

Seismic Safety Commission
Minutes of Meeting
September 11, 2003
Hiddenbrooke Conference Facility, Palmer Conference Room
1095 Hiddenbrooke Parkway
Vallejo, California

Members Participating

Stan Y. Moy, Chairman
Lawrence T. Klein
Linden Nishinaga
Celestine Palmer
Donald R. Parker
Daniel Shapiro
Jimmie R. Yee

Members Absent

Lucy Jones, Vice Chair
Andrew Adelman
Senator Richard Alarcon/Chris Modrzejewski
Jim Beall
Mark Church
Bruce R. Clark
Don Manning

Staff Participating

Richard McCarthy
Robert Anderson
Abby Browning
Karen Cogan
Henry Reyes
Henry Sepulveda
Fred Turner

I. CALL TO ORDER/ROLL CALL

The meeting of the Seismic Safety Commission was called to order by Chairman Stan Moy at 9:04 a.m. Chairman Moy noted that a quorum was not present. He said the Commission would proceed with the meeting, but that all voting would be deferred until the next time a quorum was present. Executive Assistant Karen Cogan called the roll.

II. CHAIRMAN'S REMARKS

Chairman Moy dedicated the meeting to the victims of the September 11, 2002 terrorist attacks. He read a statement recognizing the efforts of fire departments, urban search and rescue teams, and emergency responders, and he emphasized the importance of disaster preparedness.

The Commission observed a moment of silence in memory of the people who died in the terrorist attacks.

Chairman Moy noted he had a resolution acknowledging and thanking former Commissioner Doug Mochizuki for his service.

III. WELCOME COMMENTS

Honorable Anthony Intintoli, Jr. Mayor, City of Vallejo, welcomed the Seismic Safety Commission to Vallejo. He also acknowledged the attendance of representatives from the offices of Senator Wesley Chesbro and Assemblywoman Pat Wiggins.

Commissioner Jimmie Yee expressed his appreciation to Mayor Intintoli for coming to the meeting. He also extended his greetings to Mr. David Martinez, City Manager, City of Vallejo.

IV. APPROVAL OF AUGUST 13, 2003 TELECONFERENCE MEETING MINUTES

Chairman Moy noted that Commission Linden Nishinaga had submitted some proposed changes to the August 13 minutes. He said approval of the minutes would be deferred until a quorum was present.

V. EXECUTIVE DIRECTOR'S REPORT

Budget Update

Executive Director Richard McCarthy reviewed the latest projections of major costs and expenditures for the fiscal year. He noted the report shows expected reimbursements and amounts encumbered for current contracts. He estimated the Commission will have approximately \$72,000 available for special projects this year.

Mr. McCarthy said state agencies will probably face budget cuts of at least 10 percent on October 8. The Department of Finance recently asked agencies to show scenarios for a potential cut of 20 percent beginning on July 1, 2004, but it is unclear whether this order applies to agencies such as the Commission whose budgets come from special funds rather than the general fund. Mr. McCarthy recommended preparing for cuts in any case. He noted the staff will prepare a list of possible reductions for the Commission's review at the next meeting.

Commissioner Jimmie Yee asked if the Commission is required to hold eight meetings per year. Mr. McCarthy responded that no set number of meetings is mandated. He added that each meeting costs approximately \$5,000, so one way of reducing expenses might be to eliminate some meetings or hold more teleconference meetings.

Commissioner Celestine Palmer asked about the \$17,000 reduction shown in the budget report. Mr. McCarthy explained that personnel expenses were cut by 12 percent as of July 1, 2003. He noted general fund agencies were ordered to reduce personnel expenses by 16 percent, so the Commission fared better since its source of funding was transferred to the Insurance Fund.

Mr. McCarthy added that the Commission will be discussing the budget situation in more detail after lunch.

Strategic Plan

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Mr. McCarthy said the latest draft of the Commission's Strategic Plan incorporates comments and suggestions made by commissioners. He noted Commissioner Shapiro edited the document and reduced its size by about half. He asked commissioners to review the Strategic Plan and be prepared to adopt it at the October meeting.

Mr. McCarthy added that the Strategic Plan is an important way of explaining the function of the Commission to decision-makers.

Current Projects

Mr. McCarthy reported that the staff is currently working on three projects, and other activities will be put on hold until after the October 7 election.

Mr. McCarthy stated that the first project involves working with the Office of Emergency Services to draft the seismic portion of the statewide hazard mitigation plan. He noted the staff plans to have the draft section ready for the Commission's review at the October meeting.

Mr. McCarthy said Staff Structural Engineer Henry Reyes is working on a school safety report and will be attending a meeting in southern California on September 17.

Mr. McCarthy noted the third staff project is preparing for a major outreach even in Los Angeles on September 20 with Commissioners Palmer and Manning.

October Meeting

Mr. McCarthy said the October meeting will be held in Alameda. At that time, the staff will formally present a draft of the initiative-tracking document. Mr. McCarthy noted that in conjunction with the meeting, commissioners will tour the new Federal Emergency Management Agency Region 9 headquarters facility.

Award from WSSPC

Mr. McCarthy announced that the Seismic Safety Commission received an award from the Western States Seismic Policy Council (WSSPC) for its gas valve safety report. He noted Senior Structural Engineer Fred Turner and Commissioner Shapiro will attend the Council's next meeting, and Commissioner Dan Shapiro will accept the award on behalf of the Commission.

Disaster-Resistant California 2004 Conference

Mr. McCarthy drew attention to the information in the meeting packet about the Disaster-Resistant California 2004 Conference, to be held in Sacramento on May 3 through 5, 2004.

Chairman Moy proposed moving the legislative report after the presentations from guest speakers.

VII. DECIDING ON ACCEPTABLE RISK: THE VALLEJO LNG PROPOSAL

Mr. L. Thomas Tobin, Tobin & Associates, thanked the Commission for inviting him to discuss a liquid natural gas (LNG) terminal and electric generation plant project that was proposed for Mare Island, Vallejo. He expressed concern about the Commission's ongoing budget constraints, and urged commissioners to support Mr. McCarthy as much as possible during this difficult time. Mr. Tobin noted the Seismic Safety Commission, with its focus on earthquake safety, plays an extremely important role in terms of guiding state policy and implementing seismic safety laws. He encouraged the Commission to continue its activities in spite of future challenges.

Mr. Tobin noted that although the LNG terminal and electric generation plant project was eventually withdrawn by Shell Gas and Petroleum and Bechtel Enterprises, the process of considering and evaluating the risks raised a number of fascinating issues. Mr. Tobin showed a diagram of the layout of the proposed terminal at Mare Island. He said the City of Vallejo responded to the proposal by creating an independent review committee and hiring technical consultants to identify potential impacts of the project. Early in the process, Vallejo officials asked the Seismic Safety Commission staff for assistance, and the Commission provided copies of studies and reports.

Mr. Tobin said the assessment of risk and acceptability entailed both quantitative and qualitative factors. He emphasized the importance of understanding possible events, conditions for their occurrence, and the likelihood of impacts in order for the local community to make an informed judgment as to whether the project was acceptable.

Mr. Tobin noted the independent review committee looked at operational conditions, air pollution, and conditions that might allow a release of LNG, and then considered the potential effects of releases on Vallejo. The committee also considered the likelihood that a sequence of events might occur due to earthquake, maritime accident, operational error, or terrorism.

Mr. Tobin showed a diagram of typical tank construction. He said the proposed LNG tanks were 270 feet wide and 150 to 160 feet high, base isolated, and fully contained within a 1-inch steel wall, with a 3-foot-thick reinforced concrete cover. He discussed seismic design criteria for tanks. Mr. Tobin stated that tanks have had some performance problems in past earthquakes, including sloshing of contents, buckling of walls, and floor splitting. He said earthquake damage could release LNG, resulting in fire, heat, or flammable plumes that could extend into residential areas of Vallejo.

Mr. Tobin noted that Mare Island is located in a seismically active area with a potential for high levels of ground shaking. He displayed a map showing its proximity to the Hayward Fault, the Rodgers Creek Fault, and the Franklin Fault.

Mr. Tobin said the independent review committee's study concluded that although LNG release is unlikely, it could possibly occur, and impacts could reach residential areas in Vallejo. After the committee released its report, there were objections from many people in the community, and Shell and Bechtel eventually decided to withdraw the project from consideration. The City of Vallejo reaffirmed its intention that Mare Island should be used as open space.

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Mr. Tobin commented that recent shortages of natural gas and higher prices have led to renewed interest in importing natural gas, so it is likely there will be other proposals for LNG terminals in California in the future. He said issues of concern to the Seismic Safety Commission include determining where these terminals should be located, what their seismic performance objectives should be, and how best to assure public safety. He noted the Commission could play a key role in forming the state's policy on this topic.

Chairman Moy asked which agency was responsible for deciding future LNG terminal locations in the state. Mr. Tobin responded that the California Energy Commission had that authority.

Commissioner Don Parker thanked Mr. Turner for providing the independent review committee with documentation from the Seismic Safety Commission. He noted the process of evaluating the LNG terminal for Vallejo was very disruptive to the community, and huge safety concerns were identified. He commended Mr. Tobin for his thorough and professional report.

Mr. McCarthy asked if Point Concepcion would be a possible site for a terminal. He noted that area is less densely populated than Mare Island. Mr. Tobin stated that the Legislature passed a law in 1976 prohibiting LNG terminals in areas with a population density of more than 10 people within one mile from the facility. He noted that the hazard modeling in those days was probably too conservative and focused primarily on large explosions and drifting plumes of natural gas. Mr. Tobin said modeling has improved in the intervening years, and scientists have better knowledge of the physics involved. He expressed his opinion that Point Concepcion and Camp Pendleton might be suitable locations for a LNG terminal.

Commissioner Nishinaga observed that there had been a proposal to put a LNG terminal in Long Beach, but there was considerable opposition. He added that the population density makes that location unsuitable. Mr. Tobin said he did not know the status of that proposal.

Commissioner Nishinaga asked about the size of the vessels used to carry natural gas. Mr. Tobin said tanker ships are typically 900 to 1,000 feet long and carry approximately 125,000 cubic meters of LNG in a super-cooled state. He noted that there are a number of safety precautions that can be taken, such as Coast Guard escorts for tanker ships and clearing zones around terminals. He added there have been no accidents in the water with these tankers since the 1970's.

Commissioner Shapiro asked about the source of LNG. Mr. Tobin responded that most of the liquid natural gas comes from Indonesia, islands in Russia, or Kazakhstan.

Chairman Moy thanked Mr. Tobin for his presentation.

VIII. URBAN SEARCH AND RESCUE EMERGENCY ADVISORY COMMITTEE REPORT

Committee Chair Doug Mochizuki expressed his appreciation to Director of Legislation Henry Sepulveda, Commissioner Don Manning, and Commissioner Parker for their assistance in

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preparing the report. He noted that as a result of AB 2002 (Alquist), the Urban Search and Rescue Emergency Advisory Committee was established to prepare a strategy and recommendations addressing the resource needs of emergency urban search and rescue (USAR) teams in California, an activity consistent with one of the initiatives in the *California Earthquake Loss Reduction Plan*. Mr. Mochizuki stated that the committee was comprised of representatives from local governments, fire services, law enforcement agencies, and OES. He especially acknowledged the contributions of Chief Dean Cathey, City of Los Angeles Fire Department, and Fire Marshal Jim Hone, City of Santa Monica Fire Department.

Mr. Sepulveda said he felt honored to have worked with the committee participants. He noted the examination of urban search and rescue resources and needs was a fascinating exercise. He added that the committee is proud of the report.

Battalion Chief Jeff Metzinger, Sacramento Metro Fire Department, presented an overview of USAR activities and how fire services are involved in responding to disasters. He explained that FEMA established a network of 28 USAR teams in the U.S., with 18 located in California. Each 70-member team is made up of people with various kinds of expertise in emergency response, including firefighters, emergency room physicians, structural engineers, equipment operators, and canine handlers. Chief Metzinger noted that each team has approximately \$2 million in specialized rescue equipment.

Chief Metzinger said that based on experience in past disasters, FEMA realized that better local capabilities are needed because there can be a considerable delay in deploying USAR teams from various points in the U.S. However, participation of locals can be a difficult challenge because of the great differences in resources available in different regions. Chief Metzinger recommended that California take the lead in expanding and improving the ability of local jurisdictions to provide USAR assistance in emergencies.

Chief Peter Hills, San Bernardino County Fire Department, said the committee focused on identifying federal FEMA needs for USAR resources as well as those needed by California. He stated that money is a big issue because both equipment and training are expensive. He noted at the present time, it is up to each local agency to fund its USAR teams. Chief Hills advocated a statewide umbrella approach instead.

In order to address the need for more training sites and expanded training programs, Chief Hills recommended developing regional training facilities. He noted there has been a trend in recent years to combine USAR training with hazardous materials and terrorism response training. He said the committee's report provides details on current resources and an assessment of the urgency of California's needs.

Mr. McCarthy asked how many U.S. USAR teams were certified for foreign deployment. Chief Metzinger responded that there are currently two certified international teams in the U.S., one based in Florida and another based in Virginia. He added that the City of Los Angeles was attempting to obtain certification as well.

Mr. Mochizuki added that the international teams are under the jurisdiction of the State

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Department's Office of Foreign Disasters rather than FEMA.

Mr. McCarthy commented that the Seismic Safety Commission and OES entered into a memorandum of understanding with Shizuoka Prefecture, Japan, to share information on emergency preparedness. As part of that program, Shizuoka Prefecture is sending an intern to the U.S. to spend time at OES and at the Seismic Safety Commission. Mr. McCarthy suggested involving that intern in USAR training as well.

Commissioner Larry Klein noted funds are needed for disaster response as well as ongoing operations. He asked how much is typically spend on yearly operations and maintenance costs for equipment and training. Chief Hills responded that Los Angeles probably invests about \$300,000 per year in equipment and training. He noted FEMA can reimburse local jurisdictions when USAR teams are deployed for disasters, but it is up to local jurisdictions to fund ongoing activities.

Commissioner Parker said he visited a fine training facility in San Bernardino that was established and funded as a result of their local initiative. He noted that with the state's high risk of earthquakes and the possibility of terrorist threats and weapons of mass destruction, the need for more funding is critical. He also emphasized the importance of decentralizing USAR capabilities to assure sufficient resources for each region to respond to emergencies.

Captain Jim Pearson, San Bernardino County Fire Department, gave a presentation on the critical needs identified by the committee and their estimated costs. He drew attention to Pages 23 through 26 of the report. Captain Pearson described the resources most urgently needed in terms of heavy vehicles, estimated at \$43.5 million; communications equipment, \$3 million; hazardous materials response vehicles, \$43.5 million; training facilities, \$80 million; training facility and mobile training unit equipment cache, \$22 million; state and natural USAR task force backup equipment cache, \$16 million; local USAR and hazardous materials response team equipment, \$20 million; and training, \$27 million. Based on these categories, he noted, the committee estimated California's total needs at \$255 million.

Mr. McCarthy said that after the Northridge earthquake, fire departments reported receiving requests from individuals and businesses to enter damaged buildings to retrieve records. He asked whether USAR teams are trained to provide this kind of support after a disaster.

Captain Pearson stated that USAR teams follow a systematic process when they respond to disasters. First, teams enter buildings, search for people, and then shore up the buildings as well as they can to protect rescuers. Because of the safety risk, Captain Pearson recommended not allowing people to enter damaged structures for the purpose of retrieving records.

Mr. Mochizuki commended San Bernardino County for its exceptional efforts to improve USAR resources in terms of equipment and training facilities.

Mr. Mochizuki noted the Executive Summary on Page 4 of the report highlights the committee's findings and recommendations. He said the key recommendations include supporting improvement and expansion of local USAR teams, increasing funding for equipment and

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training, developing a master plan and timeline for equipment and training, and establishing a USAR Oversight Committee to supervise the state's efforts to carry out the committee's recommendations in a timely, cost-effective, and expedited manner.

Mr. Sepulveda noted the Urban Search and Rescue Emergency Advisory Committee had completed its charge of submitting the report to the Commission chair by September 1, 2003. He said the next steps are up to the Commission.

Mr. Sepulveda commented that the current legislative cycle ends on September 12, so the Commission may want to think about introducing legislation next year. He suggested it might be practical to break the recommendations into smaller pieces and establish priorities.

Commissioner Parker thanked the committee for the excellent report. He noted the report was dedicated to Raymond Downey, a deputy fire chief for the Fire Department of the City of New York who lost his life in the September 11, 2001 attacks on the World Trade Center. He said Chief Downey is considered the father of modern urban search and rescue techniques and was a staunch advocate for funding and training. He recommended reading the dedication at the beginning of the report into the record.

Chairman Moy read the dedication on Page 3 of the report.

Commissioner Nishinaga suggested forwarding the report to the Legislature and Governor's Office as a way to pointing out what needs to be done in California.

Mr. McCarthy noted that the Commission was unable to take official action due to lack of a quorum. He proposed adopting the report as soon as possible so the findings and recommendations are ready when the next disaster occurs.

Commissioner Yee suggested that the staff work with the Legislature's representatives on the Commission to look at ways of increasing funding.

Mr. McCarthy recommended that the Commission adopt the report and consider introducing legislation next year. He proposed discussing next steps at a teleconference meeting soon.

Commissioner Yee pointed out that OES should also be involved in this effort to increase USAR resources. Mr. Sepulveda said there was an OES representative on the committee.

Commissioner Parker commented that the report is a useful tool in advising the Legislature on what to do after the next disaster occurs.

Mr. Sepulveda observed that there are some elements that need to be in place before the next incident. He noted it would be helpful to have the staff review the report and recommend pieces that might be good starting points. He recommended retaining the members of the committee to assist in this process.

Commissioner Yee supported having the staff review the needs identified in the report and

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recommend some priorities.

Commissioner Nishinaga commented that the specificity in the report was very helpful. He noted that delineating specific items helps demonstrate the needs in a concrete fashion. Mr. Sepulveda noted Captain Pearson was responsible for that part of the report.

Commissioner Klein said he thought retaining the expertise of the committee members was an excellent idea. He suggested the possibility of establishing a joint committee with Seismic Safety Commission and OES representation.

Mr. McCarthy noted OES is already part of the Commission's Emergency Preparedness and Response/Recovery Committee.

Mr. McCarthy asked about the possibility of leveraging federal money with state money. He noted the Commission and OES might be able to develop a joint application for federal funds. Chief Hills agreed, and noted federal legislators like to see proposals that involve state contributions.

ACTION: Commissioner Parker made a motion, seconded by Commissioner Nishinaga, to:

Recommend that the Commission accept the report of the Urban Search and Rescue Emergency Advisory Committee.

* Motion carried, 6 - 0 (Commissioner Klein absent during voting).

Mr. McCarthy noted the full Commission will take action on the report at a teleconference meeting. He said the staff will contact commissioners about possible dates for that meeting.

Commissioner Shapiro commended the committee for its complete and well thought out report.

VI. LEGISLATION

Ms. Abby Browning reported that the trailer bill for funding the Commission from the Insurance Fund passed on September 10.

Ms. Browning reviewed the status of legislation of interest to the Commission.

Commission-Sponsored Legislation

Ms. Browning reported that AB 1066 (Liu), the Seismic Safety Bond Act of 2004, has been held in the Assembly Appropriations Committee along with other bond bills.

Commissioner Shapiro recommended leaving the bill in place.

Ms. Browning said AB 1573 (Corbett), pertaining to design-build contracting for K-12 school construction projects, was signed into law by the governor on July 14. She noted AB 1576 (Liu),

mandating strapping of water heaters in residential rental units, was enrolled to Governor Davis on September 8. She noted the governor has 12 days to decide whether to sign the bill, and his staff is recommending approval.

Other Bills

Ms. Browning noted the written legislative report has descriptions of various bills and their status.

Ms. Browning drew attention to AB 1034 (Mullin), a bill that makes a series of changes to clarify and strengthen building code enforcement. She noted this measure is consistent with AB 1576. She said no action was necessary because the bill had already been enrolled and was awaiting the governor's signature.

Ms. Browning reported that AB 1598 (Corbett), a residential retrofit bill supported by the Commission, was also enrolled.

Ms. Browning said the staff is watching the progress of AB 1633 (Levine), which allows the California Building Standards Commission to adopt standards for non-state buildings if necessary in the public interest or for uniformity purposes. She noted AB 1633 has been stalled in the Senate committee.

Ms. Browning noted the Governor's Office asked the Commission to comment on AB 1647 (Wiggins), a enrolled bill pertaining to the use of prefabricated materials in the construction of public schools. She said AB 1647 addresses prevailing wages for off-site assembly of building materials, an issue already covered by DSA regulations.

Ms. Browning stated that AB 1717 (Transportation Committee), an omnibus bill supported by the Commission that would consolidate seismic project reporting laws and allocate bridge tolls and bond monies for bridge retrofit projects, was also enrolled.

Reviewing Senate bills, Ms. Browning noted the Commission has taken a neutral position on SB 9 (McClintock and Perata), a bill that would establish a new commission to study state entities and make recommendations for reorganization or termination. She said that if SB 9 passes, the Seismic Safety Commission would be one of the entities subject to review. She added that SB 9 passed the Senate but failed on the Assembly floor and is now up for reconsideration.

SB 605 (McPherson), a bill supported by the Commission to require uniform standards for public safety radio equipment, was passed and sent to the governor for signature.

Ms. Browning noted SB 694 (Natural Resources Committee) is an omnibus clean-up bill that would make a number of technical changes.

Ms. Browning reported that SB 916 (Perata), a bill supported by the Commission that authorizes a ballot measure to increase Bay Area bridge tolls, is on the Assembly floor.

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Commissioner Yee asked why the Commission is watching AB 1647 if DSA requirements already address the issue of prevailing wages. Ms. Browning responded that the Governor's Office asked for the Commission's input because of the potential seismic implications. Mr. Sepulveda added that the Commission monitors all bills having to do with school construction issues.

Chairman Moy thanked Ms. Browning for her report.

Mr. McCarthy proposed taking a couple more items, recessing for lunch, and then reconvening briefly to discuss the current budget situation.

IX. COMMITTEE REPORTS

Research Implementation Committee

Mr. Turner reported that the Research Implementation Committee, chaired by Commissioner Jones, had identified three goals: leveraging federal research funds to improve state mitigation efforts, promoting mitigation, and educating decision-makers to use information more wisely.

Mr. Turner said the committee invites feedback from commissioners on ways of improving the coordination of research and mitigation activities, the committee's top priority. To further that end, the committee proposes establishing a new council called the California Earthquake Council for Coordinating Research and Mitigation Activities. Mr. Turner welcomed comments from commissioners.

There was general consensus supporting the committee's goals and priorities.

Commissioner Shapiro asked if the new council would be an instrument of the Seismic Safety Commission. Mr. Turner explained that the committee envisioned the new council as a standing committee that would make periodic recommendations to the Commission. Possible members would be representatives from the Southern California Earthquake Center, the Pacific Earthquake Engineering Research Center, CUREE, and users of research. Mr. Turner noted all of these groups have expressed an interest in coordinating research and mitigation.

Commissioner Nishinaga recommended calling the new group a "coordinating committee" rather than a "council." Mr. Turner agreed a shorter title would be better; he suggested a name like the "Research and Mitigation Coordinating Committee."

Commissioner Nishinaga recommended that the group use the Internet as a tool to coordinate research and mitigation activities.

PEER Review Committee

Chairman Moy reported that the PEER Review Committee completed its report. He noted changes proposed by commissioners were incorporated in the final document.

Committee Rosters

Chairman Moy asked commissioners to review the proposed rosters for the Commission's committees and let him know if they wished to make any changes.

V. EXECUTIVE DIRECTOR'S REPORT (Continued)

External Funding Projects

Mr. McCarthy noted the meeting packet includes a joint application from the Commission and the Collaborative for Disaster Mitigation for FEMA funding to develop a small business owner's hazard mitigation guide. He said the Commission will discuss the proposal in more detail at the October meeting.

IX. PUBLIC COMMENT

Mr. George E. Dickson, III, Chief Executive Officer, Seismic Warning Systems, Inc., noted the Seismic Safety Commission is an extremely valuable agency for the state because of its commitment to creating and enforcing seismic safety regulations that protect the public from earthquake devastation. He emphasized that California cannot do without the Commission because it is the only state agency focusing on earthquakes as its primary mission. Mr. Dickson thanked the Commission for its continuous accumulation and dissemination of relevant earthquake data, their accessibility to the general public and the business community, and their understanding of the importance of early warning earthquake technology and the need to be proactive.

Mr. Dickson expressed his opinion that California will probably experience another devastating earthquake within the next ten years, and expected damages are likely to cost over \$30 billion. He urged the Commission to continue making the public aware of the risk and supporting new protective technology.

At 11:55 a.m., the Commission recessed briefly for lunch. Chairman Moy reconvened the meeting at 12:32 p.m.

X. BUDGET DISCUSSION

Mr. McCarthy provided commissioners with copies of the Department of Finance's September 5 letter ordering state agencies to present proposals for 20 percent budget cuts in the 2004-05 fiscal year. He said the staff questioned whether the order applied to all agencies or only those whose budgets come from the general fund, and Mr. Sepulveda sought clarification from the Department of Insurance. Based on their advice, the staff recommends not responding at this time and allowing Insurance Commissioner Garamendi to respond on behalf of all agencies funded through the Insurance Fund.

Mr. McCarthy noted a 20 percent cut to the Commission's budget would be a reduction of about \$176,000, an amount that would not be easy to absorb. He stated that if this decrease is

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mandated, the Commission will have to reduce the number of Commission meetings and take other steps to cut expenses. He drew attention to some of the cost-cutting measures identified in the staff memo. Mr. McCarthy pointed out that if the Commission's budget is reduced by 20 percent, there would be no money available for any special projects.

Mr. McCarthy said the Commission's Budget and Planning Committee will be looking at budget reductions and planning the Commission's response. He noted future budget cuts are likely, but it is uncertain exactly what will happen after the October 7 recall election. He proposed continuing with the three existing projects the staff is currently working on and waiting to see what develops in October. Mr. McCarthy said the staff recommends working with the Department of Insurance in the interim.

Mr. McCarthy expressed concern that Commission funds may be "borrowed" with the understanding that the loan would be paid back in the future. He said some state agencies were forced to give up their reserves and were promised repayment in future years. He noted the Commission anticipates receiving funds from PEER and other sources. Commissioner Shapiro observed that the Department of Finance could order that money turned over to the state with promises of refunds later. Mr. McCarthy agreed, and said he wanted some guarantee that the Commission would be able to keep those funds.

Commissioner Yee noted the latest budget update shows \$144,000 worth of projects for the 2003-04 year. He asked if those amounts had already been spent. Mr. McCarthy responded that \$144,000 is an estimate of project costs, but the money has not yet been committed. He pointed out that the staff expects the Commission will have only \$72,000 available to do a \$144,000 job.

Mr. McCarthy emphasized the urgency of developing a strategy now to deal with and prepare for likely budget cuts. Commissioner Yee suggested looking at reducing contracts, using teleconference meetings in place of face-to-face meetings, and considering cuts in staff salaries and benefits. Chairman Moy noted the Budget Committee discussed the possibility of staff layoffs.

Commissioner Nishinaga observed that the Commission will be unable to carry out its mission if funding is reduced. Mr. McCarthy agreed, and noted that any reduction impacts the Commission's program because the Commission is such a small agency to begin with.

Mr. McCarthy stated that for now, the staff will piggyback onto Commissioner Garamendi's arguments and try to demonstrate that the Seismic Safety Commission is unique. He noted the Department of Finance set September 12 as the response date from state agencies. Although the Commission will not be responding at this time, it is likely the Commission will be asked to submit a budget reduction proposal in the near future.

Chairman Moy recommended adding some more seasoned people to the Budget Committee to help guide the Commission through this crisis. He asked Commissioner Klein to chair the committee, with Commissioners Clark, Manning, and Shapiro participating as members.

Chairman Moy cautioned that some staff layoffs will probably be necessary if the Commission

faces a 20 percent cut.

Commissioner Nishinaga commented that there is a danger in being too cooperative. He noted the Commission should resist compromising its mandated basic functions. Commissioner Klein agreed, but pointed out the fiscal problem is real and serious. He noted all agencies are facing the same problem, and the Department of Finance may be as fair and even-handed as possible in applying the cuts.

Chairman Moy thanked Mr. McCarthy for the update.

XI. MISCELLANEOUS AND GOOD OF THE MEETING

Ms. Cogan said she would contact commissioners by email regarding their availability for a teleconference meeting.

Ms. Cogan noted a shuttle van was waiting to transport commissioners to the field trip locations.

XII. ADJOURNMENT

There being no further business, the meeting of the Seismic Safety Commission was adjourned at 1:00 p.m.

Sue Celli
Office Manager

Approved by:

Richard McCarthy
Executive Director