

GOVERNANCE, TRANSPARENCY AND LABOR RELATIONS POLICY COMMITTEE HIGHLIGHTS

Friday, June 14, 2019

Sacramento Convention Center, 1400 J Street, Room 203, Sacramento

ATTENDANCE

Members: Richard Constantine (Chair), Jess Talamantes (V.Chair), Bill Baber, Melanie Bagby, Rick Bonilla, Matthew Bronson, Aram Chaparyan; Leon Garcia; Debra Gill, Jennifer Gomez, Dean Grose, Jason Haber, George Harris, Christy Holstege, Sara Lamnin, John Leonard, Joseph Lillio, Joe Lopez, Frank Luckino, Laurie Murray, Carlie Myers, Lori Ogorchock, Guadenz Panholzer, Glenn Parker, Mary Ann Reiss, Maribel Reynosa, Steve Sanchez, Robert Schultz, Emma Sharif, Corey Sainez, Cindy Silva, Arne Simonsen, Bruce Soublet, Randall Stone, Susan Tavalero

Staff: Jason Rhine, Johnnie Pina

I. State Budget and General Briefing

Jeff Slowey, Chair, League Revenue and Taxation Policy Committee, gave a brief introduction to the General Briefing Session. After his welcome, he introduced League President Jan Arbuckle, Council Member, Grass Valley, who welcomed everyone to the third round of policy committee meetings of the year. President Arbuckle thanked everyone for making the trip to Sacramento for policy committees and expressed her appreciation for their attendance. President Arbuckle then shared that she has visited all of the League's 16 regional divisions and shared how much she has enjoyed visiting the various divisions. President Arbuckle closed by reiterating the importance of policy committees and expressing that the League is strongest when we focus on our common interests.

President Arbuckle then introduced Carolyn Coleman, League Executive Director. Ms. Coleman thanked President Arbuckle for all of the hard work she dedicates to her role. She also briefly mentioned the success of the recent Joint Disaster Summit that brought together local government and the Governor to discuss disaster response in the state. Ms. Coleman went onto acknowledge the League partners in the room and thank League staff for all of their hard work. She concluded by reminding everyone that while we have already done so much to protect the interests of cities this legislative session, there is still much work to be done.

Ms. Coleman then introduced Dan Carrigg, League Deputy Executive Director and Legislative Director. The rest of the briefing was presented by the League's legislative team. Mr. Carrigg began giving a brief overview of the budget and highlighted how Governor Newsom has heeded the advice of Governor Brown regarding budget spending.

Mr. Carrigg then introduced the League's fiscal advisor, Michael Coleman, to walk everyone through the State Budget update. Mr. Coleman's [State Budget Update](#) included how the State is going to spend the \$20.8 Billion surplus and pay down debts while growing its reserves. He also went onto explain how the impact of the sales tax exemption of diapers and menstrual products will have on local revenues. Mr. Coleman handed the meeting back over to Mr. Carrigg where he then introduced the League's lobbyists to discuss their respective issue areas.

Jason Rhine, League Assistant Legislative Director, focused on the housing affordability and availability challenges throughout the state. Mr. Rhine highlighted several bills including SB 330, SB 13, AB 1279, and AB 1763. Mr. Rhine encouraged policy committee members to speak to their legislator about SB 330 and to look at the [SB 330 Action Alert](#). SB 330 would, among other things, declare a statewide housing crisis and for a five-year period and freeze nearly all project

related fees once a developer submits a “preliminary” application. (For more information, please visit the [League’s Action Center](#).) Mr. Rhine also briefly discussed the unprecedented amount of dollars to housing and homelessness. The [Housing and Homelessness Update Document](#) mentions several existing funding opportunities including SB 2 planning grant dollars. While the Housing and Homelessness Budget Trailer bill had not yet been released, Mr. Rhine stated that the League has been working closely with the Governor’s office and Legislators on the trailer bill language.

Dane Hutchings, Director, Government Affairs at Renne Public Policy Group (RPPG), is currently on contract with the League representing the League on issues related to governance, transparency, and labor relations. Mr. Hutchings began by discussing the political realities in Sacramento surrounding employee relations legislation and then briefly discussed several bills regarding worker compensation and elections. Mr. Hutchings highlighted SB 266, which would require cities to directly pay retirees compensation that has been deemed “disallowed.” This would result in an unconstitutional gift of public funds and would lead to a significant increase in costs for some cities. Mr. Hutchings also highlighted several bills in the workers’ compensation space, including SB 542, AB 932, and AB 1400, which would expand the scope of workers’ compensation and ultimately lead to increased costs for local agencies. More details can be found in the [Workers’ Compensation Document](#). While Governor Brown held the line on worker’s compensation, we will have to wait and see where Governor Newsom will land on workers’ compensation bills this year.

Charles Harvey, League Legislative Representative, gave an update on various public safety related issues including cannabis, drones, and police use of force. Mr. Harvey discussed AB 392 (Weber), the reintroduction of a police use-of-force bill from last year, which the League opposed. AB 392 was amended and a large number of law enforcement groups now no longer oppose the bill. More information can be found in the [Police Use of Force Document](#). On the topic of cannabis, Mr. Harvey discussed AB 1356 (Ting). Under this bill, if more than 50 percent of the voters of a local jurisdiction voted in favor of Proposition 64, these local jurisdictions would be required to adopt a local licensing structure for retail commercial cannabis activity. More specifically, the bill requires these cities to issue a minimum of one retail cannabis license for every four liquor licenses. AB 1356 was moved to the inactive file and is dead for the year.

Derek Dolfie, League Legislative Representative, highlighted evolving environmental and community services issues. The issue of improving the quality of drinking water in California continues this year with several proposals spanning from an increased safe drinking water tax to general fund allocations. There is currently a deal struck that does not involve a tax but the deal is not finalized. Another major issue is organic waste diversion and the regulations that will implement a 50% reduction target coming out this summer. Mr. Dolfie also discussed the various bills and proposals that have been introduced because of the recent wildfires. This includes the issue of utility liability and the recommendation out of the [Governor’s Strike Force Report](#). The discussion is ongoing and the League will continue to work closely with the Governor’s office and Legislators on the language. More details regarding disaster and emergency response can be found in the [Disasters and Emergency Response Document](#). Mr. Dolfie also touched on issues such as homelessness and a master plan on aging.

Rony Berdugo, League Legislative Representative, discussed transportation, communications, and public works. Mr. Berdugo began by discussing the proposal to link SB 1 transportation dollars with housing production. The proposal was met with hostility by many legislators and will not be included in the budget this year. Mr. Berdugo then described AB 516 (Chiu). This measure would eliminate the ability for cities and law enforcement to adequately enforce state and local

vehicle violations. This bill is still moving through the legislative process and Mr. Berdugo encouraged policy committee members to speak to their legislator about the bill. More information can be found in the linked [AB 516 Action Alert](#). (For more information, please visit the [League's Action Center](#).) Next, he discussed the FCC small cell order and how the League and others have attempted to push back against this in the courts and on the federal level. Finally, Mr. Berdugo discussed two bills related to scooters that have been tabled for the year, seismic safety legislation, the 911 fee budget trailer bill, and AB 1699 (Levine), which would prohibit a mobile internet service provider from impairing or degrading the lawful internet traffic of public safety agencies during a state of emergency.

Lastly, Dan Carrigg briefly discussed issues related to revenue and taxation. Mr. Carrigg touched on AB 147 (Burke) being signed into law. This measure implements the Wayfair decision in California and increases revenue for local governments. It is also anticipated that revenues collected through the implementation of AB 147 will be higher than what was initially expected. Mr. Carrigg went on to discuss SB 5, an important economic development bill. SB 5 would reinvest the state into tax increment financing. A renewed investment would greatly improve opportunities for economic development and provide a great opportunity for the state to work with locals to accomplish shared state and local goals. Mr. Carrigg encouraged policy committee members that are with cities who have not yet submitted a support letter, to do so as soon as they can. (For more information, please visit the [League's Action Center](#).)

II. Special Presentation

Lisa Middleton, Palm Springs Council Member, CalPERS Board Member

Lisa Middleton, Palm Springs Council Member, briefed committee members of both the Revenue and Taxation Committee and the Governance, Transparency, and Labor Relations Committee on her recent appointment to the CalPERS Board, wherein she will serve as the Board's local government representative. Ms. Middleton addressed committee members with a brief overview of her journey to becoming a CalPERS board appointee, citing Palm Spring's budget constraints caused by the city's growing unfunded pension liabilities as a contributing factor in pursuing the seat.

Ms. Middleton set the stage for the current issues regarding unfunded liabilities by summarizing the series of events that led the system to its current state. Following CalPERS' healthy investment boom in the 1990's, the Legislature passed SB 400 (1999), which drastically enhanced the retirement benefits for government employees and allowed for earlier retirement eligibility. The passage of SB 400 was soon followed by an unfortunate plummet in investments due to the dot.com bubble. Despite recovery efforts, unfunded liabilities quickly outpaced investment returns – a problem that has been exacerbated by events like the 2008 recession. Ms. Middleton emphasized that all parties – from the local level to the Legislature and the CalPERS administration – have contributed to the problem, and that it will take a collaborative effort from all to work through it.

Ms. Middleton then outlined the future changing landscape of the pension system, catalyzed by the enactment of the California Public Employees' Pension Reform Act (PEPRA) in 2012, which established a new tier of employees with less generous benefits (without modifying existing (classic) member benefits). Ms. Middleton emphasized that cities will not feel significant impacts of PEPRA for the next 10-15 years due to classic member benefit payouts. Because of this, the next 10-15 years will be challenging.

Looking forward, Ms. Middleton plans to improve communication and candor between local governments and CalPERS leadership by engaging in outreach tours across the state. She

expressed her support for the CalPERS new Private Equity Model roll out and its potential to increase CalPERS returns and move away from asset-based fees to keep more money in the fund. In addition, she committed to working with the CalPERS Board to look into shifting their Board meetings schedule away from Tuesdays in order to better accommodate city officials.

Ms. Middleton concluded her presentation by outlining the key actions cities can do to help mitigate the effects of mounting unfunded pension liabilities: cities should be transparent about the rising costs and subsequent problems they face and make them known to the CalPERS Board and the Legislature; and an accurate actuarial report should be produced in order to have an explicit understanding of what the next 10-15 year arch will look like prior to the tangible effects of PEPR. Ms. Middleton made herself available [via email](#) should any committee member wish to contact her.

III. Welcome and Introductions

Chair Rich Constantine (Council Member; Morgan Hill) introduced himself, Vice Chair Jess Talamantes, and League staff. This was followed by introductions of each committee member, which included their name, title, and city.

IV. Public Comment

No Public Comment.

V. CalPERS Update

Dane Hutchings, Director of Government Affairs with Renne Public Policy Group, gave a recap of the CalPERS recent decision to not move forward with adopting the Tracy C. Fuller and Cambria Community Services District (Fuller) Precedential Decision. A summary of the issue can be found [here](#). Mr. Hutchings went on to say that although Fuller will not become a precedential decision, agencies should still ensure that they have a full understanding of the rules and regulations in contracting with contract workers—including contracting with private companies who employ retired annuitants. Agencies are strongly encouraged to consult legal counsel to ensure they are in compliance.

Mr. Hutchings then gave an overview of the CalPERS Vital Signs Pilot Program. This pilot program is intended to give cities the actuarial tools necessary to project their financial situation given different actuarial assumptions and rates of returns. So far, CalPERS has presented a demo of the program to a handful of cities. It is their intent to roll out the program to more cities at their [Annual Conference](#) in late October.

In January 2018, the League published its [Retirement System Sustainability Study and Findings](#), a publication created in conjunction with a leading California actuarial firm, using data from CalPERS' 2016 public agency actuarial valuation and surveyed cities. Mr. Hutchings iterated that the study's findings have provided the League and local agencies the necessary tools to begin constructive conversations to tackle the issue of growing unfunded liabilities, with an emphasis on the crowding out of public services. Mr. Hutchings announced that the League would be updating its study and will be conducting a survey asking cities to provide the League current and accurate data. Mr. Hutchings implored cities to participate in the survey and stated that accumulating accurate data at the city level is the first step in understanding and working to solve the problem at hand.

VI. Update on Workers' Compensation

Jason Schmelzer, Partner with Shaw/Yoder/Antwih Inc., gave the policy committee members a presentation regarding the recent history of workers' compensation and the bills that are making

their way through the legislature.. Mr. Schmelzer discussed bills such as [AB 1107](#), [SB 567](#), [AB 932](#), and [SB 542](#). He concluded his presentation by discussing the current political dynamics with Governor Newsom on this issue. In previous years, Governor Brown was unwilling to sign measures that would increase employer costs. Given that this is Newsom's first year as Governor, we will all have to see what he is and is not willing to sign into law.

VII. Legislative Update

Mr. Hutchings gave a brief overview of the current [bills of interest](#) relating to the Committee's interests. Mr. Hutchings highlighted [SB 266](#) authored by Senator Connie Leyva, which would require cities to directly pay retirees compensation that has been deemed "disallowed." This could lead to a significant increase in costs for some cities.

Mr. Hutchings also highlighted Assembly Member Bonta's [AB 849](#), which would have completely overhauled the process for establishing new election district boundaries and modify existing ones by imposing stringent requirements that far exceed Brown Act standards. These modifications would have undoubtedly created hundreds of thousands of dollars in unfunded and/or suspended mandates as well as unworkable confusion and implementation challenges for local government agencies. After working closely with the author and the sponsor of the bill, amendments have been agreed to that will allow the League to assume a neutral position.

VIII. GTLR Work Plan and Strategic Goal Update

Mr. Hutchings gave a brief update to the committee on the progress of the League's strategic goal #3, which is to promote the sustainability of public pension and retirement health benefits. He explained that in order to accomplish this goal, the League must play a lot of defense and maintain a civil relationship with CalPERS. Mr. Hutchings made reference to what was said to the policy committee earlier that day by Lisa Middleton and how she will be a great city voice on the CalPERS Board. Additionally, the League plans to release and update the "Retirement System and Sustainability Study and Findings Report" by 2020 and will continue outreach to educate cities as to how best to address the issues of rising pension costs and unfunded liabilities.

Mr. Hutchings went on to discuss the League's effort to update the Brown Act via [AB 992](#) (Mullin) to clarify how city council members can interact with constituents and one another on social media. He also spoke about the California Voting Rights Act (CVRA) and how the League has been vigilant in following any potential change to the CVRA.

IX. Legislative Agenda

AB 931 (Boerner Horvath) Local Boards and Commissions: Representation

Jason Rhine, Assistant Legislative Director with the League of California Cities, briefed committee members on [AB 931](#) by Assembly Member Tasha Boerner Horvath, which would require cities, with populations over 50,000, to have all nonelected local boards and commissions be comprised of a specified minimum number of women based on the total number of board members or commissioners. Committee members expressed their support of the intent of the measure but concern over how it seeks to do so. Many committee members echoed the concern in the measure's omission of all under-represented groups aside from women. Committee members proposed a motion to oppose the measure. The motion carried 25 – 5.

SB 438 (Hertzberg) Emergency Medical Dispatch Services

Charles Harvey, Legislative Representative with the League of California Cities, briefed committee members on [SB 438](#) (Hertzberg). This measure would primarily do two things. First, it would prohibit a public agency from entering into a contract with a private entity for 911 call processing regarding the dispatch of emergency response resources, except when the contract was

established prior to January 1, 2019, and was created by either: 1) a joint powers authority whose membership comprises only public safety agencies, all of which consent to the renegotiation or adoption of the contract, or 2) a public agency that provides prehospital emergency medical services that consent to the renegotiation or adoption of the contract.

Mr. Harvey stated that the central question policy committee members must consider is:
Are cities, city fire departments and fire districts willing to accept the permanent inability to privately contract for emergency medical dispatch services, in exchange for the certainty that local EMS providers can respond to emergency calls within their jurisdiction, in light of the aforementioned potential consequences?

The policy committee briefly discussed the measure and considered the question above. There was a motion to support the measure, which was followed by a substitute motion to **oppose the measure, unless amended to strike the provisions relating to the prohibition on contracting for dispatch services.** The motion carried 21 – 4.

Next Meeting (tent.): Annual Conference, Long Beach, October 16

Staff will notify committee members after August 22nd if the policy committee will be meeting in October.