

Date of Hearing: April 17, 2013

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Norma Torres, Chair

AB 1175 (Bocanegra) – As Amended: March 21, 2013

SUBJECT: Public employee benefits: postemployment health care

SUMMARY: Provides a process for administering the retirement benefits of employees of the redevelopment agency of the City of Los Angeles. Specifically, this bill:

- 1) Requires that if the governing board of the designated local authority (authority) for the former redevelopment agency of the City of Los Angeles dissolves, the governing board must identify an entity responsible for assuming the obligation necessary to fully compensate for the postretirement benefit costs of the former personnel of the authority and the former redevelopment agency.
- 2) Provides that the entity that assumes the responsibility shall be considered the employer of the former personnel of the authority and former redevelopment agency for the purpose of making ongoing contributions for the premium payments.
- 3) Declares the need for a special law to address this issue because of the circumstances that established an authority for the former redevelopment agency of the City of Los Angeles.

EXISTING LAW

- 1) Provides that if no local agency elects to become the successor agency for a dissolved redevelopment agency then an authority will be immediately formed in the county of the former redevelopment agency and vested with all of the powers and duties of a successor agency (Health and Safety Code Section 34173).
- 2) Requires the Governor to appoint three residents of the county to serve as the governing board of the authority (Health and Safety Code Section 34173).
- 3) Requires the authority to serve as successor agency until a local agency elects to become the successor agency (Health and Safety Code Section 34173).
- 4) Gives the members of the authority the immunities applicable to public entities and public employees (Health and Safety Code Section 34173).
- 5) Requires the successor agency or authority to identify the enforceable obligations of the former redevelopment agency (Health and Safety Code Section 34171).
- 6) Includes as enforceable obligations of the former redevelopment agency: legally enforceable payments required in connection with the agencies' employees, including, but not limited to, pension payments, pension obligation debt service, unemployment payments, or other obligations conferred through a collective bargaining agreement (Health and Safety Code Section 34171).

FISCAL EFFECT: Unknown.

COMMENTS:

Background: In 2011, the Legislature approved and the Governor signed two measures, ABX1 26 and ABX1 27 that together dissolved redevelopment agencies as they existed at the time and created a voluntary redevelopment program on a smaller scale. In response, the California Redevelopment Association (CRA), and the League of California Cities, along with other parties, filed suit challenging the two measures. The Supreme Court denied the petition for peremptory writ of mandate with respect to ABX1 26. However, the Court did grant CRA's petition with respect to ABX1 27. As a result, all redevelopment agencies were required to dissolve as of February 1, 2012.

As part of the dissolution process, local communities with redevelopment agencies were required to establish a successor agency that is responsible for identifying the enforceable obligations or those debts of the former redevelopment agency that need to be retired. In four jurisdictions, Los Angeles, Merced, Stanislaus, and Ventura no local agency agreed to become the successor agency to the former redevelopment agency and the Governor appointed an authority.

Successor agencies and authorities are required to submit a list of recognized enforceable obligations to the Department of Finance for approval. Over time, these obligations will be repaid by property taxes collected and deposited by the county auditor-controller into the Redevelopment Property Tax Trust Fund. Included in the list of enforceable obligations are legally enforceable payments required in connection with agencies employees, including but not limited to pension payments, pension obligations debt service, unemployment payments or other obligations conferred through a collective bargaining agreement. Health care benefits are not specifically listed but if they were part of the collective bargaining agreement they would be considered enforceable obligations.

Once all of the debts of a former redevelopment agency have been paid off then the successor agency and authority terminate its existence. Health benefits negotiated under a collective bargaining agreement would be enforceable obligations and therefore the successor agency could not be dissolved if health benefits are still owed. However, the sponsor believes that once the designated authority no longer has active employees and only retired employees, CalPERS will be prevented from providing health care benefits to the retirees of the former redevelopment agency.

In most cases the employees of the former redevelopment agency were considered employees of the city or county and when the redevelopment agency was dissolved the city or county continued to provide health care benefits to those employees or retirees. In Los Angeles the redevelopment agency and the City of Los Angeles had a Memo of Understanding (MOU) that the city would provide health care benefits to the former redevelopment agency. The city did not become the successor agency and did not renew the MOU to provide health care benefits to the former employees of the redevelopment agency. The authority contracted with CalPERS to provide benefits to the current employees of the authority and the retirees of the redevelopment agency.

Purpose of this bill: According to the sponsor of this bill, current law requires agencies that contract with CalPERS for health benefits to have at least one employee in order to qualify as a

public agency, which then allows CalPERS to provide healthcare to an agency's retiree population. California's elimination of redevelopment agencies will eventually result in the dismissal of all active employees of the redevelopment agencies. As a result retirees of each agency will no longer be able to contract with CalPERS for the provision of retiree health care. This bill changes existing law to allow retirees, specifically those of the former redevelopment agency in Los Angeles City to receive health benefits.

Staff comments: This bill does not specify who would take over responsibility for the health care benefits of former employees of the Los Angeles redevelopment agency if the authority no longer exists. The city did not want to become the successor agency, so it's unclear if they would not take over the postretirement benefits of the agency employees, who will.

Three other communities have authorities appointed by the governor. It's unclear if they also would need to be included in this bill to ensure the former employees of those redevelopment agencies receive postretirement health benefits.

Double referred: If AB 1175 pass out of this committee, the bill will be referred to the Committee on Local Government.

REGISTERED SUPPORT / OPPOSITION:

Support

American Federation of State, County and Municipal Employees, AFL-CIO (sponsor)  
Three individual letters

Opposition

None on file.

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