

Meeting Report: League of California Cities

Policy Committee – Governance, Transparency, Labor Relations (GTLR)

January 18, 2018

Sacramento Convention Center

Reporting: Bill Kampe, Mayor

I attended this meeting as the Monterey Bay Division representative to the policy Committee.

Opening General Session

Michael Coleman gave an update on the State budget. Revenues are better than expected. Personal income tax for high earners is up. Fire and flood disaster expenses are high. The biggest budget risk is federal action to take money from the state. The Governor's focus is on eliminating the operating deficit and building reserves. If the financial situation goes south, we could have a \$20B deficit very quickly

Four ballot measures have already qualified. Many others are "on the street". The biggest concern is a measure that would roll back SB1 transportation funding, require voter approval for all forms of fees or taxes to support any transportation infrastructure or maintenance, and would require a 2/3 vote for all revenue initiatives.

Topics with priority attention in Sacramento are:

- Homeless challenges
- Pensions – the Governor is tracking closely
- Local Control – contracting, telecom
- Housing law – 15 new bills to make building housing easier

Environmental quality brings attention to wildfire and disaster relief; offshore drilling; water conservation; a possible new water fee on all users to help communities that have water contamination; cap and trade.

Public safety issues include DNA collection for all offenders; expanding the list of crimes categorized as violent; aggregating amounts in serial theft to create a felony; cannabis and federal prosecutorial discretion and safe harbor for various participants in commercial activities.

Mary Beth Redding of Bartel Associates talked about the outlook for pension costs. She noted that mature cities with lots of retirees are most impacted, especially where enhanced benefits have been given to employees. That includes PG. Her presentation was very similar to what we heard from John Bartel directly here in PG.

There is much talk of the possibility of some easing of the California Rule by action of the California Supreme Court. There is also some consideration of eliminating or reducing COLA's for retirees, though taking away an earned benefit is difficult. Even if the Supreme Court overturns the California Rule, the unfunded liability does not go away and will create an escalating burden for many years into the future. While the market is up strongly at the moment, the advisors to CalPERS forecast longer term returns averaging 6.1%.

GTLR Session

Dane Hutchings, the liaison to the GTLR policy committee, reviewed several current bills, the prospects, and implications. There is a very complete listing of bills, status, and implications on the LOCC website.

On the pension front, Dane described the case of LA Works, a JPA with 197 employees that went defunct. The employees basically lost their pensions. CalPERS asserts that they are only a fiduciary for the funds provided by the JPA, and have no authority or funding to make good on the pension obligations by other means. A dozen smaller agencies have experienced a similar fate.

The reaction has been an effort to pass a law that would make the members of a JPA jointly and severally liable for the pension obligations of the JPA, retroactive to all founding members. The implications would be ominous. Each member of the JPA might need to show the full unfunded pension liability of the JPA on its financial statements. It would also be a damper on the creation of new JPA's. Any new JPA idea would need to consider not using CalPERS, or any defined benefit plan, but rather use an independent defined contribution retirement plan to avoid creating unfunded liabilities.

District elections were another hot topic. Many cities have been sued to shift from at-large to district elections. The suits have been very lucrative for a few law firms. LOCC advises a close look by each city at its exposure and either acts to shift to district elections, or be very prepared to act quickly in case of a lawsuit.