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## **Economy & Efficiency Commission**

# **Meeting Minutes**

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### **MINUTES OF THE REGULAR MEETING ECONOMY AND EFFICIENCY COMMISSION**

WEDNESDAY, FEBRUARY 2, 1994  
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**

Chairperson Buerk called the meeting to order at 9:50 a.m.

#### **II. ATTENDANCE**

##### **COMMISSIONERS PRESENT:**

Fred Balderrama  
Judith Brennan  
Dr. Gunther Buerk  
David Farrar  
Louise Frankel  
Jonathan Fuhrman  
John Grande  
Chun Lee  
Roman Padilla  
Robert Philibosian (late)  
Julia Sylva  
Betty Trotter

##### **COMMISSIONERS ABSENT:**

Richard Barger

##### **COMMISSIONERS EXCUSED:**

Jack Drown  
John FitzRandolph  
Dr. Alfred Freitag

Carole Ojeda-Kimbrough  
Daniel Shapiro  
Randy Stockwell

Others present: Dr. W. C. Waddell, Productivity Commission and James J. Colangelo, LAFCO Executive Director.

Motion, Second and Approve: The Commission members noted above as excused, be approved.

### **III. CONSIDERATION OF MINUTES**

DECEMBER 1, 1993. Chairperson Buerk asked for any amendments, corrections or objections to the December 1, 1993 Minutes. There were none.

Motion, second and Approve: The Minutes of the December 1, 1993 Commission meeting be approved as submitted.

### **IV. INTRODUCTIONS AND ANNOUNCEMENTS**

Chairperson Buerk recognized and welcomed newly appointed Commissioner Julia E. Sylva and asked her to tell the Commission about her background. Commissioner Sylva indicated that she is an attorney with the firm of Ochoa and Sillas, is the City Attorney for The City of San Fernando, and was formerly a Council member and Mayor of the City of Hawaiian Gardens. She also indicated that she is married and has children; and that her husband is in the mortgage business.

Chairperson Buerk recognized Commissioner John Grande and asked him to relate something about his background as well. Commissioner Grande noted that he is a member of the Commission by way of his service as the Foreman of the Grand Jury of Los Angeles County for the past year, and that he is a former college president. Commissioner Grande stated that he is looking forward to getting a committee assignment and working with the Commission.

It was announced that Supervisor Molina has requested that the Pension issue be deferred from the February 8, 1994 Board of Supervisors meeting to the February 15, 1994 meeting.

### **V. OLD BUSINESS**

#### **A. Unincorporated Areas Budgeting Task Force.**

Task Force Chairperson Roman Padilla reported that the Task Force needs to have a draft report for its review, but that some preliminary information has been provided to the members of the Urban Research Section (URS). He stated that the Task Force will meet as soon as the draft report is available.

Executive Director Bruce Staniforth reported that URS has stated that it has been working on a draft of the report, but had been delayed by their response to the earthquake emergency. They have indicated a rough draft will be ready next week.

Chairperson Buerk commented that some good information had been provided, and that the Commission is expecting the report to focus on the "budgeting" aspects of the issue more than the service levels aspects. He also noted that Mr. Colangelo, who is the speaker for the day will be able to offer useful information on this subject.

#### **B. County Budget & Economic Growth Task Force.**

Task Force Chairperson Philibosian, not having arrived yet, there was no report. Chairperson Buerk urged that this Task Force be an active one, as it is one of the more important areas studied by the Commission.

#### **C. Pension Structure Task Force.**

Chairperson Buerk reported that he had been invited to meet with Supervisor Molina to review the Commission's recommendations on the Pension Report. As noted previously, the presentation on the Pension Report scheduled for February 8 has been rescheduled for February 15.

Commissioner Frankel commented that she understands that Supervisor Molina is still attempting to arrange for a second to a motion to adopt the Commission recommendations.

Chairperson Buerk stated that people look to the Commission to encourage the Board to act. Members of the Commission should speak with the Supervisors who appointed them, and urge them to adopt the Commission's recommendations. He also said that the Commission can be more aggressive, making use of press releases to encourage community support.

Commissioner Frankel noted that the report has been covered more frequently and better in the newspapers covering smaller regions, than the coverage by the larger papers such as the L.A. Times.

Motion, second and approved: The Commission should take the appropriate actions, at this time of economic pressure, to publicize both the Pension Report recommendations and the need for the Board of Supervisors to take positive action on them.

#### **D. Liability and Risk Management Task Force.**

Task Force Chairperson Chun Lee reported that a Task Force meeting had been scheduled for Monday, February 1, but due to extenuating circumstances, the task force members were unable to attend the meeting, therefore, it will be rescheduled (Thursday, February 10).

Executive Director Staniforth reported that during his recent military leave, Mr. Rudy Alvarez of the CAO's Risk and Insurance Management Agency had requested a 45 day time extension for their review, due to the earthquake emergency. Chairperson Buerk stated that he happened to be in the office when Mr. Alvarez called, and that Mr. Alvarez was told that a time extension may be appropriate, but that 45 days was too long. Mr. Staniforth noted that the delay was requested for a review of the recommendations, not for the implementation of the recommendations, and that some action is being taken.

Commissioner Padilla inquired of the status of the audits of the top seven law firms. Mr. Staniforth advised that the Auditor-Controller promulgated an RFP, which resulted in a number of Proposals in the \$350,000 to \$400,000 price range. However this was not acceptable, therefore, it is being re-evaluated and to date, there has not been a new RFP sent to the Commission office.

#### **E. Real Property Management.**

In the absence of Commissioner Shapiro, Commissioner Farrar reported that he had spoken with Mr. Shapiro and could update the Commission. Commissioner Farrar reported that there are many examples of firms moving into recently vacated spaces and paying zero net rent for a time. The Task Force needs to meet with Mr. Staniforth and discuss sources of funding and how to avoid duplication of effort between Commission staff and the CAO's office. There is a need for an inventory of County property. In addition, there is no central source of data regarding what the County actually has in real assets. The Commission needs to follow up on this issue. It would be timely for the Task Force to have a meeting prior to the next Commission meeting.

Chairperson Buerk urged Commissioner Farrar to make sure the Task Force moves forward. Commissioner Farrar said that he will contact Commissioner Shapiro and they will come back to the Commission with a recommendation.

Dr. Waddell of the Productivity Commission reported that there is a Productivity Investment Fund available from which loans can be made, with a three year pay back period.

Commissioner Frankel observed that neither the City of Los Angeles, nor the State of California know what they have in real assets either. Commissioner Farrar reported that the state has undertaken an effort to bring good standard business practices to real estate management issues.

#### **F. Other Old Business.**

Vice Chairperson Betty Trotter inquired if the Proposition "A" Report has stirred any interest. Chairperson Buerk responded that perhaps the Commission has to address the issue. One method to do this is to advise the Board that on a certain date the item will be submitted for their agenda unless a Supervisor requests otherwise.

Motion, Second and Approve: When the Commission directs that a Commission item should be taken up by the board of Supervisors, each Supervisor will be notified of the Commission's intent to place the matter on their agenda and request that they express an objection to that action. Without any objection, the matter will be submitted for placement on the Board's agenda.

## **VI. ELECTION OF COMMISSION CHAIRPERSON & APPOINTMENT OF VICE CHAIRPERSON**

Chairperson Buerk relinquished the chair to Executive Director Staniforth. Mr. Staniforth inquired if there were any questions in regard to the elections procedures. There were none.

Mr. Staniforth requested nominations for Chairperson.

Dr. Gunther Buerk and Ms. Betty Trotter were nominated. Commissioner Trotter respectfully declined the nomination. Dr. Buerk was unanimously elected Chairperson by voice vote.

Chairperson Buerk advised the Commission that it was his intent to operate in the same manner as he has in the past. He does not intend to personally direct the Commission's effort, rather direction will come from the Commission as a whole, with he, as Chair being a facilitator.

Chairperson Buerk emphasized that Board direction will be given priority, but that as in the past year the Commission will likely take on a few projects not requested by the Board. He continued, that it was his goal to make the Commission as open as possible by dealing with issues within the Task Force structure. The full Commission will provide direction and review of Task Force work. He observed that the strength of the Commission is in its public advocacy with a non-partisan, common sense point of view.

Chairperson Buerk then thanked Betty Trotter for her service as Vice Chairperson and asked her to continue in that office for the next year. Commissioner Trotter agreed to accept the appointment as Vice Chairperson.

## **VII. PRESENTATION**

Chairperson Buerk introduced Mr. James J. Colangelo, Executive Director of the Local Agency Formation Commission (LAFCO) of Los Angeles County, indicating that Mr. Colangelo's responsibilities with LAFCO and previous experience provide him with insight which can be valuable to the Commission Task Force on Unincorporated Areas Budgeting.

Mr. Colangelo reviewed his background and described the purpose of LAFCO. Mr. Colangelo is a graduate of the University of Southern California and has eight years of experience in the County of Orange Chief Administration Office, five years as LAFCO Executive Officer. He is also the Executive Officer of the California Association of LAFCOS. Mr. Colangelo stated that a primary function of LAFCO is to examine the most economical and efficient methods of providing municipal service; however, LAFCO tends to be a reactive agency, reviewing applications for annexations and incorporations. He suggested that incorporation decisions are often political decisions and are thus, not necessarily the most economic and efficient.

Commenting on the current Unincorporated Areas Budgeting Task Force project, Mr. Colangelo said that he would be amazed if the Task Force can quantify this information, and if they do, he wants to have it. He indicated that if LAFCO could quantify the costs of providing services to unincorporated areas it would facilitate their work. However, the Los Angeles County budget structure provides no such "fiscal imprint" and there are "dis-incentives" for a line agency to come up with such information. Thus, it does not appear possible, at present, to quantify such costs. Further, he indicated that with incorporations and annexations material factors change during the LAFCO review process. Negotiations between counties and cities based upon property tax exchanges are involved. Any attempt at agreement has to be made on the amount of exchange that will take place.

In response to a question, Mr. Colangelo advised that in Los Angeles County there is a formula that has evolved with practice for property tax allocation. With applications for areas with under \$10 million assessed valuation, a common tax rate area formula is used to determine the distribution; however, in a larger annexation, it is open to negotiation between the city and the county

In Orange County, there is a master agreement with each city, which is based on the historical distribution of property taxes. Comparing Los Angeles County and Orange County practices, it becomes obvious that there is no state policy and no equity in property tax distribution. There was a question from the Chair asking if there has been any proposed legislation to correct the inequity. Mr. Colangelo replied that there have been some bills introduced, but that they get little support in the Legislature, due to the "zero sum game" which results in a loss from some quarter for every gain in another.

Mr. Colangelo then described the process for review of proposed incorporations and the factors considered by LAFCO in determining if an application is approved or rejected. If LAFCO approval is obtained, then an incorporation must be approved in an election. It almost always results in a loss of revenue to the County when there is a successful incorporation. It was observed that this suggests that the revenue sources turned over to a new city are greater than the costs for a county to provide services; yet., new cities almost always require additional revenues. Mr. Colangelo said that this is because the original boundaries submitted to LAFCO are almost always inclusive of areas that generate greater revenues from sales taxes, etc. Yet, the greatest cost of service is to residential areas, which, since the passage of Proposition 13, are the lower revenue yielding areas.

Mr. Colangelo advised that there are pockets of unincorporated areas that generate a surplus of revenues to the County and these areas tend to subsidize the residential area's costs. He observed that if the Commission study could get to that, it would go a long way toward figuring out how to arrive at a solution. In Orange County they have come up with "multiplier" factors with which they estimate the costs of providing certain services, based on population or other factors. It is not exacting, but it is a useful methodology for estimating the service costs.

Chairperson Buerk posed an hypothetical situation. If a county were viewed as a corporation providing a service, it would not take long for it to establish accounting systems to ascertain its costs of doing business. This would enable the County to bill for such services. Mr. Colangelo responded that this seems to be what counties may have to do. One reason they have not done so, is that counties were not Set up to provide services in the same manner as cities. If they are going to continue to provide municipal services, this type of cost data will be essential Charging the real costs of services, combined with a more restrictive land use policy, will encourage cities to take over these areas, and discourage those who would remain unincorporated.

Task Force Chairman Padilla observed that in terms of population, the unincorporated areas with contract cities make the County the second largest 'city" in the County, Thus, there may be some "economies of scale" at work which encourage the continuation of municipal services by the County. Mr. Colangelo agreed, there are some services, such as fire protection, which are best provided on a regional scale. However, to hold a city responsible for the service under a contract, encourages the County to keep track of the costs.

Mr. Colangelo said that he believes that the Commission Study should lead to an overall policy decision on how to address the issue of how to provide municipal services in a coordinated and economically efficient manner.

Chairperson Buerk commented that the greatest contribution this work can make is to draw attention to the actual numbers. This approach will enable the Board to understand the impacts on the General Fund. The first order of business is proper accounting. The Commission study should consider recommending that an accounting system be implemented to keep track of the revenues and costs of providing municipal services.

Mr. Colangelo observed that there can be significant political "fallout" from this if the constituents in one area learn that a surplus is generated in their area and that it is being spread county-wide. One reason communities incorporate is to capture the revenues and spend them to improve services in the same community. However, he does not believe there will be many incorporations in the foreseeable future. This is true because, in order to be viable, new cities will now have to impose a new tax on themselves.

Chairperson Buerk thanked Mr. Colangelo for his in depth presentation and stated that the Commission Task Force was looking forward to working with him.

## **VIII. NEW BUSINESS**

### **A. Model Mechanism for Evaluation of Commissions, Committees, and Task Forces.**

Chairperson Buerk asked for volunteers to serve on the Task Force. Commissioners Jonathan Fuhrman, Julia E. Sylva, Chun Lee, Louise Frankel, and John Grande all asked to be appointed to this Task Force.

Executive Director Bruce Staniforth reviewed the request from the Board and called attention to the suggested draft procedure he had prepared for the Commission. Mr. Staniforth explained that the Board has called for the Commission to develop the methodology and for the Audit Committee to do the actual evaluations.

The Commission discussed the issue and made suggestions for evaluation criteria to be included in the methodology.

**B. Approval of Commission Procedures.**

The draft Commission Procedures which were submitted in final draft form were considered. Motion, second, and earned: The Commission Procedures be approved and adopted.

**C. Contract Review.**

Chairperson Buerk indicated that the Executive Committee should meet with Mr. Staniforth within the next few weeks to review his Contract and other pertinent issues.

**IX. PUBLIC COMMENT**

Dr. Waddell of the Productivity Commission made a brief comment on an item being considered by that Commission, i.e., the creation of a 501.C3 corporation to contract with private organizations. Dr. Waddell also advised that liaison assignments were being rotated and that in the future the Productivity Commission's liaison to the Economy and Efficiency Commission will be Mr. Bob Hertzberg. Dr. Waddell expressed his thanks and enjoyment at being able to attend the Commission meetings and said that he has learned a great deal by attending. Chairperson Buerk responded, expressing the Commission's appreciation for Dr. Waddell's constructive input, and asked that he please stay involved.

**X. COMMENTS BY COMMISSIONERS**

Commissioner Philibosian reported that he will be in touch with the State Chamber of Commerce and the Office of Planning & Research in regard to their legislative agenda on permit streamlining, tort reform and workers' compensation insurance. He will investigate the possibility of the Commission getting some staff work. The Commission staff would then provide this information to the Task Force for review. With this information the Task Force can decide what to recommend it to the Commission as a whole.

Commissioner Padilla inquired about the Consultant Contract Agreement modeled on the Grand Jury procedure. Mr. Staniforth reported that he had gotten a copy of the RFP that is sent out, and that if it continues to be the desire of the Commission, it could occur in July for FY 1994-95.

Commissioner Fuhrman requested that an item be placed on the March 2, 1994 Commission meeting agenda. This item is Civil Service Reforms. Such reforms are currently being considered in Sacramento County. At issue is whether the Commission should set up a Task Force to follow what they are proposing and see if it is something Los Angeles County should look toward doing. Chairperson Buerk asked Commissioner Fuhrman to get more details and present it to the Commission at the next meeting.

**VIII. ADJOURNMENT**

At 11:50 a.m.

Motion, Second and Approve: The meeting be adjourned.

Respectfully Submitted,



Bruce J. Staniforth  
Executive Director

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