



CITY OF
Palos Verdes Estates

OFFICE OF
THE MAYOR

May 8, 2018

The Honorable Freddie Rodriguez
Chair, Assembly Public Employees, Retirement & Social Security
State Capitol Building, Room 2188
Sacramento, CA 95814
Via Fax: 916-319-2152

RE: AB 1912 (Rodriguez). Public Employees' Retirement: Joint Powers Agreements: Liability.
Notice of Opposition (*as amended 03/19/2018*)

Dear Assemblymember Rodriguez:

On behalf of the Palos Verdes Estates City Council, I am writing to express our opposition to AB 1912 (Rodriguez).

The City of Palos Verdes Estates is a small residential community located on the Palos Verdes Peninsula. In our 5 square mile City of 13,500 residents, we have no commercial, business or industrial activity to speak of and as such, City services are substantially supported through property tax and parcel tax revenue. As a City Council, recognizing that we have this limited and fixed income for providing public services and capital improvements, we control and manage our expenses mindful of long-term implications. Specifically, given increasing operational costs, infrastructure needs, State mandates, and pension obligations, we closely oversee service and operational expenses to maintain stability.

AB 1912, on the other hand, would impose an uncontrollable and unworkable third-party financial obligation on the City by applying a Joint Powers Authority's (JPA) retroactive and prospective liability for all its retirement. In other words, a JPA's decisions related to active employee normal pension costs, retiree unfunded accrued liabilities (UAL), active employee and retiree healthcare, and other post-employment retirement benefits (OPEB) will become the responsibility of the City. This cost and its financial impact on Palos Verdes Estates and local governments throughout the State cannot be overstated.

Additionally, in that AB 1912 mandates that a public retirement agency file suit against all agencies that have ever been a member of a terminated JPA for all retirement related obligations and prohibits any retirement system from approving a new JPA without express joint and several liability provisions, the impact to cities of this legislation is even more significant. As such, the provisions in AB 1912 effectively eliminate the ability for us to create or maintain the use of most JPA's. Regardless, AB

1912 also appears to conflict with several provisions of the California State Constitution by forcing cities to incur significant debts that may exceed their annual revenue without receiving voter approval (*Cal Const. art XVI, §18*), and by retroactively incurring debts of another agency which violates article XVI, §6 of the California Constitution prohibiting an agency from giving or lending public funds to any person, public or private entity.

JPAs are important and useful entities to address service demands and infrastructure needs in a cost effective manner. AB 1912 will in effect eliminate them while imposing new and unaffordable financial liabilities. The elimination of JPAs will make it that much more problematic to address our local critical issues such as transportation, storm water, and insurance coverage. While the intended goals of your measure are laudable, for the reasons stated herein the City of Palos Verdes Estates must **strongly Oppose** Assembly Bill 1912.

Sincerely,



Betty Lin Peterson
Mayor

- c: Palos Verdes Estates City Council
Senator Ben Allen, District 26
Assemblymember Al Muratsuchi, District 66
Michael Bolden, Chief Consultant, Assembly Committee Public Employees, Retirement, and Social Security
Joshua White, Consultant, Assembly Republican Caucus
Meg Desmond and Jeff Kiernan, League of California Cities