
Economy & Efficiency Commission

Meeting Minutes

MINUTES OF THE REGULAR MEETING ECONOMY AND EFFICIENCY COMMISSION

WEDNESDAY, SEPTEMBER 4, 1996
ROOM 830, 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

Chairman Buerk called the meeting to order at 10 a.m.

II. ATTENDANCE

COMMISSIONERS PRESENT

David A. Abel
Richard D. Barger
Gunther Buerk
David Farrar
Louise Frankel
Robert Glushon
Christopher W. Hammond
Jaclyn Tilley Hill
Michael A. Jimenez
Chun Lee
Carole Ojeda-Kimbrough
Roman Padilla
William Petak
Robert Philiposian

COMMISSIONERS EXCUSED

Harry Cooper
John Crowley
H. Randall Stoke

Julia E. Sylva

Tony Tortorice

COMMISSIONERS ABSENT

Fred Balderrama
Jonathan Fuhrman

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

III. CONSIDERATION OF MINUTES

Moved, Seconded, and Approved: The minutes of the August 7, 1996 Commission Meeting be approved.

IV. INTRODUCTIONS AND ANNOUNCEMENTS

Chairman Buerk introduced a new commissioner, Commissioner Chris Hammond. Commissioner Hammond stated that he formerly served on the Housing Commission and was pleased to be a member of the Economy and Efficiency Commission. He gave the Commission some information on his background: he has been involved in politics as Jesse Jackson's California campaign manager and Tom Bradley's deputy campaign manager; he has also been involved in commercial development and affordable housing development. Currently, he is the Secretary of the Board for the Community Development Bank, and he is also involved with LA's best and similar groups.

V. OLD BUSINESS

1. Department of Health Services

In Task Force Chairperson Tortorice's absence Commissioner Frankel reported that Doug Bagley of Mark Finucane's office made a presentation to the task force on the status of changes recommended by the task force. Commissioner Frankel stated that she felt very positive about the department's implementation of the recommendations. Mr. Bagley and his office indicated that our report had allowed them to focus on changes they had considered making in the past. However there is still a lack of financial support to make the changes. The most important item they discussed is that they are now approaching the entire hospital system using a reengineering concept. This is something that was inspired by our report. Currently, they are hiring consultants for hospital reengineering. She feels that they are making an effort to change.

Chairperson Buerk stated that he read Mr. Finucane's letter on the status of recommendations and he did not feel very positive about their desire to implement the Commission's recommendations. In the letter Mr. Finucane stated that many recommendations had not been implemented because "things had changed". Commissioner Frankel replied that yes, in some areas changes were not made that could have been, but in other areas they were making efforts to change.

Chairperson Buerk asked what action the task force recommended the Commission take in regards to the follow up to the Board. Commissioner Frankel replied that Task Force Chairperson Tortorice is going to write a letter to Mr. Finucane expressing concerns that the task force has with the status of recommendations. Chairperson Buerk asked if this line of action falls under the Board's extension. Commissioner Frankel replied yes. Chairperson Buerk requested that the task force have a recommendation ready for the Board by the next commission meeting.

Commissioner Lee stated that he felt that the department has its own project and our recommendations were really secondary to what they wanted to do. However, he did feel positive about the efforts of the department as they related to the individuals at the presentation who had hands-on experience at LAC/USC. Commissioner Frankel stated that she asked these same individuals what they thought of the report's projected \$1 million savings. They replied that the monetary savings would probably not be seen, due to the cost to implement changes, however, the efficiency of services and the response time to patients would be greatly improved.

Commissioner Barger stated that these changes are not based on our recommendations, but they are a response to competition from HMOs etc. They have to change in order to stay competitive.

Chairperson Buerk stated that the purpose of this report was to show how, in one area, reengineering can make a difference, and if this spurred them to make across the board changes, that is very positive. He requested that the task force prepare a report for the Board by the next meeting.

2. Constitutional Revision Commission

Task Force Co-Chair Abel reported that at the September 3, 1996 Board Meeting, the Board voted to direct the Commission to explore the recommendations as they relate to county government, of the California Constitution Revision Commission's report. The Board authorized \$25,000 to assist in this research. The task force is

recommending three consultants for this amount to assist on the project. Task Force Co-Chairs Abel and Philibosian met with these individuals, Wes McDaniel, Louis Shepard, and Richard Powers, yesterday. The consultants will plan to have a report for the task force's review in November, that should result in action by the full Commission in December, so it can go to the legislature in January. The task force is planning on having regular meetings or conference calls.

Commissioner Jimenez stated that the Los Angeles Times reported that the State will not take action on the CCRC's recommendations. Commissioner Abel commented that this was not a surprise, in fact the former heads of the CCRC anticipated this response. It was not expected that these recommendations would make it to the legislature at this time. What is important, is that the issues raised by the CCRC are explored by other entities and resurface next year. Chairperson Buerk agreed that there must be public discussion of these issues before there is legislative action.

Chairperson Buerk asked Mr. Staniforth to give some background on the consultants for this project. Mr. Staniforth reported that Wes McDaniel, the former Executive Director of the San Bernardino Association of Governments, is the lead consultant on the project. He recently retired and went in to consulting with his own firm, McDaniel Consulting. Mr. McDaniel has a lot of experience in inner-governmental relations and has worked on the CCRC's report. Louis Shepard is a former City Manager for many cities and was on the Pasadena Redevelopment Agency. Mr. Shepard is a partner in City Associates, Inc.. He suggested that his partner, Richard Powers also assist on the report. All three of the consultants agreed to become involved in this project within the constraints of the original budget.

Commissioner Jimenez asked how the report will be submitted and distributed. Mr. Staniforth replied that will be up to the task force to approve the final draft and the full Commission gives final approval to publishing the report. Chairperson Buerk added that it will also depend on the action called for in the report. Commissioner Jimenez asked if the Board advocates legislative action for the County. Chairperson Buerk replied yes.

Commissioner Barger asked if we were the only entity within the County that is reviewing these recommendations. Chairperson Buerk replied that to his knowledge no one else was reviewing these recommendations. The Legislative Analyst Office wants to review the impacts on Los Angeles County, but to his knowledge, they are not pursuing that at this time. Commissioner Jimenez asked if the Grand Jury was participating in a review. Mr. Staniforth replied that they are interested in reviewing our findings.

Chairperson Buerk moved the third item, Delivery of Municipal Services to Unincorporated Areas to the end of the agenda. Task Force Chairperson Padilla informed him that he would be late and requested the item be held until he arrived.

4. Real Asset Management

Task Force Chairperson Farrar reported that over the past few months he, Ms. Pat Flynn, and Mr. Staniforth had met with Sharon Yonashiro. He is impressed with progress that they appear to be making. Specifically, the reorganization of the relationship of the CAO's office and ISD which resulted in a centralized authority over real estate management. Secondly, they have money available to hire a consultant to assist in reorganization. They are also working to implement a GIS (geographic information system), which this Commission recommended.

It is important to have a continual review of the real asset management situation in order for the changes to be productive. It is unclear whether there is one individual in the County who has the specific job of monitoring real asset management. The governance issues are further complicated by the fact that four commissions are currently working on this issue. These commissions are: The Real Property Management Commission, The Quality and Productivity Commission, Local Government Services and the Economy and Efficiency Commission. He felt that the EEC's task is to try to facilitate collaboration between the four groups so all the efforts are focused and the CAO is not pulled in four different directions. This may include forming a committee comprised of members from the four groups who we can ask the Board to staff or assist with a consultant. What must happen first is a meeting of the four parties interested in this issue.

Commissioner Hammond asked what the potential benefit that the Commission is working towards. Task Force Chairperson Farrar replied that this Commission has stated that the County needs to take a professional approach to the management of its real estate portfolio. This includes consolidation of leases and shared usage of adjacent facilities. In our study we found that there could be a one-time savings of \$20 million and an on-going savings of \$27 million annually. The GIS will create a database of information that will be used to make these decisions.

Commissioner Frankel stated that she is continually amazed by county officials who seem to discount savings unless there are multi-billion dollar figures. This is a huge savings potential for the County and it is not a priority. When this Commission did a report on the pension fund, the then GAO seemed to discount savings of \$5 million over two years, etc.. This savings could be used to operate county services, such as the library.

Chairperson Buerk stated that another study by this Commission determined that the total value of the County's real

estate assets are between \$20-\$30 billion. This does not include the 'loose' real estate assets. He asked what this task force was doing to focus on these assets. Task Force Chairperson Farrar replied that currently the County is doing well with lease renewals, but they need help in trouble shooting and forward thinking.

Commissioner Ojeda-Kimbrough stated that recently the City formed a commission or committee to look at a similar problem, the retro-fitting of City Hall and renting or leasing from privately owned buildings. This may be a good opportunity for the County and City to do a collaborative study and possibly sub-lease County buildings to the City. Task Force Chairperson Farrar agreed that is an excellent idea and, in fact, we are using the same consultants so we can utilize the work the City has already done. Collaboration between governments is ideal.

Commissioner Hill stated that she had seen a presentation by Sharon Yonashiro's office to the Quality and Productivity Commission of how real assets were going to be managed, but she has concerns of who in the County has the expertise to make these important decisions of buying, selling, and development.

5. Department of Public Social Services (DPSS)

Task Force Chairperson Petak reported that six months ago Supervisor Antonovich requested the Commission look at the Department of Public Social Services. After reviewing the situation, the task force met with one of Supervisor Antonovich's aides to find out specifically what area of DPSS that he wanted the Commission to focus on. At that time, the decision was made to put the project on hold until the Welfare Reform changes took shape and a new department head was appointed. Unfortunately, the new department head, Linda Bayer, was badly injured and will not return to work for several months. As a result of these factors, the project has been placed on hold again until there is a more stable environment at the Department.

Mr. Staniforth added that he had sent a letter to the Board indicating this matter had been placed on hold for the above stated reasons and received confirmation from Supervisor Antonovich's office.

Commissioner Lee requested a copy of the Welfare Reform Act. Chairperson Buerk stated that the task force should keep up to date with the information surrounding DPSS and, as things progress, prepare a work plan to submit to the Board.

Task Force Chairperson Petak requested copies of the Legislative Analyst Report and any assessment the County may have done by the Department.

6. ISD Restructuring / Purchasing Division Review

Mr. Staniforth reported that he continues to work on the follow up report, although, due to the time constraints, he has concentrated most of his efforts on the Constitution Revision Commission. He has contacted ISD to review the workplan draft before it goes to the task force. Once this is received he will have a meeting with the task force. He expects this to take place in the next few weeks.

He stated that he is still looking for someone to assist with the purchasing audit and would welcome any suggestions from the commissioners.

Chairperson Buerk asked what are the time frame of these projects. Mr. Staniforth replied both projects are about six months and behind schedule.

7. Department of Human Resources / Department of Health Services

Mr. Staniforth reported that we are still waiting for these departments to contact us with information on the strategy that the Board directed them to develop.

8. Natural History Museum

Commissioner Barger referred to the minutes of the August 7, 1996 meeting in which Commissioner Stoke stated, "The Museum should follow the standard of other non- profits to pay a percentage of their capital endowment for operating purposes. The Museum, not the Commission, must set a policy to achieve this," and Commissioner Philiposian stated, "every other institution that he is aware of draws income from their endowment. What is the purpose of an endowment that produces no income?" He is appalled by the fact that the museum is sitting on an endowment while the County is in an economic crisis, and strongly supports the task force taking action again in February.

Task Force Vice-Chairperson Hill thanked Commissioner Barger for his interest and support and reiterated that the Berkshire Hathaway Stock is not the issue at hand, rather the task force is interested in a prudent fiscal management that all non-profits abide by and in supporting the Natural History Museum so it may achieve its goal of becoming a world class facility. She requested that the issue of stock no longer be the focal point of discussion concerning the

museum. The task force is concerned with having the Museum function in the same manner that all world class facilities are managed. The task force is standing by the Commission's recommendations and will be aggressively following up in February. This will be a review of the adopted recommendations.

Chairperson Buerk asked that by the next meeting the task force make a recommendation to the full Commission regarding this particular recommendation which has been discussed at every meeting. The Commission will then have the opportunity to adopt a motion on that item and go to the Board.

Commissioner Philibosian asked what is the window of opportunity. Mr. Staniforth replied that the window of opportunity occurs when there is a financial crisis in the County defined by a certain number of layoffs. This occurred in the fiscal year of 95-96 and thus the window closed July 31st. Commissioner Philibosian suggested that perhaps the CAO should take a look at the contract, the County Charter, and the State Constitution to see if the changes needed could be made within those structures. Chairperson Buerk deferred this to the task force.

Commissioner Frankel agreed that this should be approached legally. The Museum may be required by law to expend 5% of their capital for operating expenses.

VI. PRESENTATION - Dr. Steven Frates, Rose Institute of State and Local Government at Claremont McKenna College Topic: *Review of the Rose Institute Report entitled, An Analysis of Los Angeles County Government for the Howard Jarvis Taxpayers Educational Foundation*

Dr. Frates, a former student of Commissioner Petak, introduced his two colleagues, Eric Norby, his co-author and Joel Fox, Executive Director of the Howard Jarvis Taxpayers Association. In relation to the Commission's current study, he mentioned that he and Joel Fox were members of the California Constitution Revision Commission. He also invited Commissioner Farrar or any of the Commissioners, to take a look at the Rose Institute GIS and its capabilities.

The key to what the County can do lies within the salary and benefits situation. Although personal income must go up in order to pay rising taxes, the Rose Institute feels that the County could have saved enough money to operate the library and run the Twin Towers, if the County had raised salary benefits a total of 10% between fiscal year 90-91 and fiscal year 95-96, as opposed to a total of 16%. The CAO disagrees with these findings. This is an area the Board of Supervisors has the jurisdiction to make and implement changes.

Dr Frates stated that the Rose institute operates as non-partisan entity and this report was solely focused on numbers and not politics.

Another area where the County has the ability to make and implement financial changes is the Department of Health Services. The County health system (including hospitals) has a large number of employees to support. He recommends the path that Orange County and San Diego County took, which are getting out of the hospital business. Los Angeles County is spending \$400 million a year to subsidize its hospitals. Although there are several State health mandates none of these are specifically related to hospitals, they are concerned about health care systems. Other Counties are moving away from building large hospitals and Los Angeles should follow their lead. Commissioner Barger asked what has kept Los Angeles County from doing this. Dr. Frates stated that, although the Board of Supervisors is the policy making entity in the County, what influences policy making in the County is legislative policy where Los Angeles County is not well represented. Former CAO Sally Reed came to this decision as well.

Chairperson Buerk asked what should be done with the existing hospital structures. Should they be shut down? Dr. Frates replied that Orange County's and San Diego County's hospital contracts were taken over by universities and they became teaching hospitals.

Commissioner Hill stated that Los Angeles County has historically taken the role of "care giver" and this provides us with a unique problem that Orange County or San Diego County do not have. We have a population dependant on these services. How do you factor in this "care giver" situation to the hospital challenge? Dr. Frates replied that San Diego County does have an "illegal alien" problem, but their contracting arrangement per patient situation is more efficient. The solution is to treat those individuals who are dependant on the services, but to find different ways to deliver the services, i.e. Medical HMOs. This is something that the County must prepare itself for as more people move to 'HMO's and like plans. There will be fewer people going to county hospitals and therefore the service cost will increase.

Commissioner Abel said that his interpretation of the report was that the Rose Institute felt that the County's fiscal problems were a result of the Board of Supervisors Policy choices. Dr Frates replied that was not the intended implication, but many have interpreted the report to say that Commissioner Abel asked him how he juxtaposed the finding of the California Constitution Revision Commission, which Dr. Frates was a part of, that counties have little authority to chart their own destiny with the notion that this County's fiscal problems are primarily the result of the Board's policy choices. Dr. Frates replied that there are many things the County does not have control over (state

mandates and federal mandates), however, the salary and benefits issue and the policy of hospitals are both areas where the Board has the ability to act and should have acted more prudently.

Commissioner Abel stated that there's a disparity between the inability of the County to raise revenues and its responsibilities. Some people believe that this is a direct result of Prop. 13, which took the local responsibility of revenue raising away from local government and gave it to the State. This was an unintended consequence. Dr. Frates responded that Prop 13 has received a lot of bad press and in fact it is AB8, the Assembly Bill that was enacted in response to Prop 13, which did the primary damage to counties. AB8 changed the nature of relationships between State and county. Orange County was hit even harder than Los Angeles County. In Orange County, only \$.08 on the dollar raised stays in the County. He does agree that there is disparity of revenue raising ability and accountability that needs to be addressed. He feels that the state needs to get out of the business of funding schools and put that back at a local level. Before Prop 13, school bonds almost always passed because people are willing to spend money on local services and schools.

Dr. Frates stated that Rose Report also emphasized that the Los Angeles County Budget needs to improve its clarity and readability so it is more accessible to the public. There needs to be clearer information in the budget, proposed budgets, and line items. He encourages this Commission to recommend the County take steps to simplify the budget document so it is accessible to all. This will allow more people to have an effect on the process, thereby resulting in a more prudent final budget.

Commissioner Frankel asked Dr. Frates to comment on the County Pension System. This Commission's study found that some County officials have retired with an income significantly greater than their income while they were an employee. Dr. Frates responded that, in general terms, people in California government have a 40-50% better pension and benefit package than the private sector. Trimming this even minimally, would have a huge impact on the budget. They have considered recommending that the budget makers not handle a package which includes their own salary and benefits. They should be funded under a different package to prevent conflict of interest.

Commissioner Hammond asked if the Rose Report looked at the real estate holdings of the County. Dr. Frates replied that they did not.

V. OLD BUSINESS (continued)

3. Delivery of Municipal Services to Unincorporated Areas

Task Force Chairperson Padilla thanked the Commission for waiting for him to arrive and reported that he has spoken with some of the offices on the 8th floor and has been advised to agendize the report to facilitate discussion with the Supervisors. Chairperson Buerk agreed.

VII. NEW BUSINESS

The Commission retired into closed session to consider the Executive Director's annual performance review. Upon completion of the closed session, Chairperson Buerk stated that the Commission agreed in closed session to recommend to the Board of Supervisors to renew the Executive Director, Bruce Staniforth's, contract and ask for a 7.5% in pay. The Commission commended Mr. Staniforth for his outstanding performance in the past year.

Due to his absence, Chairperson Buerk tabled Commissioner Fuhrman's item of civil service until the following meeting.

Commissioner Hill asked for the status on the Economy and Efficiency web site. Mr. Staniforth responded that he had contacted the Executive Office and they are looking into the possibility of putting us on their web site. This would list a summary of our reports and list the office phone number for more information to allow people to order reports. We may charge a nominal fee for the reports to cover the cost of postage and printing.

VIII. ADJOURNMENT

On a motion from the floor, Chairman Buerk adjourned the meeting at 12 00 p m.

Respectfully Submitted,



Bruce J. Staniforth

Executive Director

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