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Economy & Efficiency Commission

Meeting Minutes

MINUTES OF THE REGULAR MEETING ECONOMY AND EFFICIENCY COMMISSION

WEDNESDAY, OCTOBER 5, 1994
KENNETH HAHN HALL OF ADMINISTRATION
500 West Temple St., Los Angeles, CA 90012

Editorial Note: Agenda sections may be taken out of order at the discretion of the chair. Any reordering of sections is reflected in the presentation of these minutes.

I. CALL TO ORDER

Commissioner Philibosian called the meeting to order as a committee of the whole.

II. ATTENDANCE

COMMISSIONERS PRESENT

Gunther Buerk
David Farrar
Jonathan Fuhrman
James Gilson
Jaclyn Tilley Hill
Roman Padilla
William Petak
Robert Philibosian
H. Randall Stoke
Julia Sylva
Tony Tortorice
Dan Shapiro
Albert Vera

COMMISSIONERS EXCUSED

Fred Balderrama
Richard Barger
John FitzRandolph
Louise Frankel
Chun Lee

Carole Ojeda-Kimbrough
Randy Stockwell
Betty Trotter

Moved. Seconded and Approved: The Commission members noted above be excused.

III. CONSIDERATION OF MINUTES

Commissioner Philibosian asked for any amendments, corrections or objections to the proposed Minutes from the September 7, 1994 Commission meeting.

Addition to minutes: Commissioner Stockwell moved to amend the minutes so they acknowledge his presence. Commissioner Stockwell attended not Commissioner Stoke.

Moved, Seconded and Approved: The Minutes of the September 7, 1994 Commission Meeting be approved as amended.

IV. INTRODUCTIONS AND ANNOUNCEMENTS

Mr. Staniforth introduced Commissioners Hill, Petak, and Gilson. Each new commissioner then made an autobiographical statement.

Commissioner Petak is a professor at USC and Director of a program, identified as the Institute for Safety and Systems Management. His education includes a Bachelor degree in Engineering, a Masters in Business Administration and a PhD. in Public Administration. He mentioned that his role requires integrating his broad training: part engineer, part administrator, part politician. Dr. Petak has been published extensively on public policy with regards to natural disasters.

Commissioner Hill stated that she is the past foreperson of the Grand Jury.

Commissioner Gilson described his career at the law firm Tuttle & Taylor. The firm specializes in public agency clients as well as private clients that have an interest in public policy. Prior to that he held the position of Deputy to Supervisor Edelman. He is married to a banker and they have two children.

Commissioner Philibosian observed that a quorum was present so moved to OLD BUSINESS.

V. OLD BUSINESS

A. Final approval of Amendment to Operating Procedures (Legislative Positions)

There was a CAO memo that was approved by the Board directing commissions who take legislative positions to route those recommendations through the CAO prior to advocating them to the Board. This amendment implements that directive.

Various commissioners commented on the history of this method. Commissioner Philibosian pointed out that the Economy and Efficiency Commission already follows this policy. Motion, Seconded and Approved. The Amendment to Operating Procedures.

B. Museum of Natural History

Commissioner Hill met with the newly appointed president of the museum, Dr. Powell, and with the Board representatives. A task force of the E & E Commission consisting of: herself, Betty Trotter, Roman Padilla, Randall Stoke and Albert Vera was then composed. The task force toured the museum's storage facilities. Dr. Powell has made a presentation to the Commission. The task force is planning their report for December.

Commissioner Gilson was recognized and mentioned that his firm represents the Natural History Foundation. He's written a letter to County Counsel requesting an opinion on how he ought to behave regarding Commission actions on this issue. Commissioner Philibosian suggested that County Counsel will probably suggest that there is no prohibition on being involved in discussion however advised Commissioner Gilson that he ought not to vote on any motions regarding this issue.

Commissioner Philibosian then relinquished the Chair to Chairperson Buerk who had just arrived.

Mr. Staniforth described the Task Force's attempt to find a qualified consultant regarding museum collection management. Dr. Davis, who holds the Pilsbury Chair at the Philadelphia Museum of Natural History and has

conducted reviews for many large museums, has been contacted. The Task Force approved the selection of Dr. Davis as the consultant on this issue and he will be put under contract upon his return from a trip to China. The amount of the contract is about \$15,000.

Motion, Seconded and Approved: The contract for Dr. Davis be approved. Commissioner Gilson abstained.

C. County Economic Growth

Commissioner Philibosian reported that the Task Force has made recommendations for legislation to the Board in the areas of: workers compensation, tort reform and permit streamlining in an effort to have a more business friendly environment in Los Angeles. More business would result in greater tax revenue without an increased tax rate.

The Task Force needs staff to gather materials from the various state agencies and legislators who are involved in these issues. Then the materials need to be condensed and summarized so the issues can be analyzed and recommendations can be made.

Mr. Staniforth had a meeting with Commissioner Vera about the issue of a combined purchasing agreement between the County and the cities. After the meeting with Commissioner Vera, Mr. Staniforth wrote a draft memo. The CAO and Supervisor Burke were already working on the issue. So, the CAO will be making the recommendation to the Board rather than the Commission.

Commissioner Vera elaborated on the concept. Economies of scale for items like, pharmaceuticals, vehicles, etc. would result in cost savings for all participants. Contracting for these supplies within the County keeps the tax revenue here.

Chairperson Buerk suggested that Commissioner Vera be the Commission's representative to the CAO's committee on the issue of centralized purchasing.

Chairperson Buerk brought up the fact that the exception for overtime pay that was in effect after the Northridge earthquake just expired. He noted that the flexibility of this policy was very beneficial to the County. He noted that there is some legislation being prepared on this issue. He asked the Task Force to make a recommendation on this issue.

Commissioner Gilson commented upon the way that MTA looked at its contracting process to see how it could provide economic benefit to the County. This would entail the prime contractors on MTA projects hiring local subcontractors. In his opinion, the Economic Development Commission is too focused on businesses that are leaving rather than being proactive.

D. Department of Health Services - Reengineering

Task Force Chairperson Tortorice reported that the first request for a Productivity Investment Fund (PIF) grant was denied. Mr. Staniforth then met with a consultant who suggested that the Task Force define a standard for success on the project. This definition allowed for a \$100,000 PIF grant. The consulting firm has initiated numerous meetings to get the project rolling. There is a work plan in place.

Chairperson Buerk complimented Commissioner Tortorice for his follow-through on getting the project going.

Commissioner Tortorice introduced Fred Brousseau from Harvey Rose who described the work plan. So far, they've conducted interviews with personnel both at the hospital and the comprehensive health center. They've had a very good response. The next step is mapping out the current process for intake of patients. Then they will work with hospital staff to reengineer the process to accomplish the dual goals of increased patient satisfaction and reduced costs. Chairperson Buerk requested insight into the timing of the project completion. He said they're aiming for a preliminary report in December or early January. The revised work plan will be submitted soon.

E. Liability & Risk Management

Mr. Staniforth reported that he has received a final draft from ARMTEch. He needs to coordinate with the CAO, and with several departments. Then the Task Force will decide on how to present the recommendations to the Commission.

The CAO and some other departments all put out documents responding to the Commission's recommendations. Mr. Staniforth will put together a matrix that summarizes both the recommendations and the departmental responses.

F. Proposition "A" Contracting Follow-Up

Commissioner Padilla noted that the CAO has responded to the Commission's recommendation. He suggested an extension on the deadline. Chairperson Buerk suggested that the extension requested should be one month. Mr.

Staniforth stated that the CAO would like to negotiate each of the recommendations made with the Commission so that the document submitted to the Board will be in concurrence with the CAO's document. Chairperson Buerk suggested that the Task Force work with the CAO to get implementation to the greatest degree possible. The negotiation process is an attempt to get CAO compliance.

G. Unincorporated Areas Services

Commissioner Padilla recounted a Task Force conference call where the issue of staff time was brought up. Mr. Staniforth is recruiting staff for this project. The Task Force is focusing on the services provided by: the Sheriff's Department, the Department of Public Works, the Fire Department, and the Department of Parks and Recreation. Those entities serve the 900,000 citizens residing in the unincorporated areas.

H. Jury Management

Mr. Staniforth stated that he's prepared the first draft and distributed it to the Task Force for review and comment. The revision will be available by the end of the week. It will be submitted to the Courts for comment. Then the Task Force will incorporate the comments and present the draft to the full Commission.

Chairperson Buerk asked how long it might take for the Court to respond to the Task Force's report. Mr. Staniforth stated that the Task Force will give the Courts a week and a half to respond and if they don't respond within that time period, then the Task Force will go with the draft as written.

I. Real Property Management

Chairperson Buerk stated that Commissioner Shapiro has resigned from being the Chair of the Task Force. Chairperson Buerk has appointed Commissioner Farrar as the new Chair of the Task Force.

Commissioner Farrar stated the objective of the Task Force: find ways that the County can save money in administering its real estate. Currently, the County uses over 50 million square feet. Of that total, 30 million square feet is in leases, many of which are at rates in excess of market rate. Identifying what leases can be renegotiated to achieve significant cost savings is a key strategy. Incentives to County departments to make the instability of re-negotiation worthwhile are important to the Task Force's approach. Many long held leases have options to buy. Due to budget constraints, options to buy have been passed up. The Task Force is developing strategies for how the County could purchase and thereby reduce its rent outlays.

Chairperson Buerk stated that he thinks that the Task Force could have a tremendous impact and he encouraged Commissioner Farrar to continue.

Chairperson Buerk moved to VII. NEW BUSINESS while a quorum was still present.

VII. NEW BUSINESS

A. Amendment to Operating Procedures (Contracting)

Chairperson Buerk stated that each Commissioner had received the draft amendment based on the discussion of the last Commission meeting. Mr. Staniforth outlined the issue the amendment addresses. Under the amendment, the Chair would be authorized to approve for submission contracts under \$25,000. For larger dollar amounts, the entire Commission would be required. Mr. Staniforth detailed the fact that the Commission is not an approval authority. So contracts the Chair or Commission decide to submit are ultimately approved by the Board or the Executive Office.

Commissioner Padilla asked how Task Forces can get contracts approved. Chairperson Buerk detailed that Task Forces will continue to select consultants. If the contract is for less than \$25,000 the Chair approves the submission of contract. Upon approval from the approval authority, funds then become available.

Moved, Seconded and Approved: The Amendment to Operating Procedures (Contracting) is approved.

Chairperson Buerk moved back to V. OLD BUSINESS as there was no longer a quorum

V. OLD BUSINESS

J. Management Information Systems

Commissioner Fuhrman reiterated for the new Commissioners the scope of issues the Task Force addresses. It looks at how the County conducts Information Technology efforts. Currently, the Task Force is composed of only Commissioner Fuhrman and Commissioner Tortorice. Recently, the Commissioners have met with Clive Ferris, from

the Sheriff's Department's Data Systems Bureau. They've also met with representatives of Health Services, the District Attorney's office and DPSS as well as ISD.

The schedule for a final report to the Commission has slipped because ISD will not be able to meet with the Task Force until mid-November.

Commissioner Fuhrman asked that the other new business item, a proposal concerning Administratively Unified Courts be moved to the next meeting.

VI. PRESENTATION

Mr. Staniforth introduced Ms. Hopkins, recommended highly by Susan Burke, whose topic was: Reengineering Health Care Systems. Ms. Hopkins has an MBA from Pepperdine University, and an MA from Governors State. She has 15 years experience in health care management. Ms. Hopkins is the senior staff specialist at the American Hospital Association. Additionally, she is a former editor of the QRC Advisor a national newsletter, and is the author of more than 10 books.

When looking at reengineering of health care systems, there are four levels that can be changed. At the macro level, one can change the delivery system as the Clinton plan attempted. This was an attempt to restructure the providers, the consumers, the patients and the regulators into a different construct. HMOs are an example of delivery system changes. The next level down would be changes like regional health care networks. For example, in a region, changing how services are delivered to Medical patients. The next level down is the organization/facility level. Changes at this level are often a response to an organization's definition of scope. The lowest level is the service delivery level.

When considering return on investment for reengineering, the biggest dollar savings can be achieved by addressing the biggest issues. Dealing with small processes is not the way to generate large dollar efficiencies.

When reengineering, one starts with a blank piece of paper. Rather than assuming any continuity with previous processes, the question to ask is "what do we want from our new system?" After defining those goals, one can design the best approach rather than addressing the current processes and their weaknesses.

Many health care professionals are intimidated by reengineering. It is often perceived as a process that will result in a loss of job security. This serves as a disincentive to organizations who need improvement. Process improvement is not perceived as negatively. However, that approach often doesn't result in real improvements, or cost savings.

Commissioner Philibosian suggested that the labels "High Risk" and "Low Risk" should be added to the slide that contrasts Reengineering and Process Improvement. Reengineering is High Risk and High Reward. Process Improvement is Low Risk and Low Reward.

One of the commissioners asked whether Ms. Hopkins is a proponent of comprehensive change in complex organizations. She replied that the depth and breadth of change have to do with what the organization decides to be. Sometimes, a broad change is necessary to position the organization in a competitive environment.

Ms. Hopkins then asserted that an organization is ready for a reengineering process when it has adequate answers to the following questions:

- Is the leadership ready?
- Do the leaders understand the risk and potential rewards?
- Is there a commitment?
- Does the organizational culture encourage innovation?
- Does the organization have a vision and a strategic plan?
- Financing?
- Is the organization committing the appropriate staff time to reengineering?
- Do you have in place the appropriate human resource system that can accommodate change?
- Do you have an organization where staff routinely contribute new ideas to improve processes?
- Can an information system be implemented to transform the transaction?
- What mechanisms does the organization have in place to communicate the status of the reengineering program?
- How do you distribute that information?
- How to integrate the reengineering with other activities that the organization has in place to improve quality?

Chairperson Buerk asked for Ms. Hopkins' observations about how LA County's health care system can be reengineered. Ms. Hopkins discussed the DHS effort at reengineering. With a MediCal patient base the goal is a "managed-care" delivery of services. This moves the paradigm from an illness based model to a wellness based model with cost savings resulting. To date, her work with DHS has been in the areas of quality improvement, accreditation,

and licensure preparation.

Chairperson Buerk wondered whether the term "reengineer" can be applied to the overhaul of a single department within an organization. Ms. Hopkins replied, "No", with the exception being departments that are very isolated or insulated from the rest of the organization. The reason for this is that internal reorganization has external effects.

Chairperson Buerk then followed up asking Ms. Hopkins whether it is feasible to do a reengineering project without involving the entire organization. Given the cost of overhauling an entire organization, there is little will to tackle the task. Ms. Hopkins replied that if there is a clear vision and strategic plan for what the organization wants to be and how it is going to get there, then yes, reengineering may be accomplished piece-meal.

Commissioner Hill asked whether talk of a reengineering project creates turmoil in staff members. Ms. Hopkins replied that fear hinders change. The key is to get buy-in from staff members on the strategic plan. Then when major changes are discussed, staff members want to involve themselves in making the changes necessary. Communication about the process of change helps to relieve fears. Assistance to employees who are willing to learn new skills to accommodate organizational change creates loyalty. A good functional human resources division needs to be in place prior to the changes to facilitate them.

Commissioners requested examples of successful public and private sector health facility reengineering processes.

Ms. Hopkins cited military branch efforts to move patients into the private sector. The Veterans Administration is also going through the process. Sepulveda is an example of a public facility that has shifted to an outpatient basis. In the private sector, cited Henry Ford Health Systems in Detroit, MI.

How long does a reengineering take? The key hindrances are financing the change, preparing for the human resource consequences, and educating the organization about the strategic vision and motive for the change. So the process can take 6 months or 5 years.

Chairperson Buerk thanked Ms. Hopkins for her presentation.

IV. INTRODUCTIONS & ANNOUNCEMENTS

Chairperson Buerk presented an award the Commission received from the National Association of Counties for the Retirement Cost Reduction study. Louise Frankel received the award on behalf of the Commission.

The Los Angeles County Commission on Local Government Services is doing a study on Regional Law Enforcement Training. The chair of that commission has requested that the E&E Commission send a liaison to contribute to the project. Chairperson Buerk asked if anyone had an interest in serving as the liaison. Commissioner Sylva volunteered.

VIII. ADJOURNMENT

The meeting was then adjourned.

Respectfully Submitted,



Bruce J. Staniforth
Executive Director

[Go to October 5, 1994 Agenda](#)

[Return to November 2, 1994 Agenda](#)



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