

CALIFORNIA CITIZENS COMPENSATION COMMISSION

**TRANSCRIPTION OF RECORDED CALIFORNIA CITIZENS COMPENSATION
COMMISSION HELD AT CITY HALL SACRAMENTO, CALIFORNIA JUNE 1,
2016**

TRANSCRIBED BY: DONNA K. NICHOLS, RPR, CSR NO. 5660

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CHAIR DALZELL: Good morning. I'm Tom Dalzell, the Chairman of the California Citizens Compensation Commission.

I call this meeting to order.

Uh, may we please have the roll called.

CLERK SNARR: Tom Dalzell.

CHAIR DALZELL: Present.

CLERK SNARR: Nancy Miller.

COMMISSIONER MILLER: Present.

CLERK SNARR: Anthony Barkett.

COMMISSIONER BARKETT: Here.

CLERK SNARR: Martina Kolokotronis.

COMMISSIONER KOLOKOTRONIS: Present.

CLERK SNARR: We have a quorum.

CHAIR DALZELL: Um, our first order of business is to review, if necessary, and approve the Minutes from the May 11th, 2015, Commission meeting. Uh, I have read them, and to the best of my memory they accurately reflect what happened.

Do any of the commissioners have any comments or suggested edits of the transcription of our May 11th, 2015, meeting?

Uh, hearing none, is there a motion to approve the Minutes from May 11th, 2015, Commission meeting?

COMMISSIONER MILLER: So moved.

COMMISSIONER BARKETT: Second.

COMMISSIONER KOLOKOTRONIS: Second.

CHAIR DALZELL: Uh, in favor

Aye.

COMMISSIONER KOLOKOTRONIS: Aye.

COMMISSIONER BARKETT: Aye.

CHAIR DALZELL: Um, do Commission members have, uh -- have any opening comments? And I'll start with the easiest last name to pronounce. Uh, Commission -- Commissioner Miller.

COMMISSIONER MILLER: I thought that was me. I'm on, right? This is on.

Good -- good morning, everyone. It's nice to see you all again after a year's absence. Um, and thank you staff for the packet before us. It's always, um, very complete and has all the information, um, that we need to make, um, our decision here today.

And that is all I have.

CHAIR DALZELL: Commissioner Barkett

COMMISSIONER BARKETT: I don't have any comments at this point. Thank you.

CHAIR DALZELL: Commissioner -- Martina.

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COMMISSIONER KOLOKOTRONIS: Thank you. Um, I just want to say good morning to everybody. I want to thank the staff for putting the packet together. And I look forward to our discussion today.

CHAIR DALZELL: So as I understand it, the packet that we have before us is posted on the Commission's website. Is that correct?

CLERK SNARR: That's correct. The salary surveys, the public notice, and the Agenda.

CHAIR DALZELL: All right. And yesterday we received the certification of a positive balance in the Special Fund for Economic Uncertainties, um, from the Director of the Department of Finance, uh, which is a prerequisite to -- uh, the positive balance is a prerequisite, uh, for any upward movement of, uh -- of salaries by us. So, um, that noted, we have the option of going forward.

Um, I do have a couple of -- of opening observations.

Uh, the salaries of the legislators and members of the executive branch are now at 86 percent of what they were in 2007 prior to the, uh, economic -- to the recession and -- and the actions that this Commission took.

And we've observed in the past that most State employees had their salaries frozen, although their income was reduced because of furloughs. Once the, um, financial situation improved they reverted to their old salaries. And -- and we are different. We are at 86 percent, uh, both for the legislators and for the executive branch of where we were in 2007.

Uh, based on the data that we were given, um, under the -- the tab of -- of salary surveys, I mean, looking at the executives, I mean, two of the easiest to match are -- uh, when you look at the district attorneys in the seven largest counties in the State, um, and compare to the Attorney General of the State of California, the Attorney General, uh, makes 55 percent of the average of those seven counties.

And when we look at the, uh, Superintendent of Public Instruction and compare that Statewide position with the Superintendent of Schools in the seven largest counties, uh, one sees that the State, uh, executive is paid 47 percent of the average of the others.

So where we have local control and local decisions made about how much executives are paid, they're paid close to twice as much as -- as State employees. And I state that

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only as a fact, um, not -- not as a judgment. Um, and lastly, I think it was Commissioner Barkett last time, um, who suggested that we look at the -- the hierarchy of the executive salaries. Because to, uh -- to the new eye it looks a little bit random. And -- and when you look at the -- the percentages, um, we see that two positions, the Lieutenant Governor and the Secretary of State -- three, I'm sorry -- and the State -- members of the State Board of Equalization are paid 75 percent of the Governor's salary. Eighty percent, uh, pay goes to Controller, Treasurer, and the Insurance Commissioner. And 87 percent to two positions, the Attorney General and the Superintendent of Public Instruction. And I believe, although I do not know, that we simply -- the Commission, when it was created, um, inherited this hierarchy, and we've kept it in place without really examining it. And I don't know if I feel qualified to examine it. Um, you know, it appeared random, and it still -- it's not intuitively obvious, um, why those hierarchies were, uh -- were as they were where, uh, we value, um, certain positions more than others, and they -- I believe they're all less than the Cabinet level positions. So that would conclude my, uh, opening statements, opening comments. Um, and we turn now to our Agenda to discussion from the May 11th Commission meeting. And maybe I already sort of jumped the gun on that, um, because I'm mentioning the -- the hierarchy of the executive salaries. Um, do any Commission members have any, um, discussion that they desire from the 2015 Commission meeting?

COMMISSIONER BARKETT: I just have one question that I wanted to ask from the, uh, report we get from the Department of Finance.

Does any of that include unfunded, uh, liabilities? Where does that surplus come from? How is that calculated?

CLERK SNARR: To be honest, I'm not exactly sure if that's -- if that's included or not. I'd have to go back and ask and get back to you.

COMMISSIONER BARKETT: Okay, thank you.

CHAIR DALZELL: Well, all that I know is that this is my fifth year, and -- and the language is exactly the same, and I assume the methodology is the same from year to year, um, which is, um, the estimated balance in the Special Fund for Economic Uncertainties for the current fiscal year.

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Does anybody else on the Commission have any, uh, comments or discussion from the May 11th Commission meeting? Um, is there anyone from the public who would like to, uh, comment or -- or testify?

Seeing none, um, staff reports? That -- we have the binder. Would you like -- would you please describe the contents of the binder plus the several, uh, material -- the several pieces that we have been given since the binder was created.

CLERK SNARR: Um, first we have the Agenda and the public notice -- public meeting notice. Uh, we have the prior Minutes from the meeting held on May 11th, 2015. Next we have the -- the Resolution from that May 11th meeting. Next we have the salary survey information. Um, next section we have, um, executive compensation, uh, for, uh, exempt appointees in State service as well as, um, judges' salaries and, uh, the annual salaries of, um, State administrative officials in different states. The next section we have, um, a salary history of, um, uh, increases or decreases to, uh, Civil Service classifications.

Next section we have, um, legislator information in regards to terms and, uh, party affiliations. And next we have the retirement benefits for state legislative officials in different states and the health benefits, uh, piece for constitutional and legislative officers.

And in front of you you were provided -- um, this is a comparison of, um -- the comparison between California and New York, um, with their legis -- with, uh, legislative salaries and retirement benefits.

CHAIR DALZELL: And the conclusion that is drawn from that is that when you take into account the approximate cost of pensions in New York of \$18,603 per year per legislator, um, their total compensation is considerably higher than that for the California legislators who -- legislators who receive no pension.

All right. Uh, we turn now to discussion and adoption of a Resolution setting compensation. We've been advised by counsel that, uh, it requires four to have a forum, it then requires a majority of those present to advance, um, a salary Resolution. And I think it is our desire to be unanimous.

Um, so who wants to start?

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COMMISSIONER MILLER: I don't mind starting.

Um, I know that when I came on the Commission, which I believe was three years ago, there was quite a bit of controversy about the State budget at that time, and rightly so. There was a great deal of economic uncertainty.

Uh, salaries had been slashed by this Commission.

Um, and at that point there was a -- quite a long discussion about the reasons for that. And, um, what I recall is that there was a commitment that should the budget improve that salaries would improve as well.

And, um, that has been true with our rank and file, uh, employees according to the information provided by staff as well as the managerial, um, staff for the State as well all took cuts, whether it be cuts in salary or through a furlough program. And slowly we've been incrementally -- as the budget has improved over the past few years, we've been increasing those.

So that would be my desire today to be consistent with that to, uh, be proposing an increase. I don't know in terms of the percentage because we don't know what's happened in 2016.

Am I correct, staff? Or do we have a proposal in 2016 in the budget?

CHAIR DALZELL: A proposal for?

COMMISSIONER MILLER: Increases.

CHAIR DALZELL: For State employees?

COMMISSIONER MILLER: Yeah, just basically the --

CHAIR DALZELL: Well, I -- we've been -- do you want to answer the -- we -- we have learned that only three of the State bargaining units have ratified agreements. The, uh, State prison correctional officers, engineers, and scientists have, uh, ratified agreements, uh, that contain wage increases between three and five percent. But the larger, uh, bargaining units have yet to ratify, so we don't have a lot of guidance from that.

COMMISSIONER MILLER: Well, I do notice in our binder today under the Civil Service employee salary tab that there have been, um, since 2013 annual increases, um, for the most part. It's hard to read this in terms of rank and file since in one year it was just a special salary, uh, adjustment.

But it looks to me as if -- and we've had this discussion before. I'd be interested to hear what other members have to say. But I -- I'm looking to, once again,

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do a modest increase for, um, -- for the folks that we, uh, have the power over increasing that.

CHAIR DALZELL: Commissioner -- Commissioner Miller accurately states I think what the Commission said three years ago. And -- and that actually reminds me. You know, we were -- we were, um, informed and -- and helped a lot by Commissioner Murray in those years. And it's my understanding that he has passed away. Is that --

FEMALE VOICE: Yes, that's correct.

CHAIR DALZELL: Yeah. And -- and so I -- he was, uh, really dedicated and, um, committed and -- and passionate member of this Commission and the Chair, and, uh, I thank him for his service. But that certainly was his commitment. That does not bind us. I mean, we -- we come at this new every time. I think it's a good idea.

Um, we also have learned, um -- and I think I -- I think we learned this two years ago, that when we're taking action on legislative salaries, in general the Legislature has a set budget. And if salaries decrease, that budget -- if the salaries of legislators decrease, the budget does not decrease. If it increases, the salaries increase, the budget does not increase.

The -- the Houses reconcile the actions that we take with the budget that we're given. So our actions, were we to, uh, do as Commissioner Miller suggested and make an incremental, uh, movement back towards the 2000 levels, uh, it would require a 16 percent, uh, increase here today to get back to 2007. And I suspect that there are no votes for 16 percent increase on that.

But if we -- if we were to do an incremental, uh, step back towards 2007 levels, it is my understanding it would not affect, uh, the -- the budget of the legislatures, uh, the branches of the legislature, although there would be a slight affect on the executive branches.

COMMISSIONER KOLOKOTRONIS: Um, I would agree with Nancy with regards to -- um, I -- I've only been here one year, but I know obviously in 2007 the State went through the great recession and salaries were decreased substantially.

And I think the State appears to be in much better shape right now. Uh, we are the most populous state in America, and we are an economic powerful force, and I think that what we did last year was the direction we should be moving in, which is, you know, an incremental increase.

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Obviously, you know, 16 percent, I don't think any of us would agree to that, but we should think about what it is that we want to go to.

COMMISSIONER BARKETT: I think I would basically agree with, uh, what has been said. I came on at the same time, uh, Commissioner Miller did. And since then I think we raised it five percent the first year, and then two and three, uh, since then. And, uh, I'd be in favor of a modest increase too.

I -- I realize the pressure to get back to those 2008 levels, uh, is there. I don't think it's appropriate for us to make that large of an, uh, increase to kind of make a statement. Because I think what we do here is largely ceremonial, you know, as -- as congress -- I mean, as, uh, Commissioner, uh, had mentioned, we don't really affect the budget.

So I just think it's kind of looked at as a, um -- I don't want to diminish what we're doing at -- at all. But I -- we're not affecting, uh, the budget that much. So it's largely ceremonial in that we make these, uh, increases or decreases for that matter. And I don't think going back up to 2008 level -- although there's a case to be made for it, uh, I would not even come close to wanting to go to that point.

I would say though that one thing -- and the reason why I mention that about the unfunded, uh, liabilities -- and I would like an -- an -- an answer on that. Because every time we start this meeting it starts with this report saying what kind of fiscal health, uh, the State is -- State is in. And I had always -- I'm not sure what I thought of that other than I knew that we could not give an increase if, um, we don't get that report that says there's, you know, a surplus.

But in the last year -- so I've been reading a lot about the unfunded mandates that continued to, uh -- unfunded liabilities that continued to increase. In fact, last year they increased dramatically. And the State is doing well. It's -- it seems to be doing well. And they still increased dramatically. So I would like to know that. I know that's slightly outside of our purview, but I would kind of, uh, like an answer to that if that is something that -- how it's calculated and if it's -- if it's included at all because, um, even though you look at, you know, State employees getting an increase every year, and as

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we look at the local employees, I agree what was also said about local employees, they're getting paid much, much more. Local governments are in for a big surprise in the future. And, um, once again, probably outside of our purview, but, you know, as -- as a commissioner, it needs to be mentioned and said, you know, we do need some caution in this. And if we're doing something that's largely ceremonial, we at least need to make it clear that it's not our -- our job just to come up here and give three percent increases every year.

And, uh, although that's something that I would be in favor -- at least at this point because I think it's, uh -- it's consistent with what we've done. And it's not near the 2008 levels. But I just put that out to the staff, and -- and maybe a request to the Department of Finance to get an opinion on how that is -- how that is handled or how that's calculated or if it's completely separate. Thank you.

COMMISSIONER MILLER: I think that's fine to make that request. We won't get an answer today. So I'm hoping that's not a -- we're --

COMMISSIONER BARKETT: No.

COMMISSIONER MILLER: Yeah, okay.

I think also just on unfunded liabilities, a lot of that is usually healthcare and -- and pension retirement costs. But they're future estimates. It's all based on actuarial. It's not a -- uh, necessarily a today -- today issue, right? It's -- it's looking forward at potentially -- and I know that at least for PERS and with respect to healthcare that there was a plan put in place by the governor this year about dealing with that long -- it's a long-term plan. It doesn't deal with the problem immediately. But over time it is supposed to deal with that.

So in addition to that number if it's available and you can find it is also the plan to address that would be my request.

CHAIR DALZELL: And for whatever it's worth, um, to the extent that there are unfunded liabilities in the retirement plan for -- for State employees, they do not carry over to legislators because they do not have pension. Uh, but I don't think that's the point. I think the point is the certification, and I think that, um, as the -- as the Chair of the Commission, um, we will ask, uh, Director Cohen for clarification on the methodology used first, the same

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methodology has been used consistently, and, second, what is that methodology.

All right, so that said, buried in your -- uh, buried in your concern, or your -- your comments, uh, was a, uh -- a suggestion that three percent might be the number that we do today.

Is that a -- a number that anybody feels strongly is too high or too low?

COMMISSIONER MILLER: I was willing to go to four based on what I read about what State employees and the -- the parity that's coming back for them based in terms of an 18 percent reduction and they've got not back almost 13 percent of that. I'll throw that out there in my -- as my ceremonial statement.

COMMISSIONER KOLOKOTRONIS: Um, I think that I was more inclined to go to four too based on where we were and -- and moving up. And I don't think it's that extreme. But we should have that discussion.

COMMISSIONER BARKETT: I don't think that's significantly material for me to object.

CHAIR DALZELL: All right. Well, then shall we, uh -- shall we have a motion for -- uh, what we would do is we would take the annual salaries set forth in paragraph one of the Resolution and increase those by four percent. Is there a motion on that?

COMMISSIONER BARKETT: Okay, I'll make the motion.

CHAIR DALZELL: Second?

COMMISSIONER MILLER: I'll second it.

CHAIR DALZELL: Uh, in -- in -- in favor -- do you want to -- do you want to poll the -- poll the board, please, for this.

CLERK SNARR: Anthony Barkett.

COMMISSIONER BARKETT: Aye.

CLERK SNARR: Nancy Miller.

COMMISSIONER MILLER: Aye.

CLERK SNARR: Matina Kolokotronis.

COMMISSIONER KOLOKOTRONIS: Aye.

CLERK SNARR: Tom Dalzell.

CHAIR DALZELL: Aye.

CLERK SNARR: All right.

CHAIR DALZELL: All right. Then we have a -- a small administrative task where the language that is in paragraph four, for reasons that were not really clear, um, we changed slightly in 2013. And it has been suggested by counsel

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and -- and by the, um, representatives of the legislature that we return to the language from our May 31st, 2012, Resolution. And it's -- uh, this is -- I -- I think a really technicality.

Does somebody want to explain this, or do we want to just, uh, not look at how the sausage is made and enjoy it?

MR. COBB: I'm not sure -- I -- yeah, I'm not sure what you're wanting to know.

COMMISSIONER MILLER: What is the change and why?

MR. COBB: Um, what is the change is in, um -- there was some language that inadvertently got included in paragraph four that was applicable to the constitutional officer benefits. And, um -- and so we just want to clean that up because the legislative benefits aren't the same as the, um --

COMMISSIONER MILLER: Okay.

MR. COBB: -- as the constitutional officer benefits, and we need to make sure that the contribution, you know, is -- language is consistent with --

CHAIR DALZELL: Right.

MR. COBB: -- the benefit design.

CHAIR DALZELL: So paragraph two refers to the constitutional officers. And it has the subclause about State contributions made for State employees who are designated managerial.

COMMISSIONER KOLOKOTRONIS: That is paragraph three.

CHAIR DALZELL: Huh?

COMMISSIONER KOLOKOTRONIS: Paragraph three has that language for non-medical insurance.

CHAIR DALZELL: And the constitutional for paragraph two. But in paragraph four the -- that language should not be there.

And so we have -- we -- we have what we believe the -- that the language was, what -- what the language was, uh, as of May 31st, 2012. And this would be, uh, the first paragraph of paragraph four, and, uh, where we, um, delete for the non- -- other -- other than, um, the executive offices. We delete the language about the, um -- the -- the match for the -- as in the managerial.

And this is the language prepared by counsel, and I move that we adopt it. Is there a second?

COMMISSIONER MILLER: Second.

MR. COBB: Yeah.

CHAIR DALZELL: Uh, in favor?

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MR. COBB: Um, can I just --

CHAIR DALZELL: Oh, yeah.

MR. COBB: Just want to make one thing. One thing that is -- that was, uh, that -- this language that's proposed, uh, follows the pattern that was in place in 2012. However, in 2012 there was an 18-percent reduction in the benefits, and that was lifted by the Commission.

CHAIR DALZELL: Right.

COMMISSIONER MILLER: Past Chair.

CHAIR DALZELL: Incremental in --

(Speaking over each other)

MR. COBB: That part is --

CHAIR DALZELL: Right.

MR. COBB: So, anyway, I just wanted to make that distinction that this language does not have any reduction.

CHAIR DALZELL: And what -- what will be the effective date of the salaries and benefits in the Resolution? Last year it was December 7th.

COMMISSIONER KOLOKOTRONIS: It's the same.

CHAIR DALZELL: Same date?

COMMISSIONER MILLER: Yeah. It's the first --

CHAIR DALZELL: All right. So that does not need to be changed.

All right, so any discussion on -- on the motion?

Uh, those in favor?

COMMISSIONER MILLER: Aye.

CHAIR DALZELL: Aye.

COMMISSIONER BARKETT: Aye.

CHAIR DALZELL: All right. Is there any -- any other business that we want to conduct?

So we know what we want -- and I -- and I'd be interested in seeing the -- the explanation from, uh, Director Cohen as soon as possible because while we remember what the question was, uh, if we come back next year --

COMMISSIONER MILLER: We might not.

CHAIR DALZELL: -- we -- we might not, right.

Um, do we want to have any -- any further discussion about the -- the hierarchy of the constitutional officers, or do we want to, uh, ask the staff to research that? We now see that there's the -- there are -- there are the brackets of 75 percent, 80, 87. We want to ask that the staff next year come with a report on -- on what can be learned on -- on -- on how that came up and -- actually, I don't know if I'll be here next year because this -- this

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might be my last time.

Um, and, uh -- but would we like to -- to ask the staff to do that? This was your idea last time.

COMMISSIONER BARKETT: I don't remember, but --

COMMISSIONER MILLER: He's looking at me.

COMMISSIONER BARKETT: I remember that it was my idea. The only -- the comment that I had is out of all the salaries, the governors and the attorney generals always stuck out to me that they seemed low and underpaid mainly because I know what a lot of district attorneys get, uh, paid. But, uh, I never thought of it in terms of the percentages as you -- as you had mentioned, which is probably how it's calculated. That would be -- that would be my guess.

So I -- I would be interested to see where that, uh, calculation came from and if it is based on a -- a percentage.

COMMISSIONER MILLER: I think it's -- it's interesting because it's random. But then when you look to other states, it seems to -- they mimic the same thing except it's random in the sense that they all have different salaries for different positions. So it would be interesting to see, like, historically how we got here.

CHAIR DALZELL: Yeah.

COMMISSIONER BARKETT: Yeah.

CHAIR DALZELL: And I -- you know, I think that the fact that the attorney -- the attorney general is paid 55 percent of the average of, uh, the seven highest -- the seven largest counties, all of -- um, all of whom have -- have large responsibilities, but probably not as large as those -- those of the attorney general. Um . . .

COMMISSIONER BARKETT: And technically the attorney general is their boss too.

CHAIR DALZELL: Right.

COMMISSIONER MILLER: Right.

COMMISSIONER KOLOKOTRONIS: Right.

CHAIR DALZELL: Right.

COMMISSIONER BARKETT: It's . . .

CHAIR DALZELL: Um . . . So should --

COMMISSIONER BARKETT: I'm not suggesting that the -- we should change the salary to, like, 250,000 or more which is what a lot of them get paid. I think that's a -- kind of a local problem or a local issue as -- as you mentioned.

But, um, I think that's -- that's initially why I brought it

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up, because that -- that salary struck me as, uh, exceptionally low compared to --

COMMISSIONER MILLER: Others.

COMMISSIONER BARKETT: -- something to compare it with. You know, there's not really much to compare a treasurer, a controller with, and so I didn't have as strong as an opinion on that.

But, uh, I like the suggestion to find out how we got here.

CHAIR DALZELL: Right. Good. So we will -- we will ask the staff to do that for us, whoever us is next year. Um, anything -- anything else from commissioners? Well, 31 minutes into our meeting I will, uh, adjourn this meeting of the California Citizens Compensation Commission.

COMMISSIONER MILLER: Thank you.

COMMISSIONER KOLOKOTRONIS: Thank you.

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CERTIFICATE OF CERTIFIED SHORTHAND REPORTER

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I, DONNA K. NICHOLS, a Certified Shorthand Reporter in and for the State of California, duly commissioned and a disinterested person, certify;

That the foregoing pages were transcribed from digital recording;

That the statements of all parties made on the digital recording were thereafter transcribed into typewriting by me to the best of my ability;

That the foregoing transcript is a record of the audible statements of all parties made on the digital recording.

Dated: JUNE 27, 2016

/s/ DONNA K. NICHOLS, RPR
STATE OF CALIFORNIA
CSR NO. 5660