CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE

January 20, 2011
CSAC Conference Center, Sacramento, CA

MINUTES

Presiding: John Tavaglione, President

1. ROLL CALL

John Tavaglione, President
Mike McGowan, 1st Vice Pres.
David Finigan, 2nd Vice Pres.
Greg Cox, San Diego
Liz Kniss, Santa Clara
John Moorlach, Orange (via audio)
Susan Peters, Sacramento
Valerie Brown, Sonoma
Henry Perea, Fresno (via audio)
Steve Worthley, Tulare
Joni Gray, Santa Barbara, alternate
John Viegas, Glenn
Terry Woodrow, Alpine
Lyle Turpin, Mariposa, alternate

Advisors
Nancy Watt, Napa CEO
Marshall Rudolph, Mono Co. Counsel

2. INTRODUCTION OF NEW MEMBERS

President Tavaglione introduced the new Executive Committee members for 2011. They were: John Moorlach, Gary Ovitt (not in attendance), Susan Peters, John Viegas and Terry Woodrow. Also, Nancy Watt and Marshall Rudolph were introduced as the new Executive Committee advisors.

3. APPROVAL OF MINUTES

The minutes of October 7-8, 2010 were approved as previously mailed.

4. GOVERNOR'S BUDGET FOR 2011-12

Representatives from the Department of Finance Ana Matosantos and Diane Cummins presented a report on the Governor's proposed budget for FY 2011-12. His goal is to eliminate a $25 billion deficit by making major cuts, realigning state-local programs, extending the temporary tax hikes and eliminating redevelopment agencies. The major budget cuts are in the Medi-Cal and CalWORKS programs as well as the UC and CSU systems.

The Governor's timeline is to have the Legislature implement the cuts sometime in March and call a special election in June for voters to decide whether to extend the temporary taxes that otherwise expire this year.

The realigning of state-local programs would return authority and responsibility to cities, counties, special districts and school boards. The Governor proposes to eliminate duplicative administration of services, limit overhead costs, and allow for locally determined priorities while maintaining statewide goals and objectives. The details of this proposal are outlined in CSAC's Budget Action Bulletin.

President Tavaglione reported that the CSAC Officers met with Governor Brown in early January to discuss his realignment proposal and were encouraged by the open and honest dialogue.

5. DISCUSSION OF BUDGET IMPACTS ON COUNTIES

Staff reported that the CSAC Realignment Working Group will begin meeting weekly via conference call starting next week. The co-chairs are Supervisors Greg Cox and Valerie Brown. Technical work groups will be formed in the various affected policy areas to begin a detailed analysis of the programs proposed for realignment.

CSAC's current Realignment Principles, adopted by the Board of Directors in 2010, were distributed (attached).

6. APPOINTMENT OF CSAC TREASURER, NACo BOARD OF DIRECTORS AND WIR REPRESENTATIVES

The CSAC officers recommended the following appointments for 2011:
Treasurer – Supervisor Kathy Long, Ventura
NACo Board of Directors – Supervisors Frank Bigelow, Greg Cox & Keith Carson
NACo WIR Representatives – Supervisors David Finigan and Brian Dahle

Motion and second to approve appointments for calendar year 2011 as listed above. Motion carried unanimously.

7. APPOINTMENT OF CSAC POLICY COMMITTEE CHAIRS & VICE CHAIRS FOR 2011

The CSAC officers recommended the following policy committee appointments for 2011:

ADMINISTRATION OF JUSTICE
Federal Glover, Contra Costa, Chair
Merita Callaway, Calaveras, Vice Chair

AGRICULTURE AND NATURAL RESOURCES
Richard Forster, Amador, Chair
Kimberly Dolbow Vann, Colusa, Vice Chair

GOVERNMENT FINANCE & OPERATIONS
Bruce Gibson, San Luis Obispo, Chair
John Moorlach, Orange, Vice Chair

HEALTH & HUMAN SERVICES
Liz Kniss, Santa Clara, Chair
Terry Woodrow, Alpine, Vice Chair

HOUSING, LAND USE AND TRANSPORTATION
Efren Carrillo, Sonoma, Chair
Matt Rexroad, Yolo, Vice Chair

8. <u>STATE AND FEDERAL LEGISLATIVE PRIORITIES FOR 2011</u>

Staff outlined the proposed CSAC State and Federal legislative priorities for 2011 as contained in the briefing materials. The State priorities are geared towards responding to the ongoing fiscal crisis facing California and follow:

- Encourage health, safe, and sustainable communities
- Seek budget solutions that address the structural deficit
- Promote programs and services that stimulate the economy and protect jobs
- Engage in long-term reform conversations

Pursuant to a contract renegotiates with Waterman & Associates in 2007, CSAC has a nine-issue advocacy agenda for federal legislative topics. Staff is recommending leaving two issues open for emerging topics throughout the year. Therefore, there are seven federal issues recommended for advocacy:

1. New authorization of the Nation's Surface Transportation Law (SAFETEA-LU).
2. State Criminal Alien Assistance Program (SCAAP).
3. Federal Climate Change/Renewable Energy Policy.
4. Native American Affairs.
5. Temporary Assistance for Needy Families (TANF) Reauthorization.
6. Secure Rural Schools Reauthorization.
7. Clean Water Act.

CSAC will continue to provide internal monitoring on other key federal issues of interest to California counties. This year they include the following:

- National Health Care Reform
- Transient Occupancy Tax
- Federal Geothermal Royalties
- Community Development Block Grant (CDBG)
- Child Welfare Financing Reform
- Byrne Grant Funding
- Cooperative Endangered Species Conservation Fund
- 2-1-1 Statewide
- State's Water Crisis
- Payments-in-lieu-of-Taxes
- Levee Vegetation Management

The Executive Committee approved the above legislative priorities by consent.

9. <u>CSAC COUNTY EMPLOYEE HEALTH CARE BENEFITS PROGRAM</u>

Staff proposed that CSAC establish a health insurance benefits pool which would operate under CSAC's umbrella and be a licensed health care broker. A board of directors consisting of county and CSAC officials would oversee operations, similar to the Finance Corporation Board, and an advisory committee would be established consisting of counties opting into the program. The corporation would offer employee benefits packages that would include health, dental and vision care. CSAC would either hire a director and appropriate staff from a $500,000 loan from CSAC reserves to be repaid within three years with interest, or engage in a contractual arrangement with a third-party administrator.

A feasibility study and risk analysis was contained in the briefing materials that finds that a health insurance benefit pool has the potential of saving California counties significant resources, while at the same time providing CSAC with an additional, sustained revenue stream to support other programs and services.

Concerns were expressed regarding the cost to CSAC and risks of implementing the program. Staff was directed to develop financial risk estimates, cost projections and estimated cost of a third-party administrator prior to consideration by the Board of Directors in March.

10. <u>COMPENSATION TRANSPARENCY PRINCIPLES</u>
The CSAC Government Finance & Operations policy committee recommended that the Executive Committee approve proposed Compensation Transparency Principles that will guide staff in developing positions and discussing proposed legislation and regulation related to the disclosure of compensation provided to public officials and employees. The principles are as follows:

- Avoid duplication
- Keep requirements consistent with the Brown Act and Public Records Act
- Maintain simplicity
- Apply to all levels of government

A detailed description of each of the principles was contained in the briefing materials.

Further, the policy committee recommended that CSAC support the State Controller's Local Government Compensation Reporting program and that the Executive Committee discuss how CSAC could best make use of the data provided to the State Controller.

> <u>Motion and second to approve the proposed Compensation Transparency Principles, support the State Controller's Local Government Compensation Reporting program and recommend approval by the CSAC Board of Directors. Motion carried unanimously</u>.

Staff was directed to pursue the feasibility of providing a link from the CSAC website to supervisor and CAO salaries statewide.

11. <u>REQUEST FOR AFFILIATE MEMBERSHIP</u>
Staff presented a request from the Council of California County Law Librarians (CCCLL) to be considered for CSAC affiliate membership. County law libraries are open to the public and provide free access to legal resources. The Council's mission is to strengthen, improve, promote and advocate legal information services that support access to justice for all Californians.

> <u>Motion and second to approve CSAC affiliate membership status for CCCLL. Motion carried unanimously</u>.

12. <u>INFORMATION ITEMS</u>
Updates on the CSAC Finance Corporation and Litigation Coordination program were contained in the briefing materials, but no presentation was made.

Meeting adjourned.

2010 CSAC Realignment Principles

Approved by the CSAC Board of Directors

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Facing the most challenging fiscal environment in the California since the 1930s, counties are examining ways in which the state-local relationship can be restructured and improved to ensure safe and healthy communities. This effort, which will emphasize both fiscal adequacy and stability, does not seek to reopen the 1991 state-local Realignment framework. However, that framework will help illustrate and guide counties as we embark on a conversation about the risks and opportunities of any state-local realignment.

With the passage of Proposition 1A the state and counties entered into a new relationship whereby local property taxes, sales and use taxes, and Vehicle License Fees are constitutionally dedicated to local governments. Proposition 1A also provides that the Legislature must fund state-mandated programs; if not, the Legislature must suspend those state-mandated programs. Any effort to realign additional programs must occur in the context of these constitutional provisions.

Counties have agreed that any proposed realignment of programs should be subject to the following principles:

1. **Revenue Adequacy.** The revenues provided in the base year for each program must recognize existing levels of funding in relation to program need in light of recent reductions and the Human Services Funding Deficit. Revenues must also be at least as great as the expenditures for each program transferred and as great as expenditures would have been absent realignment. Revenues in the base year and future years must cover both direct and indirect costs. A county's share of costs for a realigned program or for services to a population that is a new county responsibility must not exceed the amount of realigned and federal revenue that it receives for the program or service. The state shall bear the financial responsibility for any costs in excess of realigned and federal revenues into the future. There must be a mechanism to protect against entitlement program costs consuming non-entitlement program funding.

   The Human Services Funding Deficit is a result of the state funding its share of social services programs based on 2001 costs instead of the actual costs to counties to provide mandated services on behalf of the state. Realignment must recognize existing and potential future shortfalls in state responsibility that have resulted in an effective increase in the county share of program costs. In doing so, realignment must protect counties from de facto cost shifts from the state's failure to appropriately fund its share of programs.

2. **Revenue Source.** The designated revenue sources provided for program transfers must be levied statewide and allocated on the basis of programs and/or populations transferred; the designated revenue source(s) should not require a local vote. The state must not divert any federal revenue that it currently allocates to realigned programs.

3. **Transfer of Existing Realigned Programs to the State.** Any proposed swap of programs must be revenue neutral. If the state takes responsibility for a realigned program, the revenues transferred cannot be more than the counties received for that program or service in the last year for which the program was a county responsibility.

4. **Mandate Reimbursement.** Counties, the Administration, and the Legislature must work together to improve the process by which mandates are reviewed by the Legislature and its fiscal committees, claims made by local governments, and costs reimbursed by the State. Counties believe a more accurate and timely process is necessary for efficient provision of programs and services at the local level.

5. **Local Control and Flexibility.** For discretionary programs, counties must have the maximum flexibility to manage the realigned programs and to design services for new populations transferred to county responsibility within the revenue base made available, including flexibility to transfer funds between programs. For entitlement programs, counties must have maximum flexibility over the design of service delivery and administration, to the extent allowable under federal law. Again, there

must be a mechanism to protect against entitlement program costs consuming non-entitlement program funding.

6. **Federal Maintenance of Effort and Penalties.** Federal maintenance of effort requirements (the amount of funds the state puts up to receive federal funds, such as IV-E and TANF), as well as federal penalties and sanctions, must remain the responsibility of the state.