GOVERNANCE, TRANSPARENCY AND LABOR RELATIONS POLICY COMMITTEE HIGHLIGHTS
Sacramento Convention Center, 1400 J Street, Room 203, Sacramento

Friday, January 20, 2017

ATTENDANCE

Members: Lamnin, Sara (V. Chair); Abelson, Janet; Aguilar, Stephany; Alpert, Alison; Arbuckle, Jan; Arnerich, Newell; Austin, Al; Binaski, John; Birsan, Edi; Boyles, Drew; Campbell, Cal; Constantine, Richard; Cousino, JoAnne; Cox, Elisa; Duffey, Harold; Endaya, David; Garia, Rebea; Garcia, Leon; Gill, Debra; Gomez, Jennifer; Grant, Peter; Harris, George; Horn, Bryon; Hunt, Curtis; Hurtado, Melissa; Luckino, Frank; Mizuno, Stephanie; Murray, Laurie; Nicol, Colleen; Norman, David; Ogorchock, Lori; Orologas, Alexandra; Paige, Bonnie; Powell, Pam; Quintana, Ana Maria; Reiss, Mary Ann; Reynosa, Maribel; Ruffing, Linda; Schillinger, Stuart; Scoles, Greg; Sianez, Corey; Simonsen, Arne; Stone, Randall; Swift, Elizabeth; Tessari, Joe; Wilson, Lori

League Partners: Lofranco, Laurie; Narayan, Brenda

Staff: Dane Hutchings, Nicholas Romo

I. State Budget and Issues Briefing

The January 2017 Policy Committee meetings began with a general session briefing. The League’s new Executive Director, Carolyn Coleman welcomed the attending members to the first policy committee meetings of 2017 and expressed her delight to begin her service as Executive Director. She then provided a recap of her recent and productive meetings with new and veteran Legislators. Director Coleman then introduced Deputy Executive Director, Legislative Director Dan Carrigg to discuss the League’s 2017 Strategic Goals.

Mr. Carrigg briefed the audience on the main issues the League is facing this year 1) affordable housing, 2) responses to homelessness, 3) transportation funding, and 4) marijuana regulation reconciling. Mr. Carrigg then introduced Michael Coleman, the League’s fiscal policy consultant, to discuss the Governor’s January budget.

Mr. Coleman gave a short PowerPoint presentation on the 2017 January Governor’s budget and how it impacts cities’ finances. For more information about the impacts of the budget on cities, go to his website here.

Mr. Carrigg briefly touched on the lack of funding for affordable housing in the budget and how that would be a major issue for the League this year. He also discussed the uncertainty California faces in regards to the new Presidential administration. If the Affordable Care Act is repealed, that would mean a multi-billion dollar exposure to the budget. Then Mr. Carrigg introduced the League’s lobbyists to discuss their respective issue areas big topics. First, he introduced Ronald Berdugo, League Legislative Representative to discuss transportation.

Mr. Berdugo discussed the dire situation local streets and roads are in and need to continue efforts to realize a transportation-funding package. The Governor’s budget only allocates $4 billion annual to transportation which would not sufficiently maintain California’s roads. Mr. Berdugo stated that there are two legislative proposals, AB 1 and SB 1, which will both generate $6 billion dollars for transportation annually. The League thanked Senator Beall and Assemblymember Frazier for being champions on this issue and supports both AB 1 and SB 1. Find our recent analysis here.
Mr. Berdugo urges all members to submit letters of support for AB 1 and SB 1. A template can be found here: [AB 1 (Frazier)](#) and [SB 1 (Beall)](#).

Jason Rhine, League Legislative Representative, focused in on the housing affordability and availability challenges throughout the state. Mr. Rhine noted that housing legislation is a high priority for the Legislature and the League this year. Members are encouraged to be active in advocating for legislation that will help local governments address their housing challenges while preserving appropriate local control functions. Amongst the helpful measures are SB 2 (Atkins) and SB 3 (Beall). All members are urged to submit letters of support for SB 1 and SB 2. Templates can be found here: [SB 2 (Atkins)](#) and [SB 3 (Beall)](#).

Erin Evans, League Legislative Representative, highlighted evolving environmental and community issues that will be front-and-center in 2017. The cap-and-trade program will continue to be in-focus as lawmakers seek to extend its authorization beyond 2020 in the midst of an ongoing legal battle over its constitutionality. In addition, state regulatory bodies will continue to draft and roll out a revised AB 32 Scoping Plan. Further, drought regulations will be a hot topic as the yearly rainfall numbers continue to climb and replenish water resources. Amongst the many issues, two new bills to authorize a park bond, SB 5 (De León) and AB 18 (E. Garcia), have been introduced and reforms to the California Beverage Container Recycling program are being negotiated.

Tim Cromartie, League Legislative Representative, updated members on the continued advocacy for comprehensive drone regulations that provide local control. Drone measures that seek to preempt local ordinances will likely return this legislative session. On the topic of public safety, members should be aware of legislation seeking to amend the list of violent offenses as it relates to the provisions of Proposition 57, passed this past November, which provides for expanded parole considerations and increased rehabilitation programming for non-violent offenders. In addition, recreational marijuana will continue to receive regulatory attention as state and local officials prepare for the implementation of Proposition 64, the Adult Use of Marijuana Act. Officials will work to reconcile new recreational laws with existing medical marijuana regulations.

Dane Hutchings, League Legislative Representative, turned members’ attention to recent actions taken by the CalPERS Board in December 2016 to lower the rate of expected investment returns, from 7.5 percent to 7 percent over three years. This action will translate to significant increases in required city contributions toward normal costs and unfunded liabilities for future benefits. The decision was made upon finding that the fund’s negative cash flow and extremely optimistic investment return targets pose a significant risk to long-term sustainability. Resources on how much your city’s contributions will increase can be found on the [League’s Pension Information Center webpage](#). On the topic of labor legislation, Dane Hutchings highlighted AB 5 (Gonzalez Fletcher), a measure that seeks to require employers to first offer any additional hours of work to existing nonexempt employees before subcontracting. This measure has received opposition from the employer community and a “job killer” title from the California Chamber of Commerce.

II. Welcome and Introductions
Committee Chair Sara Lamnin, Council Member, Hayward, welcomed the committee members to the first policy committee meetings of 2017 and the first of the newly formed Governance, Transparency and Labor Relations Committee. The members of the committee introduced themselves and each contributed their specific policy priority for the year. The committee later deliberated and established the committee work plan for 2017 (See Item X).
III. Public Comment
No Public Comment

IV. Overview of Parliamentary Procedure and Roberts Rules
Members reviewed the conduct and procedure of the policy committee that will generally follow Roberts Rules of Order. League Staff will be a resource to ensure proper order of business and action.

V. Committee Orientation
The Committee reviewed the jurisdiction of the committee and role of vetting policies for Board Review.

VI. League Mission Statement and Strategic Goals for 2017
The Committee reviewed the League’s 2017 Strategic Goals. The goals are as follows:

1. Increase Funding for Critical Transportation and Water Infrastructure.
2. Develop Realistic Responses to the Homeless Crisis.
3. Improve the Affordability of Workforce Housing and Secure Additional Funds for Affordable Housing.

VII. Legislative Update

**AB 20 (Kalra) Divestment**
This measure would prohibit the boards of administration of the Public Employees’ Retirement System and the State Teachers’ Retirement System, on and after January 1, 2018, from making additional investments or renewing investments in a company constructing, or funding the construction of, the Dakota Access Pipeline. This bill would require the boards, on or before July 1, 2018, to liquidate their investments in a company constructing, or funding the construction of, the Dakota Access Pipeline.

**Discussion:** Dane Hutchings provided the committee with a general overview of CalPERS’ history with divestment actions and couched AB 20 in the current negative fiscal outlook of the CalPERS fund. In addition, the committee was provided an option adopt a general divestment policy to dictate further positons. The committee rejected the adoption of a divestment policy, electing instead to discuss the appropriateness of legislative mandates on investments for political and social purposes. The committee remained focus on both the positives and negatives of divestment as a political tool.

The Committee moved to Oppose AB 20, by successful majority vote, based on the unknown impact to the stability of the currently struggling pension fund and curb precedent of legislative investment/divestment prescriptions.

**AB 44 (Reyes) Workers’ Compensation: Acts of Terrorism**
This measure would exempt medical treatment for employees or first responders who sustain physical or psychological injury as a result of an act of terrorism or violence in the workplace from the utilization review process and the independent medical review process, and would provide for an expedited proceeding before the Workers’ Compensation Appeals Board to resolve
disputes regarding treatment. The bill would also apply retroactively to the employees and first responders injured in the San Bernardino terrorist attack of December 2, 2015, and any other employees or first responders injured by an act of terrorism or violence in the workplace that occurs prior to January 1, 2018.

**Discussion:** Dane Hutchings provided context on this measure, which involves the tragic acts of domestic terrorism in San Bernardino in December 2015. While measure seeks to streamline medical treatment for victims of the San Bernardino attack, the measure additionally removes utilization review (UR) of physical or psychological injury arising from an act of terrorism or violence in the workplace. The committee expressed concern that the measure does not account for the current ability of a local government to waive UR on a case-by-case basis. Members of the committee expressed additional concern over the lack of clear definitions for “acts of terrorism” and “workplace violence” which will certainly lead to litigation. Additional discussion was had on the measure circumventing the workers’ compensation and UR process which were subject to fixes last session. The UR process remains an important mechanism within the workers’ compensation system.

The **Committee moved to Oppose** AB 44, on a nearly unanimous vote. Committee members expressed desire for League Staff to work with the author.

**AB 52 (Cooper) Public Employees**
This bill would require state and local public employers to provide all employees an orientation. The bill would also require these public employers to permit the exclusive representative, if applicable, to participate.

**Discussion:** Dane Hutchings explained the history of this measure and the prescriptive nature of previous versions. The committee deliberated the various aspects of this measure, focusing on the inherent mandates and potential costs and the positive flexibility and broad language provided in the current version. Specifically, AB 2835 (Cooper, 2016), presented a host of logistical and cost challenges for local agencies—in addition to discarding many local flexibility and management rights. Some of the more onerous provisions of the previous measure included:

- Orientations given within the first two months of hire (Posed significant logistical and compliance issues).
- Orientations conducted during the ‘regular workday’, at the worksite (Posed significant logistical and compliance challenges for public safety personnel).
- All scheduling needed to be agreed upon with the recognized employee organization (Posed significant logistical and compliance issues).
- 30 minutes of paid time would have been mandated within the first hour of the program for the recognized employee organization to present (A major cost driver, removed local control).
- Each recognized bargaining unit would have required their own individual space to meet with their members (Posed significant logistical and compliance issues).
- There were no provisions prohibiting a recognized employee union representative from saying anything disparaging or inflammatory about the agency or personnel (No employer indemnification language).
- Specific language which exempted the measure from state costs (Unfunded mandate).

A number of members expressed concern over allowing the state to mandate orientations and the current difficulty of being reimbursed for state mandated costs. In contrast, a number of members highlighted the important role of unions and the significant measure of local control allowed in
the version of the measure. As introduced, AB 52 leaves the time, place, manner and content specific to each individual local agency. It was noted that the committee and League reserve the right to reconsider this measure upon substantial language changes.

The Committee successfully moved, by voice vote (2/3), to Support AB 52 (as introduced) in Concept.

**VIII. CalPERS Funding Status / Discount Rate Update**

CalPERS staff provided a detailed presentation on the fiscal status of the fund and recent CalPERS Board actions to lower the discount rate (assumed rate of return) which will increase employer and employee (PEPRA Employees) contributions on an eight year phase in for normal contribution payments and payments toward unfunded liabilities. The CalPERS Board in December 2016 to lower the rate of expected investment returns, from 7.5 percent to 7 percent over three years. This action will translate to significant increases in required city contributions toward normal costs and unfunded liabilities for future benefits. The decision was made upon findings that the fund’s negative cash flow and extremely optimistic investment return targets pose a significant risk to long-term sustainability. Resources on how much your city’s contributions will increase can be found on the League’s Pension Information Center webpage.

The committee discussed the need to re-open a policy discussion on benefit structures for classic and PEPRA employees. A committee member poignantly highlighted that CalPERS’ assumptions and decisions operate on the assumption that local governments can afford the decreases to the discount rate. Members concluded on the point that cities need to become more educated on the effects of PERS benefits to city budgets and required future payments in the context of bargaining agreements and long-term financial planning.

In addition, CalPERS staff and committee members discussed the role and impact of social divestments to the general health of the pension fund. For more on this see Item VII.

**IX. Review of Existing Policy & Guiding Principles**

The Committee unanimously moved to defer action on this item until the next meeting. In the meantime, Committee members and League staff will continue to examine the consolidated policies from former League policy committees (Administrative Services and Employee Relations) for editing and proposed changes.

**X. Draft 2017 Work Program**

The committee deliberated the 2017 work plan which will set the course for committee actions and League staff work. After much thought and attention given to the need to have the committee work on issues relevant to its entire jurisdiction, the committee approved the following 2017 work plan:

**2017 Work Plan**

- Develop understanding of and advocate for effective policies regarding transparency and governance.
- Remain informed on legislation, court actions and administrative activity at CalPERS affecting pensions, and other post-employment benefits.
- Share city’s best practices and financial status regarding pension and healthcare liabilities.
- Develop and advocate for creative, reasonable, and sustainable PERS policies and legislative solutions regarding pension and healthcare liabilities.
• Continue to review and refine blended Administrative Services and Employee Relations policy to ensure continuity.
• Continue to monitor legislation as it relates to the subject matter of this committee.

Next Meeting: Friday, March 31, 2017, Doubletree Hotel, 222 N. Vineyard Ave., Ontario
Governor Unveils Proposed FY 2017-18 Budget with $1.6 Billion Deficit Projected

Proposal Includes $4.3 Billion for Transportation but No New Funding for Affordable Housing
January 10, 2017

Volatility and prudence were the words of the day during Gov. Jerry Brown’s annual January budget release press conference in Sacramento this morning.

Similar to recent years, the Governor repeatedly cautioned about the dangers of overspending and the pending recession that will likely follow the last eight years of economic expansion. His words were stronger this year because after four years of balanced budgets with small budget surpluses, this one projects a $1.6 billion deficit for the fiscal year that starts July 1. The proposed FY 2017-18 budget he unveiled includes $122.5 billion General Fund and $179.5 billion total spending.

State revenues are still growing and projected to grow in FY 2017-18 according to the Governor’s budget proposal. However, the trajectory of that growth is declining and the budget lays out some tough choices to rein in spending in the face of the deficit and lower growth.

The proposed budget includes $3.2 billion in budget solutions. The unappropriated $400 million in the FY 2016-17 budget — set aside to be exchanged for approval of the by right proposal — is counted as savings. The state will also hold back from transferring $300 million to modernize state buildings in FY 2017-18. The Proposition 98 constitutional guarantee for K-14 funding will be at its minimum. The Middle Class Scholarship program will not be extended to new students, rate increases for child care will not occur and a number of other spending proposals will not be funded.

California faced a $27 billion deficit when Governor Brown assumed his third term of office in January 2011. The coming year’s deficit is dramatically smaller, however, the Governor is worried that it can quickly grow if it is not immediately addressed. In the midst of the dire warnings, he showed his softer side in calling on the Legislature to “Save some biscuits for a rainy day” in honor of his beloved recently deceased First Dog Sutter Brown. To that end, the Governor stressed the importance of the state’s Rainy Day Fund, which is projected to reach $7.9 billion in FY 2017-18.

Several factors make state budgeting in California challenging. Although the state has the most progressive tax structure in the nation, that in turn results in more volatility because of the reliance on capital gains. Income, sales and corporation taxes comprise the “big three” revenue sources for California.
This year there is more uncertainty resulting from the impacts of unknown changes to be made by the incoming Trump Administration. The Governor’s budget did not account for how the new president’s policies will impact California, but he did say that his May Revise could be based on very different numbers depending on what happens between now and then. He used this portion of his remarks as another opportunity to remind the Legislature that California must be fiscally prudent and wise this year.

The Governor’s proposed budget does reflect several of the League’s 2017 strategic goals. He reiterated his commitment to transportation funding by including a 10 year, almost $43 billion transportation infrastructure investment plan. The funding goes to the entire system, state and local and transit. The Fix Our Roads Coalition, of which the League is a member, issued a statement early Tuesday afternoon commending the Governor for his continued engagement in crafting a sustainable transportation funding package while reinforcing the need for at least $6 billion annually to stop the deterioration of the system.

California’s affordable housing crisis and homelessness were both also addressed. Governor Brown spoke about the need to reduce the per unit affordable housing construction cost, currently averaging $322,000 per unit. However, the League is disappointed that the Governor chose to emphasize the need to streamline the process and adjust requirements at the local level rather than provide much needed funding. The budget contains no new funding for affordable housing, and principles presented by the Governor for any funding negotiations include “No Impact to the General Fund.”

On a positive note, the League-supported No Place Like Home program will be funded in FY 2017-18 to construct and rehabilitate permanent supportive housing for California’s most chronically homeless mentally ill.

The Governor focused on the Cap-and-Trade program and wants to withhold any additional allocations until after the Legislature stabilizes the fund through a two-thirds vote. Early auctions generated significantly more revenues than those held in May and August of last year, which total produced approximately $18 million. The last auction in November 2016 produced $364 million.

Details on these and other budget areas of importance to cities are outlined below.

**Transportation Funding**

While the regular and special session on transportation funding came to a close last year without resolution, the Governor’s new transportation funding proposal provides an increase to $43 billion over the next 10 years.

Of the $4.3 billion in new funding for transportation in FY 2017-18, $1.16 billion goes to local streets and roads for maintenance and rehabilitation. Additionally, the Governor’s proposal includes the following annual investments in the coming 10 years:

- $100 million for the Active Transportation Program.
• $25 million for sustainable (SB 375) transportation grants.
• $270 million for Corridor Mobility Improvements on congested commute corridors.
• $25 million for the freeway service patrol program.
• $400 million for the Transit and Intercity Rail Capital Program.
• $1.8 billion for highway repairs and maintenance on the state highway system.
• $250 million for the state’s major trade corridors.

These investments will be supported through the following revenue sources:

• $2.1 billion Road Improvement Charge from $65 fee on all vehicles, including electric and hybrid.
• $1.1 billion from eliminating the annual adjustments to the gasoline excise tax and resetting the tax to the FY 2013-14 rate of 21.5 cents, adjusted annually for inflation.
• $425 million from an 11 cent increase to the diesel excise tax, adjusted annually for inflation.
• $500 million in additional cap and trade proceeds.
• $100 million in Caltrans efficiencies.
• $706 million in loan repayments.

The Governor’s budget transportation proposal represents a smaller package than existing legislative proposals in AB 1 (Frazier) and SB 1 (Beall), which generate $6 billion annually upon full implementation. With a commitment from this Legislature and Administration, the benefits of a comprehensive transportation funding proposal will far exceed the costs for Californians. These modest increases will help ease the costs drivers are already paying, an average of $762 annually, to fix their vehicles due to poor road conditions.

The Governor’s budget proposal assumes adoption of the proposal. Local streets and roads will continue to deteriorate without a new funding package.

Housing

The League was very disappointed to see that the Governor did not include a meaningful funding proposal for affordable housing. The Governor took it a step further in his proposal and clearly stated that the General Fund was completely off the table as a possible source of funding to help spur housing production, including affordable housing. Governor Brown also eliminated the $400 million set aside in the 2016-17 Budget Act for affordable housing in exchange for approval of the by right proposal. The funds have not been appropriated because the Legislature has not acted on his proposal.

Instead of bringing forward a balanced proposal that comprises significant permanent housing funding and appropriate project streamlining, the Governor unveiled a list of housing policy principles that largely focus on “reforms” at the local level. These “reforms” could dramatically limit plan review, public input, impact fees, and tie housing production to unrelated infrastructure funding, such as much needed transportation dollars.

The Governor’s Housing Policy Principles are as follows:
• **Streamline Housing Construction.** Reduce local barriers to limit delays and duplicative reviews, maximize the impact of all public investments, and temper rents through housing supply increases.

• **Lower Per-Unit Costs.** Reduce permit and construction policies that drive up unit costs.

• **Production Incentives.** Those jurisdictions that meet or exceed housing goals, including affordable housing, should be rewarded with funding and other regulatory benefits. Those jurisdictions that do not build enough to increase production should be encouraged by tying housing construction to other infrastructure-related investments.

• **Accountability and Enforcement.** Compliance with existing laws such as the housing element should be strengthened.

• **No Impact to the General Fund.** No new costs, or cost pressures, can be added to the state’s General Fund, if new funding commitments are to be considered. Any permanent source of funding should be connected to these other reforms.

Curiously, given all of the recent debate in the Capitol about what has led to the rise in home prices, the Governor’s “reform” principles make no mention of CEQA, prevailing wage, high land costs, market conditions, or a number of other factors that put pressure on housing costs.

**Homelessness**

The only new funding for housing or homelessness comes from the No Place Like Home Program, which allocates $262 million for permanent supportive housing for persons who are eligible for services under Prop. 63 (2004) and are homeless, chronically homeless, or at risk of chronic homelessness. Grant guidelines are still being developed by the Department of Housing and Community Development, and grant approvals are not expected until 2018.

**Workforce Development**

The January Budget Proposal includes:

• $248 million to expand career technical education courses through the Strong Workforce Program at California community colleges.

• $500 million for the Adult Education Block Grant Program to support programs that assist adult learners with courses to complete high school diplomas, general education equivalent, and English as a Second Language courses.

• $68 million for apprenticeship programs that offer a clear pathway to obtain classroom instruction and on-the-job training skills leading to gainful employment.

• A policy statement linking the importance of local libraries to workforce development. The state librarian will work with stakeholders to integrate libraries into the state’s workforce strategy.

**Cap-and-Trade**

Governor Brown proposes legislation authorizing the state Air Resources Board (ARB) to administer Cap-and-Trade auctions beyond 2020. This proposal is meant to address volatility in auction revenues in 2016, which many speculate are the result of legal challenges to the validity
of the program beyond 2020. Governor Brown also announced that any appropriation of Cap-and-Trade funds is contingent on passage of the proposed legislation to extend the Cap-and-Trade authority.

Should this proposal receive the two-thirds it needs in both the Senate and Assembly, the budget proposes the following $2.2 billion Cap-and-Trade Expenditure Plan:

Continuous Appropriation (60 percent of annual auction proceeds)

- $375 million for the High-Speed Rail Project.
- $75 million for Low Carbon Transit Operations.
- $150 million for the Transit and Intercity Rail Capital Program.
- $300 million for the Affordable Housing and Sustainable Communities Program.

One-time Appropriation (40 percent of annual auction proceeds)

- $500 million to the Transportation Agency for Transit and Intercity Rail Capital Program and to Caltrans for Active Transportation (See Transportation Funding section above).
- $363 million for ARB’s Low Carbon Transportation Program to provide incentives for low carbon freight and passenger transportation, including rebates for zero emission cars, vouchers for hybrid trucks and zero-emission trucks and other uses.
- $142 million for the Strategic Growth Council to administer the Transformational Climate Communities Program as well as to provide technical assistance.
- $95 million cumulatively to ARB for black carbon woodsmoke, to CalRecycle for waste diversion, and to the Department of Food and Agriculture for dairy digesters.
- $127.5 million cumulatively to CALFIRE for healthy forests and urban forestry programs, to the Department of Food and Agriculture for Climate Smart Agriculture — Healthy Soils, and to the Natural Resources Agency for urban greening.
- $27.5 million cumulatively to the Department of Community Services and Development for energy efficiency upgrades and weatherization and to the Department of Food and Agriculture for the State Water Efficiency and Enhancement Program.

Should the Governor’s proposal not be approved, programs that receive a continuous appropriation will go forward but with significantly less funding. The programs that received one-time appropriations would not be funded in FY 2017-18.

Beverage Container Recycling Program Reform

In his budget, the Governor highlights the 30-year old Beverage Container Recycling Program as ripe for reform. Depending on the proposed reforms, cities could potentially lose funding that supported recycling programs at the local level. The League will monitor this issue closely as discussions develop.

Environmental Quality

Emergency Drought Response
The Governor’s budget proposes an additional $178.7 million in one-time funding to provide immediate responses to the drought. This budget assumes drought conditions continue, although the administration will continue to monitor drought conditions and make any necessary changes in the May revision to the January budget proposal. Appropriations are proposed in the categories below.

Protecting water supplies and water conservation:

- $5 million to the Department of Water Resources (DWR) for local assistance to small communities for emergency drinking water.
- $5.3 million to the State Water Resources Control Board (SWRCB) for water rights management.
- $7 million to the DWR for drought management and response.
- $2 million to the DWR for the Save Our Water campaign.

Emergency response for fire protection and tree mortality:

- $91 million to CALFIRE for enhanced fire protection, including continuation of increase firefighter surge capacity, extended fire season, surge helicopter pilots, California Conservation Corps fire suppression crews, increased vehicle maintenance, and exclusive use of large and very large air tankers.
- $52.7 million to the Office of Emergency Services (OES) for the California Disaster Assistance Act.
- $4 million to OES for the State Operations Center.

Protecting Fish and Wildlife:

- $8.2 million to the Department of Fish and Wildlife (DFW) for emergency fish rescues and monitoring.
- $3.5 million to the DWR for implementation of the Delta Smelt Resiliency Strategy including aquatic week control, adaptive food management and distribution and wetlands flood and drain operations.

**California Water Action Plan**

The Governor proposes several funding increases to further the goals of the 2014 California Water Action Plan. The proposed allocations below assume drought conditions in the state continue.

- $248 million (Prop. 1 funding) to DWR for integrated regional water management projects that are regionally driven multi-benefit projects that help meet long-term water needs.
- $1 million (Waste Discharge Permit Funds) and five new positions for the SWRCB, in coordination with the Department of Food and Agriculture, to address contamination of groundwater basins from agricultural practices.
• $1.9 million (Prop. 1 funding) increase to DFW for the Water Investment Storage Program for initial outreach and technical review of the ecosystem benefits of the water storage project proposals submitted to the California Water Commission.

• $2.3 million increase (Water Rights Fund) for five new positions at the SWRCB and $1.5 million in contract funds to enforce reporting requirements and protect local groundwater resources beginning in July 1, 2017. The proposal targets high or medium-priority groundwater basins that fail to form local governance structures, as required by the Sustainable Groundwater Management Act (SGMA).

**Department of Fish and Wildlife**

For the Fish and Game Preservation Fund to fully support the commercial fishing program, the budget proposes an increase of $12.3 million from commercial fish landing fees and redirecting $10.6 million on a one-time basis from the Lifetime License Account.

**Department of Parks and Recreation**

In recent years, the Department of Parks and Recreation has undertaken reform and innovation efforts, although the administration notes that the Department has long-term structural shortfalls. The budget proposes a one-time increase of $12.6 million from the State Parks and Recreation Fund and $4 million from the Environmental License Plate Fund to maintain existing service levels at state parks.

**Local Public Safety**

The Governor’s Budget Proposal includes:

• $114.9 million for Community Corrections Performance Incentive Grants: Continued from previous years to fund county efforts to reduce the number of felony probationers going to state prison.

• $111 million for Post-Release Community Supervision: For county probation departments supervising temporary increase in offenders resulting from Prop. 57 and court-ordered population control measures.

• Policy changes to reduce the number of programs supported by State Penalty Fund due to declining revenues in recent years.
  
  o The following programs will no longer be supported by the fund: California Gang Reduction, Intervention and Prevention Program (GRIP) with Board of State and Community Corrections; Internet Crimes Against Children Task Forces, OES; Local Public Prosecutors and Public Defenders Training Program, OES; and, Motorcyclist Safety Program, California Highway Patrol (training, education and outreach activities).
  
  o Funds will continue to be available to the following programs: Driver Training Program; Peace Officer Standards and Training; Standards and Training for Corrections; Victim Witness and Assistance Programs; Restitution Fund; CA Witness Relocation and Protection Program; Traumatic Brain Injury Program; and Fish and Game Prevention Program.
• A repeal of the Drivers License Suspension Program: Eliminates provisions in law providing for suspending a person’s drivers license for failure to pay fines/penalties.

**Corrections: Proposition 57 Implementation**

Prop. 57 (2016) is estimated to reduce average daily adult inmate population by 2,000 in FY 2017-18, and by a total of 9,500 by FY 2020-21. It facilitates removal of all out-of-state inmates in one of the two remaining prison facilities in FY 2017-18. The Governor’s proposal promises to provide substance abuse treatment at all state correctional facilities by the end of the year. The proposal anticipates savings of $22.4 million in FY 2017-18 with a net savings of $140 million by FY 2020-21.

Specific provisions of the Governor’s Budget Proposal include:

**Parole Process — Eligibility for Non-Violent Offenders**

The budget provides for non-violent second strikers to go before the Board of Parole Hearings, which will evaluate their threat to public safety. An estimated 5,000 inmates will qualify, only eligible after serving 50 percent of the longest possible term for their sentence. In practice, this will affect approximately 500 – 600 inmates. It also increases and standardizes goo-time credit earnings.

Inmates who are not eligible include:

• Violent inmates (defined by Penal Code Sec. 667.5).
• Third Strikers.
• Inmates with sentence enhancements violent acts.
• Inmates with in-custody infractions for drugs/gang-related behavior.

**Milestones and Mentors**

Milestone credits are good-time credits for specified activities. The goal is to award enhanced milestone credits for earned academic and vocational achievements including accredited high school courses, vocational programs certified by the trades, and an AA or BA Degree.

The Offender Mentor Program (approximately 400 programs throughout the program) will require that inmates go through courses and tests to get credits.

While rehabilitation programs are traditionally open only to non-violent inmates, the Governor proposes to open them to all inmates regardless of committed offense in FY 2017-18. This has been shown to be an effective anti-recidivism tool. The California Department of Corrections and Rehabilitation (CDCR) has found that inmates are 31.2 percent less likely to re-offend if they complete an in-prison substance abuse disorder treatment program. Under the proposal, substance abuse program will be available at all prisons by the end of the year.

**Funding for Inmate Rehabilitation and Re-Entry**
The budget includes $440 million to division or rehabilitative programs, which represents an increase from $300 million in FY 2012-13. Support for in-custody rehabilitative programming will include: cognitive behavioral therapy, re-entry/transition programs, Long Term Offender Program, Offender Mentor Certification Program, and self-help programs. Participation will be incentivized by grants of up to one month off prison sentence for completion of 208 program hours.

Division of Juvenile Justice

There is an anticipated increase of 72 wards due to Prop. 57’s shift of authority regarding charging minors as adults from district attorneys to judges. The budget includes $4.9 million to reactivate two Department of Juvenile Justice living units to accommodate this expected population increase. In addition, juvenile prosecutions in adult court expected to decline and average daily inmate population on the adult side expected to decline by 81 in FY 2017-18. Counties are expected to experience related increased costs as probation departments will provide greater assistance in juvenile court proceedings and County probation departments will pay the state $24,000 per year per ward for certain juvenile commitments.

Other Programs

The Budget Proposal also includes funding for the following programs:

- Because 80 percent of lifers released on parole need or request transitional housing, CDCR is developing a 300-bed program for six months of transitional housing.
- Continued funding for Drug and Contraband Interdiction.
- Continued funding for Segregated Housing Unit Conversion at Pelican Bay.
- Funding for 647 beds in community re-entry facilities. This is an increase of 187 beds over current levels.
- Funding for the California Leadership Academy, aimed at reducing recidivism among 18 - 25 year old inmates.

Cannabis Regulation

Generally, the Administration has decided on a single regulatory structure for both medical and recreational marijuana. However, it has not yet committed to whether that structure will look more like Prop. 64, or the Medical Marijuana Regulation and Safety Act, which the League supported. Another unknown factor is how the federal government may change enforcement of existing federal law.

For now, the Administration plans to move forward with Prop. 64 implementation and has proposed $52.2 million in FY 2017-18 for cannabis regulation, processing of licenses, and enforcement. As revenues from the tax included in Prop. 64 will not be collected until 2018, this appropriation is structured as a loan from the General Fund, to be repaid in FY 2018-19.

Specific appropriations in this area include:
• Department of Consumer Affairs (lead agency): $22.5 million to Bureau of Medical Cannabis Regulation for regulation of transportation, sale, storage and distribution of cannabis.
• Department of Food and Agriculture: $23.4 million for administrative oversight, promulgation of regulations, issuance of cultivation licenses.
• Department of Public Health: $1 million for licensing and regulation of manufacturing facilities.
• Board of Equalization: $5.3 million for educating businesses on new tax requirements and updating information technology systems.
• Department of Health Care Services: $5 million for public information program specified in Prop. 64.

State Retiree Health and Pension Costs

The budget includes $5.3 billion dollars ($2.8 billion General Fund) specifically for state employee contributions. The Department of Finance (DOF) attributes the increased contributions to several factors including a maturing fund and increased life expectancy combined with significantly lower than expected investment returns. These factors, in part, contributed to the recent decision made by the CalPERS board to lower its assumed rate of return (discount rate) from 7.5 percent down to 7 percent effective immediately for the state — with a one year delay for local agencies. The immediate action will result in a modest contribution increase of $172 million ($105 million General Fund) in FY 2017-18 year. Given the phased-in approach adopted by the CalPERS board, the true impacts of a 7 percent rate will not impact the state’s budget until the FY 2023-24, when state contributions are projected to reach $9.7 Billion ($5.6 billion General Fund). The Governor called the recent move by the Board “another major step [in reducing costs]”.

The Governor did not announce any plans to seek a legislative remedy to further tackle the state’s rapidly growing unfunded pension and retiree healthcare liability. However, he did not close the door on seeking a legislative approach this year. “This will continue to be a lively topic this year ... we will continue to take advantage of other opportunities as they come up”.

Public Utilities Commission (PUC) Reform

The Governor’s budget proposal includes a commitment from the Administration to continue to work on some of the PUC reforms that were enacted last year, including a directive for the Administration to work with the PUC to develop a reorganization plan to transfer regulatory oversight over transportation network companies and charter party carrier vehicles (shuttles, limousines, etc.) to departments within the California Transportation Agency.

Census Address Program

The budget includes $7 million for the Local Update of Census Address Program. The program will provide grants ranging from $7,500 to $125,000 to cities and counties to encourage their voluntary participation in efforts to ensure the accuracy of the Census Bureau’s Master List of addresses.
**Redevelopment Dissolution**

The Governor’s proposed budget summary reports that since FY 2011-12 and projected through FY 2017-18, redevelopment dissolution will have returned a total of $8.6 billion in property taxes to K-14 schools. This consequently allows the state to reduce its General Fund expenditures under Prop. 98 education funding requirements by a similar amount.

The cumulative total received by counties, special districts and cities over this same period is projected to be $6.32 billion. Cities are anticipated to receive $733 million over FY 2016-17 and FY 2017-18. The Administration makes no new proposals in this area for FY 2016-17.

**Special Needs Housing**

While the Governor’s budget does not include additional funding for the Community Based Transitional Housing Program, the Department of Finance reminded local governments on a budget conference call that grant applications are currently open. This program was created in the 2016-17 Budget Act, and seeks to encourage local communities to support housing that provides treatment and reentry programming to individuals who will benefit from those services. To date, zero grant applications have been received. More information and grant applications are available on the DOF’s website.

**Next Steps**

The Department of Finance will begin releasing draft trailer bill language in the next month that will include details of the proposal. The Assembly and Senate Budget committees will also begin hearings to review program-specific details. In May the Governor will release his revised budget proposal for the coming fiscal year that must be passed by June 15 to take effect July 1.
Housing Affordability and Availability Challenge 2017 Legislative Session

Talking Points

• Cities take seriously the housing affordability and availability challenge facing California. Many factors have contributed to the high cost of housing statewide, especially in coastal regions where the technology sector has experienced booming high-wage job growth.

• Aside from the economic boom along the coast, the recovery of the housing market has been slower to rebound in other regions due to many factors beyond the control of local government: job recovery less robust, lingering impacts of previous foreclosure crisis, developers cautious with new housing starts, tighter lending standards, and lack of affordable housing funds.

• State funding for affordable housing has evaporated, which has compounded the challenges. The state needs to develop additional resources for affordable housing, and the League supports legislation that would provide more resources, including:

  ⇨ SB 2 (Atkins) Recordation fee on certain real estate transactions. Could generate hundreds of millions of dollars annually for affordable housing.

  ⇨ SB 3 (Beall) $3 billion housing bond. Much needed funding for affordable housing programs and infill infrastructure projects.

• We are disappointed that the Governor’s proposed 2017/18 State Budget, contains no new funding for affordable housing, and also makes it clear that any housing legislation should have “No Impact to the General Fund.” The Budget’s summary, deflection the discussion and focuses primarily on ways to streamline local land use requirements. While there may always be ways to improve local planning, the realities are that affordable units for lower income households often require tax credits or other subsidies to pencil-out. Tinkering with local planning alone won’t move the needle.

• The League Cities looks forward to working with stakeholders in an effort to help simulate housing production by establishing a permanent state source of funding for affordable housing, and developing incentives that reward local jurisdictions expediting project approval -- without circumventing environmental review or public engagement -- to create a “win-win” for local communities and their residents.

TRANSPORTATION FUNDING

We need a comprehensive transportation reform and a funding package.

While the legislature has had success in recent years in balancing the state budget, we can no longer afford to ignore our most basic repair and maintenance needs if we wish to avoid systematic failure of the state’s entire transportation infrastructure.

The gas tax has remained unchanged since 1994 and due to fuel efficiency advancements, a motorist who drove 12,000 miles in 2016 paid $101 in state per-gallon gas tax compared to the $111 paid by a driver in 1994. For perspective, if the gas tax had been continually adjusted for inflation, a driver would pay $183.71 annually.

As a result, our city streets are literally falling apart, with chunks of asphalt missing from our pavement, making driving dangerous and punishing on our residents. Our state and local residents expect us and rely upon us to provide safe and well-maintained roads, but it’s impossible to do that without any new funding.

A $6 billion proposal would create more than 500,000 jobs, which is a great way to stimulate our economy and make the roads we and our children rely on safe again.

[If you have this information available, please add]:
My City of ________ would receive an additional $____ [Refer to the Local Streets & Roads Funding document for your city’s estimated allocation] under each of the proposals, which we could use to help stimulate our local economy, create job growth, and improve the conditions of our local streets.
CalPERS Board Approves Significant Lowering of Discount Rate
Increased Employer and Employee Contributions Coming

The CalPERS board of directors recently approved a plan to lower its discount rate (the expected rate of return on portfolio investments) from the current 7.5 percent to 7 percent over the next three years with corresponding incremental increases in employer/employee payments over an eight-year smoothing period. These changes will take effect fiscal year 2018-19 for local agencies.

Negotiated between representatives from CalPERS, labor and Gov. Jerry Brown’s Administration, the approved plan differs from the original CalPERS recommendation that would have lowered the discount rate immediately to 7 percent.

Lowering the discount rate will mean higher contributions from city employers and employees. This is not easy for any CalPERS participating agency, however, stabilizing the fund ensures that the defined benefit promised to employees will be fulfilled. Standing League policy supports prudent policies to address the shortfall that recognize the impacts on local government. City officials are seeking a balance that brings stability to the pension fund while reducing spikes in employer contributions.

The graphics below illustrate the rate break down and phase in overtime model adopted by the CalPERS Board. CalPERS staff is working on a formula that will be shared with agencies to help calculate their increased contributions rates.

<table>
<thead>
<tr>
<th>Discount Phase in Timeline</th>
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<tbody>
<tr>
<td>Fiscal Year</td>
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</tr>
<tr>
<td>18-19</td>
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<td>19-20</td>
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<td>22-23</td>
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<td>24-25</td>
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<tr>
<th>Rates By Year Breakdown</th>
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<tbody>
<tr>
<td>Rate</td>
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<tr>
<td>------</td>
</tr>
<tr>
<td>7.375</td>
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Securing CalPERS Future:
Ensuring the Long-Term Sustainability of the Fund

League of California Cities Presentation
January 20, 2017
Why A Discount Rate Change Now?

- Market conditions have changed
- Seeing more uncertainty in the forecast
- Next 10 years are consequential
- To close the cash flow funding gap
- Risks in system continue to grow
CalPERS Historical Allocation Assumed Rate of Return and 10yr US Treasury Yield

- Data Source: CalPERS Comprehensive Annual Financial Reports (CAFR) for assumed rate of return and allocation
- Data Source: Bloomberg for 10YR US Treasury Constant Maturity Rate (H15T10Y)
- Inflation asset class was not provided as a separate line item in the 2014 & 2015 CAFRs. Used the asset allocations from the AA-Spreadsheet
Change in Market Conditions

2014 ALM Assumptions

- Rate of Return in %
  - 7.1%
  - 7.5%
  - 8.05%

Current Environment

- Rate of Return in %
  - 6.2%
  - 7.5%
  - 7.83%

Assumed rate of return

Years 1-30
Contribution & Benefit Payments

Historical & Projected PERF Contributions & Investments for Benefit Payments

Fiscal Year

- Current Contribution
- Additional Contribution 7.25%
- Additional Contribution 7.0%
- Investments Used
### Approved Discount Rate Phase-In

<table>
<thead>
<tr>
<th>Valuation date</th>
<th>FY Required Contribution</th>
<th>Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2016</td>
<td>2018-19</td>
<td>7.375%</td>
</tr>
<tr>
<td>June 30, 2017</td>
<td>2019-20</td>
<td>7.25%</td>
</tr>
<tr>
<td>June 30, 2018</td>
<td>2020-21</td>
<td>7.00%</td>
</tr>
</tbody>
</table>
Timing of Change to Annual Valuations

<table>
<thead>
<tr>
<th></th>
<th>Valuation Date</th>
<th>Contribution Rate Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State and Schools</td>
<td>6/30/16</td>
<td>17/18</td>
</tr>
<tr>
<td>Public Agencies</td>
<td>6/30/16</td>
<td>18/19</td>
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<tr>
<td>Affiliate Plans</td>
<td>6/30/16</td>
<td>17/18</td>
</tr>
<tr>
<td>FV Impact</td>
<td>Normal Cost</td>
<td>UAF Payments</td>
</tr>
<tr>
<td>------------</td>
<td>-------------</td>
<td>--------------</td>
</tr>
<tr>
<td>2018-19</td>
<td>0.25% - 0.75%</td>
<td>2% - 3%</td>
</tr>
<tr>
<td>2019-20</td>
<td>0.5% - 1.5%</td>
<td>4% - 6%</td>
</tr>
<tr>
<td>2020-21</td>
<td>1.0% - 3.0%</td>
<td>10% - 15%</td>
</tr>
<tr>
<td>2021-22</td>
<td>1.0% - 3.0%</td>
<td>15% - 20%</td>
</tr>
<tr>
<td>2022-23</td>
<td>1.0% - 3.0%</td>
<td>20% - 25%</td>
</tr>
<tr>
<td>2023-24</td>
<td>1.0% - 3.0%</td>
<td>25% - 30%</td>
</tr>
<tr>
<td>2024-25</td>
<td>1.0% - 3.0%</td>
<td>30% - 40%</td>
</tr>
</tbody>
</table>
Benefits of Reducing the Assumed Rate of Return

• Strengthens long-term sustainability of the fund to pay promised benefits
• Reduces negative cash flow; additional contributions will help to offset growing pension payments
• Reduces the long-term chances of falling below a 50% or 60% funded status that would weaken the sustainability of the fund
• Improves our chances of earning our assumed rate of return
Next Steps

- Public Agency valuations distributed in June/July
- Begin Asset Liability Management cycle of reviews
  - Capital market assumptions
  - Experience study
  - Asset allocation
- Reconsider discount rate in February 2018
League of California Cities®

HEALTH BENEFITS MARKETPLACE™

FLEXIBLE BENEFIT SOLUTIONS FOR YOUR EMPLOYEES AND RETIREES

The Health Benefits Marketplace provides options to help cities address rising OPEB liabilities and health care costs by offering a variety of health benefit solutions for active employees and retirees.

www.cacities.org/HBM
A Message from the League

If “necessity is the mother of invention,” it has certainly been an active ingredient in the development and launch of the League’s new Health Benefits Marketplace (HBM). After years of feeling powerless to control growing unfunded OPEB liabilities from rapidly increasing retiree health care costs, cities and other local agencies in California finally have a solution to that problem — in the League’s HBM.

Based on experiences with medical insurance exchanges nationwide, the HBM provides active employees and retirees alike with more medical and other insurance product choices while at the same time lowering unfunded OPEB liabilities and offering valuable wellness and ACA compliance reporting services. The HBM also saves employers valuable staff time in onboarding employees and retirees, because the HBM provides those services.

By covering retirees in the individual medical insurance market rather than each agency’s traditional group plans, the HBM reduces OPEB liability. This approach decouples the experience of retirees from the group plans for active employees, ending the “implied subsidy” of retiree coverage by active employees and lowering OPEB liabilities. It also takes full advantage of all available federal (e.g., Medicare) benefits and gives retirees more insurance choices and the coverage they want to fit their individual circumstances. These combined features make this a classic “win-win” for employees, retirees and cities. This brochure tells you how.

Sincerely,

Chris McKenzie, Executive Director

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The League’s new Health Benefits Marketplace enables cities to redesign their benefits package to help reduce OPEB liabilities and allow participants to align coverage with their needs.

3 HBM Technology Enables Cities to Customize Delivery of Employee Benefits
Consumer-driven technology provides choice and flexibility to cities’ active employee health care coverage.

4 Retiree Coverage Options to Help Address OPEB Liability
Transferring retirees’ health insurance to the individual market can help cities manage OPEB liabilities.

4 OPEB Liability How-To Guide
The League of California Cities’ City Managers’ Department maps out the OPEB liability issue and how cities can reduce future liabilities.

5 Wellness in the Workplace
Overall health and well-being in the workplace can have a great impact on productivity.

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©2016 League of California Cities® Health Benefits Marketplace™
League Launches Health Benefits Marketplace for Cities

The League of California Cities launched the Health Benefits Marketplace (HBM) on August 1, 2016. Designed to help cities address Other Post-Employment Benefits (OPEB) liabilities, the HBM is an online, user-friendly health care benefits platform that enables member cities to redesign their approach to medical insurance for active employees and retirees. This tool provides cities with the flexibility lacking in traditional group coverage medical plans by decoupling and unbundling active employee and retiree costs, which is key to reducing OPEB liabilities.

In response to escalating OPEB liabilities and the threat these liabilities are creating for cities’ future budgets and service levels, the League board of directors issued an RFP in 2015 for health insurance technology platform providers to partner with the League and offer a viable OPEB solution. After a competitive RFP process, guided by the city officials on the League’s Health Insurance Exchange Advisory Committee, the League selected Connecture and Willis Towers Watson to provide and operate its new health insurance platform for active city employees and retirees.

The HBM is a consumer-driven platform where cities can choose from a variety of options, including HMO, PPO and consumer-directed plans, from the top carriers statewide to offer their active employees. Employees use the platform to shop as they would on any other consumer website, comparing and selecting plans that best match their needs and budget. Cities can also select optional services including an employee wellness program and Affordable Care Act (ACA) compliance and reporting assistance.

To reduce OPEB liabilities, cities can transition their retirees to the individual market through Willis Towers Watson’s OneExchange. The platform guides pre-65 and Medicare-eligible retirees through the process to select coverage that best suits their individual needs from more than 90 of the nation’s leading health insurance carriers. Eligible retirees also are able to maximize their coverage under the federal Medicare program, helping lower costs for their former employer and themselves.

Active employees and retirees can access the HBM through a single portal branded for the participating city. To streamline the contracting process, the League negotiated a master HBM platform agreement with Connecture and Willis Towers Watson and a model agreement that cities may modify to meet each city’s specific requirements. Similarly, while the HBM offers fixed plan designs, the platform allows additional carriers and plans to be added to accommodate a city’s current health care package.

To learn more about the HBM or obtain a quote, visit www.cacities.org/HBM.

OneExchange for Retirees

OneExchange has been the trusted advisor to over 1.5 million Medicare-eligible retirees, and has served over 500 employers — including 95 public sector and union clients.

Visit www.cacities.org/HBM to learn more about OneExchange.
HBM Technology Enables Cities to Customize Delivery of Employee Benefits

When it comes to health, flexibility applies to more than just muscles. Consumers, regardless of the product, value the flexibility to make choices that best suit their needs and budgets. Medical insurance is no exception. Rigid plan designs and rising health care costs frequently leave employers and employees feeling as though they are trapped with limited options. Driven by the need for more options and an awareness that consumerism must play a role in managing health care costs, the League’s Health Benefits Marketplace (HBM) active employee solution offers cities the flexibility that has been lacking in the more traditional approach to employer-provided health benefits packages.

The League selected Connecture as the technology partner to power the HBM’s active employee solution. Through this consumer-oriented platform, cities are able to offer employees a range of HMO, PPO and high-deductible health care plans along with a variety of ancillary and voluntary benefits such as ID protection, vision, dental, life, accident, disability and pet insurance. The flexibility of this technology enables cities to custom-design the health care benefits package offered to their employees.

Employees can shop from the plans offered by their city through the HBM to compare coverage and costs during onboarding or the open enrollment process. A personalized recommendation process asks a series of simple questions to gauge how much an employee prefers to pay out of pocket and how often they use their insurance on average. A snapshot of recommended plans provides coverage details, total employee contribution per pay period and an estimated annual out-of-pocket cost for insurance usage. Similar to shopping online, the employee simply adds their selections to a shopping cart and “buys” medical, ancillary and voluntary insurance as set forth under the city’s benefits package or MOUs.

The city manages employee benefits through the HBM Benefits Administration Portal. Using the portal, administrative staff can easily add new employees, update life changes, correct outdated information and manage evidence of insurability. Standardized reports and data analyses are available on the portal and can be set up to run automatically to help ease the burden on administrative staff. The paperless system also takes responsibility for sending all enrollment data to each carrier on behalf of the city.

The HBM platform delivers efficiency and flexibility, allowing cities to customize the marketplace based on a city’s individual needs and budget. If desired, a city can utilize the HBM to maintain its current carriers and plans, design new plan options or utilize carriers and plans pre-populated onto the HBM — including a wellness program and other ancillary benefits. Cities may also capitalize on the HBM’s optional ACA reporting service. Overall, the HBM gives cities a comprehensive but flexible tool to enhance the delivery and alignment of health care benefits to active employees.

HEALTH CARE MARKETPLACE TECHNOLOGY

Consumer-driven benefits technology personalizes the health care coverage shopping experience by helping consumers understand the tradeoffs of their benefits decisions and select coverage based on their specific needs.

Discover consumer-driven trends at www.cacities.org/HBM

Let the Recommendation Engine help you find the best plans.

1. How many times do you typically visit a doctor per year?

   2 or fewer
   More than 3

   Care received at a doctor’s office or clinic.
Retiree Coverage Options to Help Address OPEB Liability

Just like active employees, retirees want affordable health care options that meet their individual needs and budget. The League’s Health Benefits Marketplace (HBM) provides that opportunity. Driven by the challenges cities face in managing the cost and liabilities associated with Other Post Employment Benefits (OPEB), the League partnered with Willis Towers Watson to provide a solution to help address OPEB issues while simultaneously allowing retirees to align their individual needs with the health care market.

Through the HBM, retirees are transitioned to the individual market using OneExchange, a consumer-oriented technology platform. This platform provides pre-65 and Medicare-eligible retirees with greater choice and opportunity to select the coverage that best fits their individual needs by taking full advantage of available Medicare benefits and consumerism.

Participants have access to knowledgeable Benefit Advisors through a U.S.-based call center, and over 90 carriers are featured on the platform, strengthening in-state coverage options. In addition, retirees who relocate outside California are not hampered by geographically limited medical coverage.

Designed to minimize the burden on administrative staff, OneExchange executes a comprehensive communications strategy to ensure 100 percent participation by a city’s retiree population. After a plan selection is made and implemented, each retiree is billed directly through the carrier. The OneExchange model enables cities to establish a defined contribution monetary value for the retiree that is administered through a Health Reimbursement Account (HRA). For cities establishing an HRA through the HBM, the city can determine the allocation and frequency of the HRA reimbursements and the retiree can rely on timely, predictable and automatic reimbursements.

The HBM and its OneExchange coverage model gives cities an alternative to what they currently offer retirees. Not only can the HBM expand a retiree’s choice while potentially lowering his or her costs, the HBM also offers cities a significant opportunity to manage and reduce their OPEB liabilities.

OPEB Liability
How-To Guide

As health care costs continue to rise, many local governments that promised health care benefits to their employees during retirement are facing a new financial crisis. These generous benefits, known as Other Post-Employment Benefits (OPEB), have created a massive unfunded liability estimated to be in the trillions of dollars when aggregated nationwide.

Given the growing unfunded liabilities for retiree health care and their impact on other public spending priorities, the League of California Cities’ City Managers’ Department established a task force of city managers, finance directors and other key staff to assess the OPEB problem, educate member cities and develop strategies to address retiree health benefits.

The task force has prepared a How-To Guide to help cities understand the OPEB issue, its costs, possible funding strategies and cost-containment methods that can be implemented to reduce future liabilities. Understanding that each city is unique, the How-To Guide offers a variety of practical approaches and case studies so communities may find their own blend of best practices and solutions to addressing their OPEB problem.

The League’s OPEB Task Force encourages everyone in local government to read the How-To Guide and to become more informed about the mounting cost of retiree health benefits and the threat it poses to the fiscal sustainability of local governments throughout the nation.

To view the full How-To Guide visit www.ca-cities.org/citymanagers.

Troy Butzlaff
City Manager, City of Azusa
Chair, League OPEB Task Force
Wellness in the Workplace

A growing body of research continues to demonstrate how a team’s overall health and well-being can positively impact the productivity of an organization.

The Gallup-Healthways Well-Being Index has reported that both smokers and those who don’t maintain a healthy weight, on average, take two to three more sick days per year than their healthier colleagues. The same study found that if one totaled the amount of breaks taken by the average smoker each year, it would equal nine missed days of work.

It’s no surprise that healthier workers are more productive. When the mind and body are free of ailments or distraction, the ability to focus and function is greatly enhanced.

These three easy ways can help guide your team to a healthier lifestyle (and the good news is they don’t need to involve counting calories or running a marathon):

1. **Start a workplace-wide fun challenge** — identify an area where everybody could improve. This can be simple, like paying at least two compliments to different co-workers each day for a month. Track the team’s progress and make it fun.

2. **Emphasize the importance of holistic health** — “Workplace wellness” is often wrongly viewed as a fitness-only endeavor. Well-being encompasses nutrition, mental, and financial health every bit as well as fitness.

3. **Adopt new takes on old practices** — instead of sitting in a conference room, have an outdoors “walking meeting” on a nice day. Or replace that bowl of candy in the kitchen with some carrots or unpeeled fruit.

While implementing some of these ideas might seem superficial, consider these facts about workplace wellness:

- Insurance premiums can be as much as 30 percent lower for healthier individuals, according to the American Journal for Health Promotion;
- The rate of employee turnover is at least 6 percent lower in organizations that encourage wellness, either with a formal wellness program or through the workplace culture.

Wellness programs can benefit employees and employers alike. Consider implementing a wellness program or refreshing your city’s current program to help keep your employees engaged, enthusiastic and energized.

---

### Accord

When your city is facing the seemingly endless tasks and mandates associated with the Affordable Care Act (ACA), the last thing you need is a vendor that doesn’t answer your calls and over-promises without delivering. Accord is your ACA expert partner on the Health Benefits Marketplace you can trust to streamline the complexities of the ACA.

**Accord offers a full-range of ACA services to deliver accurate and timely results.**

**Accord services overview:**

- Exposure Analytics – System Setup, Measurement Periods, Affordability and more
- Tracking & Reporting – FTE Calculations, Eligibility Alters and Notification and more
- IRS Forms – E-Filing, Form 1095-C Fulfillment to Employees, IRS Appeals support and more

Learn more by visiting [www.cacities.org/HBM_ACA](http://www.cacities.org/HBM_ACA)