

CLIENT NEWS BRIEF

Governor Signs Clean-Up Legislation to Clarify Limitations on Local Agency Executive Contracts

In summer 2010, the general public first learned of a high profile controversy involving municipal leaders in the City of Bell, California, who allegedly approved unconscionable employment contracts and self-dealing transactions at a cost of millions of dollars to the City's taxpayers. State leaders proposed several "Bell bills" to respond to the controversy, including Assembly Bill (AB) 1344, which eventually became law. AB 1344, effective January 1, 2012, added provisions to the Government Code that limit the ability of a local public agency and a "local agency executive" to enter into employment contracts.

As we explained in a Lozano Smith [Client News Brief issued in December 2011](#), AB 1344 prohibits the governing board of a local agency from executing or renewing an employment contract for a superintendent or other department head not subject to collective bargaining that includes either: (a) an automatic renewal provision coupled with an automatic increase in compensation beyond a cost-of-living adjustment set by the California Consumer Price Index, or (b) a cash settlement that exceeds 18 months of the salary and benefits currently allowed under law.

On September 6, 2013, Governor Brown signed Senate Bill (SB) 407, which further limits the terms of employment that may be included in a written contract between a local agency executive and his/her employing school district or other local public agency. AB 1344 did not define what positions qualify as "department heads" and some questions were raised regarding high-level positions, such as a deputy superintendent, which are not necessarily overseeing a particular "department" of the local agency. SB 407 clarifies this aspect of AB 1344 and modifies the definition of a "local agency executive" to include a deputy or assistant chief executive officer as well as any person whose position is held by an employment contract between the person and the local agency.

SB 407 still does not answer certain questions regarding the application of AB 1344, including whether a school site principal is a department head and whether a meaningful distinction can be drawn between a "department" and a "division" within a local agency. We continue to suggest that local agencies consult with their legal counsel to analyze whether AB 1344 and SB 407 apply to particular employees.

For further detailed information regarding employment contracts or other labor and employment questions, please feel free to contact one of our [eight offices](#) located statewide. You can also visit our [website](#), follow us on [Facebook](#) or [Twitter](#), or download our [Client News Brief App](#).

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