



CITY OF COMMERCE AGENDA REPORT

TO: Honorable Mayor and City Council **Item No. _____**

FROM: City Administrator

SUBJECT: APPROVAL OF *LACCD V. COUNTY OF LOS ANGELES, ET AL.*,
LAUSD V. COUNTY OF LOS ANGELES, ET AL., AND *MUSD V.*
COUNTY OF LOS ANGELES, ET AL. SETTLEMENT AGREEMENTS

MEETING DATE: FEBRUARY 6, 2018

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution approving the settlement agreements between the City of Commerce and the Los Angeles Community College District ("LACCD"), Los Angeles Unified School District ("LAUSD"), and Montebello Unified School District ("MUSD") in connection with lawsuits brought against the County of Los Angeles, City of Commerce, and over 60 other public agencies as a result of the County's erroneous calculation of statutory pass-through payments and the appropriation of settlement funds from the City's General Fund.

BACKGROUND/ANALYSIS

In 2007, the Los Angeles Unified School District ("LAUSD") filed a lawsuit against the County of Los Angeles ("County") alleging that the County had incorrectly calculated statutory pass-through payments paid to LAUSD and other school districts by former redevelopment agencies. Shortly after LAUSD's initial filing, Montebello Unified School District ("MUSD") and Los Angeles Community College District ("LACCD") subsequently joined the lawsuit because the cases were related to the same issues of law. These school districts ultimately named the County and over 60 other public agencies in the process.

The lawsuits filed by the school districts were not in any way the result of any wrong doing or error of the City of Commerce or its Successor Agency. Rather, the lawsuits were the direct result of the County's erroneous calculations through the years, which resulted in the under payment to school districts and over payments to the City, County, and other taxing entities.

Specifically, the lawsuit alleged that the County's methodology for calculating AB 1290 pass-through payments was incorrect and underpaid the school districts. Conversely, because the school districts were underpaid by the County, the County and dozens of

cities, redevelopment agencies, and other taxing entities received more than they were entitled to the detriment of the school districts.

The trial court ultimately held that the County's pass-through payment methodology was incorrect and directed the County, cities, and taxing entities to pay the school districts the money in which they were overpaid as result of the County's incorrect methodology.

The parties in these cases undertook a complex, multi-year process to determine the amounts owed by the County, cities, and taxing entities. Based on these calculations, the school districts have agreed to reduced amounts in order to encourage settlement of the litigation. Under the settlement agreements, the City of Commerce will pay the following amounts to the school districts, which include principal and interest through December 31, 2017:

MUSD:	\$55,495.58
LACCD:	\$8,170.42
LAUSD:	\$1,196.35

The City Attorney's Office and respective counsels for the school districts have negotiated individual settlement agreements in the forms attached to this staff report.

FISCAL IMPACT:

Pursuant to the terms of the Settlement Agreements, the City shall pay \$55,495.58 to MUSD, \$8,170.42 to LACCD, and \$1,196.35 to LAUSD. Funds for purposes of these settlements will be appropriated from the City's General Fund reserve.

ATTACHMENT(S):

- 1) Draft Resolution
- 2) Draft MUSD Settlement Agreement
- 3) Draft LACCD Settlement Agreement
- 4) Draft LAUSD Settlement Agreement

Recommended/Prepared by:	John W. Lam, Deputy City Attorney
Fiscal Impact reviewed by:	Vilko Domic, Director of Finance
Approved as to Form:	Noel Tapia, City Attorney
Respectfully submitted:	Edgar P. Cisneros, City Administrator