THE LOS ANGELES COUNTY BUDGET

SELECTED ISSUES AND RECOMMENDATIONS

June, 1977

Report by the Task Force on the County Budget

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PREFACE

The Economy and Efficiency Commission is charged by ordinance to "examine any operation of County government and submit recommendations to the Board directed toward improving government economy, efficiency, and effectiveness."

This report identifies three major areas of public policy, explicitly or implicitly established by the Board of Supervisors, which have a significant impact on the County budget. Some of the policies were established years ago by former Boards.

The report contains three general and thirteen specific recommendations. They are listed in Section II and discussed in subsequent sections. Section III presents six recommendations involving policies affecting local sources of revenue. Section IV presents six recommendations involving policies which control aspects of organization and compensation. Section V presents four recommendations involving decentralization.

The commission recognizes that this report deals with selected issues only. We shall continue our examination of those budgetary policies and procedures which have a fundamental impact upon the overall budget.
I. MAJOR ISSUES

In the current environment of financial pressure and strained intergovernmental relationships, the most serious problem confronting the Board of Supervisors is to deliver needed County services effectively without increasing costs. There are a number of views on the nature of the problem and how best to resolve it. Some say the most critical need is tax reform. Others say that the Federal and State governments should assume all responsibility for services to the poor. Still others point out the need for more efficient cooperation and elimination of duplication between cities and the County in delivering services. Some simply say the County is too big. Finally, some claim that regardless of other actions the greatest need is to curtail governmental services and expenditures.

This report on the County budget concentrates on the expenditures area. It identifies and supports positive action taken by the Board and County management to improve the County's delivery of services and control of costs. It also contains recommendations for further action in areas controlled by policy of the Board of Supervisors.

Board Control of County Expenditures

In fiscal year 1976-77 the total County budget as adopted by the Board of Supervisors was $3.1 billion. Of this amount $1.9 billion was financed by sources other than the local property tax, such as subventions and grants from other governments and payments for services. Consequently, the local property tax levy was $1.2 billion. This levy is allocated primarily to social and health services (37%), public protection (24%) and general government (28%). Approximately 4% is allocated to cultural and recreational services.

State and Federal law requires County government to provide certain services. The cost of these services accounts for 90% or more of the local tax levy. Basic elements
of service costs - for example, eligibility standards for welfare recipients, court organization, and certain fee schedules - are also governed by Federal or State law. In addition, certain clauses of the County Charter place restrictions on the Board, in particular the prevailing wage clause in negotiating salaries. Nevertheless, while programs and some elements of their costs are mandatory, other elements of cost are within the range of Board control. For example, the Board of Supervisors determines the internal structure of County organization, the number of supervisors it employs, the salaries and fringe benefits for most employees, the locations and nature of the facilities which house them, and the degree of centralized authority which management may exercise over them. To some extent, the Board also controls the sources of revenue used to support County services.

Thus, the Board of Supervisors is not helpless in the face of financial adversity. In the course of our study we have observed significant improvements, some initiated by the Board, some by the Chief Administrative Officer (CAO), and some by County department heads. For example, the Board has acted in recent months to implement a productivity improvement program, adopt a sunset law, gain control over the use of supervision, establish organizational development systems, limit the growth of the County's workforce, and curtail automatic salary increases. The Board has also initiated major improvements in the County's financial relationships with the State and Federal governments and has acted to relieve the local taxpayer of some of the pressure created by State and Federal mandates.

Policy Impact on the Budget

Public policy decisions by the Board, sometimes made years ago by former Boards, are a major force underlying the County's financial condition. The areas we
review in this report involve expenditure of hundreds of millions of dollars. The present Board has the opportunity to modify past policy to achieve significant savings.

Most of the recommendations in this report will require time to implement, since they involve negotiations with parties to whom the County is obligated by contract. The recommendations may also prove difficult to implement. Achieving savings in any of these policy areas will depend upon the Board's action, its tenacity in enforcing executive policy and control, the nature of the new system, and the details involved in implementing the change. Therefore, we have not attempted to predict total savings. Wherever possible, however, under each recommendation we have estimated current costs.

Because it takes time to change policy, or to design and implement new administrative systems most of the recommendations will not affect the 1977-78 budget, which must be adopted by June 30. If implemented during the year, however, a number of the changes could significantly affect actual expenditures during 1977-78, as well as future budgets.

As we have emphasized in previous reports, establishing effective control over County costs requires attention to long-range issues. While the Board can make some changes in levels of expenditure during its budget in many cases there is no practical way to eliminate costs which have been generated by policies and administrative systems in effect for years.

That is, when the CAO submits the proposed budget for Board deliberation in June, he and departmental management have worked out a resource alloca-
involved revision of policy or administrative systems. Policy and system changes have the further benefit of having a cumulative impact on future budgets.

On this subject, this year's contract auditor to the Grand Jury, Price Waterhouse & Co., has reported, "Several County Supervisors have suggested, and we concur, that the budget process should be restructured to yield a presentation of choices among levels of service or alternative means of delivering service to the community. This presentation of choices could be in the form of 'decision packages' which result from budget evaluation processes . . .” (Report No. 2, County Budgetary Process, March 24, 1977, p. 2-6)

We recognize that the Board and County management are constructing program budgeting and financial information systems to meet the need cited by the contract auditor. In this report we have used the information available from 1976-77 budget documents to assemble initial decision packages covering the three general and thirteen specific issues we discuss.

Major Policy Areas

The first of the three policy areas we address involve issues of alternative sources of financing, in particular the appropriate balance between County tax financing of a service and user financing. When County services are used by identifiable individuals or groups, but financed substantially by the general taxpayer, questions of equity immediately arise. The key issue is to what extent does a service benefit the community as a whole in comparison with the benefit to individual users. For example, some users may reside outside the County, in which case Los Angeles taxpayers are subsidizing non-taxpayers.

The level and quality of County services in Los Angeles attract people and industry to the region, thereby improving the local economy for the benefit of the entire community. At the same time, high taxes are driving people and industry out of Los
Angeles County. Increased user financing is therefore a reasonable alternative policy to finance County services.

The second policy area involves issues of internal organization and compensation. Many of these issues concern long standing County practices which will be difficult to change. In a number of cases the County is working to change them but needs taxpayer support, since special interest groups view change as adverse to their welfare. Regardless of the difficulty, we encourage the Board and County management to continue their efforts to innovate reform within the framework of the current governmental structure.

The third policy area involves issues of decentralization. Faced with a growing and highly migratory population, County government has carried on a planned policy of decentralizing services for the past 20 years. As a result it now provides services from a total of 4400 separate buildings incorporating over 30 million square feet of space. Much of this expansion took place when the energy situation and related environmental and transportation problems were not as intense or generally recognized as they are now. The policy issue today centers on potential trade-offs involving the convenience of decentralized services, their cost, and alternative methods of delivering them.

Conclusion

The issues we discuss confront the Board of Supervisors with difficult and controversial public policy decisions. The issues also confront taxpayers with a choice between supporting constructive Board action to effect changes and opposing the changes because they may mean less convenience or a reduction in special consideration for a particular group of taxpayers. Taxpayers who are genuinely concerned about high expenditures should be able to support any feasible reduction, including those that many affect them as individuals.
II. LIST OF RECOMMENDATIONS

Following are the recommendations contained in this report listed in sequence under each policy area. The recommendations are discussed in subsequent sections. Each group begins with a recommendation on general policy followed by specific applications.
ALTERNATIVE REVENUE SOURCES

1. **General Policy** - Establish as general policy a consistent system of user charges to modify the balance between tax financing, user charges, and other income for County services that are used by identifiable individuals or groups. The County should eliminate services in this category when users will not support them, unless the Board of Supervisors determines that the social and economic consequences of such a decision would be intolerable. The policy should exclude programs designed to meet national income transfer objectives, such as welfare and social services for the poor.

2. **Public Transportation** - Initiate negotiations as soon as feasible with union representatives, transit officials, and other employers to establish a system of incentives encouraging the use of mass public transit or multiple occupancy vehicles by County and other employees. The policy should:
   1. Maintain the subsidy to the Rapid Transit District and municipal bus lines as long as is necessary to preserve or increase patronage levels.
   2. Replace free parking for County employees with an incentive program encouraging the use of multiple occupancy vehicles. Provide free or discounted bus passes, or equivalents to County employees. Replace free parking with parking for a flat fee, except for those employees required to bring vehicles to work. The fee should be set to insure that the employee has a real economic advantage in using multiple occupancy vehicles. Discounts should be offered for employees using car pools and van pools.
   3. Cooperate with the City of Los Angeles, Caltrans, and private sector employers to encourage common membership in car pool and van pool programs, when an employee is required to have a vehicle.

3. **Airports** - Adopt the policy, as recommended by the CAO, to establish self sufficiency of County airports.

4. **The Music Center and Music and Performing Arts Commission** - Establish a policy to reduce County tax financing of the Music Center complex, the resident companies, and local community organizations. Renegotiate contracts to increase non-tax revenue and to modify methods of collecting revenue. The renegotiation should consider such alternatives as a ticket tax, increased parking charges, increased rents, and rentals based upon receipts. The Board should implement these policies for 1978-79.

5. **County Museums and Arboreta** - Continue present programs to encourage increased income from the private sector for the Museum of Art, the Museum of
Natural History and the Arboreta. To the extent feasible, increase user financing. Alternatives which should be considered include charges for parking, special events or exhibits, other admissions, professional services, and tours.

6. **Other Services** - Investigate the feasibility of modifying the balance among County tax financing, user charges, and other revenue sources for the services listed below.

<table>
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<tr>
<th>Service</th>
<th>Net County Cost</th>
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<tr>
<td>Beaches</td>
<td>$ 4.5 million</td>
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<tr>
<td>Civil Court proceedings</td>
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<tr>
<td>Computer record copying</td>
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<td>Emergency medical care</td>
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<td>Estate administration</td>
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<td>Farm Advisor services</td>
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<tr>
<td>Land use information systems</td>
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<td>Mapping</td>
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<tr>
<td>Marina administration</td>
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<tr>
<td>Paramedic service</td>
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<td>Pest control</td>
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<td>Public Defender</td>
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<tr>
<td>Surveying</td>
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<tr>
<td>Tree maintenance</td>
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<tr>
<td>Weed hazard abatement</td>
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**ORGANIZATION AND COMPENSATION**

7. **General Policy** - Continue high priority efforts to improve the County's control over organization and compensation.

8. **Organization** - Establish policy that no new department will be created the CAO finds that it is economically advantageous or that its proposed functions cannot feasibly be performed by an existing entity. Provide also that proposed organizational changes will incorporate mandatory goals for cost reduction, reduction of administration, or increased cost effectiveness.

9. **Craft Wages** - Continue, as a high priority County position, to negotiate the reduction of the gap between County craft wages and wages paid for craft employees in industry as reported in the Joint Salary Survey.

10. **Workers' Compensation** - Support as a high priority, the conclusion of the CAO's management audit of the Workers' Compensation System. Upon completion of the study, initiate negotiations with County labor representatives to amend the Salary Ordinance and Administrative Code to strengthen control of costs resulting from Workers' Compensation. When State law is an obstacle to the change, as it is for public safety employees, negotiate a unified management-labor position on appropriate amendments.
New controls should:
1. Eliminate financial incentives for employees to take disability leave and remain on leave, particularly incentives such as the 100% salary supplement for one year.
2. Establish incentives for employees and departmental management to participate in a return to work program.
3. Specify the degree to which the County will finance future liabilities and the methods of projecting losses.
4. Require departmental management to report industrial accident experience in each department and organizational sub-division at least quarterly. Require the Director of Personnel to investigate and report on the experience of any organizational entity or labor classification when the experience exceeds Statewide averages for similar work.

11. Sick Leave - Initiate negotiations as soon as feasible with labor representatives to amend the Salary Ordinance and the Administrative Code to provide a system of controls over the use and abuse of sick leave. The system should:

1. Establish criteria for determining abuse developed by the Director of Personnel and the Civil Service Commission.
2. Incorporate liberalized incentives for employees to discourage the use of sick leave.
3. Incorporate incentives to encourage managers to take disciplinary action when justified and establish threshold limits on the use of sick leave beyond which disciplinary action or review is mandatory.
4. Require reporting by department management of the use of sick leave in each organizational sub-division of the department, at least quarterly. Require investigation and report by the Director of Personnel when the use of sick leave in an organizational unit exceeds County averages by a specified threshold amount.
5. Establish improved controls over the use of medical certification.

12. **Commission Stipends** - Establish a system of paying stipends to members of County commissions and committees only when service on the commission requires 1) full-time or nearly full-time service, or 2) the provision of expert and technical services which cannot be performed effectively by County employees. Replace the current stipend policy with a policy of reimbursing all commissioners for necessary service-related expenses, provided they file an expense claim with sufficient documentation similar to those filed by County employees.

**DECENTRALIZATION**

13. **General Policy** - Continue present efforts to modify the balance between decentralized services and centralized administration by using other alternatives to locating County personnel on-site in local facilities.

14. **Department Branch Office** - Assign high priority to conclusion of studies by the CAO and the Department of Facilities evaluating the public's need for decentralization of County programs. When the need has been determined, evaluate the trade-offs among alternative methods of delivering services, such as communications networks, mobile forces, and contractual relationships with private sector services.

15. **Elections** - Support the Registrar-Recorder's administrative realignment program for small precincts. Initiate an evaluation of the feasibility of reducing the current number of precincts based on the trade-off to taxpayers between cost and convenience.

16. **Community Groups** - Establish a policy to use grant financing of community organizations as a means of decentralizing or supplementing County services, when the County finds the community organization to be more cost-effective than an equivalent County service. The policy should:

1. Require the CAO or the Department of Community Development to determine cost-effectiveness of community projects financed by the County. Eliminate projects which are found to be less cost-effective than corresponding County equivalents.

2. Assign responsibility for contracting with community organizations to provide services and for administering the projects to the operating department responsible for the project function.
III. ALTERNATIVE REVENUE SOURCES

In this and the following sections we begin with a discussion and recommendation to the Board of Supervisors on general policy. Following that are specific recommendations in the same subject area.

General Policy

Issue - To what degree should the County tax levy subsidize the users of County services when the users are identifiable individuals or groups? To what degree should the users themselves finance these services?

Establishing an appropriate balance between tax financing and user financing is one of the most critical contemporary issues of public policy. At present the County finances some services with user charges. These charges account for 10% of County income. Fines, penalties and fees for licenses and permits account for an additional 1%. The remainder is financed by taxes. The County tax levy contributes 41%, and grants and subventions from other governments contribute 45%.

The issue of tax financing vs. user charges involves three sensitive policy decisions. The first is to decide whether to subsidize the users of a service with tax financing or to levy a charge. The theory underlying user charges is that those who benefit from a service should pay for it. This theory is based on the assumption that the primary beneficiaries of a government service are those who use it.

Public needs and demands, however, have often operated to contradict this concept. In some cases, public policy has determined that services which benefit a segment of society should be subsidized by the whole. Clearly, user charges are not feasible when poor people are the principal beneficiaries of a
subsidy and are the predominant users of the service. Income transfer and welfare services are examples of such cases. In other cases, public policy has historically called for user financing of public services which benefit the collective economy. Road development and maintenance are examples. Therefore, the decision whether to charge users for a service involves complex social questions.

Once the decision is made to levy a charge, two additional sensitive policy decisions must be made. These involve the pricing method, which defines who will be charged and how charges will be collected, and the price level which determines the amount. Together these decisions establish the balance among tax financing, user charges, and other known sources of revenue.

Pricing methods can include direct sales charges such as those for water, electrical power, and theater presentations; direct property tax levies such as that of a fire protection district or a County service area; and use taxes such as the sales and excise taxes on gasoline for roads. They can also include such incidental charges for services as fees for parking at regional park facilities or beaches where access to the facility itself is free. The decision to choose one pricing mechanism over another must take into account the users affected, possible effects on non-users, efficiency and practicality, cost of administration, and enforceability.

Price level decisions can range from the cost recovery policies of refuse collection agencies to deliberate subsidization of users through depressed prices for transit service, health care for the poor, and performances of symphony orchestras. Price level decisions must take into account the effects of price on the demand for service, the practicality and equity of eliminating services which cannot support themselves, and the potential effects on sectors of society whose needs for services are a high priority in a humanistic society, such as senior citizens and the poor.

User charges and subsidies are complementary subjects. A change to a new policy of user charges thus modifies a subsidy policy and can provoke controversy in
each of the three decision areas. For example, the County has experienced recent and continuing controversy over fees for golf, public records copying, animal licensing, theater performances, museum admissions, and medical treatment.

User charges have two principal advantages over tax subsidies as a source of financing. First, they provide the general public with a method to express its evaluation of the priority of a service, since people will pay for high priority items but not for services they value at less than price. Therefore, the rational application of user charges is a most efficient and effective means of controlling the demand for and cost of public services. Second, user charges improve equity, since the beneficiaries participate in the financing. In contrast, tax subsidies allow no individual choices. Everyone pays regardless of benefit.

The principal disadvantage of user charges, particularly when policy limits all financing to such charges, is that they can force a choice between no service at all and fully financed services. This problem is particularly critical for cultural services, since it is well known that they cannot survive on sales alone. In addition, price level decisions can adversely affect public objectives related to the service. For example, severe curtailment of public transportation subsidies could push prices high enough to force transit operators out of business, with adverse effects on current objectives to reduce energy consumption, congestion, and pollution.

Thus the social consequences of a change must be evaluated to determine an appropriate balance between County tax financing, user financing, and other revenue. This determination is the key policy issue which the Board of

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Supervisors must consider in making its decisions. In some cases the most equitable arrangement may be to finance the service only with user charges. If the consequence is that users will not fully support the service, then the alternative of eliminating it must be considered. In other cases, because of adverse social and
economic consequences, the choice cannot realistically be framed in terms of full financing by users vs. elimination of the service. Therefore, in all cases the public policy issue must be framed in terms of social consequences and the balance among alternative sources of financing, including County subsidy.

Systematic decision-making on policy issues regarding user requires complete information on who benefits and who pays charges as well as on the relationship of price to demand. Adequate information on these subjects is not always readily available to the Board of Supervisors. The users of major regional cultural centers, for example, could well include many residents of neighboring counties. If this is true, Los Angeles County taxes are subsidizing residents of other counties.

In the absence of complete information in Los Angeles, public policy has evolved on an ad-hoc, piecemeal basis as issues surfaced and were addressed by the Board of Supervisors. In addition, the State Legislature has circumscribed the Board's ability to charge for some services and to set rational prices for others. The consequence of the ad-hoc approach has been that the County lacks a systematic and comprehensive policy regarding user charges for services that benefit specific individuals or segments of the society.

Those who oppose user charges often cite difficulties in determining appropriate pricing methods as obstacles to any change. For example, pricing methods which require discounts for senior citizens and children may be costly to administer and enforce if they require additional personnel. The policy decision on pricing methods, therefore, must take into account such practical matters as type of charge, methods of collection and enforcement, cost of administration, access of the disadvantaged, and modifying existing agreements between the County and others involved in the service.

However, in adopting the recent changes in animal license fees and modifying the contracts with cities for animal control services, the Board of Supervisors has
demonstrated that these obstacles can be overcome. We are convinced, therefore, that if mechanisms are tailored to the special circumstances of each service, changes can be made which are practical and effective.

We believe that the percentage of County expenditures financed by user charges can be improved significantly through Board policy. The task force has identified over 20 County service programs which are candidates for a system of user charges. We also support Board and CAO efforts to change State laws affecting the feasibility of a system of user charges.

**RECOMMENDATION 1.**

*Establish as general policy a consistent system of user charges to modify the balance between tax financing, user charge, and other income for County services that are used by identifiable individuals or groups. The County should eliminate services in this category when users will not support them, unless the Board of Supervisors determines that the social and economic consequences of such a decision would be intolerable. The policy should exclude programs designed to meet national income transfer objectives, such as welfare and social services for the poor.*

**Public Transportation**

*Issue - To what extent should the County '5 internal compensation policies support its policy to promote public transportation goals?*

The Board of Supervisors has supported and encouraged the use of alternatives to the single passenger vehicle. This support reflects its overall concern to diminish the problems of energy, congestion, and pollution in the region. At present the total County subsidy to the Southern California Rapid Transit District (SCRTD) and seven municipal bus lines is $6.5 million annually. The subsidy has declined from an initial level of $33 million in fiscal year 1974-75, principally because of budget pressures. This subsidy supports in part a fare structure of 35¢ for single zone travel, 10¢ for senior citizens and 25¢ for the mini-bus service. Transit officials,
however, have indicated that increased subsidies from Federal, State and County sources will be necessary to maintain existing fares.

The County's decision to use tax financing to support the District is a clear example of subsidizing individual users of a service for the purpose of benefiting the entire community. Elimination of the subsidy could result in substantial decline of patronage with economic and environmental consequences. Although its effects may not be substantial relative to the region's environmental problems, we support the current policy of the Board of Supervisors of providing financial support to the SCRTD and municipal bus lines as a supplement to user charges.

The joint decisions of the Board and the District to levy user charges and the associated decisions on pricing methods and price levels appear to have been successful. When the present fare structure and fare levels were adopted, ridership increased by 60%. Consequently, it appears to us that the current balance among County financing, user charges, and other revenue sources has been effective. In the event, however, that patronage declines when new fares go into effect, the Board should re-evaluate its participation in terms of the balance.

Despite the merit of the subsidy, it appears to us that there is a contradiction in present Board policy. While the Board on the one hand is providing a subsidy of $6.5 million to the users of buses, on the other hand it continues to provide incentives for County employees to use automobiles. The County now provides approximately 25,000 free parking spaces for its employees. To be consistent the County should provide incentives to encourage its employees to use buses, car pools, and van pools and to discourage them from using automobiles. A workable incentive program for its own employees could further increase the use of multiple occupancy vehicles and would also generate revenues to offset the SCRTD subsidy.

Such a system would include user charges for parking. Since free parking is a form of compensation, the pricing method and price levels will have to be negotiated
with labor representatives. To balance the disincentive of parking charges, the system should be designed to underwrite employee use of buses, car pools, and van pools by developing a bus pass system and by providing parking discounts for pool vehicles. The City of Long Beach has recently initiated a program of this kind and the Southern California Association of Governments (SCAG), has had a program for several years. The City of Los Angeles charges its employees for parking, with upper level managers exempted. We are confident that such a program can be designed to avoid increased County exposure to workers' compensation liability.

The price levels should be consistent with typical parking fees in the region. According to a 1977 survey conducted by Runzheimer & Company, Inc. of Rochester, Wisconsin, parking in commercial areas of Los Angeles costs $25.65 per month on the average. In a recent Board letter, the Department of Facilities reported that it was able to lease additional County parking in Woodland Hills for an average monthly fee of $15 per space.

The financial consequences of our recommendation would depend on the details of the negotiated system, its implementation, and the response of County employees. To the degree that employees take advantage of the incentives, the need for parking will decline. In this case, the County could generate revenue by selling land no longer needed for parking. Such revenue could be substantial. For example, the three outdoor parking lots serving County employees in the Civic Center are valued at $16 million or more. Similarly, to the degree that employees refuse the incentives, parking fees will generate revenue. In the worst case - if the need for parking remains at 25,000 spaces - a modest monthly fee of $15 would generate $4.5 million in annual revenue, or enough to finance 70% of the SCRTD subsidy.
The proposed incentive plan could also generate some costs. The amount will depend upon negotiations with SCRTD for free or discounted bus passes and on the County's method of providing for employees whose duties require use of a vehicle.

The only consistent alternative to this policy is to eliminate transit subsidies altogether, thereby forcing users to pay directly for the service. Since this alternative does nothing to reduce the problems of energy, congestion, and pollution, we do not recommend it.

By adopting our recommendation, the Board, in contrast, has the opportunity to exercise leadership for other governments and the entire business community in attacking these problems in a practical and responsible manner.

**RECOMMENDATION 2.**

*Initiate negotiations as soon as feasible with union representatives, transit officials, and other employers to establish a system of incentives encouraging the use of mass public transit or multiple occupancy vehicles by County and other employees. The policy should:*

1. *Maintain the subsidy to the Rapid Transit District and municipal bus lines as long as is necessary to preserve or increase patronage levels.*

2. *Replace free parking for County employees with an incentive program encouraging the use of multiple occupancy vehicles. Provide free or discounted bus passes, or equivalents to County employees. Replace free parking with parking for a flat fee, except for those employees required to bring vehicles to work. The fee should be set to insure that the employee has a real economic advantage in using multiple occupancy vehicles. Discounts should be offered for employees using car pools and van pools.*

3. *Cooperate with the City of Los Angeles, Cal trans, and private sector employers to encourage common membership in car pool and van pool programs, when an employee is required to have a vehicle.*

**Airports**
**Issue** - To what degree should the users of County airports finance their development and operation?

The County operates five airports at which 1,350 private and commercial aircraft are based. The airports produce a general benefit to the region. When used for commercial purposes, they improve the productivity of the users. Their presence in the community helps attract industries whose executives travel by private aircraft. They are also a recreational resource which enhances the attractiveness of the area for flying enthusiasts.

The annual cost of airport operations to the County is approximately $2.5 million, excluding the costs of land, buildings, utilities, and other overhead. This cost is paid out of the General Fund, and is nearly balanced by revenue of $2.3 million. In addition, the County spent $1.8 million on airport development in 1975-76 from the Aviation Fund, which now shows a deficit balance of $2.6 million. The Aviation Fund is a special development fund supported partially by State and Federal subsidies. The market value of the County's current investment in airports is approximately $32 million.

The Chief Administrative Office (CAO) has been conducting a management audit of the County airports program. As of this writing, the report and recommendations have not been released. The CAO has informed us, however, that the report will recommend self sufficiency of the airports.

We support this recommendation. While airports as we have noted, represent an attractive resource in the community, access to them is limited to a small group of people who can afford to fly for pleasure or who use aircraft in business. We see no justification for the general taxpayer to subsidize this group.

We would prefer that the Board's policy require the closing of any County airport which could not become self-sufficient within a specified time period of a few years.
Under current conditions, however, such a policy would be impractical. The airports program involves over 50 ground leases, concessions and other contracts with terms of 15 years or more. Therefore the most practical policy is to increase the attractiveness of the airports to users in order to make them self-sufficient. This will require an additional investment by the County of approximately $2.4 million to improve airport facilities. With such an investment the CAO estimates that the airports can become self-sufficient in two years.

RECOMMENDATION 3.

Adopt the policy, as recommended by the CAC, to establish self sufficiency of County airports.

The Music Center and Music and Performing Arts Commission

Issue - What is the most appropriate balance among County tax financing, ticket and other user revenue, and philanthropy for Music Center operations and performing arts organizations?

The Board of Supervisors traditionally has participated in financing the performing arts. In so doing it has enhanced the quality of life in the community thereby attracting investment and people to the metropolitan region. The County's principal contribution has been the development and operation of the Music Center-in cooperation with the private sector.

Financing of the Music Center is based on intricate long-term contracts, leases and sub-leases between the County and 13 organizations which include the Music Center Operating Company, leasehold corporations, and various resident performing organizations. Under these agreements, the County provides administrative and maintenance services, pays for the long-term financing of the structures, and collects
revenue which exceeds the Operating Company's expenditure and reserve requirements. Since the County has not collected excess revenue, the operation represents a net cost to the County.

In addition to the cost of operating the Music Center, the Board annually appropriates cash grants to the resident performing groups and to about 50 other community organizations such as the Glendale Symphony Orchestra, the Los Angeles Ballet Theater, and the Guild Opera. The amounts are granted on the basis of recommendations by the Music and Performing Arts Commission.

According to budget documents, the net cost of Music Center operations to the County in fiscal year 1976-77 was $2.3 million, excluding rent, insurance, utilities and taxes. In addition, the appropriation for the grant program of the Music and Performing Arts Commission was $980,000. Of this amount, over $500,000 goes to the resident groups at the Music Center, the rest to the community organizations. Since the County also pays $945,000 annually for the lease-purchase of the facilities and additional sums for utilities, insurance and other overhead, we estimate the total annual cost of the Music Center and Commission at $4.3 million.

Those who attend the performances of the resident companies at the Music Center benefit from two forms of County subsidy which permit lower ticket prices. The first subsidy comes in the form of reduced rent, which results from the County's policy of not collecting the full cost of services it provides. The second subsidy comes in the form of cash financing as recommended by the Music and Performing Arts Commission. For example, the County gives a cash grant of $450,000 to the Los Angeles Philharmonic Orchestra, which also enjoys the benefit of County services. This orchestra, and the other resident performing groups at the Music Center are financed by private philanthropy as well as by ticket sales and the County. Ticket sales support 66% of their combined operating expenses of $13.5 million. Philanthropy contributes about $2.2 million, or 16.3%. Governmental grants provide the remaining 17.7%, or $2.4 million. As we have noted the County's contribution is approximately $500,000.
The net cost of the Music Center to the County has increased by 100% since 1969. In contrast, total County expenditures for the Operating Company have increased by only 32%. The reason for the difference is that the revenue structure has changed significantly. In fiscal 1968-69 and 1969-70, the County collected over $1 million in revenue from a ticket tax, which the Board eliminated in August 1971. Thus the taxpayer's share of the operating costs has increased substantially in recent years. These costs do not include the cash grants to resident and community groups. This latter amount has increased 64% in the same period to the present level of $980,000.

The general view in our society, as in many civilizations before ours, holds that the arts cannot support themselves. Supplementary support is needed from the private sector and from government if the arts are to survive. Costs are so high that attempts for 100% financing through sales result in cutting off access to all but the wealthy. Recognizing this, the leaders in the community have devoted a great deal of time and money to support our cultural institutions. The private sector contributed over $20 million to construction of the Music Center, and, as we have seen, continues to contribute substantially to the support of the resident companies.

Nevertheless, considering the current tax crisis, the question now is whether the balance should be changed among County tax financing, ticket and other user revenue, and philanthropy in Los Angeles. As we noted in the general policy discussion, the issue of tax financing vs. user charges involves three policy decisions. We cannot argue that taxpayer support of regional and local cultural institutions should be withdrawn entirely. Thus, we believe that the County should continue to subsidize the Music Center and the community organizations.

However, in the two other decision areas involving the methods and level of pricing, the County should renegotiate its contracts to modify the balance among
alternative sources of revenue. Under present budget pressures the County must act to decrease the local taxpayer's subsidy of cultural activities relative to other financing. Otherwise, we risk the loss of these major cultural resources as citizens' antipathy to rising taxes intensifies.

We believe that the balance among alternative sources of financing can be changed without endangering the performing arts in Los Angeles. In 1971, as we have noted, the Board of Supervisors eliminated the ticket tax of 10% which at the time was generating over $1 million a year in revenue. The principal argument for the action was that such a tax levied against a single provider of entertainment, and not against others, is discriminatory. This argument neglects the fact that a taxpayer's subsidy of ticket prices at the Music Center discriminates against all other providers. We should also note that elimination of the tax did not result in lower ticket prices.

A ticket tax may not be the sole means to modify the balance among sources of revenue. As alternatives to a ticket tax the Board should consider renegotiating the various leases to increase rents. Other alternatives are increasing parking charges and changing the method of computing rents by basing them on a percentage of receipts for all performing groups. With this alternative, the more popular performances would generate more revenue. Any of these alternatives could require either higher ticket prices or increased donations. Other alternatives could reduce costs rather than increase revenue. For example, the County could allow the Operating Company to contract for services with private firms when less costly than County services and to charge performing groups a penalty for canceling performances.

RECOMMENDATION 4.

Establish a policy to reduce County tax financing of the Music Center complex, the resident companies, and local community organizations. Renegotiate contracts to
increase non-tax revenue and to modify methods of collecting revenue. The renegotiation should consider such alternatives as a ticket tax, increased parking charges, increased rents, and rentals based upon receipts. The Board should implement these policies for 1978-79.

County Museums and Arboreta

Issue - What is the most appropriate balance among County tax financing, user revenue, and philanthropy for the Museum of Art, the Museum of Natural History, and the Arboreta and Botanic Gardens?

The Board of Supervisors has traditionally supported cultural and educational activities because of their importance to the quality of life in the County. To this end the County operates two departments - the Museum of Natural History and the Arboreta and Botanic Gardens. In addition, the County maintains the Museum of Art under a contract with the Museum Associates in return for the donation of the facilities in Hancock Park and their continuing participation in management.

Although we recognize that the operations of these three institutions are distinctly different, we have unified our consideration of them in this section because of the similarity of their products for the public - exhibits, research and education. Their financial structures also have similarities since each is supported by philanthropy, membership organizations, sales, and volunteer assistance as well as by taxes. This unified presentation should not be used to compare the three institutions to one another.

Museums represent a general benefit to the community. They attract people and employers to the region, and their research programs add to the store of human knowledge and contribute to the solution of contemporary problems. For example, the botanical research of the Arboreta has significant implications for environmental control. We, therefore, support taxpayer financing of some portion of their operations. As with the Music Center, however, the basic question is what is the most appropriate balance between County financing, user charges, and philanthropy.
The two Museums and the Arboreta cost approximately $9.5 million for the County to operate, including employee fringe benefits but excluding other overhead. The costs of the Museums and the Arboreta have increased less rapidly than those of the County as a whole since 1965. For example, between 1965 and 1975 County costs as a whole increased by 187%, while the costs of the Museum of Natural History increased by 84% and the costs of the Arboreta increased by 121%. The Museum of Art was opened in 1965, so a comparison with that year is not appropriate, since it was not in full operation. Since 1969, the costs of the Museum of Art have increased by 29% in contrast to 79% for the County as a whole.

Considering their attendance records and the quality of their services, these cost increases, principally reflecting inflationary pressures, indicate effective managerial control.

Few of the programs of the Museums or Arboreta generate revenue for the County through user charges. On the other hand, philanthropic support of the Museums and Arboreta has been substantial. Each has one or more associated membership organizations or foundations which produces monetary support and volunteer assistance and provides specialized services to members. Financial support from these organizations is used both for capital projects and for ongoing operations.

Private contributors raised over $12 million for the construction of the Museum of Art and $4.5 million for the new George C. Page Museum in Hancock Park. Private funding also contributed $3.7 million of the total construction cost of $8.5 million for the new addition to the existing Museum of Natural History. Supporting organizations of the Arboreta have contributed over $500,000 to building funds.

In support of ongoing operations of the Museum of Art, the Museum Associates has raised approximately 60% of the total income of the Museum since 1973. In 1974, the Museum's tenth anniversary, the Museum Associates raised $2.5 million in donated art objects, and $3.7 million for acquisitions, building alterations and administrative
support. The total, $6.2 million, was over 70% of the Museum's expenditure for that year.

The Museum of Natural History Foundation reports that it raised about $161,000 in 1976 for Museum and associated operations, in addition to $800,000 for acquisitions, expeditions and donated objects. The total, $961,000, was over 70% of the Museum's expenditure in that year. The supporting organizations of the Arboreta raised $138,000 in 1976, or 6% of the Arboreta's expenditures.

In addition to their monetary support, the membership organizations contribute thousands of hours of volunteer assistance to each institution. The dollar value of this support is difficult to quantify accurately, but is clearly worth thousands of dollars.

Most museums rely partially on governmental sources for financing. Thirty-one of the 58 counties in California spend local tax money on museums of various kinds. Although these museums are not necessarily on the scale of the Los Angeles institutions, they are a reasonable indicator that museums are considered to be an appropriate County function.

As we have said, we support the Board's policy of participating in the financing of the Museums and Arboreta. The additional decision areas relevant to the balance among tax financing, user charges and philanthropy need then to be examined.

The Board of Supervisors does not have sufficient information on patronage, such as attendance profiles, to make a conclusive policy decision on this subject. However, several reasonable indicators of standard practice among museums of all types and sizes are contained in a 1974 survey of 728 museums conducted for the National Endowment of the Arts by the National Research Center of the Arts, Inc., an affiliate of Louis Harris and Associates, Inc. The survey included 114 museums owned and operated by local governments. It also includes 121 museums in the West.

According to the survey, 63% of all museum income comes from the private sector and 37% from the public sector. Of the 63% from private sources, 29% comes
from charges to users for admissions, parking, and sales of books and other items. Philanthropic support provides 21% of total revenue, and investment income provides 13%. Of the 37% from public sources, local government provides 18% of total revenue, State government provides 7%, and the Federal government 12%.

Among art museums, 79% of total income comes from the private sector. Among science museums, including botanical gardens, the corresponding proportion is 56%. However, among museums of all types owned and operated by local
governments a much smaller percentage, 27%, comes from the private sector. Of this, 21% comes from user charges, 5% from philanthropy and 1% from investments.

The survey also contains information on the effects and supposed effects of admission charges on museum attendance and access. In 1972, 59% of the museums had free admission; 37% charged an admission fee; and 4% requested a donation. Use of this practice depends on the type of museum. Charging admission is more common among science museums (39%), including natural history museums and botanical gardens, than it is among art museums (15%). Among the museums owned and operated by local governments, 28% charge an admission fee and 2% request a donation.

In the survey, directors of museums with free admission were asked whether charging would lead to a decrease in attendance. Seventy-four percent said yes. Of these, 51% predicted a significant decrease, 23% some decrease. This opinion, however, was not shared by the directors of museums which charge admission. Sixty-five percent reported that the charge had little effect on attendance. While most museum directors agreed that the composition of attendance might change - discouraging attendance of the poor, young, or elderly - the museums which charge admission or request donations had designed their pricing systems to minimize this potential negative effect.
Admission charges are not necessarily a desirable means of increasing non-tax income to the Museums and Arboreta. Parking charges may be a feasible alternative at some facilities. In addition, scientists at the County institutions sometimes conduct research, acquire information, and perform other services to assist private industry or other governments in preparation of environmental impact reports. This activity could produce income through a fee policy, provided that public information and other laws are not obstacles.

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Our conclusion is that the record of private sector support of these institutions is commendable, particularly when compared with museums of all types owned and operated by local governments. The programs and methods used by the Museums and Arboreta could serve as models for other County services in efforts to increase the level of non-tax financing. However, we also believe that programs to increase income from alternative forms of user financing - for parking, special events or exhibits, other admissions, professional services, and other sales - is feasible. Without such programs, there is a risk that financial pressures on the County will mean the loss or deterioration of these valuable community assets. Tax financing has already been withdrawn from several museum programs to the extent that they are now supported principally by philanthropy.

RECOMMENDATION 5.

Continue present programs to encourage increased income from the private sector for the Museum of Art, the Museum of Natural History and the Arboreta. To the extent feasible, increase user financing. Alternatives which should be considered include charges for parking, special events or exhibits, other admissions, professional services, and tours.

Other Services
Issue - Is increased user financing feasible for other County services that are used by identifiable individuals or groups?

County services have the characteristic of benefiting to some degree the community as a whole, although each may be used by only a segment of the population. Consequently, the County finances many services with local taxes which are candidates for a system of user charges. These services are listed at the end of this section.

The list includes some services which traditionally have not been considered candidates for user financing and others which have been financed partly by users. Time limitations and the difficulty of obtaining adequate information have prevented us from conducting sufficiently conclusive investigation to justify firm recommendations for these services. Nevertheless, our preliminary review leads us to believe that the contribution of user charges to their financing could be increased. The implications of such a change and its social impact should be studied.

For example, we initiated studies of user charges in the health care system and the justice system and have included them in the list. In both cases serious questions may be raised regarding the balance among among County tax financing, user financing and other revenue sources.

In the case of health services we reviewed the revenue recovered by the County for medical care of individuals as reported in budget documents. The Department of Health Services charges users or their insurance providers for medical care, but many of its services are still substantially financed by County taxes. For example, 90% of the
costs of emergency medicine are subsidized, as are 56% of the costs of hospital care and 58% of the costs of long-term rehabilitation. One may ask whether this is the most appropriate balance among alternative sources of revenue.

The County has recognized the need for change in this area. The Chief Administrative Office and the Department of Health Services have formed a high level task force to devise means of increasing revenue. In addition, the department has proposed a pilot project in the San Fernando service area to test a method of charging patients based on their ability to pay. Finally,

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the new Department of Collections has initiated strong efforts to reduce the County’s backlog ofreceivable accounts for medical care. We support these efforts.

Similarly, we initiated investigation of the utility of user charges as a source of financing for court services. Increased costs of court services are threatening the entire judicial process. One of the principal causes is the growing trend to use litigation rather than administrative or legislative processes to resolve differences. The result has been a growing civil backlog which has led to the current debate between advocates of more judicial manpower and proponents of court reform.

Civil litigants currently pay filing fees and other costs which partly cover the cost of their cases to the County. The question is to what extent could increased user charges function to reduce the demand for litigation and encourage the choice of administrative resolution of disputes, as well as reduce the level of tax financing? Since much civil litigation involves major corporations, we doubt that the general taxpayer should be subsidizing the litigants by contributing half of the cost of processing their cases.

On the other hand, a substantial portion of court costs pay for criminal proceedings. The priority placed on criminal cases creates additional pressure on the availability of civil courts, because civil judges must be reassigned to criminal courts to guarantee trial within 60 days. One could reasonably ask then why civil litigants should
pay for more of the cost of their cases when one of the principal causes of delay and backlog is the demand created in the criminal courts. Should not the defendants in these cases, many of whom are defended at public expense by the Public Defender or appointed attorneys, pay at least some of the public costs of their trials when they can afford it? The Board of Supervisors

adopted a policy in April, 1976, requesting judges to order reimbursement for public defense costs as authorized by law. Ventura and San Diego Counties at present invoke the law more frequently and collect a higher proportion of public defense costs than Los Angeles.

The Board of Supervisors cannot act unilaterally to increase fees and charges for court use, since the levels are set by the State Legislature. In some cases the problem may be the allocation of revenue to cities or other jurisdictions, rather than the level of the charge. For example, traffic fines are allocated to the jurisdictions whose police issue the citation, even though the costs of court work are borne by the general County taxpayer.

Since the State determines major court policies and procedures which generate costs, including court organization and such administrative details as the number, classification, and pay schedules of some court personnel, one may reasonably ask whether the State should finance a higher share of court costs than it now does. A recommendation to increase user charges in the courts cannot be responsibly made until these questions are answered. It is clear, however, that the balance among County financing, State support, and user charges should be thoroughly analyzed. The Board and the CAO are seeking reform of State mandates in the justice area, including reform of fee structures. We support these efforts.
These and the other programs we list cost the County taxpayer approximately $60 million annually. On the average, the County finances over 70% of the total cost. User charges, including insurance payments, and Federal or State support finance the remainder. We report the costs here as they are found in official County budget documents. Therefore, they do not include such overheads as the cost of employee fringe benefits, utilities, buildings, and

RECOMMENDATION 6.

Investigate the feasibility of modifying the balance among County tax financing, user charges, and other revenue sources for the services listed below:

<table>
<thead>
<tr>
<th>Service</th>
<th>Net County Cost</th>
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</thead>
<tbody>
<tr>
<td>Beaches</td>
<td>$4.5 million</td>
</tr>
<tr>
<td>Civil Court proceedings</td>
<td>7.1 million</td>
</tr>
<tr>
<td>Computer record copying</td>
<td>(?)</td>
</tr>
<tr>
<td>Emergency medical services</td>
<td>24.0 million</td>
</tr>
<tr>
<td>Estate administration</td>
<td>2.1 million</td>
</tr>
<tr>
<td>Farm Advisor services</td>
<td>0.1 million</td>
</tr>
<tr>
<td>Land use information systems</td>
<td>(?)</td>
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</table>
Mapping                          3.9 million
Marina administration          0.1 million
Paramedic service              3.5 million
Pest control                   0.2 million
Public Defender                14.0 million
Surveying                      3.3 million
Tree maintenance                (?)
Weed hazard abatement           0.4 million

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IV. ORGANIZATION AND COMPENSATION

General Policy

*Issue* - Can major internal administrative systems be modified to improve control over costs?

In late 1975 the Board of Supervisors asked the E & E Commission to review the causes of the financial crisis in New York City and make "preventative recommendations to safeguard the County from a similar disaster." In response to this request the commission released two reports in May and September, 1976. We concluded that Los Angeles County shares many of the basic causes of financial difficulty with New York and other local governments. The County has no debt re-financing problem, but it has adopted expenditure programs which strain local tax resources, in part because it is required to provide service to a diverse population over a large area.

Although many expenditures are required by State and Federal mandates, the task force concluded that the Board can improve major internal systems which lead to excessive costs. We cited the need for more effective control over two particular systems: organization and compensation.

Since our reports were released, the County has made progress in both areas. On November 30, 1976, on motion by Supervisor Hayes, the Board ordered the Chief
Administrative Officer (CAO) to develop a master organization plan of County departments with the objective of consolidating the number of organizational units reporting directly to the Board. On December 21, 1976, on motion of Supervisor Edelman, the Board ordered a review of its own involvement in routine administrative details. In January, 1976, on motion of Supervisor Edelman, the Board consolidated several departments into a Department of Com

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munity Development. Finally, In March, 1977, on motion of Supervisor Hahn, the Board ordered the CAO to report on the feasibility of consolidating several functions which are now performed independently by more than one department, such as security services, custodial services, craftsmen services, landscape services, mechanical services, and auto shop services.

Appointed County officials have also taken action to investigate the feasibility of organizational change. For example, the Department of Public Social Services is implementing a program to reduce its need for supervisory personnel. In addition, Public Social Services is conducting a joint investigation with United Way of the potential benefit of consolidating various information and referral functions.

The Board has also made progress in the compensation area. In April, 1977, on motion of Supervisor Schabarum, the Board acted to place deletion of the prevailing wage clause from the County Charter on the ballot in the June, 1978 election. It is clear also from newspaper reports that the Board has adopted a bargaining position in wage negotiations this year which recognizes the County's need to control personnel expenditures.

In addition, the CAO has initiated a full scale management audit of Workers' Compensation and expects to be finished in a few months.
Finally, the Board of Supervisors and the CAO have initiated a loss control program in the County. This program is designed to limit County losses resulting from personnel activities, including employee selection, safety procedures, and attendance discipline. We support these efforts.

RECOMMENDATION 7.

*Continue high priority efforts to improve the County’s control over organization and compensation.*

Organization

*Issue - Can the County accomplish organizational changes to improve cost control?*

As we noted above, the Board has acted to develop a master organization plan with the objective of consolidating the 50 departments now reporting to the Board into a simplified structure. It has also ordered the CAO to study the feasibility of functional consolidation of such services and organizational units as security guards, custodians, craftsmen, landscaping, mechanics, and auto shops which are now performed independently by several departments. We strongly support this program. It is a key to reducing excess costs resulting from duplication and proliferation of supervisory and administrative structures.

Organizational reform will not come easily to the County regardless of how well designed, for two principal reasons. First, small independent organizational units contribute to the political visibility of the constituencies they serve. Such specialized units as the Department of Senior Citizen Affairs and the Department of Military and Veterans Affairs, for example, serve distinct groups of people. Their services, however, are the functional equivalents of service provided to other citizens by the Departments of Community Development and Public Social Services. They are logical candidates, therefore, for consolidation into these larger departments. Such a consolidation would
not mean the reduction of services provided to senior citizens and to veterans, but could result in more cost effective service.

However, as separate entities, departments like these command the attention of the Board and are in a strong position to compete for budgetary priorities. Because of the strength and support of the constituencies they serve they have been able to maintain their independent status. Almost any attempt to consolidate County functions will meet resistance for similar reasons.

Second, the Board of Supervisors cannot always act unilaterally to effect an organizational improvement for efficiency, because State law may inhibit the change. For example, since 1967 the State Legislature has blocked legislation which would enable the County to consolidate the Marshal's and the Sheriff's bailiff and civil process functions.

It is impossible in general to predict the savings organizational simplification would achieve. Too much depends on the details of proposed changes and the explicit cost reduction goals which are established as part of the proposals. However, one can appreciate the magnitude of potential savings by examining some of the costs of the present structure. For example, the County spent $235 million in 1975 on the salaries and benefits of nearly 10,000 positions classified as management or supervision. A County-wide goal to reduce administrative costs by 10%, if achieved, could therefore save $23 million annually.

The central point in using organizational simplification to improve efficiency is that a cost reduction goal should accompany any proposed changes. Consolidation efforts, in particular, are subject to the weakness of superimposing additional layers of management over the existing structure. This obstacle to efficiency can only be overcome by incorporating mandatory cost reduction goals in each proposed change.

RECOMMENDATION 8.
Establish as policy that no new department will be created unless the CAO finds that it is economically advantageous or that its proposed functions cannot feasibly be performed by an existing entity. Provide also that proposed organizational changes will incorporate mandatory goals for cost reduction, reduction of administration, or increased cost effectiveness.

Craft Wages

**Issue** - Should the County continue to set craft wages at levels higher than those reported by industry for corresponding positions in the Joint Salary Survey?

Methods of determining the proper basis for paying craft workers in the County have been the subject of controversy for a long time. This is the manner in which the County pays plumbers, painters, electricians, carpenters, welders, and a number of others. Six of these craft positions are surveyed in the Joint Salary Survey, which collects data on what industry is paying for comparable jobs. The County - similarly Los Angeles City and the Los Angeles School District - does not pay its craft workers on the basis of this data. Rather it pays them on the basis of a formula based on the wages negotiated by the Associated General Contractors (AGC) with the unions in the construction industry. These workers do not work on a permanent basis throughout the year. They move from job to job. They are therefore paid a higher hourly wage rate to compensate for the time lost between jobs during the year. The County craft workers, like those in the Joint Salary Survey, work on a permanent basis throughout the year.

From the 1940's to the early 1970's, the County paid craft workers AGC rates less a fixed percentage to adjust for the excess of County fringe benefits over AGC benefits. The discount ranged from 10% to 12.5%. Despite the discount, this formula consistently yielded rates higher than those in the Joint Salary Survey. In 1971, a new formula
adjusting for both the length of the work year and the differences in fringe benefits was introduced into collective bargaining agreements. At the same time, County management adopted the objective of reducing the salary gap to negligible amounts by 1980, while still retaining the AGC rates as a basis for the formula. While the County has made recent progress in

this regard, the cost of the differences between County rates and those reported in the Joint Salary Survey is still substantial.

We have estimated the cost of the difference between County rates and rates reported in the Joint Salary Survey from available data for the four principal classes of journeyman carpenter, plumber, painter, and electrician. In 1965, the differential ranged from $77 to $194 per month, or the equivalent of 11% to 29% of salary for these jobs. At the time, the County employed approximately 900 people in craft positions. The cost of the craft wage differential was approximately $1.1 million annually. In 1976, the wage differential ranged from $283 to $759 per month, or from 24% to 65% of salary. In that year, the County employed over 2000 craft workers, and the cost of the craft wage differential was approximately $7.5 million.

Despite these cost increases, which are partly due to increased employment levels, the County has reduced the wage differential since 1970 for several job classifications. In 1970 the wage of County journeymen painters was 32% above the median wage reported for painters in the Joint Salary Survey. By 1976, the excess had been reduced to 24%. Similarly, a 46% differential for welders was reduced to 34% between 1970 and 1976; a 71% differential for sheet metal workers declined to 53% between 1972 and 1976; and a 75% differential for plumbers declined to 65% between 1970 and 1976.

On the other hand, the differential for electricians increased between 1970 and 1976, from 32% to 44%, and remained unchanged for carpenters at 35%. Overall, the
differences still exceed those paid in 1965 under the older formulas. In any case, they are hardly negligible at current levels of 24% - 65% of salary.

We support the County's objective of reducing the gap between County rates and prevailing rates as reported in the Joint Salary Survey. We recommended a similar objective in 1966. The recommendation was rejected by the Board.

RECOMMENDATION 9.

Continue, as a high priority County position, to negotiate the reduction of the gap between County craft wages and wages paid for craft employees in industry as reported in the Joint Salary Survey.

Workers Compensation

Issue - What action can the County take to improve control of Workers' Compensation costs?

In a letter to the Board of Supervisors dated March 7, 1977, the CAO stated that one of the reasons for the steep rise in Workers' Compensation costs is that "management and personnel policies, programs, and practices currently pay insufficient attention to loss control with the result that many personnel activities . . . may tend to foster, rather than limit, losses."

As the CAO reported, the County's future liability for Workers' Compensation benefits has increased dramatically in recent years. In fiscal year 1964-65, the County lost approximately 60 staff-years, or about 0.13% of its workforce on a base of 47,000 employees. The incurred cost for industrial injuries in that year was $5.3 million as reported in County financial documents. The cost was $10.4 million in fiscal 1968-69, just prior to the County's decision to become self-insured. In fiscal year 1975-76, the
County lost approximately 1300 staff-years, or about 1.5% of its workforce on a base of 84,000 employees. The incurred cost was $42.7 million.

Adverse experience with the Workers' Compensation system and its legal requirements are not unique to Los Angeles County. A crisis in the system has affected all of government and industry in the last few years and has received national attention. Full scale correction of the situation must await changes of the State laws governing Workers' Compensation and national adjustment of

the Workers' Compensation system. Nevertheless, the task force has concluded that some local action can and should be taken to provide managerial and employee incentives to minimize loss.

The Board of Supervisors has taken action to improve internal loss prevention programs and to seek legislative reform of State laws that weight the adjudication and arbitration of compensable claims in favor of the employee. In addition, as we noted in the section on general policy, the CAO is conducting a management audit of Workers' Compensation. We support these efforts.

We believe that the Board should act to further improve the County's internal control and information systems, regardless of the success or failure of State and national reform efforts. In particular, the County must remove incentives for employees to prefer compensable leave over employment. Such incentives exist now, because the County supplements legally required benefits ($154 per week) with cash payments to 100% of salary for one year. Major portions of these payments are tax free, thus providing windfall income to employees on compensable leave. Although Section 4850 of the California Labor Code requires the 100% benefit for public safety employees, the County controls the benefit structure for all other employees.

Clearly this entire system should be replaced with incentives to encourage employees to return to work as soon as possible. To make employee incentives to return to work effective, associated incentives are needed to encourage departmental managers
to re-employ those on compensable leave who are able to return to work in some capacity. The CAO's staff has informed us that design of a return to work program will be included in the management audit.

Appropriate financing of future liabilities is also a problem that must be addressed by the Board. When the County became self-insured in 1969, the Board established the policy of providing adequate funding in the current year to cover expected future costs of compensable injuries occurring that year. This policy was incorporated in Administrative Code Section 78.02 and Board Order 183 of February 10, 1969.

The CAO is considering alternatives to this policy in his management audit, and final decision should await his findings. In our opinion there are three central issues involved in determining final Board policy. Two of the issues are technical. The first is the manner in which expected future losses are projected. The second is determining the proper actuarial interpretation of the meaning of phrases such as "adequate funding."

The third issue is more political than technical. In considering the range of alternatives between full financing of future liabilities and a pure pay-as-you-go system, the Board must decide what the trade-offs are between maintaining a large trust fund, on the one hand, and billing future taxpayers for losses incident to services to current taxpayers. The most widely known example of a pay-as-you-go system is the Social Security System. The County's retirement system is an example of an actuarially funded program.

RECOMMENDATION 10.

Support as a high priority, the conclusion of the CAO's management audit of the Workers' Compensation System. Upon conclusion of the study, initiate negotiations with County labor representatives to amend the Salary Ordinance and Administrative Code to strengthen control of costs resulting from Workers' Compensation. When State law is an
obstacle to the change, as it is for public safety employees, negotiate a unified management-labor position on appropriate amendments.

New controls should:

1. Eliminate financial incentives for employees to take disability leave and remain on leave, particularly incentives such as the 100% salary supplement for one year.

2. Establish incentives for employees and departmental management to participate in a return to work program.

3. Specify the degree to which the County will finance future liabilities and the methods of projecting losses.

4. Require departmental management to report industrial accident experience in each department and organizational sub-division at least quarterly. Require the Director of Personnel to investigate and report on the experience of any organizational entity or labor classification when the experience exceeds Statewide averages for similar work.

Sick Leave

Issue - What action can the County take to control the sharp increase in sick leave costs?

We have reviewed the information on the use of sick leave by County employees developed for the Auditor-Controller's productive hours report. This information is based on a statistically valid sample of timekeeping records and is the best available source of data on the County-wide use of sick leave. In addition, we have reviewed several departmental audits and have interviewed a number of middle managers in the County.

The average amount of sick leave used by County employees in 1974 was 12.6 days per employee; in 1975 the average had increased to 13.7 days. Excluding any effect of salary inflation, the County spent $41.4 million on sick leave in 1974 and $45.8 million in 1975. The increase of $4.4 million in a single year is the equivalent of 1.8~ on the tax rate, or, alternatively, the equivalent of nearly 340 positions.

Sick leave provisions of the Salary Ordinance allow an employee to earn 12 days sick pay at full pay each year. Earnings may accrue to a maximum of 240 days. When
leave at full pay is exhausted, an employee may use additional leave at 75% pay for a period that depends on length of service (up to

-42-
a maximum of eight weeks per year). When leave at 75% pay is exhausted, an employee may use additional leave at 50% pay for a period that depends on length of service (up to a maximum of 36 weeks). Department heads may grant additional sick leave at their discretion, but not in excess of the benefits earned for two years of service. A terminating employee's cash settlement for unused sick leave may not exceed 90 days' pay. As an incentive to discourage the use of sick leave, the rules allow an employee to elect to receive the cash equivalent of one day's work, provided he has used no sick leave during the year.

The provisions of the County's sick leave plan are not excessive by comparison with private sector plans as described in a 1975 survey of over 400 firms conducted by the Merchants and Manufacturers Association. In addition, we do not know if the use of sick leave in the County is excessive by comparison to the private sector, since we have not conducted a survey of the use of sick leave in industry.

Nevertheless, the sharp increase in the use of sick leave by County employees in recent years leads us to believe that the County should act to improve its control system. The underlying causes of the sharp rise in sick leave probably include current problems of low employee morale, lack of managerial incentives and unsettled labor relations. For example, a number of managers cited the hiring freeze and the work force reduction as disincentives against firm action to correct suspected abuse of sick leave. A manager who acts to remove an employee suspected of abuse cannot rely on securing a replacement and therefore takes no action. Similarly, a manager who acts to discipline an employee can expect a long and difficult challenge before the Civil Service Commission
under present procedures. The widespread expectation, as reported to us, is that the
decision of a manager in this position is likely to be reversed.

Our investigation leads us to believe that this system is vulnerable to abuse,
although we were unable to obtain comprehensive documentation that abuse is
widespread. The evidence we have obtained indicates either an absence of control over
the use of sick leave or management reluctance to act in cases of suspected abuse.
Examples from Auditor-Controller reports include the following:

- A department section of eight employees, which used an average of 1.14
days of sick leave per employee per month over an 18 month period, 68% of it on days immediately preceding or following weekends and holidays.

- Two departments which allowed employees to use accumulated sick leave
during the last few weeks preceding termination, to avoid limiting their
accrued earnings on termination to the 90 days allowed by the Salary
Ordinance. That is, the employees who had accrued more than 90 days sick leave were allowed to take paid time off to make up the balance.

In addition to these examples, the information from the Auditor-Controller's
productive hours report indicates that less than one-seventh of the employees in their
sample used three days or less sick leave during 1975. In contrast, 40% of the group had
exhausted their basic accrued sick leave benefits and were using leave at 75% and 50%
salary level.

We conclude, therefore, that under the present system, departmental management
has little incentive to act firmly. With an explicit Board policy, however, and the
consistent backing of the Board of Supervisors and the Civil Service Commission,
management should be able to reverse the trend toward increasing use of sick leave.

To be effective, the policy must include the following elements:

- Incentives or mandates for management to act in cases of suspected abuse;
• Realistic incentives for employees to minimize the use of sick leave;
• Mandatory participation in County-wide personnel and payroll information systems.

Present policy, as delineated in Sections 230 and 250 of the Salary Ordinance and in Sections 75-76.2 of the Administrative Code, is permissive and contains no incentives supporting managerial action. Further, in order to exercise the option to receive cash in lieu of sick leave, it requires an employee to use no sick leave whatsoever. As an incentive to minimize sick leave, this requirement is unrealistic. For example, less than 4% of the employees in the Auditor-Controller's sample used no sick leave in 1975.

RECOMMENDATION 11.

Initiate negotiations as soon as feasible with labor representatives to amend the Salary Ordinance and the Administrative Code to provide a system of controls over the use and abuse of sick leave. The system should:

1. Establish criteria for determining abuse developed by the Director of Personnel and the Civil Service Commission.

2. Incorporate liberalized incentives for employees to discourage the use of sick leave.

3. Incorporate incentives to encourage managers to take disciplinary action when justified and establish threshold limits on the use of sick leave beyond which disciplinary action or review is mandatory.

4. Require reporting by department management of the use of sick leave in each organizational sub-division of the department, at least quarterly. Require investigation and report by the Director of Personnel when the use of sick leave in an organizational unit exceeds County averages by a specified threshold amount.

5. Establish improved controls over the use of medical certification.

Commission Stipends

Issue - Should the County pay members of part-time commissions and committees for their services?
Currently, the County has no consistent policy governing compensation of the members of citizen boards, commissions, and committees. (For simplicity we will use the term commission to refer to all such groups.)

According to the most recent information, there are 84 citizen commissions in County government, containing a total of nearly 1000 members. Most of these are advisory bodies, but there are other types. Some commissions act as appellate or regulatory bodies such as the Civil Service Commission and the Regional Planning Commission. Some are technical or evaluative groups, such as the Architectural Evaluation Board. Others serve as governing boards, such as the Board of Governors for the Museum of Natural History and the Board of Education.

Approximately half of the commissions serve with no compensation. Thirty receive a stipend of $25 or less per meeting; of these, eight receive expenses in addition. Six commissions receive stipends over $25 but under $100 per meeting, and seven receive stipends of $100 or more. Approximately 70 are not authorized to claim expenses. By comparison, the City of Los Angeles pays members of 31 of its 41 commissions stipends of $10 or less, including the Civil Service Commission, the Planning Commission, and the Police and Fire Commissions. Only two commissions receive $100 a meeting or more, the Employee Relations Commission and the Board of Public Works.

There is no consistent pattern in the County's commission compensation structure. Some extremely hard-working commissions receive no compensation; others receive compensation ranging from $25 to $150 a meeting. The criteria used to classify commissions into one or another of these groups have little discernable relationship to the function of the commission or the expertise and the amount of work expected of the members. The whole system has apparently developed on an ad hoc basis as new commissions were created.
We strongly support the concept of citizen participation in County government. Commissions are the principal institutionalized means to maintain adequate levels of public scrutiny and to augment in-house expertise with the views of outsiders. However, we believe the Board should adopt an explicit policy to control the annual expenditure on stipends and expenses of commissions. The basic principle should be that service on a commission results in neither financial gain nor loss to commissioners.

Therefore, we believe that with few exceptions the Board should eliminate stipends as a method of compensating commissioners. The major justification of stipends is that they enable citizens to serve on commissions without cost. Consequently, some argue that elimination of stipends would reduce the access of poor or middle-income people to service on commissions. If commissioners who request it are reimbursed for expenses, this problem should be resolved. We believe, therefore, that the stipend policy should be replaced by an expense reimbursement policy. We doubt that potential savings would be diminished significantly by the alternative expense policy. The incremental cost of processing claims in a County that now has over 16,000 mileage permittees would not be an administrative burden. Similarly, we doubt that many commissioners could document expenses of $25 per meeting, which is the typical minimum stipend.

The only exceptions should be commissions whose members are required 1) to devote full-time or nearly full-time effort to the work of the commission, or 2) to provide expert and technical services which cannot be performed effectively by County employees. For these reasons, we recommend that the Assessment Appeals Board, the Civil Service Commission, the Regional Planning Commission, and the Employee Relations Commission retain their current stipends. The first
three require nearly full-time service, and the fourth involves the hiring of expertise. On the basis of these criteria, the Board of Supervisors may decide to retain the current stipend for some additional commissions.

A similar recommendation was made by the County's Emergency Medical Care Commission in a letter to the Board of Supervisors, dated September 10, 1976. The commission, which had previously requested a stipend of $50 a meeting, stated that it was withdrawing its request. The letter noted, "This action by the Commission not only recognizes the serious financial condition of the County, but also reflects the principle crucial to our government system that, when called upon, official service to the community is both a civic duty and honor." The commission, therefore, recommended that the Board "seriously consider the elimination of compensation stipends . . . for all part-time commissions and committees in the County." We concur with the commission and commend its action.

At present, the stipends of County commissions cost $589,230 annually. This includes $147,500 for the Assessment Appeals Boards, $42,600 for the Employee Relations Commission, $38,000 for the Civil Service Commission, and $59,800 for the Regional Planning Commission. Our recommendation, therefore, should reduce the cost of commissions by approximately $300,000. The exact amount depends on the costs of the expense reimbursement policy.

**RECOMMENDATION 12.**

*Establish a system of paying stipends to members of County commissions and committees only when service on the commission requires 1) full-time or nearly full-time service, or 2) the provision of expert and technical services which cannot be performed effectively by County employees. Replace the current stipend policy with a policy of reimbursing all commissioners for all necessary service-related expenses, provided they file an expense claim with sufficient documentation similar to those filed by County employees.*
V. DECENTRALIZATION

General Policy

**Issue** - Should the Board of Supervisors modify policies and practices adopted by previous Boards which have led to current levels of decentralization of facilities and services?

In our report of May, 1976, *The New York City Crisis* and *Los Angeles County Government*, we observed that one of the external causes leading to the County's financial difficulties has been the County's reaction to large scale migration of the population to outlying areas. In the period between 1965 and 1975, we reported, "To house the additional employees and provide services in local communities, the County has built 8 new administrative facilities, 23 welfare centers, 13 courthouses, 12 detention or law enforcement buildings, and 20 cultural or recreational facilities." (p. 24) At present, the County provides services from a total of 4400 separate buildings, incorporating over 30 million square feet of space, and representing over 1300 separate service facilities.

The Board of Supervisors has recently taken action to limit the proliferation of facilities. For example, during budgetary deliberations during the past few years the Board has severely curtailed the County's capital projects program. In addition, the Board has recently taken steps to consolidate facilities and to review its lease and building programs.

The historical basis for geographic decentralization was established by the Board of Supervisors in 1953 and further developed in 1962, before population growth in the County slowed and halted in the early 1970's.
The Board policy was directed primarily at improving convenience to the public. 

In the 1962 Capital Projects Program, the CAO stated:

"In keeping with the policy of taking the government to the people, rather than making the people come to it, the County is continuing to decentralize many of its functions. New Superior Courts are planned in the southwest, northwest, east, southeast, and northeast areas. The Civil Service Commission recently opened its first branch office in Long Beach, a second office will soon be opened in Santa Monica and two others are planned for the San Fernando Valley and San Gabriel Valley areas. The Assessor, County Clerk, District Attorney, Public Defender, Probation Officer, Sheriff, Forester and Fire Warden and County Engineer are all continuing to decentralize their services as the growth of the population and requirements of the public demand."

In a County the size of Los Angeles, some geographic decentralization is necessary to insure adequate service levels and quality in local communities. In Los Angeles County the method of decentralizing services primarily has been to locate additional personnel and service facilities in the outlying areas. At the same time administration of the service programs is highly centralized and those delivering local services have little authority to tailor the level, quality, or scope of service to local conditions. In addition, because of Civil Service requirements, local managers cannot adjust hiring and personnel practices to match community needs and resources.

Since administrative systems are highly centralized, geographic decentralization requires a chain of command transmitting line authority from central management. Proliferation of facilities, in the absence of delegation of authority, thus leads to proliferating levels of supervision and management. In addition, the decentralization of housing and facilities which accompanies decentralized programs requires additional support staff and service personnel to back up line employees. For example, a new courthouse requires not only custodians and equipment maintenance personnel, but also additional staff of the
District Attorney, the County Clerk, the Public Defender, the Sheriff, the Marshal, and Court administrators.

Moreover, once decentralized, programs are not as mobile as population and demand for service, particularly if the program employees are housed in owned or long-lease facilities. Consequently, uniformity of workload is difficult to maintain in all areas.

Finally, some areas may demand more services proportional to population and tax base than other areas. Consequently, geographic decentralization can lead to complex tax equity questions, such as those raised by proponents of County Service Area taxation, by the proponents of Canyon County formation in 1976, and by the City of Los Angeles in its lawsuit against the County over subsidies.

Thus, the issue of decentralization involves two fundamental questions of budgetary policy and organizational design. The first is the dispersion of facilities and personnel over a large geographic area. The second is the degree to which administrative and organizational systems effectively support the efficient delivery of decentralized services.

What is needed is a systematic review of the basic policy of "taking the government to the people" and the methods used to achieve that goal. In this time of fiscal crisis and public financial hardship, taxpayers may prefer lower taxes to convenience.

However, a change in policy does not necessarily mean a complete reversal of current policy. It may mean instead a search for more cost effective methods of delivering services locally and a better balance between administrative centralization and geographic dispersion. Thus, a policy review should take into account the need for service in a geographical area and alternative means of delivering services, such as through contracts with community based
organizations or with city governments whose residents demand a service. That is, just as cities now contract with the County under the Lakewood plan for services the County is in a position to provide economically, so too could the County contract with cities to provide services locally when geographic decentralization is needed. Such a program of "reverse contracting" has been implemented in several California counties.

RECOMMENDATION 13.

Continue present efforts to modify the balance between decentralized services and centralized administration by using other alternatives to locating County personnel on-site in local facilities.

Departmental Branch Offices

Issue - What is the most effective means of delivering County services to outlying areas?

Widespread dispersion of facilities is common in Los Angeles County government. The approximate distribution of the number of departments operating various levels of branch offices is summarized in the table below. By branch office we mean a facility where a department delivers services to a geographic area. The table is approximate because it was not always clear from the data we reviewed whether a departmental office served this purpose or was simply necessary to house employees for whom space is insufficient at department headquarters.

DISTRIBUTION OF BRANCH OFFICES

<table>
<thead>
<tr>
<th>Number of Service Outlets</th>
<th>Number of Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 or more</td>
<td>8</td>
</tr>
<tr>
<td>20- 49</td>
<td>9</td>
</tr>
<tr>
<td>10-19</td>
<td>6</td>
</tr>
<tr>
<td>5-9</td>
<td>6</td>
</tr>
<tr>
<td>2-4</td>
<td>10</td>
</tr>
<tr>
<td>1</td>
<td>15</td>
</tr>
</tbody>
</table>
In our view, there is little reason to question decentralization of departments whose functions and traditional methods of operation dictate a high degree of geographic dispersion. For example, fire and police must be decentralized for operational reasons, and the programs of libraries and parks would lose effectiveness if physically removed from the communities they serve.

Facility decentralization is also one method of enhancing efficiency and cost control. For example, the Department of Public Social Services (DPSS), which has over 50 branch offices, depends to some extent on regionalization and branching to provide a fraud control system. Since poverty is dispersed throughout the region, the department may also need all of its offices to meet the demand for service in each area. Whether the department has over-expanded, however, is a question. Currently DPSS is working with the CAO and the Department of Facilities on a program to reduce its space needs.

In addition to this effort, the CAO and the Director of Facilities have been conducting a County-wide analysis of the need for and the most efficient utilization of space. Recently, the County has successfully consolidated several facilities. Most notably the Departments of Facilities and County Engineer were moved to the County Engineer complex, formerly the Le Sage Building at Sixth and Vermont. This consolidation replaced a planned project to construct a new $30 million structure for the County Engineer. As another example, the County consolidated a number of departmental offices into a former White Front building on Imperial Highway in south Los Angeles. Thus the County is making progress in its consolidation efforts.

As the first phase of the County-wide analysis, the Department of Facilities has completed an extensive survey and evaluation of space needs by department and by geographical area. In addition to the departmental assessment of space needs, the study includes evaluation of current space with regard to
seismic and other safety considerations, suitability for service to the handicapped, and other quality considerations critical for facility planning. The next phase of the study will include a determination by the CAO of whether the need for service in each geographic area is sufficient to justify the presence of facilities there.

We strongly support these efforts, since we question the current level of decentralization in County government. In particular, the current levels of facility decentralization appear impractical in a time of workforce reduction and financial restraint. However, we cannot conclude that decentralization is excessive because we have been unable to obtain sufficient information on what it costs, who the beneficiaries are, and what the relationships are between the dispersion of demand for service and the County's capacity for service delivery.

After the CAO has defined the need for services, we believe the County should expand its studies into a comprehensive evaluation of the trade-offs among alternative methods of delivering services. In our view, such alternative means of delivering services locally as communications networks, mobile forces, and contractual relationships with private sector services which are already highly decentralized may be more efficient than deployment of County personnel in widely dispersed facilities. For example, telephone access to central facilities, together with media announcements and service by mail could prove less costly and as effective as on-site location of personnel for some services. We are convinced that the trade-offs are significant and the alternatives are feasible. Savings from closing outlying facilities, thereby reducing personnel and energy costs, could finance investment in improved communications technology or other alternatives.
The use of dispersed private sector resources as an alternative to County decentralization is already practiced by the Medical Examiner-Coroner, who performs some functions through private mortuaries. Although the Auditor-Controller found some weaknesses in this program in a recent audit of financial controls, the practice has been found preferable to proliferation of County facilities. Similarly, in its report on Health Services, the Los Angeles County Health Services Planning Committee (the Bauer Committee) recommended increased involvement of the private sector to decentralize the health services delivery system.

Thus, once the Board determines that decentralizing a service is necessary, it should consider alternative ways to deliver the service.

In addition, we are concerned with whether the County's decisions to decentralize are consistent with the needs and expectations of the local community. The placement of County facilities in outlying areas is based in part on an assumption that the residents of the local area are not mobile - that is, that they could not conveniently avail themselves of County services in other areas.

Because of the fuel crisis, we would not propose increased use of the transportation alternative in Los Angeles. However, current commuting patterns suggest that services for many people would be at least as convenient in the work location or enroute as they are in the area of residence. For example, we found in our study of Canyon County formation that 64% of the people there work elsewhere in the County. Santa Clarita Valley generates 34,000 person-trips per day to the San Fernando Valley and 17,000 to downtown Los Angeles. Surely access to the Board of Supervisors, the County Engineer, or other County services at those locations during normal office hours could be more convenient than service near residential communities when many residents are working
elsewhere. Program and space planning, then, should be based not only on examination of residential population and its dispersal over the region, but also on the variations of demand through the day resulting from commuting patterns and working hours.

Therefore, we believe that an investigation of these alternatives to facilities decentralization should be conducted by the CAO, the Departments of Facilities and Communications and the Energy Commission, in cooperation with affected operating departments.

**RECOMMENDATION 14**

*Assign high priority to conclusion of studies by the CAC and the Department of Facilities evaluating the public’s need for decentralization of County programs. When the need has been determined, evaluate the trade-offs among alternative methods of delivering services, such as communications networks, mobile forces, and contractual relationships with private sector services.*

**Elections**

*Issue - Does the present level of decentralization of voting precincts represent the most cost-effective structure for providing election services?*

While the County must bear certain fixed costs and voter-related costs in any County-wide election, about 33% of the total cost of an election is related to the number of precincts and polling places used for the balloting. Thus, precinct consolidation, to the extent it is practical can save substantial amounts of money in a general or primary election.

Los Angeles County contains 4000 square miles of space, much of it populated. About 3.5 million voters participate in primary and general elections. The County operates 8000 precincts for such elections. Thus, on the average, precincts are distributed to serve 440 voters in an area of about
one-half a square mile. Of course, the Registrar-Recorder designs precinct structure so that precincts cover more territory in less densely populated areas.

State law requires that no precinct in the County include more than 1,000 voters. Practical election management further requires that local features of terrain, population density, and transportation systems be considered in structuring precincts. In addition, jurisdictional boundaries strongly influence the distribution and configuration of precincts. Within these constraints, however, the number of precincts to be operated for any election is a matter of Board policy.

Currently, the Registrar-Recorder is implementing a program of administrative realignment of approximately 1700 established small precincts containing 150 or fewer registered voters. The program will realign and combine these precincts with larger neighboring precincts and has a potential of saving $250,000 per election.

In addition to supporting this program, which the Registrar-Recorder can administer within the framework of present Board policy, we believe the Board should determine whether current financial pressures would justify formulation of a new policy. As we have noted, State law requires that no County precinct include more than 1,000 voters. With the average number of voters per precinct at 440 in Los Angeles County, there could be room for a substantial reduction in the number of voting precincts with corresponding savings in election costs.

Precinct consolidation is feasible depending on the circumstances of an election and the needs of the public. Current Board policy allows 2:1 consolidation for special elections and 3:1 for school district elections. In
larger elections the key question is what is the relationship between voter turn-out and precinct distribution. Regardless of this relationship the proximity and convenience of polling places is a highly sensitive issue with some voters. Reducing precincts for a primary or general election could cause an increase in the number of complaints concerning convenience.

Nevertheless, the taxpayers and the Board of Supervisors face a fairly clear-cut choice between convenience and cost. The Registrar-Recorder informs us that each primary or general election costs approximately $6 million, of which $2 million is attributable to precincts. Thus the potential savings from consolidation of precincts in two elections could be substantial, if operational difficulties can be resolved.

If Congress approves the President’s proposal for election day registration, the County will have to increase, rather than decrease precincts. There are approximately 1.5 million eligible voters in the County who are not registered. At present levels of convenience, providing for them could require an additional 3400 precincts, for a total of 11,400, and a 15% increase in costs. As Supervisor Hahn has pointed out, several alternative methods of encouraging registration are available. In this regard the County has implemented programs to make registration available in such highly dispersed locations as fire stations, libraries, Post Offices, and branches of the Department of Motor Vehicles.

RECOMMENDATION 15.

Support the Registrar-Recorder’s administrative realignment program for small precincts. Initiate an evaluation of the feasibility of reducing the current number of precincts based on the trade-off to taxpayers between cost and convenience.
Community Groups

**Issue** - Can the County effectively decentralize services using grant financing of community group projects?

The principal sources of County revenue for community group financing are Federal revenue sharing, Federal categorical and block grants administered by the County, and categorical State grants. This discussion is limited to projects currently financed by revenue sharing, because this is the area which confronts the Board of Supervisors with the most difficult policy decisions.

The County receives approximately $100 million in revenue sharing funds. The County uses most of this amount to support its own programs. This enables the County to operate programs which otherwise would require local property tax financing.

The grants to community groups financed by revenue sharing amounted to $2.7 million in 1976-77, a reduction of $20 million from the initial level of $23 million in 1973-74. When the County finances a community group, it is in reality using funds available to it to decentralize services in the community as a supplement to its own services.

The most frequently heard argument against eliminating County grants to community groups is that they cannot survive without the grant. Therefore, the community would be deprived of a vitally needed service. Except in a limited number of cases, the facts do not support this argument. First, many of the grants finance activities of established organizations which have several alternative sources of funding. Such organizations as the YMCA, the Red Cross, the Girl Scouts, Harvey Mudd College, various churches and others receive grants of $10 - $60 thousand from the County. Obviously, these amounts finance only
a small portion of their operations. While the County grants finance specific projects, it is unlikely that without County funding these organizations would cease to exist.

They receive substantial amounts of private philanthropy, both in money and in volunteer service. It is possible that the County is financing services that these organizations could finance privately. In the absence of sufficient private financing, they are in effect shifting the responsibility for their internal priority decisions to the public sector.

In the case of newer community organizations, such as free health clinics, it may be true that they cannot survive without the County grant. This does not mean, however, that the community will be deprived of the service, since the service is often an equivalent or substitute for County provided service.

We believe that the problem of survival of these community groups is not relevant to the Board’s budgetary decisions. Rather the basic question confronting the Board is whether contracting needed services to these organizations is more cost effective than providing the service through County departments.

There is merit to the concept that community groups can provide locally based services cost effectively. They often provide a service which is needed in a small area with well defined socio-economic and cultural differences from the remainder of the County. Thus, in the communities they serve they are potentially more cost effective than the County because they typically do not pay County wage scales, they utilize substantial amounts of volunteer labor and other community resources, and they are not viewed by users as representatives of a large and distant bureaucracy.
For example, the Department of Health Services stated in its April, 1976, evaluation of the American Indian Free Clinic Dental Project, that

"The American Indian Free Clinic operates a well organized dental service that meets an acute community need. Its directors have been very ingenious and energetic in acquiring resources for the dental operation, including equipment and volunteer services."

It would make little sense to us to eliminate such a program or to replace it with a County provided equivalent. On the other hand, since the clinic is providing a service for which the Department of Health Services is ultimately responsible, we think that the Department of Health Services should pay for it. Therefore, the budget for such services should be assigned to the County department which is responsible for performing the function. The department should be held responsible for administering the program through contract with the community organization. Of course, there should be a corresponding reduction in the department's need for financing, since the contract makes it unnecessary for the department to provide the service.

The determination of whether a community project is more cost-effective than the equivalent decentralized County service should not be the responsibility of the operating department. Rather, program evaluation should be centralized, either in the CAO or the Department of Community Development. Evaluation should establish measures of program effectiveness and compare project cost effectiveness to that of similar County services. It should also encompass the use of all sources of government funding, with particular attention to County-provided funding from all County sources.

The Board should fully utilize the information provided by evaluation efforts and emphasize, in particular, program evaluation during budget deliberations on this subject.
RECOMMENDATION 16

Establish a policy to use grant financing of community organizations as a means of decentralizing or supplementing County services when the County finds the community organization to be more cost-effective than an equivalent County service. The policy should:

1. Require the CAO or the Department of Community Development to determine cost-effectiveness of community projects financed by the County. Eliminate projects which are found to be less cost-effective than corresponding County equivalents.

2. Assign responsibility for contracting with community organizations to provide services and for administering the projects to the operating department responsible for the project function.