

CITIZENS ECONOMY AND EFFICIENCY

COMMISSION

OF LOS ANGELES COUNTY



October 30, 1996

The Honorable Michael D. Antonovich
Supervisor, Fifth District
Los Angeles County Board of Supervisors
500 West Temple Street, Room 869
Los Angeles, CA 90012

Dear Supervisor Antonovich:

SUBJECT: Update of the Commission's Asset Management Report issued September 19, 1995

On September 19, 1995 the Citizens Economy and Efficiency Commission submitted a report to the Board of Supervisors entitled *Asset Management Strategies for the Los Angeles County Real Estate Portfolio*. The report outlined a series of findings and recommendations addressing the County's Asset Management Program. On February 6, 1996 the County Board of Supervisors adopted all but one of the twenty six recommendations of the *Asset Management* report. Recommendation #24 directed the Economy and Efficiency Commission to "report back to the Board quarterly" on the progress of the asset management program. This report is the first in a series of those quarterly reports.

The recommendation not adopted by the Board was #15, which directed "... the CAO to implement the concept of rent charge back". The Board directed this recommendation to the CAO for study as to the implications of implementing such a procedure. The conclusion of that work was that rent charge backs would be expensive and time consuming to implement, with little net benefit to the County. Consequently, a rent charge back system is not currently planned for incorporation into the County's long term Asset Management Plan.

Seven of the remaining twenty five recommendations were identified as immediate action items. Significant progress has been made on four of the most important of these immediate needs.

First, the County has adopted an asset management mission statement that will serve as a framework for the policies and procedures to follow. The adopted mission statement is consistent with similar mission statements adopted by both the City of Los Angeles and the State of California, allowing these public agencies the opportunity to pursue similar goals and objectives in a cooperative manner.

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Second, the County has consolidated asset management activities within the CAO's office. This establishes a central point of control for real estate and asset management decisions, and insures a consistent and coordinated approach. Ms. Sharon Yonashiro of the CAO's Office has assumed the responsibilities of a Director of Asset Management, overseeing the implementation of the balance of the recommendations and measuring progress.

Third, County staff has updated its real properties database and integrated it into a geographic information system that allows the information to be accessed in a user friendly and more meaningful way. A complete and accurate inventory is the first effort required in any asset management program. The inventory database includes all properties under the jurisdiction of the Board of Supervisors, including Public Works properties, library properties, and others not currently within the direct control of the CAO's office. The mapping system is linked to both assessor's parcel maps as well as Thomas Brothers Maps. Work processes are being designed to keep the newly developed database current. This effort has resulted in the development of a more accurate inventory of assets for both the asset managers as well as for the Tax Assessor's Office.

Fourth, quarterly progress reports from the Economy and Efficiency Commission to the Board were recommended to insure that asset management implementation remains a top priority for both Board and staff. This initial quarterly report will be followed by another update in approximately three months.

In addition to the implementation of specific recommendations, the asset management approach has resulted in a more thorough examination of occupancy alternatives and a creative approach to satisfying space requirements. For example, the Department of Mental Health was planning to renovate its public service office in West Los Angeles. The estimated cost of renovation was budgeted at \$9 to \$10 million. The County's asset managers did market research before proceeding with the renovation project. As a result of this research, the County was able to identify a building that offered turnkey occupancy for a total acquisition cost of \$3.5 million. The new building's location will maintain a level of public service which is the same or better than the existing location, and the turnkey approach saves both renovation costs as well as implementation time.

Similarly, the CAO's office is examining the potential for consolidating appropriate occupancies into County-owned facilities. An example of this is the potential consolidation of the Mental Health headquarters into the County's owned building at 550 South Vermont. A small fee may be charged to the Mental Health Department in order to fund the necessary repairs and future capital improvements.

There are several efforts which must be undertaken in the near term if the progress to date is going to continue and are recommended as a part of this report.

✓ **Recommendation #1 - Direct the Chief Administrative Office to incorporate within the real properties database and the mapping system other information which will be helpful in the asset management decision making process.** Some of these mapping efforts are underway. For example, the service area boundaries for the Department of Social Service and Department of Children's Services are being mapped in order to insure that the public needs are being met in an efficient manner.

✓ **Recommendation #2 - Direct the Chief Administrative Office to continue to work with other downtown-based public entities to explore creative approaches to shared facilities.**

✓ **Recommendation #3 - Direct the Chief Administrative Office to coordinate the development of a comprehensive asset management plan using a combination of outside expertise and internal resources.** A draft Request for Proposals (RFP) is being developed by the CAO's office and should be ready for release within the next thirty days. The preparation of the comprehensive asset management plan will encompass the adoption of asset management goals and will identify the legislative changes required to more effectively control real property. The preparation of the plan, the establishment of goals, and the identification of legislative changes fulfill the remaining three of the seven immediate action recommendations.

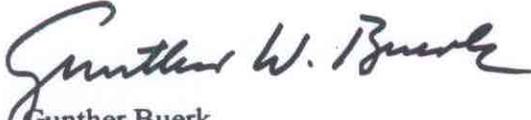
✓ **Recommendation #4 - Direct the Real Estate Management Commission to create a special task force composed of representatives of the Economy and Efficiency Commission, Small Craft Harbors Commission, and the Quality and Productivity Commission to evaluate the on-going accountability for progress on the asset management effort.**

✓ **Recommendation #5 - Direct the County staff report on the progress of the County's asset management efforts to the task force suggested in recommendation #4.** Accountability is critical to the success of this program. County staff currently reports to Real Estate Management Commission on other real estate matters, and expanded representation is currently achieved with commission liaisons. Implementation of the recommendations made in the September 1995 report will be most effective if all County commissions with an interest in this matter have direct participation in the process. This approach will streamline the reporting process, insure representation from interested commissions and will address these issues in a complete manner with a minimum of duplicated effort.

In conclusion, the first asset management report has focused primarily on real estate assets. As an integrated asset management plan is prepared, the focus on our efforts will necessarily widen to encompass other types of assets and balance sheet items. The Commission feels that this general approach to asset management and the specific recommendations made in this report will result in a more efficiency and visionary approach to long range planning for the County of Los Angeles.

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Sincerely,


Gunther Buerk
Chair

C: Each Supervisor
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