

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

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~~Report from the~~
CAO

To: The City Council

From: Miguel A. Santana, City Administrative Officer

Miguel A. Santana

Subject: **COMMUNITY REDEVELOPMENT AGENCY HOUSING FUNCTIONS**

At the January 25, 2012, meeting of the City Council, the Council adopted the joint CAO/CLA recommendation to opt-in as the Housing Entity to carry out the housing functions of the Community Redevelopment Agency (CRA/LA) and designated the Los Angeles Housing Department (LAHD) as the City's Housing Entity. In addition, the Council requested a report on what obligations the City has to the employees of the CRA/LA under the CRA/LA's collective bargaining agreements relative to the transfer of services from CRA/LA to LAHD.

On January 11, 2012, the City Council voted not to become the Successor Agency for the CRA/LA due to concerns over lack of control over expenditures, potential legal liability and employee pension liabilities. While AB1x26 was not a model of clarity, it was ultimately determined that if the City chose to be the Successor Agency it would have been required to assume the existing CRA/LA employees, labor contracts and other potential liabilities. By declining to become the Successor Agency, the City's legal obligation under AB1x26 to continue the CRA/LA labor contracts was eliminated, regardless of any subsequent action relative to the housing function. Under the provisions of AB1x26, the legal obligations relative to the employees of the CRA/LA, including assumption of all employees and continuation of CRA/LA labor contracts now rest with the Successor Agency. At this time, as no other taxing entity has filed a resolution to become the Successor Agency, it is anticipated that the Governor will appoint the three-person Designated Local Authority in accordance with provisions of the legislation.

The CRA/LA labor contracts contain a provision regarding the retention of existing benefits. The retention of existing benefits article is a common article in labor agreements, and is routinely intended to ensure that all conditions of employment continue from a previous labor contract unless specifically modified by the new contract. In the CRA/LA labor contracts there is additional language which compels the CRA/LA to maintain benefits even if functions are transferred to the City or to any other governmental entity. The plain text of the article clearly implies that it would be an obligation of the CRA/LA to maintain the existing benefits in the event of a transfer of function. There is no plausible interpretation of the language that would imply that the

City of Los Angeles is required to maintain benefits that in many cases are not provided to its own employees. As a result, if the City chooses to employ some of the CRA/LA staff, it is free to do so consistent with the confines of the City's existing rules and regulations.

DISCUSSION

As discussed in the joint CAO/CLA report dated January 24, 2012, assuming the housing-related work of the CRA/LA will require LAHD to add some staff temporarily and some staff permanently to meet the new projected workload. The CRA/LA has indicated that 17 employees work directly on housing related projects with an additional 10 employees that provide housing program support. While there is potential value in employee continuity on these projects, the LAHD is in the best position to determine the composition of staff that it believes will be necessary to adequately address the new workload.

Consistent with advice from the City Attorney, it is clear that the language in the Retention of Existing Benefits Article in the CRA/LA MOU's does not require that any employees be included when a function is transferred from the CRA/LA. The City is free to employ or not employ CRA/LA employees, but that freedom is constrained by the City's Charter, Administrative Code and labor contracts. There are no provisions that simply allow the City to pick up a CRA/LA employee with his/her existing benefit structure and place that individual in the City workforce. Further, the Housing Department will be reporting with an implementation plan in the near future. Any recommendations to potentially hire CRA/LA staff should be considered in the overall context of the implementation plan and associated necessary resources.

In conjunction with the Personnel Department, we have reviewed the classifications of the 27 CRA/LA employees identified as working on housing programs, and compared them to existing City classifications. Where there are comparable jobs, the CRA/LA salary structure exceeds the City structure by 33%. For those CRA/LA positions where there is no comparable City classification, Civil Service Commission action would be required to create new classifications and the Council would have to establish new salaries.

CONCLUSION

The City Council action not to become the Successor Agency to the CRA/LA effectively ended the necessity for the City to continue any of the provisions of the CRA/LA labor contracts consistent with AB1x26. The existing CRA/LA labor contracts do not compel the City to take any of the CRA/LA employees engaged in the housing function, and the City is not required to maintain the existing benefits in the CRA/LA labor contracts. Given the disparity between City and CRA/LA comparable

classifications, it would be disruptive to LAHD to bring the CRA/LA employees to the LAHD while maintaining their current salary and benefit structure. If the LAHD must employ any CRA/LA employees, it is recommended that only job offers consistent with the City's hiring protocols, salary structure, benefits and pension be extended.

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