alike.

- III. System Preservation. Given the substantial needs for all modes of transportation, a significant portion of new revenues should be focused on system preservation. Once the system has been brought to a state of good repair (the most cost effective condition to maintain the transportation network), revenues for maintenance of the system would be reduced to a level that enables sufficient recurring maintenance.
- IV. All Users Based System. New revenues should be borne by all users of the system from the traditional personal vehicle that relies solely on gasoline, to those with new hybrid or electric technology, to commercial vehicles moving goods in the state, and even transit, bicyclists, and pedestrians who also benefit from the use of an integrated transportation network.
- V. Alternative Funding Mechanisms. Given that new technologies continue to improve the efficiency of many types of transportation methods, transportation stakeholders must be open to new alternative funding mechanisms. Further, the goal of reducing greenhouse gases is also expected to affect vehicle miles traveled, thus further reduce gasoline consumption and revenue from the existing gas tax. The existing user based fee, such as the base \$0.18-cent gas tax is a declining revenue source. Collectively, we must have the political will to push for sustainable transportation revenues.

Local Streets and Roads Revenue Options

- I. Gas Tax Increase and Indexing. Increase the excise tax on gasoline and/or index the new revenues along with the base \$0.18-cent gas tax to keep pace with inflation. Another option is to just index the existing \$0.18 base portion of the gasoline tax. Per every one-cent gas tax increase, approximately \$150 million is generated. The California Statewide Local Streets and Roads Needs Assessment Report identified a \$79.9 billion shortfall over the next ten years or an \$8 billion annual need just to address the preservation of the local street and road system. Thus, this equates to a 56-cent gas tax increase just to meet local system preservation needs.

Pros	Cons
User-based fee; pay at the pump to use the system	Declining revenue stream – vehicles are more efficient, hybrid and electric technology, less consumption. Further, greenhouse gas reduction goals strive to reduce vehicle miles traveled, less consumption
Indexing makes the tax sustainable by keeping pace with the cost of living and construction costs	

Tax payers pay over time, not in a lump-sum	
---	--

- II. Sales Tax on Gasoline Options. Reinstate the sales tax on gasoline and/or reduce the voter threshold for the imposition of local sales tax measures for transportation purposes. The two options could be implemented individually or together as a package of changes to the sales tax on gas. The sales tax on gasoline would have generated approximately \$2.8 billion in FY 2012-13 if it were still in place. If shared between the State, transit, and cities in the same manner as the previous sales tax, it would generate \$560 million for counties in the same fiscal year. Regarding the local sales tax option, the self-help counties coalition estimates another 15-17 counties could pass local measures with a reduction to a 55% voter threshold.

Pros	Cons
Increasing revenue stream; generates more revenues as the price of gas increases	Unlikely to have support from the Legislature and Governor given the transportation tax swap and 2012 November ballot initiatives
Tax payers pay over time, not in a lump-sum	Also effected by reduced consumption
	Political viability since Prop 42 was passed by the voters to direct sales taxes on gasoline to transportation and was then replaced with the new HUTA by the Legislature in the swap

- III. Transportation System User Fee. Institute a one-percent annual vehicle registration fee based on the value of a vehicle and dedicate revenues to transportation. Research indicates 27 million vehicles would be subject to the fee. Funds would be distributed in the same manner of the old sales tax, 40% to counties and cities, 40% state highways, and 20% transit. The fee would generate \$2.7-\$3 billion annually, which would provide counties \$540-600 million. The Transportation System User Fee is especially intriguing as Transportation California, representing business, construction, and labor groups, has already drafted a proposal and is undertaking an education and outreach campaign to build support for a near-term ballot measure.

Pros	Cons
New idea; different from conventional sales tax or gas tax proposals	Annual fee so taxpayers feel the burden all at once
Sustainable; captures revenues from all	A fee based on value of a vehicle is close

vehicle operators of the road system including operators of electric vehicles and other alternative fuel vehicles	to VLF, which can be a hot button issue, voters react to it, i.e. Schwarzenegger reducing the VLF and taking over as Governor
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IV. Vehicle Miles Traveled Fee. Institute a fee based on a vehicle miles traveled per registered vehicle, personal and/or commercial. This could require GPS tracking devices to be installed in vehicles or perhaps reporting on a quarterly, semi-annually, or an annual basis to the State on the total number of miles driven per registered vehicle. It is unclear how much such a tax would need to be set at to generate the funds necessary to address California’s transportation revenue shortfalls. In 2010, there was 327 million vehicle miles traveled in the state.

Pros	Cons
User based revenue; pay to use the system	Concerns about privacy rights related to a GPS tracking device
Can link fee to peak driving times like congestion pricing on toll roads	It is a potentially declining revenue source as greenhouse gas reduction goals attempt to reduce VMTs
	Implementation would be significant given there isn’t the same or similar process already set up

The CEAC Transportation Committee also considered the following revenues possibilities but did not conclude that these options were as viable or sustainable or otherwise did not meet the overarching principles:

- Weight Fee Increase
- Regional Fee
- Local Fee
- Public-Private Partnerships
- Infrastructure Bank
- Toll Roads
- Congestion Pricing

Recommendation.

Again, the four aforementioned revenue options appear to be the most viable and sustainable opportunities for increased revenues to address the significant funding shortfalls for transportation in California. The CEAC Transportation Committee recommends that the HLT Committee take action to recommend that the CSAC Board of Directors support these options to fund our transportation needs. Policy direction should be broad enough to allow CSAC to support any of the options that meet our overall policy goals.

A New Transportation Funding Concept

Transportation California
Bert Sandman, Executive Director
Smith, Watts & Martinez, Advocates
March 2012

3/21/2012

Why A New Transportation Funding Concept?

STATE FUNDING RESOURCES ARE DECLINING !!

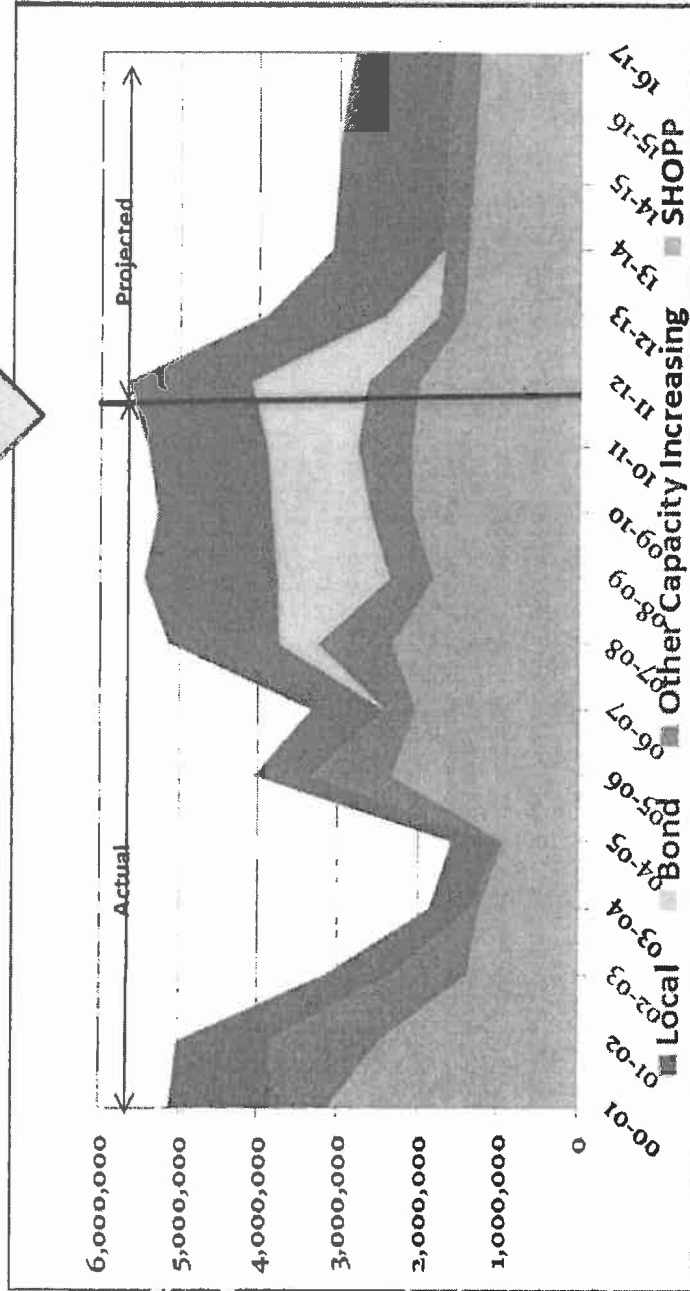


Chart Source: Caltrans

3/21/2012

A New Transportation Funding Concept

Transportation California Perspective

- The current fiscal challenge to adequately maintaining our highway, roadway and transit systems in California has been documented thoroughly.
- The looming end of Proposition 1B resources has driven **Transportation California** to focus on developing a suitable and significant new transportation funding source.
- After two years analyzing alternative concepts to increase transportation funding, ranging from **(1)** statewide transportation fee (which was voided by Proposition 26) to **(2)** various gas tax alternatives, the Transportation California board has determined to pursue a new **Transportation System User Fee**, which is modeled after the Vehicle License Fee.

A New Transportation Funding Concept

Status of our effort

- We have drafted a constitutional amendment we intend to introduce after the political issues are settled that surround the competing tax initiatives being readied for the November 2012 ballot.
- We are presently at the mid-point of subjecting our bill to intense political research, initially consisting of a series of four focus groups.
- Our next step is to take what we have learned through this process and subject our bill to additional political research through an aggressive, campaign-like phone survey.

3/21/2012

A New Transportation Funding Concept

What The Bill Does

- Authorizes a new user charge/fee (tax) on vehicles, structured to mirror the tax collection process utilized for the Vehicle License Fee;
- Adds new Article XIX D to the constitution, providing the level of protection necessary for voter approval and for transportation agencies to plan and execute their programs.
- The amount of the charge will be 1% of the value of a vehicle and will follow the VLF statutory depreciation schedule.
- In an initial attempt to develop a fair distribution, we have proposed that the funds be allocated under the constitution, as follows:
 - 40% to State Highway Account,
 - 40% to Cities and Counties for local roadways,
 - 20% for Transit (15% of this for operations related to new investment)

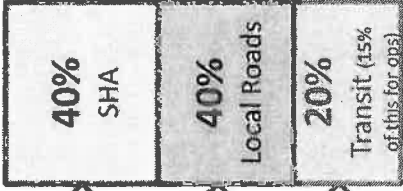
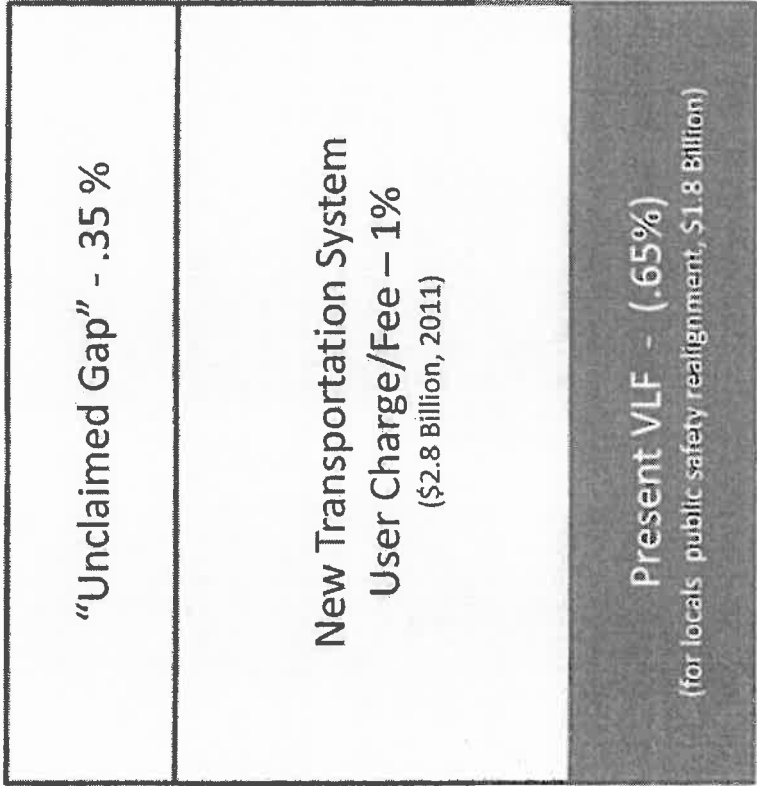
A New Transportation Funding Concept

Impact of The Bill

- 1% of vehicle value raises **\$2.7 billion** to \$3 billion annually;
- This is equivalent to **17 - 18 cents** per gallon in the gas tax.
- Rule of thumb data indicates that there are **27 million vehicles** that would be subject to this new User Charge/Fee;
- The Department of Finance has used \$10,000 as the average value of a vehicle, generating the \$2.7 billion total estimate;
- Moreover, with vehicle sales beginning to increase (10% year-to-year), displacing older, less valuable vehicles, at higher overall prices, we believe that the potential for revenue growth is built in.
- Does not address known overall funding shortfall. We are exploring other additional alternatives, including a rudimentary mileage fee.

3/21/2012

**Comparison of New
Transportation Charge/Fee
In the context of the VLF**



Historic Level
of VLF - 2%

3/21/2012



May 31, 2012

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To: CSAC Housing, Land Use, & Transportation Policy Committee

From: DeAnn Baker, CSAC Senior Legislative Representative
Kiana Buss, CSAC Senior Legislative Analyst

Re: **CSAC's Policy on the California High Speed Rail Project –
ACTION ITEM**

Recommendation. No staff recommendation.

Background. State statute has directed the California High-Speed Rail Authority (Authority) to develop and implement an intercity, high-speed rail service since 1996. In 2008, the voters of California passed a \$9.95 billion bond, the Safe, Reliable, High-Speed Passenger Train Bond Act for the 21st Century (Prop 1A).

The CSAC Board of Directors adopted policy on the California High-Speed Rail Project (Project) in February 2007. The policy supports the development of the Project consistent with the Environmental Impact Report/Environmental Impact Statement (EIR/EIS) and business plan. The policy also provided CSAC's support for a FY 2007-08 state budget request of \$103 million from Prop 1A. Attached is a copy of the full resolution adopted by the CSAC Board of Directors.

At the Board of Directors meeting in November 2011 a request was made to revisit CSAC's current position of support for the High-Speed Rail Project. As such, staff was directed to bring the issue to the HLT Committee for reconsideration.

Policy Considerations. In November 2011, the Authority released a draft business plan which more than doubled the cost estimates from the previous business plan for the first phase of the project to between \$98.1 billion and \$117.6 billion. However, in April 2012, the Authority released a revised draft business plan which provided lower cost estimates for the first phase of the project that range from \$68.4 billion to \$79.8 billion. The reduced costs are associated with additional changes to the revised draft business plan which now proposes a blended approach that integrates the proposed high-speed train with existing and planned passenger rail systems. The changes in the April 2012 plan would result in less capacity and reduced ridership and thus fewer trains and associated reduced operations and maintenance costs. To date, the Authority has secured \$12.5 billion in state and federal funding (\$9 billion from Prop 1A and \$3.5 billion in federal funding).

All versions of the business plan have relied heavily on federal funding to construct the project. The April 2012 draft assumes \$42 billion in federal grants for the first phase. Also new to the April draft is that the Authority intends to rely on cap-and-trade revenues should the federal funds not materialize. Cap-and-trade is anticipated to generate between \$600 million and \$3 billion in FY 2012-13. Governor Brown has indicated his support for this approach and stated he intends to include funding from cap-and-trade for the project in the FY 2012-13 state budget. However, the

Legislative Analyst's Office (LAO) has concerns about the legal use of cap-and-trade revenues for the project.

The California State Auditor and LAO have issued reports outlining concerns with the business plan, specifically regarding the ability to identify the rest of the funding for the project as well as oversight concerns and ridership projections. However, the Auditor issued recommendations in January 2012 in order to continue with the development and implementation of the project which the Authority took into consideration when it revised the draft in April. The LAO has also suggested to the Legislature that funding be provided to continue current planning efforts so that the Legislature can keep its options open with respect to the project. To stop the project in its entirety at this time would be costly and even more so should the State decide to move forward with the project at a later date.

Staff understands that counties remain divided on the project. We understand a number of counties have acted to both support, as well as, oppose the project.

Action Requested. Staff is requesting your review and consideration of the appropriate CSAC policy on the California High-Speed Rail Project. The HLT Committee could take action on the Project in its entirety or adopt policy or principles that reflect counties' interest in whether or how to move forward in some manner that stops short of full support for the entire project.

Staff Contact. Please contact DeAnn Baker (dbaker@counties.org or (916) 327-7500 ext. 509) or Kiana Buss (kbuss@counties.org or (916) 327-7500 ext. 566) for additional information.

CALIFORNIA STATE ASSOCIATION OF COUNTIES
RESOLUTION RELATING TO SUPPORT FOR HIGH-SPEED RAIL

WHEREAS, California, over several decades, has built an extensive network of freeways and airports, significantly expanded local and regional public transportation systems, greatly increased the number and frequency of commuter and intercity rail services, and promoted the development and use of alternative transportation modes, including bicycle, pedestrian, and water transit facilities, to meet the state's growing transportation needs; and

WHEREAS, These notable and sustained efforts are still not adequate to meet all the mobility needs of the state's current and future populations; and

WHEREAS, Californians will face a massive transportation challenge by the year 2020 to accommodate another 11 million people; and

WHEREAS, The cost of expanding the current network of highways and airports fully to meet the current and future transportation needs may be prohibitive and is not feasible in some regions; and

WHEREAS, California faces significant challenges in meeting increasingly stringent air quality standards and moderating or reducing its growing energy demand; and

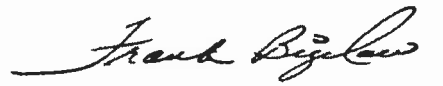
WHEREAS, The EIR/EIS concluded, among other things, that the high-speed train system would help meet the need for intercity travel into the future and could carry up to 68 million passengers a year by 2020, would increase connectivity and accessibility to existing transit stations and airports, would improve travel options in parts of the state with limited bus, rail, and air transportation, would be safer and more reliable than highways or air travel and reduce congestion on highways and for air travel, would reduce door-to-door travel times, and would reduce total travel times for all transportation modes by diverting traffic to high-speed trains; and

WHEREAS, The EIR/EIS found that the project would have significant environmental benefits, including decreased energy consumption and improved air quality, would use less land than needed to expand highways and airports, would have fewer impacts overall on sensitive habitats and water resources, and would provide opportunities to plan for transit-oriented growth to meet future demands; and

NOW, THEREFORE, BE IT RESOLVED, the California State Association of Counties (CSAC) and its member counties support the further development and completion of the California High Speed Rail Authority's high-speed train project as described in the Authority's completed business and implementation plans and the certified Environmental Impact Report/Environmental Impact Statement (EIR/EIS).

FURTHER RESOLVED, that CSAC supports the Authority's 2007-08 Fiscal Year state budget request of \$103 million, and supports passage of the Safe, Reliable High Speed Passenger Train Bond Act for the 21st Century scheduled for the November 2008 General Election.

ADOPTED THIS 22nd day of February, 2007 by the Board of Directors of the California State Association of Counties.

A handwritten signature in cursive script, reading "Frank Bigelow", positioned above a horizontal line.

Frank Bigelow, President



CALIFORNIA STATE ASSOCIATION OF COUNTIES
FINANCE CORPORATION

May 31, 2012

To: CSAC Board of Directors
From: Nancy Parrish, Executive Director, CSAC Finance Corporation
RE: CSAC Finance Corporation Update

The CSAC Finance Corporation held its annual meeting in Monterey on April 26th & 27th. The Board selected Los Angeles County Treasurer and Tax Collector Mark Saladino as Chair, Santa Barbara County Supervisor Joni Gray as Vice Chair and Public Member Les Brown as Secretary-Treasurer.

In addition to hearing updates and reports on existing programs, the Board considered several potential new programs.

Healthstat

Healthstat operates onsite medical clinics for county employees at one or more county facilities. These clinics are completely free to employees and are intended to work in conjunction with existing medical coverage offered by the county. There is compelling evidence that these clinics reduce employee medical costs to the county by promoting better management of chronic conditions and preventing the progression of common conditions such as high blood pressure, diabetes and obesity.

Santa Barbara County has had Healthstat clinics in place for two years and has seen a measurable improvement in employee health and provided employees with a \$184,000 savings in health insurance co-pays.

Extend Health

ExtendHealth is a Medicare coordinator that works with public and private agencies to offer more affordable Medicare coverage to retirees by administering individual plans through an HRA instead of the agency administering their own group plan. They offer access to over 75 health carriers and all Medicare plan types including Medicare Advantage, Medigap, and Prescription Drug.

Extend Health projects a 20-40% savings to participating agencies in medicare costs and reduced GASB liability, offers more plans and choices for retirees that offer similar or better benefits at lower costs, allows retirees to select their plan instead of having to use the agency's selected group plan, and guarantees coverage and pricing for retirees regardless of health status

Mendocino County is currently using Extend Health and several other counties are also considering implementing their services.

Trendline Health

Trendline provides employee health care and workers' compensation prefunding utilizing a statistical and actuarial model to quantify costs over a three year period. Utilizing this information, a county can turn a previously unpredictable, growing expense into a predictable fixed liability that creates savings by funding the net present value. We are working in conjunction with CSCDA to evaluate the interest and feasibility of these services.

The following are highlights of existing CSAC Finance Corporation programs:

CalTRUST

- CalTRUST currently has assets of approximately \$900 million and over 110 participant accounts.
- CalTRUST expects to increase the number of participants to 140 this year.
- The next meeting of the CalTRUST Board of Trustees will be held September 12, 2012.

California Communities (CSCDA)

- CSCDA closed nine transactions totaling over \$200 million in the first quarter of 2012. (see attached).
- CSCDA is cooperating with the State Auditor's office to complete the audit requested by the State Treasurer and we expect to have a final report by this fall.

U.S. Communities

- U.S. Communities has recently added contracts for temporary staffing, facilities solutions and carpeting.
- Finance Corporation staff are working closely with U.S. Communities staff to increase program marketing throughout the state

Coast2CoastRx

- Coast2Coast is now offered in 19 counties and is saving participants in California over \$1.7 million each month.

General Information

- The next meeting of the CSAC Finance Corporation Board of Directors will be held September 13th & 14th, 2012.
- We continue to meet with individual counties and their department heads to present our programs and benefits. Please let us know if you would like a meeting set with your county's department heads.

If you have any questions regarding any CSAC Finance Corporation programs please do not hesitate to contact us via phone, 916.950.8120, or via email, nparish@counties.org; Laura Labanieh Campbell at 916.650.8186 or llabanieh@counties.org.

CALIFORNIA
STATEWIDE
COMMUNITIES
DEVELOPMENT
AUTHORITY



Community Benefit Report

as of January 31, 2012



CSCDA

CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY



California State Association of Counties



LEAGUE
OF CALIFORNIA
CITIES



The California Statewide Communities Development Authority (CSCDA) was created in 1988, under California's Joint Exercise of Powers Act, to provide California's local governments with an effective tool for the timely financing of community-based public benefit projects.

Although cities, counties and special districts are able to issue their own debt obligations or serve as a conduit issuer of private activity bonds that promote economic development and provide critical community services, many local agencies find stand-alone financings too costly or lack the necessary resources or experience to facilitate the bond issuance and perform post-issuance activities for the term of the bonds. In response, CSCDA was created by and for local governments in California, and is sponsored by the California State Association of Counties and the League of California Cities.

Currently, more than 500 cities, counties and special districts have become Program Participants to CSCDA which serves as their conduit issuer and provides access to an efficient mechanism to finance locally-approved projects.

CSCDA helps local governments build community infrastructure, provide affordable housing, create jobs, make access available to quality healthcare and education, and more. CSCDA provides an important resource to our local government members by ensuring that local community projects get funded quickly and reliably.

2011 A Year in Review

New Issue Bond Program



In 2009, the Obama Administration, together with the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac (the GSEs), announced an initiative to provide support to state and local housing finance agencies (HFAs). The New Issue Bond Program established under the Housing and Economic Recovery Act of 2008 (HERA) was designed to provide low-cost, fixed rate financing for the acquisition/rehabilitation or construction of affordable multi-family housing projects.

After receiving an allocation from the GSE's, CSCDA worked with affordable housing developers to bring twelve bond issues to market. The bonds issued created hundreds of construction jobs and over 930 affordable multifamily units throughout California.

CSCDA has implemented responsible post-issuance compliance policies that protect the local agencies where the projects reside. A unique web-based compliance system is used to review and ensure that affordable housing requirements are being met.

To date, over \$6.9 billion in bond proceeds have been issued by CSCDA to construct or renovate low-income and senior housing throughout California.

Communities has maintained a 98% affordability compliance rate across a portfolio of 562 properties with 68,786 in-service units.



Commitment to Public Benefit

CSCDA provides its local agency participants low-cost, innovative pooled finance programs designed to address short-term borrowing needs, budget shortfalls, and provide access to capital for critical infrastructure improvements.

Local Government Public Benefit Financings

Since inception, CSCDA has funded more than \$11.5 billion for 1,467 local agency participants including:

- ¥ Tax Revenue Anticipation Notes \$9 billion to finance short-term cash flow deficits for 945 local agency participants
- ¥ Water/Wastewater \$481 million for treatment facility upgrades for 98 local water and sanitation districts
- ¥ CaLease \$126 million to facilitate 143 lease obligations for local governments to acquire equipment, vehicles, computer technology, administration facilities, etc.
- ¥ Pension Obligation Bonds \$414 million to provide an alternative finance mechanism for unfunded liabilities of 23 local agency participants
- ¥ Statewide Community Infrastructure Program \$159 million of community infrastructure bonds to plan for the future growth in 71 local agencies
- ¥ Vehicle License Fee Securitization \$455 million for 146 local agencies to manage cash flow deficits during the State's budget crisis in 2005
- ¥ Tobacco revenue securitization \$258 million for 20 local agencies to capture tobacco settlements and address healthcare needs in their community
- ¥ Other Programs \$1 billion of other bond programs for 21 local agencies in their community

Private Activity Community Based Public Benefit Projects

Moreover, California Communities has built a successful track record of financing high quality public benefit projects. We have issued more than \$38 billion for the construction, equipping, rehabilitation, or modernization of 1,829 local, community approved projects since 1988 providing project financing for:

- ¥ Affordable Housing 58,029 very-low and low-income affordable housing units for 504 multifamily and 128 senior housing projects
- ¥ Hospitals/Medical Facilities 539 nonprofit hospital and medical facilities
- ¥ Continuing Care Facilities 467 skilled nursing, assisted living, and continuing care facilities
- ¥ Education 168 independent K-12 and higher education facilities
- ¥ Solid Waste 49 solid waste disposal and alternative energy facilities
- ¥ Manufacturing 125 manufacturing facilities creating an estimated 10,000 new jobs in California
- ¥ Other Programs 163 various public benefit facilities including research institutes, care centers for developmentally disabled and terminally ill persons, drug and alcohol rehabilitation clinics, student housing projects, job training / placement facilities, and community and youth centers.



Please visit us on the web for more detail on programs and services offered by CSCDA

CSCDA QUARTERLY UPDATE
JANUARY, 1, 2012 – MARCH 31, 2012

Overview:

CSCDA closed nine transactions totaling \$203,160,000 for the first quarter of 2012. These included the following:

Multifamily Housing	Local Agency	Bond Amount
Eucalyptus Village II	Unincorporated Kern County	\$5,570,000
Wasco Arms Apartments	City of Wasco	\$4,500,000
Nonprofit		
Alliance for College Ready Public Schools	City of Los Angeles	\$8,455,000
American Baptist Homes of the West	Town of Los Altos/City of Santa Barbara	\$20,000,000
CHF – Irvine	City of Irvine	\$94,510,000
Georgiana Bruce Kirby Preparatory School	City of Santa Cruz	\$9,000,000
Head Royce School	City of Oakland	\$15,200,000
Viewpoint Educational Foundation	City of Calabasas	\$40,000,000
Public Programs		
Total Road Improvement Program (TRIP)	City of Desert Hot Springs	\$33,665,000

Public Benefits:

- Created and maintained 138 affordable multifamily housing units in Kern County
- Construction and equipping of a new charter high school in the City of Los Angeles to serve 600 students in a neighborhood with underperforming schools

- Head Royce School operates a program known as Heads Up that provides educational enrichment and mentoring for more than 700 low-income public school youth in the Oakland Unified School District
- Funding to assist the University of California, Irvine provides housing for its undergraduate and graduate students.
- First-phase financing in the Town of Los Altos for a new neighborhood nursing home and memory care building
- Completion of 40 independent living apartments and upgrades to continuing care facility in the City of Santa Barbara
- City of Desert Hot Springs was able to finance gas tax funds to complete a 3 year program to resurface 100% of its streets. This not only improved safety in the community but creates jobs and opportunities for local economic growth

New Initiatives:

- Website and press announcements of closed transactions (See Attachment 1)

Material Events:

CSCDA Enertech 2007A/B: CSCDA received a notice of default from the trustee on April 5, 2012 of for the following: (1) Failure of Enertech to complete startup and commissioning of new improvements per the Third Amendment; (2) Failure of Enertech to provide a strategic plan for the project that is acceptable to bondholders; (3) Failure of Enertech to redeposit any Advance Reserve Amounts. Trustee has requested that Enertech cure the defaults and is not taking any action currently. Staff will keep the Commission aware of the outcome of the notice and actions taken.

CSCDA Microgy 2008A: The parent company Environmental Power Corporation is currently in Chapter 7 liquidation bankruptcy filed on July 29, 2010. Prior to filing bankruptcy Microgy accelerated payment to bondholders in the amount of \$31M which was half of the initial bond amount of \$62M. The bankruptcy matter is still pending and staff will update the Commission on any future progress in the proceedings.

Outlook:

CSCDA has 22 applications that have estimated closing dates in the second quarter. These include 5 nonprofits, 1 water/wastewater financing and 16 multifamily affordable housing projects.



CSCDA
CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY

**For Immediate Release:
April 16, 2012**

**Contact:
Amanda Frew, (916) 443-0872**

**Kaiser Foundation Hospitals Partners with California Statewide
Communities Development Authority to Secure Cost-Effective
Financing to Construct and Equip Five Medical Facilities and Hospitals
throughout California**

Projects will increase patient capacity and provide additional medical services

Walnut Creek, CA – Kaiser Foundation Hospitals has worked with California Statewide Communities Development Authority (CSCDA) as the conduit financier to secure \$1.5 billion in tax exempt bond funding needed to finance the construction and equipping of five medical facilities in Anaheim, Oakland, San Leandro, Redwood City, and Fontana.

The bonds will fund the construction of state-of-the-art medical facilities and will benefit communities by increasing access to affordable, high-quality healthcare for the uninsured and underinsured, and by offering expanded programs and services that encourage safe and healthy behavior to support healthy, stable communities. Construction of the facilities will generate thousands of jobs.

“We’re pleased to have worked with Kaiser Foundation Hospitals to bring these projects to fruition,” said CSCDA Program Manager Jon Penkower. “Our goal is to provide the Gold Standard in customer service and efficiency at competitive rates so qualified projects can move forward quickly to create jobs and improve local communities.

Below are highlights from each project:

Kaiser Anaheim Medical Center

This new 434,000 square foot, 262 bed hospital is expected to open in September 2012. Additionally, a 177,000 square foot medical office building is expected to open in July 2012. The facility will generate \$23,137,376 in economic activity.

Kaiser Fontana Medical Center

This state-of-the-art hospital will provide affordable, high quality health care to the central Inland Empire starting in early 2013. The new facility will add 314 beds, 51 emergency room beds and a 56,000 square foot medical office building. The project will generate 50-100 new jobs and \$44,213,054 in economic activity.

Kaiser Hayward Medical Center

This future medical facility will provide 264 private rooms, 10 operating rooms, and 116 primary and specialty care provider offices in the 425,000 square foot building. A 24-hour emergency center with 40 emergency treatment rooms will be available to the public. This project will generate \$26,338,943 in economic activity, 3,000 new construction jobs and will employ 2,500 physicians, nurses and staff.

Kaiser Oakland Medical Center

The Kaiser Oakland Medical Center project is a rebuild of the existing Oakland hospital and office buildings. In order to comply with the Hospital Facilities Seismic Safety Act legislation, new state-of-the-art facilities are being constructed to replace the existing hospital. The new 349-bed facility is expected to open in 2014. The project will generate \$36,772,587 in economic activity.

Kaiser Redwood Medical Center

Kaiser Redwood Medical Center will have 149 licensed hospital beds, an expanded emergency room, and a new labor and perinatal unit. The project will generate \$10,636,619 in economic activity.

About California Communities

California Communities' mission is to provide local governments and private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in local communities throughout California.

With its more than 500 local government members, California Communities has built a successful track record of helping local governments finance high quality public benefit projects, issuing more than \$48 billion for the construction, equipping, rehabilitation, or modernization of community-approved projects since 1988, including:

- 57,023 very-low and low-income affordable housing units for 489 multifamily and 126 senior housing projects
- 539 nonprofit hospital and medical facilities
- 107 skilled nursing, assisted living, and continuing care facilities
- 168 independent K-12 and higher education facilities
- 19 solid waste disposal and alternative energy facilities
- 125 manufacturing facilities creating an estimated 10,000 new jobs in California

- 161 various public benefit facilities, including research institutes, care centers for developmentally disabled and terminally ill persons, drug and alcohol rehabilitation clinics, student housing projects, job training / placement facilities, and community and youth centers.

For more information about California Communities, visit www.cacommunities.org

Attachment 1



February 13, 2012

The Alliance College-Ready Public Schools, in partnership with the California Statewide Communities Development Authority, Secures Cost-Effective Financing for Alliance College-Ready High School No. 5 in South Los Angeles

New High School Will Serve 600 Students in Neighborhood with Extremely Underperforming Schools

Los Angeles, CA --Today, the Alliance College-Ready Public Schools (Alliance) announced it worked with the California Statewide Communities Development Authority (CSCDA) to secure \$8.45 million in tax exempt bond funding to finance the construction of the Alliance College-Ready Academy High School No. 5 at 4610 South Main Street in South Los Angeles.

The Alliance, formed in 2004, is a non-profit charter management organization to create a network of small, high-performing public high schools and middle schools in some of the neediest areas of Los Angeles. Today there are 20 schools in the Alliance network serving over 8,500 students. In 2009, 100% of Alliance's graduates were accepted into colleges. Five Alliance high schools are ranked in the sixteen top-performing LAUSD schools.

"We're thrilled to be moving forward with this vital project" said David Hyun, Chief Financial Officer of the Alliance College-Ready Public Schools. "The partnership with CSCDA allows us to access the bond market in a cost-effective and efficient way. This funding will allow us to construct a college-prep high school in one of the neediest neighborhoods in Los Angeles. We will be providing 600 underserved students with the highest level of education to prepare them for success in college—giving them the promise of a brighter future."

Over the past couple of years, the Alliance schools have been outgrowing their current facilities, forcing them to lease three separate buildings in different parts of the community, while searching for one campus that could accommodate all 600 students. The Alliance College-Ready Academy High School No. 5 will provide this centralized location they so desperately need. It will be outfitted with modern classrooms, science labs, and a fenced perimeter--providing a safe and secure environment for students. Construction will begin the week of February 13th, and is expected to be completed this summer.

“We’re pleased to have worked with the Alliance College-Ready Public Schools to bring this project to fruition,” said CSCDA Program Manager Jon Penkower. “At the end of the day, CSCDA exists to help local governments and organizations find affordable financing for local projects that improve communities. We’re a cost-effective, efficient and effective alternative for local governments and the taxpayers they represent.”

For more information on the Alliance, visit: <http://www.laalliance.org/>

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clinics, student housing projects, job training / placement facilities, and community and youth centers.

For more information about CSCDA, visit www.cacommunities.org



Date: February 8, 2012

The City of Desert Hot Springs in partnership with the California Statewide Communities Development Authority, Secures Cost-Effective Financing For 2011-12 Street Rehabilitation Program

Enables City to Complete 100% of Citywide Road Rehabilitation Projects By Fall of 2012, Increasing Road Safety.

Desert Hot Springs, CA --Yesterday, Desert Hot Springs announced it had secured \$6 million in tax exempt bond funding to finance the 2011-12 Street Rehabilitation Program through the California Statewide Communities Development Authority (CSCDA).

As a member of CSCDA, the City of Desert Hot Springs was able to access a program offered only by CSCDA which allows member cities and counties to securitize state gas taxes distributed monthly to cities and counties.

Through CSCDA's Total Road Improvement Program (TRIP), the City of Desert Hot Springs was able to use monthly gas tax funds to secure \$6 million in tax-exempt bonds. This bond will finance the 2011-12 Street Rehabilitation Program, a program that will

assist the City in completing a 3 year program to resurface 100% of its streets. All resurfacing is expected to be complete by fall 2012.

“We’re thrilled to be moving forward with these vital road improvement projects” said Yvonne Parks, Mayor of the City of Desert Hot Springs. “It was only possible because we’re members of CSCDA. The partnership with CSCDA allows us to access the bond market in a cost-effective and efficient way. This funding will allow us to complete our city’s street resurfacing and road repair projects which creates jobs, saves motorists in repairs, helps provide our community with increased safety, and removes deterrents for local economic growth.”

Like many cities in Riverside County, Desert Hot Springs has street maintenance and reconstruction needs which exceed available revenues to address these problems immediately. Delayed maintenance only makes the problems worse.

Four years ago the City determined that over 85% of the streets and roads were in “poor” to “very poor” condition. Along with being a significant safety hazard, the poor road conditions were a deterrent to local economic development and decreased local home and business values. Local businesses and tourist attractions even experienced decreased revenue due to customers and tourists being deterred by the substandard road conditions.

“We’re pleased to have worked with the City of Desert Hot Springs to bring this project to fruition,” said CSCDA Program Manager James Hamill. “At the end of the day, CSCDA exists to help local governments find affordable financing for local projects that create jobs and improve local communities. We’re a cost-effective, efficient and effective alternative for local governments and the taxpayers they represent.”

About CSCDA

CSCDA’s mission is to provide local governments and private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth and improve the overall quality of life in local communities throughout California.

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For more information about CSCDA, visit www.cacommunities.org



May 8, 2012

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Re: **Implementation of 2011 Realignment**

Dear Senators and Assembly Members:

On behalf of the California State Association of Counties (CSAC), we write to express our commitment to successful implementation of 2011 Realignment. We sincerely appreciate your partnership with counties to construct a realignment plan that balances state needs, county needs, and the needs of the Californians we mutually serve.

In 2011, counties identified many risks with embarking on a realignment that would shift nearly \$6 billion in additional responsibilities to counties. However, Governor Brown's principles for realignment – including an emphasis on local control and flexibility – coupled with his commitment to proceed with a constitutional amendment, guaranteeing funding and protecting the realigned programs from increased costs, helped bring counties to a place of support for realignment.

As you know, when the Legislature passed the 2011 Realignment package, the funding structure was solely for the 2011-12 fiscal year. We have been working with counties and the Administration to craft a permanent fiscal structure, allocate funds among accounts and subaccounts, allocate funds among counties, and craft appropriate local flexibilities. That work is ongoing. Counties are working closely with the Legislature to put a permanent structure into place. As realignment discussions proceed, counties would like to highlight our priorities to ensure 2011 Realignment is implemented successfully.

Constitutional Protections

The framework for the 2011 Realignment would not be workable without the constitutional amendment and its accompanying protections. Counties sought constitutional protections that offered appropriate revenue stability and predictability, program certainty and flexibility, and an acceptable level of fiscal risk. The constitutional amendment includes many important elements outlined below.

Revenue Protection and Predictability. The constitutional amendment guarantees ongoing funding for the realigned programs, while giving the Legislature flexibility to change the revenue source(s) in the future – as long as they are replaced with revenues equal to or greater than what the specified portions of sales and use tax and Vehicle License Fees would have produced. The funds are continuously appropriated.

Federal law changes. Counties must receive funding for federal law changes – including federal statutes, regulations or directives. It is too great a risk for counties to assume in full the entire responsibility for future federal law changes under the proposal where counties will assume a 100 percent share of cost for many federal entitlement programs.

Judicial decisions. Similarly, judicial outcomes that create new programs, higher levels of service, or additional costs also pose a significant financial risk to counties. Counties must receive funding for judicial outcomes that impose costs; of course, if the outcome is the result of a county action or inaction, we accept responsibility. Again, it is simply too great a risk for counties to take under realignment with counties assuming a 100 percent share of cost for many federal entitlement programs.

State Legislation. The constitutional amendment creates an obligation for the state to pay for higher costs resulting from new legislation. If the Legislature does not appropriate funds, counties are relieved of the responsibility to provide the enhanced service. One of the counties' lessons learned from the 1991 Realignment is that realigned programs change over time. One such example is the In-Home Supportive Services (IHSS) program. In 1991, the IHSS program was a state-only program with a non-unionized workforce. Today, IHSS is a federal Medicaid program with a collective bargaining mandate. While the changes to the IHSS program over the last 20 years have greatly increased access to the program, the changes also increased costs to a degree not originally envisioned when the 1991 realignment fiscal structure was developed.

Local Control and Flexibility

Our members strongly believe in Governor Brown's principle of bringing government closer to the people. Governor Brown outlined a number of principles underpinning his public safety realignment, including providing more flexibility at the local level, reducing duplication and overlap, and building on previous success.

There is a strong commitment among counties to improving public safety outcomes. Counties genuinely believe that we can do better than the state has done in providing services to the population leaving state prison and to reducing recidivism. The Legislature provided appropriate flexibilities to allow counties to implement the public safety realignment in a manner that best addresses local needs.

The Legislature cannot offer similar flexibilities with the health and human services programs included in 2011 Realignment because many of these programs are federal

entitlement programs, with strict federal requirements. The fiscal structure becomes critical on the health and human services side because the Legislature cannot relax federal rules. The Administration has proposed two subaccounts on the health and human services side – a Protective Services Subaccount (social services programs) and a Behavioral Health Subaccount (mental health and alcohol and drug programs). Counties will have the flexibility to allocate funds among the programs within each subaccount.

Additionally, the structure on the health and human services side replicates a flexibility found in the 1991 Realignment – the ability to transfer 10 percent of funds across subaccounts once per year. It is absolutely critical that this flexibility be part of the 2011 Realignment. It will allow counties to move funds in situations where caseloads may be declining within one subaccount, while increasing in the other subaccount.

There are additional places where the Legislature can offer limited flexibilities on the health and human services side, including making some of the social services programs optional. Counties are supportive of this flexibility and look forward to engaging with the Legislature and other stakeholders in these discussions.

There also appears to be additional interest in expanding the role and scope of state oversight of the health and human services programs. While counties understand that the state must demonstrate to the federal government appropriate oversight mechanisms since the state is the single state agency, very little has changed with the programs – other than the source of funding. The state has existing oversight mechanisms for all of the health and human services programs. It is not clear what authority state departments currently lack that would impede their appropriate oversight of counties. Further, health and human services programmatic realignment trailer bills need to approach the state-county relationship and the state's oversight role in a consistent manner across the realigned programs. Some advocacy organizations may suggest that separating the programs into separate subaccounts is an answer to state oversight. Putting all the funding streams back into their original silos does nothing to increase state oversight and would create an administrative nightmare and time-consuming operational complexities at the county level – which, ultimately, would drain resources that should be dedicated to program delivery. Counties will be engaging the Legislature and the Administration about the appropriate state oversight mechanisms in discussions over budget trailer bill language.

In conclusion, CSAC remains committed to ensuring successful implementation on the 2011 Realignment. We will continue to work with the Administration and the Legislature in a cooperative manner to address these and other critical issues as they arise. To be clear, the 2011 Realignment will fail without appropriate local control and flexibility and without constitutional protections. We look forward to crafting a permanent realignment structure that addresses outstanding county concerns.

Counties are committed to a partnership to reshape government that offers services and supports for all Californians. Once again, thank you for your demonstrated commitment to the partnership between the State and counties.

Page Four
May 8, 2012
CSAC – Realignment Implementation

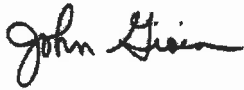
Respectfully,



Mike McGowan
President, CSAC
Yolo County Supervisor



David Finigan
1st Vice President, CSAC
Del Norte County Supervisor



John Gioia
2nd Vice President, CSAC
Contra Costa County Supervisor



John Tavaglione
Immediate Past President, CSAC
Riverside County Supervisor

cc: Governor Jerry Brown
Nancy McFadden, Executive Secretary, Office of Governor Brown
Ana Matosantos, Director, Department of Finance
Diane Cummins, Special Advisor to the Governor
Craig Cornett, Chief Fiscal Advisor, Senate President Pro Tempore Steinberg
Keely Bosler, Staff Director, Senate Budget and Fiscal Review Committee
Seren Taylor, Director, Senate Republican Fiscal
Chris Woods, Budget Director, Assembly Speaker Pérez
Christian Griffith, Chief Consultant, Assembly Budget Committee
Eric Swanson, Director, Assembly Republican Fiscal



INSTITUTE FOR LOCAL GOVERNMENT

Update on Activities May 2012

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Cities Counties Schools Partnership

Gordon Paul Smith

Former Director of State Finance
State of California

Supporting CSAC Member Outreach and Education Efforts

- **Commercial Recycling Workshops and Resources:** ILG participated in several workshops attended by county and city staff, as well as waste industry representatives, in March and April. ILG's presentation highlighted ILG's resources available to help counties and cities meet the new state commercial recycling requirements related to educating businesses about recycling. (www.ca-ilg.org/commercialrecycling)
- **Smarter Buildings Roundtable:** ILG participated in a roundtable discussion, hosted by *Governing Magazine*, for state and local agencies about trends in building smarter buildings, including how smarter buildings are part of the newly emerging smart grid. ILG's information focused on energy efficiency financing resources, including resources available from utilities to help with smart building new construction or retrofits.
- **County Counsel Land Use Section:** In early May, ILG made a presentation on ethics issues at the county counsels land use section spring meeting.

Whitepapers and Tip Sheets

- **Tips to Improve Public Engagement on Realignment Issues:** A new ILG tip sheet has been prepared to help guide successful local public engagement on realignment topics. (<http://www.ca-ilg.org/post/eleven-tips-improve-public-engagement-realignment-issues>) This is posted on new ILG web pages with content on public safety realignment and reentry practices and councils. (<http://www.ca-ilg.org/realignment-and-reentry>)
- **Involving the Public in Pension Reform Discussions:** As counties address issues relating to public employee pension costs and reforms, ILG is documenting local agency public engagement efforts on this topic. See write-up of the Marin County-sponsored community forum at: <http://www.ca-ilg.org/post/marin-county-holds-public-forum-pension-issues>. The Institute's *A Local Official's Guide to Pension Terminology* (www.ca-ilg.org/PensionGlossary) was distributed at this April 3rd event.

- **Changes to the Gift Rules.** The Institute has updated its resources for local officials explaining the rules relating to acceptance of gifts. This includes a piece explaining the Fair Political Practices Commission’s recent changes to the to the gift rules. These are all available at www.ca-ilg.org/GiftCenter.
- **Working Together to Achieve One’s Goals: Some Strategies for Success.** A new resource for ILG’s Local Government 101 program, this tip sheet highlights techniques to consider for finding “win-win” solutions, www.ca-ilg.org/working_together.
- **Dealing with Deeply Held Concerns or Challenges to the Planning Process:** This tip sheet provides suggestions on handling challenges at public meetings when some members of the public have deeply held concerns about the underlying premises of the planning process and sustainable communities strategies. http://www.ca-ilg.org/sites/main/files/dealing_with_deeply_held_concerns_or_challenges_to_the_planning_process.pdf
- **Smart Irrigation Technology Stories: Three Communities, Three Experiences.** As part of ILG’s sustainability best practices stories, this whitepaper highlights three examples of how local agencies use “smart irrigation” technology to reduce water use, save energy and reduce costs. The whitepaper is available at: www.ca-ilg.org/case-story/smart-irrigation-technology-stories

Highlighting the Good Work Being Done at the Local Level

- **Beacon Award Recognition Program:** Cities and counties participating in the Beacon Award Recognition program were highlighted as part of the Opening General Session of the Green California Summit in April in Sacramento. In addition, an Institute-organized workshop at the Summit featured best practice activities of Beacon Award program participants to highlight local leadership in sustainability. It also offered information on how city and county officials and staff can share lessons and resources through the new Sustainable Communities Learning Network that ILG has developed in partnership with UC Davis (www.ca-ilg.org/SCLN.)



The Beacon Award program now includes nearly 40 counties and cities that are voluntarily working to save energy, reduce greenhouse gas emissions and adopt policies and programs that promote sustainability. Participants include a diverse group of local agencies, ranging from small rural communities to medium and larger suburban and urban communities. The Beacon



Award program helps demonstrate the power of *voluntary* leadership and activities at the local level to reduce greenhouse gas emissions. www.ca-ilg.org/BeaconAward. Summaries of participants’ activities in ten best practice areas are available at: www.ca-ilg.org/participant-accomplishments.

Beacon Award program participants highlighted at Green Summit Opening General Session.

Cities Counties Schools Partnership

- **CSAC Board Representatives.** The following individuals represent CSAC on the CCS Partnership Board of Directors:

- John Gioia (Chair), Contra Costa County
- Dave Cortese, Santa Clara County
- Don Saylor, Yolo County
- Brad Wagenknecht, Napa County
- Paul McIntosh, CSAC Executive Director



- **Board.** The newly constituted Partnership board of directors had a positive meeting on March 22 focused on the topic of community schools partnerships. The board created a committee to engage in further discussion and work on this topic before the next meeting. The next full board meeting is June 28.
- **Executive Directors Meeting.** The three association executive directors met on March 16 and discussed a variety of issues of mutual interest.
- **Safe Routes to Schools.** Work is well underway on the deliverables outlined for the second year of a three-year contract between the CCS Partnership and the Department of Public Health. These include a draft toolkit to help city, county, and school policymakers identify the resources and partnerships needed to increase the number and frequency of children biking and walking to school and a guide outlining how local, regional, state and federal transportation funds can be used to support safe walking and biking to schools and other neighborhood destinations. The Institute has an advisory committee that has been formed for the project; county officials interested in participating in the advisory committee or learning more about the project can contact Steve Sanders at ssanders@ca-ilg.org.

INSTITUTE PROGRAM STAFF CONTACT INFORMATION

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CSAC Institute Update

May 2012



As of the end of April, the CSAC Institute has offered **95 courses** since it was initiated in February, 2009. In addition the Institute has managed two New Supervisor Institutes and the Executive Leadership Symposium last February. Interest in Institute courses remains strong, despite the financial challenges faced by California counties. Participants tell us the affordable price coupled with top quality courses makes the Institute a solid investment for County Supervisors and senior executives. Here are some recent comments from participants:

"As local government struggles to figure out how to reinvent itself to be relevant, effective and sustainable in this new decade, CSAC Institute is in a good common-ground position to provide cutting-edge training and tools to assist this transformation constructively."

"I believe the CSAC Institute offers some of the highest quality training available. I would love to see our organization make the Executive Credential mandatory for our department heads and assistant department heads."

"Exceptional program – keep up the good work!"

"I have completed the Senior Executive Credential, but I continue to attend Institute courses because I find them concise and very helpful. Thanks for your efforts to make stronger counties."

In A Nutshell: A few statistics which tell the Institute's story

- ◆ Number of individual Institute participants: **1,236** (as of 30 April 2012)
- ◆ Number of Counties represented: **100%**
- ◆ Number of course attendees: 2,625 (as of 30 April 2012)
- ◆ Average number of courses/person: **2.1** (up from 1.8 six months ago)
- ◆ Average "Overall Value of Course" rating for all classes: **5.3** on a six point scale
- ◆ Average participation per class: **25 participants**
- ◆ Number of Credentials earned: **60** (16 Supervisors and 44 Senior Executives)

Results from Six Month Follow Up Survey

The Institute conducts a follow up survey six months after the participants complete a course. The results show that months afterwards, participants continue to apply and find value in what they learned in their class.

- ◆ In rating the overall value of the class six months later the average rating is **5.01** on a six point scale
- ◆ In considering the workplace applicability of what was learned, the participant's average rating is **4.67** on a six point scale
- ◆ **62.2%** of participants said they would absolutely recommend the classes taken to other; another 25.2% would probably recommend the classes
- ◆ **67.7%** of participants have referred back to their course materials since taking the class

Executive Leadership Symposium

An Institute highlight this winter was the three-day Executive Leadership Symposium with Harvard University's Kennedy School of Government instructor, Marty Linsky. The Institute was held at the

Hayes Conference Center in San Jose on Thursday, February 16th through Saturday, February 20th. 44 County Supervisors and 19 County Administrators participated in the first-ever Symposium.

- ◆ Participants included 23 Supervisors and 19 CAOs
- ◆ In evaluating the Symposium, the overall value was rated 5.7 by Supervisors and 5.2 by CAOs on a six point scale
- ◆ In response to the statement "*I found new insights which have personalized adaptive challenges and the exercise of leadership to me*" Supervisors rated it 5.5 and CAOs 5.2.
- ◆ **100% of the costs** associated with the Symposium were funded through a very modest registration fee along with grants from Southern California Edison, the Blue Shield Foundation of California, California Communities Foundation, County Administrative Officers Association of California and the California Counties Foundation



CALIFORNIA STATE ASSOCIATION OF COUNTIES
FINANCE CORPORATION

May 31, 2012

To: CSAC Board of Directors
From: John Samartzis, Director of Corporate Relations
**RE: Corporate Membership & Sponsorship Update
INFORMATION ITEM**

BACKGROUND:

CSAC's Corporate and Sponsorship Programs are designed to foster public/private relationships and increase revenue to support CSAC. These programs are managed by CSAC Finance Corporation staff.

These programs have been completely redesigned over the last six months. With input from the branding study produced by Consor, we have eliminated the previous multi-level membership offering, increased the number of sponsorship opportunities and hired John Samartzis as our Director of Corporate Relations.

The new programs and John were introduced to our corporate members at their retreat held in early February. We also improved the agenda for that event and invited key county leaders from throughout county government to speak to the group.

John has begun working with all of our previous members and sponsors and is introducing CSAC and our offering to the many companies with whom he has relationships. He is currently working with representatives from Xerox, Google, Cisco and IBM to join as Premier Members. Additionally, several previous members have indicated their support to continue to participate at the higher level.

We expect to take this program from one that has operated at a deficit to one that is extremely profitable within 18 months.



County Counsels' Association of California

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Jennifer B. Henning

MEMORANDUM

To: Supervisor Mike McGowan, President, and
Members of the CSAC Board of Directors

From: Jennifer Henning, Litigation Coordinator

Date: May 31, 2012

Re: Litigation Coordination Program Update

This memorandum will provide you with information on the Litigation Coordination Program's activities since you received your last regular update in February 23, 2012. If you have questions about any of these cases, please do not hesitate to contact me.

I. New Amicus Case Activity Since February

Berkeley Hillside Preservation v. City of Berkeley

203 Cal.App.4th 656 (1st Dist. Feb. 15, 2012)(A131254), *petition for review pending* (filed Mar. 26, 2012)(S201116)

The city approved a permit for a single-family home, concluding the project was exempt from CEQA under the in-fill and single-family residence exemptions. Plaintiffs challenged the city's action, arguing that the categorical exemptions should not apply to the project, and thus CEQA review was required. The First Appellate District agreed with plaintiffs, and held that "a categorical exemption does not apply where there is any reasonable possibility that the proposed activity may have a significant effect on the environment." CSAC filed a letter in support of the petition for review, which is still pending in the California Supreme Court.

Citizen's Association of Sunset Beach v. Orange County LAFCo

Pending in the Fourth Appellate District, Division Three (filed Oct. 5, 2011)(G045878)

Huntington Beach initiated annexation of Sunset Beach pursuant to the "Island Annexation" procedures of the Cortese-Knox-Hertzberg Act (Act). Citizen's Association of Sunset Beach requested that the Orange County LAFCo condition its annexation approval on an election on whether Huntington Beach's existing taxes should be paid by Sunset Beach residents when that community became a part of the City and received its services. The LAFCo refused because the Act does not permit such conditions, but rather requires LAFCo approval of island annexation if statutory criteria are met. The LAFCo subsequently approved

the annexation, and plaintiff filed this action seeking to avoid either the annexation or payment of Huntington Beach municipal taxes. The trial court upheld the annexation. On appeal, the Howard Jarvis Tax Payers Association has associated as co-counsel of record for the appeal. CSAC will file a brief in support of the LAFCo.

Los Angeles Unified School District v Garcia

669 F.3d 956 (9th Cir. Jan. 20, 2012)(10-55879)

Question Certified to the California Supreme Court (Mar. 28, 2012)(S199639)

The Ninth Circuit has certified the following question to the California Supreme Court: Does California Education Code § 56041 — which provides generally that for qualifying children ages eighteen to twenty-two, the school district where the child’s parent resides is responsible for providing special education services — apply to children who are incarcerated in county jails? The case involves a 21 year old who has received special education services since second grade. He continued to receive services while incarcerated in a juvenile detention facility, but services ceased when he turned 18 and was moved to an adult detention facility. He brought this action under the IDEA, alleging he is being denied a free and appropriate education. The Ninth Circuit noted no controlling precedent exists on this issue, and interpretation of this Education Code provision will control the outcome of the case. CSAC will file a brief explaining the funding structure for these services and arguing that the costs should not be borne by counties.

McDonough v. Superior Court (City of San Jose)

204 Cal.App.4th 1169 (6th Dist. Apr. 10, 2012)(H038126)

The San Jose City Council adopted a ballot question and title for a measure that would modify retirement benefits for current employees and retirees and establish a more limited retirement plan for future employees. Four current and retired city employees brought this challenge to the ballot question and title, which read: “PENSION REFORM: To protect essential services, including neighborhood police patrols, fire stations, libraries, community centers, streets and parks, shall the Charter be amended to reform retirement benefits of City employees and retirees by: increasing employees’ contributions, establishing a voluntary reduced pension plan for current employees, establish pension cost and benefit limitations for new employees, modify disability retirement procedures, temporarily suspend retiree COLAs during emergencies, require voter approval for increases in future pension benefits?” The Sixth District agreed with petitioners that the ballot title and question was not impartial and therefore violated Elections Code sections 10403 and 9051. CSAC will be requesting depublication.

Mission Springs Water District v. Verjil

Pending in the Fourth Appellate District, Division Two (filed Nov. 17, 2011)(E055176)

The Mission Springs Water District adopted a rate increase in compliance with Prop. 218. Rate payers filed an initiative petition to reduce the rates and impose a cap on future increases. The District sought declaratory relief, challenging the validity of the initiative. The initiative proponents filed a demurrer and a special motion to strike the district’s compliant under the anti-SLAPP statute, both of which were denied. The

initiative proponents have appealed the denial of the motion to strike. They claim the district had a mandatory duty to either adopt the initiative or call an election, and filing the declaratory relief action (rather than an expedited writ under the Elections Code) effectively withheld the initiative and constituted a SLAPP suite as arising from “protected activity” for purposes of the anti-SLAPP statute. CSAC will file a brief in support of the water district.

City of Riverside v. Inland Empire Patient’s Health and Wellness Center

Previously published at: 200 Cal.App.4th 885 (4th Dist. Div. 2 Nov. 9, 2011)(E052400), *petition for review granted* (Jan. 18, 2012)(S198638)

People v. G3 Holistic

Unpublished Opinion of the Fourth Appellate District, Division Two, 2012

Cal.App.Unpub.LEXIS 8634 (4th Dist. Div. 2 Nov. 9, 2011)(E051663), *petition for review granted* (Jan. 18, 2012)(S198395)

The California Supreme Court has granted review in these cases that will allow the Court to address whether state law preempts local ordinances governing medical marijuana dispensaries. The *Riverside* and *G3 Holistic* cases both upheld local ordinances banning medical marijuana dispensaries against claims of state law preemption. CSAC will file a brief urging the Court to find no preemption of local land use and nuisance regulations.

People v. Wildomar Patients Compassionate Group

Unpublished Opinion of the Fourth Appellate District, 2012 Cal.App.Unpub.LEIXS 2212 (4th Dist. Div. 2 Mar. 22, 2012)(E052728), *request for publication pending* (filed Apr. 23, 2012)(S201909)

The City of Wildomar’s zoning code expressly prohibited the operation of a dispensary within the city. Wildomar Patients Compassionate Group (WPCG) sought a writ of mandate challenging the ordinance. WPCG then opened its dispensary in violation of the city’s code, which prompted the city to bring an enforcement action against WPCG. The trial court granted the city’s motion for a preliminary injunction, finding the dispensary operation to be unlawful and a public nuisance. The court rejected WPCG’s arguments that the city’s express ban on dispensaries under the zoning code is preempted by federal and state law, and also violated equal protection rights under the California Constitution. WPCG appealed, but the Fourth District affirmed in an unpublished opinion: “The CUA and MMP do not expressly or impliedly preempt local prohibitions on MMDs. Moreover, nothing in the CUA or MMP suggests that cities are required to accommodate the use of medical marijuana and MMDs, by allowing them within every city. Nothing stated in the CUA and MMP precludes cities from enacting zoning ordinances banning MMDs within their jurisdictions. Zoning ordinances banning MMDs are not inconsistent with the CUA and MMP.” CSAC has filed to support publication of this opinion.

II. Amicus Cases Decided Since February

In addition to the new amicus cases already decided, which are discussed above, the following amicus case was decided since the Board's last meeting in February:

Avenida San Juan Partnership v. City of San Clemente

201 Cal.App.4th 1256 (4th Dist. Div. 3 Dec. 14, 2011)(G043479), *petition for review denied* (Mar. 24, 2012)(S199533)

Outcome: Negative

The City imposed an "RVL" or "residential, very low" set of land use restrictions on an undeveloped parcel in the middle of a residential tract otherwise zoned "Residential, Low (RL) Density Zone." The trial court concluded the restrictions amounted to spot zoning, which constituted a compensable taking. It gave the city the choice of lifting the RVL restriction or paying \$1.3 million in compensation. The Fourth District affirmed in part, concluding that the city's refusal to lift the imposition of the RVL restriction on this particular parcel was arbitrary and capricious, and constituted a taking under the *Penn Central* factors. But the court reversed the trial court's fair market value calculation, noting that the trial court must take into account the fact that the parcel still has some value even if the current land use restrictions remain in place. The city sought depublication and review, which CSAC supported, but both were denied.

Brown v. County of Los Angeles

203 Cal.App.4th 1529 (2d Dist. Mar. 1, 2012)(B229993)

Outcome: Positive

Plaintiff was employed as a Clinical Psychologist for Los Angeles County, a position that requires either a license to practice as a psychologist or a valid State-issued waiver from the license requirement. She was granted a five-year waiver, but during those five years, she failed the psychologist licensing exam and did not obtain the required license. She also filed several complaints alleging unsafe working conditions and a hostile work environment, among other things. When her waiver expired, she was removed from her responsibilities. The State denied her request for a wavier extension, and she was ultimately terminated for failing to meet the minimum standards for her position, though she was informed that she could apply for other positions that did not require a license. She brought this action alleging she was terminated in retaliation for her complaints. The county sought summary judgment. The court denied the motion, concluding that the plaintiff was licensed under Business and Professions Code section 2910 as a matter of law. Since the court would not permit the county to introduce any evidence about her failure to obtain a license, the county received an adverse jury verdict and appealed. The Second District reversed, concluding that plaintiff "did not come within the plain language of Business and Professions Code section 2910. The trial court erred as a matter of law by concluding that [plaintiff] was 'licensed' because she came within the exemption accorded by that statute and abused its discretion by excluding evidence that [plaintiff] failed to obtain a license." CSAC filed a brief in support of the county.

Citizens for Open and Public Participation v City of Montebello

Unpublished Opinion of the Second Appellate District, 2011 Cal.App.Unpub.LEXIS 9976 (2d Dist. Dec. 30, 2011)(B232700), *request for publication/petition for review denied* (Apr. 11, 2012)(S199867)

Outcome: Negative

The Second District recently issued an unpublished opinion involving the Brown Act's real property negotiations provision. In the decision, the court rejects the argument that the Brown Act's exemption for real property negotiations is strictly limited to price and terms of payment. Instead, the court concludes that a discussion of relocations costs, sales, and environmental issues can be construed as part of the price and terms of payment, such that discussion of those issues in closed session does not violate the Brown Act. On December 27, the Attorney General issued a related opinion that but does not go as far as the Second District's opinion. The AG would permit closed session of "items that are essential to arriving at the authorized price and payment terms, such that their public disclosure would be tantamount to revealing the information that the exception permits to be confidential." But the AG also made clear that a number of issues related to property negotiations are not proper for closed session discussion, including "the availability of easements on the subject property, or credit worthiness of the buyer or seller, or the financial condition of the local agency itself." Plaintiff sought Supreme Court review, and CSAC requested publication, but both were denied.

Filarsky v. Delia

--- U.S. ---, 132 S.Ct. 1657 (Apr. 17, 2012)(10-1018)

Outcome: Positive

Plaintiff, a firefighter, was placed off-duty for 12 shifts after he became ill following response to a toxic spill. Given a history of disciplinary problems, his supervisors believed he may not have been truthful about the extent of his injuries/illness, so the city hired a private investigation firm to conduct surveillance. The surveillance found evidence that plaintiff was undertaking a construction project at his home. He was ordered to appear at an internal affairs interview conducted by a private attorney, Filarsky, hired by the city to conduct the internal affairs investigation. During the interview, he would not consent to a warrantless search of his home to prove he hadn't undertaken certain construction activities, and when he declined he was ordered to allow inspection of construction materials at his home to confirm they had not been installed. Plaintiff brought this action alleging Fourth Amendment violations. The Ninth Circuit concluded plaintiff's right under the Fourth Amendment to be protected from a warrantless, unreasonable, compelled search of his home was violated. The city and its employees were granted qualified immunity because the right was not clearly established at the time of the constitutional violation, but Filarsky's request for qualified immunity was denied. The United States Supreme Court reversed on issue of qualified immunity for the private attorney, and concluded that a private individual temporarily retained by the government is entitled to seek qualified immunity from a § 1983 suit. CSAC filed a brief in support of the private attorney retained by the city in this matter.

Florence v. Board of Chosen Freeholders of the County of Burlington

--- U.S. ---, 132 S.Ct. 1510 (Apr. 2, 2012)(10-945)

Outcome: Positive

The Third Circuit Court of Appeals, in a 2-1 decision, upheld a policy of strip searching all detainees before they are transferred to the general population prison. The court noted there is a split in the circuits on the issue, but found that balancing the jail's security interests at the time of intake before arrestees enter the general population against the privacy interests of the inmates, the strip search procedures are reasonable. The United State Supreme Court granted certiorari and affirmed: "The question here is whether undoubted security imperatives involved in jail supervision override the assertion that some detainees must be exempt from the more invasive search procedures at issue absent reasonable suspicion of a concealed weapon or other contraband. The Court has held that deference must be given to the officials in charge of the jail unless there is 'substantial evidence' demonstrating their response to the situation is exaggerated. Block, 468 U. S., at 584-585 (internal quotation marks omitted). Petitioner has not met this standard, and the record provides full justifications for the procedures used, and will consider whether the Constitution permits the government to strip search every person admitted to a jail, even if there is no reasonable basis to suspect that the person has hidden weapons or contraband." CSAC filed a brief in support of Burlington County.

Jaramillo v. County of Orange

200 Cal.App.4th 811 (4th Dist., Div. 3 Nov. 8, 2011)(G043142), *petition for review/depublication denied* (Feb. 22, 2012)(S198559)

Outcome: Negative

When plaintiff, a former Assistant Sheriff, was hired, he signed waivers acknowledging that he was at-will, that he served at the pleasure of the Sheriff, and that he could be terminated without notice, cause, or right of appeal. Some years later, Orange County dismissed plaintiff on the basis that he was an at-will employee. He was not provided notice or hearing, or any POBR process. Some time after his termination, he pled no contest to a number of felony offenses involving tax fraud. The Assistant Sheriff brought this action, and the trial court found in his favor, awarding backpay from the date of his termination to the date of his fraud conviction. The county appealed, and the Fourth District affirmed. The court concluded: (1) having violated POBR by denying the required administrative hearing, the county could not rely on a subsequent conviction to void backpay owed; (2) Plaintiff was protected by the whistleblower statutes after complaining about egregious conduct of the Sheriff; and (3) the "waivers" signed by Plaintiff were blanket waivers that did not effectively waive his POBR rights under *County of Riverside v. Superior Court* (2002) 27 Cal.4th 793. As to this point, the court noted that "[i]f these waivers were enforced, the protections afforded high-ranking peace officers by POBRA could be easily circumvented." Further, the court noted that "[t]o make a high ranking peace officer an at will employee is, in effect and as happened here, to strip that officer of the rights to notice of discipline and an administrative hearing that are central to POBRA." CSAC filed letters in support of depublication and review, but both were denied.

Neighbors for Smart Rail v. Exposition Metro Line Construction Authority

204 Cal.App.4th 1480 (2d Dist. Apr. 17, 2012)(B232655)

Outcome: Positive

This case involves a planned expansion of high capacity transit service from West Los Angeles to Santa Monica. The EIR used a dynamic approach for its baseline, which considered the traffic and air quality changes that were likely to occur over time. This approach recognized that a “no project” analysis would not mean that conditions would stay the same, but that changes in traffic and air quality are expected without the project. Petitioner challenged the use of the dynamic baseline, arguing that under the recently decided *Sunnyvale West Neighborhood Assoc. v. City of Sunnyvale City Council* (2010) 190 Cal.App.4th 1351, a baseline as it might exist in the future cannot substitute for a comparison with current existing conditions. The Second District affirmed. The court specifically rejected the Sunnyvale ruling and held instead that use of projected future conditions as a baseline for analyzing environmental impacts is proper under certain circumstances. CSAC filed a brief in support of the Authority.

Salmon Protection and Watershed Network v. County of Marin

--- Cal.App.4th ---, 2012 Cal.App.LEXIS 458 (1st Dist. Apr. 20, 2012)(A133109), petition for rehearing denied (May 11, 2012)

Outcome: Positive

The county adopted its General Plan in 2007. Plaintiff had concerns with the plan, and the county attempted to resolve those issues through negotiations. Part of the negotiations included tolling the statute of limitations period for challenging the General Plan under CEQA. After several tolling periods and attempts to reach agreement, plaintiffs nevertheless filed this CEQA action challenging the General Plan. Two landowners who obtained development rights under the adopted General Plan, intervened. They argued that the county did not have the authority to toll the statute of limitations period for challenging the General Plan, and that Plaintiff’s action was therefore time-barred. Plaintiff and the county both filed demurrers to intervenors’ argument, which were granted without leave to amend. Intervenor appealed, and the First District affirmed, holding that a public agency and a party disputing the adequacy of an EIR prepared in connection with the adoption of a general plan amendment can effectively agree to toll the limitations period for filing a petition challenging the adequacy of the EIR. CSAC filed a brief in support of Marin County.

Calendar of Events

2012

January

- 5 CSAC Special Board of Directors Meeting, Sacramento County
- 19 CSAC Executive Committee Meeting, Sacramento County

February

- 1-3 CSAC Corporate Associates Retreat, Orange County
- 23 CSAC Board of Directors Meeting, Sacramento County

March

- 3-7 NACo Legislative Conference, Washington, D.C.

April

- 19 CSAC Executive Committee Meeting, Sacramento County
- 26-27 CSAC Finance Corporation Meeting, Monterey County

May

- 16-18 NACo Western Interstate Region Conference, Santa Fe County, New Mexico
- 30-31 CSAC Legislative Conference, Sacramento County
- 31 CSAC Board of Directors Meeting, Sacramento County

July

- 13-17 NACo Annual Meeting, Allegheny County (Pittsburgh), Pennsylvania

August

- 2 CSAC Executive Committee Meeting, Los Angeles County

September

- 6 CSAC Board of Directors Meeting, Sacramento County
- 13-14 CSAC Finance Corporation Meeting, San Diego County

October

- 3-5 CALAFCO Annual Conference, Monterey County
- 10-12 CSAC Executive Committee Retreat, Orange County
- 17-20 NACo National Council of County Association Executives Annual Fall Meeting

November

- 27-30 CSAC 118th Annual Meeting, Long Beach, Los Angeles County
- 29 CSAC Board of Directors Meeting, Long Beach, Los Angeles County

December

- 12-14 CSAC Officers Retreat, Napa County

2013

January

17 CSAC Executive Board Meeting, Sacramento County

February

21 CSAC Board of Directors Meeting, Sacramento County

March

2-6 NACo Legislative Conference, Washington, D.C.

April

18 CSAC Executive Committee Meeting, Los Angeles County

23-24 CalTRUST Meeting, Sonoma County

24-26 CSAC Finance Corporation Meeting, Sonoma County

May

22-24 NACo Western Interstate Region Conference, Flagstaff, Arizona

29-30 CSAC Legislative Conference, Sacramento County

30 CSAC Board of Directors Meeting, Sacramento County

July

19-23 NACo Annual Conference, Tarrant County, Ft. Worth, Texas

August

8 CSAC Executive Committee Meeting, Sacramento County

September

5 CSAC Board of Directors Meeting, Sacramento

10-13 CSAC Finance Corporation Fall Meeting

October

9 -11 CSAC Executive Committee Retreat, Site TBD

21-25 NACo National Council of County Association Executives Annual Fall Meeting

November

19-22 CSAC 119th Annual Meeting, San Jose, Santa Clara County

21 CSAC Board of Directors Meeting, San Jose, Santa Clara County

December

4-6 CSAC Officers Retreat, Napa County

2014

March

1-5 NACo Legislative Conference, Washington, D.C.

May

28-29 CSAC Legislative Conference, Sacramento County

July

11-15 NACo Annual Conference, New Orleans Parish, New Orleans, LA

November

18-21 CSAC 120th Annual Meeting, Anaheim, Orange County