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Economy & Efficiency Commission

Meeting Minutes

MINUTES OF THE REGULAR MEETING ECONOMY AND EFFICIENCY COMMISSION

THURSDAY, AUGUST 6, 1998
ROOM 830, KENNETH HAHN HALL OF ADMINISTRATION

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

In the absence of a quorum, Chairman Abel began a meeting as a committee of the whole at 9:58 AM.

V. OLD BUSINESS

1. Real Asset Management (Commissioner Farrar)

Commissioner Farrar stated that he was enthusiastic about the support received from the CAO. He expressed amazement at the continued disparity between what many governments pay, per square foot, for office space compared to the private sector. He gave as an example that his firm pays approximately \$9.00/sq.ft. for office space. Similar space used by the County, in many cases, costs upward to \$30.00/sq.ft. to obtain. Commissioner Farrar stated that the departmental "fiefdoms" operating independently within the County lack the experience and "deal-making" abilities that a larger more experienced consortium, acting on behalf of the entire County, might have. Commissioner Farrar indicated that rather than leave decisions, such as the most efficient use of real estate, to individual departments, these efforts should be coordinated across the County. Using this approach the County could most likely result in considerable savings.

Chairman Abel asked about the status of the consultant's work. Commissioner Farrar said that the consultant's work has been completed for about three months and is pending presentation to the Board of Supervisors in September of this year. Commissioner Farrar continued that it was essential that the centralized decision making processes, not merely regarding the usage of real estate, but in many areas of County government, were based on appropriate and adequate County data being accessible to those entities charged with coordinating the centralized effort. To this end, Commissioner Farrar stated that new technology is being recommended by the County task-force. The new technology will unite data across departmental lines and facilitate planning.

Chairman Abel asked Quality and Productivity Commission Liaison Hill if she had any comments to add to Commissioner Farrar's statements. Commissioner Jaclyn Tilley Hill responded that she was involved in the selection process of these consultants and explained that it was a challenge to find consultants who would treat these issues reasonably with detailed attention and logic. This approach is necessary to ensure a good outcome for Los Angeles County.

Commissioner Farrar lauded Commissioner Hill's long-standing commitment to the task- force and reiterated that the

consultant's output should result in a significant, cost-effective and noteworthy contribution to the economy and efficiency of Los Angeles County government operations.

Commissioner Hill said that she felt Asset Innovations had something different to offer, to which Commissioner Farrar agreed. Commissioner Hill lauded the efforts of Asset Innovations. She went on to ask Commissioner Farrar just where, in Asset Innovation's three-step plan, the County now needed to direct its efforts.

Commissioner Farrar explained that the County needed to boldly act upon these recommendations in a far-reaching manner, rather than just give them lip-service or small insignificant arenas for implementation. Commissioner Hill agreed. Commissioner Farrar stated that the Economy and Efficiency Commission needs to "stay the course" in this effort to create meaningful and across-the-board change because several County officials, in many cases, have rightly identified that change such as this can sometimes require 10 to 15 years to successfully "culturally" implement.

2. Constitutional Revision Task Force (Chairman Abel)

Chairman Abel commented that the Constitutional Revision Task Force is still involved in discussions related to the report. He stated that the CAO is close to having a report looking at their response to the EEC Report on state and local government. This report is geared toward identifying the consequences of not having authority and responsibility residing in the jurisdictional hands of local government. He further stated that the State Speaker of the Assembly has committed to creating a state-wide Commission on this subject

3. Little Hoover Commission (Chairman Abel)

Chairman Abel asked Bruce Staniforth to report on communications with the Little Hoover Commission (LHC). Mr. Staniforth began by reminding the Commission that a letter had been sent to the LHC suggesting a cooperative project. The LHC responded that due to a pending assignment from the State Legislature, it would be inappropriate to make a commitment to the Economy and Efficiency Commission at this time. However, the LHC is interested in perhaps pursuing something at a future date, as yet undetermined. Mr. Staniforth brought it to the attention of the Commission members present that the LHC will now keep us advised of their advisory committee meetings and a copy of same was passed out to each person present.

Chairman Abel commented that the memo, Task Force on Managerial Appointments over \$85,000.00, is now available and copies for all Commissioners will be made available by the Commission Office Staff upon request

IV. INTRODUCTION & ANNOUNCEMENTS

Chairman Abel began the introduction of guests present at the meeting. All guests present identified themselves.

VII. NEW BUSINESS

1. Receivables Management (Commissioner Jimenez)

Chairman Abel turned the meeting, as the committee of the whole, over to Commissioner Jimenez and Kenneth Pride, to present the report - *Evaluation of Receivables Tracking and Collections Systems: A Blueprint for Change* - to the Commission members and guests present.

Commissioner Jimenez thanked those present for their patience with the Debt Collection Task Force while it took such a long time to finish its report. He also apologized for his very frequent absences from past Commission meetings due to his involvement with the Task Force process. Commissioner Jimenez stated that he wanted to thank the Chairman for rescheduling the meeting to Thursday to avoid some very, very strong work conflicts that seem to happen every Wednesday on his new job. He also stated that this report merely ends the first part of a very elaborate process with which the Commission should involve itself. Commissioner Jimenez also explained that the Task Force's initial efforts uncovered a larger project than was expected and, therefore, required twice the amount of time and funding than was originally planned.

He went on to concede that the delinquencies for the County of Los Angeles during 1997 - at 11% of total revenue - are not considered a very large amount. However, he compared the 11% of 1997 with an 8.4% delinquency ratio from 1996 to support his claim that delinquencies for the County of Los Angeles, as a percentage of total revenue, are on the rise. He opined that this confirms a problematic trend.

Commissioner Jimenez stated that since the report was worth \$500,000 in paid and volunteer time it must have been managed well by the consultants. He thanked all the individuals and groups responsible for the final report. Commissioner Jimenez emphasized that by no means does this report complete the process it started, but that it is to be viewed as a catalyst for others to take action over the next several years by implementing the recommendations that the

report puts forth. Commissioner Jimenez next introduced Ken Pride who was to provide a brief overview of the 58 recommendations presented in the report.

As Mr. Pride was preparing for his presentation, **Chairman Abel officially called the meeting of the Economy and Efficiency Commission to order at 10:20 AM as a quorum was then assembled.** Chairman Abel then welcomed Mr. Pride.

Mr. Pride thanked the Commission for affording him the opportunity to work on this project. Mr. Pride pointed out the first area of recommendations in the report called for implementation within 6 months. These recommendations were specifically designed to immediately refocus County-wide attention on collection priorities, procedures and attitudes which had been given practically no attention in the last 10 or 20 years by almost every County department. Mr. Pride said that even though collection procedures are delineated in the County fiscal manual, most County departments have ignored any type of collections management and could neither identify their delinquencies, nor their scope.

Mr. Pride lauded the past use of collections amnesty programs and reported that the Task Force recommends their resurgence. He opined that an amnesty program could provide a windfall of collections for the County.

Commissioner Jimenez admitted that some of the County's delinquencies will never be collectable. However, he would like to see the County Treasurer and Tax Collector (TTC) provide for the streamlining of debt collection policies across all County departments. Commissioner Jimenez claimed that Los Angeles County lacks the consistency in debt collection that is present in other successful government agencies, and the private sector, across the nation.

Commissioner Buerk voiced his concerns about the seeming County departmental lack of awareness of receivables and offered that, perhaps, it reflects on the performance of the County Auditor/Controller.

Commissioner Jimenez indicated that, in fact, the report's recommendation #24 addresses this issue. He asked Manuel Ramirez, from Strabala and Ramirez, to further comment on this issue.

Mr. Ramirez explained that the Auditor/Controller can only be as effective as the quality of information received from the departments. He further elaborated on the meaning of recommendation #24.

Commissioner Buerk wanted to know what might happen in the event that unrecorded fiscal business is conducted. Mr. Ramirez responded that there shouldn't be any "invisible" receivables allowed as a matter of County policy. Given that the scenario did occur, there would be no way for an automated system to track such transactions. Mr. Ramirez opined to Commissioner Buerk that the likelihood of such irresponsible bookkeeping is unlikely. Vice-Chairman Fuhrman concurred with Mr. Ramirez and further elucidated his remarks to the satisfaction of Commissioner Buerk.

Commissioner Barger queried as to whether there had been any thought given to incentives for departments to properly report to the Auditor/Controller. Mr. Pride responded that departments do not feel that they're in the collections business.

Commissioner Jimenez further clarified that this is not a negative issue, it is merely a documented fact that the majority of County departments feel that they are in the business of providing services and that any collections activities should probably best be handled by someone else, e.g., private collections agencies.

Commissioner Hill asked Mr. Pride to comment on the activities of the Administratively Consolidated Municipal Courts (ACMC), which she had gone out to visit in Quality and Productivity Commission capacity. Mr. Pride commented that it was too difficult to compare the performance of ACMC against, e.g., private collection agencies because the data was too disparate between the different entities. Commissioner Lucente added his view that the recommendation made by the report to revisit the issue in 12 to 18 months was a good one. He asked if the numbers utilized in the preparation of the report were, in fact, as accurate as possible. Commissioner Jimenez replied that they were.

Chairman Abel asked Mr. Ramirez to define "receivables" and "delinquencies" for the Commission. Mr. Ramirez explained that a "receivable" is an amount owed for a service rendered and that "delinquencies" are already defined by the County Fiscal Manual as receivables that have not been collected after 60 days of the rendering of said service.

Commissioner Lucente asked if the conclusions of this report were benchmarked with other counties. Kenneth Pride indicated that they were not. Commissioner Jimenez stated that there was insufficient time allotted to the Task Force to provide expanded informational gathering such as that. Mr. Michael McCarthy, of Strabala and Ramirez, stated that the effort in compiling this particular report was to merely show the trend in Los Angeles County.

Commissioner Lucente next asked what the projections were going to be in terms of actual additional revenue generated for the County given the successful implementation and fulfillment of the recommendations put forth by the

report.

Commissioner Jimenez stated that the primary thrust of this report was that the County would be better able to identify levels of receivables. He mentioned that a very satisfactory result of this report would be that the County more accurately become aware of what its receivables are in 6 months. Mr. Ramirez reminded the Commission of his view that if departments embrace the amnesty programs, as suggested in the report, a veritable windfall of cash would flood County coffers.

Commissioner Lucente reiterated his concern by suggesting that perhaps dollar figure projections of revenue gains be incorporated in to the report. Mr. Pride proffered that it would be unwise to officially suggest specific increases in revenues. He stated that he deliberately steered clear of putting numbers in the report. An off-the-record prediction of a 2 to 3 percent increase in County receivables collected would be "traditionally" prudent, he stated, but he "could not" put figures, or language suggesting quantified data in the report.

Commissioner Padilla further clarified that the goal of this report is to shrink the amount of delinquent receivables, based on the two-year trend, owed to the County of Los Angeles. We can not quantify amounts, but what we do know is that if nothing is done the situation will stay the same, or get worse. Mr. Pride further suggested that the report's goal is merely the streamlining of County collection procedures.

Chairman Abel asked both Mr. Pride and Commissioner Jimenez to identify which of the report's themes - continue with decentralized collections or centralize everything - are paramount. Commissioner Jimenez explained that one of the most important needs right now is a centralized County database on which to consistently catalog all County receivables from all departments. The report recommends ways to consolidate existing modes of electronic commerce to achieve this end. Mr. Pride opined that the vast array of types of delinquencies within the County calls for the centralization of a receivables database so that the already codified asset-guardian role of the Treasurer/Tax Collector's Office (TTC) can be adequately performed.

In debating the "centralized/decentralized" themes, Mr. Ramirez confirmed that the TTC should be charged with the absolute monitoring of the County's debts, but may, in fact, not be the best entity to serve as an active County collections provider. Therefore, it was summarily stated by Mr. Ramirez that, in effect, the decentralization of departmentally independent responsibility for achieving collections should be coupled with the centralization of monitoring by the TTC.

Commissioner Buerk said that he was encouraged that the report basically calls for the County to do a better job collecting its debt. He queried where the incentive for individual departments to do better would come from. Since the TTC is being held up as a central clearinghouse for the monitoring, but not the collection, of delinquent receivables, then why not establish a central agency to actively do the collecting as well.

Mr. Ramirez stated that, in fact, that is what was supposed to have been happening over the last 3 or 4 years under a plan worked on by Harry Hufford (Project Consultant and former County CAO) but the plan of across-the-board County centralization of debt collection had failed.

Commissioner Buerk responded that he felt the TTC should take, at least, oversight responsibility for the County's debt collection, but that the actual collections work could be contracted out privately.

Mr. Ramirez responded that any version of this plan was, and would continue to be, ineffective because of the departmental culture that collections are not the bailiwick of departments and hence no motivation to "buy in" to plans such as these. Commissioner Buerk said that perhaps motivation needs to be adopted within departmental confines.

Commissioner Jimenez responded that the adoption of the recommendation for departmental annual reports, as well as recommendation #25 of the Debt Report, purports to do just that. These recommendations propose to tie receivables performance to department head's annual performance evaluations.

Chairman Abel interjected that he thought that this today's meeting was an homage to the Economy and Efficiency Commission's real purpose, viz., to question governmental operations and constantly act as a vehicle for the Board of Supervisors in making the time to study issues such as this. It provides a vehicle to focus on rather abstruse ideas and present succinct recommendations to the Board of Supervisors. Chairman Abel then asked for comments from Vice Chairman Fuhrman.

Vice-Chairman Jon Fuhrman queried whether or not the TTC would have input regarding the contracts that individual departments would make with private collection agencies, i.e., could the TTC serve in a quality-control capacity? Mr. Pride responded absolutely and Mr. Ramirez stated that it is built into the recommendations.

Commissioner Padilla clarified that the recommendation calls for the TTC to preside over an overall policy, thus

satisfying Vice Chairman Fuhrman's question.

Commissioner Barger still wondered how the culture of "we're here to deliver services, not collect money", which is claimed to currently permeate departments, was ever going to be changed with out the clear definition of some entity being completely and utterly in-charge of the entirety of the debt collection process. Commissioner Barger stated that he agreed with the views of Commissioner Buerk.

Chairman Abel opened the meeting to questions from the guests in attendance. Ms. Sheri Sakomoto-Cheung, from Supervisor Knabe's office, asked how statistical data gleaned from 1 to 2 years time could, in fact, support the conclusion of a trend.

Commissioner Jimenez stated that past year's data was useless because the definition of a receivable was never made official, nor were records of year's past adequate. Thus, the trend can only be shown as last year against the previous year. However, Commissioner Jimenez added, this report will now mark a starting point, as it were, for the current trend which can now be properly base-lined against subsequent years.

Chairman Abel asked for comments from Richard Popper, Board of Supervisor's Office. Mr. Popper said he was impressed with the diagrams in the report and acknowledged the complexity of the issues that this report addressed. He reiterated the idea that there are both pros and cons regarding the decentralization/centralization issue and that there are state laws that both help and hinder both schools of thought. He went on to refer to the vast differences in the way different County departments operate. He opined that the central issue is that bureaucracies don't have the same incentives to collect as do private collection agencies.

Commissioner Lucente commented that he felt the report needed to primarily provide a clearer picture of County debt. Mr. Ramirez responded that this report was a necessary first step in getting to a truer definition of County debt, but that now, with the impetus provided by this report, it's up to the Board of Supervisors to elucidate on real debt figures.

Commissioner Buerk reiterated his concerns of private sector write-offs as contrasted to governmental policy issues. He wondered what County indigent services would be provided gratis and what services would fall subject to vigorous collection tactics.

Chairman Abel told Commissioner Buerk that the report is not meant to answer specific questions such as this but is meant as only an overview of what's going on right now. Commissioner Buerk continued to insist that the report should call for a clear distinction between what County services will be free and what County services will not be free. Chairman Abel reiterated that those kinds of policy issues are beyond the scope of this report.

Commissioner Buerk then agreed with Chairman Abel but added that he'd like to see this issue directly pointed out to the Board of Supervisors.

Moved, Seconded and Approved: The report, *Evaluation of Receivables Tracking and Collections Systems: A Blueprint for Change* be approved as submitted.

Chairman Abel asked that any Commissioners wishing to make editorial comments in the report to please do so and Commissioner Buerk asked that Commissioner comments be included as an addendum to the report.

III. CONSIDERATION OF MINUTES

Moved, Seconded and Approved: **The minutes of the June 10, 1998 Commission Meeting be approved as submitted.**

II. APPROVAL OF COMMISSIONER'S ABSENCES

COMMISSIONERS PRESENT

David A. Abel
Fred Balderrama
Richards D. Barger
Hope J. Boonshaft
Gunther W. Buerk
John Crowley
David W. Farrar
Jonathan Fuhrman
Michael Jimenez
Chun Lee
Tony Lucente

Carole Ojeda-Kimbrough
Roman Padilla
Marc Seidner

COMMISSIONERS EXCUSED

Benjamin Breslauer
Christopher Hammond
William J. Petak
Robert Philibosian
H. Randall Stoke
Julia E. Sylva
Tony Tortorice

COMMISSIONERS UNEXCUSED

None

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

IV. ANNOUNCEMENTS

Chairman Abel asked Mr. Staniforth to schedule subsequent meetings of the Economy and Efficiency Commission for the first Thursday of every month. This will be a change from the first Wednesday of every month. Mr. Staniforth acknowledged that he would make this change.

VI. PRESENTATION -

None

IX. PUBLIC COMMENT

None

X. ADJOURNMENT

On a motion from the floor, Chairman Abel adjourned the meeting at 11:21 p.m.

Respectfully Submitted.



Bruce J. Staniforth
Executive Director

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