

**EMPLOYEE RELATIONS POLICY COMMITTEE
HIGHLIGHTS
Thursday, June 16, 2011
League Office, 1400 K Street, Third Floor, Sacramento**

ATTENDANCE

Members: Sifuentes, David (Chair); Johnson, Bob (V.Chair); Andrews, Neil; Bachman, Tom; Bennett, Deirdre; Carter, Andrew; Carter, Ronald; Coon, Mark; Culleton, Steve; Culver, David; Cuppy, Mindy; DeLaney, Lara; Dillon, Barbara; Feldman, Gail; Gigliotti, Lorenzo; Holloway, Chip; Holsey, Denyce; Johnson, Ben; Keith, Kirsten; McCarthy, Mike; Mirisch, John; Nicholson, Cheryl; Plourde, John; Rudolph, Marcia; Spagnolo, Sam; Spitaleri, Tony; Striplin, Ken; Su, Mary; Vermeer, Scott; Williams, Doug;

League Partners: Gold, Howard, Best, Best & Krieger; Toal, Maureen, Public Agency Retirement Services

League Staff: Natasha Karl, Meghan McKelvey

i. Special Order of Business: State Budget and Redevelopment Update

The Housing, Economic and Community Development, Public Safety, Community Services, and Employee Relations Policy Committees came together for a joint briefing on major issues of the budget. Chris McKenzie, the League's Executive Director, provided a summary of the actions of the Legislature, which had passed a budget package the day prior to the meeting which included a two-bill "redevelopment elimination" package. Upon passage of the package, the League and California Redevelopment Association began developing legal documents to challenge the validity of the package. He also noted that there were rumors circulating that the Governor would veto the main budget bill (which Governor Brown did in the middle of the briefing). Dan Carrigg, the League's Legislative Director, followed by providing some details on the remaining budget trailer bills. Committee members were provided with a list of all budget trailer bills as well as a document outlining some of the legal problems with the redevelopment elimination.

Dorothy Holzem, League staff, updated the committee members on public safety funding and policy issues. This included two trailer bills that both seek to increase state revenues through fee assessment. The first, ABx1 22, would increase vehicle registration fees by \$12 to backfill Department of Motor Vehicle administrative costs with approximately \$300 million going back to the 2011 Local Revenue Fund for cities and counties. While not explicit in the bill, these monies could possibly be used to fund COPS programs and booking fee subventions, along with other soon-to-expire county law enforcement grants. The second fee bill, ABx1 29, establishes an annual \$150 fee for structures for fire protection in state responsibility areas. Notably, the Governor's priority public safety issues were not included in the budget trailer bill package, including either a temporary or longer-term tax extension to fund the state-local corrections realignment plan. The realignment plan is at the center of achieving state prison inmate population reduction goals now required under the recent U.S. Supreme Court's ruling against the state.

Natasha Karl updated the group on the latest on pension reform. She indicated that with the governor's veto of the budget we'll likely see talks between republicans and the governor's office heat up on this issue. There are two League resources that can be found in the League's Pension Information Center that may be helpful to members including a comparison of the Governor's 12-Point Pension Reform Plan the Senate Republican's Demands (http://www.cacities.org/resource_files/29685.PensionsGovs12pointplanvsrepublicanplan4.11.pdf) and a Background on Pension Reform (http://www.cacities.org/resource_files/29843.Pension%20Reform%20Background%20Document.pdf). The Employee Relations and Revenue and Taxation Committees were also expected to discuss the City Managers' Department Pension Reform Action Plan.

Jennifer Whiting, League staff, provided an overview of what is happening on the federal level, noting that federal programs are experiencing significant cuts and encouraging cities to provide specific examples when lobbying their federal representatives.

Following the budget and policy briefing, Dan Harrison, Director of Administrative Services, provided an update on League-sponsored services including California Communities, CalTRUST, and US Communities.

I. Welcome and Introductions

The committee made self-introductions.

II. Public Comment

There were no public comments.

III. State Legislative/Board Action Update

Natasha Karl, League Representative, gave a brief update about the League's Board of Directors adopting the compensation and retirement principles that will be a guideline for future policy decisions. The committee also received a status update about the previous bills the committee discussed in April.

IV. Legislative Update

AB 1184 (Gatto): Public Employees' Retirement Benefits

Legislative Director Danny Brown and Chief Actuary Alan Milligan of Cal-PERS gave the committee an in-depth technical overview of AB 1184, addressing questions such as possible impact on member benefits. This public employees' retirement benefits bill seeks to address and prevent the situation that occurred with Bell by placing emphasis on increasing accountability and enforcing implementation. Mr. Milligan provided an explanation of how a pension calculation is done and discussed the implications of employees moving from city-to-city within the CalPERS system. This bill does not include represented employees. Committee members recognize the issues that exist with this bill and shared their thoughts and concerns through avid discussion.

After various questions about the bill were addressed, the committee members decided that they were in favor of the concept of the bill. Although, most committee members remain uncertain that this bill is the solution to the problems that arose in Bell. As such, the committee moved to support the bill in concept, but was not ready to support this specific bill.

UPDATE: The bill previously brought before the committee was completely stripped of its contents and new language was inserted instructing the CalPERS board to implement the concept of assessing liability of excessive salary increases. Given the extensive amendments League staff recommended that the Board take a neutral position on the bill so that League staff and the committee can evaluate any proposals put forward by CalPERS. The League Board of Directors adopted the staff recommendation at its meeting on July 21-22.

V. Federal Update

The Federal Update was discussed in the Special Order of Business.

VI. Marijuana Regulation Working Group

The committee received a handout on the Marijuana Regulation Working Group.

VII. Pensions

Dwight Stenbakken, Deputy Director, provided a brief overview of the Governor's and Legislators' efforts in managing spiking of pensions. Representatives of the League City Manager's Department presented a pension reform action plan developed by the department. Rod Gould, City Manager, Santa Monica, Ron Bates, City Manager, Pico Rivera, and Bruce Channing, City Manager, Laguna Hills.

The City Managers introduced their Pension Reform Action Plan, which includes suggestions for reforming the current pension systems with the goal of attaining a sustainable and secure public pension system.

After a lengthy discussion, the committee moved to support to the report with the option that the Board two suggested changes. The Committee recommended that the Board endorse the report with the stipulation that the board may consider substituting a 70% cap on pensions for a dollar cap, adjusted for cost-of-living, and consider adding an option for a pure defined contribution plan inside or outside of the California Public Employees' Retirement System (CalPERS).

UPDATE: At its July meeting, the League board of directors approved the Employee Relations and Revenue and Taxation Policy Committee recommendation to adopt the City Manager's Department pension reform action plan as new policy on public pension reform. This document is the product of considerable discussion within the League's City Manager's Department as well as the Employee Relations and Revenue and Taxation policy committees.

VIII. Next Meeting: Annual Conference, San Francisco, September 21, 9:00 – 10:30 a.m.