

EMPLOYEE RELATIONS POLICY COMMITTEE
HIGHLIGHTS
Friday, June 15, 2012
Sacramento, CA

ATTENDANCE:

Members: Johnson, Bob (Chair); Andrews, Neal; Boulware, Constance; Carter, Andrew; Culleton, Steve; DeLaney, Lara; Feldman, Gail; Holsey, Denyce; Johnson, Ben; Nelson, Scott; Ott, David; Palmer, Aaron; Pedrozo, Joshua; Plourde, John; Quintana, Ana-Maria; Reiss, Mary Ann; Robustelli, Fran; Rudolph, Marcia; Satterlee, Megan; Striplin, Ken; Williams, Douglas; Wright, Serena; Zurn, Stephen

League Partners: Rendeiro, David

Staff: Natasha Karl, Legislative Representative, Meghan McKelvey, Legislative Analyst

Special Order of Business: Post Redevelopment & State Budget Update

A general briefing with all of the present policy committee members was held before the individual committees met with their respective members.

League Executive Director Chris McKenzie welcomed the members to Sacramento and provided a status update on the pending FY 2012-13 state budget. At the time, there were nearly two dozen trailer bills pending, many of which included substantive policy changes but will not be reviewed by the germane legislative or fiscal committee.

Mr. McKenzie also reminded members that the Sacramento Superior Court was to review the League's case against the loss of city vehicle license fee (VLF) revenues in last year's budget, on the grounds the legislature acted unconstitutionally when those funds were channeled to state public safety grants.

In regards to the November 2012 elections, none of the policy committees will be taking action on the ballot measures until after the July Board of Directors meeting, where there will be an in-depth discussion, including which committees may review which ballot measures at the Annual Conference this September.

Legislative Director Dan Carrigg spoke next and provided an overview of the redevelopment issues cities are still dealing with as new trailer bill language is being crafted. He recognized the challenges that cities are facing since the Department of Finance brought in dozens of new staff from various other departments with varying backgrounds in redevelopment agency issues. And in the wake of the California Redevelopment Association folding, the League has made every effort to fill in as best they can to cover the void left by the CRA and their efforts. Throughout the spring, the League and a working group of city attorneys has met frequently to provide advice and suggestions on how to help cities work through the ROPS process. There is still much work to be done to clarify the current unwinding through the RDA successor agencies and as new trailer bill language is being developed.

In terms of the legislature, there were several very good attempts to bring about a positive resolution for what remained of redevelopment projects for cities. This included AB 1585 by Speaker John A. Perez, SB 986 by Senator Dutton, and SB 1335 by Senator Pavley. Unfortunately, these have been largely unsuccessful because of roadblocks in the Senate.

As of Friday, June 15 there were still no details on the redevelopment trailer bill. The Department of Finance version that came out earlier this year was fraught with problems and created confusing terms. The League's opposition efforts have had some effect. Assembly Members Joan Buchanan and Tony Atkins are closely reading city's letters to ensure they are making the best decisions possible.

Mr. Carrigg then addressed the current budget and the impact that Prop. 25, which reduced the vote threshold from two-thirds to a simple majority to approve the budget. Republican legislators are now excluded from the process. The budget is being put together behind the scenes between Democratic legislative leaders and the Governor's office. Another game-changer from Prop. 25 is that Legislators now take seriously the prospect of

forfeiting salary if they fail to pass a budget by June 15; recent litigation, however, filed by legislative leadership against the State Controller, concluded that the Legislature retained the sole authority to determine the adopted budget was balanced.

Fiscal Policy Consultant Michael Coleman briefly outlined the key factors impacting the budget discussions and the challenge of balancing a budget based on revenues that may not be approved until four months later. The Legislature's response is to include trigger cuts to nearly all areas of government if the Governor's tax measure does not pass, with K-12 Education taking the biggest hit.

Legislative Representative Natasha Karl shared the next steps for pension reform efforts. She said rumors point to a much more expedited timeline than we had previously heard. Some kind of reform may happen as early as June or the first week of July. The League has not seen details of the actual package but understood that several reforms will incorporate the Gov.'s 12-Point Pension Reform Plan and offer additional reforms. Key areas that will likely look different than the Governor's plan include a hybrid plan as well as cost sharing provisions. All major reforms will apply to new employees and not apply to current employees. Timing and plan details are not certain. Ms. Karl said she hoped to see details soon so that they can be analyzed and shared with members.

Finally, Legislative Representative Jennifer Whiting gave the federal update on the challenges of enacting a transportation reauthorization bill and the work of the Congressional budget subcommittees. The transportation reauthorization discussions are progressing, but seem to have taken some steps backward last week. The current extension of SAFETEA-LU expires on June 30, 2012, and staff expects another extension to be required.

Cities received a bit of good news on the Appropriations front when the House of Representatives Housing and Transportation Appropriations Subcommittee passed legislation enhancing appropriations for HUD and CDGB programs. Staff reminded cities of the mandatory across the board budget cuts enacted in the Budget Control Act last year, effective in January 2013. While Congress will likely intervene before the cuts become effective, action is not expected until after the November election.

Other positive news is that the Federal government is looking to loosen up regulatory requirements that are harmful or difficult for local agencies.

I. Welcome and Introductions

The committee made self-introductions.

II. Public Comment

There was no public comment.

III. Discount Rate: How CalPERS Sets it and How it Affects Pension Costs

Alan Milligan, chief actuary, CalPERS discussed the recent discount rate change and its effect on cities. CalPERS published a March 16 [Circular Letter](#) explaining the discount rate change and its impact on public agencies.

IV. Hybrids: CalSTRS Cash Balance Approach

Ed Derman, deputy executive officer, Plan Design & Communications, CalSTRS presented information about the CalSTRS cash balance plan. Mr. Derman was invited to discuss the CalSTRS model as the Conference Committee on Pension is currently discussing a cash balance plan as one piece to a two component stacked hybrid option. The committee received a handout explaining the CalSTRS model. For copies please contact Natasha Karl at nkarl@cacities.org.

V. Workers' Compensation Legislative Update

Jason Schmelzer, lobbyist, California Coalition on Workers' Compensation (CCWC) and Jeremy Merz, policy advocate, California Chamber of Commerce (CalChamber) discussed the recent history of workers' compensation reform in California and current trends. Mr. Schmelzer and Mr. Merz also discussed the possibility of a comprehensive workers' compensation reform package. As part of their presentation they discussed several bills currently pending in the Legislature related to workers' compensation issues:

AB 2451 (Pérez) – This bill would extend the statute of limitations for a presumptive death benefit claim to be filed on behalf of a firefighter or peace officer. The League is currently opposed to the bill because it erodes the original intent of the Workers’ Compensation Act and reforms enacted in 2004.

SB 959 (Lieu) – This bill is related to spinal surgery. It would double the fees and eliminate the pass through loop hole for Medicare costs. The League is watching this bill.

AB 1687 (Fong) – This bill would allow attorney’s fees to be awarded when an injured worker receiving medical treatment on a future medical award is successful in overturning a utilization review decision at the Workers’ Compensation Appeals Board. The League is opposed to the bill.

AB 808 (Skinner) – This bill would expand injury presumptions to hospital employees. The League is opposed to this bill.

VI. Legislative and Pension Update

Dwight Stenbakken, deputy director, League of California Cities, presented information about pending pension reforms. The League has been actively working with the Conference Committee on Public Employee Pensions (Conference Committee) and believes that a report may be filed sometime after the budget is passed. Since the committee met there has been a lot rumored about a possible pension deal coming together before the Legislature went on summer recess. However, it looks like talks on a deal have broken down between the Governor and the Conference Committee. The Gov.’s staff has indicated that they’d like to continue the negotiations through the summer break. So, we may see these discussions continue and may see some movement sometime in August.

The League will continue to discuss our suggested proposals with the Gov.’s Office as well as the Conference Committee. We have proposed greater flexibility at the local collective bargaining table to deal with the increasing costs of pensions. We have also proposed allowing public agencies to bargain benefits on bargaining-unit-by-bargaining-unit basis. We’ll share any details of the plan as we get them.

VII. Next Meeting: Annual Conference, San Diego, September 5, 10:30 – Noon