

# CSAC EXECUTIVE COMMITTEE

## BRIEFING MATERIALS

October 8-9, 2015



Meeting Location:  
Cambria Pines Lodge  
Cambria, San Luis Obispo County

California State  
Association of Counties



CALIFORNIA STATE ASSOCIATION OF COUNTIES  
EXECUTIVE COMMITTEE  
October 8-9, 2015  
Cambria Pines Lodge, Cambria, San Luis Obispo County, CA

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A G E N D A

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Presiding: Richard Forster, First Vice President

**Thursday, Oct. 8**

8:30am Breakfast Buffet

9:00am **SPECIAL SESSION**

1. Joint Discussion with CSAC Finance Corporation Board of Directors

10:15am **BREAK**

10:30am **PROCEDURAL ITEMS**

2. Roll Call Page 1

3. Approval of Minutes of August 6, 2015 Page 2

10:35am **INFORMATION ITEMS**

4. CSAC Policies & Procedures Manual Update handout  
▪ *Matt Cate, CSAC Executive Director*  
▪ *Jennifer Henning, County Counsel Assoc. Executive Director*

5. 2015 CSAC Legislative Achievement Report Page 6  
▪ *DeAnn Baker, CSAC staff*

6. 2015 CSAC Operations & Member Services Report Page 13  
▪ *Graham Knaus & David Liebler, CSAC staff*

7. CSAC Annual Meeting Status Report  
▪ *David Liebler, CSAC staff*

8. 2015 CSAC Litigation Coordination Program Achievements Report Page 17  
▪ *Jennifer Henning, County Counsel Assoc. Executive Director*

12:00pm **LUNCH**

1:00m **ACTION ITEMS**

9. Consideration of Distinguished Service Award Recipients Page 19  
▪ *Matt Cate, CSAC Executive Director*

10. Consideration of Circle of Service Award Nominees Page 24  
▪ *Matt Cate, CSAC Executive Director*

11. Review of Audited Financial Statements for FY 2014-15 Page 33  
▪ *Supervisor Judy Morris, CSAC Treasurer*  
▪ *Graham Knaus, CSAC staff*

12. Consideration of Draft CSAC Strategic Plan Page 52  
▪ *Graham Knaus, CSAC staff*

13. Consideration of Amendments to CSAC Constitution will send separately  
▪ *Matt Cate, CSAC Executive Director*  
▪ *Jennifer Henning, County Counsel Assoc. Executive Director*

14. Other Items

3:30pm **ADJOURN FOR THE DAY**

**Friday, Oct. 9**

9:00am Buffet Breakfast

15. CLOSED SESSION: EMPLOYEE PERFORMANCE EVALUATION (Gov. Code, 54957(b))  
Title: CSAC Executive Director

11:30am ADJOURN

CALIFORNIA STATE ASSOCIATION OF COUNTIES  
EXECUTIVE COMMITTEE  
2015

President:	Vito Chiesa, Stanislaus
1 <sup>st</sup> Vice President:	Richard Forster, Amador
2 <sup>nd</sup> Vice President:	Dave Roberts, San Diego
Immed. Past President:	John Gioia, Contra Costa

Urban Section

Keith Carson, Alameda  
Federal Glover, Contra Costa  
Carole Groom, San Mateo  
Don Knabe, Los Angeles  
Susan Peters, Sacramento  
Ken Yeager, Santa Clara  
Kathy Long, Ventura (alternate)

Suburban Section

Bruce Gibson, San Luis Obispo  
Leonard Moty, Shasta  
Henry Perea, Fresno  
Linda Seifert, Solano (alternate)

Rural Section

Virginia Bass, Humboldt  
Ed Valenzuela, Siskiyou  
Kim Dolbow Vann, Colusa (alternate)

Ex Officio Member

Judy Morris, Trinity County, Treasurer

Advisors

Rick Haffey, CAOAC Advisor, Nevada  
Charles McKee, County Counsel Advisor, Monterey

CALIFORNIA STATE ASSOCIATION OF COUNTIES  
EXECUTIVE COMMITTEE  
August 6, 2015  
Capitol Event Center, Sacramento

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MINUTES

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1. Roll Call

Vito Chiesa, President	Bruce Gibson, San Luis Obispo
Richard Forster, 1 <sup>st</sup> Vice Pres.	Leonard Moty, Shasta
Dave Roberts, 2 <sup>nd</sup> Vice Pres.	Henry Perea, Fresno
John Gioia, Immed. Past Pres.	Linda Seifert, Solano, alternate
Keith Carson, Alameda (via audio)	Virginia Bass, Humboldt
Carole Groom, San Mateo	Ed Valenzuela, Siskiyou
Susan Peters, Sacramento	Judy Morris, Trinity, Treasurer
Ken Yeager, Santa Clara	Charles McKee, Co. Counsel Advisor
Kathy Long, Ventura, alternate (via audio)	

2. Approval of Minutes

The minutes of April 9, 2015 were approved as previously mailed.

3. CSAC Corporate Partners Report

Mike Fleming, Chief Executive Officer of the CSAC Excess Insurance Authority (CSAC-EIA), discussed the numerous insurance programs they provide to 55 of the 58 counties, including workers compensation, liability and property. They recently launched a new program for construction projects that wraps all the various insurance policies into one to make it easier for public entities to manage their construction projects.

Matt Cate noted that CSAC and CSAC-EIA recently formed a partnership and CSAC will begin providing lobbying services for CSAC-EIA, on insurance-related legislation.

4. Appointment of Auditor-Controller to CSAC Finance Corporation Board

The CSAC Finance Corporation Board currently has a vacant seat due to the retirement of Alameda County Auditor-Controller Pat O'Connell, and recommended that the Executive Committee appoint either Robert Campbell, Contra Costa County Auditor-Controller or James Erb, San Luis Obispo County Auditor -Controller.

Both candidates discussed their interest in and qualifications for the position. A discussion ensued among Executive Committee members regarding the two candidates, and it was determined that both were qualified, but James Erb would provide geographic diversity.

Motion and second to select James Erb to serve as the Auditor-Controller representative on the CSAC Finance Corporation Board. Motion carried unanimously.

5. CSAC Finance Corporation Program Update

A recruitment is underway for a new Finance Corp. Executive Director to replace Nancy Parrish who resigned at the end of May. The deadline to submit resumes is this week. The Finance Corporation will interview candidates on August 18.

The California Statewide Communities Development Authority (CSCDA) completed its transition to a new program administrator, Bridge Strategic Partners, on July 1. Under the new arrangement there is potential for increased revenue as the fee splits are more favorable.

Kings County Administrative Officer Larry Spikes resigned from the CSAC Finance Corporation Board in June, so there is currently a CAO vacancy on the Board. Nominees will be forwarded to the Executive Committee at a later date.

6. Special Session Legislative Update

Staff announced that the Legislature will return on August 17 for one month. There are many issues to deal with during that time such as medical marijuana, climate change, affordable housing and transportation.

Since the Governor called the transportation and infrastructure special session in June, both houses of the Legislature have formed special session committees and held informational hearings on transportation funding needs. Several transportation bills have been introduced and were listed in the briefing materials. Staff outlined CSAC's existing transportation policy principles which were also contained in the briefing materials. CSAC staff is working on in-district legislative meetings, grassroots activities, and local media events over the summer recess and beyond. Supervisors will be contacted to participate in these events as they are scheduled.

The Governor also declared a special session on health care financing issues in June for the purpose of acting upon legislation necessary to enact permanent and sustainable funding from a new managed care organization tax and/or alternative fund sources. He is seeking at least \$1.1b in funding to stabilize the state's General Fund costs for Medi-Cal. The top priority for the Governor and Legislature is to authorize a new Managed Care Organization (MCO) tax to help fund Medi-Cal. The health special session bills that have been introduced were listed in the briefing materials.

7. Report on Split Roll Property Tax Ballot Initiative  
Staff provided an update on a split roll property tax ballot initiative proposal currently in the Legislature. It has not yet qualified to be placed on a ballot. This is the latest effort to reform post-Proposition 13 property tax assessment of commercial properties. The proponents estimate an additional \$9b in property taxes would flow to state and local agencies statewide if commercial and industrial properties were being assessed and taxed based on their true value. Staff will continue to monitor this and other legislative or ballot initiative efforts proposing to alter commercial property tax assessments to determine potential impact on counties.

8. Proposition 218 Update  
Last year, a coalition of statewide organizations came together to develop a Constitutional Amendment and ballot measure to fund stormwater services. Currently, the California Constitution (Prop. 218)) requires stormwater agencies to receive voter approval to establish or increase rates to fund capital and operational needs.

The coalition has expanded its efforts to provide funding flexibility for stormwater services to include conservation rates and lifeline rates, which would require amending Proposition 218. This new legislative scope requires a different approach which is being led by a subset of the larger coalition which includes the executive directors and staff from CSAC, League of California Cities, Association of California Water Agencies, and the California Water Foundation. This smaller coalition contracted with a marketing research firm to conduct a survey of California voters to assess voter receptivity to amending Proposition 218.

Brandon Castillo presented a PowerPoint regarding the results of a feasibility survey on the proposed "California Stormwater" ballot measure. The conclusions of the survey indicated that:

Voters are concerned about the problem of stormwater, and the potential for it contaminating critical water supplies;

There is a strong desire to fund projects to treat and capture stormwater to protect water quality and increase water supplies;

Voters strongly favor allowing local governments to implement conservation pricing to promote conservation, and also favor subsidies for low-income consumers;

There is considerable opposition to eliminating Prop. 218's vote requirement to raise fees for stormwater capture and treatment.

Executive Committee members expressed concern regarding the vote requirement provision and potential opposition by taxpayer groups. Staff indicated that, given the results of the survey, the coalition is now considering an alternative method of funding water and sewer services, including stormwater and flood protection, that would not involve a direct challenge of Proposition 218. Staff will provide further details at the September Board of Directors meeting.

9. CSAC Operations Update

Staff announced that new accounting procedures have been implemented to ensure fiscal stability and provide an internal control system. The procedures were reviewed by an outside auditor. Supervisor Judy Morris, CSAC Treasurer, noted that a CSAC Reserve Policy to provide for six-months of operating reserves has also been implemented.

Staff noted that CSAC's social media efforts have been very effective in reaching CSAC members and the general public. Staff visited Lake County yesterday to shoot footage of the Rocky Fire. A video highlighting emergency operations response and firefighters will be released tomorrow.

The CSAC Institute will soon be expanding with a satellite campus in Merced.

Staff outlined a draft CSAC Vision, Mission and Values Statement and requested input from the Executive Committee. Suggestions were noted and will be incorporated into an updated draft to be presented at the Executive Committee retreat in October.

10. National Association of Counties (NACo) Report

President Chiesa reported that approximately 100 California county officials and staff attended the NACo conference last month in Charlotte, NC. The conference showcased key issues impacting counties across the country, including transportation and infrastructure funding, criminal justice system reform and economic development. The new NACo leadership team was elected on the final day of the conference. Commissioner Roy Brooks from Tarrant County, Texas was elected as 2<sup>nd</sup> Vice President. California has the largest number of votes of any state and cast the majority of its votes for Commissioner Brooks which led to his successful election. NACo President Sallie Clark announced her committee chair and vice chair appointments. A list of California county officials who received appointments was contained in the briefing materials.

11. CSAC Litigation Coordination Program Report

The August Litigation Coordination Program update was contained in the briefing materials. No verbal report was given.

Meeting adjourned.





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Date: September 22, 2015  
To: CSAC Executive Committee  
From: DeAnn Baker, Director of Legislative Affairs  
Re: **CSAC Advocacy Team Achievements Report—2015**

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On behalf of the California State Association of Counties advocacy team, I am pleased to share the following achievement report to highlight the major accomplishments on state and federal legislative and budget items in 2015.

### **Groundwork Laid for Local Transportation Funding Deal**

At the start of the year, attention was singularly focused on the state highway system. Today the Legislature, Administration, and media are now well aware of the local transportation needs because of the tremendous efforts of CSAC, our counties and our coalition partners. While consensus on a comprehensive package was not reached, significant progress was made and CSAC remains in the inner circle of the debate.

Throughout the year CSAC strived to find consensus points among the proposals from all of the stakeholders to build support for a robust funding package, which needs a user fee based new revenue source in order to sufficiently support the ten-year maintenance and rehabilitation needs of local agencies (\$79 billion) and the state (\$57 billion).

In the final week of session, the Administration released a plan that would provide \$3.6 billion in funding with over a billion dollars directly subvented to counties and cities. This, along with the Senate proposals, will likely serve as the starting point when the Legislature's conference committee meets in special session.

### **Pre-2004 Mandate Debt Paid in Full – \$535 Million for Counties**

The state accelerated the repayment of nearly all of its pre-2004 mandate debt, making counties and other local agencies whole for services rendered. The payments to counties so far total \$534.9 million with one more interest payment slated for October 2. This builds on the \$100 million (\$77 million of it for counties) allocated last fall for pre-2004 mandate debt. This was a top priority for CSAC in the last two budget cycles.

### **Marijuana Regulation Bills Include County Priorities**

CSAC, in collaboration with RCRC and UCC, successfully lobbied for county priorities to be included in the three-bill legislative package ultimately sent to the Governor. The provisions preserve local control and provide explicit county taxing authority, employer protections, and funding for environmental enforcement activities by local agencies. On the ballot initiative front, CSAC was given the opportunity to provide feedback to the proponents of a marijuana legalization initiative headed to the 2016 ballot. Our recommendations reaffirmed the priorities captured in the legislative package.

### **Medi-Cal Admin Funding Increased to Cover More Costs**

CSAC and the California Welfare Directors Association worked together to allocate \$245 million in the state budget for county Medi-Cal eligibility office workload resulting from implementation of the Affordable Care Act. While counties anticipate about \$300 million

in costs, the Governor originally proposed funding only \$150 million. The Administration also agreed to revisit funding mid-year to see if the \$245 million is adequate. CSAC will continue to strongly advocate for this augmentation next year.

### **Gaming Compact Renewals Include Enforceable Mitigation and Trust Fund Revenue**

Governor Brown executed and the Legislature ratified three Tribal-State Gaming Compacts that met CSAC's priorities for any new or renegotiated compacts:

- Judicially enforceable local mitigation agreements to ensure that the impacts of casinos on local government services and the environment are addressed
- Increased financial support for economic development for non-gaming and limited-gaming tribe services, as well as address gaming impacts on local government.

### **Payment In-Lieu of Taxes (PILT) Received for First Time in 12 Years**

CSAC advocated throughout the year for PILT payments to counties. While the approximately \$19 million in back payments owed to local governments were not ultimately included in the final budget, CSAC working collaboratively with RCRC was successful in convincing the Administration to support \$644,000 in the current budget year. We will continue to advocate for additional PILT payments in future budget years.

### **Continuum of Care Reformed for Foster Youth**

CSAC maintained a "Support in Concept" position on this landmark legislation, which will revamp the State's foster youth group home system. CSAC worked with county affiliates and state officials to make sure this massive policy change accomplished its intended goals and recognized its effect on county departments, including Proposition 30 implications.

### **Sick Leave Fix Saves Counties from Litigation and Administrative Hassle**

CSAC partnered with the California Chamber of Commerce to push for an urgent clean-up of last year's mandated paid sick leave law for all employees in California. The fix, AB 304 (Gonzalez), increases employer flexibility and exempts retired annuitants. The bill reached the Governor at the last hour with an urgency clause so that it could take effect immediately, on July 13, 2015, less than two weeks after the effective date of the original paid sick leave law.

### **SCA 8 Rebuffed, Keeping Local Governance Decisions Local**

CSAC successfully opposed SCA 8 (Mendoza), which, if approved in a statewide vote, would have required counties with over two million residents to expand their Boards of Supervisors from five to seven or more members. The requirement would have applied to general law and charter counties, overriding existing local authority. SCA 8 failed passage on the Senate Floor.

### **Penalty on Elected Retirees Removed from Law**

CSAC was instrumental in working with the Legislature and Administration to reestablish an exemption for retired annuitants. With the change, retirees may serve in an elected capacity without having to reinstate and lose their ability to collect retirement benefits. PEPR A inadvertently deleted this exemption. Governor Brown signed the budget trailer bill containing this important provision earlier this year.

### **Traffic Amnesty Protects County Cost Recovery**

The Governor included in his budget proposal a program to forgive 50 to 80 percent of delinquent traffic fines and fees and allows for the reinstatement of their driver's license following payment. CSAC worked closely with the Administration during the development of the amnesty program guidelines to ensure county cost-recovery authority in the final budget.

**CSAC Creates Poverty Working Group, Supports \$380 Million Earned Income Tax Credit**

CSAC's new Poverty Working Group established policy within the County Platform to advocate for counties on poverty-related issues. The group also recommended a support position, later affirmed by the CSAC Board of Directors, on the Governor's successful \$380 million Earned Income Tax Credit proposal, which provides financial help to the working poor.

**CSAC Proactive in Federal Medicaid Waiver Negotiations**

A working group of county officials convened and led by CSAC have refined the whole personal care component for potential inclusion in the next federal Medicaid waiver. The waiver has been submitted to the federal government, but negotiations continue. With that in mind, CSAC successfully advocated for SB 36 (Hernandez), which would authorize the State to request extensions of the existing waiver until a new one is approved.

**Drug Medi-Cal Waiver Includes County "Opt-In" Priority**

CSAC successfully advocated for the Drug Medi-Cal waiver to allow counties to operate the program as an opt-in organized delivery system. The federal government approved the amendment to the Drug Medi-Cal waiver in August 2015, capping off three years of work. Counties will be able to manage the realigned Drug Medi-Cal program while also maintaining or even increasing access and quality.

**Fairs Receive \$6 million in State Funding**

CSAC was successful in helping to ensure the appropriation of \$3 million in General Fund dollars for FY 2015-16 and \$3 million ongoing funds to sustain California's network of 78 fairs by providing operational and training support.

**State Agrees to Pay for Increased Security Needs at New Courts**

The Budget included \$2 million in General Fund dollars for increased security required by new court facilities built by the state and opened after October 9, 2011.

**Effectiveness Enhanced through Member Engagement Tools**

Our direct advocacy efforts were enhanced this year through a variety of platforms that directly connect CSAC with our members, the media and the public.

CSAC and its partners convened numerous issue briefings on the drought and transportation funding. The message was spread beyond the Legislature through op-eds and interviews with newspapers and television stations. CSAC also convened and participated in press events on several priority issues on the steps of the Capitol and in counties throughout the state.

Online, CSAC's blogs and Bulletin articles were picked up by outside news outlets and our Twitter feed reached millions of people through direct and retweets. We have also begun a webinar series that explores and explains complex issues such as Proposition 218 reform and the implications for counties of a pending telecommunications merger.

Using these tools has increased our reach and effectiveness and will continue to do so in the coming years as we advocate as the united voice for California's 58 counties.

**Conclusion**

In addition to these highlights, CSAC actively engaged and advocated on hundreds of bills mostly from a defensive posture striving to protect counties from costly and problematic new laws.

At the time of writing this report a number of bills await action by the Governor, but few if any are expected to become law in instances where we have requested a "veto." Further, there

were other issues in which CSAC led efforts consistent with legislative priorities adopted by the board that will remain a priority into 2016, including: Proposition 218 changes to allow fees for stormwater and flood control, a solution to the Managed Care Organization (MCO) tax dilemma that will create a billion dollar whole in the State’s budget, educating and briefing our members on drought related issues, responding to drought emergency rulemaking and seeking access to cap and trade revenue.

Further, a significant amount of staff time remains committed to implementation of recent reforms or significant laws, including the historic groundwater legislation of 2014, the Affordable Care Act package of bills, and 2011 public safety realignment.



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Date: September 22, 2015  
To: CSAC Executive Committee  
From: DeAnn Baker, Director of Legislative Affairs  
Re: **CSAC 2015 Federal Priorities Report**

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CSAC had a very productive year at the federal level in 2015, registering a number of accomplishments despite a challenging political environment in which congressional Republicans often feuded with their Democratic counterparts and the Obama administration. Working with members of the California congressional delegation and key authorizing and appropriations committees, CSAC was able to advance several priority objectives. To follow are some of this year's most notable achievements.

In a major victory for California's forest counties, Congress approved and President Obama signed into law legislation (PL 114-10) that provides a two-year funding extension for the Secure Rural Schools (SRS) program. Under the new law, SRS payments were provided to counties for fiscal year 2014 (retroactive) and for fiscal year 2015. In total, California counties received nearly \$31 million in SRS funding this year. In the absence of a program extension, counties would have instead received timber payments amounting to only \$8.7 million.

On the long-term SRS reauthorization front, CSAC has worked with key members of the House and Senate on bipartisan legislation (S 517) that would renew the program for three years at increased funding levels. The bill, cosponsored by Senator Dianne Feinstein (D-CA), also would restore mandatory funding for the Payments-in-Lieu-of-Taxes (PILT) program. While the legislation does not currently include a spending offset, the bill's champions have pledged to work to identify a viable source of funding that would be acceptable to both parties.

In related developments, CSAC has continued to urge members of the California congressional delegation to make the PILT program a top budgetary priority. In the House, the fiscal year 2016 Interior Appropriations bill (HR 2822) includes \$452 million for PILT, or the fully authorized amount. Furthermore, the Senate Interior spending bill (S 1645) includes language that would require the Department of the Interior to release to counties \$37 million in outstanding fiscal year 2015 PILT funds. Without this technical correction, counties will not receive the remaining portion of their PILT allocations until March of 2016 or later.

With regard to healthcare policy, Congress approved as part of PL 114-10 a two-year extension of the Children's Health Insurance Program (CHIP/Healthy Families). Absent the extension, the federal financial match for the CHIP program would have decreased from 65 percent to 50 percent, resulting in a loss of up to \$533 million annually for California. In addition, the Act provided a two-year continuation of funding for the Maternal, Infant, and Early Childhood Home Visiting program; made permanent the Transitional Medical Assistance program; and, extended for two years the "express lane eligibility" option, which permits states to streamline enrollment in health coverage using the eligibility findings in other federal programs.

As in previous sessions of Congress, CSAC continued in 2015 its leadership role in advocating for Indian fee-to-trust reform legislation. In recognition that CSAC has been the principal voice of local governments on this issue, the association was one of only four organizations invited to participate in a *Carcieri v. Salazar* "Roundtable" hosted by the Senate Committee on Indian Affairs (SCIA). Following the event, CSAC was directly involved in the process of drafting a trust reform/*Carcieri* "fix" bill, which was later introduced by SCIA Chairman John Barrasso (R-WY).

It should be noted that the Barrasso legislation (S. 1879) represents the first comprehensive fee-to-trust reform bill introduced in Congress since the U.S. Supreme Court handed down the *Carcieri* decision in 2009. Under S. 1879, the Department of the Interior would be required to provide adequate, up-front notice to counties whenever the Department receives a complete or partial application from a tribe seeking to have off-reservation fee or restricted land taken into trust. In turn, counties would be afforded an opportunity to review and comment on the application. Furthermore, the legislation would encourage tribes that are seeking trust land to enter into cooperative agreements with counties, the terms of which could include language relating to mitigation, changes in land use, dispute resolution, fees, etc. In cases in which tribes and counties have not entered into mitigation agreements, the bill would require the Secretary of the Interior to consider whether off-reservation impacts have been mitigated to the extent practicable.

Many of the provisions of S. 1879 closely mirror CSAC's own comprehensive trust reform proposal, though the association believes that certain modifications are necessary to further strengthen the bill. As the measure advances through the legislative process, CSAC continues to work with SCIA Chairman Barrasso, the committee, and key members of Congress in an effort to produce the best possible reform package.

On the transportation front, CSAC was extremely active in 2015 in pushing the association's MAP-21 reauthorization principles. After considerable discussion regarding options for advancing a long-term highway bill, the Senate approved in July a six-year bill that would authorize increased funding for key surface transportation programs.

With regard to funding for local bridges – a key CSAC priority – the legislation would require states to spend a certain percentage of their Surface Transportation Program dollars on bridges that are not located on the National Highway System (NHS). Although MAP-21 created a

funding "set-aside" for local bridges that are neither located on the NHS nor on the Federal-Aid Highway system (referred to as "off-system" bridges), the Act did not require states to spend any money on local bridges that are off of the NHS but *on* a Federal-Aid Highway. The DRIVE Act would help to address the aforementioned funding disparity.

CSAC also remained active in advocating for funding for key local grant programs, including the State Criminal Alien Assistance Program (SCAAP). In the House, lawmakers approved a \$35 million increase for SCAAP due in large part to the efforts of several key members of the California congressional delegation. As Congress wrestles with how to advance a final fiscal year 2016 budget package, CSAC will continue to play a lead role in pursuing SCAAP funding.

Finally, CSAC continued to work with officials at the Federal Housing Finance Agency (FHFA) to address their concerns with the structure of residential PACE programs in California. While FHFA has not yet agreed to withdraw its opposition, the Obama administration unveiled a plan to help expand financing options for residential PACE programs across the country. Specifically, the Federal Housing Administration (FHA) – which provides mortgage insurance for more than 7.6 million households – agreed to issue new guidance allowing borrowers to use FHA financing for properties with existing PACE loans. This announcement could very well set the stage for FHFA to make a similar move.



September 22, 2015

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To: CSAC Executive Committee

From: Graham Knaus, Director of Operations and Member Services  
David Liebler, Deputy Director, Public Affairs & Member Services  
Jim Manker, Director of Corporate Relations  
Kelli Oropeza, Chief of Financial Operations

**Re: CSAC Operations and Member Services Update**

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This memorandum highlights achievements and key activities and initiatives occurring within CSAC operations and member services.

### **Fiscal Operations**

CSAC's fiscal position is healthy. Following a couple of challenging fiscal years, FY 2014-15 ended with a surplus due to various cost savings measures, business operational changes, and completion of the sale of the Ransohoff building. These actions balanced the priorities of the association within available revenues while identifying multiple efficiencies and mutually beneficial partnerships.

In April 2015, the Executive Committee adopted an Operating Reserve Policy requiring a six-month reserve target that has now been met. In addition to the required reserve, an additional \$550,000 has been placed into reserve to maximize flexibility to meet Board priorities and ensure long-term fiscal sustainability. The FY 2015-16 budget continues fiscal progress by maintaining dues at the same level for the third straight year while budgeting operating margin to further strengthen the short-term and long-term fiscal stability of the association.

The improved fiscal climate is a direct result of the Leadership of the Executive Committee, Board, Treasurer Judy Morris, prior Treasurer Kim Dolbow Van, and the Revenue and Capital Committee which crafted recommendations to improve CSAC's fiscal stability.

In addition to budget stability, under the leadership of Treasurer Morris, CSAC staff worked to strengthen internal controls through the following actions:

- Completion of a fiscal risk assessment to identify opportunities to strengthen fiscal operations.
- Adoption of accounting procedures and a centralized approach to fiscal operations to increase transparency in operations.



- Maintaining strong internal controls is an ongoing process. As such, CSAC staff continues to work internally and with our external auditors to further identify opportunities to strengthen internal controls to improve the association's fiscal infrastructure as well as accountability to our members.

Beyond the association's budget, CSAC staff continues to partner with the CAOAC to develop a fiscal health diagnostic tool for use by counties. The fiscal tool is intended to assess County fiscal strengths and weaknesses and identify potential policy and practice improvements for consideration.

### **Member Services**

Planning is underway for the December 1-4, 2015 Annual Conference in Monterey County. The theme this year is #CountiesLead to focus on the critical role and leadership California counties provide at the state and federal level. Early registration for the conference has been strong and there will be a great lineup of workshops, speakers, and meetings on key County issues and priorities as well as the always well attended exhibit hall. Topics include transportation funding, marijuana legislation, human trafficking, broadband, messaging, cap and trade, and criminal offenders who are incompetent to stand trial. We'll also have master of messaging Drew Westen, entertaining leadership expert Connie Podesta, and former Michigan Governor Jennifer Granholm who has done great work around creating local sustainable economies.

CSAC staff continues to visit and meet with Supervisors, CAO/CEOs, and county staff in your counties to provide timely issue updates and to hear how we can best serve your needs. This includes board presentations, in-County meetings, as well as communications support during a fire or other disaster.

CSAC has also held two Regional Meetings earlier this year and is scheduled for another in the Bay Area November 19. These meetings provide an opportunity for focused discussion on hot topic issues of interest to counties. They also provide an opportunity to bring issues of interest directly to multiple regions in the state.

These activities are a core CSAC priority and provide a great opportunity to hear from members about current and potential future priorities and ways to further enhance responsiveness and emerging communication opportunities through traditional and social media platforms.

### **CSAC Institute**

The CSAC Institute has been an outstanding success since its inception in 2008. The breadth and depth of classes continues to grow, providing opportunities for supervisors, CAO/CEOs, Department heads, and senior county staff to learn from experts. It also provides a forum for networking among peers on priority issues. Under the leadership of

the Institute Board and Dean Bill Chiat, the Institute successfully expanded to offer satellite courses in San Diego County last year, and in Merced County last month. Plans are under way for a Bay Area satellite next year, as well as to provide specific course offerings tailored to an interested CSAC affiliate.

The Institute also kicked off its “Emerging Issues” Series in September with a course on protecting our children. This series provides a forum for discussion of challenges and potential solutions on emerging issues; future courses will spotlight fostering collaborative mental health and public safety services, and long-term impacts of the drought. Earlier this month, the Institute also held the “So You Want to Be the CAO” seminar for senior county executives interested in becoming a CAO/CEO. In addition, the Institute continues its credentialing program for Supervisors and senior executives that complete at least 30 credits (approximately 10 courses) as well as its partnership with CSU Northridge for an online MPA graduate program for elected officials and senior county staff.

### **Communications**

CSAC’s communications goals are three-fold: 1) provide information to our members; 2) assist our legislative efforts; and 3) spotlight county best practices. Staff has tackled these three goals through traditional and new communications tools.

CSAC continues to utilize new technologies to expand its communications abilities, especially in the social media arena. The Association’s reach has grown significantly in the past six months. For example, CSAC’s Twitter has reached more than 3 million people during that period. Staff continues to utilize YouTube and Facebook, while adding Instagram and Periscope to its communications tool box.

CSAC has also launched a monthly webinar series. To date, four webinars have been held on a variety of topics ranging from the drought and wildfires to open data. These free, 45-minute sessions are providing our members with valuable and current information. Copies of the webinar videos can be found on the CSAC website.

Ongoing media work, especially to complement the Association’s advocacy efforts, continues to be a mainstay for the Communications Unit. Staff was able to garner significant media exposure on the status of our local streets and roads the past three months by working with the Fix Our Roads Coalition.

### **CSAC Challenge Awards**

A panel of 15 judges met September 2 to select the 2015 CSAC Challenge and Merit Awards. These awards are presented annually to spotlight the most innovative, cost-effective programs developed by California Counties. The judging panel consisted of

current and former county supervisors and administrators, affiliate and foundation representatives, and corporate partners.

This year CSAC received 254 entries – the most entered since 2008. Challenge and Merit Awards are presented in four population categories. The judging panel also selected a top program across all categories to receive the “California Counties Innovation Award.”

Counties have been notified of the 2015 Challenge and Merit Award-winning programs. CSAC staff is in the process of setting up presentations at Boards of Supervisors meetings to present the Challenge Awards in person. CSAC communications will be producing videos and blog postings spotlighting each of the Challenge Award programs in early 2016.

### **Corporate Partnership Program**

The CSAC Corporate Partnership Program has had a successful 2015. The Program continues to provide our members with a strong group of capable business partners while also supporting association priorities and enabling dues to remain lower. There are three levels of partnership: Premier, Executive, and Associate. Partners continue to grow and are active participants in the association, at regional meetings, annual and legislative conferences, and other venues to offer perspectives and potential business opportunities for our members.

The Program reached out to county general services and procurement staff to identify opportunities for increased awareness of potential public-private partnerships and to ease the navigation of often complex RFP processes.

These efforts enabled the Program to provide a significant financial contribution to the overall strategy and mission of CSAC. The Program has 66 total partners with the addition of Aetna last month. This includes:

- 27 Premier Partners (New in 2015: Aetna, CA Clean Power, Election Systems & Software, Alliant, CGI, Anthem Blue Cross, and CSAC–EIA)
- 7 Executive Partners (New in 2015: California First, Molina Healthcare, and HdL Companies)
- 32 Associate Partners

**Staff Contacts:** Please contact Graham Knaus (gknaus@counties.org or (916) 327-7500 x545), David Liebler (dliebler@counties.org or (916) 327-7500 x530), Jim Manker (jmanker@counties.org or (916) 327-7500 x528), or Kelli Oropeza (koropeza@counties.org or (916) 327-7500 x544) for additional information.



October 7, 2015

**To: CSAC Executive Committee**  
**From: Jennifer Henning, Litigation Coordinator**  
**Re: CSAC Litigation Coordination Program Achievements Report—2015**

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

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

The Litigation Coordination Program is governed by a Committee of 14 County Counsels representing a cross-section of California’s counties, which makes recommendations to the CSAC Executive Director on possible litigation involvement. Through the careful process by which cases are debated and vetted, the Litigation Coordination Program truly is the voice of the 58 Counties in the courts. This report provides a summary of significant litigation activity. A full report will be presented to the CSAC Board of Directors at the Annual Meeting.

**2015 Court Filings**

The Litigation Coordination Program considered 57 new amicus requests this year (up from 44 from last year). Amicus briefs or letters have been filed in 37 cases. The following counties received amicus support in one or more cases from the Litigation Coordination Program this year, to date:

- Alameda
- Fresno
- Los Angeles
- Mono
- Riverside
- Sacramento
- San Bernardino
- San Diego
- San Francisco
- Santa Clara
- Stanislaus
- Tulare
- Yolo

Briefs were also filed in support of 13 cities and 5 other public agencies.

### **Coordinated Cases**

In addition to the amicus filings, the Program coordinated several cases in which numerous counties were either plaintiffs or defendants. In *Sprint v. Board of Equalization*, Sprint sought tax refund payments from 51 counties. Through the Program, County Counsels from all 51 counties participated on calls to discuss the response to the claims. A small working group of eight counties was appointed to share the work in drafting a response, which was vetted by all defendant counties. The defendant counties were all invited to join the response. Thus, rather than 51 counties expending time and resources to respond to the complaint, nine counties were able to divide the work, and the rest able to join, resulting in a minimal expense for all counties involved. The Court of Appeal affirmed a judgment in favor of the counties, and the case is closed.

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

Finally, the Program is coordinating among five counties (Los Angeles, San Diego, Orange, Sacramento and San Bernardino) in a challenge to a Commission on State Mandates decision that portions of the Sexually Violent Predator mandate do not require reimbursement to counties. Though an unfavorable decision was issued by the San Diego Superior Court, the counties are currently working on the appeal.

### **Success Rates in Closed Cases**

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

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

<u>Total Cases Closed in 2015:</u>	24
<u>Positive Opinion:</u>	7
<u>Negative Outcome:</u>	17
Negative Opinion:	6
Review/Depublication Denied:	11



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Date: September 22, 2015  
To: CSAC Executive Committee  
From: Matt Cate, Executive Director  
Re: Distinguished Service Award Recipient Recommendation for 2015

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

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

For 2015, staff is recommending the following nominees for your consideration. You are welcome to select a different recipient if you so choose.

**Betty Yee, State Controller**

State Controller Betty Yee was elected to her current office in November 2014 following over 30 years of experience in public service, specializing in state and local finance and tax policy. She began her role as the State's Chief Financial Officer with a spirit of inclusiveness and openness that immediately engaged county fiscal officers and CSAC's legislative representatives. Under her direction, SCO legislative staff have collaborated with CSAC on numerous legislative proposals with the shared goal of maximizing county resources and supporting public understanding of government finances. We appreciate the early efforts by Ms. Yee to embrace counties as true partners in promoting county and state fiscal health and well-being. It has created an environment of trust that is so very important to successful policy development given the close ties between county governments and the state.

**Jim Beall, Senator**

Senator Beall was a stand-out champion for local government on transportation funding issues in the first half of the 2015-16 legislative session and the first extraordinary session on transportation. Senator Beall is an especially tireless advocate on behalf of counties in his strong support for sharing any new transportation revenues equally between the state and local transportation systems. No stranger to local government himself, Senator Beall introduced SB 16 into the regular session and SB X1 1 into the transportation special session, both of which met CSAC's priorities for any funding solution. He has worked

diligently to find common ground between various stakeholders and the caucuses within the Legislature, all while maintaining the integrity of his proposals. With the transportation special session slated to continue into the fall, CSAC and counties will continue to look to the Senator for his ongoing leadership and his commitment to local government.

**Michael Cohen, Department of Finance Director**

Michael Cohen was appointed as Director of the California Department of Finance by Governor Jerry Brown in September 2013. He serves as the Governor's chief fiscal policy advisor and leads the Administration in developing the State budget. In 2015 Michael was instrumental in accelerating the pre-2004 mandate payments to local government, for a total of \$533 million to counties statewide. This builds on the previous \$100 million allocated last fall and fulfills the State's obligation to pay the remaining pre-2004 mandates owed local government. Further, State Payment in Lieu of Taxes (PILT) were allocated for the first time in over a decade totaling \$644,000 benefiting 36 counties. Michael continues to demonstrate a true partnership with CSAC and is always responsive and accessible to our requests to discuss issues of importance to counties across California.

**Joe Dhillon, Senior Advisor for Tribal Negotiations**

Joe Dhillon has been willing to engage with local governments in his role as Governor Brown's senior advisor for tribal negotiations. Mr. Dhillon maintains open lines of communication with CSAC staff and representatives from individual counties, all while maintaining the confidentiality required in negotiations of sensitive intergovernmental agreements between the administration and individual tribes. Mr. Dhillon's willingness to listen to county concerns has allowed CSAC to provide ample input regarding the ability of local governments to mitigate the off-reservation impacts from gaming on services, infrastructure, and the environment. It is clear from the most recently negotiated tribal-state gaming compacts that Mr. Dhillon and the administration have heeded local government concerns. Recently enacted gaming compacts have maintained or added requirements for enforceable local mitigation agreements, which has long been the cornerstone to CSAC's tribal gaming priorities. Moreover, the agreements have contained a new incentive for gaming tribes to invest in local government infrastructure and services beyond what would simply be required to mitigate impacts, even though spending on these local priorities would partially offset required payments from tribal casinos to the state.

## Distinguished Service Award

**2014**

Richard Gordon	Assembly Member
Lois Wolk	Senator
Martin Hoshino	Undersecretary, California of Corrections and Rehabilitation

**2013**

Darrell Steinberg	Senator
Diana Dooley	Secretary, Health and Human Services Agency
Diane Cummins	Special Advisor, Governor, Department of Finance
Mike McGowan	Yolo County Supervisor

**2012**

Valerie Brown	Sonoma County Supervisor
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**2011**

Peter Detwiler	Former Consultant, Senate Local Government Committee
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**2010**

Tony Oliveira	Kings County Supervisor
Valerie Brown	Sonoma County Supervisor
Roy Ashburn	Senator
Juan Arambula	Assembly Member
Dan Wall	Los Angeles County Legislative Advocate

**2009**

No Award Given

**2008**

Diane Cummins	Chief Fiscal Policy Advisor, Office of Senate President Pro Tempore
Casey Kaneko	Executive Director, Urban Counties Caucus
Darrell Steinberg	Senator, President Pro Tem

**2007**

Jim Tilton	California of Corrections and Rehabilitation
Will Kempton	California Department of Transportation
Roger Niello	Assembly Member
Ellen Corbett	Senator

**2006**

Don Perata	Senator
Bob Dutton	Senator
Wes Chesbro	Senator
Joseph Dunn	Senator
Bruce McPherson	Secretary of State

**2005**

Denise Ducheny	Senator
Hector De La Torre	Assembly Member
Pat Dando	Office of Governor Schwarzenegger
Terry Watt	Planning Consultant, California Environmental Protection Agency

**2004**

Tom Torlakson	Senator
Jackie Speier	Senator
Cassandra Pye	Office of Governor Schwarzenegger

**2003**

Herb Wesson	Assembly Speaker
John Laird	Assembly Member
Steve Westly	State Controller
Joe Canciamilla	Assembly Member 21



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

President's Award	
<b>2014</b>	
Darrell Steinberg	Senator
<b>2013</b>	
Jerry Brown	Governor, State of California
<b>2012</b>	
Sue Ronkowski	CSAC Staff
Greg Cox	Supervisor San Diego County
<b>2011</b>	
Jerry Brown	Governor, State of California
<b>2010</b>	
Ron George	Chief Justice
<b>2009</b>	
Lois Wolk	Senator
<b>2008</b>	
Arnold Schwarzenegger	Governor, State of California
<b>2007</b>	
Steve Keil	CSAC Staff
<b>2006</b>	
Cynthia Bryant	Gov., Schwarzenegger's Chief Deputy Leg. Secretary
Sunne McPeak	Secretary, Business, Transportation and Housing Agency
<b>2005</b>	
Dianne Feinstein	United States Senator
<b>2004</b>	
Arnold Schwarzenegger	Governor, State of California
<b>2003</b>	
DeDe Alpert	Senator
<b>2002</b>	
Bill & Pat Dennison	Supervisor Plumas County
Pat Leary	CSAC Staff
<b>2001</b>	
Dave Cox	Assembly Member
Justice Daniel Kremer	Chair, Gov. Trial Court Facilities Task Force
<b>2000</b>	
Dede Alpert	Senator
John Burton	Senator
<b>1999</b>	
Steve Peace	Senator
John Longville	Assembly Member
<b>1998</b>	
Helen Thomson	Assembly Member
<b>1997</b>	
Phil Isenberg	Assembly Member
Tom Torlakson	Assembly Member
Dick Sweeney	Assembly Member
<b>1996</b>	
Victor Pottorff	CSAC Staff
<b>1991</b>	
Pete Wilson	California Governor



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Date: September 23, 2015  
To: CSAC Executive Committee  
From: Matt Cate, Executive Director  
Re: Circle of Service Award Recipient Recommendations for 2015

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

**Rick Haffey, Nevada County Executive Officer**

Rick has been a longtime supporter of CSAC on many fronts. He is a founding member of the CSAC Institute’s Governing Council and one of the Institute’s staunchest supporters since it was launched six years ago. In fact, under his direction Nevada is currently the only county to require all county department heads to earn an Institute credential. Rick has also served on the Institute for Local Government Board of Directors, representing county administrators. He has also served as a CSAC Challenge Awards judge for the past two years, providing valuable perspective and insight. And in 2015, he has served as CAO adviser to the CSAC Executive Committee, as well as President of the CAOAC.

**Judith Reigel, Executive Director, County Health Executives Association of California**

For the past 16 years, Judith Reigel has served as the Executive Director of the County Health Executives Association of California, which is a CSAC affiliate in good standing, and she will be retiring at the end of this year. Ms. Reigel’s expertise in critical policy areas like AB 85 and 1991 Realignment, the California Children’s Services Program, and the Medi-Cal Inmate Claiming Program is invaluable to CSAC and the work that we do. The breadth of her knowledge and history in health care policy in the pre- and post-ACA environments have also served as a valuable resource. She has always worked collaboratively with CSAC and our other county affiliates and is often one of the first people our lobbyists call on a variety of issues.

**Suzanne Mason, Former Napa County Director of Human Resources**

Suzanne Mason served as the Director of Human Resources for Napa County from 2009 until 2015. Mason was instrumental in providing technical expertise and advice to CSAC as it negotiated the 2012 pension reforms. Her contributions in aiding CSAC on the defeat of ABs 2126 and 778 were vital in ensuring that collective bargaining rules were determined at the local level and not by the state. In 2014, Mason provided valuable time and knowledge that allowed CSAC to be an integral part of voicing local government concerns during employer rate change discussions with the California Public Employees’ Retirement System. Her active involvement in and dedication to advancing the county voice at the state level with regard to labor policy was paramount to CSAC’s success in the Capitol.

**Joe Krahn, CSAC's Federal Advocate**

Joe Krahn did a superb job representing California Counties' interests in Congress this past year. While always providing excellent service to CSAC and county interests on our federal priorities, transportation funding and fee-to-trust reform issues rose to the top of the agenda this year and required time and dedication above and beyond any expectation. While Congress continues to work on MAP 21 reauthorization at the time of this writing, the DRIVE Act introduced in the Senate includes many of the priorities CSAC has been advocating on for years. Most notably, the Senate bill includes provisions to address local highway bridge program funding issues, which are a key priority to CSAC and somewhat unique to California. We also understand that CSAC's CEQA-NEPA Reciprocity proposal, which has met significant challenges in past years, will be included in the forthcoming initial draft of the House transportation bill. Finally, CSAC has been advocating for fee-to-trust reform for 13 years and Joe's persistence, tenacity, and understanding of the complexities of this policy area were instrumental in the introduction of the first-ever comprehensive fee-to-trust reform measure in Congress.

**Larry Combs, California Statewide Communities Development Authority Commission Chair, Interim CAO El Dorado County**

In his role as Commission Chair for CSCDA, Larry's leadership and tireless dedication to CSCDA and its partnership with CSAC and the League of California Cities was instrumental in maintaining stability and continuity at a critical time. He led a complex RFP process and transition to a new program manager, and negotiated multiple historic agreements to significantly strengthen CSCDA and its benefits to counties. His herculean efforts and business acumen have helped ensure the short and long term success of CSCDA and its partnership with CSAC. In his more than 40-year career in county government Larry has also served in various capacities for five Counties including as CAO in Sutter, Merced and El Dorado.

**Charles Lomeli, CalTRUST Board President and Chairman and Solano County Treasurer, Tax Collector, County Clerk**

Charles is serving his fourth term in Solano County and has been more than willing to share the benefit of his financial expertise as President and Chair of the CalTRUST Board. CalTRUST has more than \$2 billion in assets invested for more than 200 local governments, agencies and districts. Charles has time and again gone above and beyond as the go-to authority for CalTRUST and its partnership with counties. His leadership and innovative approach to meeting county needs for pooling and investing local agency funds ensures that counties, cities and special districts have the right options to invest and leverage their resources.

**CSAC Finance Corporation Board of Directors**

The CSAC Finance Corporation Board revamped its organizational processes and leadership to increase the focus on its core mission of creating innovative and cost-effective programs that benefit counties. The Board increased its financial contribution to CSAC by \$250,000 and improved the level of collaboration with CSAC and other partners. Since inception, the CSAC Finance Corporation has provided over \$46 million to CSAC. Members are: Supervisor Linda Seifert, President; Les Brown, Secretary/Treasurer; Robert Bendorf, Yuba CAO; Matt Cate, Greg Cox, San Diego County Supervisor; Jim Erb, San Luis Obispo County Auditor-Controller; David Finigan, Del Norte County Supervisor; Emily Harrison, Santa Clara County Finance Director; Mike Johnson, retired CAO; and David Twa, Contra Costa CAO.

**California's Loyal Order of Dedicated Servants (CLODS)**

The CLODS are celebrating their 50<sup>th</sup> Anniversary in 2016. They have continued to support a strong relationship between CEAC and CSAC from a technical, advisory and supportive role and are very deserving of a CSAC Circle of Service award. With each passing year, more and more presidents of CEAC retired until quite a reservoir of past presidents was accumulated. On January, 26, 1966 a group of past presidents formed the "California's Loyal Order of Dedicated Servants" or CLODS. They created a number of CEAC traditions that celebrate the lighter side of the association including awards and their famous CLODS barbecue. Several CLODS serve as officers of the current organization, filling the roles of Treasurer, Historian, Newsletter Editor and Parliamentarian. The CLODS are a great resource as mentors for the membership. They help connect the organization to its past, and their involvement ensures a continuity of excellence in the future.

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

## Circle of Service Awards

### 2014

Susan Mauriello	Santa Cruz County Administrative Officer
Bill Fujioka	Los Angeles County Chief Executive Officer
Arthur Wylene	Tehama County Counsel
Scott McGolpin	Santa Barbara County Director of Public Works
Melissa Stafford-Jones	Former California Association of Public Hospitals Executive Director
Patrick Duterte	Former Solano County Health Director
Joe Tavaglione	Member of the California Transportation Commission
John Moorlach	Orange County Supervisor

### 2013

Merita Callaway	Supervisor, Calaveras County
Mary McMillan	Retired Deputy County Manager, San Mateo County
Pete Parkinson	Retired Director, Permit & Resources Mgmt. Dept., Sonoma County
Pat Proano	Asst. Deputy Director of Public Works, Los Angeles County
Leonard Kaye	Retired SB 90 Coordinator, Auditor-Controller's Office LA County
Nick Warner	Legislative Advocate, CA State Sheriffs' Assoc.
Karen Pank	Executive Director, Chief Probation Officers Assoc. of CA
Kathy Long	Supervisor, Ventura County
Lee Kemper	Dir. of Policy & Planning, CMSP
Judith Riegel	Executive Director, Co. Health Executives of CA
David Souleles	Dep. Agency Dir., Public Health Services, Orange County
Graham Knaus	Assistant Director, Health & Human Serv. Dept., Placer County
Andy Pease	Executive Finance Dir., Health & Human Serv. Agy., San Diego Co.
Eileen Cubanski	Senior Fiscal & Policy Analyst, County Welfare Dir. Assoc.
Linda Penner	Chair, Board of State and Community Corrections
Bill Goodwin	CAOAC President and Tehama CAO
Mark Saladino	Pres. of CSAC Finance Corp. & LA County Treasurer/Tax Collector

### 2012

Patrick Blacklock	Yolo County Administrative Officer
Veronica Ferguson	Sonoma County Administrative Officer
Walt Ekard	San Diego County Chief Administrative Officer
Susan Adams	Marin County Supervisor
Tim Snellings	Butte County Department of Development Services
Jennifer Henning	County Counsels Assoc. Executive Director
William McClure	Los Angeles County Retiree
Mike Penrose	Sacramento County Director of Transportation
Howard Dashiell	Mendocino County Director of Transportation
Susan Cash	Inyo County Supervisor
Liz Kniss	Santa Clara County Supervisor
Steve Keil	CSAC Interim Executive Director

### 2011

Bryan Barr	2011 CSAC Corporate Associates President
Larry Combs	Merced County Executive Officer
Diane Cummins	Special Advisor, Governor Brown
David Finigan	Del Norte County Supervisor
Mike Johnson	Retired Solano County Administrator
Pat Leary	Yolo County Assistant County Administrator
Ana Matosantos	Director, Department of Finance
Susan Mauriello	Santa Cruz County Administrative Officer
Nancy McFadden	Executive Secretary, Governor Brown
Mark Pazin	Merced County Sheriff
Linda Penner	Fresno County Chief Probation Officer
Rick Robinson	Stanislaus County Chief Executive Officer
Donna Vaillancourt	San Mateo County Director of Human Services
	CSAC Legislative Staff
<b>2010</b>	
Rich Gordon	San Mateo County Supervisor
Roger Dickinson	Sacramento County Supervisor
Mike McGowan	Yolo County Supervisor
Greg Cox	San Diego County Supervisor
Helen Thomson	Yolo County Supervisor
Kathy Long	Ventura County Supervisor
Matt Rexroad	Yolo County Supervisor
Jane Dolan	Butte County Supervisor
Liz Kniss	Santa Clara County Supervisor
Tom Ford	CSAC Finance Corporation President
Michael Brown	Santa Barbara County Executive Officer
William McIntosh	Retired Lassen County Public Works Director (In Memoriam)
Verne Davis	Retired Merced County Public Works Director (In Memoriam)
John Sansone	San Diego County Counsel
Steven Woodside	Sonoma County County Counsel
Bruce Goldstein	Sonoma County Assistant County Counsel
Graham Knaus	Director of Administrative Services, Placer County Health and Human Services Department
Kirk Kleinschmidt	Kaiser Permanente, Corporate Associates President
<b>2009</b>	
Terry Woodrow	Alpine County Supervisor
Mary McMillan	San Mateo Deputy County Manager
Bob Fisher	CSAC Corporate Associates President
Pat DeChellis	Los Angeles County Deputy Public Works Director
	Contra Costa Public Works Department
	Santa Barbara County Public Works Department
<b>2008</b>	
Jeff Morris	Trinity County Supervisor

Connie Conway	Tulare County Supervisor and former CSAC President
Harry Ovitt	San Luis Obispo County Supervisor and former CSAC President
Tim Smith	Sonoma County Supervisor and former CSAC President
Matt Rexroad	Yolo County Supervisor
John Tavaglione	Riverside County Supervisor
Diane Dillon	Napa County Supervisor
John Gioia	Contra Costa County Supervisor
John Silva	Solano County Supervisor
Stephen L. Weir	Contra Costa County Clerk-Recorder
Michele Vercoutere	Court Facility Transfer Coordinator, Los Angeles County Chief Executive Office
Stuart Wells	Franchise & Fees Manager, The Gas Company/SDG&E Sempra Energy Utilities
Andy Morgan	Vanir Construction Management
Michael Rattigan	Santa Clara County Lobbyist
Greg Norton	Executive Director, Regional Council of Rural Counties (RCRC)
<b>2007</b>	
Helen Thomson	Yolo County Supervisor
Mike McGowan	Yolo County Supervisor
Tony Oliveira	Kings County Supervisor
Bill Powers	Plumas County Supervisor
Brian Lee	San Mateo County Deputy Director of Public Works
Mike Silacci	CSAC Corporate Associates Member, AT&T
Rob Bilo	CSAC Corporate Associates Member, Nationwide Retirement Solutions (NRS)
Roger Dickinson	Sacramento County Supervisor
Bran Dahle	Lassen County Supervisor
Rubin Lopez	CSAC Staff
<b>2006</b>	
Bob Fletcher	Vanir Construction Management
David Janssen	Los Angeles County Chief Administrative Officer
Richard Vinson	Amador County Supervisor
Gary Freeman	Glenn County Supervisor
Gary Gilbert	Madera County Supervisor
Bill Dennison	Plumas County Supervisor
Greg Cox	San Diego County Supervisor
Duane Kromm	Solano County Supervisor
Ray Simon	Stanislaus County Supervisor
Peter Rei	Tuolumne County Public Works Director
Pat DeChellis	Los Angeles, Deputy Director Public Works
Chantal Saipe	San Diego County, Tribal Liaison
Jennifer Henning	Executive Director, County Counsels' Association of California
Mary Wallers	CSAC Corporate Associate Member, Sierra West Group
Lori Panzino	San Bernardino County, Division Chief, Franchise Programs
Paul Valle-Reistra	City of Walnut Creek, City Attorney



Rich Esposito	Consultant, Sacramento Metro Cable Television Commission
David Wooten	San Joaquin County Supervisor and Chair, Assistant County Counsel, County Counsel Working Group on Court Facilities
Kathleen Felice	Los Angeles County, Principal Deputy County Counsel
Diane Bardsley	San Diego County and Member, Special Assistant County Counsel, County Counsel Subcommittee on SB 10
Tom Ford	Sonoma County Treasurer
Norma Lammers	CSAC Finance Corporation Executive Director
<b>2005</b>	
Mitch Avallon	Contra Costa County Deputy Director - Flood Control
Dennis Barry	Contra Costa County Community Development Dept.
Valerie Brown	Sonoma County Supervisor
John Freedman	Analyst, Los Angeles County Chief Administrator's Office
Steve Keil	CSAC Legislative Coordinator
Rod Kubamoto	Los Angeles County Assistant Deputy Director
Andrea McGarvey	San Luis Obispo County Auditor-Controller's Office
Michael Moele	Buck Consultants
Bob Palmer	Retirement Administrator San Joaquin County
Dave Solaro	Retired CSAC Board Member & Administration of Justice Policy Committee chair
John Sweeten	Contra Costa County Chief Administrative Officer
Steve Swendiman	Managing Director, NACo Financial Services
Kit Wall	Local Government Relations, Eli Lilly & Company
<b>2004</b>	
John Garcia	Kaiser Permanente
Jim Lindholm	San Luis Obispo County Counsel
Steve Woodside	Sonoma County Counsel
Steve Basha	Yolo County Counsel
Jim Beall	Santa Clara County Supervisor
Tonly Oliveira	Kings County Supervisor
Duane Kromm	Solano County Supervisor
Susan Adams	Marin County Supervisor
Rose Jacobs Gibson	San Mateo County Supervisor
Brad Clark	Alameda County Registrar of Voters
Mischelle Townsend	Riverside County Registrar of Voters
Julie Rodewald	San Luis Obispo County Clerk Recorder
Ann Reed	Shasta County Registrar of Voters
Richard Robinson	Stanislaus County Administrative Officer
Walt Ekard	San Diego County Administrative Officer
Larry Parrish	Riverside County Executive Officer
Stephen Shane Stark	Santa Barbara County County Counsel
John Sansone	San Diego County Counsel
Robert Ryan , Jr.	Sacramento County Counsel
Buck Belventhal	San Francisco City & County
Ray Fortner	Los Angeles County
Richard Arrow	Marin County Auditor
Rod Dole	Sonoma County Counsel Auditor-Controller
Mark Norris	Sacramento County Finance Department

Steve Ybarra	Contra Costa County
Dave Elledge	Santa Clara County
Valerie Brown	Sonoma County Supervisor
Paul Stein	Calaveras County Supervisor
Frank Mecca	County Welfare Directors Association
Pete Parkinson	Sonoma County Planning Director
<b>2003</b>	
Kevin Juhring	US Communities
Tom Ford	Sonoma County Treasurer
Ann Reed	Shasta County Clerk/Registrar of Voters
Roger Dickinson	Sacramento County Supervisor
Bill McClure	Los Angeles County Workers' Compensation Specialist
Shane Stark	Santa Barbara County Counsel
Mike McGowan	Yolo County Supervisor
Denny Bungarz	Glenn County Supervisor
<b>Governor's Trial Court Facilities Task Force Members:</b>	
Patricia Clarke	Shasta County Supervisor
Joan Smith	Siskiyou County Supervisor
John Tavaglione	Riverside County Supervisor
<b>2002</b>	
Tom Stallard	CSAC 1st Vice President
Gary Freeman	CSAC Immediate Past President
Barbara Pletz	San Mateo County Emergency Services Director
Jim Beall	Santa Clara County Supervisor
Kathleen Bales Lange	Tulare County Counsel
John Sansone	San Diego County Counsel
Frank Mecca	County Welfare Directors Association Executive Director
Richard Fitzmaurice	SBC/Pacific Bell Director of External Affairs
Cathy Bando	RBC Dain Rauscher Director of Public Finance
Chris McKenzie	League of California Cities Executive Director
Catherine Smith	California Special Districts Association Executive Director
Ted James	Kern County Planning Director
Tony Hughes	Salomon Smith Barney
<b>2001</b>	
Paul Stein	Calaveras County Supervisor
Larry Parrish	Riverside CEO
Les Brown	Former CSAC President
<b>Governor's Trial Court Facilities Task Force Members:</b>	
Jerry Eaves	San Bernardino County Supervisor
Gary Freeman	Glenn County Supervisor
Charles Smith	Orange County Supervisor
Robert Doyle	County Sheriff
David Janssen	Los Angeles CAO
Steven Woodside	Sonoma County Counsel
<b>2000</b>	
Trish Clarke	Shasta County Supervisor
David Janssen	Los Angeles Chief Administrative Officer
Tom Bamert	Amador County Supervisor
<b>Governor's Trial Court Employees Task Force Members:</b>	
Steve Perez	Kern County Supervisor and CSAC President
John Sansone	San Diego County Counsel
Larry Spikes	Kings County Administrative Officer

Charles Plummer	Alameda County Sheriff
Pete Kutras	Santa Clara County Asst. Executive Officer
<b>1999</b>	
Muriel Johnson	Sacramento County Supervisor
Dean Shores	Imperial County Supervisor
Keith Carson	Alameda County Supervisor
Tom Stallard	Yolo County Supervisor
Jim Beall	Santa Clara County Supervisor
Jim Lindholm	San Luis Obispo County Counsel
Jay Hull	Napa County Administrator
Owne Clements	San Francisco Deputy Attorney
Terry Henry	Fresno County Dept. of Health Services
Louise McGinnis	Corporate Associate Member
Art Goulet	Ventura County Public Works Director
John Michaelson	San Bernardino County Social Services Director
Penelope Clarke	Sacramento County Public Protection/Human Assis. Admin.



Date: October 8, 2015  
To: CSAC Executive Committee  
From: Supervisor Judy Morris, Treasurer  
Re: Audited Financial Statements for FY 2014-15

1100 K Street  
Suite 100  
Sacramento  
California  
95814

Telephone  
916.327.7500

Facsimile  
916.441.3507

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CSAC retains Waddell & Co., CPA's annually to audit our fiscal procedures and transactions to confirm we are in accordance with generally accepted accounting procedures. Attached is FY 2014-15 Audited Financials for your consideration and approval.

September 14, 2015



To the Board of Directors  
California State Association of Counties

We have audited the financial statements of California State Association of Counties for the year ended June 30, 2015, and have issued our report thereon dated September 14, 2015. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 12, 2015, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

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

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by California State Association of Counties are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015.

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

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Sacramento, CA 95864  
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Fax/488/2466



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

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

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The majority of the adjustments made were standard closing entries to convert the financial statements from the modified cash basis to the accrual basis of accounting, such as to record depreciation, reclassify principal debt payments, etc. The only non-trivial audit adjustments that were recorded were an entry to defer Corporate Associates dues and sponsorships for the remainder of calendar year 2015, which reduced net income by \$306,649, and an adjustment to record an income tax benefit of \$32,488.

The audit also noted there is an unrecorded deferred tax asset of \$66,852 that was not corrected. Management determined the amount was not material to the financial statements taken as a whole based on the fact that it has accumulated over 25 years and does not relate to the current year and also that the utilization of it in future years will be approximately \$5,000 per year, which is also not material.



### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 14, 2015.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

Management informed us that CSAC was a victim of an email wire fraud scam during the year ended June 30, 2015. The loss amounted to \$22,000.

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

### *Other Matters*

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

To the Board of Directors  
California State Association of Counties  
September 14, 2015  
Page 4



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

*John Waddell + Co., CPAs*



September 14, 2015



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
California State Association of Counties  
Sacramento, California

We have audited the accompanying financial statements of California State Association of Counties, which comprise the Statement of Financial Position as of June 30, 2015 and 2014, and the related Statements of Activity and Cash Flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the California State Association of Counties at June 30, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Revenue and Expenses by Fund for the year ended June 30, 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*John Waddell & Co., CPAs*

**CALIFORNIA STATE ASSOCIATION OF COUNTIES**

**Statements of Financial Position  
June 30, 2015 and 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
Cash	\$ 421,867	\$ 326,339
Investments	4,366,634	965,037
Accounts receivable	604,352	529,522
Prepaid expenses	290,175	135,139
Due from affiliates	40,727	73,090
Funds held in custodial accounts	1,271,664	796,855
Property and equipment, net	<u>1,161,051</u>	<u>5,635,021</u>
	<u>\$ 8,156,470</u>	<u>\$ 8,461,003</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 400,667	\$ 552,350
Deferred revenue	536,074	452,010
Accrued vacation and vested sick leave	345,534	379,553
Estimated pension obligation	92,970	92,970
Funds held in custodial accounts	1,271,664	796,855
Tenant security deposits	200	25,047
Notes payable	<u>1,406,393</u>	<u>2,715,876</u>
<b>Total Liabilities</b>	<u>4,053,502</u>	<u>5,014,661</u>
<b>Net Assets</b>		
Designated for reserves	2,267,360	-
Unrestricted and undesignated	<u>1,835,608</u>	<u>3,446,342</u>
<b>Total Net Assets</b>	<u>4,102,968</u>	<u>3,446,342</u>
	<u>\$ 8,156,470</u>	<u>\$ 8,461,003</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE ASSOCIATION OF COUNTIES**

**Statements of Activity  
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenue		
Membership dues	\$ 3,430,506	\$ 3,430,506
Litigation dues	367,586	335,693
Corporate associates dues and sponsorships	670,803	426,050
Program revenue	143,780	147,965
Meetings	471,679	454,675
Management fees	333,206	318,730
Rental income (loss), net of expenses of \$426,596 and \$616,962	(147,818)	(188,221)
Interest and investment income	15,894	15,320
Contribution from CSAC Finance Corp.	3,300,000	3,300,000
Institute	263,455	188,183
Other revenue	113,363	118,373
	<u>8,962,454</u>	<u>8,547,274</u>
Total Revenue		
Expenses		
Program Services		
Legislative affairs	2,857,056	2,907,777
Meetings	676,496	779,953
Litigation program	407,752	360,922
Federal policy development	186,265	250,417
Communications	643,069	441,137
Institute	358,702	261,998
Other programs	129,055	260,490
	<u>5,258,395</u>	<u>5,262,694</u>
Total Program Services		
Supporting Services		
General administration	2,763,174	2,998,684
Corporate associates	284,259	337,597
	<u>3,047,433</u>	<u>3,336,281</u>
Total Supporting Services		
Total Expenses	<u>8,305,828</u>	<u>8,598,975</u>
Change in Net Assets	656,626	(51,701)
Net Assets, Beginning of Year	<u>3,446,342</u>	<u>3,498,043</u>
Net Assets, End of Year	<u>\$ 4,102,968</u>	<u>\$ 3,446,342</u>

See accompanying notes to financial statements.

**CALIFORNIA STATE ASSOCIATION OF COUNTIES**

**Statements of Cash Flows  
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 656,626	\$ (51,701)
Noncash items included in change in net assets:		
Depreciation and amortization	164,700	261,200
Loss on sale of property and equipment	95,062	13,613
Unrealized (gain) loss on investments	5,423	(4,297)
Changes in certain operating assets and liabilities		
Accounts receivable	(74,830)	16,128
Prepaid expenses and deferred charges	(155,036)	(21,170)
Accounts payable	(151,683)	17,973
Deferred revenue	84,064	79,026
Other liabilities	<u>(58,866)</u>	<u>14,730</u>
Cash Provided by Operating Activities	<u>565,460</u>	<u>325,502</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(36,626)	(82,378)
Changes in due to/from related entities	32,363	(45,959)
Purchase of investments	(5,681,829)	(1,409,017)
Proceeds from sale of property and equipment	4,250,834	-
Sale of investments	<u>2,274,809</u>	<u>1,526,634</u>
Cash Provided (Used) by Investing Activities	<u>839,551</u>	<u>(10,720)</u>
Cash Flows from Financing Activities		
Payments on notes payable	<u>(1,309,483)</u>	<u>(114,417)</u>
Cash Used by Financing Activities	<u>(1,309,483)</u>	<u>(114,417)</u>
Net Increase in Cash	95,528	200,365
Cash, Beginning of Year	<u>326,339</u>	<u>125,974</u>
Cash, End of Year	<u>\$ 421,867</u>	<u>\$ 326,339</u>

See accompanying notes to financial statements.

# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

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

#### Estimates

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

#### Cash

Cash consists of unrestricted demand deposits. Cash exceeds FDIC limits by approximately \$171,500 at June 30, 2015.

#### Investments

Investments consist of shares in the CalTrust short-term portfolio and are stated at fair value as reported by CalTrust based on quoted market prices of the underlying assets (Level One inputs in the fair value hierarchy established by generally accepted accounting principles). Investment income consisted of interest of \$19,585 and unrealized losses of \$5,423 (FYE 14/15) and interest of \$9,017 and unrealized gains of \$4,297 (FYE 13/14).

#### Accounts Receivable

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

#### Property and Equipment

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

# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Funds Held in Custodial Accounts

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

#### Membership Dues

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

#### Contributions

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

#### Functional Allocation of Expenses

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

#### Income Taxes

CSAC is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code. It is subject to tax on its unrelated business income, primarily management fees and debt financed income. Income taxes are provided for the tax effects of unrelated business income reported in the financial statements. There are no significant differences between amounts reported in the financial statements and amounts reported in the tax return; accordingly, deferred taxes are not recorded. There were no cash payments for taxes in FYE 14/15 or FYE 13/14.

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

#### Concentrations and Credit Risk

Approximately 11% of the membership dues are paid by one county. Approximately 47% of the accounts receivable are due from the three largest customers.

# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was September 14, 2015.

### NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2015 and 2014:

	2015	2014
Land	\$ 398,049	\$ 1,960,384
Buildings	858,364	2,395,280
Building improvements	1,700,194	4,242,046
Tenant improvements	-	1,070,982
Equipment	428,902	734,786
Furniture	283,846	262,146
	3,669,355	10,665,624
Less accumulated depreciation	(2,508,304)	(5,030,603)
	\$ 1,161,051	\$ 5,635,021

Depreciation expense amounted to \$164,700 (FYE 14/15) and \$261,200 (FYE 13/14).

### NOTE 3 NOTES PAYABLE

Notes payable at June 30, 2015 and 2014 consist of the following:

	2015	2014
Note payable to Bank of Sacramento. Effective January 2012, monthly principal and interest payments of \$7,623 with interest at 3.01%. Secured by a deed of trust; due February 2017.	\$ -	\$ 1,245,719
Note payable to Bank of Sacramento. Effective January 2012, monthly principal and interest payments of \$9,066 with interest at 3.08%. Secured by a deed of trust; due December 2016.	1,406,393	1,470,157
	\$ 1,406,393	\$ 2,715,876



# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 3 NOTES PAYABLE – CONTINUED

Future minimum payments on notes payable are as follows:

6/30/2016	\$	65,857
6/30/2017		<u>1,340,536</u>
	\$	<u>1,406,393</u>

Total interest incurred on notes payable and total interest paid in cash amounted to \$53,122 (FYE 14/15) and \$85,848 (FYE 13/14).

The notes payable to Bank of Sacramento contain various covenants and financial requirements. CSAC was in compliance at June 30, 2015.

### NOTE 4 LEASES AND OTHER COMMITMENTS

CSAC leases five copiers under operating leases. Total rent expense from these leases amounted to \$43,034 (FYE 14/15) and \$46,840 (FYE 13/14). Future minimum lease payments under these leases are as follows:

6/30/2016	\$	11,463
6/30/2017		7,092
6/30/2018		<u>3,339</u>
	\$	<u>21,894</u>

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

6/30/2016	\$	134,666
6/30/2017		128,229
6/30/2018		97,872
6/30/2019		<u>57,092</u>
	\$	<u>417,859</u>

# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 4 LEASES AND OTHER COMMITMENTS – CONTINUED

The cost and carrying amount of property held for leasing as of June 30, 2015 are as follows:

	Ransohoff	1100 K St.	Total
Land, building & improvements	\$ -	\$ 2,956,607	\$ 2,956,607
Accumulated depreciation	-	(2,000,679)	(2,000,679)
	\$ -	\$ 955,928	\$ 955,928

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

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

CSAC has entered into contracts for meetings to be held in fiscal 2015 – 2018. These contracts contain deposits, room and food and beverage commitments, and cancellation fees. The maximum cancellation fee under the contracts if the contracts were cancelled as of the date the financial statements were available to be issued was \$501,872.

CSAC has a contract for federal affairs services, which can be renegotiated in the event of financial hardship. Future contract payments are as follows:

6/30/2016	\$	180,000
6/30/2017		222,000
6/30/2018		252,000
6/30/2019		282,000
6/30/2020		319,200
	\$	1,255,200

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

# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 5 DEFERRED COMPENSATION

Substantially all employees are eligible to participate in a deferred compensation plan. Employees, at their sole discretion, can set aside a portion of their salary, up to the maximum amount allowed by the Internal Revenue Service. Participants can select from two investment plans, one sponsored by the Nationwide Investment Foundation and the other by Aetna Life Insurance and Annuity Company. Both plans offer various investment options. CSAC does not make contributions to the plans and incurred no expenses in connection with the plans. In accordance with the Small Business Job Protection Act, the assets are held in trust for the exclusive benefit of plan participants. Accordingly, the assets and liabilities related to the plan, which amount to \$10,809,992 (FYE 14/15) and \$10,229,654 (FYE 13/14), have not been included in these financial statements.

### NOTE 6 DEFINED BENEFIT PENSION PLANS

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

Participating members and the employers are required to contribute a percentage of covered salary to the SBCERA Plan based on the member's age at entry and actuarial assumptions; however, CSAC pays the majority of the employees' contribution for employees hired before January 1, 2013. The SBCERA plan has two tiers with different benefit and contribution formulas. Generally, employees hired before January 1, 2013 are in Tier 1, and those hired after that date are in Tier 2. For Tier 1 employees, contributions are based on salary plus certain benefits, including medical benefits. For Tier 2 employees, the contributions are based on salary only. If SBCERA later determines that a Tier 2 employee qualifies for reciprocity based on previous participation in a similar plan, the employee is reclassified to Tier 1. During the year ended June 30, 2015, CSAC hired two employees who have applied for reciprocity. If the reciprocity is granted, CSAC will owe additional pension contributions for the employees for the year ended June 30, 2015. Additional amounts due if reciprocity is granted are not expected to be material to the financial statements.

# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 6 DEFINED BENEFIT PENSION PLANS – CONTINUED

Total contributions to the SBCERA Plan amounted to \$1,342,678 (FYE 14/15) and \$1,446,434 (FYE 13/14), which represented 37% and 38% of covered payroll, respectively. CSAC's contributions represented less than 5% of total plan contributions per SBCERA Plan's most recently available annual report, which was for the year ended June 30, 2014 (available at [www.sbcera.org/financial\\_info/CAFR.html](http://www.sbcera.org/financial_info/CAFR.html)). As of June 30, 2014, total plan assets were \$8,250,671,000, the actuarial accrued liability was \$9,694,825,000, and the plan was 79.95% funded.

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

### NOTE 7 RELATED-PARTY TRANSACTIONS

CSAC is affiliated with CSAC Finance Corporation (the Finance Corporation) and the California Counties Foundation (the Foundation). The Executive Director of CSAC is on the Board of Directors of both organizations. During the year ended June 30, 2015, the Finance Corporation amended its bylaws such that CSAC can appoint all new Board members. Therefore, CSAC is expected to obtain control of the Finance Corporation through a majority of the voting interest in the Board during the year ended June 30, 2016.

CSAC provides management, accounting and other administrative services to the Foundation without charge. CSAC also provides payroll services for the Finance Corporation without charge. The Finance Corporation rents office space from CSAC on an annual basis. Rent received from the Finance Corporation amounted to \$13,950 (FYE 14/15 and FYE 13/14).

The Finance Corporation has a policy whereby CSAC can request grants of net assets in excess of the designated operating reserve. Total funds available under this policy amounted to \$587,619 (FYE 14/15) and \$219,219 (FYE 13/14).

The Finance Corporation together with the League of California Cities sponsors CalTrust, a Joint Powers Authority for the purpose of pooling and investing local agency funds. Cash and cash equivalents in CalTrust's short-term portfolio (a portion of which is classified as funds held in custodial accounts) amounted to \$5,638,298 (FYE 14/15) and \$1,761,892 (FYE 13/14).

# CALIFORNIA STATE ASSOCIATION OF COUNTIES

## Notes to Financial Statements June 30, 2015 and 2014

### NOTE 7 RELATED-PARTY TRANSACTIONS – CONTINUED

CSAC, the League of California Cities and the California Special Districts Association are affiliated with the Institute for Local Government (ILG). The Executive Director of CSAC is a Board member of ILG. Contributions to ILG amounted to \$115,000 (FYE 14/15) and \$70,000 (FYE 13/14).

In 1997, CSAC, the League of California Cities and the California School Boards Association formed the CCS Partnership, a nonprofit partnership. Contributions to the CCS Partnership amounted to \$35,000 (FYE 13/14). CCS Partnership dissolved during the year ended June 30, 2015, and its programs were transferred to ILG.

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

CSAC is affiliated with the County Counsels' Association of California (the Association). The Director of CSAC's Litigation Program is also the Executive Director of the Association. Approximately 80% of the Director's salary and benefits are funded by CSAC's Litigation Program and 20% are paid by the Association. CSAC's Litigation Program also funds 80% of the Information Technology Specialist's salary and benefits. CSAC's Litigation Program funds 75% of the Association's office lease with a third party, which expired March 31, 2012, and was amended to a month-to-month lease with the landlord required to provide a 90-day notice to vacate. Rent expense under the lease amounted to \$21,094 (FYE 14/15) and \$21,094 (FYE 13/14).

CALIFORNIA STATE ASSOCIATION OF COUNTIES

Statement of Revenue and Expenses by Fund  
For the Year Ended June 30, 2015

	General	Building	Corporate Associates	Meetings	Litigation	CEAC	Ransohoff Building	Institute	Eliminations	Total
<b>Revenue</b>										
Membership dues and sponsorships	\$ 3,430,506	\$ -	\$ 670,803	\$ -	\$ 367,586	\$ -	\$ -	\$ -	\$ -	\$ 4,468,895
Program revenue	900	-	-	-	-	142,880	-	-	-	143,780
Meetings	-	-	-	471,679	-	-	-	-	-	471,679
Management fees	345,734	-	-	-	-	-	-	-	(12,528)	333,206
Rental income	-	189,999	-	-	-	-	94,059	-	(5,280)	278,778
Institute	-	-	-	-	-	-	-	263,455	-	263,455
Investment income	15,894	-	-	-	-	-	-	-	-	15,894
Miscellaneous	155,674	-	-	-	50,000	-	-	-	-	113,363
Contributions	3,300,000	-	-	-	-	-	-	-	(92,311)	3,300,000
<b>Total Revenue</b>	<b>7,248,708</b>	<b>189,999</b>	<b>670,803</b>	<b>471,679</b>	<b>417,586</b>	<b>142,880</b>	<b>94,059</b>	<b>263,455</b>	<b>(110,119)</b>	<b>9,389,050</b>
<b>Expenses</b>										
Salaries	3,075,223	-	181,493	49,380	225,880	60,672	-	25,519	-	3,618,167
Benefits	1,792,052	-	68,073	41,565	150,527	54,867	-	31,218	-	2,138,302
Travel	330,620	-	14,846	-	1,333	9,000	-	1,309	-	357,108
Communications	118,780	275	1,603	468	5,074	1,851	3,947	1,394	-	133,392
Utilities	-	88,587	-	-	-	-	20,650	-	-	109,237
Insurance	19,832	17,993	-	-	1,147	-	11,525	-	-	49,350
Publications	9,634	-	-	-	-	-	-	-	-	10,781
Legislative bill service	2,452	-	-	-	-	-	-	-	-	2,452
Membership fees	20,822	-	96	480	1,030	-	520	7,516	-	22,428
Office supplies	42,623	500	850	181	135	687	-	658	-	53,012
Postage and delivery	11,718	-	302	6	474	812	-	13,970	-	13,970
Printing	19,730	-	504	3	1,538	3,064	2	17,356	(28,265)	13,932
Repairs and maintenance	61,448	81,473	458	4,137	-	576	54,122	4,680	-	206,894
Professional services	422,700	28,011	-	-	-	1,070	5,758	139,087	(50,000)	546,626
Property & business tax	2,225	32,799	-	-	-	-	28,312	-	(5,280)	63,336
Rent	43,784	-	-	-	21,094	4,800	-	-	-	64,398
Public affairs	23,376	-	-	-	-	-	-	-	-	23,376
Program expenses	115,724	-	195,873	398,452	-	-	-	147,321	(14,046)	843,324
IT services	146,571	-	-	-	-	-	-	-	-	146,571
Interest expense	-	45,026	-	-	-	-	8,096	-	-	53,122
Depreciation	68,164	62,548	-	-	-	-	33,988	-	-	164,700
Miscellaneous	255	-	3,038	-	-	-	-	-	-	3,293
Management fees	-	-	-	-	12,528	-	-	-	(12,528)	-
Bad debt	23,244	-	13,500	-	-	-	-	-	-	36,744
Income taxes (benefit)	(32,453)	-	-	-	-	-	-	-	-	(32,453)
Loss on sale	-	-	-	-	-	-	90,362	-	-	90,362
<b>Total Expenses</b>	<b>6,318,524</b>	<b>357,212</b>	<b>480,636</b>	<b>494,672</b>	<b>420,760</b>	<b>137,399</b>	<b>257,282</b>	<b>376,058</b>	<b>(110,119)</b>	<b>8,732,424</b>
<b>Excess of Revenue Over (Under) Expenses</b>	<b>\$ 930,184</b>	<b>\$ (167,213)</b>	<b>\$ 190,167</b>	<b>\$ (22,993)</b>	<b>\$ (3,174)</b>	<b>\$ 5,481</b>	<b>\$ (163,223)</b>	<b>\$ (112,603)</b>	<b>\$ -</b>	<b>\$ 656,626</b>



September 22, 2015

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To: CSAC Executive Committee

From: Matt Cate, Executive Director  
Graham Knaus, Director of Operations and Member Services  
DeAnn Baker, Director of Legislative Affairs

**Re: CSAC Strategic Plan**

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Under the direction and leadership of the Executive Committee and Board throughout the year, CSAC staff has been developing a strategic plan. The plan will reflect the attached CSAC Vision, Mission, and Values, discussed by the Board in September, as well as strategic goals and objectives to best meet member priorities over the coming years. The statements attempt to focus the association to best advocate, educate, and support California counties.

CSAC staff will send copies of the draft strategic plan prior to your meeting for discussion and direction during the meeting.

## CSAC VISION

The California State Association of Counties (CSAC) serves as the unified voice of California's 58 counties.

## CSAC MISSION

To serve California counties by: developing and equipping county leaders to better serve their communities; effectively advocating and partnering with state and federal governments for appropriate policies, laws, and funding; and communicating the critical value of the work being accomplished by county government.

## CSAC VALUES AND PRINCIPLES

The California State Association of Counties (CSAC) shall adhere to the highest professional standards of conduct relying on its character, integrity, ability, and strength.

To this end, CSAC subscribes equally to the following values and principles:

1. **Member driven** – We will be county-focused and member driven in all we do.
2. **Integrity** – We will be consistently honest and fair.
3. **Teamwork** – We recognize that we can accomplish more working together, so we will support each other and strive to work as a team.
4. **Adaptability** – We are committed to proactively and effectively adapting to new situations and environments.
5. **Respect** – We genuinely value those who are different from ourselves and will respect a diversity of viewpoints, backgrounds, cultures, and lifestyles.
6. **Continuous Improvement** – We are committed to personal development and we will all take deliberate steps to improve every day.
7. **Accountability** – We will hold one another accountable and work tirelessly to accomplish our goals and fulfill our mission while upholding the values we share.