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Economy & Efficiency Commission Meeting Minutes

MINUTES OF THE REGULAR MEETING ECONOMY AND EFFICIENCY COMMISSION

WEDNESDAY, AUGUST 7, 1996
ROOM 830, KENNETH HAHN HALL OF ADMINISTRATION
500 West Temple St., Los Angeles, CA 90012

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

I. CALL TO ORDER

Chairman Buerk called the meeting to order at 9:55 a.m.

II. ATTENDANCE

COMMISSIONERS PRESENT

David A. Abel
Gunther Buerk
John Crowley
Jonathan Fuhrman

Robert Glushon
Jaclyn Tilley Hill
Michael A. Jimenez
Chun Lee
Carole Ojeda-Kimbrough
Roman Padilla
Robert Philiposian
H. Randall Stoke

Julia E. Sylva

COMMISSIONERS EXCUSED

Fred Balderrama
Richard D. Barger
Harry Cooper
Louise Frankel

William Petak

COMMISSIONERS ABSENT

David Farrar
Tony Tortorice

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

III. CONSIDERATION OF MINUTES

Moved, Seconded, and Approved: The minutes of the July 10, 1996 Commission Meeting be approved.

IV. INTRODUCTIONS AND ANNOUNCEMENTS

Commissioner Padilla introduced his fiance, Christine Sunda, who was attending the Commission meeting.

Chairperson Buerk announced that at the August 6, 1996 Board Meeting, the Board recognized the Commission and the awards it recently received. The following awards were recognized: 5 National Association of Counties (NACo) awards, an American Society for Public Administration (ASPA) National Award for Excellence, a National Association of County Information Officers (NACIO) Merit award for the Asset Management report. Mr. Staniforth stated currently, the Commission has a number of awards pending. Chairperson Buerk thanked all the Commissioners and staff for their hard work on the reports.

Mr. Staniforth reminded the Commissioners to update their biographies and to inform the office of their lunch preference for any lunch task force meetings.

V. OLD BUSINESS

1. Delivery of Municipal Services to Unincorporated Areas

Task Force Chairperson Padilla thanked the task force members and Mr. Staniforth for their hard work on the report that was approved by the Commission at the previous meeting. He stated that he and Chairperson Buerk are currently considering ways to advocate the report. Chairperson Buerk suggested that the Commissioners on the Task Force set up meetings with their respective Supervisors, Task Force Chairperson Padilla, and himself (to brief the Supervisors on the report and answer any questions they may have. After these meetings the report should be placed on the agenda for a board meeting. Chairperson Buerk asked Task Force Chairperson Padilla to follow up on the scheduling of these meetings.

Commissioner Stoke commented that he was in favor of the advocacy of the report. He found in the discussions that he and Commissioner Crowley had with Supervisors Antonovich's and Yaroslavsky's offices regarding the Natural History Museum, it was necessary to have advocacy to "be in the game". He hopes the Chair makes a policy of advocacy for all reports that go before the Board.

Commissioner Crowley suggested that a one-line summary of the various departments' responses to this report be compiled and then sent to the Supervisors' offices prior to meetings. Chairperson Buerk agreed and directed the staff to compile a one page summary of the responses. Task Force Chairperson Padilla inquired if this new marketing policy needs to be incorporated into the Commission's procedures manual. Chairperson Buerk replied that an advocacy effort will be placed in the procedures manual, but it will remain flexible and initiated on a case by case basis.

2. Real Asset Management

In Task Force Chairperson Farrar's absence Mr. Staniforth reported that he, Task Force Chairperson Farrar and Pat Flynn, a consultant on the project, had a meeting with Sharon Yonashiro to talk about the status of the CAO's action in this area. They found that there are other organizations looking into this matter such as the Quality and Productivity Commission and Local Government Services Commission. Commissioner Farrar had suggested that we find away to consolidate these efforts into one project for one organization.

Commissioner Philibosian stated that each organization should continue with their own separate study and our Commission must make a concerted effort to complete our study as soon as possible and utilize our advocacy policy. Commissioner Hill, liaison to the Quality and Productivity Commission, agreed. She had seen a presentation given by Sharon Yonashiro's office to the Quality and Productivity Commission and found much of the information difficult to reconcile with information this Commission possessed on the same matters. This Commission's approach and focus is considerably different than that of other commissions. Commissioner Crowley had also attended that meeting and agreed that our focus is different.

Commissioner Crowley commented that one might assume that commissions have much in common and would continually overlap but that doesn't appear to be the case. Chairperson Buerk stated that the Quality and Productivity Commission works primarily with departments to improve productivity, and the Economy and Efficiency Commission focuses on policy. The real asset management topic appears to be a prime example of these differences, and due to that, this Commission should proceed with a separate study, making sure that efforts are not duplicated.

Commissioner Ojeda-Kimbrough commented that a few years ago the Board did pass a motion requesting the two commissions to join efforts on the pension study. In this situation, the two task forces divided the areas of the report.

3. Natural History Museum

Task Force Vice-Chairperson Hill reported that the task force held a conference call and answered the request from the Auditor-Controller's office regarding the status of the recommendations. The Task Force concluded that it again would follow the recommendation to review the Natural History Museum in one year.

Commissioner Stoke commented that he did not attend last month's Commission meeting, but he noticed in the minutes that there was significant discussion on the investment program. The important fact regarding the investments of the museum, is that the funds from the endowment should be used to reduce the taxpayers' obligation of payments to the Museum. This should be noted as a primary concern of this Commission.

Commissioner Philibosian stated that it does not matter how well the stock is doing that is not the Commission's concern, the point is that the stock provides no income. Commissioner Able agreed. Commissioner Philibosian stated that every other institution that he is aware of, draws income on their endowment. What is the purpose of an endowment that produces no income. Chairperson Buerk added that regardless of an endowment, if the stock is doing well, some shares could be sold and the funds used for operations of the Museum.

Commissioner Stoke explained that the Commission specifically recommended that the Natural History Museum generate 5% of the capital of its investments to be used for general operating purposes. This is a standard for non-profit corporations. If this had been done it would have reduced the need of County funds for the Museum. This had to happen by June 30th and now the Board does not have authority to take this action. The Task Force felt it was important to continue with this recommendation and acted to have another review in February when the process will start over again. The Museum should follow the standard of other non-profits to pay a percentage of their capital endowment for operating purposes. The Museum, not the Commission, must set a policy to achieve this.

Commissioner Crowley asked if the window for the Board to intervene opens only once a year. Commissioner Stoke replied that it only opens when there is an economic crisis defined by a number of county employee layoffs. Chairperson Buerk added that the County has a financial commitment to the museum but the Board can alter that commitment in the event of a financial crisis in the County. This should be emphasized each time the implementation of the recommendations are reviewed.

Task Force Vice-Chairperson Hill stated that new action by the Task Force may be needed in February.

4. Department of Health Services

In Task Force Chairperson Tortorice's absence Mr. Staniforth reported that the Task Force is still awaiting Mark Finucane's response to the recommendations. This response was due July 31st. Chairperson Buerk stated that we are under obligation to report to the Board, and he suggested that another letter be sent to them. Commissioner Philibosian suggested that the report be filed without Mr. Finucane's response. Chairperson Buerk replied that we need certain information from Mr. Finucane's response, before we can proceed.

5. Department of Human Resources / Department of Health Services

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

6. ISD Restructuring

Mr. Staniforth reported that he continues to work on the follow up report. He also stated that he is currently looking for someone to assist with the purchasing audit and would welcome any suggestions from the commissioners.

7. Department of Public Social Services (DPSS)

Chairperson Buerk reported that this was a Task Force that was initiated and then put on hold. Currently, there are many issues relating to DPSS that could have a strong impact on the County and he felt that it is time to mobilize the

Task Force once again. The Commission is waiting for a response to its last memo from the Board. Mr. Staniforth added that in addition to the Welfare reform, Lynn Bayer, the new Director of DPSS, broke her hip and will be unable to return to work for several months. Chairperson Buerk suggested that we touch base with Supervisor Antonovich's office to begin action.

Commissioner Fuhrman asked what the Commission's charge is in this matter. Chairperson Buerk replied that the Task Force's mission is to identify that charge. The federal and state rules surrounding DPSS have changed and caused significant restructuring. We need to examine these changes and how they are being implemented and what the Commission can do to assist the restructuring.

Commissioner Abel suggested that what had occurred with the Constitutional Revision Task Force may also be in order here - creating a new charge for the Task Force to examine the effect of welfare reform on the County, Chairperson Buerk agreed.

Commissioner Fuhrman asked what we, as a Commission, offer that the CAO's office can't. Chairperson Buerk replied that the Commission brings an outside view.

8. Constitutional Revision Commission

Chairperson Buerk stated that a new Task Force had been formed as a result of a meeting of the Economic and Budget Development Task Force. He decided that the new Task Force would examine the constitutional revision and how they effect the County Commissioners Philibosian and Abel were appointed Co-Chairs.

Task Force Co-Chair Philibosian reported that the Task Force is in the process of finding a consultant to assist on the project. Next week the former Chair and Vice-Chair of the former California Constitutional Revision Commission are making a presentation of their findings to the Task Force. The Task Force anticipates having a report to the Commission by the December meeting so the Board will have an opportunity to act in January. Task Force Co-Chair Abel added that Mr. Staniforth had prepared a board draft resolution requesting that the Board ask us to do the study and financially support the study. This resolution will be co-authored by Supervisors Dana and Yaroslavsky. We are anticipating their support. Mr. Staniforth stated that we are waiting to see how the Board wishes to introduce the motion. They must also recognize where they will get funding for the study we have recommended \$25,000.

Mr. Staniforth stated that the Grand Jury is also pursuing a study on this topic. They are interested in supporting our position in their recommendations. He confirmed that former members of the Constitutional Revision Commission (Bill Hauck, Don Beninghoven and Fred Silva) will be making a presentation to the task force.

Task Force Co-Chair Abel stated that he is investigating other agencies working on this topic that can provide us with possible support in the form of finances and consultants.

Commissioner Padilla suggested that the former members of the CCRC make a presentation to the entire Commission. He asked if the Task Force was concerned with amending the County Charter. Task Force Co-Chair Abel stated that is not the specific charge of this task force.

Commissioner Crowley stated that the CCRC is recommending the establishment of a "home rule community charter" which would provide for the assignment of local government services and their financing. It is important that our Task Force understand the mechanics of this recommendation.

Chairperson Buerk announced that Commissioner Albert Vera has been removed from the Commission for failing to attend eighteen (18) meetings. There is a provision in the government code (5.0) that states that any commissioner that misses three (3) consecutive meetings without an excuse is automatically removed from that commission. Supervisor Burke and Mr. Vera have been informed of his removal. This code will be enforced uniformly. Commissioners must notify the staff and give a reason when they are unable to attend a meeting.

VI. PRESENTATION - Mr. Larry Kimbell, Chairman Los Angeles County Blue Ribbon Task Force Topic *Discussion of the Los Angeles County Blue Ribbon Budget Task Force Report*

Mr. Kimbell began his presentation by giving information about the Blue Ribbon Task Force's report. The task force had a limited time in which to complete the report, they were commissioned in January to give an April report. This short time forced them to focus on key areas. The task force concluded that the County was facing a structural deficit of \$1 billion. This figure was determined on January 10th. By the following week, the LA Times reported that the deficit might only be \$500 million. Near the conclusion of the task force's work, they were informed that the 20% budget cuts may have eliminated the shortfall. Currently, they do not know if there is a shortfall or not. He believes the County should not count on the money being there. Mr. Kimbell feels LA County is facing a huge health care crisis. This crisis is a result of several factors, many beyond the County's control. Los Angeles County is still suffering

because of the \$1 billion the State took from them.

The diversity of leadership and lack of discipline is the cause of organizational problems within the County. The Task Force told the Board they would need to appoint a new CAO and fully support that individual. This individual will have to control the 38 departments. There is a critical need to coordinate the lobbying of the County. This may need to be a separate entity from the Board. The Board of Supervisors needs to maintain control, especially when dealing with the State and Federal governments.

Other recommendations include:

1. Reduce the number of civil service rules and implement job cuts.
2. Performance-based compensation.
3. A strategic view of the Vision 2000.
4. Out sourcing and privatization.
5. The County's unopened jail should be given over to the public to use.
6. Revenue enhancements.
7. Welfare reform.

Politically, the County is very well represented and the heads of departments are very competent. However, the lack of organization between the two is leading to an unstable financial environment. Major changes need to happen to get the County back on track. Specifically, \$500,000,000 in wage compensation should be eliminated. This does not have to mean lower salaries and a decrease in benefits, but it does mean staff reduction.

Commissioner Padilla asked where the Economy and Efficiency Commission could assist the most in these problems Mr. Kimbell replied that the County has an on-going need for scrutiny which is something this Commission continually does.

Chairperson Buerk asked if they made any recommendations regarding an elected CEO that would handle the executive function, and allow the Board to handle the legislative function. Mr. Kimbell personally feels that is a good idea, but it may not be absolutely necessary and it will be a very lengthy process.

Commissioner Abel inquired if the Task Force considered the unintended consequence of Prop 13 which moved the locus of power to the state level. Mr. Kimbell agrees that many of the County's problems are not within their control. Their Task Force recommended that the County get a tenacious lobbyist to fight for them. Prop 13 is a bad policy that hinders counties from making their own decisions.

Commissioner Fuhrman asked if it was reasonable to expect a diverse Board to unilaterally support a CAO. Mr. Kimbell agreed that absolute support is not impossible anymore, but a strong resolve from the Board is needed to let the CAO implement decisions.

Commissioner Philibosian asked if the Task Force had addressed the potential for raising revenues by having more tax monies paid (not increasing taxes) as there is more business stimulation, and a) how could the County assist in business stimulation by decreasing regulation, and b) how the County could pro-actively stimulate business growth. Mr. Kimbell replied that these issues were not focused on because their study was a 5 year plan and those are programs that require 10-15 year plans. Also, the Los Angeles economy is doing well, there is tremendous growth in multimedia, entertainment, and construction industries. Commissioner Philibosian asked if it would be worthwhile for the Board to have a Blue Ribbon Task Force that focused specifically on deregulation and increasing business growth. Mr. Kimbell stated that his colleague, Bob Perry, started the Bay Area Economic Forum, which has been a highly effective organization in bringing business leadership to the government. There is an opportunity for a similar organization here. Commissioner Philibosian stated that unfortunately, an organization of that nature cannot actively effect stimulation by influencing the zoning department to move more quickly, move the regulators to be more reasonable, or move building and safety to have a more expedient process. He feels the County should institute a policy to stimulate business growth. Mr. Kimbell believes that there needs to be cohesive leadership from the County, the business community, the Mayor, and surrounding counties.

Commissioner Abel stated that under the current structure, the benefits of growth could bypass the County completely and go straight to the State.

Commissioner Philibosian said that in his experience as a department head, he encountered a problem of departments inflating their budgets so they would have money if needed, rather than making a budget and abiding by it. He asked if the Task Force made any recommendations regarding budgets for the department heads to follow. Mr. Kimbell replied that they had recommended performance based budgeting that attempts to give specific incentives to individuals regarding budgets. Commissioner Philibosian stated that there is currently no incentive for a department head to cut their budget and be efficient.

Commissioner Crowley asked if the Task Force investigated the incentives of returning home rule to the counties from the State. This was a recommendation of the California Constitutional Revision Commission. Mr. Kimbell replied that their study did not investigate specific incentives.

Commissioner Hill asked how incentives could be implemented in regards to civil service Mr. Kimbell replied that they had encountered resistance from all sides regarding almost all recommendations.

Commissioner Jimenez stated that, in regards to wage reduction the only control that the Board of Supervisors currently have is to cut jobs. They may pursue business stimulation and getting a larger share of the tax base, but they only thing they can actually do is to cut programs and jobs. Mr. Kimbell agreed and that is what has been happening in the business arena recently and has been working. The County will have to make job cuts.

Chairperson Buerk asked Mr. Kimbell for a forecast for Los Angeles County over the next 5 years. Mr. Kimbell said the current outlook is favorable, although within 5 years time there is a possibility of a recession. The County is well positioned in the entertainment, communications, and multimedia industries. The housing outlook is also good. Aerospace is stabilizing. Trade is very strong. The County encountered a worse recession than Houston or anywhere else and is recovering.

VII. NEW BUSINESS

Commissioner Hill suggested that the Commission look into the possibility of a having a web page in order to make our reports available to a wide section of people. Depending on costs, the web page could be E&E specific or it could be attached to a current web page. Chairperson Buerk agreed this was a great idea and directed staff to look into the specifics.

Commissioner Abel asked to have Sandy Davis' response to the Rose Report distributed to the Commission before the next meeting. Chairperson Buerk agreed and directed the staff to circulate the report.

Commissioner Fuhrman requested that the topic of Civil Service be put on the agenda for next month for discussion.

Commissioner Crowley inquired if there was a priority list of pending areas of investigation by the Commission. Chairperson Buerk replied no, the Commissioners can bring issues they are interested in to the Commission, and if there is enough interest and resources a task force is developed.

VIII. ADJOURNMENT

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

Respectfully Submitted,



Bruce J. Staniforth
Executive Director

[Go to August 7, 1996 Agenda](#)

[Return to September 4, 1996 Agenda](#)



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