URBAN COUNTIES of CALIFORNIA

Chair
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UCC Board of Director's Meeting
Summary
May 17, 2017

Alameda:	Supervisor Keith Carson, Supervisor Scott Haggerty, Susan Muranishi
Contra Costa:	Supervisor Federal Glover, Lara DeLaney, David Twa, Cathy Christian
Los Angeles:	Manuel Rivas, Phyllis Marshall, Donna Seitz, Olivia Rodriguez, Michelle Rubalcava
Orange:	Supervisor Lisa Bartlett, Kelley Jimenez-Lee, Peter DeMarco, Jessica Witt, Nicole Wordelman
Riverside:	Supervisor Chuck Washington, Jean Hurst, Liz Espinosa, Kelly Brooks
Sacramento:	Supervisor Susan Peters, Steve Cruz, Audrey Durfur
San Bernardino:	Supervisor Ramos, Josh Candelaria, Dena Smith, Beau Biller, Steve Wallauch, Nicole Wordelman
San Diego:	Supervisor Bill Horn, Geoff Patnoe, Cathy Christian, Helen Robbins-Meyer
San Francisco:	
San Mateo:	Supervisor Carole Groom, Connie Juarez-Diroll, Devon Anderson, Madison Dwelley, Stacy Dwelley, Steve Cruz
Santa Clara:	Supervisor Ken Yeager, Jill McCaffrey, Michael Rattigan
Ventura:	Supervisor Kelly Long, Sue Hughes, Steve Wallauch, Nicole Wordelman
UCC	Jolena Voorhis, Grace Childs-Ferguson
SPONSORS:	Barclays - CitiGroup - Kaiser Permanente – Lexis Nexis - Lilly USA

I. Call to Order

UCC Supervisor Peters convened the meeting and called the members to order.

II. Roll Call of Counties

There were 10 Supervisors present, and 11 counties represented at this meeting.

III. Approval of Minutes from the March 9, 2017 and April 5, 2017 UCC Board Meeting – APPROVED

The March 9th minutes were approved and below is the vote count:

Member	County	Yes	No	Absent	Not Voting
Supervisor Peters, Chair	Sacramento	X			
Supervisor Groom	San Mateo	X			

(V-Chair)					
Supervisor Carson	Alameda	X			
Supervisor Glover	Contra Costa	X			
Supervisor Ridley-Thomas	Los Angeles			X	
Supervisor Bartlett	Orange	X			
Supervisor Washington	Riverside	X			
Supervisor Ramos	San Bernardino	X			
Supervisor Horn (Alternate)	San Diego	X			
Vacant	San Francisco			X	
Supervisor Yeager	Santa Clara	X			
Supervisor Long	Ventura	X			
Vote Total		**10**		**2**	

The April 5th minutes were approved and below is the vote count:

Member	**County**	**Yes**	**No**	**Absent**	**Not Voting**
Supervisor Peters, Chair	Sacramento	X			
Supervisor Groom (V-Chair)	San Mateo	X			
Supervisor Carson	Alameda	X			
Supervisor Glover	Contra Costa	X			
Supervisor Ridley-Thomas	Los Angeles			X	
Supervisor Bartlett	Orange				X
Supervisor Washington	Riverside	X			X
Supervisor Ramos	San Bernardino	X			
Supervisor Horn (Alternate)	San Diego	X			
Vacant	San Francisco			X	
Supervisor Yeager	Santa Clara	X			
Supervisor Long	Ventura	X			
Vote Total April		**8**		**2**	**2**

IV. Items for Consideration

1) State Budget

Staff provided a memo on the latest information on the CCI Repeal and IHSS MOE.

Memo:
The Governor's May Revision makes changes to the IHSS MOE which originally would have had a fiscal impact of $626.2 million beginning on July 1, 2017. Due to the trigger provided in the Coordinated Care Initiative, the Governor was able to shift these costs to counties. Counties have been in negotiations with the Governor and the Department of Finance for a couple of months. The total fiscal impact of the new proposal in the May Revision is as follows:

2017-18: $141 million
2018-19: $129 million
2019-20: $230 million
2020-21: $251 million

The May Revision notes that it provides significant help to counties based on the negotiations which emphasized the need for financial assistance, more predictability of costs, and time to adjust to any changes.

The proposal includes the following fiscal provisions:

General Fund (GF) Assistance. $400 million General Fund in 2017-18; $330 million in 2018-19; $200 million in 2019-20; and $150 million in 2020-21 and on-going.

Use of Growth Funds. Redirection of all VLF growth for three years from the Health, County Medical Services Program (CMSP), and Mental Health Subaccounts to provide additional resources for IHSS. In years four and five, 50 percent of this VLF growth will be redirected. The portion of the growth funds redirected from the Health Services Subaccount, which would have offset General Fund costs in CalWORKs, are reflected in the GF assistance. Sales tax growth will also be redirected for 5 years after it has funded caseload growth on a cash basis.

MOE Structure. Institute a MOE structure rather than a 65 percent/35 percent county share-of-cost structure. The General Fund will pay the difference between the MOE and the non-federal share of IHSS costs.

Current Costs Data (Accrual). Change the methodology for calculation of IHSS caseload in the Social Services Subaccount to use the current estimate of caseload and cost information.

Inflation Factor (Escalator). Create a new base for county costs of IHSS in 2017-18 that includes services and administrative costs. An annual inflation factor will be phased in and applied to the base. In year one, the inflation factor will be zero; second year with be 5 percent. In future years, the inflation factor will be on a sliding scale based on 1991 Realignment revenue performance. If revenue growth is negative then there would be no inflation factor applied. If revenue growth is less than 2 percent, than the inflation factor would be 3.5 percent. If revenue growth is above 2 percent, the inflation factor would be 7 percent.

Other provisions include:

Institutions for Medical Disease. In recognition of the reduced amount of growth funding going to Mental Health Subaccount, the May Revision proposes that in any year the Mental Health Subaccount does not receive its full growth allocation, this rate increase requirement will be suspended.
Financial hardship. The May Revision proposes that counties experiencing financial hardship due to the increased costs of IHSS may apply to the Department of finance for a low-interest loan to help cover those costs.
BOE Error. The May Revision proposes that any amount counties may owe the state through 2015-16 because of the Board of Equalization's miscalculations of sales tax revenue allocations will not have to be repaid.
Wage Cap. Under the CCI, if a county negotiated a wage and benefit increase, the MOE increased by the 35 percent share. State participation has been capped at $12.10 per hour for wages and benefits since 2007-08. The May Revision maintains the 35 percent county share and proposes that the state cap should float to always be $1.10 above the hourly minimum wage for large employers. For counties that are at or exceed the current state cap the state would agree to participate at its 65-percent share of costs up to 10-percent increase in wages and benefits over three years.
Collective Bargaining. The May Revision proposes that if a county does not conclude bargaining with its IHSS workers within nine months, the union may appeal to the Public Employment Relations Board.
Small Counties. For those counties in the County Medical Services Program (CMSP), theMay Revision provides some flexibility to give those counties 1991 sales tax revenuesthat accrue to the CMSP Board to offset IHSS cost impacts.
Administrative Costs. The county administrative costs are included in the MOE and fully funded.

The May Revision also notes that because IHSS costs and Realignment revenues can be volatile, the Administration has agreed to on-going discussions with the counties about the costs of the program within the structure of 1991 Realignment and the impact of the inflation factor as it relates to overall 1991 Realignment revenues.

UCC Analysis of the Proposal

The revised IHSS MOE proposal would significantly reduce the fiscal impact to the urban counties in the first two fiscal years. The action by the Governor in January would have had a fiscal impact of $623 million to all 58 counties. The May Revise lowers that impact to $529 million and offers General Fund and 1991 Realignment Growth to offset this large fiscal impact.

Pros:

- Reduces fiscal impact in the first two fiscal years.
- Provides General Fund to offset the impact to counties.
- Provides relief from the Board of Equalization error through 2015-16.
- Changes from accrual system to a cash system which will limit the impact on the counties general fund.
- Provides for a rate freeze in the IMDs which provides some mitigation to the mental health realignment impact.

- Allows counties to apply for financial hardship to the Department of Finance.
- Provides a reopener after year 2 to renegotiate the proposal specifically the out year impacts to counties.

Cons:

- Significant and unsustainable costs to counties in year 3 and year 4 with the 7% escalator in costs for counties.
- Redirects growth from 1991 realignment and does not provide for any growth in the base amounts for health and mental health.
- Provides changes to collective bargaining and allows unions to appeal to PERB if negotiations are at an impasse.
- Moves to a 65% (state) and 35% (County) share of costs beginning in year 3.

Update: UCC testified at the Assembly Hearing and provided comments, no position and noted our appreciation for the movement since January, that the first two years were much improved but that there were concerns over the impacts in the out years.

This is not an action item because the full CSAC Board will be discussing this issue, since CSAC was the lead we wanted to defer to that discussion. We believe we have existing policy to concur with the CSAC recommendation. However, if there is a concern we can have a quick Board call if action is necessary.

May Revise Summary

In a separate handout staff provided the UCC Summary of the Governor's May Revision.

Major issues:

- IHSS MOE. Mitigation of the $623 million in the January Action through State General Fund and the use of growth funds which will reduce the impact to $141 million in 2017. This includes forgiveness of BOE error, IMD rate freeze in certain circumstances, and an increase in the state cap on wages (For full details see Page 2).
- Increase of $11 million to the Continuum of Care Reform for county social workers and probation officers.
- Cut to CalWORKs Single Allocation.
- No change to Cap and Trade proposal from the January Budget.
- No proposals relating to affordable housing.
- Minor policy changes to the Community Based Transitional Housing Program.
- Additional funding for probation due to the impacts of Proposition 47.
- Increased funding for cannabis licensing and enforcement.

Update: Both houses have begun to quickly take up the May Revision proposals. While the IHSS MOE remains open in the Assembly – all items will be taken up on May 23rd as vote-only.

Other major actions:

Senate Subcommittee #5 on Public Safety approved trailer bill language (not in Governor's May Revision) to require counties to provide in-person visitation. There are 8 facilities exempted (San Bernardino and San Mateo) but only for 5 years. The proposal also states that those counties will receive priority funding for any jail construction funding that is relinquished to the BSCC. The TBL also temporarily suspends all construction with the exception of counties that have broken ground pending certification that the BSCC will have in-person visitation. UCC is opposed to this action and this is contrary to actions taken by the BSCC and the Governor's Administration.

2) Other Emerging or Continuing Legislative Issues

a) ACA Repeal and Replace Update – Guest Speaker – Sarah Muller

Staff provided a memo on the ACA Repeal and Replace Update. Sarah Muller joined the meeting and provided comments and was available to answer questions from the Board members.

The new version of the American Health Care Act (H.R. 1628) proposed by the Republicans passed the House on May 4, 2017, on a very close vote 217-213. This new version would repeal the Affordable Care Act and instead replace, and in a few cases, retain original provisions.

The following summary is based on information available by May 5, 2017, and therefore may not be entirely accurate.

Provisions intact under the ACA:

- Maintains the ACA's requirement that dependents can be covered on their parent's insurance until they are 26 years of age.
- Allows the state exchanges to continue as provided under the ACA.
- Continues to provide subsidies for premiums that are based on income.
- Maintains the individual mandate but changes the penalty from $700 per year to a surcharge of up to 30% the next time an individual gets insurance after a lapse in coverage.

New provisions:

- Increases contribution limits to Health Savings Accounts.
- Places a per-capita cap on federal Medicaid spending, ending the federal state and county partnership that has lasted 50 years and penalizing our state's efforts to keep costs low through managed care and other cost containment measures.
- Allows states to apply for waivers that would let insurance companies charge higher premiums for those with pre-existing conditions if those individuals do not maintain continuous coverage.

Provisions Eliminated

- Eliminates the Medicaid expansion in 2020, which has enabled counties to cover 3.7 million new individuals in Medi-Cal.
- Suspends the Cadillac Tax for one year.

- Eliminates the enhanced federal match California uses to ensure persons with disabilities and older Americans are able to stay in their homes with In-Home Supportive Services (IHSS).
- No longer requires expanded benefits to be covered including mental health and alcohol and drug services.
- Eliminates the $90 million a year the state has received under the Prevention and Public Health Fund, which is used by local health departments to invest in public health prevention activities protecting all Californians.

<u>The May 4 Amendments would do the following:</u>
- Allow states to opt-out of providing the ACA's essential health benefits.
- Allow states to opt-out of requiring premiums to be the same for all people of the same age, so while individuals with pre-existing conditions must be offered health insurance there is no limit on the cost of that insurance. A new $8 billion fund would help lower premiums for these individuals.
- States may opt-out of limiting premium differences based on age.
- There would be a new $15 billion fund for risk sharing to help states lower premiums.

*****JOLENA*** Guest speaker Sarah Muller discussed the MediCaid expansion and how it will go from 99% federal funding to 50%. The elimination to Mental Health Services, in the Public Health and Prevention funds. The Per-Capita Cap – Federal Spending Cap and how it touches everyone enrolled in Medi-Cal and MediCaid. Cost Shift to state and counties, loss of coverage starting at $6 billion going up to $24 billion by 2027. 200,000 job loss.**
Regarding AHCA she noted that the Senate Congressional office will update their score in the next couple of weeks, and that a working group is being created to go over timing, as the Senate wants to move something sometime this summer.
She noted some possible scenerios:
- **Working Group – if they can't come to an agreement.**
- **Make significant changes, better protections in the bill, a phase down of cuts from Medi-Caid.**

b) Cannabis Regulations and Trailer Bill

Staff provided a memo on the Cannabis Regulations and Trail Bill.

<u>Proposed Trailer Bill</u>
On April 4, 2017, the Administration released a Budget Trailer Bill to conform the Medical Cannabis Regulation Safety Act (MCRSA, 2015) and Proposition 64 (Adult Use of Marijuana Act or AUMA). However, the way that measure is currently structured it would repeal the MCRSA and only replace certain provisions back into the Trailer Bill. Our understanding is that this is because the Administration was giving preference to the AUMA as passed by the voters.

A new version of the Trailer Bill was released on April 28, 2017, which instead provided both the MCRSA statutes (with some changes) and the AUMA provisions.

Key Issues in the Trailer Bill:

- Local Authority. The Trailer Bill requires each local jurisdiction to provide to the Bureau a copy of any ordinance or regulation and the name and contact information of the person who will serve as the contact regarding licensure. Counties have submitted amendments to the local authority section of the bill which has been agreed to by the League and is currently in the process of being reviewed by Legislative Counsel.
- Mobile Deliveries. Provides that delivery include the use of a technology platform (mobile application) owned and controlled by the retailer. This is slightly different from the MCRSA which requires local governments to expressly prohibit mobile deliveries otherwise they are allowed.
- State Identification Card System. Repeals the provisions regarding a state identification card system and provides that patients must either have a state-issued or county-issued identification card.
- Quality Assurance. The Trailer Bill continues the provisions in AUMA which requires distributors to conduct quality assurance with independent labs.

Cannabis Regulations
On April 28, 2017, the State released the first draft of the regulations on cannabis which are available at www.cannabis.ca.gov. There are three sets of regulations by three licensing agency: The Bureau of Medical Cannabis Regulation (Bureau), California Department of Food and Agriculture (CDFA), and the Department of Public Health (DPH). County associations are having these proposed regulations reviewed by county counsels so that we can collectively submit comments by the 45-day deadline.

In addition, there are a series of workshops announced on these regulations by each state licensing agency to be held around the state to receive public comments.

Here are some of the major issues addressed in the proposed regulations:

Local Control/Authorization of licenses (Bureau). For an applicant to be in good standing, they must provide the name of the local jurisdiction that issued the license, permit or other authorization, name and contract information for the person authorized by the local jurisdiction to sign on its behalf, signature of person authorized to sign on behalf of the local jurisdiction and a statement that the named party is in good standing.

- **General Provisions (All):** Definition of premises, security requirements (including personnel and 24 hour video surveillance) and definition of ownership.
- **Delivery (Bureau).** All deliveries of medical cannabis must be performed by a delivery employee of a licensed dispensary.
- **Cultivation Licenses (CDFA).** Requires cultivation plans of all applicants, new license type for those not growing but drying and curing plants, and environmental protections.
- **Dispensary Licenses (Bureau).** Requires purchases to be in exit packaging, limitations on hours of operation, daily limits on sales to patients, no free samples allowed.
- **Distributor Licenses (Bureau).** Requires distributors to conduct testing of products, outlines quality assurance requirements and requirements for destruction of the product.

- **Manufacturing Licenses (DPH).** Adding two new license types for infused products and businesses that only do packaging and labeling.
- **Product Limitations/Labeling and Packaging (DPH).** No products with infusion of alcohol, nicotine and caffeine; list of all ingredients in the labeling, THC levels for edibles and other products.

*****JOLENA*** Supervisor Long asked staff for clarity about the state cards versus the county cards. Staff responded saying the State no longer wants to do ID cards. The language is confusing, and county council is taking a look at it and believes a better system will be needed.**

c) No Place Like Home – Guest Speaker – Zach Olmstead, HCD

With the passage of AB 1618 and AB 1628 (2016), which provided for the creation and implementation for No Place Like Home (NPLH), HCD is in the beginning process of the implementation phase of this program.

NPLH provides $2 billion in bond funding through the Mental Health Services Act to fund permanent and supportive housing to the homeless.

Staff provided a memo on the implementation of NPLH

<u>New Draft Guidelines on NPLH</u>
On April 28, 2017, the Department of Housing and Community Development released the program guidelines for the NPLH program with public comments due on this draft by May 30, 2017.
The new draft does address some of the County Coalition (UCC, CSAC, RCRC, CBHDA) concerns from the previous draft including providing more flexibility for counties regarding their homeless plans, the provision of supportive housing, and developer experience.
Issues of Concern Remaining:
<u>Underwriting.</u> While the new guidelines allow HCD to provide underwriting for large projects, counties still have to provide underwriting and monitoring for projects with between 1-4 units.
<u>Integration.</u> Counties requested additional flexibility regarding the integration requirements which require that for projects with 20 or more units there must be integration of the other units of 49%. We understand that this is a constitutional issue related to Article 34, but would still request more flexibility regarding this requirement.
<u>Outcome Measures</u>. The new guidelines still require significant data reporting by counties including a total of 14 data sets for NPLH units. Counties are not sure we can meet all of these requirements especially when not all of the tenants with be county clients.
<u>Target Population</u>. The new guidelines still prohibit counties from limiting services to those served under the MHSA. This may be problematic for us in implementation, ensuring services are being provided, and data collection.
<u>Timing of Various Requirements</u>. Concerns regarding the timing of various documents by the time of the application.

Technical Assistance Guidelines and Funding
The Technical Assistance Guidelines were released on April 10, 2017 and provide $6.2 million to counties for technical assistance for the implementation of NPLH. Specifically, the funding allocations are as follows:

$150,000 to the County of Los Angeles and to large counties (population greater than 750,000).
$100,000 to medium counties (population between 200,000 to 750,000).
$75,000 to small counties (population less than 200,000).

Under the Guidelines released, counties can apply for technical assistance for a variety of purposes including hiring staff, implementing county homeless plans, identifying potential sites and other specified uses.

Counties can apply from now until September 2017 on a rolling basis.

*****JOLENA*** Guest speaker Zach Olmstead said there were a number of workshops taking place throughout the state. Right now HCD is in the midst of public comment process. It is also important that they get the court validation process right and how to target the neediest. Providing incentives such as properties that will house low income in a few of their units. He noted that $200 million in funding for non-competitive grants which they plan to get out first, and next will be $2 billion in competitive grants. Counties with up to 5% homeless can delegate the funds themselves. These numbers will be updated every few years.**

Supervisor Haggerty asked staff how the state came up with the 5% and who decides on alternative or competitive bids? Staff responded saying it was unclear how they came up with the 5% and that counties will have to choose between alternative and competitive bids.

d) Legislative Update

Staff provided a memo listing the bills that UCC has taken a position on. Below are a few hot bills to mention:

<u>AB 678/SB 167 – Housing Accountability Act</u>
These bills are identical and previous versions would have restricted local government from issuing fees for projects, issued punitive fines without the ability to cure and correct, and change the standard of review. UCC, along with our local government partners have been working on amendments and we believe that these will be taken in both bills.
UCC Position: Oppose.

<u>AB 1069 (Low) – Taxicabs</u>
This measure removes cities from licensing and shifts the responsibility to the counties. Also restricts the ability for counties to set rates, and require specific technology.
UCC Position: Oppose.

AB 1250 (Jones-Sawyer) – Counties and cities: contracts for personal services
This bill would require local agencies that are contracting out to provide detailed analysis of the need, actual cost savings and why that could not be done by county employees. Imposes additional disclosure requirements for contracts exceeding $5 million.
UCC Position: Oppose.

AB 1333 (Dababneh) – Local notices
Requires local agencies to post on homepage a notice about upcoming tax or bond issuances within 7 days, put in the county newsletter.
Position: Oppose.

SB 182 (Bradford) – Transportation Networks
This bill would require only one business license based on the place of domicile not where they work.

SB 649 (Hueso) – Small Cells
This bill would require local governments to lease out vertical infrastructure to allow 5g wireless at a limited rate (cap on rates). Limits our ability to do design review on these projects and makes local requirements pass a board resolution to ask for space on the vertical infrastructure.
Position: Oppose

SCA 12 (Mendoza) – County Governance
This measure would place on the ballot a measure to require counties with more than 5 million (LA ONLY) to expand their board to 7 members and to require an elected CAO.

e) Workplan

Staff provided an updated version of the UCC Workplan.

3) UCC Budget 2017-18 ACTION ITEM -- APPROVED

In a separate handout staff provided the UCC Proposed 2017-18 Budget which is proposed for $425,000. This is a slight increase from last year due to increase in rent, and increase in health care and other administrative costs.
Staff also noted that Fresno County voted to join UCC. While they are not officially members yet, this will provide additional funding for the organization. (they have to submit a letter to the Board and the Board must approve their membership – scheduled for July meeting.)

The Board voted and approved the UCC Budget unanimously and below is the vote count:

Member	County	Yes	No	Absent	Not Voting
Supervisor Peters, Chair	Sacramento	X			
Supervisor Groom (V-Chair)	San Mateo	X			

Supervisor Carson	Alameda	X			
Supervisor Glover	Contra Costa	X			
Supervisor Ridley-Thomas	Los Angeles			X	
Supervisor Bartlett	Orange	X			
Supervisor Washington	Riverside	X			
Supervisor Ramos	San Bernardino	X			
Supervisor Horn (Alternate)	San Diego	X			
Vacant	San Francisco			X	
Supervisor Yeager	Santa Clara	X			
Supervisor Long	Ventura	X			
Vote Total		**10**		**2**	

V. Proposals for Next Month's Meeting Agenda

1) State Budget
2) Homelessness
3) Legislative Update

VI. Public Comment

Bob Williams from RCRC thanked UCC staff for working together on many of the same issues the rural counties have, just on a smaller scale.

VII. The next meeting will be held on July 13, 2017, via conference call.