City Council Votes to Appeal Court Decision Regarding Pension and Healthcare Costs

On August 1, 2018, the Norco City Council voted unanimously in closed session to appeal an unfavorable ruling by the Superior Court of the County of Sacramento on a lawsuit brought by the City of Norco against the California Department of Finance (DOF). The City brought the lawsuit against the DOF for their refusal to reimburse Norco for a portion of pension and healthcare costs attributable to employees that performed work for the Redevelopment Agency prior to it being dissolved by the State in 2012.

After reimbursing the City for these costs from 2012 through 2017, as permitted by the dissolution laws, the DOF suddenly refused to reimburse the City effective July 1, 2017. The DOF’s decision applies to many other cities throughout the State. The City disagreed with the DOF’s position, therefore in August 2017, the City sued the DOF to seek reimbursement to the City for costs that the City believes it is entitled to receive. Other cities in the State have sued or are considering similar lawsuits.

Following the dissolution of all Redevelopment Agencies in the State, Successor Agencies (entities formed to wind down activities of dissolved redevelopment agencies) were responsible for submitting eligible obligations to the DOF for review and approval for payment. Among other items, eligible obligations for the former Norco Redevelopment Agency (Agency) included unfunded pension and medical healthcare liabilities for employees that performed services for the Agency during the time it was in existence. The total amount of these obligations at the time the Agency was dissolved was determined to be approximately $1.3 million to be paid from Redevelopment Property Tax Trust Fund (RPTTF) over 12 years or about $108,000 annually. Unlike many cities, the City of Norco quickly began requesting reimbursement for this obligation. After authorizing and making payments totaling approximately $600,000 through Fiscal Year 2016-2017, the DOF suddenly refused to make an additional payment, leaving approximately $700,000 of eligible obligation outstanding, which should be paid to the City’s General Fund from RPTTF.

After exhausting available administrative remedies with the DOF still refusing to make payments, the City had to sue the DOF. Unfortunately, the Superior Court of the County of Sacramento ruled against the City of Norco. Based on the recommendation of the City’s outside legal counsel, the City Council voted unanimously to appeal the Court’s ruling. For more information regarding the Court’s ruling, click here: http://bit.ly/2vLbbCv

Contrary to blatantly misleading and irresponsible apples and oranges information posted on local social media forums, this is not a lawsuit brought against the City or the City Manager by the DOF. Furthermore, the City is not paying to defend the City Manager, and the denial of reimbursement by the DOF is not a result of staff's mistake or errors as the misleading social media posts suggest. Rather, this is an appropriate lawsuit brought by the City against the DOF to assert the City’s rights for reimbursement of costs that the City believes it is entitled to receive under the redevelopment dissolution laws.

For more information, please contact the City of Norco City Manager’s Office at (951) 270-5617 or citymanager@ci.norco.ca.us.

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