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Economy & Efficiency Commission Presentation

Editorial Note: Although every effort has been made to insure the accuracy of the material in this presentation, the scope of the material covered and the discussions undertaken lends itself to the possibility of minor transcription misinterpretations.

**PRESENTATION BY
Supervisor Don Knabe
Fourth District, Los Angeles County
Topic: The Demographics, Economics, and Characteristics of the 4th District**

September 6, 2001

Chairman Philibosian introduced Supervisor Don Knabe by drawing the Commission's attention to the map of the 4th District, illustrating the diversity of the economy, geography and population (stretching from Diamond Bar to the offshore islands of Santa Catalina and San Clemente). Supervisor Knabe previously served as Chief of Staff to Supervisor Dean Dana. He is the first Chief of Staff to be elected Supervisor and is now in his second term of office.

Supervisor Knabe began by thanking the commissioners for their many volunteer hours. He gave a quick overview of the 4th District relating to long-term economy and energy issues, noting that TRW and Boeing have both been offered five years of free energy to leave California. Boeing is trying to regulate energy costs by asking their employees work between the hours of 6:00 a.m. until 4:00 p.m. This action interferes with production and becomes a competitive issue with the 300 Airbus moving into Long Beach.

Another major employer is the Los Angeles Air Force Base (a major military installation involving research and development) in the South Bay/Torrance/Gardena/San Pedro areas, which has approximately 5,000 employees (military/civilian), as well as 150,000 subcontractors: i.e., Aerospace Corp. This industry's value represents billions of dollars to the economy of the State of California and Los Angeles County; however, another round of base closures is eminent. Supervisor Knabe will be meeting in Washington, D.C. with the Joint Chiefs of Staff regarding this issue. Meanwhile the county is renovating Fort MacArthur.

Supervisor Knabe stated that ports and LAX (Los Angeles International Airport) are located in the 4th district. Supervisor Knabe is the Chair of the newly revitalized Southern California Regional Airport Authority (SCRAA), which includes representatives of Los Angeles, Riverside, San Bernardino, and Orange counties, the City of Los Angeles and as an ad hoc member, SCAG (Southern California Association of Governments). When Mr. Cliff Moore initially formed the SCRAA, his vision was to regionalize air traffic. In 2001 the authority is attempting to redistribute air traffic equally throughout the basin. Palmdale, Ontario, and the Inland Empire want increased air traffic. El Toro, March, George and Norton airports are closed.

Supervisor Knabe recently spoke with Secretary of Transportation, Norman Mineta, who has committed to an Intermodal Task Force comprised of the FAA (Federal Aviation Administration) and twenty

congressional members who are supporting the county regarding aviation issues. The county has sufficient runway capacity, making utilization in different regions the real issue. LAX was built to accommodate 46M passengers per year; currently there are 68M passengers and the expansionists want to go to 105M passengers. The third busiest and most heavily urbanized airport, LAX is using 3,500 acres, while Denver uses 35,000 and Palmdale has 17,000 acres available. The key will be airport ground access.

Commissioner Crowley asked whether the SCRAA's powers were advisory. Supervisor Knabe responded that the structure and the statutes of the SCRAA give them the ability to operate, to condemn property, and the power to veto - including ground access and the actual airport operation. SCAG sits as a planning agency but has no power to implement. SCRAA has the power to implement. Commissioner Crowley stated that he was a commissioner on the Burbank Airport Commission and wondered if Supervisor Knabe's resources would be available. Supervisor Knabe responded that the Burbank Airport would carry their share in the regionalization of the area, especially where population growth is prevalent.

Commissioner Thompson asked how the Alameda Corridor, which is probably the largest public works program in America, impacted the 4th District. Supervisor Knabe responded that the impact to his district was dramatic, especially the ports. The first phase of the project is on budget and on time. The second phase will be more difficult, which is the Alameda Corridor East, because of grade separations in the San Gabriel Valley. The county is working with California Representative David Dreier, 28th District, to isolate federal monies for 10 of the 27 different intersections that need to be grade separated.

LGS Commissioner Andes asked how would energy problems affect the county's procedures? Supervisor Knabe responded that there would be a significant impact. The energy costs from last year of \$70M will increase to \$143M.

Panasonic's DVD technology (a \$120M investment and 87 jobs) was brought to the county with the help of the Los Angeles County Economic Development Corporation (LAEDC), the Los Angeles County, the City of Los Angeles, the City of Torrance, and the State of California. The investment is now \$600M with over 300 jobs; and they are probably going to leave California because of energy cost increases. Some of the areas within the county draw energy from the Department of Water and Power; other areas draw from the county's central power units. The rest will likely double in cost. Growth will continue in the Inland Empire, with air traffic moving in that direction.

Mr. Simmons, last year's Grand Jury Chair, noted that the last survey indicated that 40% of the LAX ground traffic comes from Orange County; and there is a vote for El Toro (Marine Corps Air Station) on the ballot. Supervisor Knabe said the signatures were delivered yesterday, and implementation of the land usage has not been decided yet. The Orange County Supervisor on SCRAA strongly supports El Toro. At the moment the Orange County Board of Supervisor's vote is three to two in support of El Toro.

Supervisor Knabe remarked that his concern continues to be the county's internal operation. Government is the ultimate safety net in the largest county in America; and its problems seem to be systemic. The numbers look good for the next two years, but after that time the economy begins to look soft: we will lose 600 jobs with Boeing this year, and another 600 next year. How the county deals with health care, after the 1115 Waiver expires in four years is of concern. Welfare Reform is having an impact; part of the caseload drop is due to reform, but another part is due to a good economy. Workmen's Compensation is another issue. Chairman Philibosian asked if the E & E Commission could assist the Board of Supervisors with the Workmen's Compensation issue through studies? Supervisor Knabe concurred that the E&E Commission could look at the issue with another set of eyes.

Mr. Simmons asked what would happen if the 1115 Waiver were discontinued? Supervisor Knabe responded that the county would have to deal with a deficit of somewhere around \$750M per year. Mr. Simmons noted that since the other hospitals are competing with the county for Medicare patients, it seems that the support will come from county funding. Supervisor Knabe replied that Los Angeles County is the ultimate provider of health care; however the county cannot cover all indigent health care, it needs to establish insurance companies. Los Angeles County has over ten million residents, and unfortunately one third of those people are uninsured (800,000 being children). The working poor (people who have jobs, but

no access to health care) are the single largest increase for the county, the employer does not provide health care benefits, or it is too expensive. The county is promoting outpatient and clinic care to alleviate emergency room overcrowding; creating a good private/public partnership.

Mr. Simmons stated that Los Angeles County requires contractors to pay a living wage or offer employee health benefits at a lower rate; he asked what prevents a contractor from paying the living wage without paying the insurance, causing the individual to use county health services. Supervisor Knabe responded that this issue was difficult to regulate. Quite often the benefits are made available, however the employee does not want to pay because of accessibility to the county health services. Mr. Simmons said that the county should tell the employer that if he is working with the county he must provide insurance to his employees. Supervisor Knabe responded that for those employers who are contracted but do not have the employee health care benefits, the county should create a plan to have the employer buy insurance from the county and use the county facilities. Commissioner Tortorice asked if that plan were being studied, since private insurers found no business after studying this portion of the population. Supervisor Knabe replied that the county contracts out \$2B in services.

Commissioner Sylva asked about the economic development initiative that has recently been proposed by the Los Angeles County Board of Supervisors. When AB1290 passed, there was not much negotiation; nevertheless the county needs to remain a good neighbor because of the overlap of city property, incorporated property and unincorporated property. Part of the county's initiative regarding economic development is to be a partner and to create incentives. The county has lost tax increments, which are its protection. The county should use tax increment to provide incentives for economic development. This is a result of the Arcadia situation and would be a good case study for the E & E Commission's Joint Task Force.

Commissioner Sylva asked how the county could help economic development? Supervisor Knabe responded that the county could assist through unrealized properties which can be set aside for light manufacturing, and the county could be on the lookout for economic development regarding possessory interests like the Panasonic deal. The county does not have a great deal of flexibility from a government standpoint, but has an impact on assessment. The county can be a partner for keeping jobs in Southern California and can have more impact on unincorporated territories, because the county functions as their mayor and city council.

Commissioner Sylva was concerned about the county streamlining of the permitting process. Supervisor Knabe said that the county has a one-stop center, but more are needed. The assessor is moving into a new office on Signal Hill Consolidation of his operations is necessary including making that operation a one-stop center. The Chief Information Office is working to bring more of this permitting process online.

Chairman Philibosian thanked Supervisor Knabe for his presentation.

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