AGENDA

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
Thursday, January 17, 2013, 10:00am - 1:30pm
CSAC Conference Center, Sacramento

Presiding: David Finigan, President

10:00am PROCEDURAL ITEMS
1. Introduction of New Executive Committee Members
   - President Finigan & Matt Cate, CSAC Executive Director

2. Roll Call
3. Approval of Minutes of October 12, 2012

10:15am SPECIAL PRESENTATION
4. Report on Governor’s Budget for 2013-14
   - Ana Matosantos, Director, State Department of Finance

10:45am DISCUSSION ITEM
5. Discussion of Budget Impacts on Counties
   - Matt Cate, CSAC Executive Director

handout

11:15am ACTION ITEMS
6. Appointment of CSAC Treasurer, NACo Board & WIR Representatives
   - President Finigan

7. Appointment of CSAC Policy Committee Chairs and Vice Chairs for 2013
   - President Finigan

8. Consideration of State and Federal Legislative Priorities for 2013
   - CSAC legislative staff

9. Nomination of Member to CSAC Finance Corporation Board
   - Matt Cate, CSAC Executive Director

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12:00pm LUNCH

1:00pm INFORMATION ITEMS
10. Update on CSAC Affiliates
   - Matt Cate, CSAC Executive Director

11. Follow-up Report on California Statewide Communities Development Auth.
   - Nancy Parrish, CSAC Finance Corp. Executive Director

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12. The following items are contained in your briefing materials for information,
    but no presentation is planned:
    - CSAC Corporate Associates Report
    - 2013 CSAC Calendar of Events

13. Other Items

14. Closed Session with Executive Director: update on personnel and legal issues

1:30pm ADJOURN

NOTE: There will be an orientation for new policy committee chairs & vice chairs
immediately following the Executive Committee meeting.
CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
2013

President: David Finigan, Del Norte
1st Vice President: John Gioia, Contra Costa
2nd Vice President: Efren Carrillo, Sonoma
Immed. Past President: Mike McGowan, Yolo

Urban Section
Keith Carson, Alameda
Federal Glover, Contra Costa
Don Knabe, Los Angeles
John Moorlach, Orange
John Tavaglione, Riverside
Kathy Long, Ventura
Greg Cox, San Diego (alternate)

Suburban Section
Susan Adams, Marin
Henry Perea, Fresno
Bruce Gibson, San Luis Obispo
Vito Chiesa, Stanislaus (alternate)

Rural Section
Kim Dolbow Vann, Colusa
Robert Williams, Tehama
Louis Boitano, Amador (alternate)

Advisors
Bill Goodwin, CAOAC Advisor, Tehama
Charles McKee, County Counsel Advisor, Monterey
CALIFORNIA STATE ASSOCIATION OF CALIFORNIA
EXECUTIVE COMMITTEE

October 12, 2012
Balboa Bay Club, Newport Beach, Orange County, CA

M I N U T E S

Presiding: Mike McGowan, President

1. ROLL CALL
   Mike McGowan, President                        Valerie Brown, Sonoma
   David Finigan, 1st Vice President               Joni Gray, Santa Barbara
   John Gioia, 2nd Vice President                  Henry Perea, Fresno
   John Tavaglione, Immed. Past Pres.              Bruce Gibson, San Luis Obispo, alternate
   Federal Glover, Contra Costa                     John Viegas, Glenn
   John Moorlach, Orange                           Terry Woodrow, Alpine
   Liz Kniss, Santa Clara                           Susan Cash, Inyo, alternate
   Kathy Long, Ventura                              Charles McKee, advisor
   Greg Cox, San Diego, alternate

2. APPROVAL OF MINUTES
   The minutes of August 2, 2012 were approved as previously mailed.

3. UPDATE ON CSAC FINANCE CORPORATION PROGRAMS
   Mark Saladino, President of the CSAC Finance Corporation and Los Angeles
   County Treasurer-Tax Collector, presented a status report on Finance Corporation
   programs.

   A discussion ensued regarding California Statewide Communities Development
   Authority (CSCDA), which is a joint powers authority between CSAC and the
   League of California Cities. Its mission is to provide local governments and private
   entities access to low-cost, tax-exempt financing for projects that provide a tangible
   public benefit. Recently the California State Auditor conducted an audit of CSCDA,
   as requested by the Joint Legislative Audit Committee. One of the key findings was
   that CSCDA relies wholly upon a private consulting firm to act as staff whose duties
   involve reviewing and making recommendations regarding bond issuances. The
   firm received a percentage of fees associated with each conduit revenue bond
   issued by the JPA, thereby raising concerns under the State's conflict-of-interest
   laws. CSCDA has been using the same consulting firm, HB Capital, since its
   inception.

   Staff was directed to request that CSCDA ask HB Capital to make public its
   employee compensation data pertaining to work performed for CSCDA. In addition,
   President McGowan directed the Executive Committee's legal advisor to draft a
   letter to the Attorney General requesting an opinion regarding whether the fee
   payments to HB Capital are consistent with current statutory provisions.

   CSAC, through the National Association of Counties (NACo), sponsors a Deferred
   Compensation Program which is offered to county employees by Nationwide
   Retirement Solutions (NRS). Due to recent changes in federal law, the structure of
   the program has changed to only include Section 457 plans, which means a
revenue loss to CSAC in fees paid through the program. The CSAC Finance Corporation has formed a Deferred Compensation Task Force to look into this issue and develop recommendations.

Staff reported that the Coast 2 Coast discount drug program is currently generating about $17,000 per month in revenues. The Finance Corporation is looking into offering new programs in the areas of retiree health, on-site medical clinics for county employees, and solar.

4. Distinguished Service and President Awards
Staff recommended that Jacob Appelsmith, Senior Advisor to the Governor, receive the 2012 CSAC Distinguished Service award for his work regarding tribal gaming. This award is given to persons who have made the greatest contribution to the improvement of government in California, particularly as it relates to county government.

It was suggested that this year’s Distinguished Service Award be given to Supervisor Valerie Brown.

Motion and second to select Supervisor Valerie Brown as the recipient of the 2012 CSAC Distinguished Service Award. Motion carried unanimously.

President McGowan did not announce the recipient of this year’s President’s Award.

5. Circle of Service Award Nominees
Staff recommended the following list of nominees to receive the 2012 Circle of Service Award, which was created to recognize county officials, department directors, and other CSAC members whose service to CSAC and counties sets them apart. They are:

- Patrick Blacklock, Yolo County Administrative Officer
- Veronica Ferguson, Sonoma County Administrative Officer
- Walt Ekard, San Diego County Chief Administrative Officer
- Susan Adams, Marin County Supervisor
- Tim Snellings, Butte County Department of Development Services
- Jennifer Henning, County Counsels Assoc. Executive Director
- William McClure, Los Angeles County Retiree
- Mike Penrose, Sacramento County Director of Transportation
- Howard Dashiel, Mendocino County Director of Transportation
- Jeanette Ishii, Premier Corporate Partner, PG&E

It was suggested that Supervisors Susan Cash and Liz Kniss be added to the list of recipients as well as Steve Keil, CSAC’s Interim Executive Director. In addition, it was suggested that Jeanette Ishii be removed from the list of nominees.

Motion and second to approve the list of Circle of Service Award nominees with the addition of Supervisor Cash, Supervisor Kniss and Steve Keil, and the removal of Jeanette Ishii. Motion carried unanimously.

6. Audited Financial Statements for FY 2011-12
Staff presented the CSAC Audited Financial Statements for FY 2011-12 as contained in the briefing materials. The auditor’s report noted that, effective July 1, 2011, CSAC implemented a supplemental defined benefit pension plan covering...
one employee – the former Executive Director, Paul McIntosh. The plan provides an annual accrued benefit of $10,000 for life with survivorship benefits. This plan is subject to approval by the IRS. A determination letter has been requested from the IRS, but has not yet been received.

Concerns were expressed regarding implementation of this plan and action was requested to ensure no other CSAC employees are able to utilize the supplemental defined benefit pension plan.

Motion and second to direct that no other CSAC employees be added to the newly-created supplemental defined benefit pension plan without specific Executive Committee approval. Motion carried unanimously.

Motion and second to receive the audited financial statements for FY 2011-12 as presented. Motion carried unanimously.

7. Request to Form a CSAC Latino Caucus
A request was made by Sacramento County Supervisor Phil Serna to establish a CSAC Latino Caucus. The purpose would be to: identify issues and concerns important to counties' Latino populations and develop solutions, including legislative intervention; promote diversity and inclusiveness in governmental decision-making processes; nurture leadership development with and among groups that reflect California's changing demographics; and be a resource to CSAC and its members in such areas as policy development, implementation and service delivery. The proposal also includes a provision that each member must pay dues to the organization.

A discussion ensued regarding the type of model that could be used to form the organization, such as a regional association or affiliate. Concerns were expressed about using the CSAC name since the Latino Caucus would have its own dues structure.

Motion and second to forward the proposal to the CSAC Board of Directors for consideration with the recommendation that CSAC's name not be used. Motion carried (1 'no' vote).

Staff was directed to meet with Supervisor Serna and report Executive Committee action as well as clarify his proposal.

8. CSAC Achievement Report for 2012
Staff presented the 2012 CSAC Achievement Report as contained in the briefing materials. The report outlines the efforts of CSAC staff over the past year in legislative and administrative areas, as well as challenges facing the organization in the near future.

The need to develop a legislative action plan was discussed, especially as it relates to post-Proposition 30. CSAC Officers and staff will develop a draft plan to present to the Executive Committee and Board of Directors.

Meeting adjourned.
January 3, 2013

TO: Members, CSAC Executive Committee

FROM: Matt Cate, Executive Director

SUBJECT: Appointment of CSAC Treasurer, NACo Board of Directors and Western Interstate Region (WIR) Representatives

Each year, CSAC appoints a Treasurer, two members to the National Association of Counties (NACo) Board of Directors and two members to the NACo Western Interstate Region (WIR) Board of Directors.

Following are Officer recommendations for 2013:

CSAC Treasurer
The Officers would like to recommend that Terry Woodrow of Alpine County be re-appointed CSAC Treasurer for 2013. Supervisor Woodrow has indicated her willingness to serve.

NACo Board of Directors
Your current representatives are Liz Kniss of Santa Clara County, and Keith Carson, Alameda County. Since Liz Kniss is no longer a county supervisor, the Officers are recommending that Efren Carrillo of Sonoma County be selected to replace her and that Keith Carson remains on the Board for 2013.

NACo WIR
Del Norte County Supervisor David Finigan currently serves as CSAC representative. The Officers are recommending that he continue to serve during 2013.

Nine years ago, California was provided an opportunity to appoint a second director to the WIR Board. CSAC and the Regional Council of Rural Counties (RCRC) agreed to appoint one each, with the appointing organization paying costs related to its appointee. Brian Dahle of Lassen County currently serves as the RCRC representative. Since he is no longer a county supervisor, RCRC would like to appoint Supervisor Kevin Cann from Mariposa to serve in 2013.
CSAC POLICY COMMITTEE
CHAIRS AND VICE CHAIRS
2013

(as nominated by CSAC Officers)

ADMINISTRATION OF JUSTICE
   Federal Glover, Contra Costa, Chair
   John Viegas, Glenn, Vice Chair

AGRICULTURE AND NATURAL RESOURCES
   Kimberly Dolbow Vann, Colusa, Chair
   Linda Seifert, Solano, Vice Chair

GOVERNMENT FINANCE & OPERATIONS
   Bruce Gibson, San Luis Obispo, Chair
   Bruce McPherson, Santa Cruz, Vice Chair

HEALTH & HUMAN SERVICES
   Kathy Long, Ventura, Chair
   Ken Yeager, Santa Clara, Vice Chair

HOUSING, LAND USE AND TRANSPORTATION
   Phil Serna, Sacramento, Chair
   John Benoit, Riverside, Vice Chair
The November election marked a significant milestone for California counties. With the passage of Proposition 30, counties have achieved constitutional guarantees for the funding that supports 2011 realignment and secured safeguards against future program expansion without accompanying resources. With these provisions in place, counties can continue to thoughtfully and responsibly implement the array of programs transferred under 2011 realignment, confident that funding is secure and programmatic responsibilities defined.

In addition, electoral reforms are beginning to make their mark on the California Legislature. On December 3, 2012, 38 new members of the Legislature will be sworn in. They will join an Assembly and Senate that composed of a supermajority of Democratic members, who will now have the ability to approve tax increases, place measures on the ballot, and override gubernatorial vetoes without Republican votes. It is difficult to predict the practical effect of this historic change; however, it is clear that a strategic approach to education and advocacy is necessary.

The 2013 CSAC State Legislative Priorities reflect on ongoing commitment to successful implementation of 2011 realignment and a focused effort on health reform implementation, in addition to a diverse array of key county priorities.

- 2011 Realignment
- Health Reform Implementation
- Governor’s Proposed Budget
- Vote Thresholds for Locally-Approved Taxes
- Redevelopment Dissolution/Resurrection
- Property Tax Allocation
- State Transportation Funding
- MAP 21
- Regulatory/CEQA Reform
- Cap & Trade
- Flood Management/Land Use
- Water Board Rulemakings/Policies
- Solid Waste Conversion Technologies
- Delta Solutions

*Note that state legislative priorities are established at the start of the legislative year. This document evolves as counties face emerging issues throughout the year.
2011 Realignment
In 2013, CSAC will work across disciplines to build county capacity and maximize opportunities for successful and sustained implementation of 2011 Realignment. Counties have worked diligently to implement the broad array of programs transferred to county jurisdiction under the 2011 Public Safety Realignment, but work remains to ensure counties are best positioned to fully achieve the objectives of this historic and far-reaching change. Primary focus will be given to safeguarding local ability to innovate and protect programmatic flexibility, developing and delivering training and education programs that support capacity building, identifying appropriate measures to communicate outcomes and to design longer-term allocation methodologies, as well as advocating for legislative changes to address technical and structural implementation impediments. In the broadest sense, CSAC will engage at all levels to support counties’ efforts to manage the new programs and populations over the long term.

Specifically, CSAC will expects to be actively engaged in the implementation of 2011 realignment with the Administration and Legislature, including the appropriate distribution of AB 109 growth funds particularly to address higher-than-projected caseload impacts and county-by-county allocation of growth amounts to the health and human services subaccounts. We anticipate that there will be legislative efforts to reopen the AB 109 allocation formulas through 2013-14, an effort CSAC would oppose, as well as the potential for exploring the future role and composition of the Community Corrections Partnership (CCPs). Further, CSAC will partner with counties, the Legislature, and Administration to identify state policy changes that will allow for greater administrative and program flexibility for health and human services programs.

Health Reform Implementation
California counties will be deeply involved in health reform implementation in 2013. Counties are key partners to the State in promoting the success of federal health reform: counties are providers, operating hospitals, health systems and clinics; counties administer eligibility systems that enroll people in public programs; and counties provide and fund Medi-Cal mental health and substance use disorder treatment services. As part of the health reform implementation discussions, the Administration is expected to propose a Phase Two Realignment involving the redirection or diversion of county health funds from 1991 Realignment to fund other state obligations. Additionally, California has a number of important policy decisions to make, including setting eligibility criteria and benefit levels for the Medicaid expansion, whether to create a Basic Health Plan, and whether to streamline or change existing programs and services. CSAC staff will be focused on ensuring that counties are a strong voice in upcoming fiscal and policy discussions about health reform implementation.

Governor Brown announced his intention to call a Special Session of the Legislature on Health Reform in January to address outstanding health policy implementation issues. The Governor must issue a proclamation, which will determine the scope of issues to be addressed. Chief among the outstanding health issues is whether California will expand Medicaid coverage to adults and to what income level. The discussion of the Medicaid expansion will be a big issue for counties. Many of the indigent adults that counties are currently obligated to provide health services (Welfare and Institutions Code Section 17000) will be eligible for the Medicaid
expansion. Counties will be in a difficult position – we won’t know implementing rules or have actual experience about who gets insurance and how quickly, but will be asked to contemplate a fiscal transaction with the state.

Other State Priorities

Governor’s Proposed Budget
CSAC will employ short- and long-term approaches to the proposals in the Governor’s 2013-14 Proposed Budget, ensuring that county interests are protected during discussions of state budget reductions or restorations.

Vote Thresholds for Locally-Approved Taxes
CSAC has long-supported greater revenue raising authority at the local level and will support legislative constitutional amendments to reduce vote thresholds for local taxes. A number of legislators have expressed significant interest in reducing voter approval requirements for a variety of specific purposes; as such a change requires a constitutional amendment, the challenge ahead is to determine the approach that has the best chance for voter support.

Redevelopment Dissolution/Resurrection
Counties remain critical players in the ongoing dissolution of community redevelopment agencies. CSAC is committed to assisting counties in their multiple roles as successor agency, oversight board participants, and tax administrators to ensure consistent and timely communication and coordination among the county, local stakeholders, and the state.

Legislators continue to have a strong interest in developing a new tool for local economic development. CSAC will work to ensure any new local economic development authority is available to counties and protects county revenues.

Property Tax Allocation
CSAC has identified a number of counties in which there are a variety of property tax allocation issues that limit the counties’ ability to obtain reimbursement for state revenue exchanges. CSAC will work with these counties, the Legislature, and the Administration to seek long-term solutions that ensure counties receive full funding for agreed-upon state revenue exchanges.

State Transportation Funding
Transportation stakeholders are finalizing funding recommendations targeted at the Legislature in order to address the significant funding shortfalls (nearly $300 billion over the next decade) identified in the recently released California Statewide Transportation Needs Assessment. Polling is expected to take place in December to measure public support for various revenue options. There is a sense of urgency to generate new revenues for transportation as when California’s Cap and Trade program applies to the production of fuels beginning no later than 2015, auction revenues will increase the price of gasoline, which is the primary funding source that both the state and local systems have historically depended on for preservation and capital improvements. Based on CSAC Board action we have policy to support
new revenues for transportation purposes, but we must remain engaged in developing specific legislative proposals that will determine allocations between the state, regions, counties, cities and transit agencies.

In addition, with the passage of Proposition 30 transportation stakeholders intend to seek a sunset on the $128 million annual HUTA (Highway Users Tax Account) funds that were diverted for General Fund purposes in 2012. This revenue was intended to fund the state and local systems in return for providing close to $1 billion in truck weight fees for General Fund relief during negotiations on the Transportation Tax Swap in 2011.

MAP 21
The Administration and Legislative leadership and policy staff are both drafting different legislative proposals that will dictate how federal transportation taxes are allocated into the future. CSAC's primary goal is to ensure funding for safety and preservation on the local system, including local bridges. Moving Ahead for Progress in the 21st Century Act (MAP 21) represents the first major programmatic overhaul to federal transportation funding in two decades. The consolidation of core federal transportation programs and an increased focus on performance measurement means that California needs to determine how federal funds will be allocated within the state and with what, if any, additional state requirements will be attached to the federal funds. CSAC is working with a broad group of stakeholders to flesh out state implementing legislation.

Regulatory/CEQA Reform
Governor Brown and members of the legislature considered to be moderates have expressed an interest in California Environmental Quality Act (CEQA) reform to streamline projects and promote job creation. In response, Senator Steinberg has created a working group comprised of experienced CEQA attorneys and efforts are underway to outline potential legislative proposals. While CEQA/regulatory streamlining remains a CSAC goal with respect to the delivery of public works and other critical projects associated with county service delivery, we do not have specific policy associated with private sector interests. Staff has commitments from senior senate staff and representatives on the working group to ensure we are kept apprised of these ongoing efforts.

Cap & Trade – Secure Funding for Local Government Programs
The first allocation of Cap and Trade funds will be decided in the 2013-14 state budget. CSAC staff will work with a number of partners through several different coalitions to secure a portion of these revenues for local governments for a variety of different purposes, including planning, transportation, energy efficiency and other greenhouse gas emissions reductions activities. CSAC is a member of a coalition of transportation stakeholders seeking to ensure that the portion of cap and trade auction revenues associated with fuel production is dedicated for
transportation purposes. In addition, CSAC will remain engaged in the OEHHA (Office of Environmental Health Hazard Assessment) process to develop an Environmental Health Screening Tool given the potential impact on the allocation of Cap and Trade revenues for disadvantaged communities.

**SB 5 Clean-Up (Flood Management/Land Use) — Seek Statutory Changes to Address Outstanding Issues**

SB 5 (Machado, Chapter 364, Statutes of 2007) requires cities and counties to comprehensively address flood management and flood risk issues within local planning documents and to demonstrate a 200-year level of flood protection when approving certain types of development. Additional statutory changes are needed to address outstanding implementation issues regarding the application of SB 5 to all discretionary projects and infill development.

Resolution of the two outstanding issues will necessitate additional discussions between staff from the Department of Water Resources (DWR) and the Senate Natural Resources and Water Committee, the environmental community and local government representatives. A legislative solution will have to be brokered that provides assurances to DWR, Senate staff, and the environmental community that “loopholes” to the 200-year level of flood protection are not created.

**Water Board Rulemakings/Policies — Support Revisions that Result in Cost-Effective, Implementable and Non-Prescriptive State Standards**

State Water Resources Control Board Permit (Water Board) permit revisions remain a concern, including the Municipal Separate Storm Water System (MS4) Permit and the Industrial Storm Water General Permit. Given the significant cost implications to counties, it is imperative that CSAC continue to support revisions that reduce the risk of litigation and result in cost-effective and implementable permits. It is also imperative that the Stormwater Permits include “revised” Receiving Water Limitations (RWL) language consistent with the specific goals outlined in CSAC’s comment letter to the Water Board.

Achieving success in the rulemaking process will involve continued partnership with other local government stakeholders and the private sector. Engaging our members will be especially important to demonstrate the practical implications of proposed rulemakings on valuable public projects.

**Solid Waste — Advancing Waste to Energy Policies and Alternatives to Landfills**

CSAC is advocating for the advancement of solid waste conversion technologies (CT) in California in order to establish a clear regulatory path by allowing for renewable energy and solid waste diversion credits for CT technologies. In the next legislative session, we anticipate a legislative/regulatory proposal moving forward that would change statutory definitions related to conversion technology and address the associated renewable energy and disposal credits for CT. Staff is actively engaged in the support and development of these proposals and is working in close coordination with the County Engineers Association of California. Given the longstanding environmental opposition to CT, CSAC will need to engage in a significant outreach and education component if any proposal is to be successful.
Delta Solutions – Represent County Interests in the Development of the Delta Plan and any Conveyance Options

CSAC’s existing policy recognizes the Delta as a critical region of statewide importance encompassing vital water, transportation, energy, agriculture and economic interests. As the Delta Plan is finalized and discussions continue regarding conveyance options, CSAC will advocate for assurances that guarantee significant county involvement in the project development process, including discussions regarding funding, and support actions that ensure mitigation of proposed project impacts.
CSAC 2013 Federal Advocacy Priorities

DRAFT

CSAC's contract for federal affairs services with Waterman and Associates provides for a nine-issue agenda. CSAC staff, in consultation with Waterman and Associates, developed the following list of federal issues of significance to California's counties. These nine issues will represent the association's top lobbying priorities for 2013, with CSAC staff and Waterman and Associates working together to identify other emerging topics that may necessitate action throughout the year.

Clean Water Act Section 404 Permitting
Promote legislation that would provide a permitting exemption for maintenance removal of sediment, debris, and vegetation from flood control channels and basins. The bill (HR 2427), which CSAC helped to develop and build support for in the current legislative session, would need to be reintroduced in the new 113th Congress.

Native American Affairs/fee-to-trust Reform
Continue to oppose congressional efforts aimed at approving so-called Carcieri "fix" legislation, which would restore the Secretary of the Interior's authority to take land into trust for all tribes absent concomitant reforms in the Indian fee-to-trust process. Continue to advocate for CSAC's comprehensive fee-to-trust package.

Pension Tier Changes – Conflict with IRS Requirements
The rising cost of public employee pension plans is a growing concern for California's counties. A number of counties have proposed their own local solutions, such as allowing current employees to elect lower pension benefits with lower retirement contributions, but Internal Revenue Service (IRS) rules are an obstacle to these reforms. Under a 2006 IRS ruling, allowing current county employees to elect lower pension benefits may force all county employees to have to pay taxes on their retirement deductions – whether they switch plans or not.

CSAC supports legislation that would revise the IRS ruling so that local governments can propose and implement their own local plans, without severe consequences. Such a bill (HR 2934) was introduced by Representative Loretta Sanchez (D-CA) in the 112th Congress, and may be reintroduced in 2013.

Property Assessed Clean Energy Program
CSAC supports legislative and administrative remedies that would help restart stalled PACE programs. The Federal Housing Finance Agency (FHFA) issued a directive in 2010 that effectively shut down PACE programs in California and across the country. FHFA was later ordered to proceed through a formal rulemaking process on its PACE directive.
Bipartisan legislation (HR 2599) that would prevent FHFA from adopting policies that contravene established state and local PACE laws will likely be reintroduced in 2013.

Remote Sales Tax Legislation
CSAC supports federal legislation that would authorize state and local governments to require tax collection and remittance by remote sellers. While there will be efforts in the upcoming lame-duck session of Congress to approve a compromise remote sales tax bill, those efforts may fall short, meaning the issue will resurface in 2013.

Under current law, online retailers are exempt from collecting sales taxes in states where they have no physical presence, or "nexus." In these situations, the consumer is responsible for calculating the use tax and remitting the payment to the relevant jurisdictions, but compliance is low. As online sales continue to grow, local governments are losing billions of dollars in uncollected sales tax revenue.

Secure Rural Schools Act Reauthorization
Continue to advocate for a multi-year reauthorization of the SRS program. In the absence of a long-term renewal, CSAC would support a short-term extension of the Act.

The SRS program was extended for one-year (through fiscal year 2012) as part of the recently enacted surface transportation legislation (MAP-21). Unless the program is reauthorized, final payments will be distributed to eligible jurisdictions between November 2012 and January 2013.

State Criminal Alien Assistance Program
Continue to lead and advocate for the highest possible funding level for the SCAAP program, which is a key source of federal funding for 50 of California's counties. Additionally, continue to advocate for a long-term reauthorization of SCAAP. Finally, oppose the expected reissuance of the U.S. Department of Justice's policy change aimed at eliminating SCAAP payments to jurisdictions for the costs of incarcerating inmates whose immigration statuses are "unknown."

Temporary Assistance for Needy Families Reauthorization
Promote TANF reauthorization legislation in the 113th Congress that would restore state and county flexibility to tailor work and family stabilization activities to families' individual needs. CSAC also supports maintaining the focus on work activities under TANF, while recognizing that "work first" does not mean "work only."

U.S. Army Corps of Engineers' Levee Vegetation Removal Policy
Continue to oppose the Corps' levee vegetation removal policy, which generally requires local flood control agencies to remove woody vegetation from levees in order to allow for easier inspections and to reduce any potential weakening of levees from root growth and overturned trees.

Opportunities to oppose the Corps' policy exist in both the regulatory and legislative arenas. With regard to the latter, the current Congress will likely leave unfinished a
Water Resources Development Act (WRDA) reauthorization bill, meaning the new 113th Congress will consider the measure in 2013. The WRDA legislation is a potential vehicle for language that would require the Corps to undertake a comprehensive review of its levee vegetation standards.

**CSAC Internal Monitoring**

*In addition, CSAC will continue to provide internal monitoring on a number of issues that are of significance to California’s counties.*

**Byrne Grant Funding**
The fiscal year 2012 budget provides $470 million for the Byrne Memorial Justice Assistance Grant (JAG) program. CSAC strongly supports prioritizing Byrne funding in the annual appropriations process and will continue to work collaboratively with our congressional delegation and others to secure and promote increased funding for the program and the positive local outcomes it helps achieve.

**Child Welfare Financing Reform**
As part of TANF reauthorization, Congress may consider legislation to reform the child welfare financing system, as well as provide additional resources to stabilize families and train and retain child welfare staff. CSAC supports additional programmatic flexibility, along with an updated foster care payment methodology.

**Clean Air Act**
The Clean Air Act provides general authority for the Environmental Protection Agency (EPA) to adopt and enforce its “exceptional events” regulations but fails to give EPA sufficient direction regarding the application of those regulations. The exceptional events regulations are based upon specific Clean Air Act provisions aimed at providing important and real protections for states substantially impacted by natural and foreign dust emissions beyond their control. Unfortunately, when EPA fails to recognize the presence of such events, particulate matter (PM) standards are very likely exceeded and the affected county is subject to punitive consequences. EPA is currently in the process of reviewing the underlying science on particulate matter and determining whether to change the PM standards. CSAC will monitor this process and actions by Congress to prevent the imposition of sanctions on the affected jurisdictions and to address EPA’s application of the Clean Air Act’s exceptional event provisions.

**Community Development Block Grant**
The fiscal year 2012 budget includes $2.95 billion for the Community Development Block Grant (CDBG) program. The current level of funding is close to a $400 million reduction from fiscal year 2011.

CDBG, as well as many other discretionary spending programs, sustained cuts in the fiscal year 2012 budget as a result of the continued focus on deficit reduction. CSAC, along with other county and city government partners, are calling on Congress to restore funding for the CDBG program to allow localities to continue to provide a wide
variety of economic and community development activities, such as home rehabilitation loans, public works and infrastructure projects, and various youth-related services.

**Cooperative Endangered Species Conservation Fund**
CSAC supports increased funding for the U.S. Fish and Wildlife Service’s Cooperative Endangered Species Conservation Fund (CESCF). The CESCF is currently funded at $47 million in fiscal year 2012, a cut of roughly $12 million from the previous fiscal year, and down nearly 50 percent from fiscal year 2010 levels. Funding should be restored to help provide much needed support to regional Habitat Conservation Plans (HCPs) in California and nationally.

**Digital Goods and Service Tax Fairness Act**
Oppose legislation that would prohibit state and local governments from imposing taxes on digital goods and services that are taxable under current law. Legislation (HR 1860) currently pending in Congress could be reintroduced in the new year.

**Eliminate Inmate Exception**
Work to eliminate the federal health benefits "inmate exception" for persons in county jails and detention centers who are in custody pending disposition of charges. Counties are prohibited from billing federal programs for the health services provided to jail inmates prior to adjudication.

**Farm Bill Reauthorization**
CSAC supports congressional efforts to reauthorize the federal Farm Bill, including provisions affecting the Supplemental Nutrition Assistance Program (SNAP), rural development programs, and renewable energy development. The current Farm Bill, which provides subsidies and other aid to farmers nationwide, expired on September 30, 2012. Most programs authorized by the Act will continue to be funded through March 27, 2013 as part of the current Continuing Resolution (PL 112-175).

**Federal Geothermal Royalties**
The Geothermal Steam Act of 1970 specifies a formula for the distribution of geothermal revenues to federal, state, and county governments. Under the formula, the federal government retains 25 percent of the revenue, the States receive 50 percent, and county governments receive 25 percent. Several recent attempts have been made to permanently repeal the sharing of geothermal revenues with counties. Given the importance of these revenues to the affected counties, CSAC opposes any legislation that would discontinue geothermal royalty payments to county governments.

**MAP 21 Reauthorization**
CSAC will continue to monitor implementation of MAP-21 at both the state and federal levels. Additionally, although MAP-21 does not expire until September 30, 2014, CSAC will monitor any congressional hearings in 2013 relative to transportation reauthorization.

**Medical and Long-Term Care Premiums**
In the Pension Protection Act of 2006, Congress granted specified public safety officers the ability to use up to $3000 per year of tax free dollars from their qualified retirement plans to pay for medical and long term care premiums. Extension of this benefit to all retirees who participate in a qualified retirement plan could encourage people to save more while lessening the burden on government budgets to cover rising health care costs. CSAC supports federal legislation to extend to all retirees the option to use tax free distribution from qualified retirement plans to pay for medical and long-term care premiums.

National Flood Insurance Program (NFIP)
Support the creation of a new agricultural flood hazard area under the National Flood Insurance Program (NFIP). Specifically, 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 still 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.

National Health Care Reform
The landmark Patient Protection and Affordable Care Act requires states to implement many of its major provisions by 2014. California’s counties will play a key role in the implementation of the law over the next two years and must monitor and participate in the rulemaking and regulatory process at the federal level to help achieve a workable framework to provide health care to all Californians.

Payments-in-lieu-of-Taxes
Pursuant to PL 110-343, all counties received 100 percent of authorized Payments-in-lieu-of-Taxes (PILT) payments in fiscal years 2008 through 2012. Prior to fiscal year 2008, PILT payments were subject to the annual appropriations process. As part of MAP-21, Congress approved an additional one-year extension (through fiscal year 2013) of PILT.

CSAC will support efforts to convert the temporary mandatory spending into a permanent feature of the PILT program.

State’s Water Crisis
California’s political leaders and various state and local water interests continue to pressure California’s congressional delegation and the Obama administration to address the state’s chronic water shortage. A wide range of proposals are being discussed that would address water transfers, endangered species laws, water quality and California Bay-Delta protections, to name a few. CSAC will monitor these proposals to ensure consistency with the organization’s comprehensive policy direction on water.
Transient Occupancy Tax
CSAC will work to ensure counties' continued authority to assess and collect transient occupancy taxes on the full rate paid by the consumer for all appropriate transient lodging, regardless of whether the consumer pays through a hotel or any other vendor.

Waters of the U.S.
In 2011, the Obama administration announced that it was updating draft guidance on the scope of waters that would be regulated under the Clean Water Act (CWA). According to EPA, the number of waters identified as protected by the CWA under the revised "Waters of the U.S." guidance will increase compared to current practice. The expansion of federal jurisdictional authority over state and local waters has elicited concern from state and local resource agencies, as well as federal lawmakers.

CSAC, joined by other key state and local stakeholders, have provided substantive comments to EPA and the Army Corps of Engineers regarding the draft guidance. In 2012, EPA and the Corps submitted final guidance to the Office of Management and Budget for federal interagency review. At the same time, congressional efforts to block EPA's administrative actions are expected to continue.

Workforce Investment Act Reauthorization
The Workforce Investment Act (WIA) expired in 2003 and has been the subject of a number of congressional hearings in recent years. While several WIA reauthorization measures have been introduced in Congress, none of the bills have gained sufficient bipartisan traction. Looking ahead, House Majority Leader Eric Cantor (R-VA) has made job-training legislation a priority, increasing the likelihood that the 113th Congress will act on a WIA reauthorization bill.

2-1-1 Statewide
CSAC has actively supported both state and federal legislation to help build and fund a statewide 2-1-1 referral system. 2-1-1 is a free, easy-to-remember telephone number that connects people to essential community information and services. In 2009, over 1.6 million Californians called 2-1-1 to find needed community services such as rent and mortgage assistance, food and shelter, health care, job training, transportation, child care, and senior care. 2-1-1 also plays an informational role during emergencies and disasters and relieves pressure on the 9-1-1 system at these critical times. The value of this service was evident during the 2007 San Diego wildfires when 2-1-1 call centers provided information and support to more than 130,000 callers in five days.

Currently, just 27 of California's 58 counties have 2-1-1 service covering 92 percent of the population. CSAC will continue to work at both the state and federal levels to promote the need for a comprehensive statewide 2-1-1 system.
January 17, 2013

To:          CSAC Executive Committee

From:        Nancy Parrish, Executive Director, CSAC Finance Corporation

RE:          CSAC Finance Corporation Board Vacancy

The CSAC Finance Corporation Board of Directors is comprised of 10 members each of whom fill a specific seat as defined by our bylaws:

The existing Board of Directors shall elect successor Directors each year at their annual meeting to serve for one year terms or, if longer, until their respective successor is elected. One Director shall be the Executive Director of CSAC. Two Directors shall be California County Administrative Officers. Two Directors shall be California residents selected from the public at large. One Director shall be an elected County Supervisor. **One Director shall be an elected County Supervisor who shall be nominated by the CSAC Executive Committee.** One Director shall be a County Treasurer or Chief Financial Officer. One Director shall be a County Auditor/Controller or Chief Financial Officer. One Director shall represent a city, special district, or council of governments or shall be a retired county employee.

The elected County Supervisor position that is nominated by the CSAC Executive Committee is currently vacant and the CSAC Finance Corporation Board requests that you nominate a candidate to fill that seat.
CSAC Finance Corporation
2013 Board of Directors

OFFICERS

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Treasurer/Tax Collector
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CSAC Finance Corporation
2013 Board of Directors

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State Association of County Retirement Systems
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Web site: www.ceaccoundies.org
January 17, 2013

To: CSAC Executive Committee

From: Nancy Parrish, Executive Director, CSAC Finance Corporation

RE: Follow Up to CSCDA Report

At the last meeting of the CSAC Executive Committee, the Committee requested additional follow up information regarding California Statewide Communities Development Authority (CSCDA). Please see attached.
October 25, 2012

The Honorable Mike McGowan
President, CSAC
Supervisor, Yolo County
625 Court Street, Room 204
Woodland, CA 95695

President McGowan:

We are writing to express concerns we have about some of the comments made and actions proposed during the recent CSAC Executive Committee meeting regarding California Statewide Communities Development Authority (CSCDA). Specifically, that a letter be sent to CSCDA Chairman Larry Combs requesting that the Commission provide the CSAC Executive Committee with full salary disclosure information for HB Capital (the contracted staff to the CSCDA Commission) and that that Charles McKee draft a letter to the Attorney General under your signature asking his office to resolve a question regarding the compensation model used by CSCDA for its contract employees.

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. Since its inception, CSCDA has issued more than $11.5 billion in bonds for 1,467 local agency participants. Moreover, CSCDA has built a successful track record of financing high quality public benefit projects. The Authority has issued more than $38 billion for the construction, equipping, rehabilitation, or modernization of 1,829 local, community approved affordable housing, health facility, school and solid waste projects.

In August of 2011, at the urging of State Treasurer Bill Lockyer who has actively sought to eliminate conduit bond authorities, the Joint Legislative Audit Committee agreed to an audit of CSCDA, provided that the audit also review another conduit bond issuer (CMFA) and the State’s Health Financing Authority. The exhaustive year-long audit ultimately found that CSCDA "issued tax-exempt conduit revenue bonds appropriately". There were no material findings and the CSCDA Commission was in total agreement with the seven recommendations made by the State Auditor.
On September 30th (the day before the Executive Committee meeting), the CSCDA Commission adopted an amendment to its contract with HB Capital which addresses the compensation issue fully and, in fact, goes beyond the State Auditor’s initial recommendations. We have attached a copy of this amendment for you to review. We believe providing this information to the CSAC Executive Committee should adequately address the concerns that were raised and negate the need for a letter to Larry Combs.

Furthermore, the Auditor’s report already requests that the Legislature enact legislation and the FPPC adopt regulations clarifying the compensation model utilized by CSCDA. We agree with the Auditor that those are the appropriate venues to resolve this issue. If the CSAC Executive Committee were to send a letter to the Attorney General we believe this would send a signal to the world – and to the State Treasurer who seeks to eliminate conduit bond issuers – that a founding partner of CSCDA has no faith in the oversight provided by the Commission or its own appointees to that body. Furthermore, without knowing what that ruling might ultimately be, the CSAC Executive Committee would leave open the possibility that the AG could rule against CSCDA’s current structure and, with the stroke of a pen, eliminate a program which provides a vital service to communities throughout the State and over $2 million in revenue to CSAC each year.

Thank you very much for your assistance with this. We have attached several documents as background information and welcome the opportunity to discuss this matter further with you and the CSAC Executive Committee.

Sincerely,

[Signature]

Mark J. Saladino
President, CSAC Finance Corporation
Treasurer and Tax Collector, Los Angeles County

The Honorable Greg Cox
Board Member, CSAC Finance Corporation
Alternate Member, CSAC Executive Committee

The Honorable Joni Gray,
Vice President, CSAC Finance Corporation
Member, CSAC Executive Committee
Supervisor, Santa Barbara County
MEMORANDUM

TO: Chair and Members of the CSCDA Commission

FROM: Greg Stepanicich, General Counsel

DATE: September 30, 2012

SUBJECT: Consideration of Proposed Fifth Amendment to HB Capital Contract

Background. On August 23, 2012, the California State Auditor issued its report on Conduit Bond Issuers, including CSCDA. In its report, the State Auditor recommended the following two amendments to the contract between CSCDA and HB Capital Resources, Ltd. ("HB Capital"): 

- "To be better informed about the compensation of their consultants, including any potential conflicts of interest, California Communities and Municipal Finance should require the consulting firms that staff their organizations to disclose the amount and structure of compensation provided to individual consultants, including disclosing whether any of this compensation is tied to the volume of bond sales."

- "As suggested by the GFOA guidance, California Communities and Municipal Finance should include provisions in their contracts prohibiting consultants from engaging in activities on behalf of the issuers that produce a direct or indirect financial gain to the consultants, other than the agreed upon compensation, without the issuer’s informed consent."

Discussion. Government Code Section 8546.2 requires the State Auditor to request any local governmental agency that is the subject of an audit to provide updates on its progress in implementing the recommendations of the State Auditor. The State Auditor has requested that the Authority provide a 60 day update on its progress in implementing the State Audit recommendations.

The Chair and Vice-Chair of the Commission have served as an ad hoc committee of the Commission on the State Audit ("Audit Committee") to assist staff in responding to the findings and recommendations of the State Auditor. In consultation with the Audit Committee, I have prepared a Fifth Amendment to the contract between the Authority and HB Capital to address the two recommendations from the State Auditor concerning the HB Capital contract. The proposed amendment is attached to this report and has been approved by HB Capital.
MEMORANDUM

Chair and Members of the CSCDA Commission
September 30, 2012
Page 2

The proposed Fifth Amendment adds a new subparagraph 2.5 to paragraph 2 relating to compensation of HB Capital and states as follows:

2.5 **Compensation of Program Manager Employees.** Program Manager shall not compensate any of its employees providing services directly or indirectly to the Authority on a commission basis or pursuant to any other method of compensation that is based on the dollar amount or volume of bonds issued by the Authority.

The Fifth Amendment also adds a new subparagraph 2.6 to paragraph 2 that states as follows:

2.6 **Additional Compensation Related to Bond Transactions.** Except for the compensation authorized by this Agreement, Program Manager shall not receive any additional compensation, payment or other financial benefit from any person in connection with the issuance of bonds by the Authority.

The addition of subsection 2.5 ensures that HB Capital does not compensate its employees working on Authority matters on a commission basis or pursuant to any other method of compensation that is based on the dollar amount or volume of bond issuances. We are informed by HB Capital that this amendment reflects the past and current compensation policies and practices of HB Capital.

The Audit Committee considered the related recommendation that HB Capital be required by contract to disclose the amount of compensation paid to each of its employees. The Audit Committee concluded that this recommendation was neither necessary nor appropriate. There is a strong public interest in knowing the amount of compensation paid by the Authority to its consultants and vendors. However, HB Capital is a private firm that has the right to decide how much to pay its employees. The amount of compensation paid to each of its employees does not affect the amount of compensation paid by the Authority to HB Capital under the contract.

We are not aware of any examples where private consultants hired by local government agencies are required to disclose how much they pay their employees. Further, the employees of HB Capital perform services for multiple programs and entities other than the Authority. The total compensation paid to individual employees of HB Capital would not necessarily reflect the portion of their compensation attributable to services provided to the Authority. In addition, HB Capital’s program managers complete and file with the Authority each year FPCC Form 700. This financial disclosure form requires the reporting of any economic interests of these
employees that possibly could conflict with the performance of their duties. The Form 700 also requires these employees to disclose whether their income from HB Capital exceeds certain thresholds specified by this form.

The proposed amendment adding subparagraph 2.5 to the HB Capital contract ensures that HB Capital is not paying its employees in a manner that could affect their judgment in reviewing bond transactions. There does not seem to be any basis for concluding that the amount of money paid by HB Capital to each of its employees (compared to the method by which these employees are paid) affects the recommendations made by its employees.

The second amendment, adding subparagraph 2.6, is stricter than the recommendation by the State Auditor. It provides an absolute prohibition on HB Capital receiving any additional compensation other than that expressly provided in the contract. The State Auditor's recommendation would permit such additional compensation with the informed consent of the Commission. We are informed by HB Capital that this amendment reflects the past and current practices of HB Capital.

Recommendation. Approve the Fifth Amendment to the contract between the Authority and HB Capital as set forth in the attached contract amendment and authorize the Chair to execute such amendment on behalf of the Commission.
Community Benefit Report

as of January 31, 2012
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 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.

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

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CSCDA Commissioners

Larry Combs
Retired, Chief Administrative Officer
County of Merced

Kevin O’Rourke
Retired, City Manager
City of Fairfield

Tim Snellings
Development Services Director
County of Butte

Steve Keil
Retired, Assistant to the County Executive for Labor Policy and Negotiations
County of Sacramento

Terry Schulten
Executive Director, County Administrative Officers Association of California
County of Sacramento

Bob Leland
Retired, Director of Finance
City of Fairfield

Russ Branson
Assistant City Manager
City of Roseville

www.cacomunities.org
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** 107 skilled nursing, assisted living, and continuing care facilities
- **Education** 168 independent K-12 and higher education facilities
- **Solid Waste** 19 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

www.cacomunities.org
July 27, 2012

Elaine M. Howle, State Auditor  
Bureau of State Audits  
555 Capitol Mall, Suite 300  
Sacramento, California 95814

Re: California Statewide Communities Development Authority ("California Communities")  
Bureau of State Audits Report No.: 2011-118 - Conduit Bond Issuers

Dear Ms. Howle:

On behalf of California Communities, thank you for the opportunity to review and respond to the Bureau of State Audits draft report No: 2011-118 on Conduit Bond Issuers (the "Report"). A summary of our comments to the Report's recommendations is included in the enclosed attachment.

We greatly appreciated the professionalism, thoroughness and integrity that your audit team displayed throughout the past several months. Their observations and the recommendations included in your report will be helpful to us in taking action and making changes where necessary that ensure any concerns identified are properly addressed. We seek every day to make California Communities the best run and most responsive conduit bond issuer in the country, and we intend to use the independent feedback from your report to make it better still.

We're very proud of California Communities' positive 24 year track record of facilitating low cost financing to build community infrastructure, provide affordable housing, create jobs, and make access available to quality healthcare and education. As the audit report indicates in Chapter 2, California Communities provides benefits to communities throughout the State, and we look forward to continuing to be a valuable economic development tool to local governments across California.

If you have any questions, please don't hesitate to contact me at (925) 280-4384.

Sincerely,

Larry T. Combs  
Chair of the Commission  
California Statewide Communities  
Development Authority

Enclosure
Chapter 1 Recommendation #1:

“If it believes that the compensation model whereby the private firms that employ consultants are paid a percentage of the fees associated with bond transactions is appropriate, the Legislature should enact legislation that creates a clearly stated exemption from Government Code, Section 1090. On the other hand, if the Legislature believes that the compensation model whereby the private firms that employ consultants are paid a percentage of the fees associated with bond transactions is not appropriate, it should enact legislation that clearly proscribes, or limits, such a compensation model.”

California Communities Response:

California Communities agrees with this recommendation. California Communities refers to the statement made by the Bureau of State Audits (BSA) in the “Results in Brief” section of the Report which states, “Although we found the compensation model of the joint powers authorities raise concerns, we cannot conclude that they violate California’s conflict-of-interest laws.” Our Commission is highly focused on transparency and accountability to our member public agencies, borrowers, and the entire investment community, and to ensuring that California Communities’ operating model complies with all laws and regulations, including those related to conflicts of interest. As the Report points out, both California Communities and HB Capital have been advised by counsel that the structure of the relationship between both organizations is in full compliance with all applicable conflict-of-interest laws.

Understanding that California Communities has not violated any conflict-of-interest laws, it does appreciate the concern raised by the BSA and will work at the request of the Legislature to clarify Government Code 1090 to respond to this concern.

Chapter 1 Recommendation #2:

“The Fair Political Practices Commission should adopt regulations that clarify whether the analysis in the McEwen advice letter is intended to apply to the factual circumstances presented in this audit.”

California Communities Response:

California Communities agrees with this recommendation. California Communities will work as requested with the Fair Political Practices Commission to provide clarity on the factual circumstances presented in the audit.

Chapter 1 Recommendation #3:

“To be better informed about the compensation of their consultants, including any potential conflicts of interest, California Communities should require the consulting firm that staffs its organization to disclose the amount and structure of compensation to individual consultants, including disclosing whether any of this compensation is tied to the volume of bond sales.”
California Communities Response:

California Communities agrees with this recommendation. California Communities’ current contract with HB Capital runs through May, 2014 with the option to provide a notice of non-renewal in May, 2013. When entering into further contracts with consulting firms that provide staff to California Communities, the Commission will work with legal counsel to address this recommendation. California Communities has been informed by HB Capital that individual employee compensation is not tied to the volume of California Communities’ bond sales.

Chapter 1 Recommendation #4:

“In implementing its January 2012 contracting policy, California Communities should either periodically competitively bid existing contracts or perform some other type of price comparisons. It should use these price comparisons to ensure that the public funds it oversees are used effectively.”

California Communities Response:

California Communities agrees with this recommendation. As part of the annual review process required by the January 2012 contracting policy, the California Communities Commissioners will look at all aspects of service provision, including pricing.

Chapter 1 Recommendation #5

“As suggested by the GFOA guidance, California Communities should include a provision in its contracts stating that, but for the agreed-upon compensation specified in their contract(s), consultants are prohibited from engaging in activities that produce a direct or indirect financial gain to the consultants without its informed consent.”

California Communities Response:

California Communities agrees with this recommendation. California Communities does refer to the Government Finance Officers Association (GFOA) and California Debt Investment Advisory Commission (CDIAC) best practices for contracting and entering into public-private partnerships. For all future contracts the prohibition language outlined above will be included.

Chapter 1 Recommendation #6

“Once the SEC finalizes its definition of municipal advisors, California Communities should have its legal counsel independently review whether HB Capital should register with the MSRB.”

California Communities Response:

California Communities agrees with this recommendation. HB Capital has previously consulted with the Securities and Exchange Commission (SEC) on this matter and the SEC has determined that under the temporary rule, HB Capital employees providing services to California Communities are not required to register as municipal advisors.
Chapter 2 Recommendation

"To ensure that all conduit revenue bond issuers make their activities sufficiently transparent to the public, the Legislature should consider amending state law to provide a deadline for issuers to post on their websites the information Senate Bill 99 requires and to specify how long issuers must keep this information posted."

California Communities Response:

California Communities agrees with this recommendation. California Communities fully supported Senate Bill 99 and worked closely with the Legislature to ensure that its provisions were enacted. We will work with the Legislature on any necessary amendments.

California Communities would further suggest (if the BSA have not already addressed in another section of the report we have not seen) that in order to ensure all conduit issuers make their activities and projects transparent to the public, all hearings for approval of the projects being financed be publicly noticed and held in an open public hearing in the local jurisdiction where the project resides. As the Report indicates, joint powers authorities such as California Communities conduct the required public hearings at the local agency, whereas the state issuers only hold the hearing in Sacramento regardless of the location of the project. Making this change would ensure ultimate accountability at the local level, where the people of California actually live with the projects that are financed by conduit bond issuers.
January 17, 2013

To: CSAC Executive Committee

From: John Samartzis, Director of Corporate Relations

RE: Corporate Membership & Sponsorship Update

BACKGROUND:
The CSAC Corporate Membership and Sponsorship Programs continue to grow steadily. We have now invoiced $363,000 in membership and sponsorships which is over $240,000 more than the previous fiscal year. Booth revenue at our Annual Conference also increased over $7,000 to $84,000 this year. We are exploring the possibility of adding a smaller exhibit area at our Legislative Conference to provide an additional forum for our members and sponsors to interact.

At the end of this month we are holding the Corporate Forum in San Diego County with our Premier Corporate members, CSAC Officers and speakers from counties across the state. This event is designed to offer our Premier Members the opportunity to hear first-hand what some of the greatest challenges are that face California’s Counties and for the leadership to build relationships with our private sector supporters.
2013 CSAC Executive Committee
Calendar of Events

January
16  CSAC Executive Committee Orientation Dinner, Sacramento County
    6:30pm Reception, 7:15pm Dinner, Esquire Grill, 13th & K Streets, Sacramento, CA 95814
17  CSAC Executive Committee Meeting, Sacramento County
    10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

February
21  CSAC Board of Directors Meeting, Sacramento County
    10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

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

April
18  CSAC Executive Committee Meeting, Los Angeles County
    10:00am – 1:30pm, Maya Hotel, 700 Queensway Drive, Long Beach, CA 90802
25-26 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
    12:00pm – 3:00pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

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

August
 8  CSAC Executive Committee Meeting, Sacramento County
    10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814

September
5   CSAC Board of Directors Meeting, Sacramento County
    10:00am – 1:30pm, CSAC Conference Center, 1020 11th Street, 2nd Floor, Sacramento, CA 95814
12-13 CSAC Finance Corporation Meeting, Santa Barbara County

October
9-11 CSAC Executive Committee Retreat
    10:00am – 1:30pm, Resort at Squaw Creek, 400 Squaw Creek Road, Olympic Valley, CA 96146
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
    2:00pm – 4:00pm, San Jose Marriott, 301 South Market Street • San Jose, California 95113

December
4-6  CSAC Officers Retreat, Napa County