

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE

October 9-10, 2014
Intercontinental The Clement Hotel, Monterey, CA

A G E N D A

Presiding: John Gioia, President

Thursday, October 9

9:00am Buffet Breakfast

9:30am SPECIAL PRESENTATIONS

1. CSAC Corporate Partners Report Page 1
 - *Brian Hicks, Dell Enterprise Solutions Group*
 - *Kathy Prizmich, Geo Group*
 - *Jim Manker, CSAC staff*

2. CSAC Finance Corporation Report Page 2
 - *Larry Spikes, CSAC Finance Corp. President*
 - *Nancy Parrish, CSAC Finance Corp. Executive Director*

10:00am PROCEDURAL ITEMS

3. Roll Call Page 13
4. Approval of Minutes of August 7, 2014 Page 14

10:15am ACTION ITEMS

5. Consideration of Distinguished Service & President's Award Recipients Page 18
 - *President Gioia*

6. Consideration of Circle of Service Award Nominees Page 23
 - *Matt Cate, CSAC Executive Director*

7. Approval of Audited Financial Statements for FY 2013-14 Page 31
 - *Supervisor Kim Vann, CSAC Treasurer*

8. Appointment of CSAC Finance Corporation Representative handout
 - *Supervisor John Gioia, CSAC President*

12:00pm Lunch

1:00pm INFORMATION ITEMS

9. 2014 CSAC Legislative Achievement Report Page 48
 - *DeAnn Baker, CSAC staff*

10. 2014 CSAC Communications, Member Services & Administration Report Page 65
 - *Jean Jordan, CSAC staff*

11. 2014 CSAC Litigation Coordination Program Achievements Report Page 70
 - *James Fincher, Merced County Counsel*

12. Update on CSAC Strategic Plan
 - *Matt Cate, CSAC Executive Director*

4:00pm Adjourn for the Day

Friday, October 10

9:00am Buffet Breakfast

9:30am CLOSED SESSION WITH CSAC EXECUTIVE DIRECTOR

13. Discussion of 2014 Achievements

14. Evaluation of CSAC Executive Director
▪ *President Gioia*

15. Other Items

11:30am Adjourn

CSAC Premier Corporate Partners

Dell Enterprise Solutions Group

Dell Open Networking is an evolutionary approach to enabling migration to SDN (Software Defined Networking) through multiple supported architectures and operating system options. Dell recently announced two new partnerships with Cumulus and Big Switch, signaling major changes in the networking industry and demonstrating our commitment to an open ecosystem where you can choose among various industry-standard networking gear, network operating systems and network applications to meet your unique requirements.

Brian D. Hicks
Regional Sales Director
Dell | Enterprise Solutions, Networking
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The GEO Group

The GEO Group is a global leader in corrections, offering solutions to assist public corrections officials to achieve results that enhance public safety in a cost-effective, lasting manner. Through its many subsidiaries, The GEO Group delivers a continuum of care for offenders in detention through community rehabilitation and reintegration. The GEO Corrections division delivers turn-key detention facilities, including design, construction, transportation, management and health care services. The GEO Community division includes BI Incorporated for electronic monitoring products and services, GEO Reentry for evidence-based offender treatment, training and reintegration, and Abraxas Youth and Family Services for a host of youth-focused programs.

Kathy Prizmich
Business Development
The GEO Group, Inc.
(916) 225-7321
kprizmich@geogroup.com



CALIFORNIA STATE ASSOCIATION OF COUNTIES
FINANCE CORPORATION

October 9, 2014

To: CSAC Executive Committee
From: Nancy Parrish, Executive Director, CSAC Finance Corporation
RE: Update on the Relationship between CSAC Finance Corporation and CSAC

The CSAC Finance Corporation held its fall meeting in San Diego County on September 18th and 19th. As part of their meeting, the Board considered several items related to its structure and relationship between the Finance Corporation and CSAC.

The Board reviewed and approved the attached Term Sheet as a blueprint for an Agreement between the CSAC Finance Corporation and CSAC. The intent of this document and the ensuing contract is to memorialize the 28 year relationship between the two organizations and strengthen the connection between them.

The Board also amended their existing bylaws to add one additional County Supervisor seat and to require that the three County Supervisor seats represent an urban, suburban and rural representative. Additionally the Board voted to transition from self-appointed one year terms to staggered three year terms appointed by the CSAC Executive Committee, with the understanding that all existing CSAC Finance Corporation Board members will be reappointed at their annual meeting next April to a term of one, two or three years in their existing seat. The Board requested that as a matter of policy, the CSAC Executive Committee accept nominations from the Finance Corporation for all vacancies other than the three County Supervisor seats. Below is a listing of all existing CSAC Finance Corporation Board members.

Name	Office	Seat	Current/Former Affiliation(s)	Term
Larry Spikes	President	CAO/CEO	Kings County	2 year
Steve Juarez	Vice President	Public Member	University of California	1 year
			Kings County Supervisor, Former CSAC President, CSAC Finance Corporation	
Les Brown	Secretary/Treasurer	Public Member	Founding Board Member	3 year
			San Diego County, Former CSAC President, Former CSAC Finance Corporation Board President	
Greg Cox		Urban County Supervisor		1 year
VACANT		Suburban County Supervisor		2 year
			Del Norte County, Former CSAC President	
David Finigan		Rural County Supervisor		3 year
VACANT		Treasurer/Tax Collector or CFO		2 year
Pat O'Connell		Auditor Controller or CFO	Alameda County	1 year
Robert Bendorf		CAO/CEO	Yuba County	3 year
		City, Special District, COG or		
Mike Johnson		Retired County Employee	Solano County Retiree	2 year
Matt Cate		CSAC Executive Director		Ex Officio



CALIFORNIA STATE ASSOCIATION OF COUNTIES
FINANCE CORPORATION

September 19, 2014

Vito Chiesa
First Vice President
California State Association of Counties
1100 K Street
Sacramento, CA 95814-3931

Re: CSAC –CSAC Finance Corporation Services Agreement Term Sheet

Dear Vito:

The purpose of this term sheet is to provide a summary of the salient terms and conditions and business elements of the current working relationship between CSAC and CSAC Finance Corporation (“CSACFC”) as a prefatory step for the negotiation and drafting of a comprehensive confirmation and formalization of the highly successful longstanding working relationship between CSAC and CSACFC.

1. Background. In 1986 CSAC formed CSACFC to provide municipal financial services to California’s fifty-eight counties. For the past 28 years CSACFC has pursued and fulfilled its stated mission by developing and offering a wide array of valuable services to the counties and related public agencies while delivering millions of dollars to CSAC in discretionary revenues.
2. CSACFC Roles and Responsibilities. CSACFC shall: i) develop, market, promote and administer programs in the following sectors: retirement, investment and savings, public finance, public purchasing, risk services and employee benefits, health and healthcare and banking and treasury management and such other sectors as shall be mutually agreed upon; ii) manage relationships and agreements with all of its partners and suppliers in connection with the programs described above; iii) perform outreach and ongoing communications to counties and other jurisdictions regarding the availability and benefits of the programs and services; iv) make regular reports to the CSAC Executive Committee and its Board of Directors on the status of existing programs as well as those under development; v) schedule not fewer than one joint meeting annually for each of the CSAC and CSACFC Boards of Directors and Executive Committees; and vi) develop and maintain ongoing and relevant communications between CSAC’s and CSACFC’s respective staffs.

3. **CSAC Roles and Responsibilities.** CSAC shall: i) designate CSACFC as its exclusive provider of programs and services within the sectors listed in 2 i) above; ii) continue to license its trademark on fair and reasonable terms; iii) provide CSACFC the periodic opportunity to attend its Executive Committee and Board of Director meetings, but not less frequently than four times each calendar/fiscal year, to report on and promote its current programs and those under development; iv) provide CSACFC with meaningful and effective marketing and sponsorship presence at all CSAC conferences; v) provide current contact lists for CSACFC communications; vi) promote CSACFC programs through social and digital media; and vii) cooperate with CSACFC in the performance of the actions described in 3 v) and 3 vi) above.
4. **Trademark License.** CSAC and CSACFC will enter into a comprehensive trademark licensing agreement on terms and conditions comparable to those pursuant to which CSACFC has used CSAC's trademark for the past 28 years.
5. **Term.** Provide for a long, continuous, renewing term subject to either party's termination only in the event of a material breach by the other party which is not cured within 60 days of the written notice of the material breach. In the event of termination, adequate time must be allowed for the orderly transition of the programs and CSACFC's use of the trademark.
6. **Fees.** Provide for the continuation of the current practice of CSACFC delivering unrestricted cash to CSAC after CSACFC's retention of sufficient amounts to cover its ongoing reasonable and customary operating expenses including start-up costs for programs under development plus a six month reserve as determined by CSACFC's board in its sole discretion.
7. **Proprietary Rights.** CSAC owns full right, title and interest in its trademark and related intellectual property. CSACFC owns full right title and interest in its programs and the contracts entered into in connection with said programs.
8. **Control of Programs.** CSACFC will maintain full control and continue to receive all revenue derived from all of its existing programs including but not limited to CSCDA, U.S. Communities, CalTRUST, Deferred Compensation Program with NACo/Nationwide Retirement Solutions, Retiree Health Benefit Program On-Site Employee Medical Clinic Program, Prescription Drug Discount Card Program, and Pre-Employment Background Check Program.
9. **Confidentiality.** CSAC and CSACFC will respect and maintain the confidentiality of any information that the other party deems confidential.
10. **Assignment.** Neither CSAC nor CSACFC may assign its rights or obligations without obtaining the other's written consent.
11. **Conflict Resolution/Governing Law.** In the event that either Party to the Agreement believes that the other Party has failed to comply with the roles and responsibilities outlined herein, a notice in writing of such non-compliance shall be delivered to the other Party outlining the issues of non-compliance. The Parties shall convene a meeting to discuss the notice and to

attempt to remedy the problems. If the problems cannot be resolved within sixty (60) days, the Parties shall engage the services of a third party mediator to assist with resolution of the issues. In the event that mediation is not successful, any dispute, claim, or controversy arising out of or relating to this Agreement or the breach, termination, enforcement, interpretation or validity thereof shall be determined by arbitration in Sacramento, California, before one (1) arbitrator. The arbitration shall be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures. The prevailing Party will be entitled to recover its reasonable attorneys' fees and arbitration costs from the other Party. The arbitration award shall be final and binding. This Agreement will be governed by and interpreted in accordance with the laws of the State of California without regard to any conflict of laws principles.

If this term sheet reflects terms and conditions upon which CSAC is willing to proceed with further negotiations with CSACFC for comprehensive services agreement, please execute the enclosed copy of this letter and return it to the undersigned at your earliest convenience. Upon receipt by us, we will instruct our attorneys to draft a proposed services agreement for your review and approval.

Very truly yours,



Larry Spikes
President
CSAC Finance Corporation

Acknowledged and Agreed:

CSAC Finance Corporation, a California not-for-profit corporation

By: 

Nancy Parrish, Executive Director

Date: 9.19.14

California State Association of Counties, a California not-for profit corporation

By: _____
Matt Cate, Executive Director

Date: _____

**BY-LAWS
OF
CSAC FINANCE CORPORATION**

**ADOPTED June 2, 1986
RESTATED AND ADOPTED September 19, 2014**

**ARTICLE I
Offices and Seal**

Section 1. Offices. The principal office of the Corporation for the transaction of business shall be 1100 K Street, Suite 101, Sacramento, California. The Board of Directors may, however, fix and change from time to time the principal office from one location to another by noting the change of address in the minutes of the meeting of the Board of Directors at which the address was fixed or changed. The fixing or changing of such address shall not be deemed an amendment to these By-laws.

Section 2. Seal. The Corporation shall have a seal, consisting of two (2) concentric circles with the words "CSAC Finance Corporation", with the date incorporation of this Corporation.

**ARTICLE II
Directors**

Section 1. Powers. Subject to the limitations of the Articles of Incorporation of this Corporation, the terms of these By-laws, and the laws of the State of California, the powers of this Corporation shall be vested in and exercised by and its property controlled and its affairs conducted by the Board of Directors.

Section 2. Number. The Corporation shall have eleven (11) Directors or such other number as the Board may determine from time to time. Directors are collectively to be known as the Board of Directors. The number of Directors may be changed by a Bylaw or amendment thereof duly adopted by the Board of Directors.

Section 3. Selection, and Term of Office. Members of the Board of Directors shall be appointed by majority vote of the CSAC Executive Committee pursuant to its By-laws. Members of the Board of Directors shall serve staggered 3-year terms. All terms shall commence in April of each year at the time of the Corporation's annual meeting. As the terms of existing Board members expire, those vacancies on the Board of Directors shall be filled by a majority vote of the CSAC Executive Committee. The CSAC Executive Committee may either reappoint an existing Board member to serve an additional term, or appoint a new individual to serve on the Board of Directors.

In filling vacant seats, the CSAC Executive Committee shall utilize the following criteria:

- (a) strong preference shall be accorded to existing Board members who have actively participated in the activities of the Board of Directors and who desire to continue to serve; and
- (b) individuals appointed to serve on the Board of Directors shall reflect diverse geographic areas and populations, and demonstrate experience which can contribute to the growth of the Corporation's programs; and
- (c) 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; three Directors shall be elected County Supervisors with one representing the Rural Counties, one representing the Suburban Counties and one representing Urban Counties; 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.

(a) **Board Members Emeriti.** The Board may designate one or more persons who have retired from both active employment and active service on the Board as a "Board Member Emeritus." Such designation shall be reserved for those who have given extraordinary service to the CSAC Finance Corporation. Those receiving such designation shall be provided Board communications and shall be invited to participate in Board meetings in an advisory and non-voting capacity.

Section 4. Compensation. Directors shall serve without compensation, but each Director may be reimbursed his or her necessary and actual expenses, including travel incident to his services as Director, pursuant to resolution of Board of Directors. Any Director may elect, however, to decline said reimbursement.

Section 5. Organization and Annual Meetings. The Board of Directors shall hold an annual meeting for the purpose of organization and selection of officers, and the transaction of other business. Annual meetings of the Board shall be held without call or notice during the annual conference of CSAC Finance Corporation.

Section 6. Regular Meetings and Agenda. Each year, the Board shall set and approve a calendar of Regular meetings to be held.

At least seventy-two (72) hours before a regular meeting, the Secretary or their appointed designee shall deliver to each member of the Board of Directors electronically or by first class mail an agenda containing a brief general description of each item of business to be transacted or discussed at the meeting. The agenda shall specify the time and location of the regular meeting

Section 7. Special Meetings. A special meeting of the Board of Directors shall be held whenever called by the President, or by a majority of the Directors. Written notice of each such meeting shall be delivered personally to each Director either by mail at least 4 days in advance of said meeting or by electronic mail at least 48 hours in advance of said meeting. The call and notice shall specify the time and place of the special meeting and the business to be transacted. No other business shall be considered at special meetings by the Board of Directors other than that which is specified in the call and notice.

Section 8. Consent to Meetings. The transaction of the Board of Directors at any meeting however called and noticed or wherever held, shall be as valid as though done at a meeting duly held after call and notice if a quorum is present and if either before or after the meeting each Director not present signs a written waiver of notice of a consent to the holding of such meeting or approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records and made a part of the minutes of the meeting.

Section 9. Telephonic Meetings; Action Without Meeting.

(a) Directors may participate in any meeting otherwise authorized hereby or by law through the use of conference telephone or similar electronic communications, so long as all Directors participating in such meeting can hear one another. Participation in a meeting

pursuant to this provision constitutes presence in person at such meeting.

(b) Any action required or permitted to be taken by the Board of Directors under the provisions of pertinent laws of the State of California or as provided for in Articles or By-laws of this Corporation may be taken without a meeting if all members of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors. Any certificate or other document filed under any provision of this Section which relates to action so taken, shall state that the action was taken by the unanimous written consent of the Board of Directors without a meeting, and that the Articles of Incorporation or By-laws authorize Directors to so act.

Section 10. Quorum. A quorum shall consist of six (6) members of the Board of Directors unless a greater number is expressly required by statute, by the Articles of this Corporation, or by these Bylaws. Every act or decision done or made by a majority of the Board of Directors shall be the act of the Board of Directors.

Section 11. Vacancies. Subject to the provisions of Section 5226 of the California Nonprofit Corporation Law, any Director may resign as a Director of this Corporation effective upon giving written notice to the President, the Secretary, or the Board of Directors of this Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, the successor may be selected as herein provided before such time, to take office when the resignation becomes effective.

A vacancy or vacancies on the Board of Directors of this Corporation shall exist on the occurrence of the following: (a) the death or resignation of any Director; (b) the declaration by Board resolution of a vacancy of the office of a Director who has been declared of unsound mind by an order of court, or convicted of a felony; (c) the removal of a Director for a fraudulent act in an action in superior court under Section 9223 of the California Corporations Code; (d) the increase in the authorized number of Directors; (e) the removal of a Director by the Board of Directors of this Corporation for failure to attend four (4) consecutive meetings of the Board of Directors of this Corporation; (f) the removal of a Director for cause for the commission of any act which tends to discredit the Corporation.

Any such vacancy in the Board of Directors shall be filled by a majority vote of the CSAC Executive Committee then in office according to the criteria specified in Article II, Section 3 of these By-laws. Each Director of this Corporation so selected to fill a vacancy on the Board shall hold office for the balance of the unexpired term of such vacant seat, and until his or her successor has been appointed and has accepted the office.

Section 12. Nonliability for Debts. The private property of the Directors shall be exempt from execution or other liability for any debts, liabilities or obligations of the Corporation and no Director shall be liable or responsible for any debts, liabilities or obligations of the Corporation.

Section 13. Indemnification. To the fullest extent permitted by law, the CSAC Finance Corporation shall defend, indemnify and hold harmless both its past and present directors, officers, employees and other persons described in Section 5238(a) of the California Corporations Code, against any and all actions, expenses, fines, judgments, claims, liabilities, settlements and other amounts reasonably incurred by them in connection with any "proceeding", as that term is used in the Section 5238(a) of the California Corporations Code.

"Expenses", as used in these Bylaws, shall have the same meaning as in Section 5238(a) of the California Corporations Code.

On written request to the Board by any person seeking indemnification under Section 5238(b) or Section 5238(c) of the California Corporations Code, the Board shall promptly determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met, and if so, the Board shall authorize indemnification.

If the Board cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding, the Board shall authorize applications to the court in which such proceeding is or was pending for determination of entitlement to indemnification.

The Court shall determine under Section 5238(e) of the California Corporations Code whether the applicable standard of conduct set forth in Section 5238(b) or Section 5238(c) has been met, and, if so, the Court shall authorize indemnification.

The CSAC Finance Corporation shall have the right to purchase and maintain insurance to the full extent permitted by law, on behalf of its officers, directors, employees, and agents, against any liability asserted against or incurred by any officer, director, employee or agent in such capacity, or arising out of the officer's, director's, employee's, or agent's status as such.

No member, individual, director, or staff member of the CSAC Finance Corporation shall be personally liable to the CSAC Finance Corporation's creditors, or for any indebtedness or liability. Any and all creditors shall look only to the CSAC Finance Corporation's assets for payment.

ARTICLE III **Officers**

Section 1. Officers. The officers of the Corporation shall be a President, a Vice President, a Secretary, a Treasurer, and such other officers as the Board of Directors may appoint, when the duties do not conflict, one person, other than the President, may hold more than one of the offices, except that neither the Secretary nor the Treasurer may serve concurrently as the President. The Corporation may also have, at the discretion of the Board of Directors, one or more additional Vice-Presidents, one or more Assistant Secretaries, and one or more Assistant Treasurers.

Section 2. Election of Officers. The officers of the Corporation shall be chosen annually by the board of Directors and each shall hold office until he shall resign or shall be removed or otherwise disqualified to serve or his successor shall be elected and qualified to serve.

Section 3. Subordinate Officers. The Board of Directors may elect or authorize the appointment of such other officers than those hereinabove mentioned as the business of the Corporation may require each of whom shall hold office for such period, have such authority and perform such duties as are provided in these By-laws, or as the Board of Directors from time to time may authorize or determine.

Section 4. Removal of Officers. Any officer may be removed, either with or without cause, by a majority of the Directors then in office at any regular or special meeting of the Board, or except in the case of an officer chosen by the Board of Directors, by any officers upon whom such power of removal may be conferred the Board of Directors. Should a vacancy occur in any office as a result of death, resignation, removal, disqualification or any other cause, the Board of Directors may delegate the powers and duties of such office to any officers or to any Directors until such time as a successor for said office has been elected and appointed.

Section 5. President. The President shall preside at all meetings of the Board of Directors and exercise and perform such other powers and duties as may be from time to time assigned to him by the Board of Directors or be prescribed by the By-laws.

The President shall also be the chief corporate officer of the Corporation and shall subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the Corporation. He shall preside at all meetings of the Board of Directors. He shall be ex-officio member of all standing committees, and shall have the general powers and duties of management usually vested in the office of President of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or by these By-laws.

Section 6. Vice President. In the absence or disability of the President, the Vice President, or the Vice Presidents in order of their ranks as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, shall perform all the duties of the President and when so acting shall have all the powers of and be subject to all of the restrictions upon the President. The Vice Presidents shall have such other powers and perform such other duties as may from time to time be prescribed for them, respectively, by the Board of Directors or by these By-laws.

Section 7. Secretary. The Secretary shall keep or cause to be kept a book of minutes at the principal office or at such other place as the Board of Directors may order, of all meetings of the Directors, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Directors' meetings and the proceedings thereof. The Secretary shall give or cause to be given notice of all meetings of the Board of Directors of the Corporation, shall keep the corporate records in safe custody and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these By-laws.

Section 8. Treasurer. The Treasurer shall keep and maintain or cause to be kept and maintained adequate and correct amounts of its assets, liabilities, receipts, disbursements, gains and losses. The books of account shall at all times be open to inspection by any Director. The Treasurer shall deposit all monies and other valuables in the name and to the credit of the Corporation in such depositories as may be designated by the Directors. He shall disburse the funds of the Corporation as shall be ordered by the Board of Directors, shall render to the President and the Directors whenever they shall request it, an account of all of his transactions as Treasurer and the financial condition of the Corporation, shall take proper vouchers for all disbursements of the funds of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by these By-laws.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries and the Assistant Treasurers in the order of their seniority as specified by the Directors shall, in the absence or disability of the Secretary or Treasurer, respectively, perform the duties and exercise the powers of the Secretary or Treasurer and shall perform such duties as the Board of Directors shall prescribe.

ARTICLE IV
Objects and Purposes

Section 1. Nature of Objects and Purposes. The business of this Corporation is to be operated and conducted in the promotion of its objects and purposes as set forth in Article II of its Articles of Incorporation.

Section 2. Dissolution. The Corporation may be dissolved by vote of the Directors, or by the action of the Board of Directors in accordance with the provisions of California law. Upon the dissolution or winding up of this Corporation, and after payment or provision for payment, all debts and liabilities, the assets of this Corporation shall be distributed to the Counties. If for any reason the Counties are unable or unwilling to accept the assets of the Corporation, said assets will be distributed to the Federal Government; to a state or local government for public purposes; or to a nonprofit fund, foundation, or corporation which is organized and operated for charitable purposes and which has established its tax-exempt status under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1954, as amended.

Section 3. Merger. The Corporation may merge with other corporations organized solely for nonprofit purposes, qualified and exempt from Federal taxation pursuant to Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1954, as amended, and from State taxation, upon compliance with the provisions of California law relating to merger and consolidation.

ARTICLE V
General Provisions

Section 1. Payment of Money, Signatures. All checks, drafts or other orders of payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Corporation and any and all securities owned by or held by the Corporation requiring signature for transfer shall be signed or endorsed by such person or persons and in such manner as from time to time shall be determined by the Board of Directors.

Section 2. Execution of Contracts. The Board of Directors, except as in the By-laws otherwise provided, may authorize any officer or officers, agent or agents, to enter into any contract or execute any contract or execute any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances and unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

Section 3. Fiscal Year. The fiscal year of the Corporation shall commence on the 1st day of July of each year and shall end on the 30th day of June of the next succeeding year.

Section 4. Annual Audit. The affairs and financial condition of the Corporation shall be audited annually at the end of each fiscal year commencing with fiscal year 1985-1986 by an independent certified public accountant elected by the Board of Directors and a written report of such audit and appropriate financial statements shall be submitted to the Board of Directors prior to the next regular meeting of the Board of Directors of the Corporation following the completion of such audit, additional audits may be authorized as considered necessary or desirable by the Board of Directors.

ARTICLE VI
Exempt Activities

Notwithstanding any other provisions of these By-laws, no Director, officer, employee or representative of this Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code of 1954, as amended, and the Regulations promulgated thereunder as they now exist or as they may hereafter be amended.

ARTICLE VII
Amendment to By-laws

These By-laws may be amended by majority vote of the Board of Directors.

ADOPTED by the CSAC Financial Corporation on June 2, 1986.

RESTATED BYLAWS ADOPTED by the CSAC Finance Corporation on September 19, 2014.

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE
2014

President:	John Gioia, Contra Costa
1 st Vice President:	Vito Chiesa, Stanislaus
2 nd Vice President:	Richard Forster, Amador
Immed. Past President:	David Finigan, Del Norte

Urban Section

Federal Glover, Contra Costa
Don Knabe, Los Angeles
Kathy Long, Ventura
John Moorlach, Orange
John Tavaglione, Riverside
Ken Yeager, Santa Clara
Keith Carson, Alameda (alternate)

Suburban Section

Susan Adams, Marin
Bruce Gibson, San Luis Obispo
Henry Perea, Fresno
Linda Seifert, Solano (alternate)

Rural Section

Virginia Bass, Humboldt
Robert Williams, Tehama
Kim Dolbow Vann, Colusa, CSAC Treasurer (alternate)

Advisors

David Twa, CAOAC Advisor, Contra Costa
James Fincher, County Counsel Advisor, Merced

CALIFORNIA STATE ASSOCIATION OF COUNTIES
EXECUTIVE COMMITTEE

August 7, 2014
Maya Hotel, Long Beach, Los Angeles County, CA

MINUTES

Presiding: John Gioia, President

1. Roll Call

John Gioia, President	Susan Adams, Marin
Vito Chiesa, 1 st Vice Pres.	Bruce Gibson, San Luis Obispo
Richard Forster, 2 nd Vice Pres.	Henry Perea, Fresno
David Finigan, Immed. Past Pres.	Linda Seifert, Solano
Federal Glover, Contra Costa	Virginia Bass, Humboldt
Don Knabe, Los Angeles	Robert Williams, Tehama (via audio)
Kathy Long, Ventura	Kim Vann, Colusa, CSAC Treasurer
John Moorlach, Orange	David Twa, CAOAC Advisor
John Tavaglione, Riverside	James Fincher, County Counsel Advisor

2. APPROVAL OF MINUTES

The minutes of April 17, 2014 were approved as previously mailed.

3. CORPORATE PARTNERS REPORT

Staff reported that there are currently sixty CSAC corporate members. CSAC will be hosting a mini-summit in San Francisco on October 2, hosted by Hanson Bridgett, one of CSAC's Premier corporate partners. The mini-summits are an opportunity to bring county officials, CSAC staff and corporate partners together to discuss issues of mutual interest.

Shawn McKenzie and Jef Williams from Ascendian Healthcare Consulting addressed the Executive Committee regarding the services they provide to counties. Ascendian is a Premier corporate partner.

4. NOVEMBER 2014 BALLOT INITIATIVES

Proposition 43: The Safe, Clean, and Reliable Drinking Water Supply Act. Since the time the Executive Committee agenda went to print, the Legislature failed to negotiate a deal to put this measure on the ballot. Therefore, staff requested that the Executive Committee approve the proposed CSAC 2014 Water Bond Policy Statement to guide future action by the CSAC Agriculture, Environment and natural Resources Policy Committee and the CSAC Board of Directors on a 2014 Water Bond. As follows:

CSAC believes that a 2014 Water Bond should include the following elements:

- *Continuous appropriation of funding for surface and groundwater storage projects.*
- *Funding for groundwater clean-up and groundwater management planning.*
- *Funding for watershed management activities, including forest management and fuel treatment projects that reduce wildfire risks, promote watershed health.*
- *Funding and assistance to help disadvantaged and small communities build and upgrade wastewater treatment systems and finance urgent actions to provide safe drinking water.*
- *Funding for projects needed to maintain the character and vitality of communities within the Delta.*
- *Funding for Integrated Regional Water Management programs, local stormwater management and flood protection improvements.*
- *Protections for area of origin and other water rights to ensure that these existing rights are not diminished, impaired, or otherwise affected by the provisions of the bond.*

Motion and second to approve the CSAC 2014 Water Bond Policy Statements as presented. Motion carried unanimously.

Staff was directed to provide a financial analysis to the Board of Directors when the item is brought to them in September.

Proposition 44: California Rainy Day Budget Stabilization Fund Act. The CSAC Government Finance and Operations Policy Committee recommended that the Executive Committee ‘Support’ Proposition 44, a measure that amends the California Constitution to change the provisions of the state’s existing budget reserve requirements. Those changes were detailed in the briefing materials and include the following elements: reserve fund deposits, diversion for debt payments, revenues in excess balance requirement, reserve withdrawals and deposit suspensions, and a Proposition 98 reserve.

Motion and second to support Proposition 44. Motion carried unanimously.

Proposition 46: Drug & Alcohol Testing of Doctors. Medical Negligence Lawsuits. The CSAC Health & Human Services Policy Committee recommended that the Executive Committee ‘Oppose’ Proposition 46, a measure that would enact changes to the Medical Injury Compensation Reform Act (MICRA) limit on

non-economic medical malpractice awards. This initiative has the potential to significantly increase county costs due to their unique role as operators of public hospitals and clinics, providers of health care, and employers who purchase health care insurance for both county employees and retirees.

Motion and second to oppose Proposition 46. Motion carried unanimously.

Proposition 47: The Safe Neighborhoods and Schools Act. The CSAC Administration of Justice Policy Committee recommended that the Executive Committee take 'No Position' and the CSAC Health & Human Services Committee recommended a 'Neutral' position on Proposition 47, a sentencing reform initiative which would reduce penalties for specified crimes. It would also reinvest assumed savings into three categories of treatment and intervention.

Executive Committee members expressed concern that, while it is a good idea, this initiative is the wrong mechanism. Existing treatment programs should be enhanced rather than creating new programs. It was suggested that a legislative solution should be reached instead of an initiative.

Motion and second to oppose Proposition 47. Motion carried. Supervisors Gioia and Seifert voted 'no.'

5. REALIGNMENT ALLOCATION COMMITTEE REPORT

David Twa, President of the County Administrative Officers Association of California (CAOAC), presented a status report on the work of the Realignment Allocation Committee (RAC). The committee has been meeting over the last several months to develop a recommended distribution methodology for AB 109 funds. The RAC developed a tentative approach that would offer means to address the overall funding decrease (approximately 10%) from 2013-14 to 2014-15 and phase in a new allocation methodology over several years. However, the RAC has determined that additional time is needed to explore revisions to this approach. The committee has scheduled two meetings to finalize the recommendations and will report them to the full Board of Directors in September.

6. NATIONAL ASSOCIATION OF COUNTIES (NACo) REPORT

Staff reported that Brian Desloge from Florida was elected 2nd Vice President during the recent NACo Annual Meeting in New Orleans. California had voted to support him. A list of California officials that were appointed to NACo committees by current NACo President Riki Hokama, was included in the briefing materials.

7. LEGISLATIVE UPDATE

Staff outlined the list of CSAC high-priority bills that are still outstanding during this final month of the legislative session, as contained in the briefing materials. Staff also provided an update on the groundwater legislation being negotiated in the Legislature. The primary bill would set up statewide framework for groundwater. CSAC's concerns are focused on the governance side of the issue.

Staff reported that CSAC is working with the Department of Health Care Services (DHCS) as the state pursues a federal waiver to create a more organized delivery system for the Drug Medi-Cal program. The state is seeking an amendment to the current Section 1115 "Bridge to Reform" waiver, and released a draft of the special terms and conditions. The proposed waiver seeks to create a model that counties may opt into that will improve the continuum of care for substance use services, among other things. CSAC has been working closely with the state and other stakeholders to identify the current problems within the Drug Medi-Cal program, and will be providing input to the draft special terms and conditions.

Supervisor Knabe distributed information regarding SB 1365 (Padilla), a bill that allows a superior court judge, seeking ways to increase minority representation, can issue an order increasing the size of the governing body. It applies to the entire state, but is particularly relevant to Los Angeles County. Supervisor Knabe urged CSAC and all Executive Committee members to oppose the bill.

8. FPPC REPORTING

Staff outlined the "Guidelines for Political Reform Act Compliance", as contained in the briefing materials. These guidelines were developed by CSAC's legal counsel in an effort to address questions and concerns related to reporting gift and income, as the laws have recently changed regarding this issue.

9. CSAC REVENUE & CAPITAL ADVISORY GROUP REPORT

This item was tabled until closed session.

10. REVIEW OF IRS FORM 990

Staff distributed IRS Form 990, Return of Organization Exempt from Income Tax, as required under CSAC's adopted policies, for review by the Executive Committee. Staff was directed to review the section listing the amount of time that CSAC officers and directors spend on CSAC business to ensure accuracy.

The Executive Committee adjourned to a closed session with legal counsel.

Meeting adjourned.



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Date: September 24, 2014
To: CSAC Executive Committee
From: Matt Cate, Executive Director
Re: Distinguished Service Award Recipient Recommendation for 2014

Each year the Executive Committee is asked to select a recipient for the CSAC Distinguished Service Award which is presented during the CSAC annual conference. This award is given to the person or persons who have made the greatest contribution to the improvement of government in California, particularly as it relates to county government.

A list of past recipients is attached for your reference, as well as list of President's Award recipients.

For 2014, staff is recommending the following nominees for your consideration. You are welcome to select a different recipient if you so choose.

Michael Cohen, Director of Finance

Michael Cohen has served for the last year as the Director of Finance, where he serves as the Governor's chief fiscal policy advisor. Prior to his elevation to director in September 2013, Michael had served as the Chief Deputy Director of the Department of Finance for two years. He came to both positions with significant experience and understanding of local government structure and financing based on his prior work with the Legislative Analyst's Office. CSAC is recognizing Michael for his distinguished service as Finance Director, a position where he's helped guide the state to a period of relative financial stability and recovery. During the 2014-15 budget discussions, Michael has been a trusted advisor as we've worked our way through a variety of complex financing issues. He's approachable, thoughtful, and always listens when counties come to present our perspectives. We appreciate his fairness and deep understanding of local government structures and financing.

Assembly Member Rich Gordon

The Honorable Rich Gordon has a long record of service and commitment to county issues. He served on CSAC's Board of Directors and Executive Committee during his 13 years as a San Mateo County Supervisor, ultimately rising through the CSAC leadership ranks before taking the helm as President in 2008. When Rich was at CSAC, he was part of the negotiating team on the 2005 hospital financing waiver and chaired a health subgroup in 2007 on Governor Schwarzenegger's comprehensive health proposal.

He's also been a county champion on a number of important legislative issues since coming to the Assembly in 2010. He authored a CSAC-sponsored measure in 2011, which

successfully increased certain fees for vital records. Additionally, he authored AB 2231 this year, which would reinstate the Senior Citizen's Property Tax Postponement Program, a program that provides much-needed assistance to income-eligible seniors and disabled individuals, helping them to stay in their homes. More recently, Assembly Member Gordon was the local government champion for cap and trade revenues during the 2013-14 Legislative Session.

Working with CSAC and a coalition of local governments, he authored AB 416 and AB 1970. Both bills would have directed a portion of cap and trade revenues towards a new program specific to local governments for the purpose of funding greenhouse gas reduction projects at the local level. In addition, Assembly Member Gordon brought attention to issues affecting the coastal regions of the state. Building off his work at CSAC as the chair of the Coastal Counties Regional Association, the Assembly Member continues to highlight the importance of climate adaptation and preparedness as chair of the Assembly Select Committee on Sea Level Rise. We consider Rich a good friend and a state and local leader who has not forgotten his roots.

Senator Lois Wolk

State Senator Lois Wolk is widely regarded as a leader on local government issues in the State Capitol. Senator Wolk was a key negotiator during this year's difficult water bond negotiations and championed legislation to secure state payment-in-lieu-of-taxes (PILT) for counties that have gone unpaid since 1999. Senator Wolk worked tirelessly to ensure that the water bond included strong protections for Delta communities as well as funding for levee improvements, water supplies and ecosystem restoration in the Delta region. Regarding PILT, Senator Wolk authored SB 1410, which would have appropriated \$19 million towards payments to counties for outstanding obligations under the PILT program and directed the state to resume the annual PILT payments. Despite this valiant effort, the bill was held in the Senate Appropriations Committee.

As chair of the Senate Governance and Finance Committee, Senator Wolk is tasked with evaluating and improving legislation that impacts local governments, as well as state and local tax policy. She has had significant influence on a variety of legislative measures, including those in the areas of municipal bankruptcy, economic development, disadvantaged communities, and design-build authority, to name a few. In doing so, she consistently draws on her local government experience to guide her decision-making.

Senator Wolk represents the Third Senate District, which includes all of Napa and Solano Counties, most of Yolo County, several cities in Sonoma and Contra Costa Counties, and a portion of Sacramento County. Prior to her election to the State Assembly, Senator Wolk served as a Yolo County Supervisor, during which she was an active participant in CSAC's Agriculture and Natural Resources policy committee.

Distinguished Service Award	
2013	
Darrell Steinberg	Senator
Diana Dooley	Secretary, Health and Human Services Agency
Diane Cummins	Special Advisor, Governor, Department of Finance
Mike McGowan	Yolo County Supervisor
2012	
Valerie Brown	Sonoma County Supervisor
2011	
Peter Detwiler	Former Consultant, Senate Local Government Committee
2010	
Tony Oliveira	Kings County Supervisor
Valerie Brown	Sonoma County Supervisor
Roy Ashburn	Senator
Juan Arambula	Assembly Member
Dan Wall	Los Angeles County Legislative Advocate
2009	
No Award Given	
2008	
Diane Cummins	Chief Fiscal Policy Advisor, Office of Senate President Pro Tempore
Casey Kaneko	Executive Director, Urban Counties Caucus
Darrell Steinberg	Senator, President Pro Tem
2007	
Jim Tilton	California of Corrections and Rehabilitation
Will Kempton	California Department of Transportation
Roger Niello	Assembly Member
Ellen Corbett	Senator
2006	
Don Perata	Senator
Bob Dutton	Senator
Wes Chesbro	Senator
Joseph Dunn	Senator
Bruce McPherson	Secretary of State
2005	
Denise Ducheny	Senator
Hector De La Torre	Assembly Member
Pat Dando	Office of Governor Schwarzenegger
Terry Watt	Planning Consultant, California Environmental Protection Agency
2004	
Tom Torlakson	Senator
Jackie Speier	Senator
Cassandra Pye	Office of Governor Schwarzenegger
2003	
Herb Wesson	Assembly Speaker
John Laird	Assembly Member

Steve Westly	State Controller
Joe Canciamilla	Assembly Member
Keith Richman	Assembly Member
2002	
Betty Yee	Chief Deputy of the State Department of Finance
Darrell Steinberg	Assembly Member
Dick Dickerson	Assembly Member
Maurice Johannessen	Senator
Alan Lowenthal	Assembly Member
2001	
Tom Torlakson	Senator
Kevin Murray	Senator
Charles Poochigian	Senator
John Dutra	Assembly Member
Dean Florez	Assembly Member
George Runner	Assembly Member
2000	
Dion Aroner	Assembly Member
1999	
John Burton	Senator
1998	
Bill Leonard	Assembly Member
1997	
Pete Wilson	Governor of California
Bill Lockyer	Senator
Curt Pringle	Assembly Member
Martha Escutia	Assembly Member
1996	
William Hauck	Chairman, California Constitution Revision Commission
1995	
No Award Given	
1994	
Elizabeth Hill	Legislative Analyst
1993	
Patrick Johnston	Senator
1992	
John Vasconcellos	Assembly Member
1991	
Barbara Shipnuck	Monterey County Supervisor
Sunne McPeak	Contra Costa Supervisor
Clark Channing	Merced County Administrative Officer
1990	
Russ Gould	Director, California State Department of Finance

President's Award	
2013	
Jerry Brown	Governor, State of California
2012	
Sue Ronkowski	CSAC Staff
Greg Cox	Supervisor San Diego County
2011	
Jerry Brown	Governor, State of California
2010	
Ron George	Chief Justice
2009	
Lois Wolk	Senator
2008	
Arnold Schwarzenegger	Governor, State of California
2007	
Steve Keil	CSAC Staff
2006	
Cynthia Bryant	Gov., Schwarzenegger's Chief Deputy Leg. Secretary
Sunne McPeak	Secretary, Business, Transportation and Housing Agency
2005	
Dianne Feinstein	United States Senator
2004	
Arnold Schwarzenegger	Governor, State of California
2003	
DeDe Alpert	Senator
2002	
Bill & Pat Dennison	Supervisor Plumas County
Pat Leary	CSAC Staff
2001	
Dave Cox	Assembly Member
Justice Daniel Kremer	Chair, Gov. Trial Court Facilities Task Force
2000	
Dede Alpert	Senator
John Burton	Senator
1999	
Steve Peace	Senator
John Longville	Assembly Member
1998	
Helen Thomson	Assembly Member
1997	
Phil Isenberg	Assembly Member
Tom Torlakson	Assembly Member
Dick Sweeney	Assembly Member
1996	
Victor Pottorff	CSAC Staff
1991	
Pete Wilson	California Governor



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Date: September 24, 2014
To: CSAC Executive Committee
From: Matt Cate, Executive Director
Re: Circle of Service Award Recipient Recommendations for 2014

CSAC staff has developed a list of four individuals who we believe are deserving of the Circle of Service Award this year. This award was created to recognize county officials, department directors, staff, Corporate Associates and other CSAC members whose service to CSAC and counties sets them apart. You are welcome to choose from this list or select your own recipients for this award.

Susan Mauriello , Santa Cruz County Administrative Officer

Having served as county administrative officer for the County of Santa Cruz since September 1989, Susan has the longest tenure of any sitting CAO in the state. She's a brilliant, well-respected colleague who has distinguished herself most recently for her varied involvement in supporting counties' success in implementing public safety realignment. In addition to serving on the Board of State and Community Corrections – a hub for statewide community corrections policy making and program administration, Susan also chairs the Board's Data and Research Committee. Importantly, she has served for three years as chair of the Realignment Allocation Committee, charged with devising a methodology for distributing approximately \$1 billion in resources to support counties' AB 109 efforts. The committee's assignment was extremely complex, but Susan led the charge with energy, enthusiasm, and drive for consensus and equity. Susan is deeply committed to public service, understands counties' role in promoting positive change, and brings great intellect and resolve to any public policy challenge that faces her. She has served her county extraordinarily well over the last 25 years and has made significant contributions to policies of statewide interest to the benefit of all counties and Californians.

Bill Fujioka, Los Angeles County Chief Executive Officer

Bill has dedicated his professional life to public service and has built an extraordinary resume that ranges from assignments of increasing responsibility in personnel, health care operations, and executive leadership at the city and county levels. Bill began his career with the County of Los Angeles in 1978, steadily assuming greater responsibility for various departments within the county – in the chief administrative office, Department of Personnel, and then in various county medical centers and systems. He left his role as chief executive officer/hospital administrator for High Desert Hospital in 1996 to join the City of Los Angeles – first as the Director of Human Resources and

eventually landing the role of city administrator, a position he held for 7 ½ years. After a brief retirement, he rejoined Los Angeles County in 2007 as Chief Executive Officer where he's served with distinction for just over 7 years. Despite the demands of his job overseeing county operations, Bill has devoted his time, talent, and expertise to major public policy issues of statewide interest. He served as a key consultant and contributor to development constitutional protections for 2011 Realignment, ACA implementation, and as a member of the Realignment Allocation Committee since its inception in 2011. Of further note, Bill is the proud LA Clippers season ticket holder and has been so since 1984, the Clippers' inaugural season in LA. Bill will be retiring as LA County chief executive in November 2014.

Arthur Wylene, Tehama County Counsel

Arthur Wylene has for several years graciously shared his time and legal knowledge of issues ranging from Williamson Act, to land use and water law to medical marijuana regulation. This year alone he spent countless hours attending meetings and participating on conference calls with CSAC and RCRC staff, the Administration, legislative staffers and other city and county officials regarding this year's landmark groundwater legislation. Mr. Wylene also reviewed numerous iterations of the groundwater bills and drafted amendments that were ultimately included in the final package. He also provided the same level of involvement and assistance with legislation that would have established a statewide licensing framework for medical marijuana facilities and cultivation sites. His technical assistance in both instances was invaluable.

Scott McGolpin, Santa Barbara County Director of Public Works

Scott McGolpin has served as the President of the County Engineers Association of California (CEAC) for the past year. During his tenure as President, Mr. McGolpin has testified on behalf of CSAC on issues ranging from local transportation infrastructure needs to emerging technologies in the field of resource recovery. His dedication to his profession and his leadership position within CEAC is evidenced by his ceaseless efforts to change public policy to improve the services counties provide to all Californians and his strategic visioning to ensure CEAC remains an important association dedicated to improving the public works profession. Always full of fresh ideas, Scott ensured counties were an active and positive influence on the 2014 legislative session and budget process on behalf of all California's 58 counties.

Attached a list of previous Circle of Service Award winners for your reference.

Circle of Service Awards	
2013	
Merita Callaway	Supervisor, Calaveras County
Mary McMillan	Retired Deputy County Manager, San Mateo County
Pete Parkinson	Retired Director, Permit & Resources Mgmt. Dept., Sonoma County
Pat Proano	Asst. Deputy Director of Public Works, Los Angeles County
Leonard Kaye	Retired SB 90 Coordinator, Auditor-Controller's Office LA County
Nick Warner	Legislative Advocate, CA State Sheriffs' Assoc.
Karen Pank	Executive Director, Chief Probation Officers Assoc. of CA
Kathy Long	Supervisor, Ventura County
Lee Kemper	Dir. of Policy & Planning, CMSP
Judith Riegel	Executive Director, Co. Health Executives of CA
David Souleles	Dep. Agency Dir., Public Health Services, Orange County
Graham Knaus	Assistant Director, Health & Human Serv. Dept., Placer County
Andy Pease	Executive Finance Dir., Health & Human Serv. Agy., San Diego Co.
Eileen Cubanski	Senior Fiscal & Policy Analyst, County Welfare Dir. Assoc.
Linda Penner	Chair, Board of State and Community Corrections
Bill Goodwin	CAOAC President and Tehama CAO
Mark Saladino	Pres. of CSAC Finance Corp. & LA County Treasurer/Tax Collector
2012	
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 Dashiell	Mendocino County Director of Transportation
Susan Cash	Inyo County Supervisor
Liz Kniss	Santa Clara County Supervisor
Steve Keil	CSAC Interim Executive Director
2011	
Bryan Barr	2011 CSAC Corporate Associates President
Larry Combs	Merced County Executive Officer
Diane Cummins	Special Advisor, Governor Brown
David Finigan	Del Norte County Supervisor

Mike Johnson	Retired Solano County Administrator
Pat Leary	Yolo County Assistant County Administrator
Ana Matosantos	Director, Department of Finance
Susan Mauriello	Santa Cruz County Administrative Officer
Nancy McFadden	Executive Secretary, Governor Brown
Mark Pazin	Merced County Sheriff
Linda Penner	Fresno County Chief Probation Officer
Rick Robinson	Stanislaus County Chief Executive Officer
Donna Vaillancourt	San Mateo County Director of Human Services
	CSAC Legislative Staff
2010	
Rich Gordon	San Mateo County Supervisor
Roger Dickinson	Sacramento County Supervisor
Mike McGowan	Yolo County Supervisor
Greg Cox	San Diego County Supervisor
Helen Thomson	Yolo County Supervisor
Kathy Long	Ventura County Supervisor
Matt Rexroad	Yolo County Supervisor
Jane Dolan	Butte County Supervisor
Liz Kniss	Santa Clara County Supervisor
Tom Ford	CSAC Finance Corporation President
Michael Brown	Santa Barbara County Executive Officer
William McIntosh	Retired Lassen County Public Works Director (In Memoriam)
Verne Davis	Retired Merced County Public Works Director (In Memoriam)
John Sansone	San Diego County Counsel
Steven Woodside	Sonoma County County Counsel
Bruce Goldstein	Sonoma County Assistant County Counsel
Graham Knaus	Director of Administrative Services, Placer County Health and Human Services Department
Kirk Kleinschmidt	Kaiser Permanente, Corporate Associates President
2009	
Terry Woodrow	Alpine County Supervisor
Mary McMillan	San Mateo Deputy County Manager
Bob Fisher	CSAC Corporate Associates President
Pat DeChellis	Los Angeles County Deputy Public Works Director
	Contra Costa Public Works Department
	Santa Barbara County Public Works Department
2008	

Jeff Morris	Trinity County Supervisor
Connie Conway	Tulare County Supervisor and former CSAC President
Harry Ovitt	San Luis Obispo County Supervisor and former CSAC President
Tim Smith	Sonoma County Supervisor and former CSAC President
Matt Rexroad	Yolo County Supervisor
John Tavaglione	Riverside County Supervisor
Diane Dillon	Napa County Supervisor
John Gioia	Contra Costa County Supervisor
John Silva	Solano County Supervisor
Stephen L. Weir	Contra Costa County Clerk-Recorder
Michele Vercoutere	Court Facility Transfer Coordinator, Los Angeles County Chief Executive Office
Stuart Wells	Franchise & Fees Manager, The Gas Company/SDG&E Sempra Energy Utilities
Andy Morgan	Vanir Construction Management
Michael Rattigan	Santa Clara County Lobbyist
Greg Norton	Executive Director, Regional Council of Rural Counties (RCRC)
2007	
Helen Thomson	Yolo County Supervisor
Mike McGowan	Yolo County Supervisor
Tony Oliveira	Kings County Supervisor
Bill Powers	Plumas County Supervisor
Brian Lee	San Mateo County Deputy Director of Public Works
Mike Silacci	CSAC Corporate Associates Member, AT&T
Rob Bilo	CSAC Corporate Associates Member, Nationwide Retirement Solutions (NRS)
Roger Dickinson	Sacramento County Supervisor
Bran Dahle	Lassen County Supervisor
Rubin Lopez	CSAC Staff
2006	
Bob Fletcher	Vanir Construction Management
David Janssen	Los Angeles County Chief Administrative Officer
Richard Vinson	Amador County Supervisor
Gary Freeman	Glenn County Supervisor
Gary Gilbert	Madera County Supervisor
Bill Dennison	Plumas County Supervisor
Greg Cox	San Diego County Supervisor
Duane Kromm	Solano County Supervisor
Ray Simon	Stanislaus County Supervisor
Peter Rei	Tuolumne County Public Works Director

Pat DeChellis	Los Angeles, Deputy Director Public Works
Chantal Saipe	San Diego County, Tribal Liaison
Jennifer Henning	Executive Director, County Counsels' Association of California
Mary Wallers	CSAC Corporate Associate Member, Sierra West Group
Lori Panzino	San Bernardino County, Division Chief, Franchise Programs
Paul Valle-Reistra	City of Walnut Creek, City Attorney
Rich Esposto	Consultant, Sacramento Metro Cable Television Commission
David Wooten	San Joaquin County Supervisor and Chair, Assistant County Counsel, County Counsel Working Group on Court Facilities
Kathleen Felice	Los Angeles County, Principal Deputy County Counsel
Diane Bardsley	San Diego County and Member, Special Assistant County Counsel, County Counsel Subcommittee on SB 10
Tom Ford	Sonoma County Treasurer
Norma Lammers	CSAC Finance Corporation Executive Director
2005	
Mitch Avallon	Contra Costa County Deputy Director - Flood Control
Dennis Barry	Contra Costa County Community Development Dept.
Valerie Brown	Sonoma County Supervisor
John Freedman	Analyst, Los Angeles County Chief Administrator's Office
Steve Keil	CSAC Legislative Coordinator
Rod Kubamoto	Los Angeles County Assistant Deputy Director
Andrea McGarvey	San Luis Obispo County Auditor-Controller's Office
Michael Moele	Buck Consultants
Bob Palmer	Retirement Administrator San Joaquin County
Dave Solaro	Retired CSAC Board Member & Administration of Justice Policy Committee chair
John Sweeten	Contra Costa County Chief Administrative Officer
Steve Swendiman	Managing Director, NACo Financial Services
Kit Wall	Local Government Relations, Eli Lilly & Company
2004	
John Garcia	Kaiser Permanente
Jim Lindholm	San Luis Obispo County Counsel
Steve Woodside	Sonoma County Counsel
Steve Basha	Yolo County Counsel
Jim Beall	Santa Clara County Supervisor
Tonly Oliveira	Kings County Supervisor
Duane Kromm	Solano County Supervisor
Susan Adams	Marin County Supervisor
Rose Jacobs Gibson	San Mateo County Supervisor
Brad Clark	Alameda County Registrar of Voters

Mischelle Townsend	Riverside County Registrar of Voters
Julie Rodewald	San Luis Obispo County Clerk Recorder
Ann Reed	Shasta County Registrar of Voters
Richard Robinson	Stanislaus County Administrative Officer
Walt Ekard	San Diego County Administrative Officer
Larry Parrish	Riverside County Executive Officer
Stephen Shane Stark	Santa Barbara County County Counsel
John Sansone	San Diego County Counsel
Robert Ryan , Jr.	Sacramento County Counsel
Buck Belventhal	San Francisco City & County
Ray Fortner	Los Angeles County
Richard Arrow	Marin County Auditor
Rod Dole	Sonoma County Counsel Auditor-Controller
Mark Norris	Sacramento County Finance Department
Steve Ybarra	Contra Costa County
Dave Elledge	Santa Clara County
Valerie Brown	Sonoma County Supervisor
Paul Stein	Calaveras County Supervisor
Frank Mecca	County Welfare Directors Association
Pete Parkinson	Sonoma County Planning Director
2003	
Kevin Juhring	US Communities
Tom Ford	Sonoma County Treasurer
Ann Reed	Shasta County Clerk/Registrar of Voters
Roger Dickinson	Sacramento County Supervisor
Bill McClure	Los Angeles County Workers' Compensation Specialist
Shane Stark	Santa Barbara County Counsel
Mike McGowan	Yolo County Supervisor
Denny Bungarz	Glenn County Supervisor
Governor's Trial Court Facilities Task Force Members:	
Patricia Clarke	Shasta County Supervisor
Joan Smith	Siskiyou County Supervisor
John Tavaglione	Riverside County Supervisor
2002	
Tom Stallard	CSAC 1st Vice President
Gary Freeman	CSAC Immediate Past President
Barbara Pletz	San Mateo County Emergency Services Director
Jim Beall	Santa Clara County Supervisor
Kathleen Bales Lange	Tulare County Counsel
John Sansone	San Diego County Counsel
Frank Mecca	County Welfare Directors Association Executive Director
Richard Fitzmaurice	SBC/Pacific Bell Director of External Affairs
Cathy Bando	RBC Dain Rauscher Director of Public Finance

Chris McKenzie	League of California Cities Executive Director
Catherine Smith	California Special Districts Association Executive Director
Ted James	Kern County Planning Director
Tony Hughes	Salomon Smith Barney
2001	
Paul Stein	Calaveras County Supervisor
Larry Parrish	Riverside CEO
Les Brown	Former CSAC President
Governor's Trial Court Facilities Task Force Members:	
Jerry Eaves	San Bernardino County Supervisor
Gary Freeman	Glenn County Supervisor
Charles Smith	Orange County Supervisor
Robert Doyle	County Sheriff
David Janssen	Los Angeles CAO
Steven Woodside	Sonoma County Counsel
2000	
Trish Clarke	Shasta County Supervisor
David Janssen	Los Angeles Chief Administrative Officer
Tom Bamert	Amador County Supervisor
Governor's Trial Court Employees Task Force Members:	
Steve Perez	Kern County Supervisor and CSAC President
John Sansone	San Diego County Counsel
Larry Spikes	Kings County Administrative Officer
Charles Plummer	Alameda County Sheriff
Pete Kutras	Santa Clara County Asst. Executive Officer
1999	
Muriel Johnson	Sacramento County Supervisor
Dean Shores	Imperial County Supervisor
Keith Carson	Alameda County Supervisor
Tom Stallard	Yolo County Supervisor
Jim Beall	Santa Clara County Supervisor
Jim Lindholm	San Luis Obispo County Counsel
Jay Hull	Napa County Administrator
Owne Clements	San Francisco Deputy Attorney
Terry Henry	Fresno County Dept. of Health Services
Louise McGinnis	Corporate Associate Member
Art Goulet	Ventura County Public Works Director
John Michaelson	San Bernardino County Social Services Director
Penelope Clarke	Sacramento County Public Protection/Human Assis. Admin.

September 24, 2014



To the Board of Directors
California State Association of Counties

We have audited the financial statements of California State Association of Counties for the year ended June 30, 2014, and have issued our report thereon dated September 24, 2014. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 14, 2014, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management.

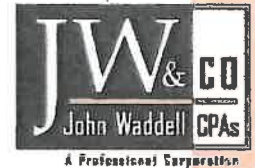
Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by California State Association of Counties are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the estimate of the liability for the supplemental pension plan.

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916/488/2460
Fax/488/2466



As disclosed in Note 6, CSAC implemented a supplemental defined benefit pension plan covering the former Executive Director during the year ended June 30, 2012. An actuarial study has not been performed to determine the net periodic benefit cost or the accumulated benefit obligation resulting from the plan, which is contingent on IRS approval. As also disclosed in Note 6, CSAC over-contributed to the SBCERA plan for the former Executive Director and a few other key employees during the years 2008 – 2012. The portion related to the Executive Director was considered the best estimate of the liability to the supplemental plan since the refund was related to excess compensation and the supplemental plan was designed to be linked to the SBCERA plan to provide an additional benefit on excess compensation. We determined that this estimate of the liability to the supplemental plan was reasonable in relation to the financial statements taken as a whole given the absence of an actuarial study.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We noted no particularly sensitive disclosures affecting the financial statements.

The financial statements and disclosures were drafted by us with management's oversight.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The majority of the adjustments made were standard closing entries to convert the financial statements from the modified cash basis to the accrual basis of accounting, such as to record depreciation, reclassify principal debt payments, etc. The only non-closing audit adjustment that was recorded was an entry to defer Corporate Associates dues for the remainder of calendar year 2014, which reduced net income by \$153,450.

There were no uncorrected misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no disagreements arose during the course of our audit.



Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 24, 2014.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Board of Directors of California State Association of Counties and is not intended to be and should not be used by anyone other than these specified parties.

John Waddell & Co., CPAs

September 24, 2014



INDEPENDENT AUDITORS' REPORT

Board of Directors
California State Association of Counties
Sacramento, California

We have audited the accompanying financial statements of California State Association of Counties, which comprise the Statement of Financial Position as of June 30, 2014 and 2013, and the related Statements of Activity and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

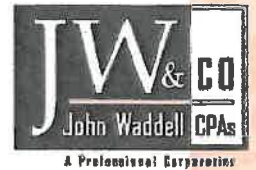
Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Suite A
Sacramento, CA 95864
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State Association of Counties at June 30, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenue and Expenses by Fund for the year ended June 30, 2014 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

John Waddell & Co., CPAs

CALIFORNIA STATE ASSOCIATION OF COUNTIES

**Statements of Financial Position
June 30, 2014 and 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 326,339	\$ 125,974
Investments	965,037	1,078,357
Accounts receivable	529,522	545,650
Prepaid expenses	135,139	113,969
Due from affiliates	73,090	27,131
Funds held in custodial accounts	796,855	670,221
Property and equipment, net	<u>5,635,021</u>	<u>5,827,456</u>
	<u>\$ 8,461,003</u>	<u>\$ 8,388,758</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 552,350	\$ 534,377
Deferred revenue	452,010	372,984
Accrued vacation and vested sick leave	379,553	365,573
Estimated pension obligation	92,970	92,970
Funds held in custodial accounts	796,855	670,221
Tenant security deposits	25,047	24,297
Notes payable	<u>2,715,876</u>	<u>2,830,293</u>
Total Liabilities	<u>5,014,661</u>	<u>4,890,715</u>
Net Assets		
Unrestricted	<u>3,446,342</u>	<u>3,498,043</u>
	<u>\$ 8,461,003</u>	<u>\$ 8,388,758</u>

See accompanying notes to financial statements.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Statements of Activity For the Years Ended June 30, 2014 and 2013

	2014	2013
Revenue		
Membership dues	\$ 3,430,506	\$ 2,799,506
Litigation dues	335,693	299,362
Corporate associates dues and sponsorships	426,050	389,000
SB-90 dues	-	69,620
Program revenue	147,965	129,555
Meetings	454,675	432,745
Management fees	318,730	293,015
Rental income (loss), net of expenses of \$616,962 and \$650,087	(188,221)	3,660
Interest and investment income	15,320	11,085
Contribution from CSAC Finance Corp.	3,300,000	3,550,000
Institute	188,183	104,892
Other revenue	118,373	88,059
	8,547,274	8,170,499
Expenses		
Program Services		
Legislative affairs	2,907,777	3,270,584
Meetings	779,953	800,676
Litigation program	360,922	309,775
SB-90	-	58,592
Federal policy development	250,417	238,244
Public affairs	441,137	477,177
Institute	261,998	213,303
Other programs	260,490	265,058
	5,262,694	5,633,409
Supporting Services		
General administration	2,998,684	2,728,668
Corporate associates	337,597	330,375
	3,336,281	3,059,043
Total Expenses	8,598,975	8,692,452
Change in Net Assets	(51,701)	(521,953)
Net Assets, Beginning of Year	3,498,043	4,019,996
Net Assets, End of Year	\$ 3,446,342	\$ 3,498,043

See accompanying notes to financial statements.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Statements of Cash Flows For the Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Change in net assets	\$ (51,701)	\$ (521,953)
Noncash items included in change in net assets:		
Depreciation and amortization	261,200	368,848
Loss on disposal of equipment	13,613	5,961
Interest reinvested	(9,017)	(9,146)
Unrealized (gain) loss on investments	(4,297)	1,747
Changes in certain operating assets and liabilities		
Accounts receivable	16,128	281,075
Prepaid expenses and deferred charges	(21,170)	151,640
Accounts payable	17,973	(663,785)
Estimated pension obligation	-	92,970
Deferred revenue	79,026	(36,888)
Other liabilities	14,730	48,021
	316,485	(281,510)
Cash Flows from Investing Activities		
Purchases of property and equipment	(82,378)	(71,885)
Changes in due to/from related entities	(45,959)	134,548
Purchase of investments	(1,400,000)	(1,000,000)
Sale of investments	1,526,634	1,450,194
	(1,703)	512,857
Cash Flows from Financing Activities		
Payments on notes payable	(114,417)	(106,082)
	(114,417)	(106,082)
Net Increase in Cash and Cash Equivalents	200,365	125,265
Cash and Cash Equivalents, Beginning of Year	125,974	709
Cash and Cash Equivalents, End of Year	\$ 326,339	\$ 125,974

See accompanying notes to financial statements.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The California State Association of Counties (CSAC) is an association representing the elected county supervisors of the 58 California counties. The purpose of the association is to advance the vital public interest in effective, efficient and responsive local government. Its principal function is representation of county government before the California legislature, administrative agencies and the federal government.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted demand deposits.

Investments

Investments consist of shares in the CalTrust short-term portfolio and are stated at fair value as reported by CalTrust based on quoted market prices of the underlying assets (Level One inputs in the fair value hierarchy established by generally accepted accounting principles). Investment income consisted of interest of \$9,017 and unrealized gains of \$4,297 (FYE 13/14) and interest of \$9,146 and unrealized losses of \$1,747 (FYE 12/13).

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management believes all balances are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms and are charged off when management determines the receivable will not be collected.

Property and Equipment

Property and equipment purchases in excess of \$1,000 and computer equipment in excess of \$500 are capitalized at cost. Depreciation is provided on a straight-line basis over the estimated useful lives, which range from 3 to 40 years. Contributions that must be used to acquire property and equipment are reported as restricted contributions. CSAC reports expirations of donor restrictions when the acquired assets are placed in service and reclassifies temporarily restricted net assets to unrestricted net assets at that time.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Funds Held in Custodial Accounts

CSAC performs accounting services for the County Administrative Officers (CAO) and Case Data System Management (CDSM). Investments owned by these organizations, which are included in CSAC's investment account, are recorded as offsetting assets and liabilities.

Membership Dues

Membership dues, which are calculated based on each county's population, are paid annually and are recorded when received. Dues collected for the next fiscal year are recorded as deferred revenue.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are temporarily restricted are then reclassified to unrestricted net assets upon satisfaction of the restrictions. Contributions whose restrictions are met within the same fiscal year are recorded as unrestricted.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

CSAC is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. It is subject to tax on its unrelated business income. Income taxes are provided for the tax effects of unrelated business income reported in the financial statements. There are no significant differences between amounts reported in the financial statements and amounts reported in the tax return; accordingly, there are no deferred taxes.

CSAC believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. CSAC's federal and state tax returns are subject to examination by the IRS and FTB generally for three and four years, respectively, after they were filed.

Concentrations and Credit Risk

Approximately 11% of the membership dues are paid by one county. Approximately 43% of the accounts receivable are due from the two largest customers.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was September 24, 2014.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,960,384	\$ 1,960,384
Buildings	2,395,280	2,395,280
Building improvements	4,242,046	4,242,046
Tenant improvements	1,070,982	1,070,982
Equipment	734,786	695,046
Furniture	262,146	238,085
	<u>10,665,624</u>	<u>10,601,823</u>
Less accumulated depreciation	<u>(5,030,603)</u>	<u>(4,774,367)</u>
	<u>\$ 5,635,021</u>	<u>\$ 5,827,456</u>

Depreciation expense amounted to \$261,200 (FYE 13/14) and \$368,848 (FYE 12/13).

The Ransohoff building (see Note 4) was held for sale as of June 30, 2014. Subsequent to year end, CSAC received a letter of intent from an unrelated party to purchase the building for \$4,600,000. The sale is expected to close by October 31, 2014.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 3 NOTES PAYABLE

Notes payable at June 30, 2014 and 2013 consist of the following:

	2014	2013
Note payable to Bank of Sacramento. Effective January 2012, monthly principal and interest payments of \$7,623 with interest at 3.01%. Secured by a deed of trust; due February 2017.	\$1,245,719	\$ 1,298,305
Note payable to Bank of Sacramento. Effective January 2012, monthly principal and interest payments of \$9,066 with interest at 3.08%. Secured by a deed of trust; due December 2016.	<u>1,470,157</u>	<u>1,531,988</u>
	<u>\$ 2,175,876</u>	<u>\$ 2,830,293</u>

Future minimum payments on notes payable are as follows:

6/30/2015	\$	118,096
6/30/2016		121,583
6/30/2017		<u>2,476,197</u>
	\$	<u>2,715,876</u>

Total interest incurred on notes payable and total interest paid in cash amounted to \$85,848 (FYE 13/14) and \$94,183 (FYE 12/13).

The notes payable to Bank of Sacramento contain various covenants and financial requirements. CSAC was not in compliance with the debt service coverage ratio at June 30, 2014, but has obtained waivers.

NOTE 4 LEASES AND OTHER COMMITMENTS

CSAC leases five copiers under operating leases. Total rent expense from these leases amounted to \$46,840 (FYE 13/14) and \$47,577 (FYE 12/13). Future minimum lease payments under these leases are as follows:

6/30/2015	\$	46,944
6/30/2016		16,916
6/30/2017		3,192
6/30/2018		<u>1,064</u>
	\$	<u>68,116</u>

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 4 LEASES AND OTHER COMMITMENTS – CONTINUED

CSAC leases office space to tenants in its office building at 1100 K Street. CSAC also leases the majority of the Ransohoff building to tenants. Future minimum rental income under noncancelable operating leases is as follows:

	<u>Ransohoff</u>	<u>1100 K St.</u>	<u>Total</u>
6/30/2015	\$ 158,367	\$ 147,443	\$ 305,810
6/30/2016	129,775	132,254	262,029
6/30/2017	89,991	125,817	215,808
6/30/2018	61,309	95,460	156,769
6/30/2019	5,400	55,685	61,085
	<u>\$ 444,842</u>	<u>\$ 556,659</u>	<u>\$ 1,001,501</u>

The cost and carrying amount of property held for leasing as of June 30, 2014 are as follows:

	<u>Ransohoff</u>	<u>1100 K St.</u>	<u>Total</u>
Land, building & improvements	\$ 6,246,761	\$ 2,956,607	\$ 9,203,368
Accumulated depreciation	(2,162,310)	(1,942,396)	(4,104,706)
	<u>\$ 4,084,451</u>	<u>\$ 1,014,211</u>	<u>\$ 5,098,662</u>

The cost and carrying amount of property held for leasing as of June 30, 2013 are as follows:

	<u>Ransohoff</u>	<u>1100 K St.</u>	<u>Total</u>
Land, building & improvements	\$ 6,246,761	\$ 2,956,607	\$ 9,203,368
Accumulated depreciation	(2,064,696)	(1,867,585)	(3,932,281)
	<u>\$ 4,182,065</u>	<u>\$ 1,089,022</u>	<u>\$ 5,271,087</u>

CSAC has entered into contracts for meetings to be held in fiscal 2013 – 2017. These contracts contain deposits, room and food and beverage commitments, and cancellation fees. The maximum cancellation fee under the contracts if the contracts were cancelled as of the date the financial statements were available to be issued was \$676,916.

CSAC is self-insured for unemployment claims. CSAC was not aware of any potential claims for unemployment as of the date the financial statements were available to be issued.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 5 DEFERRED COMPENSATION

Substantially all employees are eligible to participate in a deferred compensation plan. Employees, at their sole discretion, can set aside a portion of their salary, up to the maximum amount allowed by the Internal Revenue Service. Participants can select from two investment plans, one sponsored by the Nationwide Investment Foundation and the other by Aetna Life Insurance and Annuity Company. Both plans offer various investment options. CSAC does not make contributions to the plans and incurred no expenses in connection with the plans. In accordance with the Small Business Job Protection Act, the assets are held in trust for the exclusive benefit of plan participants. Accordingly, the assets and liabilities related to the plan, which amount to \$10,229,654 (FYE 13/14) and \$8,555,395 (FYE 12/13), have not been included in these financial statements.

NOTE 6 DEFINED BENEFIT PENSION PLANS

Substantially all employees are eligible to participate in the San Bernardino County Employees' Retirement Association. The San Bernardino County Employees' Retirement Association is a cost-sharing multi-employer defined benefit pension plan (the SBCERA Plan) operating under the California County Employees Retirement Act of 1937, EIN#95-6193238. The SBCERA Plan provides a monthly retirement benefit based upon length of service, salary, and age at retirement. The SBCERA Plan also provides disability benefits to members and death benefits to beneficiaries of members. The risks of participating in a multiemployer plan are different from single employer plans. Specifically, CSAC may be liable, on termination or withdrawal from the SBCERA Plan, for allocated shares of the plan's unfunded vested benefits. CSAC currently has no intention to terminate or withdraw from the SBCERA Plan.

Participating members and the employers are required to contribute a percentage of covered salary to the SBCERA Plan based on the member's age at entry and actuarial assumptions; however, CSAC pays the majority of the employees' contribution for employees hired before January 1, 2013.

Total contributions to the SBCERA Plan amounted to \$1,446,434 (FYE 13/14) and \$1,438,517 (FYE 12/13), which represented 38% and 39% of covered payroll, respectively. CSAC's contributions represented less than 5% of total plan contributions per SBCERA Plan's most recently available annual report, which was for the year ended June 30, 2013 (available at www.sbcera.org/financial_info/CAFR.html). As of June 30, 2013, total plan assets were \$7,502,626,000, the actuarial accrued liability was \$9,088,636,000, and the plan was 79% funded.

During the year ended June 30, 2012, CSAC determined that it had over-contributed to the SBCERA Plan for four employees whose contributions exceeded IRS annual compensation limits under Section 401(a)(17) for calendar years 2008 - 2012 and requested a refund from the SBCERA Plan. The amount to be refunded, if any, could not be reasonably estimated at that time. In May 2013, SBCERA determined the overpayment was \$150,411, which was used to reduce FYE 12/13 contributions to the Plan.

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 6 DEFINED BENEFIT PENSION PLANS – CONTINUED

Effective July 1, 2011, CSAC implemented a supplemental defined benefit pension plan covering one key employee (the Supplemental Plan). The Supplemental Plan provides an annual accrued benefit of \$10,000 for life with survivorship benefits. The Supplemental Plan includes a provision that it is subject to approval by the IRS. A determination letter has been requested from the IRS, but had not been received at the time the financial statements were available to be issued. The net periodic benefit cost and the accumulated benefit obligation have not been actuarially determined, and no contributions have been made to the Plan. During the year ended June 30, 2013, CSAC accrued \$92,970 refunded from the SBCERA Plan for the covered employee as an estimate of the liability to the Supplemental Plan. It is reasonably possible that this estimate could change within one year and the change could be significant.

NOTE 7 RELATED-PARTY TRANSACTIONS

CSAC is affiliated with CSAC Finance Corporation (the Finance Corporation) and the California Counties Foundation (the Foundation). The Executive Director of CSAC is on the Board of Directors of both organizations. CSAC provides management, accounting and other administrative services to the Foundation without charge. CSAC also provides payroll services for the Finance Corporation without charge.

The Finance Corporation rents office space from CSAC on an annual basis. Rent received from the Finance Corporation amounted to \$13,950 (FYE 13/14 and FYE 12/13).

Printing revenue received from the Finance Corporation amounted to \$5,041 (FYE 13/14) and \$5,082 (FYE 12/13).

The Finance Corporation has a policy whereby CSAC can request grants of net assets in excess of the designated operating reserve. Total funds available under this policy amounted to \$219,219 (FYE 13/14) and \$87,625 (FYE 12/13).

The Finance Corporation together with the League of California Cities sponsors CalTrust, a Joint Powers Authority for the purpose of pooling and investing local agency funds. Cash and cash equivalents in CalTrust's short-term portfolio (a portion of which is classified as funds held in custodial accounts) amounted to \$1,761,892 (FYE 13/14) and \$1,748,578 (FYE 12/13).

In 1997, CSAC, the League of California Cities and the California School Boards Association formed the CCS Partnership, a nonprofit partnership. Contributions to the CCS Partnership amounted to \$35,000 (FYE 13/14 and FYE 12/13). Contributions to the Institute for Local Government, an affiliate of the League of California Cities, amounted to \$70,000 (FYE 13/14) and \$80,000 (FYE 12/13).

Contributions from the California Counties Foundation amounted to \$25,000 (FYE 13/14).

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Notes to Financial Statements June 30, 2014 and 2013

NOTE 7 RELATED-PARTY TRANSACTIONS – CONTINUED

CSAC is affiliated with the County Counsels' Association of California (the Association). The Director of CSAC's Litigation Program is also the Executive Director of the Association. Approximately 80% of the Director's salary and benefits are funded by CSAC's Litigation Program and 20% are paid by the Association. CSAC's Litigation Program also funds a portion of two other Association staff members' salary and benefits. CSAC's Litigation Program funds 75% of the Association's office lease with a third party, which expired March 31, 2012, and was amended to a month-to-month lease with the landlord required to provide a 90-day notice to vacate. Rent expense under the lease amounted to \$21,094 (FYE 13/14) and \$20,096 (FYE 12/13).

NOTE 8 INCOME TAXES

CSAC is subject to income taxes on certain unrelated business income, primarily management fees and debt-financed income. Income tax expense for the years ended June 30, 2014 and 2013, which is included in general and administration expense, amounted to \$10 and \$11,273, respectively.

Cash payments for taxes amounted to \$0 (FYE 13/14) and \$36,923 (FYE 12/13).

CALIFORNIA STATE ASSOCIATION OF COUNTIES

**Statement of Revenue and Expenses by Fund
For the Year Ended June 30, 2014**

	General	Building	Corporate Membership Associates	Meetings	Litigation	CEAC	Ranschoff Building	Institute	Eliminations	Total
Revenue										
Membership dues and sponsorships	\$ 3,430,506	\$ -	\$ 426,050	\$ -	\$ 335,693	\$ -	\$ -	\$ -	\$ -	\$ 4,192,249
Program revenue	570	-	-	-	-	147,395	-	-	-	147,965
Meetings	-	-	-	454,675	-	-	-	-	-	454,675
Management fees	329,544	-	-	-	-	-	-	-	(10,814)	318,730
Rental income	-	388,011	-	-	-	-	231,186	-	(190,456)	428,741
Institute	-	-	-	-	-	-	-	188,183	-	188,183
Investment income	15,320	-	-	-	-	-	-	-	-	15,320
Miscellaneous	139,122	-	-	-	50,000	-	-	-	(70,749)	118,373
Contributions	3,300,000	-	-	-	-	-	-	-	-	3,300,000
Total Revenue	7,215,062	388,011	426,050	454,675	385,693	147,395	231,186	188,183	(272,019)	9,184,236
Expenses										
Salaries	3,271,476	-	226,121	69,321	183,089	59,176	-	-	-	3,809,185
Benefits	1,908,607	-	85,254	44,932	135,797	53,645	-	-	-	2,238,235
Travel	325,134	-	12,657	619	539	12,236	-	978	-	352,163
Communications	139,701	125	2,241	1,354	4,724	1,601	18,781	1,264	-	169,791
Utilities	-	85,532	-	-	-	-	48,436	-	-	133,968
Insurance	9,337	20,416	-	-	-	-	23,888	-	-	53,621
Publications	11,687	-	-	-	1,327	-	-	-	-	2,452
Legislative bill service	2,452	-	-	-	990	150	-	-	-	81,311
Membership fees	8,179	-	-	450	-	866	1,289	8,508	-	10,026
Office supplies	69,676	223	467	282	812	1,369	-	672	-	74,121
Postage and delivery	6,914	-	259	-	1,736	4,118	-	8,906	(13,080)	14,282
Printing	12,546	-	41	15	-	-	-	-	-	247,168
Repairs and maintenance	62,333	96,368	288	11,360	-	1,235	71,121	5,698	(50,000)	616,431
Professional services	446,889	72,755	-	-	-	-	9,291	136,261	-	117,588
Property & business tax	1,080	43,611	-	-	-	-	72,897	-	(190,456)	66,494
Rent	231,056	-	-	-	21,094	4,800	-	-	-	23,939
Public affairs	23,939	-	-	-	-	-	-	-	-	864,956
Program expenses	121,294	-	236,956	414,664	-	-	-	99,711	(7,669)	85,848
Interest expense	-	-	-	-	-	-	85,848	-	-	99,596
Depreciation	73,985	87,619	-	-	-	-	-	-	-	261,200
Miscellaneous	4,217	-	269	-	-	-	-	-	-	4,486
Management fees	-	-	-	-	10,814	-	-	-	(10,814)	-
Bad debt	40,000	-	-	-	-	-	-	-	-	40,000
Income taxes	10	-	-	-	-	-	-	-	-	10
Total Expenses	6,770,514	406,649	574,553	542,997	360,922	139,196	431,127	261,998	(272,019)	9,215,937
Excess of Revenue Over (Under) Expenses	\$ 444,548	\$ (18,638)	\$ (148,503)	\$ (88,322)	\$ 24,771	\$ 8,199	\$ (199,941)	\$ (73,815)	\$ -	\$ (51,701)



September 24, 2014

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To: CSAC Executive Committee

From: DeAnn Baker, Director of Legislative Affairs

Re: **CSAC Advocacy Team Achievements Report—2014**

On behalf of California’s 58 counties, the CSAC advocacy team reviewed thousands of bills introduced in 2014. We engaged in various levels of advocacy on hundreds of bills that subsequently were determined to directly impact counties. Further, with the comprehensive nature of recent legislation (e.g., health care reform, AB 32 cap and trade auction proceeds legislation and guidelines, and 2011 Realignment), we find that a significant amount of staff time is expended on successful implementation of far-reaching and complex reforms. Finally, we also responded to numerous proposed regulatory actions at both the state and federal levels.

The following achievements report illustrates the steps CSAC took in 2014 to protect vital county resources amounting to over \$9 billion, to promote investments in smart intervention and prevention policies, to advocate for county priorities in the state budget, and to ensure that revenues dedicated to counties were distributed appropriately and in accordance with the law. Finally, the report includes a summary from each policy area of key efforts and outcomes related to the 2014 state and federal advocacy priorities adopted by the CSAC Board of Directors.

Protecting Vital County Resources

CSAC’s 2014 State Advocacy Priorities described our advocacy efforts to protect billions of dollars in financial resources that support locally-delivered services. We identified priority funding areas that served as the focus of our advocacy efforts, and CSAC’s 2014 successes are outlined below.

2011 Realignment (proper distribution of funds) <i>Secured proper distribution of 2011 realignment, including \$1B in AB 109 allocation and allocation of mental health funds</i>	\$6B
AB 85/Affordable Care Act Implementation <i>Secured proper distribution of 1991 realignment funds, including retaining funds for public health and returning savings associated with indigent health</i>	\$1.3B
BOE Sales Tax Allocation Error <i>Resolved an 11-quarter misallocation of state sales tax revenues to various local funds, including 1991 and 2011 realignment, Proposition 172</i>	\$343M
Water Bond <i>Advocated for inclusion of funding for statewide flood management and stormwater in the \$7.5B water bond, Proposition 1</i>	\$100M (flood) \$200M (stormwater)

<p>Transportation Initiative <i>Secured a larger share of transportation revenues in the 2014-15 state budget than originally proposed by the Governor in his January Budget. The state repaid \$328M in outstanding Highway User Tax Account loans to the state, cities, and counties. A direct result of CSAC efforts, counties already received 22% of the repayment repaid loans, or \$74M, rather than 15% or \$50M.</i></p>	\$74M
<p>Cap and Trade Funds <i>Secured portion of funding for local government and transportation GHG reduction projects</i></p>	\$130M
<p>Medi-Cal Administration <i>Ensured adequate funding for county outreach, eligibility and enrollment functions</i></p>	\$350M
<p>In-home Supportive Services (IHSS) Maintenance of Effort (MOE) <i>Monitored the mechanics of the 2012 IHSS MOE agreement</i></p>	\$1B
<p>Property Tax Allocation Issues <i>Secured state funding for counties with insufficient ERAF and resolved "stranded" supplemental property tax revenue issue</i></p>	\$15M
<p>Outstanding Mandate Reimbursements <i>Secured \$100M repayment for local agencies' pre-2004 mandate debt with the potential to receive additional payments dependent upon the extent to which state revenues meet or exceed projections. In addition, the pre-2004 mandate debt is identified as an eligible expenditure for purposes of the Rainy Day Fund proposal contained in Proposition 2.</i></p>	\$73M
TOTAL	\$9.6B

Promoting Smart Prevention and Intervention Investments

Given counties' role in delivering vital services across a vast array of policy areas, CSAC advocated in 2014 for necessary and valuable investments in prevention and intervention programs to avoid more expensive criminal justice, health, and social services system interactions downstream.

Accomplishments include:

- Significant and ongoing training investments to assist counties in understanding and benefitting from opportunities under the Affordable Care Act, particularly in the context of the criminal justice-involved population. CSAC partnered with the Californians for Safety and Justice on a statewide survey on county practices; sponsored numerous day-long training courses and a webinar to more thoroughly explore specific practices; and continued advocacy efforts to streamline and simplify state Medi-Cal claiming requirements for jail inmates who leave the grounds of a jail for an inpatient hospital stay.
- \$5 million in 2014-15, growing to \$14 million in 2015-16, for prevention and intervention activities and services to children who are victims, or at risk of becoming victims, of commercial sexual exploitation.
- \$20 million in housing and homeless support for CalWORKs families.
- \$3 million in additional funding for County Veteran Service Offices.
- AB 1733, a measure to assist chronically homeless individuals get identification and access to services, which is on the Governor's desk.

- Worked with state departments in providing guidance to counties on enrolling individuals in the criminal justice system into Medi-Cal. At least 44 counties – covering 96% - of the population are enrolling individuals in jails and/or on probation.
- \$10.6 million to allow drug felons limited access to CalWORKs and CalFresh benefits.
- A continued healthy commitment of resources (\$125 million) to SB 678, a program that incentivizes probation intervention and prevention efforts by rewarding county successes with reducing new prison admissions;
- A renewed one-time investment in Community Corrections Partnership planning grants – fixed awards to counties based on population – to support AB 109 planning and implementation efforts;
- More than \$90 million invested in various recidivism reduction programs including,
 - Mentally Ill Offenders Crime Reduction Grants-\$18 million in competitive grants for investment in juvenile and adult populations;
 - Community Recidivism Reduction Grants-\$8 million in one-time funding for each county to provide small grants to nongovernmental entities engaged in a broad-scope of recidivism reduction efforts in the community.
 - Community Reentry Facilities-\$20 million to house inmates prior to release in community facilities, which could also serve as transitional housing and intermediate sanctions for probationers. Additional details on the structure of these programs will follow in the coming weeks.
 - Collaborative Court Programs Programs-\$15 million in one-time competitive grants for operation of programs known to reduce recidivism and enhance public safety, such as collaborative courts, and pretrial and risk assessment programs.
 - Social Innovation Bonds-As specified in AB 1837 (Atkins), \$5 million dedicated to facilitate the use of social innovation financing for recidivism reduction programs, such as housing for former felons.
 - Workforce Investment Boards-\$1 million in one-time competitive grant program for workforce training and job development to serve the reentry population.
- A measure to improve counties' tools to address the problem of human trafficking, SB 473 (Block), was signed into law.
- A workshop on gang prevention and intervention efforts will be offered during the CSAC Annual Meeting, and Father Greg Boyle – founder of Homeboy Industries, a renowned youth program targeting at-risk and gang-involved youth – is a featured plenary session speaker.

State Budget Advocacy

In addition to the Association's efforts on the specific initiatives outlined above, CSAC staff carefully monitored and lobbied a number of budget matters of critical importance to California counties, some of which are described in further detail in the following policy area reports. The final 2014-15 budget includes grant funding for a pilot program to enhance property tax collection activities in six counties, \$500 million in lease revenue bonds for additional local jail construction focused on expanded programming and treatment space, \$1 million and a mechanism for counties to seek funding for expanded trial court security following activation of a new court facility, and additional

state funding to participating counties for prevention and intervention activities and services to children who are victims of commercial sexual exploitation, among others.

Realignment Implementation Issues

CSAC was a key player in resolving allocation issues associated with 1991 Health Realignment and the AB 85 redirection. Over the course of the year, CSAC staff worked closely with the staff at the Department of Finance and the State Controller's Office to effectuate an accurate allocation schedule and to develop a mechanism for the 2014-15 redirected amounts. Staff spent countless hours of reviewing spreadsheets to ensure that the process resulted in accurate allocations to the Health and Social Services realignment accounts, as well as communicating with county officials to facilitate a consistent understanding of the processes, errors, subsequent corrections, and mechanisms for future allocations. Additionally, CSAC staff worked closely with the Department of Health Care Services to resolve issues associated with the initial data submission under AB 85, including resolving historic realignment percentages, serving on the Health Care Funding Resolution Committee, and assisting with development of templates for redirecting Article 12 and Article 13 funds.

CSAC staff also worked closely with the Department of Finance and Department of Health Care Services in developing an allocation of the growth funds for the Behavioral Health Subaccount of 2011 Realignment. Staff discussed claims data for multiple programs and looked at options for ensuring stability and addressing caseload growth.

Staff continued this type of work when we learned that the State Board of Equalization had erroneously allocated state sales tax revenues for eleven quarters over three fiscal years. This error, originally associated with the gas tax swap, resulted in misallocations of funds to Proposition 172, 1991 realignment, and 2011 realignment and accounting errors to all state sales tax accounts. While the error was identified by a private consultant, CSAC staff worked in earnest with staff from the Department of Finance, State Controller's Office, and Board of Equalization to assess the scope of the problem and develop proper remedies, resulting in a significant investment of time and effort to achieve resolution on allocation of revenues owed and reaching a correct accounting for 2014-15 and the years that follow. CSAC will continue to monitor and engage with the Board of Equalization, Department of Finance, and the State Controller's Office to ensure that new procedures that increase transparency and accuracy are put into place to avoid this type of allocation error.

Administration of Justice

CSAC – in collaboration with our public safety partners – took an active leadership role in advocating on issues of significance to counties relative to counties' ongoing AB 109 implementation efforts. With one exception related to giving counties additional options for managing long-term jail sentences, the 2014-15 budget enacted CSAC's identified public safety priorities, which includes a comprehensive package of investments and expanded authority that will strengthen counties' ability to carry out new public safety responsibilities transferred in 2011, among other local priorities. Specifically, public safety budget wins include:

Additional jail construction investment – An additional \$500 million in state lease revenue bond capacity has been dedicated to local jail construction, with an emphasis on expanded programming and treatment space. Plans are underway now to organize the steering committee that will be charged with developing the Request for Proposals and making funding recommendations.

Additional court security funding for new courthouses – As a direct result of successful advocacy efforts on the part of CSAC and the state sheriffs’ association, counties will see fulfilled a key 2014 legislative priority. The 2014-15 budget includes a \$1 million appropriation and a mechanism by which counties may seek funding to address increased levels of service following activation of a new court facility. Proposition 30 requires the state to provide annual funding for newly required activities (after October 9, 2011) that have the overall effect of increasing county costs in a realigned program. Recognizing that new court facilities built by the state and occupied on or after October 9, 2011 may impose additional court security responsibilities, the main budget bill (SB 852) appropriates \$1 million and establishes a process (contained in the public safety trailer bill (AB 1468)) for evaluating changed service requirements in new facilities.

Split Sentence Presumption – The budget contained language that establishes the presumption of a split sentence for those offenders sentenced to felony jail term unless the court finds in a particular instance that, in the interests of justice, such sentence is not appropriate. The split sentence – whereby a person’s felony sentence is divided between a specified period of time in county jail followed by a period of mandatory supervision in the community – is viewed as a best practice in helping counties best manage new criminal justice system responsibilities. This change is effective beginning January 1, 2015.

Continued SB 678 Funding – The budget provides for \$125 million in SB 678 funding in 2014-15, using the new distribution methodology as revised in SB 105 of 2013. CSAC continues to believe a strong probation intervention and front-end prevention system can help reduce recidivism, improve outcomes, and reduce downstream system pressures.

CCP Planning Grants and Training Funding Extension. CSAC led the charge – in cooperation with our partners, the state sheriffs and probation chiefs – in securing an additional one-year appropriation to fund grants that support the work of local Community Corrections Partnerships (CCPs) in their AB 109 implementation efforts. As in previous years, counties receive a fixed amount depending on county size, for a statewide amount of \$7.9 million. Additionally, CSAC’s advocacy efforts resulted in budget language allowing for an additional three years to expend realignment-related training funding awarded to the foundations of CSAC, CSSA, and CPOC.

Recidivism Reduction Initiatives – As detailed in the prevention and intervention discussion in this document, CSAC helped shape the negotiated agreement between the Governor and Legislature regarding the expenditure of over \$90 million in one-time investments from the state’s newly established Recidivism Reduction Fund. By way of background, the Governor and the Legislature codified in September 2013, pursuant to SB 105, an agreement as to how to manage the state’s compliance with the federal court order regarding prison overcrowding. The elements of that agreement included a specification that any unexpended portion of the \$315 million authorized for in- and out-of-state beds would be dedicated to a Recidivism Reduction Fund, if certain conditions were met. The 2014-15 budget compromise dedicates those resources to a wide array of priorities, reflecting a blend of Administration, Senate and Assembly ideas, as detailed in the prevention/intervention section above. Many initiatives are of direct benefit to counties, including a renewed investment in the Mentally Ill Offender Crime Reduction (MIOCR) Grant, a CSAC 2014 funding priority.

AB 109 Allocation. Another area of significant progress was the consensus recommendation of the Realignment Allocation Committee (RAC) that determines how AB 109 funds will be allocated into the future. After nearly 10 months of study and deliberation, the RAC recommended – and state Department of Finance officials endorsed – a two-step approach. First, to accommodate a drop in overall AB 109 funding in 2014-15, the RAC is implementing a one-time allocation methodology that seeks to equitably spread the funding reduction across 58 counties to minimize immediate service disruptions in the current year. Secondly, the RAC devised a new allocation methodology that attempts to more accurately capture county workload associated with AB 109 implementation over the long term; the permanent formula will go into place in 2015-16. Finally, the RAC proposed the use of growth funds over the next several years to help ease counties' transition to the new formula, while recognizing the need to incentivize high performance and positive outcomes. A final growth formula – when statewide data definitions and performance metrics are determined – will be addressed within the next three to five years. The successful conclusion of the work of the RAC is a testament to the dedication and determination of the 9-member CAO committee and to CSAC staff's technical support and liaison work with the Legislature and Administration.

Agriculture, Environment and Natural Resources

Water – Drought & Groundwater. CSAC's role in water policy development was clearly recognized this year as evidenced by our participation in educational forums and briefings related to the drought, and high-level negotiations over the landmark groundwater legislation.

Following the Governor's declaration of a drought emergency in early January, CSAC initiated a dialogue with the Association of California Water Agencies (ACWA) and the Department of Water Resources regarding a drought briefing for county, city and water district officials. The briefing, which was held in February, was webcasted statewide from the Crest Theatre in Sacramento. A more targeted drought briefing for county officials was provided during the CSAC Legislative Conference.

CSAC also co-hosted conference calls between county officials and the State Water Resources Control Board (Water Board) staff regarding the drought emergency rulemaking that was adopted in July of this year. This is the rulemaking that mandates minimum actions to conserve water supplies both for this year and into 2015.

With the drought straining water supplies and setting off an increase in well drilling, the Administration and members of the Legislature early in the year brought various stakeholders together, including CSAC, to discuss ideas for creating a statewide sustainable groundwater management strategy. The Administration in particular was interested in hearing from counties regarding their insights and advice on approaches and solutions to improving groundwater management, which occurred via a series of webinars facilitated by the California Water Foundation and jointly sponsored by CSAC, the Rural County Representatives of California (RCRC) and the Urban County Caucus (UCC).

After additional meetings and workshops, two bills were introduced, SB 1168 by Senator Fran Pavley and AB 1739 by Assembly Roger Dickinson. Both bills and an additional clean-up measure, SB 1319 (also by Senator Pavley) were ultimately passed by the Legislature, and signed by the Governor on September 16. These measures would require water-basin managers in certain areas to develop

groundwater plans guarding against overdrafts. The state would review the plans and reserve the power to step in if they are not prepared or enforced.

CSAC and RCRC were successful in negotiating several amendments to the bills that addressed a majority of our concerns. Included among the changes we succeeded in obtaining are provisions that would:

- State the Legislature’s intent to recognize and preserve the authority of cities and counties to manage groundwater pursuant to their police powers;
- Allow a county to be a groundwater sustainability agency;
- Require groundwater sustainability plans to consider applicable general plans;
- Require groundwater sustainability agencies to review and consider comments from cities and counties regarding a groundwater sustainability plan;
- Prohibit groundwater sustainability agencies from issuing permits for the construction, modification, or abandonment of groundwater wells, except as authorized by a county with authority to issue those permits; and
- Provide assurances that groundwater transfers are subject to applicable city and county ordinances.

As a result of these amendments CSAC was able to take a position of neutral on all three measures. The Administration and authors have committed to involve CSAC in discussions next year regarding any potential clean-up legislation.

Cap and Trade. The Legislature approved and the Governor signed California’s first Cap and Trade Expenditure plan this year, totaling \$872 million in investments to reduce Greenhouse Gas (GHG) emissions in California. CSAC began the year with two active proposals for the investment of Cap and Trade dollars at the local level. These proposals would have dedicated a portion of revenues to two local competitive grant programs geared at GHG reducing investments in the transportation and natural resources sectors. CSAC was successful in securing \$130 million from the 2014-15 allocation for one of these proposals related to transportation investments through the Affordable Housing and Sustainable Communities Program (see Housing, Land Use and Transportation section for more details). In addition, we were able to secure funding for Waste Diversion Programs and Open Space and Farmland Preservation. While the 2014-15 allocation does not include a specific local government program for non-transportation projects that CSAC has been advocating for, local governments are eligible for funding from several categories and CSAC is working with the Administration to ensure that local governments are eligible for additional revenues in the 2015-16 budget and beyond as 40% of Cap and Trade funds have been secured for natural resource investments in future budget years.

Agriculture and Farmland Protection. As anticipated, legislation was introduced this year that intended to conserve and protect farmland. That measure, AB 1961, by Assembly Member Susan Eggman, would have required each county with significant agricultural land resources to develop a sustainable farmland strategy. While laudable, the bill’s requirements would have imposed significant cost pressures on counties to adopt a strategy that included among other things, a map and inventory of all agriculturally zoned land within the county, a description of the goals, strategies, and related policies and ordinances to retain agriculturally zoned land, where practical, and mitigate

the loss of agriculturally zoned lands. Given the costs associated with its implementation, CSAC opposed AB 1961. The bill died on the Assembly Appropriation Committee's Suspense File.

CSAC was able to advance other efforts to protect agriculture and farmland through the state's Cap and Trade Expenditure Plan passed through the budget this year. As mentioned above, a portion of the funds that are dedicated to the Sustainable Communities and Affordable Housing Program include funding for open space and agricultural lands that are under the threat of development. While a small step in the larger effort to protect all of California's valuable agricultural lands, this program represents a positive move forward as we continue to highlight the need for protection against permanent conversion of our agricultural lands.

Solid Waste – Advancing Waste to Energy Policies and Alternatives to Landfills. Building off momentum achieved through SB 804 (Lara), CSAC and Los Angeles County co-sponsored a follow-up measure on biomass and conversion technology, SB 498 (Lara) that is the product of consensus among stakeholders and the Administration. The bill, which is currently awaiting action by the Governor, will provide incentives and a permitting path for solid waste conversion technologies, providing local governments with additional tools when managing their waste stream and seeking alternatives to landfills. In addition to conversion technology, CSAC was successful in negotiating amendments to several solid waste bills, AB 1826 by Assembly Member Chesbro and AB 1594 by Assembly Member Williams. Both bills seek, in various ways, to divert organic materials from our landfills. While supportive of this goal, CSAC was able to negotiate amendments that allow for workable times frames and approaches to ease the regulatory burden on local governments.

Regulatory Issues. CSAC continued to engage in the regulatory process on a number of different fronts with particular focus on rulemakings before the State Water Resources Control Board (Water Board), the Department of Fish and Wildlife and the U.S. EPA. Early in the year, CSAC joined with other private and public stakeholders in expressing concern with the Water Board's Revised Preliminary Draft Wetland Area Protection Policy. Of particular concern to counties are the proposed requirements that would cause more delays in the permitting and maintenance of public projects, and potentially conflict with local land use decisions. Whether the Water Board is responding to the concerns raised is unknown at this time as they have yet to release a public draft. Regarding state storm water requirements, CSAC was invited to become a member of the Water Quality Task Force (task force) of the California Council for Environmental and Economic Balance. The task force, which is comprised of private sector entities and individual cities and counties, is providing direct feedback to Water Board members and staff regarding the State's Storm Water Strategy Initiative.

CSAC is also working closely with the County Engineers Association of California (CEAC) in drafting comments on DFW's draft Bird Nesting regulations and the U.S. EPA and Army Corp. of Engineers' Waters of the U.S. Rulemaking. In both instances, the proposed regulations would result in delayed maintenance of public works facilities, such as flood control channels and debris basins. All of the regulatory measures described above are on-going and may not be resolved until next year.

Employee Relations

Retirement. Following the first year of implementation for the Public Employees' Pension Reform Act (PEPRA), CSAC staff in 2014 has worked to ensure its original intent is maintained by advocating for or against efforts to roll back reforms CSAC supported in PEPRA. The issue of retirement policy

this session has been largely dominated by actions by the California Public Employees' Retirement System (CalPERS), specifically:

- **CalPERS' Actuarial Changes.** The CalPERS' Board of Administration earlier this year approved new actuarial demographic assumptions used to determine contribution rates for public employee retirement benefits, effectively raising those rates for local agency employers. The contribution rate impacts of the newly adopted assumptions will be phased in over five years with a 20-year amortization of the increase; for contracting public agencies, the increase will not be implemented until 2016. CSAC worked closely with CalPERS and testified in Board hearings, conveying that while counties understand the necessity of the change in actuarial assumptions to better predict long-term future experience and bring the fund to solvency, subsequent rate increases come at a time when counties are struggling to provide even basic services to their residents.
- **Health Plan Regions.** CSAC staff has been active in discussions with CalPERS staff regarding the Fund's March proposal to realign county health plan region assignments for 2015 to better reflect variation in healthcare costs for contracting agencies. CSAC efforts to ensure that any realignment of these regions best reflect the economic and demographic needs of each county with regard to regional pricing premiums succeeded in CalPERS' staff being directed to table the discussion until further stakeholder engagement and studies were conducted.

Workers' Compensation. CSAC has maintained active participation in implementing the reforms included in Senate Bill 863 (Chapter 363, Statutes of 2012), via commenting with a coalition on various implementation regulations proposed by the Department of Industrial Relations. Additionally, CSAC actively opposed several bills that would roll back savings achieved by the 2012 reforms. CSAC became the leading voice of local government in opposing the following bills, which await action by Governor Brown:

- **AB 2052 (Gonzalez)** would expand certain workers' compensation presumptions (cancer, bio-chemical exposure, tuberculosis and meningitis) to several categories of peace officers. AB 2052 was originally far more expansive; CSAC efforts aided in the narrowing of the measure.
- **AB 2378 (Perea)** would remove Labor Code Section 4850 benefits from the 104-week limit on aggregate disability payments for work-related injuries that cause temporary disability, thereby permitting peace officers to receive one year of full salary replacement benefits and two years of temporary disability benefits.
- **SB 1234 (Block)** would have extended Labor Code 4850 disability benefits (benefits paid to an eligible public safety officer who becomes disabled while performing his or her duties, equal to a one-year leave of absence without loss of salary in lieu of temporary disability payments) to certain peace officers including certain park rangers, airport law enforcement, welfare fraud investigators and members of a California Community College police force. CSAC strongly advocated against SB 1234, and the bill was killed in the Legislature.

Contracting Out. CSAC was successful in removing local agencies from AB 1897 (Hernandez) that would require an employer to share with a labor contractor all civil legal responsibility and civil liability for the payment of wages to workers provided by a labor contractor, the failure to report and pay all required employer contributions, worker contributions, and personal income tax withholdings and failure to secure valid workers' compensation coverage. CSAC additionally advocated strongly against SB 556, which would make it unlawful for a public health and safety labor

or services contractor to display on a vehicle a logo of the contracting public agency or wear a uniform bearing a logo of the public agency, unless additional disclosures are also displayed and makes it unlawful to require a person or employee of a nongovernmental agency contracted to provide public health and safety labor or services to wear a badge containing the logo of the public agency. CSAC, in partnership with other local government stakeholders, was successful in narrowing the reach of SB 556 before it went to the Governor for action.

Collective Bargaining. CSAC staff prioritized an opposition effort to AB 2126 (Bonta), which would make mediation mandatory in collective bargaining negotiations once impasse has been reached, and would expand the scope of factfinding. While the Governor has not yet acted on the bill, CSAC was successful in working with the Department of Finance to place a \$9 million cost estimation in its analysis of the bill, thus resulting in their opposition to the bill. A bill that would allow the Public Employment Relations Board (PERB) to determine when impasse has been reached in negotiations (AB 778 by Assembly Member Raul Bocanegra) was opposed by CSAC and died in committee.

Public Records. CSAC was opposed to AB 194 (Campos), which in its original version would essentially negate any action taken by a local legislative body if that action was taken in accordance of curtailing public comment/public criticism associated with California's open meeting laws governed by the Ralph M. Brown Act and would have allowed a district attorney or interested party to seek "null and void" judicial determinations for violations of Brown Act provisions that require local legislative bodies to allow public comment and public criticism at regular and special meetings. CSAC staff worked closely with the author, proponents and the Legislature over the course of two months to narrow AB 194, which now, among clarifying language, specifies that every agenda for regular meetings must provide an opportunity for the public to directly address the legislative body on any item of interest to the public, before and during the legislative body's consideration of the item, that is within the subject matter jurisdiction of the legislative body.

Health and Human Services

CSAC successfully advocated for several budget-related initiatives to improve services to vulnerable children and adults, including:

- **Housing and Homeless Support.** The 2014-15 Budget Act provides \$20 million in specified housing supports for families receiving CalWORKs benefits when homelessness or housing instability is a barrier to self-sufficiency or child well-being.
- **Commercially Sexually Exploited Children.** Budget trailer bill language establishes the Commercially Sexually Exploited Children Program to adequately serve children who have been sexually exploited. The budget provides \$5 million in 2014-15, growing to \$14 million in 2015-16. These funds are for prevention and intervention activities and services to children who are victims, or at risk of becoming victims, of commercial sexual exploitation, and training.
- **Adult Protective Services (APS).** CSAC supported a provision in the 2014-15 Budget Act for \$150,000 GF for 1 position at DSS to provide leadership on statewide APS policy, support county APS programs and serve as a liaison with the federal government.
- **Katie A. Settlement Administrative Funding.** The budget includes \$2 million (\$1 million General Fund) for county administrative costs associated with semi-annual progress reports

that are new requirements under the Katie A. v. Bontá settlement agreement. The settlement agreement was entered into by the state in 2012 to improve mental health and supportive services for children and youth in, or at imminent risk of placement in, foster care in California. Proposition 30 of 2012 requires the state to fund administrative costs resulting for court settlements related to programs realigned in 2011. CSAC views the budget item as the Administration upholding their partnership under Proposition 30.

- **County Administration Match Waiver.** CSAC supported a plan to extend counties' eligibility to receive the full allocation for CalFresh administration without paying the county's share of the nonfederal costs above the 1996-1997 expenditure requirement to the budget year, and then begin a step-down of the waiver by 20 percent each year until the 2018-19 fiscal year.
- **CalWORKs and CalFresh Benefits for Former Drug Felons.** Counties supported policy included in the 2014-15 Budget Act to allow a small population who has been convicted of a drug-related felony after 1997 and who meet all current eligibility requirements – including compliance with local probation or state parole requirements – to be eligible for CalWORKs and CalFresh nutrition assistance services. The budget provides \$10.6 million GF for this policy change. CSAC strongly supported Senator Loni Hancock's SB 1029, which would have enacted this change through the legislative process.
- **Veterans.** CSAC staff advocated in support of including \$3 million in additional funding for County Veteran Service Offices in the state budget. These additional funds, paired with existing budget allocations, would total nearly \$5.6 million for veteran's services statewide. The budget augmentation was included in the final state budget.
- **AB 85 (Chapter 24, Statutes of 2013).** CSAC staff worked closely with DOF and DHCS over many months on implementation of AB 85. The budget includes the diversion \$724.9 million from county health realignment funds for CalWORKs costs, per AB 85 – down from the January estimate of \$900 million.
- **County Administration of Medi-Cal.** The Administration proposed to permanently eliminate any Cost of Living Adjustment for county administration of Medi-Cal eligibility. CSAC opposed the proposal and the Legislature rejected it.

CSAC was involved in several high-profile bills in 2014, supporting several proposals improve efficiency and access to health and human services program, and stopping a number of bills that would have resulted in increased cost or workload to counties or created policy problems. Bills of interest to counties include:

SB 1341 (Mitchell) Medi-Cal: Statewide Automated Welfare System. CSAC strongly supported SB 1341, by Senator Holly Mitchell, to codify the existing agreement between the Administration, Covered California, and the counties regarding the respective roles of the State Automated Welfare System (SAWS) and the California Health Eligibility Enrollment and Retention System (CalHEERS).

Specifically, SB 1341:

- Specifies SAWS as the system of record for Medi-Cal and that SAWS shall contain all Medi-Cal eligibility rules and case management functionality. The bill permits the MAGI rules for Medi-Cal to continue to be housed in CalHEERS as they currently are; and,

- Requires that Notices of Action (NOAs) for Medi-Cal be programmed into the Medi-Cal system of record: the SAWS systems.

This bill has been very important in the ongoing discussions with the Administration about the rollout of CalHEERs and its interface with Medi-Cal eligibility done through SAWS. SB 1341 is enrolled and awaits the Governor's action.

AB 1733 (Quirk Silva) Public records: fee waiver. CSAC supported AB 1733, by Assembly Members Sharon Quirk-Silva, Brian Maienschein and Assembly Speaker Toni Atkins, to allow a fee waiver for a homeless person to obtain a certified certificate of live birth from the county registrar or recorder or an identification card from the Department of Motor Vehicles (DMV).

AB 1733 facilitates access for homeless people to services that are critical to helping them move towards self-sufficiency. In order to access these services, eligibility must be established, which often requires proof of identity with a birth record or valid identification card. Providing these services to homeless persons significantly reduce costs to counties. AB 1733 is enrolled and awaits the Governor's signature.

AB 1725, (Maienschein) Conservatorship hearings. CSAC opposed AB 1725, which would have increased costs and workload levels and hasten the erosion of a county authority in conservatorship investigations. AB 1725 would have allowed a Probate Court to make a recommendation of conservatorship to the county Conservatorship officer and require the officer to conduct the investigation and file a report within 30 days of the probate court recommendation.

CSAC also continued to work within the organization and the Administration on several policy issues important to counties.

Homelessness. CSAC has begun efforts in establishing policy within the Association's platform that will enable staff to advocate for counties on the issue of homelessness. The evolving policy development follows a stronger focus by the Legislature on the issue, including a commitment by Assembly Speaker Toni Atkins to work toward a statewide solution. CSAC staff recognized a dearth of guiding policy on the issue of homelessness, particularly since the effects of the problem touch on several CSAC policy areas, specifically Health and Human Services, Administration of Justice, Housing, Land Use and Transportation, and Agriculture, Environment and Natural Resources. Accordingly, CSAC is in the process of convening the CSAC Homelessness Policy Task Force, comprised of county supervisors, county staff and pertinent stakeholders in an effort to ensure CSAC advocacy staff will be able to develop positions and work effectively with the Legislature and Administration on future efforts by the state to address the issue of homelessness.

Veterans. CSAC participated in a coalition advocacy effort to support then-Assembly Speaker John A. Pérez's Assembly Bill 639 (Statutes of 2013). That legislation, which when signed by Governor Brown became Proposition 41 on the June 2014 ballot and was supported by the CSAC Board of Directors, enacted the Veterans Housing and Homeless Prevention Bond Act of 2014 to authorize \$600 million in bonds to provide multifamily housing, such as apartment complexes, to low-income veterans and supportive housing for homeless veterans. Proposition 41 authorized the state to provide local governments, nonprofit organizations and private developers with financial assistance, such as low-

interest loans, to construct, renovate and acquire affordable multifamily housing for low-income veterans and their families.

Drug Medi-Cal and Medicaid Waiver. CSAC has been heavily involved in discussions with the Brown Administration about how to improve the delivery of substance use disorder treatment services for Medi-Cal beneficiaries. As part of the Medi-Cal expansion approved in 2013, the types of substance use disorder treatment services available to Medi-Cal beneficiaries were also expanded.

DHCS is pursuing a federal Medicaid waiver to change the Drug Medi-Cal program. Many policy and fiscal questions remain about their Drug Medi-Cal waiver proposal. Staff will continue working closely with the Administration to ensure that the waiver proposal provides adequate fiscal safeguards and policy objectives for counties. The waiver will likely not be submitted to the federal government until later this fall or winter.

Funding for Small Counties. CSAC secured a minimum base allocation of \$100,000 for small counties in the Drug Medi-Cal funding formula. Previously, small counties were not guaranteed a base amount and some small counties received very little funding – and in some cases no funding. The \$100,000 minimum base is effective for the 2014-15 allocations to the Behavioral Health Subaccount of 2011 Realignment. The payments will begin in September 2014.

“Bridge to Reform” Medicaid Section 1115 Waiver Renewal. CSAC staff has begun the initial work associated with developing proposals for inclusion in California’s pursuit of a succession waiver to the Bridge to Reform Medicaid Section 1115 waiver of 2010. The current waiver expires in October 2015. DHCS is outlining its process for submitting the next waiver, including extensive workgroups over the fall of 2014. CSAC has taken a leadership role in convening county health, hospitals, behavioral health and social services to craft a proposal for whole person care to be included the waiver. The waiver will be submitted to the federal government in early 2015.

Affordable Care Act (ACA) and Criminally Involved Populations. CSAC staff worked very closely DHCS on a number of implementation activities related to the jail and probation populations and enrollment in Medi-Cal. The Medi-Cal expansion under the ACA allows childless adults previously ineligible to enroll in Medi-Cal. This means that many adults in county jails and on probation can now enroll and access health care coverage. CSAC staff worked with DHCS on implementation of AB 720 (Statutes of 2013), including draft county letters, materials, and conferences. CSAC has assisted with surveying counties on implementation and found 44 counties covering 96 percent of the population are enrolling individuals in county jail and under probation supervision.

CSAC staff continues to work closely with DHCS on county guidance regarding Medi-Cal claiming when a jail inmate leaves the grounds of the jail for a 24-hour or longer inpatient stay in a community hospital. Staff anticipates details to be released later this fall. The Medi-Cal claiming should provide access to new federal funds for previous county-only inpatient costs.

Housing, Land Use and Transportation

SB 375 Implementation. Implementation of the first round of Sustainable Communities Strategies - regional planning documents that integrate transportation, housing and land use for the reduction of greenhouse gas emissions pursuant to SB 375 (Chapter No. 728, Statutes of 2008) – is near completion. In order to see the GHG emission reductions come to fruition, additional funding for

infrastructure and housing is critical. CSAC staff dedicated significant time and resources to ensuring that the cap and trade auction revenue proceeds from the cap on fuels was invested in these SB 375 plans and other GHG reducing regional transportation plans. All 58 counties will be eligible to compete for \$130 million in grant funds in 2014-15 for a variety of transportation and housing activities. While CSAC is still working the Strategic Growth Council to develop the guidance for the grant program, we anticipate project eligibility to include active transportation and complete street infrastructure, transit infrastructure, and ideally infrastructure to support affordable infill housing development. The success of this year's efforts will continue into future years as the cap and trade auction revenues increase and more funding is available for important local GHG reducing transportation and housing projects.

Housing Element Reform. While broader housing element reform evaded the Legislature and Administration in 2014, CSAC supported legislative efforts to provide relief to counties making great strides to plan for affordable housing in their communities.

State and Federal Indian Gaming Issues. CSAC was very active on tribal gaming and intergovernmental affairs issues in 2014. CSAC conveyed two day-long meetings of the CSAC Tribal Gaming Working Group to review, revise, and update CSAC's decade old policy on state gaming compacts, the federal fee-to-trust process, etc. Staff anticipates taking the revised policy to the CSAC Housing, Land Use, and Transportation Policy Committee and the CSAC Board of Directors for action at the Annual Meeting in November. This effort is critical to California's counties as forty nine 1999 Tribal-State Gaming Compacts are set to expire and the Governor is starting conversations to renegotiate the terms for continued authorization to operate gaming facilities. The 1999 compacts do not include a requirement to enter into a judicially enforceable local mitigation agreement and relies on the Special Distribution Fund to mitigate off-reservation impacts which is now insolvent. The ability for counties to mitigate for gaming impacts rests on counties' ability to renegotiate the 1999 compacts successfully. At the federal level, CSAC has continued to push for fee-to-trust reform and the ensure changes to the federal tribal acknowledgment process continue to give counties a meaningful voice and ability to participate in the decision making process (explained in greater detail in the federal section below).

AB 52 (Gatto) California Environmental Quality Act: Tribal Cultural Resources. As introduced in January 2013, AB 52, by Assembly Member Mike Gatto, would have expanded the California Environmental Quality Act (CEQA) to create a new class of protected resources – "tribal cultural resources", require multiple consultations between lead agencies and California's Native American Tribes, and provide Tribes the authority to determine what a tribal cultural resource is and therefore entitle those resources to certain CEQA protections. CSAC raised a number of concerns with the measure, not the least of which is a fundamental disagreement over adding a new class of environmental resources to the environmental review process when CSAC supports CEQA streamlining. At the same time, CSAC supports cooperation, collaboration, and early consultation between lead agencies and Tribes on projects that may impact tribal cultural resources. While our primary request of the author – to require project-by-project consultation outside of CEQA in the Government Code – was not adopted, we were successful in negotiating a number of amendments to the measure that ultimately allowed us to remove our opposition to the bill. The amendments include a definition of tribal cultural resource that does not put a lead agency in the place of disputing what is culturally significant to a Tribe, one consultation process that has a clear beginning and end, what consultation can include, a requirement for tribes to dictate a single point

of contact, and allows for the confidential exchange of information between a tribe, project proponent, and local government.

AB 2741 (Frazier): Public Contracts: Change Orders. AB 2471, by Assembly Member Jim Frazier, would have imposed arbitrary and burdensome timelines on the negotiation of a change order for a public works project. CSAC opposed this bill because it would expose counties to liability and prejudgment interest if its timeframe for negotiating a change order and making payments due pursuant the bill's provisions are not met. The author was unable to resolve conflicts between the intent of the bill and concerns raised by CSAC and others. Accordingly, the bill did not gain successful passage in the 2014 legislative session.

Revenue and Taxation

Mandates. CSAC worked closely with the Administration to achieve a top priority for counties in the 2014-15 state budget – a \$100 million down payment on the estimated \$900 million owed to counties, cities, and special districts from previously suspended mandates dating from 2004 and earlier. Not only will counties realize about \$73 million in 2014-15, but the 2014-15 state budget includes a trigger that authorizes additional payments should state revenues exceed projections. These “Wall of Debt” mandates are also authorized to be paid with reserve funds should Proposition 2, the Rainy Day Fund pass.

Additionally, CSAC worked with county elections officials to raise awareness and concerns regarding the suspension of elections mandates. This work led to language in the Budget Act that requires that the Department of Finance study and report to the Legislature on the efficacy of these mandates.

Redevelopment Dissolution/Resurrection. CSAC monitored a variety of activities associated with redevelopment dissolution, including a variety of legislative vehicles to address dissolution issues. CSAC opposed SB 1129 (Steinberg) and AB 2493 (Bloom), both of which would change the mechanisms by which dissolution is implemented, specifically, by allowing certain bonds to be used for redevelopment projects and allow successor agencies to enter into new enforceable obligations. Because counties have a significant fiscal stake in the dissolution process and these changes directly affect the allocation of property tax revenue from former redevelopment agencies, CSAC communicated to the legislature and Administration our concerns about the fiscal impacts to counties associated with these measures.

Additionally, CSAC supported the Administration's efforts to provide for a new economic development tool for local agencies – Enhanced Infrastructure Financing Districts (EIFDs). CSAC joined with other local agency associations and interested stakeholders in ensuring the passage of SB 628 (Beall), a measure that provides for collaboration at the local level when determining economic development projects and their financing. SB 628 awaits the Governor's action.

Property Tax Allocation. Once again, CSAC led efforts to secure nearly \$13 million in state funds to reimburse three counties (Alpine, Amador, and San Mateo) that experienced insufficient ERAF to fully offset their Triple Flip and VLF Swap amounts in 2012-13. This funding was successfully included in the final 2014-15 state budget; additionally, the 2014-15 state budget includes an additional \$1.3 billion to fully pay off the Economic Recovery Bonds, signaling an end to the Triple Flip in 2015-16.

CSAC was also able to secure budget trailer bill language to authorize county auditors to distribute supplemental property tax revenues when all of the county's K-12 schools are basic aid. This change results in the distribution of about \$2 million in Plumas County, which has held funds in trust for many years without authority to distribute.

SB 69 (Roth) Local government finance: property tax revenue allocation: vehicle license fee adjustments. CSAC strongly supported SB 69 by Senator Richard Roth, which would provide financial assistance to the four newly incorporated cities in Riverside County that were affected by SB 89 (2011). Working closely with Senator Roth's office and stakeholders, we provided both technical and advocacy assistance to help the bill move through the legislative process. By establishing a "Vehicle License Fee Adjustment Amount" and replacing lost VLF revenues with property taxes from the schools' share (as currently exists for all other cities and counties in the state), SB 69 restores funds to those impacted by SB 89 and ensures their continued viability. SB 69 currently awaits the Governor's action.

Federal Advocacy

Despite the partisanship and policy gridlock that typically accompanies a midterm election year, the 2014 legislative session yielded a number of major successes for CSAC. Working with members of the state's congressional delegation, CSAC was able to register impressive victories in the federal legislative and regulatory arenas. To follow are some of this year's most notable achievements.

In a huge win for CSAC, the U.S. Army Corps of Engineers (Corps) announced earlier this year that local flood control agencies will no longer be required to remove trees and other vegetation from levees in order to qualify for federal disaster assistance. Given the enormous cost and implementation challenges associated with the policy, reversing the Agency's one-size-fits-all directive was a key administrative objective for CSAC at the federal level.

While the Corps ultimately agreed to shelve its policy following intense pressure from CSAC and key members of Congress, lawmakers approved and President Obama signed into law subsequent legislation (HR 3080; PL 113-121) that *requires* the Corps to undertake a comprehensive reexamination of its levee vegetation guidelines. The requirement, enacted as part of the *Water Resources Reform and Development Act*, ensures that the Corps not only suspends its policy but takes into account key cost and compliance issues as part of any future policy development process.

On the public lands front, Congress in early 2014 approved a one-year extension of the Payments-in-lieu-of-Taxes (PILT) program. The critically needed funding extension was included as part of the Farm Bill after Congress failed to fund PILT in the fiscal year 2014 omnibus spending package. CSAC, along with other key stakeholders, was instrumental in the fight to restore the program, which provided over 45 million to California's counties this year.

In other developments, Congress cleared a long-awaited child protection bill (HR 4980) that provides for a series of key federal policy changes. Among other things, the law amends the adoption assistance program to include, for the first time, incentive awards of \$4,000 for subsidized guardianship placements. The new law also ensures that a child placed with a guardian can continue to be cared for by a successor guardian if a relative guardian dies or is incapacitated. Additionally, the Act requires State plans for foster care and adoption assistance to include policies

and procedures for identifying, screening, and determining appropriate services for children who are believed to be victims of sex trafficking.

Finally, CSAC continued to successfully oppose congressional efforts to overturn the Supreme Court's *Carcieri v. Salazar* decision, which limits the secretary of Interior's trust land acquisition authority to those tribes that were under federal jurisdiction at the time of the passage of the Indian Reorganization Act of 1934. CSAC opposes reversing the Supreme Court's decision absent concomitant reforms in the land-into-trust process and has been advocating for a set of standards that Indian tribes would need to meet as a condition of receiving Department of Interior approval for trust land acquisitions.



**California State Association of Counties
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Date: September 23, 2014

To: CSAC Executive Committee

From: Jean Jordan, Director of Operations and Member Services

Re: Communications, Member Services and Administration

CSAC Communications

CSAC's Communications Unit had a busy 2014, working to support the efforts of our legislative unit, spotlighting our member counties' best practices, and keeping our members informed of important issues in Sacramento and elsewhere.

CSAC continues to enhance its position as the "Voice of California Counties." In increasing numbers the media is looking toward CSAC as an expert source on a wide variety of statewide issues. The Communications Unit has also worked hard to enhance the use of available communications tools, including video, social media and our website.

Telling the County Story

President's Initiative -- CSAC Communications undertook an ambitious 10-part video series spotlighting county prevention and early intervention programs – the initiative of this year's president, Supervisor John Gioia. The videos are being rolled out throughout the month of October. The series featured five county programs from Contra Costa, Kings/Tulare, Orange, Santa Clara and Siskiyou. CSAC also produced four compilation videos spotlighting prevention/early intervention programs that previously were honored with Challenge Awards. In all, the series takes a look at 20 programs from 18 counties.

Challenge Awards – CSAC continued its practice of producing videos highlighting county best practices that were recognized in the previous year's Challenge Awards program. These videos are rolled out during National County Government Month, putting a spotlight on California county innovation. In 2014, CSAC produced 11 videos in this series. Blog postings were written to accompany each video, providing additional insight on each program.

Smart Justice – As 2013 wrapped up, CSAC developed a second round of videos for our Smart Justice series that spotlights AB 109 best practices. In this second round, we produced six videos to compliment the four videos that were produced last fall.

Napa Quake Series – CSAC produced a four-part video series in September examining the impact, response and recovery in Napa and Solano Counties from the August 24 earthquake. A key focus of the series was highlighting how emergency preparedness paid off for the two counties.

Letters for Our Friends – CSAC Communications staff continued their practice of sending “Letters for Our Friends” to area newspapers. These letters highlight county best practices and awards. In the first nine months of 2014, CSAC sent letters to papers in 20 counties.

Ongoing Media Work

While not faced with a major legislative or regulatory battle as in years past, CSAC Communications was still inundated with media work throughout the year. Proactive messaging took place on a wide variety of issues, including the State Budget, the water bond, ground water legislation, federal water legislation, Cap and Trade, and Levee Vegetation issues, among others. More recently, we received media calls on CSAC’s position on Proposition 46, and we anticipate continued media response to CSAC’s “front and center” position on this issue.

We also continued responding to media calls about a variety of topics. We try to be helpful, responsive and timely with the news media. When we cannot be the on-the-record source for a story, we typically offer alternatives in academia or elsewhere in the firm belief that we get better coverage in the long run through this approach. Media work in 2014 included responding to hundreds of requests for information and interviews on topics ranging from the including AB 109/public safety realignment, tobacco settlement securitization, implementation of the Affordable Care Act, the California Public Records Act and unfunded mandates.

Keeping Our Members Informed

The CSAC Bulletin – CSAC continues to produce our weekly electronic Bulletin, which provides more than 3,400 recipients with the latest news on a wide variety of areas, including advocacy. Thirty-five editions were produced through September 2014.

The County Voice – CSAC’s blog continues to be a popular and well-read tool for allowing CSAC staff to discuss issues that fall out of the domain of traditional analysis. During the first nine months of 2014, more than 50 blog entries were posted, covering issues ranging from elections and the CSAC Challenge Awards to the drought and Napa quake

CSAC Perspectives – In the first nine months of 2014, CSAC produced eight CSAC Perspectives. These brief videos provide an opportunity for Executive Director Matt Cate and other staff members to spotlight the latest news coming out of the State and nation’s Capitols.

Website – CSAC’s Website continues to be a strong communications tool with our members and the public. In the past year, more than a quarter million people have visited the website, viewing nearly 650,000 pages. We also brought our blog into the website from another platform, enhancing its readership and searchability.

Social Media – CSAC continues to push news and events spotlighting the Association and our members through social media. The main platforms staff utilizes are Twitter, Facebook and YouTube. CSAC continues to enhance its video production as a communications tool, producing more than 50 videos in the past year.

Regular Email Blasts – CSAC regular communicates to its members utilizing mass emails that provide information on a number of issues, including upcoming conferences, Institute courses and the Challenge Awards. Staff also uses this technology to distribute the CSAC Bulletin. Through the first nine months of the year, more than 60 email blasts were handled to members in this fashion.

CSAC Institute for Excellence in County Government

February will mark the *sixth anniversary* of CSAC Institute. Starting with the first class in February, 2009 the popularity and demand for the Institute as a professional, continuing education resource for California Counties continues to grow. Uniquely, the Institute provides courses specifically designed for County Supervisors, elected officials, senior executives and managers in policy, governance and leadership.

In 2014 participation in classes hit a record high. All 58 counties have sent participants, with a total of 2,505 individuals taking at least one course. The current average is two classes/person. In addition, 129 people have completed their credential (attendance in 10 courses) and 29 county supervisors and senior executives have achieved the status of Institute Fellow (15 courses plus the Fellows Seminar).

This year the Institute launched a partnership with San Jose County to host one Institute course per month in San Diego. Six courses have been offered to date and all have sold out. Several other counties are looking at this model to bring the Institute to regions around the state. In 2014 the Institute hosted the second three-day Executive Leadership Symposium in San Jose with 48 Supervisors and CAO/CEOs participating in this in-depth leadership development seminar.

There are 20 students (senior county managers) currently beginning their second year of the CSAC Institute/CSU-Northridge Master of Public Administration program. County managers are

already enrolling for the next cohort of this unique executive degree program scheduled to begin in August, 2015. The Institute now offers 85 different classes with new ones added each semester at the request of participants and counties.

CSAC's Major Conferences

Annual Meeting

CSAC's 2013 Annual Meeting was held in San Jose, Santa Clara County. Attendance was higher than it had been in the previous few years, when counties were forced to contend with restricted travel budgets. Survey respondents were very happy with the content of the conference, stating it was a worthwhile investment.

Planning is far along for this year's Annual Meeting, set for November 18-21 at the Disneyland Hotel in Orange County. A strong lineup of featured speakers, workshops and meetings is on tap. Our Exhibit Hall will also have a number of new events that members will find worthwhile. Registration is currently running well ahead of projections, and we are anticipating the largest turnout of members in years.

CSAC staff has worked hard to redesign the conference schedule to reduce potential conflicts and to allow for more networking opportunities. Members should have an opportunity attend more events while finding time to participate in smaller/informal meetings. Staff has also redesigned the conference brochure, reducing the redundancy of information and making it more readable. Our conference registration materials were also redesigned, taking advantage of new electronic technology that helped to reduce costs while increasing exposure of the event.

We are anticipating a very popular and successful 120th Annual Meeting in Orange County.

Legislative Conference

CSAC's Legislative Conference, held May 14-15 in Sacramento, turned out to be a very successful event – the result of a strong agenda. The conference was kicked off by a standing-room-only event at the CSAC Conference Center the featured legislative leadership participating in a lengthy Q and A session with membership.

Other popular sessions during the conference included a workshop on the drought, featuring two state secretaries; budget presentations by the Legislative Analyst and the State Health and Human Services Secretary; and a workshop looking at the intersection between criminal justice and healthcare systems.

Administration

Budget

CSAC management team met many times this year to develop a cost saving plan and budget strategy. This resulted in a reduction of \$840,000 in the 2014/2015 budget. The goal was to identify areas where we could save money without impacting the CSAC advocacy mission. Further, every department was given a budget and managers will receive monthly and quarterly reports for better spending management. The management team will continue to meet regularly to discuss changes in revenue and expenditures and how these changes will affect the various departments.

Assets

The Executive Committee of the CSAC Board of Directors convened a subcommittee known as the Revenue and Capital Committee to take a look with at the overall financial health of the organization. They determined that CSAC should have at least six months operating capital in reserves. To that end, the Revenue and Capital Committee recommended and approved the sale of two assets owned by CSAC, the Ransohoff Building and the parking lot on I Street.

The CSAC management team coordinated a team of experts to provide advice and counsel with regard to price, timing and other technical aspects of the sale. We currently have three offers. We have entered into a purchase agreement with the Sutter Capital Group. They have offered \$4.6 million cash for both the building and the lot. We are engaged in a due diligence period and hope to enter into a short escrow period in October with a potential close of escrow of at the end of October. The Revenue and Capital Committee has recommended that the net proceeds from the sale be placed in our reserve account (CalTrust). This will bring our reserve account to the recommended six-month operating expenses threshold.



October 10, 2014

To: CSAC Executive Committee

From: Jennifer Henning, Litigation Coordinator

Re: CSAC Litigation Coordination Program Achievements Report—2014

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Started in 1982, CSAC's Litigation Coordination Program advocates for counties in state and federal courts, as well as administrative agencies. The Program also allows counties to save litigation costs by coordinating in multi-county cases, and by sharing information and resources. The Litigation Coordination Program is widely respected for its advocacy work. Requests for CSAC amicus support come not only from cities, counties, and other public agencies, but also from a wide spectrum of interests, including business and labor. The Litigation Coordination Program occasionally even receives requests from the court itself for a brief providing the county perspective on an issue.

The Program frequently coordinates with other entities, such as the League of California Cities, to provide the courts with a unified perspective on a case's impact where possible. The Litigation Coordination Program aims not only to assist the party to the litigation, but also to develop case law that benefits all counties and their constituents. Briefs are either drafted in-house by CSAC's Litigation Coordinator, or by highly qualified public and private attorneys who prepare the briefs pro bono. The Program never pays attorney fees for the preparation of its briefs.

The Litigation Coordination Program is governed by a Committee of twelve County Counsels representing a cross-section of California's counties, which makes recommendations to the CSAC Executive Director on possible litigation involvement. Through the careful process by which cases are debated and vetted, the Litigation Coordination Program truly is the voice of the 58 Counties in the courts. This report provides a summary of significant litigation activity. A full report will be presented to the CSAC Board of Directors at the Annual Meeting.

2014 Court Filings

The Litigation Coordination Program has considered 44 new amicus requests this year. Amicus briefs or letters have been filed in 37 cases. The following counties received amicus support in one or more cases from the Litigation Coordination Program this year, to date:

- Alameda
- Calaveras
- Fresno
- Los Angeles
- Nevada
- Orange
- San Bernardino
- San Diego
- San Francisco
- Santa Barbara
- Santa Clara
- Ventura
- Yolo

Briefs were also filed in support of nine cities and three other public agencies.

Coordinated Cases

In addition to the amicus filings, the Program is coordinating two very large statewide cases that remain open at this time. In *Sprint v. Board of Equalization*, Sprint is seeking tax refund payments from 51 counties. Through the Program, County Counsels from all 51 counties participated on calls to discuss the response to the claims. A small working group of eight counties was appointed to share the work in drafting a response, which was vetted by all defendant counties. The defendant counties were all invited to join the response. Thus, rather than 51 counties expending time and resources to respond to the complaint, nine counties were able to divide the work, and the rest able to join, resulting in a minimal expense for all counties involved. The case is currently on appeal.

Similarly, in *Gleason v. Bowen*, 56 county elections officials were sued in a challenge to disqualification of signatures for a proposed initiative. The same process was used in this case as in the *Sprint* matter. County Counsels for all defendant counties were invited to participate in a conference call and discuss the appropriate response. The work of coordinating with the Secretary of State's Office, drafting a response, seeking relevant extensions from plaintiff's counsel, and responding to interrogatories has been divided among the defendant counties, resulting in high quality legal representation at a minimal expense to the county defendants.

Similar efforts are undertaken with regard to Public Records Act requests that are submitted to all or most counties. We have had a number this year on a wide variety of topics, including jail conditions and child deaths. Since these comprehensive requests have the potential to be a precursor to litigation, the Litigation Coordination Program helps shape the response, and ensures that counties are coordinated in their approach.

Coordinated cases take significant time for Program staff, but have substantial, direct value for participating counties.

Success Rates in Closed Cases

Success in litigation is difficult to quantify. An adverse ruling does not always equate to a "loss" if, for example, the result is a smaller judgment than anticipated. This is particularly true for an amicus program. In some cases, the facts or the work done at the trial court level – over which we have no control – have the potential for creating bad precedent for all counties going forward. In such a case, a "success" may be convincing the court to limit its ruling to the facts of the case before it, rather than making a broader legal pronouncement. Further, the Program is often contacted about a case only after an unfavorable Court of Appeal decision is issued, and then we are called upon to assist in seeking depublication or Supreme Court review, both of which have an extremely small success rate. In other words, the Program frequently advocates in cases in which the chances of a positive result are extremely small, making negative results a higher statistical probability.

Nevertheless, for statistical purposes only, this report categorizes the cases decided during the past year in which CSAC participated as amicus as positive or negative.

Total Cases Closed in 2014: 23

Positive:	13
Negative:	10