

CALIFORNIA LEGISLATURE
1995-96 SECOND EXTRAORDINARY SESSION

ASSEMBLY DAILY JOURNAL

Thursday, March 30, 1995

EIGHTH SESSION DAY

FORTY-SECOND CALENDAR DAY

AT SACRAMENTO, CALIFORNIA



PROCEEDINGS OF THE ASSEMBLY

IN ASSEMBLY

Assembly Chamber, Sacramento
Thursday, March 30, 1995

The Assembly met at 8:45 a.m.

Hon. Willie L. Brown, Jr., Speaker of the Assembly, presiding.

Chief Clerk E. Dotson Wilson at the Desk.

Assistant Clerk Sue Walker reading.

ROLL CALL

The roll was called, and the following answered to their names—77:

Aguiar	Conroy	Isenberg	Poochigian
Alby	Cortese	Johnson	Pringle
Allen	Cunneen	Kaloogian	Rainey
Alpert	Davis	Katz	Richter
Archie-Hudson	Ducheny	Knight	Rogan
Baca	Escutia	Knowles	Setencich
Baldwin	Figueroa	Knox	Sher
Bates	Firestone	Kuehl	Speier
Battin	Friedman	Kuykendall	Sweeney
Boland	Frusetta	Lee	Takasugi
Bordonaro	Gallegos	Martinez	Thompson
Bowler	Goldsmith	Mazzoni	Tucker
Brewer	Granlund	McDonald	Vasconcellos
Brown, Valerie	Hannigan	McPherson	Villaraigosa
Brulte	Harvey	Morrissey	Weggeland
Burton	Hauser	Morrow	Woods
Bustamante	Hawkins	Murray, Kevin	Mr. Speaker
Caldera	Hoge	Murray, Willard	
Campbell	Horcher	Napolitano	
Cannella	House	Olberg	

Quorum present.

PRAYER

Upon invitation of Speaker Brown, the following prayer was offered by Reverend Constantine C. Pappademos, Pastor of Saint Katherine Greek Orthodox Church:

Lord, Be mindful of those who bring forth fruit and do good works in this great land. Reward us with Your rich and heavenly blessings. In place of worldly gifts grant us heavenly ones; in place of transitory goods, eternal blessings; instead of the passing, the lasting.—AMEN.

PLEDGE OF ALLEGIANCE TO THE FLAG

Upon request of Speaker Brown, Assembly Member Isenberg then led the Assembly in the pledge of allegiance to the Flag.

MOTION TO DISPENSE WITH READING OF THE JOURNAL

Further reading of the Journal of the previous legislative day was dispensed with on motion of Assembly Member Tucker, seconded by Assembly Member Baca.

LEAVES OF ABSENCE FOR THE DAY

By unanimous consent, the following Assembly Members were granted leaves of absence for the day:

On legislative business: Assembly Member Bowen.

Because of illness: Assembly Member Machado.

(NOTE: For explanation of absence of Assembly Member Bowen on this day, on legislative business, pursuant to the Rules, see the Assembly Journal for the Regular Session for this day.)

REPORTS

The following letter of transmittal was presented by the Speaker, and ordered printed in the Journal:

California State Auditor

94026.3

March 28, 1995

*The Honorable Speaker of the Assembly
The Honorable Members of the Assembly
of the Legislature of California
State Capitol, Room 3196
Sacramento, California*

Members of the Assembly: As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report discussing the Orange County Treasurer's investment strategy. We found that the Orange County Treasurer (treasurer) pursued an investment strategy that placed the funds of the 190 participants in his portfolio at unnecessary risk. Namely, he excessively utilized short-term reverse repurchase agreements to leverage his portfolio, and purchased highly volatile, long-term structured notes with the proceeds. Further, he violated the public trust by inequitably treating the participants in his portfolio by misallocating \$93 million in interest earnings to the county and shifting nearly \$300 million in losses incurred by specific investments to all pool members.

During the 1990s, the treasurer sacrificed the portfolio's safety and liquidity in a futile attempt to maintain yields. As a result of his failed strategies, the investment portfolio ultimately lost \$1.69 billion; the county filed for bankruptcy protection; and critical city, county, and school services are in jeopardy throughout Orange County.

We have made recommendations to the Orange County Board of Supervisors to assist them in formulating a corrective action plan for the future, and to the Legislature to amend state statutes to assure that local government investment problems like those we found in Orange County do not recur.

Respectfully submitted,

KURT R. SJOBERG
State Auditor

Above report referred to the Select Committee on the Insolvency of Orange County.

RECESS

By unanimous consent, at 8:46 a.m., Speaker Brown declared the Assembly recessed.

**INTRODUCTION AND FIRST READING OF
ASSEMBLY BILLS**

The following bill was introduced and read the first time:

ASSEMBLY BILL NO. 26—Caldera and Archie-Hudson. An act to add Article 5.5 (commencing with Section 16491) to Chapter 3 of Part 2 of Division 4 of Title 2 of the Government Code, relating to governmental finance, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

ADJOURNMENT

At 3 p.m., the Assembly adjourned until 8 a.m., Thursday, April 6, 1995.

WILLIE L. BROWN, JR., Speaker

PAM CAVILEER, Minute Clerk