



CALIFORNIA STATE  
ASSOCIATION OF COUNTIES

CORRESPONDENCE 1  
page 1 of 6

# ADVOCATE COLLABORATE

CALIFORNIA  
*Counties*

# COMMUNICATE

07

ANNUAL  
REPORT

# CSAC MEETS CHALLENGE AND CHANGE HEAD ON

The year 2007 marked a year of challenge and change for the California State Association of Counties. As the voice of California's 58 counties, CSAC faced numerous complex challenges in the legislative arena – challenges that will significantly increase in the year ahead.

Internally, CSAC saw changes in its administrative leadership, primarily the result of retirements. Both CSAC and the CSAC Finance Corporation found new, talented Executive Directors who have strong experience with both the Association and California counties.

Embracing this challenge and change, the Association was invigorated to fulfill its mission statement calling for advocacy, collaboration, education and communication.

*Counties are facing some of the most complex and comprehensive issues of the past decade.*

## A YEAR OF CHALLENGES IN SACRAMENTO AND WASHINGTON, D.C.

Counties faced a variety of challenges this past year, from health care reform and corrections reform, to addressing the issues of climate change and investment in our infrastructure. Some would argue that these are the most complex and comprehensive issues that counties have faced in more than a decade. These are also issues that could have far-reaching and extreme impacts on counties for years to come. Following is a brief look back at the issues counties have addressed in 2007, along with a few highlights of issue areas we will continue to face as we move into the next year.

### **Health Care**

As early as January, 2007 was being referred to as the Year of Health Care Reform. The Governor kicked off the year with an initial health care reform proposal, and called the Legislature into a special session on health care in early September, but it wasn't until October that he released an actual bill. In the meantime, countless stakeholders held months of discussions, hearings and released a variety of competing measures for consideration.

CSAC has maintained a seat at the table throughout these discussions, working to ensure that the county voice is heard, and reiterating that any potential negative impacts to county services must be mitigated. As 2007 came to a close, the Assembly voted on and approved a health care reform bill, and it now awaits a vote in the Senate. Should the legislation pass the Senate, as well, a measure will likely be placed on the November 2008 ballot.

### **Climate Change**

Climate change and greenhouse gas emissions reductions continued to be hot topics in 2007. The signing of AB 32, the Global Warming Solutions Act of 2006, heightened the visibility of this issue to an unprecedented level for our state.

In an effort to address this major issue at the county level, CSAC convened a working group, comprised of county supervisors and other county officials from across the state. The group's efforts ultimately resulted in the development of CSAC's Climate Change Policy document, which was officially adopted in November and will serve as the foundation for advocacy efforts on behalf of California's counties moving forward.

### **Corrections Reform**

With the enactment in May of AB 900, the Public Safety and Offender Rehabilitation Services Act of 2007, a major effort was initiated to address the prison overcrowding and recidivism rates that plague our state's correctional system. AB 900 gives counties the option to assist the state in siting reentry facilities upon approval of the local community, construct new county jail facilities and complete much-needed expansions and upgrades to existing facilities. CSAC was actively involved in negotiating the realignment of responsibility for nonviolent juvenile offenders from state to local governments. This transition marks a historic change in how California addresses the needs of its juvenile offender population.

Furthermore, CSAC, in a collaborative partnership with the California Department of Corrections and Rehabilitation (CDCR), as well as many other county affiliate organizations, co-sponsored ten regional summits on reentry facilities. These summits provided additional information to counties on AB 900, including local and state responsibilities, siting of reentry facilities and potential implementation issues that counties may face moving forward.

California Counties also lead a collaborative effort in 2007 to begin addressing the daunting task of the placement of high-risk sex offenders and sexually violent predators. In March 2007, CSAC along with CDCR and the League of California Cities, sponsored the "California Summit for Safe Communities" to address the challenges communities face regarding the release and placement of this population. This summit served as the beginning of dialogue between the state, local government and community-based agencies to determine the most effective way to manage and contain the sex offender population, while ensuring public safety.



Batten down the hatches! A major storm is brewing in California. The bubble burst of the housing industry is having dramatic effects on state revenues. Projections show that the state could be facing a budget deficit of up to \$14 billion. To make matters worse, the Legislative Analyst's Office projects multi-billion dollar shortfalls through the 2012-13 fiscal year.

Those of us in county government know all too well that when the state catches a cold, we sneeze. The depth and length of the deficit projections by the LAO are reminiscent of projections made in 1991-92, the year before the state imposed ERAF I upon local government. Today's budget mess, though, is even worse than those bleak years. Virtually every technique available to avoid addressing the chronic fiscal issues facing this state has been exhausted. Literally, the state is running out of options.

to local agencies, though, and must repay the loan within three years, with interest. The good news is, they only get one dip into the well. Proposition 1A may not be suspended more than twice in 10 years and may not be suspended until prior losses are repaid.

In addition to local government property taxes, though, other revenue streams will be at risk, including subvented programs such as the Williamson Act, the Rural and Small County Law Enforcement Funding and other safety programs. Changes in health and human service programs could dramatically impact our citizens in most critical need of those services, having rippling effects on other county services. Across the board, counties will be asked to help shoulder the burden, while at the same time, dealing with critical shortfalls at the local level.

The housing market decline is having the same fiscal impacts at the local level as it is at the state level – possibly worse. A decline in housing sales means a loss in sales tax. New homeowners are no longer buying those new appliances and furniture, further impacting sales tax revenues. A decline in home values means less disposable income for citizens, leading to less consumption and lower revenues. Finally, in many areas, Proposition 8 reassessment of properties will lead to a decline in property taxes. Many counties will experience a real decline in revenues during the next two years.

## STORMY SEAS AHEAD...

### BUT COUNTIES' LEADERSHIP, INNOVATION AND PROFESSIONALISM WILL PREVAIL

Why should counties be concerned? Doesn't Proposition 1A, passed by the voters in 2004 by an overwhelming margin of 84 percent, protect local government revenues? Well, yes and no. Proposition 1A, which added Section 25.5 to Article XIII of the California Constitution, would prevent revisiting the ERAF years, but it does not prevent the state from accessing local property tax dollars to help balance their budget.

Under certain circumstances, the state can suspend Proposition 1A protections and "borrow" property taxes. They can only borrow an amount equal to 8 percent of the prior year's total property tax allocation

California's counties have successfully shouldered this burden before, and we will again. It is during these bleak periods that the leadership, innovation and professionalism of our counties shine the brightest. This year will be no exception. CSAC will be here to support our counties in any manner possible and to help us all through what we know will be a difficult period ahead.

Paul McIntosh  
Executive Director

### Infrastructure Bond Implementation

CSAC remained engaged in discussions on legislation related to the implementation of the \$43 billion infrastructure bond package passed by the voters last November, including multiple transportation accounts under Proposition 1B; ensuring county access to the infill incentive grant account in Proposition 1C; land use issues under Proposition 1E; and a number of the accounts in the resources bond (Proposition 84). A number of bond funds from Proposition 1B were successfully appropriated in 2007, and our counties are ready to put these funds to efficient and effective use.

### Eminent Domain

CSAC remains fully engaged in a coalition effort to address eminent domain reform. The measure supported by the coalition, The Homeowners and Private Property Protection Act, would amend the constitution to prohibit government from using eminent domain to take an owner-occupied home to transfer to another private person or business. The measure is expected to be on the June 2008 ballot and, if passed, would put in place landmark protections for California's homeowners.

### Natural Resources

With the signing in October of six flood protection measures, a myriad of new requirements were imposed upon counties, including conditions on building in high-risk flood areas, changes in the role of counties in regards to flood protection, and the necessity for all counties to address flood management in a more comprehensive manner in their general plans. Throughout the development of these measures, CSAC played an active role in ensuring that county concerns were heard and addressed.

CSAC played an integral role in fighting the proposed elimination of Williamson Act subventions. In the end, the budget fully funded the program at the same level as the previous year.

As 2007 comes to a close, the Legislature remains in a special session on water, and counties await the release of a comprehensive proposal that addresses water supply as well as a potential water bond package.

### At the Federal Level

On Capitol Hill, CSAC successfully advocated for the reauthorization and funding of the Secure Rural Schools and Communities Self Determination Act of 2000, and continued to support additional funding for California's State Children's Health Insurance Program (SCHIP), which remains in discussion in Congress. California's leadership in the National Association of Counties (NACo) remained strong in 2007, and will continue in 2008 with Sonoma County Supervisor Valerie Brown serving as First Vice President.

## CSAC ENHANCES EMPHASIS ON MEMBER SERVICES

CSAC enhanced its emphasis on member services in 2007 through the development of new communication tools and conferences that provided invaluable content to our membership.

The Association's two major meetings – the spring Legislative Conference and fall Annual Meeting – brought out members in record numbers. A strong lineup of keynote speakers and workshop topics provided CSAC members with the latest information on state issues.

This year's annual meeting featured a strong collaboration with the host county, Alameda, to provide attendees with a very worthwhile experience. New activities, such as off-site meetings at interesting and relevant county facilities, closely tied the conference, its content and its theme, "Creating a Better Tomorrow," to the county.

The meetings also featured some of California's most influential state government leaders, including Governor Arnold Schwarzenegger, who spoke at both conferences; Lt. Governor John Garamendi; Attorney General Jerry Brown; Senate President pro Tem Don Perata; and state administration directors Will Kempton, James Tilton and Kim Belshe. Their message was loud and clear: the state wants to continue working closely with counties as, together, we face a multitude of challenging and complex issues.

CSAC also completed its 2006-07 New Supervisors Institute, which provided more than 30 hours of instruction to dozens of newly elected county supervisors. The ongoing success and value of this Institute has prompted CSAC to start developing a continuing education program for all supervisors and department heads.

During the year, CSAC also worked to enhance communications with our members. We unveiled the redesign of three of our major communications tools; the Web Site ([www.csac.counties.org](http://www.csac.counties.org)), *California Counties* magazine and the *Around Our Counties* electronic newsletter – all with a new focus on being a resource tool. A new password-protected members section on the Web site provides latest news and information, as well as a forum section where county officials can communicate with each other. *California Counties* magazine includes a number of new features that have been received warmly by membership.

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It was also a record-setting year for the CSAC Challenge Awards. CSAC received more than 260 entries submitted by counties throughout the state. A revamped program honored counties in specific population categories, as well as spotlighting specific county programs for innovation and replicability.

Throughout 2007, CSAC continued to build on the strong partnerships it has developed with the private sector through its Corporate Associates program; with cities and schools through the CCS Partnership; and with the Institute for Local Government.

As 2008 begins, the challenges that lay ahead demand CSAC to continue seeking new ways to communicate with and engage its membership.



## FINANCE CORPORATION PROVIDES NEW VALUABLE PROGRAMS

The CSAC Finance Corporation continued reaching new heights in 2007.

The U.S. Communities Cooperative Purchasing program was once again a success for California Counties this year, with almost \$300 million in sales volume and an estimated savings of \$100 million for California county governments. Not only is the program available nationwide, but also has expanded into Canada.

The Cooperative Purchasing program has a new Going Green Purchasing Program, a one-stop source for public agency access to a broad line of environmentally certified products and services. From Energy Star to Ecologo to Green Seal, the U.S.

Communities Going Green program has identified the items in its contracts that meet third-party environmental certification standards to help public agencies meet their responsible procurement needs.



The Finance Corporation hosted a series of five "Green Purchasing" educational seminars throughout the state, attracting more than 300 participants from local entities. Evaluations from attendees have been excellent, and plans are already under way for additional seminars to be held in Southern California early next year.

Through its partnership with California Communities, a joint powers authority, CSAC has a new Gas Tax Program for California local governments that will allow them to leverage their State Motor Vehicle Fuel Tax (gas tax) to finance road improvement projects. The use of proceeds from the gas tax, which is an 18-cent per gallon state excise tax collected on fuel sales, is restricted by the State Constitution to the maintenance and construction of public streets and highways. These funds are already distributed to cities and counties on a monthly basis. This program would assist local agencies in borrowing against those future payments to obtain funding for more projects today.

It has been an exciting year for CalTRUST, the CSAC-sponsored joint powers agency offering a pooled investment program for California's counties and other local agencies. After starting 2007 with \$360 million in assets, the program had grown to more than \$500 million by the first week of December 2007.

The CalTRUST Short-Term Fund continues to perform well and is rated AA by Standard and Poor's. It remains a great option for local agency investments in these turbulent financial times. More information can be found at [www.caltrust.org](http://www.caltrust.org).

The Finance Corporation wrapped up 2007 with the appointment of Tom Sweet as its new Executive Director. Mr. Sweet brings more than 30 years of local government experience to the position, including 25 years on the staffs of both CSAC and the National Association of Counties (NACo).

*New programs  
offer significant  
benefits for local  
governments.*

Section	County	Director
U	Alameda County	Keith Carson
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R	Calaveras County	Merito Colloway
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U	San Benito County	Rob Monaco
U	San Bernardino County	Paul Biane
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