



Agenda Date: 1/23/2007
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NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Britt Ferguson for Nancy Watt - County Executive Officer
County Executive Office
REPORT BY: Karen Gratton, Senior Management Analyst , 259-8748
SUBJECT: Approval to join as co-test claimant regarding reimbursable state mandates

RECOMMENDATION

County Executive Officer and County Counsel request approval to join the City of Palos Verdes Estates as a co-test claimant with the Commission on State Mandates to establish reimbursement for costs associated with binding arbitration.

EXECUTIVE SUMMARY

The Commission on State Mandates was created in order to process claims for reimbursement under Article XIII B, Section 6 of the California Constitution. This constitutional provision requires that the state reimburse local entities for their costs when programs are mandated on local agencies. A test claim is filed with the Commission to establish that a program constitutes a reimbursable state mandate. A test claim is filed by a local agency, on behalf of all other similarly situated local agencies. Once a test claim is found to constitute a reimbursable state mandated program, parameters and guidelines are established which specify what items of cost are reimbursable. Once parameters and guidelines have been adopted by the Commission, the State Controller issues claiming instructions. Based upon the claiming instructions, each local agency having costs then files a claim for reimbursement.

In 2000, the California Legislature passed SB 402, which required binding interest arbitration for labor negotiations involving unions representing public safety employees. In 2003, the California Supreme Court declared SB 402 unconstitutional, but not before Napa County was required to participate in the binding arbitration process. When SB 402 was passed, the City of Palos Verdes Estates filed a test claim with the Commission on State Mandates because the City anticipated having costs associated with labor negotiations which were forthcoming. After various proceedings, the test claim is set for hearing on January 25, 2007, for reconsideration. The Commission's Draft Staff Analysis recommends denial of the test claim on the basis that the City of Palos Verdes Estates has no costs. Accordingly, if this test claim proceeds to hearing, the County of Napa will be denied reimbursement for its costs in proceeding under the binding arbitration process.

However, if the County of Napa joins in as a co-test claimant and alleges the costs it has incurred for proceeding

through the binding arbitration process, the Commission may find that the test claim is reimbursable, which would result in Napa being reimbursed for its process costs, although not for any increase in labor costs.

Therefore, staff recommends that the Board of Supervisors approve and authorize the County to join as a co-test claimant and to establish reimbursement for costs associated with binding arbitration under SB 402. Upon the Board's approval of this item, County staff would attend relevant hearings before the Commission on State Mandates, including the January 25, 2007 hearing, to establish the test claim and parameters and guidelines for reimbursement.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	State of California
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	If the County joins as a co-test claimant, the Commission on State Mandates could establish that expenditures related to binding arbitration are reimbursable. The County would claim and possibly recoup expenditures from fiscal years 2000 through 2003 for costs incurred in the binding arbitration process. The exact amount of costs subject to reimbursement is currently being evaluated and gathered by staff, however staff estimates that the costs will exceed \$100,000. There would be no additional out-of-pocket costs to the County for participating in the test claim, although staff time would be required to gather information and participate in the hearing.
Is the general fund affected?	Yes
Future fiscal impact:	If the Commission agrees that costs related to binding arbitration are reimbursable, the County would be able to claim costs incurred in prior years. Since SB 402 was declared unconstitutional there will be no future-year fiscal impacts.
Consequences if not approved:	The Commission would likely deny the test claim and the County would not be reimbursed for its costs related to binding arbitration.
Additional Information:	None

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

The Commission on State Mandates (Commission) was created in order to process claims for reimbursement under Article XIII B, Section 6 of the California Constitution. This constitutional provision requires that the state reimburse local entities for their costs when programs are mandated on local agencies. A test claim is filed with the Commission to establish that a program constitutes a reimbursable state mandate. A test claim is filed by a local agency, on behalf of all other similarly situated local agencies. Once a test claim is found to constitute a reimbursable state mandated program, parameters and guidelines are established which specify what items of cost are reimbursable. Once parameters and guidelines have been adopted by the Commission, the State Controller issues claiming instructions. Based upon the claiming instructions, each local agency who has costs then files a claim for reimbursement.

In 2000, the California Legislature passed SB 402, which required binding interest arbitration for labor negotiations involving public safety employees. In 2003, the California Supreme Court declared SB 402 unconstitutional, but not before Napa County was required to participate in the binding arbitration process. When SB 402 went into law, the City of Palos Verdes Estates (City) filed a test claim with the Commission in anticipation of costs due to forthcoming labor negotiations. Meanwhile, the County of Napa incurred costs associated with the binding arbitration process from fiscal year 2000 through 2003. If the City's test claim is approved, the County could claim these costs as reimbursable by the State. The test claim filed by the City was heard originally by the Commission at its July 2006 meeting. At that time, the Commission, having focused on elements of the test claim which had been withdrawn by the claimant, denied the test claim. However, the Commission requested a reconsideration on the basis that their analysis failed to consider the costs of local agencies following the process for binding arbitration. The Commission, at its October 2006 hearing, voted to reconsider the test claim.

There is presently a hearing set on the reconsideration for January 25, 2007. The Commission's Draft Staff Analysis recommends denial of the test claim on the basis that the City of Palos Verdes Estates has no costs. Accordingly, if this test claim proceeds to hearing, the County of Napa will be denied reimbursement for its costs in proceeding under the binding arbitration process.

However, if the County of Napa joins in as a co-test claimant and alleges the costs it has incurred for proceeding through the binding arbitration process, it is possible that the test claim will be found reimbursable, which would result in Napa being reimbursed for its process costs, although not for any increase in labor costs.

Therefore, staff recommends that the Board of Supervisors approve and authorize the County to join as a co-test claimant and to establish reimbursement for costs associated with binding arbitration under SB 402. Upon the Board's approval of this item, County staff would attend relevant hearings before the Commission on State Mandates, including the January 25, 2007 hearing, to establish the test claim and parameters and guidelines for reimbursement.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Karen Gratton