

Comptroller under the umbrella of the Mayor's Office, Councilmember Peters is a bit wary as he believes this office should maintain some degree of independence.

With regard to potential changes to the retirement system, Councilmember Peters noted that certain changes have already been implemented, namely the mandate that a 15 year amortization period be used and the appointment of an independent actuary to advise the Mayor and City Council. In terms of closing the funding gap, Councilmember Peters supports the use of pension obligation bonds.

Mr. Romano asked Councilmember Peters about his perception of a number of the changes that were adopted from a draft ordinance contained in the first Vinson & Elkins ("V&E") investigative report. In particular, Mr. Romano inquired as to whether the creation of a special disclosure counsel position within the City Attorney's Office was a good idea. Councilmember Peters explained that he is somewhat concerned about this change, as he believes that it is not prudent to rely on a City employee as disclosure counsel. It is better to rely on outside experts for this type of advice. Councilmember Peters believes that there is no one in the City Attorney's Office that understands federal securities law. Councilmember Peters noted that V&E's recommendations were adopted because they seemed like good ideas at the time though he is still reluctant to build the advice of outside counsel into the City apparatus. He explained that it has been difficult over the last several years to know who to trust, so maintaining contact with outside arbiters is essential.

With regard to the review of CAFRs and bond disclosure statements, Councilmember Peters later emphasized that training Council members should also involve stressing to them the basic concepts underlying borrowing money from the public so that they can understand the full implications of their responsibility. Training should be done by outside counsel and there should be a certification process to ensure those that are advising the Council members are competent. Councilmember Peters expressed the sentiment that, even with the intelligence of the present Council members, it still takes a long time for them to understand complex issues. Ms. Naughton interjected that the SEC has told the Council members that if they ask at the time of approving a bond offering whether all the information is accurate and disclosed, that will satisfy their securities law duties. However, Mr. Romano and Councilmember Peters agreed that that is probably not sufficient to discharge their duties. Mr. Romano suggested that a brief memo accompany a particular bond offering statement that discusses -- in plain language and in a format that provides both sides of a particular issue -- all the potential issues surrounding the offering. Councilmember Peters agreed with this idea but noted that at a certain point, the information would likely all be included within the disclosure.

Mr. Romano asked Councilmember Peters about what structural changes are needed to change the lack of trust running through the government. Councilmember Peters believes that it is basic human nature that matters are not always dealt with transparently in government. He believes that the only way to get around this tendency with regard to fiscal matters is to implement rigorous accounting standards such that no one can bend the rules at the margins. Not only would this help address the transparency issue, but also it would aid elected officials who may not have the background knowledge to deal with technical financial issues.