

CALIFORNIA STATE ASSOCIATION OF COUNTIES
BOARD OF DIRECTORS
Thursday, February 22, 2007
10:00am – 1:30pm
Convention Center, Sacramento

A G E N D A

Presiding: Frank Bigelow, President

10:00am PROCEDURAL ITEMS

1. Roll Call Page 1
2. Approval of Minutes of November 30, 2006 Page 3

10:10am SPECIAL PRESENTATION

3. Update on Corrections Reform Page 14
 - *Secretary Jim Tilton, Department of Corrections and Rehabilitation*

10:45am ACTION ITEMS

4. Consideration of CSAC Legislative Priorities for 2007 Page 24
 - *Steve Keil and Karen Keene, CSAC staff*
5. Eminent Domain Reform Proposal Page 33
 - *Jim Keene, CSAC Executive Director*
 - *Jean Hurst, CSAC staff*
6. Consideration of Resolution to Support High Speed Rail Page 35
 - *Supervisor Mike McGowan, Policy Committee Chair*
 - *DeAnn Baker, CSAC staff*

12:00pm LUNCH

12:30pm INFORMATION ITEMS

7. Institute for Local Government (ILG) Report Page 38
 - *JoAnne Speers, ILG Director*
8. CSAC Constitution Revision Task Force Report Page 41
 - *Supervisor Rich Gordon, Task Force Chair*
9. CSAC Finance Corporation Report Page 43
 - *Supervisor Greg Cox, Finance Corp. Board Member*
 - *Jim Keene, Finance Corp. Board Member*
10. Legislative Update
 - *Steve Keil*

11. Other Items

1:30pm ADJOURN

ROSTER

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Board of Directors

2007

<u>Section</u>	<u>County</u>	<u>Director</u>
U	Alameda County	Keith Carson
R	Alpine County	Terry Woodrow
R	Amador County	Louis Boitano
S	Butte County	Curt Josiassen
R	Calaveras County	Merita Callaway
R	Colusa County	Thomas Indrieri
U	Contra Costa County	Federal Glover
R	Del Norte County	David Finigan
R	El Dorado County	James Sweeney
S	Fresno County	Henry Perea
R	Glenn County	Tom McGowan
S	Humboldt County	Roger Rodoni
S	Imperial County	Gary Wyatt
R	Inyo County	Susan Cash
S	Kern County	Jon McQuiston
R	Kings County	Tony Oliveira
R	Lake County	Ed Robey
R	Lassen County	Robert Pyle
U	Los Angeles County	Don Knabe
R	Madera County	Vern Moss
S	Marin County	Susan Adams
R	Mariposa County	Dianne Fritz
R	Mendocino County	Michael Delbar
S	Merced County	Mike Nelson
R	Modoc County	Mike Dunn
R	Mono County	Vikki Magee-Bauer
S	Monterey County	Fernando Armenta
S	Napa County	Brad Wagenknecht
R	Nevada County	Ted Owens
U	Orange County	Pat Bates
S	Placer County	Jim Holmes
R	Plumas County	William Powers
U	Riverside County	John Tavaglione

U	Sacramento County	Roger Dickinson
R	San Benito County	Reb Monaco
U	San Bernardino County	Paul Biane
U	San Diego County	Greg Cox
U	San Francisco City & County	Jake McGoldrick
S	San Joaquin County	Victor Mow
S	San Luis Obispo County	Harry Ovitt
U	San Mateo County	Jerry Hill
S	Santa Barbara County	Joni Gray
U	Santa Clara County	Liz Kniss
S	Santa Cruz County	Tony Campos
S	Shasta County	Glenn Hawes
R	Sierra County	Arnold Gutman
R	Siskiyou County	LaVada Erickson
S	Solano County	Barbara Kondylis
S	Sonoma County	Valerie Brown
S	Stanislaus County	Dick Monteith
R	Sutter County	Larry Munger
R	Tehama County	Bob Williams
R	Trinity County	Jeff Morris
S	Tulare County	Allen Ishida
R	Tuolumne County	Richard Pland
U	Ventura County	Kathy Long
S	Yolo County	Mike McGowan
R	Yuba County	Mary Jane Griego

President: Frank Bigelow, Madera County
 First Vice President: Richard Gordon, San Mateo
 Second Vice President: Gary Wyatt, Imperial
 Immed. Past President: Connie Conway, Tulare County

SECTION: U=Urban S=Suburban R=Rural

1/16/07

MINUTES OF NOVEMBER 30, 2006

CALIFORNIA STATE ASSOCIATION OF COUNTIES
BOARD OF DIRECTORS
November 30, 2006
Disneyland Hotel, Anaheim, Orange County

MINUTES

Presiding: Connie Conway, President

1. ROLL CALL

Alameda	Keith Carson	Orange	absent
Alpine	Terry Woodrow	Placer	Jim Holmes
Amador	Louis Boitano	Plumas	William Powers
Butte	Curt Josiassen	Riverside	John Tavaglione
Calaveras	Merita Callaway	Sacramento	Roger Dickinson
Colusa	Thomas Indrieri	San Benito	Reb Monaco
Contra Costa	Federal Glover	San Bernardino	Paul Biane
Del Norte	David Finigan	San Diego	Greg Cox
El Dorado	James Sweeney	San Francisco	absent
Fresno	Henry Perea	San Joaquin	Victor Mow
Glenn	Tom McGowan	San Luis Obispo	Harry Ovitt
Humboldt	Roger Rodoni	San Mateo	Richard Gordon
Imperial	Gary Wyatt	Santa Barbara	Joni Gray
Inyo	Susan Cash	Santa Clara	Liz Kniss
Kern	Jon McQuiston	Santa Cruz	absent
Kings	Tony Barber	Shasta	Glenn Hawes
Lake	Ed Robey	Sierra	absent
Lassen	Robert Pyle	Siskiyou	absent
Los Angeles	Don Knabe	Solano	Barbara Kondylis
Madera	Bigelow/Gilbert	Sonoma	Mike Kerns
Marin	Susan Adams	Stanislaus	absent
Mariposa	Dianne Fritz	Sutter	Larry Munger
Mendocino	Michael Delber	Tehama	absent
Merced	Mike Nelson	Trinity	Jeff Morris
Modoc	absent	Tulare	Conway/Worthley
Mono	Vikki Magee-Bauer	Tuolumne	Richard Pland
Monterey	Fernando Armenta	Ventura	Kathy Long
Napa	Brad Wagenknecht	Yolo	Mike McGowan
Nevada	Ted Owens	Yuba	Mary Jane Griego

The presence of a quorum was noted.

2. APPROVAL OF MINUTES

The minutes of August 31, 2006 were approved as previously mailed.

3. Election of 2007 CSAC Executive Committee

The following members were nominated by the CSAC Urban, Suburban and Rural caucuses to serve on the 2007 Executive Committee:

Frank Bigelow, Madera, President
Richard Gordon, San Mateo, 1st Vice President
Gary Wyatt, Imperial, 2nd Vice President
Connie Conway, Tulare, Immed. Past President

Urban Section

Federal Glover, Contra Costa	Liz Kniss, Santa Clara
Don Knabe, Los Angeles	Kathy Long, Ventura
John Tavaglione, Riverside	Greg Cox, San Diego (alternate)
Roger Dickinson, Sacramento	

Suburban Section

Joni Gray, Santa Barbara	Mike Nelson, Merced
Mike McGowan, Yolo	Valerie Brown, Sonoma (alternate)

Rural Section

Terry Woodrow, Alpine
Jeff Morris, Trinity
Tony Oliveira, Kings (alternate)

Motion and second to approve 2007 CSAC Executive Committee as nominated. Motion carried unanimously.

4. CSAC POLICY COMMITTEE REPORTS

Administration of Justice. The CSAC Administration of Justice Policy Committee met on November 28, and received a number of key policy updates. In addition, the committee reviewed and approved the County Policy Principles and Guidelines on Corrections Reform. This policy was developed through a multi-disciplinary working group process over the last several months to help counties position themselves for future corrections reform discussions with the state. The policy document focuses on the need for improved offender outcomes and community safety; the need for a strong partnership between the state and local governments; and the benefits of front-end investment in local programs and services. The policy committee requested that the Board of Directors adopt the County Policy Principles and Guidelines for Corrections Reform as presented (attached), and direct staff to continue working through the County Corrections Reform Working Group to evaluate proposal, policies and issues that arise in the coming legislative year, using the policy document as a guide.

Motion and second to adopt the County Policy Principles and Guidelines for Corrections Reform as presented (attached), and direct staff to continue working through the County Corrections Reform Working Group. Motion carried unanimously.

Agriculture and Natural Resources. Supervisor Jeff Morris, Vice Chair of the Agriculture and Natural Resources Policy Committee, presented the committee's report. The policy committee met on November 28, and received several reports including a status report from CalTrans on the statewide construction materials shortage, an update from the Department of Conservation on the Williamson Act, and a report from the Department of Water Resources regarding the lack of federal funding for California's flood protection needs. No action items were brought forward for consideration.

Economic Development. The CSAC Economic Development Policy Committee met on November 29, and received reports regarding regional economic development, new business expansion into California, the Economic Leadership Network Project and an update on the Governor's Advisor of Military Affairs position. No action items were brought forward for consideration.

Government Finance and Operations. Supervisor Kathy Long, Chair of the CSAC Government Finance & Operations Policy Committee, presented the committee report. The policy committee met on November 29, and considered two action items which were brought forward to the Board of Directors. The first is a set of principles related to eminent domain/redevelopment, initially drafted by the CAOAC Redevelopment Working Group. The policy committee amended the draft principles and that version was presented to the Board of Directors (attached).

Motion and second to adopt CAOAC Redevelopment Principles. Motion carried unanimously.

The second action item was a resolution in support of full funding of the Public Library Foundation.

Motion and second to adopt resolution in support of full funding of the Public Library Foundation. Motion carried unanimously.

Health and Human Services. Supervisor Liz Kniss, Vice Chair of the CSAC Health & Human Services Policy Committee, presented the committee's report. The policy committee met on November 29, and received several reports. Dr. Mark Horton, the State Public Health Officer discussed the creation of the new State Department of Public Health. The state is in the process of separating the current state Department of Health Services into a Department of Public health and a Department of health Care Services. The California Health Care Foundation provided information on county indigent programs and the uninsured. The California Mental Health Directors Association provided an update on mental health issues, including Proposition 63. The state just announced that an additional \$114 million is being allocated to counties for community services and supports under Proposition 63, bringing total funds to \$465 million. No action items were brought forward for consideration.

Housing, Land Use & Transportation. Supervisor Mike McGowan, Vice Chair of the CSAC Housing, Land Use & Transportation Policy Committee, presented the committee's report. The policy committee met on November 28, and discussed housing and transportation legislative priorities as well as federal Indian gaming legislation. Judge Quentin Kopp, Chair of the High Speed Rail Authority, made a presentation regarding the High Speed Rail Project. The committee also received reports on regional planning and infrastructure bond monies, and the aggregate materials shortage. No action items were brought forward for consideration.

Sunne Wright McPeak, Secretary of Business, Transportation and Housing Agency, addressed the Board regarding a two-day regional blueprint planning workshop that she convened in conjunction with the CSAC conference.

5. PROPOSED SCHEDULE OF 2007 BOARD OF DIRECTORS MEETINGS

The proposed dates for 2007 CSAC Board of Directors meetings were as follows: February 22, March 29, June 14, and November 15.

Motion and second to approved proposed dates for 2007 CSAC Board of Directors meetings. Motion carried unanimously.

6. RESOLUTION AUTHORIZING EXECUTIVE DIRECTOR TO CONDUCT CSAC BUSINESS

The Board was asked to adopt the annual resolution authorizing the CSAC Executive Director to conduct CSAC business as contained in the briefing materials.

Motion and second to adopt resolution. Motion carried unanimously.

7. INSTITUTE FOR LOCAL GOVERNMENT UPDATE

JoAnne Speers, Director of the Institute for Local Government (ILG), provided a report on current activities. ILG was originally founded by the League of California Cities for the purpose of developing information resources to assist local officials in service to their local communities. CSAC has become more involved in the last couple of years and both Supervisor Greg Cox and Jim Keene currently serve on the ILG Board. Ms. Speers led the Ethics Training workshop, spoke at the New Supervisor Institute and was an exhibitor during the CSAC annual conference. Some recent publications that ILG produced are: *Regulatory Takings and Land Use Regulation: A Primer for Public Agency Staff* and *Ensuring Continued Affordability in Home Ownership programs*, both are available on the ILG web site which is www.ca-ilg.org. Other publications currently being developed include a white paper on Housing Trust Funds and an update of the *Planning Commissioners Handbook*.

8. FAMILY VIOLENCE TASK FORCE REPORT

Supervisor Barbara Kondylis, Chair of the Family Violence Task Force, presented a report from the meeting held on November 30. A panel of speakers comprised of: Mitch Mason and Angela Carter with the Los Angeles County Department of Children and Family Services, and Dr. Jacquelyn McCroskey, Research Director at the Child and Family Research Consortium, discussed strategies on primary prevention efforts and their Title IV-E Waiver Project plan. Title IV-E funding is primarily federal dollars that the state receives for child welfare programs. Los Angeles County is pursuing a model in which they invest greater resources earlier in an effort to prevent referrals to the child welfare system. The panel discussed the importance of key partnerships among their Board of Supervisors, private and public sector agencies such as First 5 LA, and faith based organizations, and philanthropic organizations. The panel also talked about the importance of community organizing, economic development and a continuum of services, support and activities.

9. CSAC FINANCE CORPORATION REPORT

Supervisor Greg Cox, a member of the CSAC Finance Corporation Board of Directors, announced that the CalTRUST program, a pooled investment trust for local governments, reached the \$330 million mark. The program was launched in 2005 and features short and medium-term fund options.

A new program which will be launched in December is Go-Solar. It is an innovative new power purchase program that will enable counties to meet long-term energy needs by purchasing green power at a significantly lower cost than brown power. The program utilizes an innovative combination of tax and rebate incentives to deliver low cost green power.

10. OTHER ITEMS

Jim Keene announced that Sutter County Administrative Officer Larry Combs was elected President of the County Administrative Officers Association (CAOAC) and will serve as advisor to the 2007 CSAC Executive Committee and Board of Directors. Tulare County Counsel Kathleen Bales-Lange will also serve as an advisor.

Meeting adjourned.



Corrections Reform

County Policy Principles and Guidelines

Preamble

In light of the state's recent focus on corrections reform — primarily on recidivism and overcrowding in state detention facilities, counties feel it is essential to articulate their values and objectives as vital participants in the overall corrections continuum. Further, counties understand that they must be active participants in any successful effort to improve the corrections system in our state. Given that local and state corrections systems are interconnected, true reform must consider the advantage — if not necessity — of investing in local programs and services to help the state reduce the rate of growth in the prison population. Front-end investment in local programs and initiatives will enrich the changes currently being contemplated to the state system and, more importantly, will yield greater economic and social dividends that benefit communities across the state.

Recognizing that preserving public safety — a matter of paramount importance in communities statewide — will be enhanced by ensuring that appropriate attention and commitment are focused on rehabilitation for adult and juvenile offenders, counties offer the following Corrections Reforms Principles and Guidelines that, we believe, will help advance discussions between the state and counties.

Fundamental Principles

- An optimum corrections strategy must feature a strong and committed partnership between the state and local governments.
- State and local authorities must focus on making productive use of offenders' time while in custody or under state or local supervision. A shared commitment to rehabilitation can help address the inextricably linked challenges of recidivism and facility overcrowding. The most effective method of rehabilitation is one that maintains ties to an offender's community.
- Programs and services must be adequately funded to enable counties to accomplish their functions in the corrections system and to ensure successful outcomes for offenders. To the extent that new programs or services are contemplated, support must be in the form of a dedicated, new and sustained funding source rather than a redirection of existing resources.
- System and process changes must recognize that the 58 California counties have unique characteristics, differing capacities, and diverse environments. Programs should be designed to promote innovation at the local level and to permit maximum flexibility, so that services can best target individual community needs and capacities.
- Counties and the state can best achieve their shared objectives by focusing on results both in the form of improved offender outcomes and community safety.

Reform Policy Guidelines

The following reform policy guidelines represent specific proposals that serve to promote the principles outlined above.

- **Keys to Slowing the Prison Population Growth: Investment in local programs and facilities.** The state's investment in local programs and facilities returns an overall benefit to the state corrections system and community safety. State support of local programs and facilities will aid materially in addressing the "revolving door" problem in state and local detention facilities.
 - The state should invest in improving, expanding and renovating **local detention facilities** to address overcrowding, early releases, and improved delivery of inmate health care. Incentives should be included to encourage in-custody treatment programs and other services.
 - The state should invest in **adult probation services** — using as a potential model the Juvenile Justice Crime Prevention Act (JJCPA) — to build a continuum of intervention, prevention, and supervision services for adult offenders.
 - The state should continue to fully support the successful JJCPA initiative, which provides a range of **juvenile crime prevention and intervention programs** and which represents a critical component of an overall crime reduction and public safety improvement strategy. Diverting juveniles from a life of offending will help to reduce pressure on the adult system.
 - The state should invest in **mentally ill in-custody treatment and jail diversion programs**, where treatment and services can help promote long-term stability in mentally ill offenders or those with co-occurring disorders, decrease recidivism, and divert appropriate offenders out of the criminal justice system.
 - The state should continue to invest in **alcohol and drug treatment and diversion programs**, including but not limited to outpatient treatment facilities, given that the vast majority of inmates in state and local systems struggle with addiction, which is a primary factor in their criminality.
- **Inmate reentry programs.** Reentry programs represent a promising means for addressing recidivism by providing a continuum of care that facilitates early risk assessment, prevention, and transition of inmates back into the community through appropriate treatment, life skills training, job placement, and other services and supports. The state should consider



further investment in multiagency programs authorized under SB 618¹, which are built on proven, evidence-based strategies including comprehensive pre-sentence assessments, in-custody treatment, targeted case management, and the development of an individualized life plan. These programs promote a permanent shift in the way nonviolent felony offenders are managed, treated and released into their respective communities. Examples of program elements that have been demonstrated to improve offenders' chances for a successful reintegration into their communities upon release from custody include, but are not limited to, the following:

- Early risks and needs assessment that incorporates assessments of the need for treatment of alcohol and other drug abuse, and the degree of need for literacy, vocational and mental health services;
- In-custody treatment that is appropriate to each individual's needs — no one-size-fits-all programming;
- After care and relapse prevention services to maintain a "clean and sober" lifestyle;
- Strong linkages to treatment, vocational training, and support services in the community;
- Prearranged housing and employment (or vocational training) for offenders before release into their communities of residence;
- Preparation of the community and offenders' families to receive and support each offender's new law-respecting and productive lifestyle before release through counseling and public education that recognize and address the inter-generational impact and cycles of criminal justice system involvement.
- Long-term mentorship and support from faith-based and other community and cultural support organizations that will last a lifetime, not just the duration of the parole period; and
- Community-based treatment options and sanctions.

Counties believe that such reentry programs should include incentives for inmate participation.

- **Siting of new facilities.** Counties acknowledge that placement of correctional facilities is controversial. However, the state must be sensitive to community response to changing the use of, expanding, or siting new correctional facilities (prisons, community correctional facilities, or reentry facilities). Counties and other affected municipalities must be involved as active participants in planning and decision-making processes regarding site selection. Providing for security and appropriate mitigations to the local community are essential.

¹ Chapter 603, Statutes of 2005.



Impact on local treatment capacity. Counties and the state must be aware of the impact on local communities' existing treatment capacity (e.g., mental health, drug treatment, vocational services, sex offender treatment) if the correction reforms contemplate a major new demand on services as part of development of community correctional facilities, reentry programs, or other locally based programs. Specialized treatment services that are not widely available are likely the first to be overtaxed. To prevent adverse impacts upon existing alcohol and drug and mental health treatment programs for primarily non-criminal justice system participants, treatment capacity shall be increased to accommodate criminal justice participants. In addition, treatment capacity shall be separately developed and funded.

Emerging and best practices. Counties support the development and implementation of a mechanism for collecting and sharing of best practices that can help advance correction reform efforts.



California Counties Eminent Domain/Redevelopment Principles
Approved by the CSAC Board of Directors November 30, 2006

Principles

Counties believe that redevelopment is, and can continue to be, a useful tool in combating economic and physical blight in California communities. However, counties also recognize that reforms to redevelopment law are needed to ensure that a balance exists between revitalizing blighted areas, protecting private property, and ensuring that counties can continue providing important local programs and services to our citizens.

Eminent Domain

Counties recognize that eminent domain is a necessary and useful tool for important public projects. However, counties also recognize the importance of protecting private property from eminent domain for the purposes of private development.

Definition of Blight

Counties support efforts to further tighten the statutory definition of "blight" to ensure appropriate use of tax increment revenues in the neediest communities and to avoid abuse of redevelopment powers. Counties oppose exceptions to the blight definition or broadening of the blight definition for any purpose.

Tax Increment Financing

While the Constitution allows tax increment financing for redevelopment purposes, counties oppose extension of redevelopment time limits that would require additional tax increment financing without the consent of the other taxing entities. Further, counties oppose the use of tax increment financing for purposes other than redevelopment without the consent of the other taxing entities.

Merged RDA Areas

Reform redevelopment by prohibiting the creation of new merged redevelopment project areas unless a finding of blight is made for each of the project areas proposed for merger. These blight findings must meet the same standards as apply to a new redevelopment area being formed. In addition, the merger plan must demonstrate that the tax increment from the merged project areas is dedicated to the elimination of blight in all of the merged project areas.

Public Accountability

Counties support measures that offer additional scrutiny of redevelopment decisions, including extension of timelines for referenda, extension of timelines for filing lawsuits, and additional disclosure/communication to property owners.

Oversight

Counties support greater oversight of redevelopment activities and opportunity for county input in oversight activities.

Low- and Moderate-Income Housing

Counties recognize and support the important role of redevelopment in providing funding for affordable housing.

CORRECTIONS REFORM



February 10, 2007

TO: CSAC Board of Directors

FROM: Elizabeth Howard, CSAC Legislative Representative
James Keene, CSAC Executive Director

RE: Update on Corrections Reform

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

As previewed in late December, the Governor's 2007–08 proposed budget contains a bold reform proposal that seeks to address overcrowding and recidivism in both the state and local corrections systems. Given the breadth of the proposed changes and the significance of the policy implications behind those changes, counties will need to engage quickly and seriously in these discussions as the budget moves forward.

CSAC has invited Secretary Jim Tilton of the Department of Corrections and Rehabilitation (CDCR) to address the CSAC Board of Directors on February 22. (He also presented before the CSAC Administration of Justice Committee on January 31.) It is anticipated that Secretary Tilton will focus on three key issues: (1) the Governor's overall Corrections Reform Plan; (2) short- and long-term solutions to the state's prison overcrowding issues; and (3) re-entry facilities. In our discussions with Secretary Tilton, he has indicated a sincere interest in engaging directly with counties and is making himself available in a number of settings in the coming months to solicit our feedback and address potential concerns.

It is clear that there is a great deal at stake for counties in the context of corrections reform — both financially and operationally. Our primary area of focus for the last month since the release of the Governor's proposed spending plan is to work to identify a clear process and means by which counties can be assured a seat at the table and be granted the ability to directly negotiate a reform plan that is both feasible and reasonable. In the meantime, we understand that the California State Sheriffs' Association is actively negotiating with CDCR and the Administration on behalf of county law enforcement interests. While outreach efforts have been extended to CSAC, RCRC, and UCC, we have not been accorded direct entrée into policy- or decision-making processes. We need to clearly identify paths of communication and coordination in order to assure that broad county interests are appropriately represented and our issues addressed. We have begun and will be further pursuing our advocacy efforts with legislators, key legislative staff, and other policy makers.

We strongly encourage Board members to come the February 22 meeting prepared to articulate the issues, concerns, and benefits of the Governor's proposed reform plan, as well as potential local impacts of the plan. It behooves

us to further make it clear to the Administration, CDCR, Legislature and other interested parties that a plan to reform California's corrections systems — a plan that, in fact, seeks to dramatically reshape both the state and local systems — *cannot succeed without the direct involvement of county governments*. In preparation for the February 22 meeting, CSAC is working with the County Administrative Officers Association of California (CAOAC) to better define specific local impacts and concerns of the corrections reform proposal. That information, as well as other advocacy materials that CSAC is preparing to address the lack of a clear process for input, will be made available at the Board of Directors meeting.

BACKGROUND

The Governor convened a special session in June 2006 to try to address the twin issues of state prison system overcrowding and recidivism. Although no legislative action resulted from the special session, the Administration and CDCR continued during the fall 2006 to devise a comprehensive plan to avoid a collapse of the state corrections system, which is expected to be at absolute maximum capacity by June 2007. Secretary Tilton and other CDCR officials have repeatedly reported that, absent corrective action, the state prison system will effectively be unable to accommodate new commitments to state prison sometime within the next five months. Under close scrutiny by the federal courts as a result of extensive litigation, the Department may face one of two potential — and equally undesirable — outcomes: CDCR could (1) be directed by the federal court to empty its prisons of a significant population to relieve the unmanageable overcrowding or (2) simply refuse new commitments, meaning that inmates would be backed up in county jail systems.

With this rather dire set of circumstances as a backdrop, the Governor previewed elements of a new approach to overhauling the corrections system in December and further detailed in his proposed spending plan for 2007–08 released on January 10. The plan, which contemplates major new responsibilities for county governments, includes the following:

- **Local Adult and Juvenile Detention Facilities:** \$5.5 billion (\$4.4 billion in lease-revenue bonds or state-funded local debt service payments plus \$1.1 billion in local matching funds) to expand detention facility capacity statewide. This investment is expected to yield 45,000 new jail beds and 5,000 new beds for juvenile offenders.

Of the new adult beds, approximately half would be dedicated to expand local jail capacity and, subject to changes in sentencing statutes expected to take effect July 1, 2008, the other half to accommodate low-level inmates who would serve sentences of up to three years in county facilities. The Governor's Budget documents recognize that out-year operating costs in

these facilities are not addressed, but commits to ongoing discussion with the Legislature and local officials to resolve this very significant issue.

On the juvenile side, the reform proposal contemplates a shift of a population of juvenile offenders to county control and supervision beginning July 1, 2007. This realignment would allow the Department of Juvenile Justice (DJJ, formerly the California Youth Authority) to focus its resources and services on the most serious male juvenile offenders in the state. Under the Governor's plan, the DJJ would no longer house female offenders in its institutions and would stop intake of certain low-level, non-violent male offenders. To fund the new local programming and housing responsibilities, the budget plans to allocate to counties on a block-grant basis \$53 million for 2007–08. In addition, the budget proposes elimination of the Juvenile Justice Community Reentry Challenge Grant, a program that was funded primarily to serve DJJ parolees at \$10 million in the 2006–07 budget.

- **Re-entry facilities:** \$1.6 billion in lease-revenue bonds and/or contracting authority to provide beds for transitional programming and services for inmates close to being paroled
- **Expanded state prison capacity:** \$2.7 billion (\$0.3 billion in state general funds and \$2.4 billion in lease-revenue bonds) to add over 16,000 in new prison beds and address infrastructure issues at existing prison facilities
- **Sentencing Commission:** Also contemplated under the Governor's comprehensive corrections reform plan is the creation of the California Sentencing Commission. The proposed budget includes \$457,000 to fund the permanent commission, which would be composed of the Attorney General, the Secretary of the Department of Corrections and 15 other members appointed by the Governor. The gubernatorial appointees would include representatives from the Legislature and various interest groups including law enforcement and victims' advocates.
- **New Resources for County Probation:** In a very promising new initiative, the Governor's Budget dedicates \$50 million in local assistance grants to support adult supervision services for the 18-to-25 age group. Funding for this initiative, which will be modeled after the successful Juvenile Justice Crime Prevention Act, is expected to grow to \$100 million in 2008–09.
- **Continued Local Public Safety Investments:** Although the Governor's budget documents do not provide this level of detail, the proposed 2007–08 spending plan maintains current-year levels of funding for the following programs:
 - Citizens' Option for Public Safety (COPS)

- Juvenile Justice Crime Prevention Act (JJCPA)
- Juvenile Probation Core Services
- Rural and Small County Sheriffs' Program
- Mentally Ill Crime Reduction Grants
- Local Detention Facility Funding (new booking fee paradigm)
- Methamphetamine Abatement Efforts
- Standards for Training and Corrections
- Vertical Prosecution Programs

PRELIMINARY ANALYSIS

CSAC continues to use the County Policy Principles and Guidelines on Corrections Reform — adopted by the CSAC Board of Directors in November 2006 — as the guide to its review and analysis of the Governor's reform proposal. The policy document will continue to be the lens through which CSAC views and analyzes reform plans. As the Legislature and other stakeholders become fully engaged in discussions and analysis in the coming weeks and months, the approach and perhaps the scope of the reform package will, in all likelihood, be modified and reshaped in some way.

CSAC has prepared an initial comparison of the county policy document and the Governor's proposal as it stands today. That analysis appears in tabular format in the reference documents that follow this memo. Clearly, there are a number of fundamental issues that will require further discussion and analysis. Although the list of issues below is preliminary and certainly not exhaustive, we anticipate that chief among the issues for further vetting and consideration from the county perspective are:

- Interaction with the provisions of Proposition 1A
- Implications of shifting control and supervision to counties for certain juvenile and adult offender populations, including profile of populations proposed for realignment and expected service needs (e.g., medical, mental health and substance abuse)
- Sufficiency of funding, including provision of out-year operational costs
- Necessity of county option
- Impact on local treatment capacity
- Process for negotiation and assuring meaningful county input

NEXT STEPS

CSAC is very pleased that Secretary Tilton has articulated a clear commitment to working with counties throughout this process to ensure that the local voice is heard. It will be imperative that counties engage actively in all forums as the corrections reforms proposal undergoes further legislative and fiscal review. In keeping with Board action taken in November 2006, CSAC will continue to rely on the input and expertise provided through the standing County Working Group

on Corrections Reform, a multi-agency body comprised of representatives from a range of disciplines connected to the local corrections system — including boards of supervisors; county administrative officers; district attorneys; public defenders; sheriffs; mental health, alcohol and drug treatment providers; as well as the Urban Counties Caucus and Regional Council of Rural Counties.

Finally, it is important to reiterate that the budget process is in its early stages. The contours of the corrections reform proposal are bound to change between now and the point at which a final budget comes together. CSAC will work to assure that our voice and broad county perspectives are brought to bear in budget and policy deliberations in the months ahead.

The specific process for legislative vetting of the corrections reform proposal is not yet clear — in fact, we have understood that the reform may move only through the budget process and circumvent legislative policy hearings. However, when specific language is introduced that contain the proposed statutory approach to accomplish the corrections reform objectives, it will then be appropriate for CSAC to take a specific position or positions on the relevant bills. The Board of Directors certainly can anticipate a further update its next meeting to be held in conjunction with the CSAC Legislative Conference on March 29, 2007 in Sacramento.

Attachments



Corrections Reform

Preliminary Comparison* of County Policy Principles and Guidelines and Governor's Proposed Reform Proposal

Fundamental Principles

County Principle	Governor's Reform Proposal	Comments/Issues
<p>Strong and committed partnership between the state and local governments</p>	<p>The Governor's Reform Proposal assumes new local government responsibilities and, accordingly, appears to contemplate new relationships between the state and counties. Comments from the Administration and Department of Corrections and Rehabilitation (CDCR)</p>	<p>Counties need to be assured that reform discussion and negotiation process, in addition to actual agreements regarding new local duties, is founded in a committed partnership.</p>
<p>Making productive use of offenders' time while in custody or under state or local supervision</p> <p>Focus on rehabilitation and maintaining ties to offender's community</p>	<p>Reentry facility proposal contemplates heavy treatment/service component; focus on successful reintegration into the community upon release</p>	<p>Counties' assumption of new adult population (i.e., housing those serving up to three years of sentence in county facilities) is undefined; it's not clear what services or service levels, if any, are anticipated for this population</p> <p>(See also discussion on page 4 regarding impacts on local treatment capacity.)</p>
<p>Programs and services must be adequately funded</p> <p>Dedicated, new and sustained funding source (not redirection of existing resources)</p>	<p>Financing provided for capital outlay purposes; out-year operational costs (on adult side) not addressed, but acknowledged as ongoing issue</p> <p>For juveniles, state intends to block grant funds to counties for proposed juvenile population shift: \$94,000 per juvenile annually is pledged to cover both capital and programming costs</p>	<p>Out-year operational costs is perhaps biggest overall question/concern for counties</p> <p>Additional analysis required to determine whether per-capita amount proposed for</p>

* NOTE: This policy comparison is a work in progress. As the Corrections Reform Proposal evolves, this document will be amended accordingly.

**Corrections Reform
County Policy Principles and Guidelines - Page 2**

<p>Recognize differences among California counties</p> <p>Need for innovation and maximum flexibility at the local level to best target individual community needs and capacities</p> <p>Desired results: improved offender outcomes and community safety</p>	<p>Insufficient details available</p> <p>Governor's proposal emphasizes public safety, and certain elements (i.e., re-entry facilities) clearly focus on improving outcomes for offenders; \$93.3 million is proposed in 2007-08 budget for CDCR activities to provide programming (e.g., drug treatment, counseling, and housing assistance) within state facilities</p>	<p>juveniles will be sufficient</p> <p>It is too early in the discussion process to have a good sense of the practical application of the Governor's proposal</p> <p>Counties should seek to extend this principle to all elements of the reforms package</p>
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Reform Policy Guidelines

County Policy Guideline	Governor's Reform Proposal	Comments/Issues
<p>Investment in local programs and facilities</p> <ul style="list-style-type: none"> ▪ Local detention facilities 	<p>ADULT: \$5.5 billion (\$4.4 in lease revenue bonds or state-funded local debt service payments plus \$1.1 million in local matching funds), an investment expected to yield 45,000 over a several-year period. Half of the new beds would be dedicated to expanding local jail capacity; the other half to accommodate low-level offenders serving sentences of up to three years in county facilities</p> <p>JUVENILE: \$400 million to create 5,000 new beds. Beginning July 1, 2007, state expects to shift juvenile offenders to county control and supervision — including all female offenders now under the Department of Juvenile Justice (DJJ) supervision as well as low-level, non-violent male juvenile offenders (i.e., parole violators with an original non-violent offense and non-violent juveniles who are adjudicated by the court and</p>	<p>Out-year operational costs: how will they be funded?</p> <p>What does the "new" jail population look like? Expected level of health, mental health, and other treatment needs? Impact on county treatment capacity?</p> <p>Flexibility in local match</p> <p>Shift of juvenile population: can counties accommodate within existing facilities or programs? Is per-capita funding sufficient? How will</p>

**Corrections Reform
County Policy Principles and Guidelines · Page 3**

County Policy Guideline	Governor's Reform Proposal	Comments/Issues
	<p>who are currently committed to DJJ until age 21). The state would provide funding through a block grant (\$53 million anticipated for 2007-08) to support local programming for these offenders.</p>	<p>block grant be administered/distribution methodology be determined? How will county participation be determined?</p>
<ul style="list-style-type: none"> ▪ Adult probation services 	<p>\$50 million in local assistance grants to support adult supervision services for 18-to-25 year old proposed for 2007-08, with the initiative growing to \$100 million in 2008-09; expected to be modeled after the Juvenile Justice Crime Prevention Act</p>	<p>How much of the need will this funding address?</p>
<ul style="list-style-type: none"> ▪ Juvenile crime prevention and intervention programs 	<p>\$119 million in continued support for Juvenile Justice Crime Prevention Act programs</p>	
<ul style="list-style-type: none"> ▪ Mentally ill in-custody treatment and jail diversion programs 	<p>\$45 million in second-year funding of Mentally Ill Crime Reduction Grant programs; unknown level of commitment to address mentally ill offender issues in context of re-entry facilities</p>	<p>Will funds to construct new jail facilities contain incentives for MIO treatment or diversion programs?</p>
<ul style="list-style-type: none"> ▪ Alcohol and drug treatment and diversion programs 	<p>Unknown level of commitment to address substance abuse issues in context of re-entry facilities</p>	<p>Will funds to construct new jail facilities contain incentives for substance abuse treatment programs?</p>

**Corrections Reform
County Policy Principles and Guidelines - Page 4**

County Policy Guideline	Governor's Reform Proposal	Comments/Issues
<p>Inmate reentry programs</p>	<p>\$1.6 billion in lease-revenue bonds and/or contracting authority to provide beds for transitional programming and services for inmates close to parole release and those revoked for parole violations; investment expected to yield 5,000 to 7,000 beds</p> <p>CDCR emphasizes that these facilities will be established with community needs in mind</p>	<p>Siting issues</p> <p>How many beds is each facility expected to have?</p> <p>How will county participation be determined?</p> <p>Involvement of county/city officials and this point and going forward?</p> <p>Impact on county treatment capacity?</p>
<p>Siting of new facilities</p> <ul style="list-style-type: none"> ▪ Local involvement in decision making ▪ Appropriate mitigation 	<p>CDCR and Governor's budget documents reflect a commitment to collaborating with local governments in implementing the</p> <p>Governor's budget contains funding to mitigate expansion in existing facilities</p>	<p>Siting and mitigation remain critical issues, especially to those counties that host existing prisons</p>
<p>Impact on local treatment capacity</p> <ul style="list-style-type: none"> ▪ Adequate expansion of local capacity, with appropriate funding 	<p>Not explicitly addressed</p>	<p>Counties are extremely concerned that service capacities will be quickly outstripped and that, in some areas, the ability to build capacity does not exist. Does state anticipate bringing resources in from out-of-state? How can other county services compete?</p>
<p>Emerging and best practices</p>	<p>N/A</p>	<p>How can we pursue actively with state?</p>

Other Elements of Governor's Proposal

County Policy Principle/Guideline	Governor's Reform Proposal	Comments/Issues
N/A	<p>Sentencing Commission – \$457,000 proposed in 2007–08 budget to create a permanent commission composed of the Attorney General, the Secretary of CDCR, and 15 additional members appointed by the Governor. Commission will serve as a clearinghouse for sentencing issues generally, including proposed legislation. It will make recommendations to the Legislature each year regarding sentencing guidelines, and will focus in its first year on the parole system.</p>	<p>CSAC historically takes no position on sentencing enhancements, creation of new crimes, or other questions regarding the appropriateness of a penalty</p>
N/A	<p>Jessica's Law Implementation – Significant new resources (\$30.4 million) are proposed in the budget to implement a Comprehensive Sex Offender Management Plan, with the vast majority of the funds dedicated to state-level activities within the Department of Corrections and Rehabilitation and the State Department of Mental Health</p>	<p>Reform proposal does not address extraordinary service demands on local governments in context of sex offender management and Jessica's Law</p>
N/A	<p>Expansion of medical/mental health beds – \$1 billion in lease-revenue bonds will be dedicated to create 10,000 new state beds to address the acute medical and mental health needs of inmates in the state prison system</p>	<p>This initiative responds to the federal receiver's direction</p>

CSAC LEGISLATIVE PRIORITIES FOR 2007



California State Association of Counties DRAFT 2007 State Priorities

Pending Approval of CSAC Board of Directors

PRIORITY: State Budget

There are those in state government who believe that 2004's Proposition 1A, which provided significant constitutional protection of certain local government revenue, was the panacea for all local government fiscal challenges. In fact, Proposition 1A accomplishes five main things:

- **It grants local governments long-term fiscal protection and stability.** Proposition 1A prevents the state from using local tax revenues – property taxes, Vehicle License Fees, sales taxes – for state General Fund purposes except in cases of true fiscal emergency.
- **It includes flexibility in times of state crises.** The measure allows the state to borrow local property taxes in cases of "significant state fiscal hardship." Borrowing can only take place twice in a 10-year period, and then only after any prior loan has been repaid.
- **It constitutionally prevents future property tax shifts by the state.** However, local governments are still responsible for paying for property tax shifts that took place prior to Proposition 1A, including an ongoing annual shift now totaling approximately \$6 billion in local property tax revenues to schools via the Educational Revenue Augmentation Fund (ERAF).
- **It requires payments for deferred state mandates.** Proposition 1A generally requires the state to provide reimbursement to local governments for mandated or forego the service requirement.
- **It protects counties from cost shifts for programs for which the state and local agencies have shared responsibilities.**

Here's what Proposition 1A does not do:

- **Proposition 1A does not give local governments more money.** The measure simply protects existing revenue streams.
- **Proposition 1A does not confer additional resources for counties when service demands increase nor does it protect local governments from regular fluctuations in the economy.** Given that local governments' main revenue sources – the property tax and sales tax – are significantly reliant on a healthy economy, and that demand for services tends to be higher when the economy is struggling, counties are subject to the same difficult fiscal constraints facing the state government during times of economic recession. In fact, since local governments' ability to raise revenue is significantly limited, counties face greater challenges when coping with declining revenues.
- **Proposition 1A does not end ongoing obligations to the state of an estimated \$6 billion annually via ERAF.** It only prevents the state from enacting another ERAF-like shift.

Voters approved Proposition 1A to help alleviate the constant battles between the state and local governments during times of fiscal crisis. However, Proposition 1A is far from a complete

solution to local governments' fiscal challenges, and it is not an invitation for the state to avoid its obligations to local communities.

The state will face significant budget challenges in 2007 and CSAC's primary, overarching priority is the 2007–08 state budget. CSAC will focus our advocacy efforts in the following areas:

- Protect county interests during the state budget process to prevent loss of local revenues, cost shifts to local governments, and reductions to county programs without a corresponding change in service responsibilities. While Proposition 1A confers significant constitutional protections for local revenues, counties are mindful that changes in state/local partnership programs and services could have dramatic consequences at the local level.
- Advocate for program modifications that clearly reflect the state's priorities in funding state/local partnership programs. Specific areas of immediate focus will include, but are not limited to, the areas below*:
 - Support full cost of doing business for county human services programs.
 - Advocate for full funding of Mental Health Services for Special Education Students, AB 3632.
 - Advocate for the continuation of adequate, dedicated funding for Proposition 36.
 - Support additional funding for child welfare services, including updated caseload standards for social workers.
 - Work to protect revenues and authority that support public safety and juvenile justice intervention and prevention programs.
 - Advocate for increased funding for Adult Protective Services.
 - Support cost of doing business increases for County Mental Health Plans under the Medi-Cal program.
 - Ensure that state organizational changes in the area of public health to assure that the budget neutrality requirement does not result in reductions in program funding to local health departments.
 - Secure funding for county property tax administration systems.
 - Support continuation of Williamson Act subventions.
 - Continue to support funding for the Department of Fish and Game's In Lieu Fee obligation to California's counties pursuant to California Fish and Game Code Section 1504.
 - Advocate for full funding of the Public Library Foundation (PLF).
 - Support an equitable allocation of the local streets and roads funding from Proposition 1B.

**This list is not intended to be exhaustive and, in fact, is likely to change throughout the budget process.*

PRIORITY: Corrections Reform

The Special Session on Prison Reform called by Governor Arnold Schwarzenegger in June 2006 did not produce legislative action. Efforts to address the two core issues — overcrowding in the state prison system and recidivism among the parolee population — continue to be the focus of work and discussion in the Department of Corrections and Rehabilitation and the

Legislature. The 2007 legislative session will feature a renewed focus on the issues that face the state corrections system, and the Governor's 2007–08 spending plan advances new policy and fiscal priorities related to corrections reform plans.

Given counties' roles and responsibilities in the criminal justice system and the fact that state and local corrections systems are inextricably interconnected, the CSAC Board of Directors adopted in November 2006 a County Policy Principles and Guidelines on Corrections Reform, which will serve as a guide to advance county initiatives and respond to state proposals in the area of corrections reform. The policy emphasizes the necessity for a strong and committed partnership between the counties and state, for making the best use of offenders' time while in detention, and for sustained investment of programs and services that can improve offender outcomes and assure community safety. Specifically, the policy document gives CSAC direction to seek:

- Investment in local programs and facilities to assist the state in materially addressing the "revolving door" problem in state and local detention facilities. This investment includes local detention systems and services, adult probation services, juvenile crime prevention and intervention programs, as well as mentally ill and substance abuse treatment programs.
- Development of inmate reentry programs that provide for a continuum of services to prepare parolees for a more successful reintegration into their communities upon release;
- Assurance of meaningful local involvement in decision making regarding siting, expanding, or repurposing of correctional facilities, as well as assurance of appropriate local mitigations;
- Development of appropriate levels of capacity to ensure treatment and services are available to serve existing and new caseloads; and
- Development of best and emerging practices that can advance corrections reform efforts.

PRIORITY: Emergency Management and Preparedness

With the backdrop of September 11, Hurricane Katrina, and the 2006 Heat Emergency and given the many potential disasters for which counties must be prepared — from the avian flu and floods to earthquakes, fires, and acts of terrorism — CSAC has convened a working group of experts to develop coordination strategies among county and state agencies; promote education and training; and advance county emergency management policy guidelines. There also is a strong interest in the Legislature and in the Governor's Office focused on governance and organizational changes to more effectively plan for and respond to both public health emergencies and natural and manmade disasters.

CSAC will support legislative and regulatory proposals that maximize California counties' ability to effectively mitigate, prepare for, respond to, and recover from natural and manmade disasters and public health emergencies.

PRIORITY: Eminent Domain

CSAC, along with our partners in the No on Proposition 90 coalition, is committed to eminent domain reform. Counties recognize that Californians are eager for significant constitutional reforms to eminent domain practices.

To that end, the CSAC Board of Directors has adopted a policy that states, in part, "eminent domain is a necessary and useful tool for important public projects. However, counties also recognize the importance of protecting private property from eminent domain for purposes of private development." Given the likelihood of legislation and initiative measures dealing with eminent domain after the defeat of Proposition 90, CSAC will continue to be actively involved in all legislative efforts in this area.

Further, counties believe that the most appropriate means to achieving eminent domain reform is through the legislative process, with thorough and thoughtful debate in the Legislature and participation and engagement from the Governor's Office. Successful constitutional reforms will build upon previous legislative changes to redevelopment law that further tighten the definition of blight, increase state oversight of redevelopment agencies, and make it easier for citizens to challenge a redevelopment agency's decisions.

CSAC will support legislative efforts to reform eminent domain practices. While counties recognize that eminent domain is a necessary and useful tool for important public projects, we also appreciate the importance of protecting private property from eminent domain for purposes of private development.

PRIORITY: Health Care Reform

California counties have a unique perspective on health care reform. Counties are charged with preserving the public health and safety of communities and, as the local public health authority, are vitally concerned about health outcomes.

Further, counties are the foundation of California's safety net system. Under California law, counties are required to provide services to the medically indigent. To meet this mandate, some counties own and operate county hospitals and clinics that serve Medi-Cal patients and rely heavily on Medicaid reimbursements. Rural counties have particular difficulty developing and maintaining health care infrastructure and ensuring access to services. Additionally, county welfare departments determine eligibility for the Medi-Cal program, and county mental health departments are the health plan for Medi-Cal Managed Care for public mental health services.

As the Governor and the Legislature discuss health care reform, counties will advocate for maintaining a stable and viable health care safety net. An adequate safety net is needed to care for persons who remain uninsured as California transitions to a new coverage model and for those who may have difficulty accessing care through a traditional insurance-based system. The current safety net is grossly underfunded. Any diversion of funds away from existing safety net services will lead to the dismantling of the health care safety net and will harm access to care for all Californians.

Counties strongly support adequate funding for the public health system as part of a plan to expand health care coverage. Counties recognize the linkage between public health and health

care. A strong public health system will reduce medical care costs, contain or mitigate disease, and address disaster preparedness and response.

Health care reforms should also address access to health care in rural communities and other underserved areas.

PRIORITY: Infrastructure

Counties expect implementation of the 2006 infrastructure bond package (Propositions 1A-1E and Proposition 84) to be a significant legislative focus in 2007. While voters approved over \$42 billion in bonds, actual access to funds is dependent upon further legislative and/or administrative action. Counties have a direct interest in over \$30 billion of these bond proceeds and will continue to be active in transportation, housing, flood protection, water supply, and construction materials issues. CSAC is already engaged in developing legislation and active in discussions that will define how these funds will be invested. CSAC will advocate for equitable access by counties in a manner that benefits rural, suburban, and urban communities statewide. Specific areas of interest include the following:

TRANSPORTATION

Proposition 1B – \$2 Billion Local Streets and Roads: Sponsor or support legislation to provide each of the \$1 billion accounts for cities and counties for local streets and roads funding, including identifying the types of project appropriate for funding from bond proceeds, advocating for timely access, and developing a process for triggering release of the funds.

Proposition 1B – State Local Partnership Program: CSAC recognizes that the counties that have successfully imposed sales taxes for transportation purposes are providing a significant contribution to the state's transportation system and should receive recognition through state contributions such as the \$1 billion State-Local Partnership Program pursuant to Government Code Section 8879.23 (g). It is also recognized that counties have pursued other means for contributing to the state's transportation system through voter-approved taxes and the imposition of uniform developer fees dedicated to transportation. CSAC recognizes that the State-Local Partnership Program was created to primarily benefit sales tax counties, but also supports the ability for counties to compete with eligible matches from other voter-approved taxes and uniform developer fees. CSAC supports a dedicated amount from the \$1 billion State-Local Partnership for matching local sales taxes.

Proposition 1B – General: Numerous other funds available for transportation purposes will meet similar challenges in defining eligibility, timing, and processes for access. CSAC will remain diligent in monitoring and advocating for effective and efficient investment to support a multi-modal, interconnected transportation system.

HOUSING

Housing Infrastructure Bond (Proposition 1C) and Proposition 84: Continue work with stakeholders to develop implementation legislation for allocation of approximately \$1 billion available from Proposition 1C for infill related infrastructure, parks, and brownfield cleanup. The current focus is to utilize these revenues as incentives for regional blueprint planning and smart growth actions by local governments. This same approach, which builds on the current regional blueprint planning process, is also the focus for allocation of \$580 million contained in

Proposition 84 for sustainable communities, including funds for parks, local and regional planning and urban greening projects. CSAC will remain proactive in ensuring that access is available throughout the state, recognizing the need to invest in rural, suburban, and urban communities.

FLOOD PROTECTION

Levee Certifications: Under the Federal Emergency Management Agency's (FEMA) Map Modernization Program, cities and counties that have levees are required to certify their levees in accordance with FEMA Regulation 65-10. This certification process requires local agencies to perform an analysis that is comprehensive, labor intensive and costly. CSAC will work with other stakeholders to seek funding for levee certification work being conducted by county agencies.

Liability: CSAC will continue to oppose legislation and/or bond implementation proposals that seek to shift state flood control liability or obligations to local agencies.

Proposition 218: Continue to support a constitutional amendment to exempt fees and charges for storm water and flood control fees and assessments from Proposition 218. Such an exemption would provide cities and counties with the flexibility needed to adopt fees and assessments to fund clean water programs and flood control projects. This will be particularly important if state funding is available conditioned on a local match.

PRIORITY: Land Use and the Environment

CSAC expects considerable legislative attention on various land use and environmental policies, many of which will directly affect counties. As noted under the infrastructure priority above, there is significant interest in targeting scarce infrastructure funds to support efficient land use patterns. There is tremendous focus on improving the linkage between land use, housing and transportation at the regional and local levels. We fully anticipate this objective to carry over into legislative proposals beyond the infrastructure bond implementation. Activity is anticipated in a variety of areas as outlined below.

COUNTYWIDE BLUEPRINTS

Support a countywide approach consistent with regional blueprints, where they exist, for city/county cooperation to address orderly and efficient growth (i.e., general plan consistency), meeting housing needs (RHNA), protection of agricultural and critical resource lands, and revenue and tax sharing agreements for countywide services. This voluntary approach may be utilized in multi-county regions as well as in counties where there are single-county COGs, and where there are no regional governments in order to access incentive infrastructure monies.

SPECIAL NEEDS HOUSING

Advocate for policies that offer counties the ability to plan for and meet housing requirements for residents with special needs such as farmworkers, the homeless, mentally ill, probationers, parolees, sex offenders and other groups. Siting as well as funding issues must be addressed in order to manage this growing problem.

LAND USE/FLOOD PROTECTION

Continue to represent counties interests in legislative discussions regarding land use/flood protection issues based upon existing CSAC flood protection policy and continued dialog with county members.



California State Association of Counties DRAFT 2007 Federal Priorities

Pending Approval of CSAC Board of Directors

CSAC recently renewed its contract for Federal Affairs Services with Waterman and Associates for an additional four years. The new contract provides for a nine issue agenda. CSAC staff, in consultation with Waterman and Associates, developed the following list of nine federal issues of significance to California's counties.

TELECOMMUNICATION REFORM

Ensure revenue neutrality and the preservation of local control of the rights-of-way in any efforts to reform the Telecommunications Act of 1996.

TRIBAL GAMING

Continue to remain active on federal legislation that supports CSAC policy to ensure affected counties consent prior to any lands being taken into trust by tribal governments, and oppose legislation that restricts revenue sharing or local agreements and reservation shopping over the objection of the affected county. Furthermore, support legislation that requires judicially enforceable agreements between counties and tribal governments when tribes are permitted to engage in gaming under federal legislation. These agreements would fully mitigate local impacts from a tribal government's business activities and fully identify the governmental services to be provided by the county to that tribe.

Continue to provide comments consistent with adopted CSAC policy in response to regulations proposed by the Bureau of Indian Affairs (BIA), National Indian Gaming Commission (NIGC), and Department of Interior (DOI) related to IGRA, Class II Gaming, Restored Land Regulations and Fee to Trust Regulations.

FEDERAL HEALTH CARE ISSUES

Monitor federal efforts to expand health care coverage. Counties support additional funding for California's State Children's Health Insurance Program (S-CHIP) and will continue to defend against Medicaid budget reductions that will harm county service delivery in California.

STATE CRIMINAL ALIEN ASSISTANCE PROGRAM (SCAAP)

Seek maximum program funding to offset counties' costs of incarcerating undocumented criminal aliens.

COMMUNITY DEVELOPMENT BLOCK GRANTS

Oppose further reductions to CDBG funding.

DEFICIT REDUCTION ACT

Capitalize on opportunities to revisit provisions of the Deficit Reduction Act, including but not limited to Temporary Assistance for Needy Families (TANF) work requirements and child support.

SECURE RURAL SCHOOLS AND COMMUNITIES SELF DETERMINATION ACT OF 2000

Support reauthorization and funding of the Secure Rural Schools and Communities Self Determination Act of 2000 (PL 106-393).

FLOOD CONTROL

Seek federal funding for levee certifications as being required under FEMA Regulation 65-10, and support the State's efforts to ensure that the Federal Government meets its cost-share obligations.

HOMELAND SECURITY

Maintain and increase federal homeland security funding for local counterterrorism programs, including the State Homeland Security Grant Program, the Law Enforcement Terrorism Prevention Program, and the Urban Area Security Initiative. Support a revised formula for the distribution of homeland security grant funding – including a reduction in the per-state minimum allocation – in order to target funding to areas where the threat of terrorism is the greatest.

CSAC Internal Monitoring

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

SAFE, ACCOUNTABLE, FLEXIBLE, EFFICIENT TRANSPORTATION EQUITY ACT: A LEGACY FOR USERS (SAFETEA-LU) REAUTHORIZATION

Monitor policy discussions related to the reauthorization of SAFETEA LU. While reauthorization is not due until 2009, discussions already are underway to develop the new program. California has initiated an effort with various stakeholders to develop statewide consensus principles, which will be used for advocacy purposes to direct revenues to programs of benefit and interest to California.

PAYMENT-IN-LIEU-OF-TAXES (PILT)

Support full funding of PILT.

REMOTE SALES TAX

Support a nationwide system for sales taxation that ensures fairness between remote and brick-and-mortar retailers.

FARM BILL REAUTHORIZATION

Monitor reauthorization of the 2007 Farm Bill and collaborate with agricultural interests on issues that directly impact California's counties.

EMINENT DOMAIN REFORM PROPOSAL

February 13, 2007

To: CSAC Board of Directors

From: James Keene, Executive Director

Re: **Eminent Domain Reform Proposal Update – ACTION ITEM**

Recommendation. Staff will be providing the Board with suggested language on a proposal on eminent domain reform being advanced by the Howard Jarvis Taxpayers' Association and other members of our No on 90 coalition for your approval. As of this writing, final language is not available; however, we hope to have language sent to you at the earliest possibility prior to your meeting on February 22.

Background. CSAC continues to be actively engaged with our partners in the "No on Prop 90" Coalition to address the issue of eminent domain reform. You will recall that this commitment to eminent domain reform was part of our message in the campaign: that Prop 90 was not the solution to eminent domain abuse and that the No on 90 coalition would be more than willing to engage on real and responsible eminent domain reform.

Since November, CSAC staff has been part of a discussion with a broad range of stakeholders – taxpayer, homeowner, local government, business, environmental, legislators and other groups – with the hope of developing a responsible measure that could be presented to voters in 2008.

The concept being developed by the coalition, along with our legal and political advisors, includes constitutional restrictions that prohibit owner-occupied residences from being taken by eminent domain for transfer to a private entity. The proposal also focuses on restrictions on the use of eminent domain on property on which a small business operates for transfer to another private party. Again, much of this language is being debated and fine-tuned among a broad range of stakeholders. We hope to have a final draft for you to review by February 22.

Policy Considerations. Recall that the Board adopted "Eminent Domain/Redevelopment Principles" at its meeting on November 30. These principles give staff direction as to how to approach legislative and initiative measures that address the use of eminent domain and redevelopment. The principles specifically address eminent domain use:

Counties recognize that eminent domain is a necessary and useful tool for important public projects. However, counties also recognize the importance of

protecting private property from eminent domain for the purposes of private development.

Action Requested. If the Board can review the draft language in a timely manner, staff requests approval of the proposal. Staff will report to Board members on progress at your March meeting.

Staff Contact. Please contact Jean Kinney Hurst (jhurst@counties.org or (916) 327-7500 x515) for additional information.

RESOLUTION TO SUPPORT HIGH SPEED RAIL



February 13, 2007

1100 K Street
Suite 101
Sacramento
California
95814

Telephone
916.327-7500

Facsimile
916.441.5507

TO: CSAC Board of Directors

FROM: Mike McGowan, Chair, Housing, Land Use, and Transportation Cmte.
Diane Dillon, Vice-Chair, Housing, Land Use, and Transportation Cmte.

SUBJECT: Support for High-Speed Rail

The CSAC Housing, Land Use, and Transportation Committee at their November 28, 2006 meeting unanimously recommended support for the high-speed train (HST) project and the proposed bond funding measure on the November 2008 ballot, and to support the Authority's 2007-08 State Budget request. On February 8th, the CSAC Executive Committee also unanimously recommended support for the HST, the 2008 ballot measure, and the 2007-08 budget request.

The attached resolution carries out that support subject to further action by the CSAC Board of Directors at their February 22, 2007 meeting.

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

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

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

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

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

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

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

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

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

and the certified Environmental Impact Report/Environmental Impact Statement (EIR/EIS).

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

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

Frank Bigelow, President

INSTITUTE FOR LOCAL GOVERNMENT REPORT



INSTITUTE FOR LOCAL GOVERNMENT

Update on Activities February 2007

Institute Receives \$1.6 Million "Communities for Healthy Kids" Grant

The Institute received word over the holidays that it would receive a three-year grant to fund Phase II of Communities for Healthy Kids.

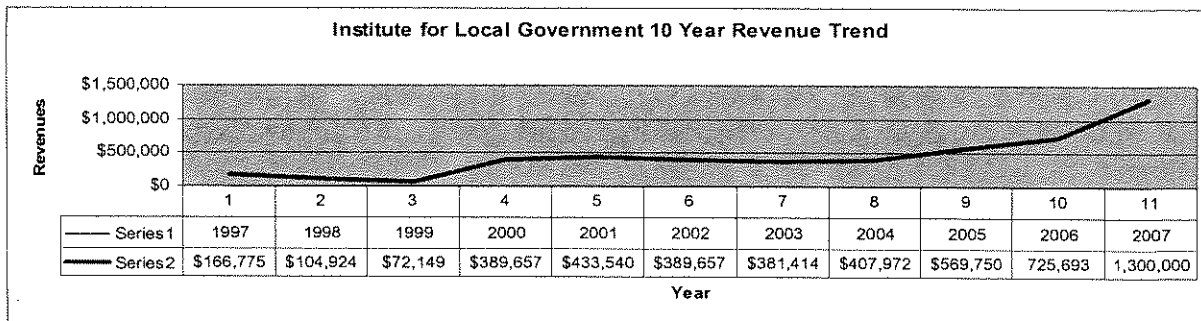
Phase I, conducted in early 2006, involved assessing the interest of local agencies in acting as conduits to identify and help enroll kids who are eligible for no- or low-cost health insurance through non-traditional means (examples include through parks and recreation programs, gang diversion programs, and collaborative efforts with the local business community). The response was overwhelmingly positive.

Phase II will involve a hybrid approach of identifying and working with a select number of pilot communities interested in participating in the program, while also making program resources available to all interested communities.

Ten-Year Revenue Trend

The Institute over the past several years has been engaged in a gradual rebirthing process. As with any 501(c)(3) organization, finding funding for the worthy programs sought by local officials has been an ongoing challenge. The Institute's activities are funded by foundation grants, support from the California State Association of Counties, League of California Cities, publications sales, workshop revenues, corporate support and individual donations.

Here is the ten-year revenue trend, with 2007's revenues representing an estimate:



Fortunately, the trend reflects steady growth and progress.

New Program Directions

In addition to launching the Communities for Healthy Kids program, the following efforts are planned for 2007.

Land Use, Housing and the Environment. Initiatives planned for 2007 include work in helping local agencies grapple with the NIMBY phenomenon with respect to affordable housing, providing local agencies with options to address climate change issues and developing resources relating to the relationship between health and land use decision-making.

Collaborative Governance Initiative. Strategies for inclusive civic engagement efforts will be a key focus of this program area. Specific activities include 1) surveying local officials on their attitudes towards civic engagement, 2) connecting local officials in the Central Valley with translation technologies and information about civic engagement strategies, and 3) developing topic-oriented civic engagement resources (for example, budgeting and youth issues).

Fiscal Stewardship. This program will be trying something new this year: hosting the California Government Finance Leaders Summit. The summit is a meeting of public and nonprofit organizations concerned with local agency finance issues. The summit brings together nonprofit associations representing local agency finance professionals and state agencies that are involved in local finance issues. The purpose of the summit is to enable participating groups and agencies to strengthen relationships, explore common goals and opportunities to collaborate.

Ethics. Continued assistance with AB 1234 compliance efforts (including a trainer certification program) will be a focus of the 2007 work program, along with a bigger picture effort to encourage local agency officials to think in terms of promoting a culture of ethics at their agencies.

Institute Leadership

The Institute is working hard to strengthen its organizational ties to counties. The Institute is fortunate to have a number of specially designated "liaison" seats on its board of directors designed to assure open lines of communications between the Institute and various elements of the local government community. For example, Greg Cox serves as a liaison with the CSAC board. At the February meeting, the Institute is adding a liaison to the county administrators association.

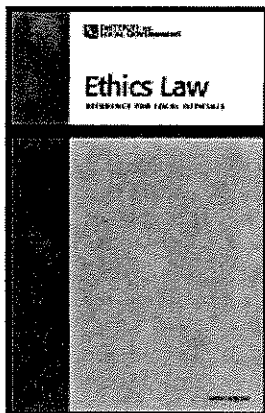
All Institute programs have advisory panels of local officials, academicians, members of the private sector, and others to provide counsel on program direction and content.

ILG MISSION

*Serving as a trusted source of information
to assist local officials in their service to their communities*

New Institute Publications

(copies available at meeting)

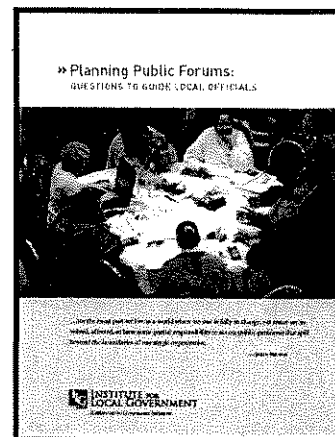


Ethics Law Reference. The updated edition has been revised to reflect the organization contemplated by AB 1234 ethics training requirements. The companion pieces, the Institute's "Key Ethics Law Principles" card, as well as its "Resources for Further Reference" sheet, have also been updated.

Establishing a Local Housing Trust Fund: A Guide for California Officials. This publication explains how housing trust funds can play a useful role in addressing a

community's housing needs and provides practical tips relating to administering a housing trust fund.

Planning Public Forums: Questions to Guide Local Officials. This publication provides practical steps to help local agencies build their capacity to use public forums effectively.



Everyday Ethics for Local Officials. The compendium of the Institute's bi-monthly "Everyday Ethics for Local Officials" columns has been expanded and updated. The current edition includes columns through January 2007.

Thanks to the generous support of CSAC and others, all of these resources are made available without charge in electronic form from the Institute's website (www.ca-ilg.org). Hardcopies are also being distributed to relevant county officials as well. Additional sales of hardcopy versions help support the Institute's work in service to local officials.

We welcome your ideas and suggestions. Please feel encouraged to contact Institute Executive Director JoAnne Speers at jspeers@ca-ilg.org or 916.658.8233.

**CSAC CONSTITUTION REVISION
TASK FORCE REPORT**



CSAC CONSTITUTION REVISION TASK FORCE

February 7, 2007

10:00 AM

**CALIFORNIA STATE ASSOCIATION OF COUNTIES
1100 K ST., SACRAMENTO, CALIFORNIA
(1ST FLOOR, CONFERENCE ROOM)**

A G E N D A

- 1. Review and Approval of Revised CSAC Constitution**
- 2. Review and Approval of Revised CSAC Policy Manual**
- 3. Caucus Definitions**
- 4. Policy Process**
- 5. CSAC Member Participation**
- 6. Ex-Officer Expertise**
- 7. Other Items**

CSAC Constitution Revision Task Force

NAME	OFFICE ADDRESS	PHONE	E-MAIL
Richard Gordon, CSAC 1st Vice President, Chair	400 County Ctr, 1st Floor Redwood City, CA 94063	(650) 363-4569 (650) 363-1856 Fax	rgordon@co.sanmateo.ca.us
John Tavaglione Riverside	P.O. Box 1646 Riverside, CA 92502	(951) 955-1020 (650) 955-2362 Fax	jtavagli@rcbos.org
Paul Biane San Bernardino	385 N. Arrowhead Ave., 5th Floor San Bernardino, CA 92415	(909) 387-4833 (909) 387-3265 Fax	pbiane@sbcounty.gov
Judy Case Fresno	2281 Tulare St., Rm. 300 Fresno, CA 93721	(559) 488-3664 (559) 488-6830 Fax	dbeigi@co.fresno.ca.us
Jon McQuiston Kern	1115 Truxten Ave., Room 501 Bakersfield, CA 93301	(661) 868-3650 (661) 868-3657 Fax	jonm@co.kern.ca.us
Joni Gray Santa Barbara	401 E. Cypress Avenue Lompoc, CA 93436	(805) 568-2186 (805) 568-2534 Fax	jgray@co.santa-barbara.ca.us
Mike Delbar Mendocino	501 Low Gap Road, Room 1090 Ukiah, CA 95482	(707) 463-4221 (707) 463-4245 Fax	delbarm@co.mendocino.ca.us
Jeff Morris Trinity	P.O. Box 1998 Weaverville, CA 96093	(530) 623-1217 (530) 623-8398 Fax	jmorris@trinitycounty.org
Jennifer Henning Executive Director, County Counsels Association	1100 K Street, Ste. 101 Sacramento, CA 95814	(916) 327-7535 (916) 443-8867 Fax	jhenning@coconet.org

CSAC FINANCE CORPORATION REPORT

February 13, 2007

To: CSAC Board of Directors

From: Greg Cox, Member, Finance Corp. Board of Directors
Norma Lammers, Executive Director, CSAC Finance Corp.

Re: **CSAC Finance Corporation Update**

Going Green: Due to increased demand from counties for "green", environmentally sensitive, products, the Finance Corporation is pleased to announce the Go-Solar renewable energy program offered through California Communities and a variety of green products available through the U.S. Communities Purchasing Program.

- The new Go-Solar program will benefit counties by offering access to solar facilities at a price that is on par today with current utility rates but will save significantly over time.
- Many of you are familiar with the U.S. Communities Purchasing Program which offers significant savings on product categories competitively bid based on the purchasing volume of all state and local governments nationwide. The accompanying chart provides a summary of the green products offered by category available through the program. U.S. Communities suppliers often provide separate environmentally friendly product catalogues or highlight their green product offering within existing catalogues. You can gain access to these products and to the catalogues by going to the www.uscommunities.org website.

CalTRUST: This month marks the two-year anniversary of the opening of CalTRUST. This program offers short and medium term pooled investment opportunities for county pools and debt funds. Deposits have doubled over the past year to \$400 million. As you can see from the most recent newsletter, earnings on the funds are competitive with the State Treasurer's Local Agency Investment Fund (LAIF). CalTRUST carries a AA rating from Standard & Poor's and provides an excellent diversification option for your county's portfolio.



Go-Solar Program

Overview

In response to increasing member inquiries, California Communities is proud to now offer the Go-Solar Program. The program provides local agencies with access to solar energy facilities at a price that is competitive with current utility rates and will save significantly over time. Below is a chart showing the most prevalent options for energy procurement and their respective costs.

Method of Energy Procurement	20 Year Average Cost per kWh*
Go-Solar Program	\$0.15
Pay-As-You-Go Solar	\$0.17
Muni Financed Solar	\$0.21
Utility Provided Energy	\$0.22

*\$8.48 million project cost and 49.3 million kWh generated

Under the Go-Solar Program, the solar facilities are constructed, owned and maintained by a private sector entity. This design relieves the local agency of ownership risk. The facilities warranty is assigned to the Local Agency and the Local Agency has a first priority lien on the facility to ensure contractual performance. As a private entity, the project company is able to benefit from federal tax credits, state financial incentives and accelerated depreciation and can then pass some of those benefits on to the Local Agency via power cost savings. At the end of the lease term, the facilities are available for purchase to the Local Agency at current fair market value. See Go-Solar Program FAQ's for more information.

California Communities organized a competitive Request for Services process to solicit responses from solar facilities installers to provide the construction services under our program. PowerLight Corporation (www.powerlight.com) was selected through that process to provide the solar facilities installation for the Go-Solar Program. Created in 1995, PowerLight has grown to become the leading provider of large-scale solar power systems in the world.

Program Benefits to Local Agencies

- Payments Fixed for 20 Years While "Brown Power" Historically Increases by More Than 6% Per Year.
- Program Design Enables Local Agencies to Benefit from Federal Tax Credits, State Financial Incentives and Accelerated Depreciation.
- Solar Production Tracked and Term of Program Increased or Decreased to Match the Targeted Amount. Facilities are Owned and Maintained by the Project Company.

Project Requirements

- a. Approximate annual electricity consumption of 750,000 kWh or greater.
- b. 50,000 square feet of rooftop or 110,000 square feet of ground space for solar panels.

Go-Solar Application Process

1. Contact a California Communities Program Manager to apply for the program.
2. California Communities Program Manager and finance team members will determine if the Local Agency meets all requirements of the Go Solar Program.
3. Governing body of the Local Agency adopts an authorizing resolution approving the Notes and Trust Agreement.
4. Lender approval is received.
5. Project design phase begins, followed by the construction, installation and testing of the solar energy system.
6. Local Agency enters into a lease/leaseback with California Communities of an essential governmental property to fund power costs.
7. Project is funded by Lender and Local Agencies receive their sale proceeds at date of closing to prepay for power delivered over the life of the contract.

Contact Us

Please contact Program Managers Terrence Murphy at (925) 933-9229 ext. 223 or James Hamill at (925) 933-9229 ext. 216, if you have any questions.

U.S. COMMUNITIES GREEN PRODUCTS

SUPPLIER	COMMODITY	GREEN PRODUCTS
Office Depot	Office/School Supplies	<ul style="list-style-type: none"> • Over 2,400 office supply products designated environmentally preferable including recycled paper products, recycled plastic products, refillable/non-toxic pens • Energy Star lighting and electronics • Free ink & toner cartridge recycling
Haworth	Office Furniture	<ul style="list-style-type: none"> • Water-based adhesives • 92% of products GREENGUARD® certified • Waste avoidance and recycling efforts
Herman Miller	Office Furniture	<ul style="list-style-type: none"> • Pursue prevention of pollution and elimination of waste of any kind • Implement technologies to efficiently use energy resources • Design our products, processes, and buildings for the environment
Knoll	Office Furniture	<ul style="list-style-type: none"> • Support LEED • GREENGUARD® certified products and interior environments • Green Seal-compliant • Manufacturing uses Clean Technologies
Steelcase	Office Furniture	<ul style="list-style-type: none"> • Maximizes recycled content and recyclables in product. • Majority of product portfolio is GREENGUARD® Certified as 'low emitting'. • Wood core products contain 100% post industrial waste wood fibers.
Virco	School Furniture	<ul style="list-style-type: none"> • Ergonomic classroom furniture • Hundreds of GREENGUARD® certified classroom furniture items • Take-Back Program helps qualifying schools recycle out-of-service furniture • Highly sustainable ZUMAFrd™ products that have up to 70% recycled-content materials
GTSI, Inc.	Technology Solutions	<ul style="list-style-type: none"> • Energy Star certified products
Graybar	Electrical, Communication, Data	<ul style="list-style-type: none"> • Energy Star certified products • Energy efficient products • Energy auditing and retrofit financing program
ZEP	Janitorial	<ul style="list-style-type: none"> • Green Seal certified cleaning products • Biodegradable, soy-based solvents
Milliken	Carpet and Flooring	<ul style="list-style-type: none"> • Carpet recycling & reconditioning program; no product ends up in landfill. • No PVC; adhesive free installation improves indoor air quality.
Ricoh, Savin, Getstettner	Office Machines	<ul style="list-style-type: none"> • Energy Star certified equipment • Energy saving technology • Product end-of-life management, including recycling and equipment demanufacturing • Ergonomic partnership with Georgia Tech University

Little Tikes	Parks/Playgrounds	<ul style="list-style-type: none"> • Recycled steel tubing and plastic borders • Powder coating paint process • 100% recyclable products
GameTime	Parks/Playground	<ul style="list-style-type: none"> • Recycled steel tubing, sheets and wire • Recycled aluminum uprights and castings • 100% post consumer recycled plastic curbing options • Several options for 100% post consumer recycled rubber surfacing • 100% post consumer recycled roof and deck options • Recycled packaging materials
Landscape Structures	Parks/Playground	<ul style="list-style-type: none"> • ISO 14001 certified • Most products are recyclable • 90%+ recycled aluminum, steel and plastic components
Sportime	Physical Education	<ul style="list-style-type: none"> • Sportime: Products and programs to battle epidemic of childhood obesity • Abilitations: Nation's leading pediatric therapy catalog for children with special needs and learning differences
Hickman Community Services	Roofing	<ul style="list-style-type: none"> • Vegetative roof systems, reflective coatings and membranes, solvent-free materials and restoration products and services meeting USGBC LEED, CRRC and Energy Star guidelines
Autozone	Auto Parts	<ul style="list-style-type: none"> • Fast Orange and Simple Green cleaning solutions • Oil recycling service with Safety-Kleen



**Pooled Investment Funds
For Local Agencies**



www.caltrust.org

HAPPY NEW YEAR To All From CalTRUST

➤ President's Perspective

CalTRUST Portfolios Finish 2006 with Strong December Performance; Continue to Provide a Great Option for Local Investment

As the *Portfolio Snapshot* in the right-hand column indicates, the CalTRUST portfolios closed 2006 with a strong December performance. The CalTRUST Short-Term Account outperformed its benchmark, LAIF, by 35 basis points, net of all fees, over the twelve months ended December 31, 2006; while the CalTRUST Medium-Term Account outperformed its benchmark, the Merrill Lynch 1-5 Year Treasury & Finance Index, by 58 basis points over the same period.

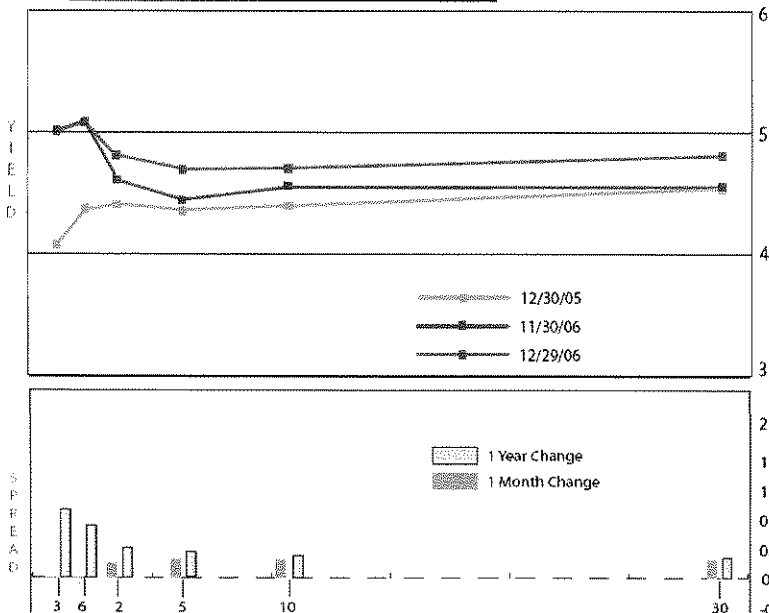
The solid performance record that CalTRUST is building is only one of the many benefits that CalTRUST provides to local agencies:

- ✓ Multiple account options;
- ✓ The convenience of next-day liquidity in the Short-Term Account;
- ✓ Governed by experienced local treasurers and finance officers;
- ✓ Total transparency; real-time data available 24-hours a day;
- ✓ Full compliance with all provisions of Government Code Section 53601.

The first step in utilizing CalTRUST for your local investment program is to ensure that your local investment policy includes CalTRUST. For assistance in this regard, please contact CalTRUST at 1-888-422-8778.

Chuck Lomeli is President of the CalTRUST Board of Trustees and Solano County Treasurer

➤ Treasury Yield Curve



Monthly Market Update

➤ CalTRUST Portfolio Snapshot

(as of December 31, 2006)

	CalTRUST Short-Term	LAIF	CalTRUST Medium-Term	Merrill 1-5 Yr
Yield ¹	5.31%	5.15%	5.24%	4.76%
Duration	0.10	N/A	1.49	2.25
Avg Maturity	0.87	0.51	1.73	2.50
Returns:²				
One Month	0.42%	0.41%	0.07%	-0.16%
Three Month	1.32%	1.28%	1.19%	0.94%
Twelve Month	5.07%	4.72%	4.62%	4.04%
Annualized Since Inception ³	4.29%	3.99%	3.24%	3.05%

1. CalTRUST yields are gross of account fees; LAIF yield is net of LAIF program fees.
2. CalTRUST and LAIF returns are net of all investment advisor, administrative and program fees.
3. The CalTRUST Short-Term and Medium-Term portfolios commenced operations according to their investment objectives on February 13, 2005. Performance information reported above does not include any returns from temporary investments held before that date.

➤ Fixed Income Market Review

Economic Statistics Remain Mixed in December; Fed Maintains Bias Toward Tightening

GDP for the 3rd Quarter came in at 2%; a downward revision from the previous estimate of 2.2%. The Fed's favored inflation gauge, the Core PCE (personal consumption expenditure) was 2.2%. While down from the previous reading of 2.4%, it still is above the Fed's desired range of 1 to 2%. At its December 12th meeting the Fed chose to leave the funds rate at 5.25%, although its accompanying statement still played up the risk of a possible acceleration of inflation and therefore the Fed's bias is still on the tightening side (higher Fed Funds rate). Despite the Fed's statement, bond market participants still widely expect the Fed to ease. The negatively sloped yield curve is a reflection of this belief.

Spreads continued to narrow slightly in December. Monthly returns were negative in all sectors of the Lehman US Aggregate Index, reflecting a growing fear that the Fed would ease later rather than sooner. Corporate securities, which on average have the longest duration in the Index, were the worst performers in December. By the same token, ABS and MBS, with the shortest duration in the Index, had the best relative performance. The yield curve became a bit less inverted in December, with 2-, 5-, 10-, and 30-year Treasury yields increasing by 20, 25, 24, and 25 basis points, respectively.

Nonfarm Payrolls for both November and December were above the forecast, showing that the economy still has legs. The bond market is adjusting (slowly) to the belief that any Fed ease will be later rather than earlier. The housing market is still weak but showing some signs of bottoming. Oil prices have fallen dramatically because of the warm winter weather in the Northeast. Oil started December at \$63/BBL and ended at \$61/BBL. However, early January has seen a drop to \$56/BBL. While it is unclear that housing has indeed bottomed, lower energy prices should give the economy some support as we move into 2007.

The CalTRUST Monthly Market Update is prepared monthly by the Investment Trust of California (CalTRUST) for participants in the CalTRUST Joint Powers Authority pooled investment program. The Newsletter is prepared solely for informational purposes and is not to be construed as the solicitation of an offer to sell or of an offer to buy any security, nor is it intended to constitute a recommendation for the purchase or sale of any security. The information contained herein is based upon data obtained from sources believed to be reliable, but is not guaranteed by us as being accurate and does not purport to be a complete summary of the available data. Additional data will be provided upon request.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information, opinions and estimates contained in the Monthly Market Update reflect a judgment at its preparation date by CalTRUST and are subject to change without notice. The price, value of, and income from any securities or financial instruments issued by the entities mentioned in this Monthly Market Update may fall as well as rise.