

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

CHAIR DALZELL: Good afternoon. My name is Tom Dalzell. I am the Chairman of the California Citizens Compensation Commission, and I call this meeting to order. Madame Secretary, would you please call the roll.

MADAME SECRETARY: Tom Dalzell.

COMMISSIONER MILLER: That's you.

CHAIR DALZELL: Yes.

MADAME SECRETARY: Scott Somers.

COMMISSIONER SOMERS: I'm -- I -- I can't hear you for some reason.

MADAME SECRETARY: Scott Somers.

COMMISSIONER SOMERS: Yes, yes. Here.

MADAME SECRETARY: Charles Murray.
Wilma Wallace.

COMMISSIONER WALLACE: Here.

MADAME SECRETARY: Nancy Miller.

COMMISSIONER MILLER: Here.

MADAME SECRETARY: Anthony Barkett.

COMMISSIONER BARKETT: Here. Here.

MADAME SECRETARY: We have a quorum.

CHAIR DALZELL: Thank you.

I would like to note for the record that Commissioner Murray is not with us today because of a serious illness in his family. And we have all worked with Commissioner Murray, and we know what a good man he is, and we know that if there were any way that he could be here, he would. We have him and his family in our thoughts and prayers. Commissioner Stites -- former Commissioner Stites is not with us today. This would have been his last meeting. He moved out of state and as -- as a result was removed from the Commission. Commissioner Stites and I agreed on very few things. We agreed on movies and television. If it got beyond that, we were in trouble. But I think that he really brought something to this Commission. He brought a point of view. He had a very definite political point of view. But he also had the experience of having been a public employee for his entire career. He's now enjoying the benefits of a public pension. And he added a lot to this Commission. And I thank him for his service.

Commissioner Wallace, I believe this may be your last meeting. I think that you're -- you came in to a term that expires at the end of this year. I hope that you are reappointed. If you're not, thanks.

COMMISSIONER WALLACE: If you're correct -- and I'm going to take you at your word. I have to do the math

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myself. I appreciate your -- your -- your sentiments and have enjoyed my time on the Commission.

CHAIR DALZELL: Well, I hope that we're saying see you next year, that we see you next year. You -- you bring something that none else of the -- none of the others of us have, and I -- I -- I hope we see you again.

Commissioner Somers, well, you know, -- I hate to say that there's one person I like to listen to the most on this Commission, but I really like listening to you. And this is your last meeting. And you have contributed as much as a citizen of the State of California could contribute to the Commission. You think about this, you prepare, you analyze, you're good with the numbers, you're great with policy, and I thank you for your service on the Commission.

COMMISSIONER SOMERS: Mr. Chairman, thank you very much. I'd like to say some things at the end of the meeting if I might. So I'll confine my comments to -- to that point, if I may.

CHAIR DALZELL: All right. Our next order of business is to review and approve the Minutes which is really the transcript of our meeting of March 13, 2014. Are there any corrections to the transcript or the Minutes to be suggested by any Commission members? That's usually you, Commissioner Somers.

COMMISSIONER SOMERS: I have no additions or corrections to the Minutes.

CHAIR DALZELL: All right.

COMMISSIONER WALLACE: So, Commissioner, this is the -- or Chair, this is the first time that I have a copy of the Minutes so I can't affirm or deny or vote on them until I've had an opportunity to review them.

CHAIR DALZELL: All right. Well, why don't we move through the the rest of the meeting and perhaps take a few minutes at towards the end to -- off the record to to review them.

Yeah, we need four -- four votes.

COMMISSIONER WALLACE: And I apologize if they were distributed before. This is the first time I'm getting a copy of them.

CHAIR DALZELL: Right. They -- they came -- they came by email to -- to the Commissioners.

MADAME SECRETARY: On May 8th they were all -- they were sent to each of the members.

And you did not receive them, Wilma?

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COMMISSIONER WALLACE: Not that I'm aware of. So I apologize for that if it was sent.

COMMISSIONER MILLER: If you don't have an objection, I would move the Minutes. If we want to table them to give you a chance to read them before the end of the meeting, that's fine with me too. Whatever -- it's your -- your --

COMMISSIONER WALLACE: Yeah.

COMMISSIONER MILLER: -- your pleasure.

COMMISSIONER WALLACE: Or if you need four to vote on the Minutes, it's -- I'm fine moving forward that way as well.

CHAIR DALZELL: All right. Is there a motion to approve the Minutes from the March 13th meeting?

COMMISSIONER MILLER: So moved.

CHAIR DALZELL: Is there a second?

COMMISSIONER SOMERS: Second.

CHAIR DALZELL: Those in favor?

(Multiple voices saying aye)

CHAIR DALZELL: Well, as -- as the Chairman, I don't vote unless my vote is required, and it appears to be required here, so I will vote to approve the Minutes. The motion passes.

Are there any opening comments by Commission members before we get to the discussion based on the new staff reports?

COMMISSIONER WALLACE: I have none.

COMMISSIONER BARKETT: I don't either. No, I -- no opening comments.

COMMISSIONER MILLER: I -- I just have one question of staff, which I made a request at the last meeting if you could provide to us actions that were done by motion in the past so that we don't for those of us that are on the - new on the Commission or relatively new we can track what actions were taken by motion in the past. Because I know you don't do it by Resolution, so instead of having to go through transcripts and finding it -- is that hard for you to -- to do that?

MADAME SECRETARY: I'm sorry?

COMMISSIONER MILLER: To give us copies -- just those pertinent copies of the transcript where the motions are contained

MADAME SECRETARY: We can do that.

COMMISSIONER MILLER: -- for actions taken by the Commission.

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CHAIR DALZELL: Well, generally speaking our action -- the major action that we take is to set the compensation. And that does end up in a Resolution that we all sign, and that's easily provided. But we can certainly start tracking other motions.

COMMISSIONER MILLER: If it's all in Resolution, that's actually what I'm looking for. It's just -- and in the Resolutions do you give the intent of why, or is that contained just in the motion?

MADAME SECRETARY: No, the intent is not in the Resolution. It's in-- in the motions.

COMMISSIONER MILLER: It's in the motions? All right.

MADAME SECRETARY: Right. The outcome is in the Resolution.

COMMISSIONER MILLER: Well, the one I'm interested most in is the one that was when the cut occurred. And that would be maybe four years ago, or three, I'm not sure when.

MADAME SECRETARY: Back in 2009.

COMMISSIONER MILLER: 2009. And -- sorry to take up the time, Chair. Thank you.

COMMISSIONER SOMERS: One other comment, if I might. The other thing that does come up in the meeting, and -- and I think these are not so much motions as they are requests for staff to provide certain materials. And I don't know that they're normally in motions. But that tends to be then what -- what you provide in the next set of materials, which is what we have.

CHAIR DALZELL: Yes.

All right. Is there any discussion among commissioners from the March 13th meeting, or should we move to public testimony?

Public testimony. Have any members of the public asked to -- to speak?

MADAME SECRETARY: None have signed up to speak.

CHAIR DALZELL: Is there anybody present who would like to speak to the Commission on the subject of -- of compensation?

Hearing none.

Moving to Roman numeral seven, the staff reports. And I believe these are all available on the -- on the Commission's website.

MADAME SECRETARY: Correct.

CHAIR DALZELL: Madame Secretary, could you please

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review these for us.

MADAME SECRETARY: You each have a package that we've provided that's paper clipped together at your seat. The first item on this listing is the certification of the positive balance in the Special Fund from the Department of Finance.

The second item on that listing is a comparative of the legislators' salaries and retirement benefits between California and New York that was provided by the Assembly Rules and Senate. And there's a chart after that.

We then have the staff reports that were requested on the March 13th meeting. We have a data of California cities tables that compares the city council members throughout the State. That -- the request was originally for county supervisors or members with a population of 300,000 or more. And that's -- that was stapled together.

Then the next thing that we have is a request from the March meeting for county supervisors.

The next grouping is a summary sheet that compares the retirement benefits and the salaries for those folks. It looks like this.

And then the next thing that is in your packet is a summary of the retirement benefits for six major states, which was requested.

And then the next thing provided is a limitations on the length of the legislative sessions for all states. And that's the last item in your package other than the meeting transcription.

CHAIR DALZELL: I believe that you provided everything that we asked you to provide at the last Commission meeting. We now come to Commission discussion leading to adoption of a Resolution setting compensation. Commissioner Somers, let me begin with you in deference to your tenure on the Commission.

COMMISSIONER SOMERS: Thank you, Mr. Chairman.

In the last six years -- or the last five years.

This is the sixth year, as you've pointed out, that I've been on this Commission. In that period of time, my first year on the Commission we reduced across-the-board compensation by 18 percent. That was in 2009. We have had two other actions a couple of years later, and I don't have the specific years, but we reduced again by five percent. And then last year we restored essentially five-and-a-half percent or the amount to restore the five percent that we

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reduced.

So all of the legislators and the constitutional officers remain 18 percent below where they were five years ago. And I think some -- some of this reflected -- the changes we have made reflected what we thought was rightsizing of the compensation based on the compensation of other elected officers in the State as well as some comparative information we had on other states. Some of this in the way of reduction reflected the financial condition of the State. And I think that one of the things that -- that clearly has been appropriate and has become a major part of our discussions is the financial condition of the State, has an impact on compensation. The financial condition of any organization is an appropriate factor to be considered in compensation of the officers of that -- of that organization.

Our legislators and constitutional officers are full time. Our charge as a committee is to pay them fairly taking into account their time and talents and the compensation of other relevant positions with regard without regard to political considerations. Always difficult to put political considerations aside, but that's the charge of this Commission. And I would urge us all to keep that in mind.

I know the legislature has a low approval rating in the State. And my position, and I think it should be the position of this Commission, is if you don't like the legislature, vote them out of office. Our job here is not to punish them. On the contrary, I think we don't thank our elected officers and representatives enough in this State and the hard working people who support them.

As a result, I would like to throw out for consideration -- and depending on comments and reactions I get from others I'd be happy to put this into a formal motion. I think we ought to increase the salaries of the constitutional officers by three percent. I think we ought to increase the salaries of the Assembly members by five percent. And I think we ought to increase the salaries of the senators by eight percent.

And here's additional rationale for that. Levels of pay of other California elected officials and other relevant data that we have been given clearly support, I think, the fact that many of our constitutional officers and legislators are not over paid. If you look at -- and I live in Los Angeles County. And in particular if you look at the

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supervisors in Los Angeles County, they range from two twenty-two to 234,000 salary plus another 40 to 45,000 in health care and retirement benefits which our legislators don't get.

In addition, if you look at the roles of the responsibilities of the Assembly members and the Senate, which is shown on another one of the attachments in terms of both salaries, but particularly constituents per member, the California compared to New York, the constituents per member in California, they have 449,000 as opposed to 131,000 for New York. In California sorry, for the Senate they have 958,000 compared to 316,000 for the New York Senate. The supervisors in Los Angeles, as I just covered, make 230,240,000, and they have two million constituents a piece. Our senators have almost a million constituents a piece. That's a lot of work.

In addition, if people think about the fiscal responsibility, because there are so many more, we have 80 Assembly members, New York has 150. We have 40 senators, New York has 62. The total annual compensation salaries and stipends of the Assembly is seven million six, of New York it's thirteen million two. Of the Senate it's three million eight in California and five million nine in New York. So even if we consider the total fiscal impact, California is, clearly less, and from a responsibility in terms of numbers of constituents in particular our representatives have a much heavier workload than New York Assembly -- excuse me, Assembly and Senate people.

When the Assembly members and the Senate lost their pension benefits quite a few years ago, their compensation was cut by 25 to 50 percent depending on assumptions, but that's a reasonable estimate, relative to the constitutional officers remain with their -- their retirement benefits. And as noted, and I've said it several times, I'm sure when the people of California decided to remove pension benefits from the legislative members, they didn't expect us to increase current compensation to make up for it, certainly not in total.

On the other hand, it is very difficult to compare apples to apples for our Assembly and -- members and senators compared to either other elected positions in California or other elected positions outside of the State without at least considering the impact of the loss of pensions. It is the reason -- after lots of discussion about this over the years and lots of thought and analysis

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on my part I think it's very fair to suggest that the Assembly be increased by five percent. Senators have greater responsibility than -- than Assembly members strictly from a compensation perspective. I'm not here to -- to argue whether the job is harder or easier. But any compensation analyst would look at that and say they have many more constituents to represent. And because there are fewer of them, their vote actually makes a greater difference, each one of their votes actually makes a greater difference. Compensation consultants would look at that and say that group of people, therefore, should be more heavily paid than the other group.

Again, I'm -- I -- I -- I don't think we should get into any kind of a -- in -- internal dispute about this. I'm laying out what I think is the logic from a compensation perspective.

At the national level the senators -- U.S. senators and U.S. House members are paid the same thing. There are lots of historical reasons for that including the fact that in some states you have one representative and you have two senators, the reverse of how many constituents each actually represents, and, again, lots of historical state versus federal government issues related to that. And that's fine. The majority of states that have full time pay them the same. There are some states who have part-time legislators that have differences in how each of the Houses work in terms of numbers of hours they work, number of days they work, and, therefore, there are some compensation differentials in certain states.

I see no reason why California can't recognize a difference in roles of the Senate and the Assembly when their responsibilities actually differ. And that's my rationale for increasing the Senate by eight percent. Those are my thoughts and recommendations, Mr. Chairman.

CHAIR DALZELL: Thank you. Let's -- let's go through with the -- well, actually, does anybody have any questions or comments, questions to Commissioner Somers or comments about what he just said, or should we proceed with our original thoughts?

COMMISSIONER WALLACE: So thank you Commissioner Somers for a very thoughtful and thorough analysis and support for the position that you're taking. I'd like to better understand how you determined five

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percent and eight percent are the appropriate percentages for an increase.

COMMISSIONER SOMERS: I -- I'm very sensitive to increases generally. And one thought that we have talked about before is to say should we -- should we develop some sort of a model that gives us use inflation, use whatever it might be. And I do think that looking at indicators like that could be helpful. Clearly inflation is not high. The Consumer Price Index is -- is not high. And, therefore, the -- I -- I considered almost the base of three percent. You could argue is it two percent, is it three percent as appropriate for the constitutional officers.

In addition to that, again being sensitive to directional changes, not so much pure dollar amounts, I felt that a couple of percentage points for each of the other changes was appropriate and more kind of building off a base. And if we can establish that, one, that the Assembly and the Senate because they lost their pension benefits, that, in fact, the apples-to-apples comparison that we've been talking about is really not true.

Ultimately you can sort of find perhaps the right number. This is a small number. I think it's a small number, but it reflects a principle that we need to recognize that -- that the Assembly and Senate have lost benefits, and, therefore, have -- we as a group are fully in -- within our rights and in fairness to support a position that -- that reflects that they should be getting some additional amount. It is -- it is not -- other than building off the base with a couple of percentage points in the one direction, and then the logic about the Senate is the same thing. It's building off the base from the -- with two or three percentage points. That was the logic.

COMMISSIONER WALLACE: Thank you.

COMMISSIONER BARKETT: I have a few questions too.

Is my light on?

CHAIR DALZELL: Yes.

COMMISSIONER BARKETT: Okay. You know, just to understand your reasoning, you know, a little bit better I'm new to the Commission, I've been on only one year. And I was appointed just before the last meeting where we had a five-percent increase, which many characterize and I looked at as kind of reestablishing the new base. That's -- that's how I -- that's how I looked at it.

It kind of sounds like in your -- your discussions you're talking about establishing an even -- a -- a newer

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base. Because I could see once you have a base you look to either CPI increases or other variables that you would increase salaries off of that. It could be CPI, it could be, you know, every two or three years -- you know, you wait every two or three years so you can have kind of the the ability to look back at not only the economy but the State budget and all of the wages.

So the only thing I'm struggling with in your-- in your motion is that that's kind of what it seems to me, that we're just kind of setting a new base, kind of catching up on that -- on that 18-percent reduction. And I want to know if that's your thinking or -- because as someone who's going to be on the -- the Commission for a few more years, I don't see three to five percent, for sure not eight percent, as sustainable yearly increases.

So now I'm on my second year, and the first year I, you know, had a five-percent increase and now I'm coming right back again with another three-, five-, or eight-percent increase. I'm personally uncomfortable with that. So I'd just kind of like to hear your-- your thinking.

COMMISSIONER SOMERS: Right. If I may, Mr. Chairman, answer that.

I think the -- it is true that -- and I thought long and hard about this, sort of do you use a CPI, do you use, you know, other levels of inflation. I think we should be looking at those just as we should be looking at not just compensation of some of the other elected officers but growth in the salaries of those other elected officers as -- as an element that we consider.

I actually -- after arguing last time that maybe we should have some things that we use almost as, okay, if it goes up two percent, then everyone should get a two-percent increase. I think there is -- there is a this Commission actually works unusually well, I think, with the -- the structure of it with seven people kind of making judgments without necessarily a mechanical driver that says automatically that something should go up a certain percentage point.

do think we should look at that. And, yes, over time think it is fair, and, in fact, if anything, just to ensure that people stay somewhat the same unless we absolutely want to take them down. And as we did before -- and, again, I want to be clear on that. We took

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them down for two reasons. One was rightsizing. We felt that they were too high six years ago, and, therefore, relative to others. And then secondly the financial condition of the State impacted also. And -- and if you have a terrible financial condition, it's appropriate again to look at their compensation and perhaps take them down again.

So it is important to look at -- at drivers that -- and there may be some sort of formula -- way that we haven't done. I would urge us not strictly to use that kind of driver for increasing compensation. And, again, I think there is sort of a -- a -- it works, that -- that the seven different people with the different backgrounds that those of us have I think provide a thoughtful way of increasing compensation or decreasing compensation.

COMMISSIONER BARKETT: No, that's fine.

CHAIR DALZELL: Any other questions?

Any other questions for Commissioner Somers, or should we proceed?

Commissioner Miller.

COMMISSIONER MILLER: I don't have a question, Commissioner Somers, but I really appreciate the analysis that you did. And I want to just I -- I only have been on the Commission for a year. But I am mindful of the reduction in salary that took place in 2009 and then I believe in 2010. And so today we are looking at salaries that are 18 percent below what they were a number of years ago. So I'm not sure we're yet at a base.

When I look at the figures, I -- I think that where they're compensated is is low based on all the indices that staff provided us with the exception maybe of a couple of the county supervisors. But there's lots of reasons why I could argue that supervisorial salaries should be different than legislative and certainly constitutional officers' salaries.

— I still am mindful of the idea that there was something of a of a determination by the prior Commission that given the fiscal state of the -- of California in 2009 you felt it -- a compelling argument to reduce salaries because of that fiscal state. And by all indices today -- I mean I'm just looking -- we now have a rainy day fund. Granted, voters did approve a salary -- a tax increase, but we now have a rainy day fund. We have taken care of some of the pension issues through payments to

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STRS in this budget and PERS.

And so I get to the issue of fairness, and I too would support an increase today because I don't think we're yet at a base. But the question is how high. I have a hard time with the differential because I think, once again, like you said, it's hard to know what that differential should be. And since we're in a situation where most of these -- all of these offices are making less than what they were a number of years ago, I'm still of the opinion that whatever increase we do, if we do one today, it should be across the board.

The amount of that increase -- I mean I want to, you know, hear from my commissioners about that. But I am prepared to make a motion in excess of what I think is just CPI, which is I think fair to say it's between two and three percent, to get back to a more normal base. So I'm looking at the -- the higher range that you mentioned.

COMMISSIONER SOMERS: Mr. Chairman, may I comment?

CHAIR DALZELL: Yes.

COMMISSIONER SOMERS: Two things. One, we could debate all day the actual financial condition of the State. But it would be hard to argue, I believe, that the State is not better off financially today, to your point, than it was a few years ago. And I believe the governor and the legislators, if they get tarred when times are tough, they ought to at least get some credit when things are improving. And we need to think about that.

Secondly -- and I -- Anthony, I didn't clarify exactly. I'm not suggesting that there be five- or eight-percent continual increases. There might be if ultimately this Commission over the years thought harder and perhaps with additional analysis about what difference differences there might be in the roles. But those -- those differences are -- if there's, in my opinion, sort of a base of a three percent, then the others are adjustments which are rightsizing, I'll use that term again, rightsizing events because of the recognition of -- of the roles that they have and of the loss of pensions. And I would be happy to, again.

So, anyway, the point is those -- those are one time kinds of things unless ultimately people see that there should be other adjustments over time.

CHAIR DALZELL: Commissioner?

COMMISSIONER BARKETT: Yeah, just a couple -- just a couple comments. Just a couple of comments to that.

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I -- you know, once again, I just express my concern. If we're talking about a new base, well, let's have a complete discussion about what that new base is. Let's not just say we're trying to get to a new base, maybe this gets us closer to a new base. Because, as I said, as someone who's going to be on this Commission for, you know, several more years, I'm uncomfortable without having that complete discussion about what we think is a fair -- a fair number. If we truly believe it should be back to the 18 percent, then then, you know, why don't -- why don't we have the guts to do it. Personally, I don't -- I don't think that's the case.

But I'm kind of hearing that sentiment that, you know, we need to -- our goal is somehow to get back to that point, or we -- and I'm not -- I don't want to put words in anybody's mouth, but I just want to be clear about where where I'm coming from. And I'm not opposed to increases, but I kind of feel that last year what we did, at least what we did in my mind, was get back -- get back to that base. And so that's kind of how I'm looking at it.

With regard to condition of the State, I don't think we need to -- to debate that. But, you know, we raised taxes. That's why we have the money to do what we-- we've done. The economy is better, it's -- it's much better in some areas. It's not much better in a lot of areas too. You know, not -- not in the central valley, for instance. But that's neither here nor there.

But, you know, people were asked to raise -- to vote for a raise in taxes predominantly to -- for education, you know, not to increase everybody's salaries back to where we -- we thought they were. And it's not that -- it's not that that's what we're doing here. But last time I was concerned that -- from some of the comments were made by some of the -- some of the staff that I think we have to be careful to not be used as -- I don't want to use the word scapegoats, but, you know, if we set increases, it kind of opens the door for the Assembly and the Senate to also increase, you know, wages. It's kind of like, well, the Commission, which is totally independent, put out a three, five, or seven percent.

And I don't think -- as a state, I don't think we're there -- in my mind we're not there yet. We just got

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through a huge recession, and I need a little time to make sure that, you know, the economy is real and all these increases are real, which would result in very, very large surpluses next year or the year after if -- if we kind of held spending the same, and then we can have that full debate about, boy, maybe we should increase it ten, 15 percent or whatever.

So, you know, I don't -- that's just kind of how I'm thinking. I'm I'm uncomfortable with increases and unless it's clear that this is our new -- our new base. And if it's not getting to that base, you know, what do we -- what do we think that base is.

COMMISSIONER WALLACE: So I, too, am concerned about some of the issue -- issues that Anthony raised, the first being that there were reasons for the 18-percent reduction, one of which was the economy. But the rightsizing that you spoke of is compelling for me. And I'm reluctant to undo decisions that were made unless we're having the larger conversation about the equity of salaries.

The salaries for the legislators and constitutional officers is significantly lower than other similar positions through the State, at the county level, and at the municipal level. And certainly when you look at some of the other benefits that their peers in other states get, it is compelling that the salaries are significantly lower, particularly when the pension or lack of pension is factored in.

But there was a decision made for various reasons that I'm unaware of that legislators should not benefit from a pension. And, again, I'm cautious about us taking any action that undoes that decision, un -- unwinds that decision, unless there's a broader conversation which will get the salaries more in line with -- with the peers that I referenced.

I do see that it is fair and equitable and would be comfortable supporting or making a motion that acknowledges the cost of living, which is -- you all are agreeing is somewhere between two and three percent, and better understand -- and this will be a question that I would like to pose to some of the staff that's in the audience -- a better understanding of any increase that civil servants have received for the year.

So I worry, and I'm reluctant to approve an increase beyond five percent and would like more information to determine what that actual number should be.

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MADAME SECRETARY: Do you need that information from staff right now?

COMMISSIONER WALLACE: Yes, if staff is able to -- or Gus, I'm not sure who's -- who's best in position to be able to provide that data.

CHAIR DALZELL: Do we -- do we know what the managerial and supervisory classes salary increase will be on 7/1/14?

MADAME SECRETARY: Yes, Chairman Dalzell. The increase for excluded employees, managers, and supervisors would be two-percent increase. Two percent --

CHAIR DALZELL: Two percent.

MADAME SECRETARY: increase.

COMMISSIONER BARKETT: And is that for -- that's for the fiscal year starting in -- in July for ending June 30th of 2015?

MADAME SECRETARY: Correct. It's effective July 1st, 2014.

CHAIR DALZELL: And let me point out that the sacrifice that State employees made was real and large. But it was slightly different than the sacrifice that the legislators and the constitutional officers made. Their salaries did not change. Their earnings changed because of furloughing. So the salaries were never reduced we reduced the salaries of -- we, the Commission, only Commissioner Somers there, reduced actually reduced the salaries. So the -- the -- the State employees kept their salaries as they were. And once the furloughing was over they were right back where they were and then have gotten three percent and then this year getting two percent. Just a different -- a different treatment.

I -- I think I agree with parts of what was said by everybody. The -- I think that what struck me the most was that the bigger discussion about what the base should be might not be best handled today because we have only five of us here today -- and we may be working with -- we may be working with three new members, at least two next -- next year. So I don't know if that might not be better put off. But I'll just tell you -- I'll tell you what strikes me. And -- and that is -- is with some of the constitutional officers. I mean are we really comfortable saying that the Attorney General should earn 34 percent of what a district attorney earns in Los Angeles County or that the superintendent of schools should earn 70 percent of what the -- Superintendent of Public Instruction should earn 72

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percent? That's -- that's a bigger discussion. And I don't know but that it's better done when there's seven of us than five.

But I think -- you know, as I listen, I think that there's two or three percent, zero to inflation, something more. We're all over the place, Commissioners. There's nobody here proposing a reduction, and that's -- that's the -- that makes our job a little bit easier.

Commissioner Somers, having heard the comments -- not just the responses to your proposal from the other commissioners, but the comments on what they think affirmatively, do you have any further thoughts on where we might go with this?

COMMISSIONER SOMERS: Yes. And my thoughts and proposal here is I wanted to make sure that I got these out in front of all of you since this is my last meeting. Frankly, I didn't expect to -- to pass all of these today. But I do think the directional kinds of things and the logic behind why we might want to think about changing and differentiating somewhat rather than just everybody moving lockstep is important for this group to consider for the reasons that I -- that I talked about.

What I hear people saying is that -- so if we take those -- the two pieces out for a future discussion and sort of say, all right, what did -- where did I hear people say, I heard people say between zero and five percent across the board. So the question is, is it zero, is it two, is it five in terms of an increase across the board at least at this meeting. And maybe we open that up for discussion.

CHAIR DALZELL: Commissioner Miller.

COMMISSIONER MILLER: I appreciate your comments.

And -- and in furtherance of that, because I think that our Chair's comments I've taken to heart, it's true there are going to be new commissioners and new points of view, and I don't know that we have the chance to really get into the question about what should be the base today. Although I am mindful that what we have in terms of the State employees as -- as pointed out by the Chair, is there was not a salary reduction, which was and is still felt by those that are affected by this Commission's decisions.

So I'm inclined to a motion that's higher than just cost of living just because I do think that there is a great disparity between what we pay our constitutional officers and what is received by others in like positions and in my

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opinion in positions that are -- have less responsibility. And so -- I mean I'm just -- being only here a year, it's hard for me to know. I don't want to really

Is it appropriate to make a motion at this point or allow other people to talk a little bit? I mean I -- I
CHAIR DALZELL: Well, once a -- once a motion is made there's -- there is debate on -- on the motion. And it it -- it may be a way to go. You can make the motion, if there's a second, we can -- we can debate -- we can debate it and vote on it, and if it passes, we're done. If it's not, we'll try something else.

COMMISSIONER MILLER: In that case I'm going to make a motion of across-the-board increase of five percent.

CHAIR DALZELL: Is there a -- a second on the motion?

COMMISSIONER WALLACE: I have a question, so we'll incite some of the dialogue you referenced. And so can you again -- I'm going to repeat the question I asked Scott. What's the basis for the five percent? I -- I'd like to ensure that whatever number we do choose has some of the methodology that we're suggesting we may want to incorporate into this process in the future.

COMMISSIONER MILLER: Well, I think methodology -- like a number of our commissioners have said before, it's always hard to -- to pick that because it is a personal we all have different experiences in the different industries that we're in about what the methodology should be.

But I certainly think that the fiscal health of the State is one of those factors. CPI is another one of those factors. In my mind is the the 18-percent reduction that these officers and senators and assemblymen -- persons are still living with, that this -- the new base kind of discussion, which I -- I know we're not going to get into today. But a couple of percentage points of what I'm thinking of is factoring in to that, and then just the fairness of when I look at other states and other positions got me to five with the CPI at around somewhere between two to three, the fiscal health of the State because of the penalty that was imposed another two to three.

So that's how I got to five. That was my methodology, which I think is consistent with what the Commission has talked about. It's just how you apply those. I think we all make -- have a different approach how how we would do that. And maybe in our discussions when we

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finally have a full complement of Commission members we can spend a little bit more time talking about how we might actually get to a more routine methodology.

But in -- in the world that I'm in, I -- I've seen the fiscal health is -- is much stronger than -- than it was, you know, nine definitely, and even from just a couple years ago from 11 in terms of competence in -- in the sectors including housing sectors.

So will it be -- will this be true next year? I

don't know. It's a good question that one of my fellow commissioners asked. But indications are we're headed in the right direction, so . That's the method behind my madness.

CHAIR DALZELL: Go ahead.

COMMISSIONER BARKETT: I just wanted to make a couple kind of comments about that. Maybe we could have a discussion about that, maybe everybody feels we've already had. But there's been a lot of discussion that, you know, our constitutional officers are clearly less paid than people in other states. And personally I don't see that. I -- all the -- everything I look at, I don't see it when we compare California to other states. Now, we can have reasons for distinguishing California. That's a fair debate. But I don't see it in that context.

I do think, you know, two people for -- in my mind that are probably grossly underpaid and **will** always be grossly underpaid are the Governor and the Attorney General. I agree with those comments that were made earlier.

But I do think they are underpaid compared to a lot of the other people in the -- in the State offices -- not the State, local -- local county supervisors and stuff like that. There appears to be a big discrepancy.

And I don't want to get into a big discussion about this, but most of those localities have huge unfunded liabilities. I mean there's a -- there's a real debate that we could look at is are people making promises that we can't -- we can't keep, including the State, which has huge unfunded liabilities.

So, yeah, we have a little budget surplus this year, and I think the Governor was very smart to begin to put away a -- a rainy fund, but we have huge unfunded liabilities. And so I just caution that, once again, our -- our goal is to return to 2008 or 2009, which to me was just an unsustainable way in thinking in in everything from

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from salaries to -- just the way government was run at that time and thinking at that time was -- was kind of an unsustainable path for the State.

So I'm -- I've already said this, but I'm just uncomfortable moving forward with anything until we really have that discussion about what's the new base. Thanks.

CHAIR DALZELL: Commissioner Somers.

COMMISSIONER SOMERS: Mr. Chairman, I guess there's a motion on the floor, and --

CHAIR DALZELL: Yes. Is there -- and there's not been a second.

Were you rising to second?

COMMISSIONER SOMERS: No, I'm not.

CHAIR DALZELL: All right. Did you have a -- a --

COMMISSIONER SOMERS: I have another motion.

CHAIR DALZELL: Well, let's see if this motion -- if this motion fails for lack of second.

Is there a second?

There is not a second, so the motion fails for lack of a second.

Is there another motion?

COMMISSIONER SOMERS: I have another motion.

CHAIR DALZELL: All right. What is your motion?

COMMISSIONER SOMERS: I would make a motion that we increase across the board everyone by two percent, the same amount -- Deb, as I recall, you said two percent, roughly, that the managerial group in the State is getting. I'm -- I'm still -- I think it's -- I mean these are real people who -- you know, they -- they need to live their lives. And I think if -- if other State employees at that level are getting it, I don't see why we couldn't be comfortable at least giving that -- that level.

And at the same time what I'm hearing people say is that we need time, the Commission needs time to think about this whole appropriate base issue. Are we at the -- have we rightsized appropriately and to a certain extent what does that mean in terms of annual increases and how do we think about annual increases.

And I guess I would say my motion is strictly to increase everyone two percent across the board and hold benefits exactly where they are. We can come back to benefits if you'd like. But two percent salary with -- one other point I would make is that I would urge this group to be thinking about this level of what's the appropriate base. And with perhaps another year of hopefully solid, if not

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even better, financial performance it might be more appropriate to think about raising compensation if that's appropriate next year. And certainly a very robust discussion should take place I think in your first meeting in -- in March or even two meetings if you feel like that's needed.

COMMISSIONER WALLACE: I second the motion.

CHAIR DALZELL: All right, the motion has been seconded.

Is there any discussion on the motion? If not, Madame Secretary, would you please poll the board leaving me for last.

MADAME SECRETARY: Member Barkett.

COMMISSIONER BARKETT: You know, I -- I hate to be the Grinch here, and I kind of made up my mind before I came here today that I wasn't comfortable with an -- with an increase. So I'm going to stick to that.

I would say that two percent is kind of in line to what I think is a -- a -- a good kind of CPI kind of yearly yearly increase. But personally I'd rather do it every two to three years and make it like a five- to six- or seven-percent increase instead of getting into the habit of having yearly increases. Because then we get into -- so I would prefer to look back from a certain point. So I'm not opposed to increases, but I'm going to have to vote no on the motion.

MADAME SECRETARY: Member Wallace.

COMMISSIONER WALLACE: I vote yes on the motion.

MADAME SECRETARY: Member Miller.

COMMISSIONER MILLER: Yes.

MADAME SECRETARY: Member Somers.

COMMISSIONER SOMERS: Yes.

MADAME SECRETARY: Chairman Dalzell.

CHAIR DALZELL: You know, my practice has been not to vote unless required to break a tie or to create the four votes, and between the two positions I will vote yes.

MADAME SECRETARY: Motion's carried.

CHAIR DALZELL: With no disrespect to anything that anybody has said here. I think this is all smart and reasonable people trying to navigate our way through some tricky waters that the -- the statute gives us.

So four yes.

MADAME SECRETARY: Four yes. Motion's carried.

CHAIR DALZELL: So motion carries.

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We would normally adjourn at this point, but Commissioner Somers I'm -- I am anxious to hear your -- your words of wisdom as you leave.

COMMISSIONER MILLER: Before he begins can I just thank him for his -- I haven't -- haven't known you that long, it's just been the -- the three meetings, but I've really appreciated serving with you, Sir, and good luck to you.

COMMISSIONER SOMERS: Thank you very much. It's been a real privilege to serve on this Commission. This is my sixth year. And when we came in when I came in, it was a very trying time and which resulted in that 18-percent reduction which was a very difficult decision and lots of discussion, as you can imagine. Obviously, the -- the State is in is in a better position seemingly.

I want to thank Deb very much for all of your help and support. Gus and Ralph in particular, I I want to thank you for all of your advice and support and friendship. I think we've -- at least in the years that I've been here, I -- I mentioned earlier that the compensation metrics, I think it is important to look at compensation metrics. And while we are looking at some of that, it's it's hard to sort of say, well, what does all that really mean, how do we put it into directional changes that we can support and to a certain extent that we can justify to the public.

And in some respects too we have -- we need to think about the position that we put our elected representatives in so that they can justify it and that they don't feel like they have to turn it down, necessarily, because there's a rationale for it that hopefully is logical and that people can understand and that you can make it to -- to the public. And I know that's not always easy, by any means.

But at the same -- as I mentioned before, I think metrics are important -- metrics -- metrics that take you in directional ways are important, but ultimately I've grown to have enormous confidence in the opinion of the seven people who -- different seven people all the time on this Commission. And I think there's a -- there's a real kind of genius that was ultimately set this Commission up, and I think it's -- I think it's a good one.

The fact that I think we have recognized the fiscal condition of the State is an appropriate measure in our

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discussions and it's become kind of standard to talk about it, and I would encourage all of you to make sure that that -- it is a very appropriate one for any kind of compensation discussion. And it isn't always black and white that that's -- that that's true, but I would urge you to keep that in mind.

And the one other thing I guess is we don't -- while we look at compensation of other elected representatives, both within California and outside of California, but we have -- we have a unique, in some respects, opportunity, there are very few commission -- there are no commissions like this that I'm aware of in any other state. And I know there are commissions, but they're advisory, they don't set like we do.

So the point of all that is that we have the obligation to lead as well as to follow what's appropriate for setting up compensation for senior elected representatives. Most states don't have a group like this that consider -- consider those kinds of options. So we should be -- we should be thought leaders in how best to do that also. And I think -- I think we have been, but I would urge you to continue to think about how we can lead as well as to react to and follow what other elected representatives are making.

Finally, it's been a privilege to serve with all of you. Mr. Chairman, Tom, you've done a great job in the
CHAIR DALZELL: Thank you.

COMMISSIONER SOMERS: You stepped in in a difficult time, and you -- you've done a really fine job.

CHAIR DALZELL: Thank you.

COMMISSIONER SOMERS: And it's been a real privilege to serve with you and all of the others of you. Thank you very much.

CHAIR DALZELL: Madame Secretary, will you prepare a Resolution and circulate it among the five of us who are present noting four yes and -- and one descent so that we can get this done by June 30th. We'll have to sign it I think (unintelligible).

MS. JOHNSTON: You don't have to sign it. It can simply be recorded that you have voted to increase it by so much percent and have the staff do the calculations.

CHAIR DALZELL: All right. But we do -- we we will sign it, but we don't have to, or we will not sign it?

MS. JOHNSTON: You will not sign it if it's not done

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in open session.

CHAIR DALZELL: All right.

COMMISSIONER MILLER: There you go.

COMMISSIONER SOMERS: One other just to be clear. So we made no change in benefits, right?

CHAIR DALZELL: Correct.

COMMISSIONER SOMERS: Okay, just wanted to be very clear on that.

CHAIR DALZELL: Status quo on benefits was your motion, and that's what we voted on.

COMMISSIONER SOMERS: Correct.

CHAIR DALZELL: All right, the Commission stands adjourned.

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Dated: JULY 7, 2014

/s/ DONNA K. NICHOLS, RPR
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