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## **Economy & Efficiency Commission**

# **Meeting Minutes**

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

WEDNESDAY, JUNE 1, 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 9:40 a.m.

#### **II. ATTENDANCE**

##### **COMMISSIONERS PRESENT**

Gunther Buerk  
Richard Barger  
David Farrar  
Louise Frankel  
Jonathan Fuhrman  
Carole Ojeda-Kimbrough  
Robert Philiposian  
Chun Lee  
Dan Shapiro  
Julia Sylva  
Tony Tortorice  
Betty Trotter

##### **COMMISSIONERS ABSENT**

Fred Balderrama

##### **COMMISSIONERS EXCUSED**

John FitzRandolph  
John Grande  
Roman Padilla

Randy Stockwell

Others present:

Shane McCloud, Deputy, Supervisor Dana's office and Mr. William F. Stewart, Director of the Internal Services Department, Charles W. Kaufmann.

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

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

Chairperson Buerk asked for any amendments, corrections or objections to the proposed Minutes from either April 6, 1994 or May 4, 1994.

Commissioner Sylva requested that her absence from the April 6, 1994 Regular Commission Meeting be excused, because as a newly appointed Commissioner she was unfamiliar with the procedure for requesting an excuse. Moved. Seconded and Approved: Commissioner Sylva be excused from the April 6, 1994 Commission Meeting.

Moved. Seconded and Approved: The Minutes of the April 6, 1994 Commission Meeting be approved as amended and the Minutes of Commission Meeting as a Committee-of-the-Whole of May 4, 1994 be approved.

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

Chairperson Buerk introduced and welcomed newly appointed Commissioner Tony Tortorice. Commissioner Tortorice responded and gave some personal history and background.

Chairperson Buerk announced that the Commission had received the prestigious Harry Scoville Award from the Western Governmental Research Association (WGRA) for the Pension Study.

### **V. PRESENTATION**

Mr. Staniforth introduced Mark Gascoigne, the Acting General Manager of ISD's Information Technology Services. Mr. Gascoigne, in turn, introduced Mr. William F. Stewart, Director of the Internal Services Department.

Mr. Gascoigne passed out a presentation outline (copy on file) and began with an historical perspective on County information systems management.

He stated that Information Technology Service (ITS) was formed in 1990 to be a provider of services to County departments that wished to make use of such services on a voluntary basis, compared to the past wherein the departments had no choice but to use the County data processing department. ITS is not the "hub" of all data processing and must compete with others who may be able to provide data processing services as determined by the user departments. Thus, ITS is not a control agency as the Data Processing Department had been. The departments are accountable for the successful delivery of MIS services and ITS provides a technical support role.

Mr. Gascoigne cited the availability of personal computers since 1981 as a fundamental reason for the changes that have occurred. He also cited an E&E Commission report in August 1991 that commented on the growth of data processing within the departments, and recommended that the departments should look to the central system or contract providers rather than building it into the departments. He stated that this is still an issue within the County.

He commented that in regard to long range planning systems the County has a poor record. Ten years ago Arthur Little & Co. did a study and recommended the development of a County-wide plan including plans for groups with shared interests. Some departments developed plans, some never did, and some plans were not maintained. Recently, there was a call to have the County look toward "out-sourcing." Over the past summer ITS worked with the CAO and Deloitte & Touche, Inc. to develop parameters for an RFP. In August 1993 the Board recognized the need for a strategic plan.

Mr. Gascoigne passed out copies of an eight-page memorandum from the CAO to the Supervisors, dated April 5, 1994 pertaining to County Information Technology Planning and Oversight (Copy on file). As the result of the history of decentralization, a need for an inventory of MIS resources has been identified and projected for completion in July, 1994. ITS has gone from approximately 1200 people to about 900 in data processing. He estimated that the departments have gone from about 900 to around 1300 people dealing with data processing matters. The CAO's memo also projects completion of the strategic plan by March 1995, after which they will again look toward outsourcing to see where it is appropriate.

Other problems addressed by Mr. Gascoigne were why MIS projects fail and why needed information is often hard to obtain. He stated that projects fail because the proper processes are not followed through and the failure by project

teams to obtain necessary outside assistance. He asserted that the larger the project the more vulnerable it is to failure.

The retrieval of desired or needed information is often thwarted by the need for strategic systems to have a quantity of external data for long range projects. The County does not really have very much of these kinds of data. Data for decision support projects normally come from operational day-to-day systems which are not designed to assemble and process unique information on request. There is little planning and coordination between departments. Finally, there are privacy and confidentiality concerns that tend to prevent the sharing of information.

Mr. Bill Stewart, Director of LSD, commented that the timing is right for heightened visibility on this issue, in that the Board has taken action to cancel the failed Health Services IBAX project. This has resulted in three or four years of activity with no product.

He indicated that the annual expenditures on information systems in the County is between \$200 and \$300 million. The ITS budget is over \$100 million.

Mr. Stewart advised that any major project, i.e., one with over 10,000 function points, is highly vulnerable to failure. Approximately 62% of them are not implemented as designed. This is due to changes in technology and changes in the client's requirements over the time required to develop a project of this magnitude. Mr. Stewart, the Board and the CAO believe that a County-wide strategic plan is necessary. With such a plan and more centralized control, it will be possible to rationalize programs and make determinations on what is in the best interest of the County overall. Sometimes that which is in the best interest of a specific department may not be in the best interest of the County. He made the point by citing the IBAX experience. He believes that had it been placed on an existing County mainframe, it could have lowered the unit costs to all other users of the mainframe. He asserted that there is a clear need for an inventory of County information services.

An elaborate high speed network, known as LA Net, has just been built. It connects 89 County buildings and is planned to be expanded. This may become a convenient means to transmit data between County users.

Chairperson Buerk observed that the departments tend to act independent of ITS which results in the problems of fragmentation. Private corporations usually approach this by establishing a data processing steering committee. Mr. Stewart responded that the first meeting of the information Technology Oversight Committee was held last week as the result of an initiative of the CAO.

Commissioner Frankel inquired whether standardization of computer hardware exists in the County. Mr. Stewart responded that the departments which use ITS services must have equipment compatible with ITS, but those who do not, have no standardization requirements. She also asked if the current systems have been improved since ITS was established. Mr. Stewart replied that ITS has made significant improvements and has been able to cut costs substantially. Their response time is good by industry standards. He estimated a savings of \$11 million to their clients last year. Their rates have not increased for two years. They have reduced IBM rates by 20% and Unisys rates by 30% in FY 1993-94. Next year IBM rates will again be reduced by 20%. Unisys rates will remain at present levels.

Chairperson Buerk asked why the departments do not make more use of ITS if the savings are that substantial. Mr. Stewart responded that they like the independence and are protective of the departmental organizations that have been developed.

Commissioner Tortorice offered an explanation as to how a departmental system is selected. First, an attractive software application is selected which results in the purchase of hardware which is necessary to run that software. This is not usually the best approach from a county-wide perspective. He asked what kind of progress is being made toward aggressive standardization in the County.

Mr. Stewart replied that there really isn't much because of the lack of centralized review and oversight. He continued to say that he does not believe that ITS should have the total control over information systems, and that the client departments should have a say in how and what services they receive. At this point there is an opportunity, if the Commission is interested in looking into it, to make some recommendations to the Board. This is a situation of major proportions and significant dollars.

Commissioner Fuhrman compared the size of the organization and budgeted dollars in the County for information systems to those private firms in which he has personal experience. He noted that there is a large difference which he attributed to the private firms having firm budgetary control and the authority to force standardization. They also require the completion of MIS projects within nine months to a year.

Mr. Stewart reiterated that he believes that there has to be stronger centralized control in the County, and his only question is whether it should reside in ITS or with the CAO. He also stated that he did not want to see a return to a system where it may take a three month user survey to justify the purchase of a PC for a department.

In response to questions from Vice Chairperson Trotter, Mr. Stewart explained the process involved in canceling the IBAX contract. Mr. Stewart mentioned that DPSS will soon be releasing an RFP for a contract estimated to be \$200 million.

Commissioner Shapiro commented that when DPSS begins to look at their MIS needs they should be aware that the CAO has standardized its processes. There is a quantity of compatible off-the-shelf software available which will likely meet their needs for considerably less than \$200 million.

Commissioner Philibosian posed the question, whether or not this is an area in which the Commission should become involved. The Commissioners discussed it and asked questions of Mr. Stewart regarding timing. He advised that the inventory is due within the next few weeks. Then over the next six months they will work on drafting a strategic plan with the CAO. The schedule calls for submitting the strategic plan to the Board by March 1995.

There was a consensus that this is an area in which certain Commissioners have expertise, and it appeared that recommendations from the Commission would be appropriate.

Chairperson Buerk requested that the matter be referred to the Executive Committee for review.

## **VI. OLD BUSINESS**

### **A. Unincorporated Areas Budgeting.**

In the absence of Task Force Chairperson Padilla, Commissioner Sylva reported on the task force meeting held May 31, 1994. She reported that some preliminary work had been reviewed, and that this work will continue to develop the study. The Task Force plans to meet again within the next month to review it again.

Mr Staniforth reported that he is currently in the process of editing and re-assembling the data gathered by URS, the consultants on the project.

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

Commissioner Philibosian advised that there had not been a task force meeting since the last Commission meeting, due to his unavailability. He stated that a meeting will be scheduled for June. He said that the focus will be on State legislation for the next session and the administration of Workers' Compensation Insurance in the County.

### **C. Liability & Risk Management.**

Commissioner Lee reported that the task force met last week to consider the study follow up. The Task Force authorized Mr. Staniforth to meet with ARMTech to interview them about completing the remaining work. Mr. Staniforth reported that because the budget for this phase would be under \$25,000 he has been able to request a sole-source purchase order be issued to ARMTech.

Commissioner Fuhrman commented on the audit report from the Auditor-Controller which looked at the management of auto, fire, and general liability insurance. He indicated that the County Counsel report was lacking in that it did not determine how and why firms were chosen, nor was there any evaluation of their performance. Commissioner Lee stated that the task force will look into this matter after ARMTech has the opportunity to review the audit report.

### **D. Real Property Management.**

Commissioner Shapiro reported that the task force met on May 24, 1994 and determined that the CAO's office has considerable work left to address this issue. A meeting has been scheduled with Klaus Marx who is responsible for creating and maintaining the assets inventory. The task force was supposed to get an inventory report by May 31, but it has not yet been received. Commissioner Shapiro said it was his sense that the CAO's office did not consider this matter to be of particular high priority.

Chairperson Buerk reported that the San Gabriel Valley News interviewed him a few days ago and that he emphasized that the County's real asset management could be improved and perhaps could be used to reduce the projected budget deficit to a significant degree. He cited an example of a land parcel that the County has owned for 35 years acquired for a street extension which was abandoned. The property is prime residential valued from \$350,000 to \$500,000. It is not currently being used and thus, no property taxes are being paid. This interview, when reported, will likely stir some interest. He also reported that the inventory being prepared may have properties with structures and exclude vacant land.

Vice Chairperson Trotter reported that when she attended the Productivity Commission meeting this month, she

learned that the asset management study assigned to that Commission has been put on hold until the CAO has time to provide them with information. The information will probably be provided after they have finished with the budget.

Commissioner Barger said that he had recently become aware that the State has been recognized for its policy on refurbishing of older buildings in Los Angeles, rather than new building. This process has resulted in acquiring buildings at one-half the cost of new construction.

Commissioner Farrar, in response to Ms. Trotter's comments, indicated that the CAO's staff made clear that what is being requested from the Productivity Commission is different from the Commission's concerns. He also felt that the CAO's staff has given this issue lower priority, even though they realize that it is a serious issue. He recommended that the task force continue to press them to give high priority in this matter. He reported that the next task force meeting is scheduled for June 9, 1994.

#### **E. Jury System Management.**

Vice Chairperson Trotter reported that the task force will be having its second meeting this noon. Charles Kaufmann has been hired to assist in this project. She indicated that it is hoped that this report will be completed in the near future.

#### **F. Additional Contracting Out/County Counsel's Office.**

Commissioner Fuhrman requested that the Commission establish a task force to examine the issue of contracting out additional work in the County Counsel's office. He cited the following as reasons for his request:

1. Past experience with County Counsel in regard to risk and liability areas.
2. Questions of how well contracting and in-house services are managed.
3. Experience regarding Commission recommendations pertaining to Pensions.

Chairperson Buerk asked Commissioner Fuhrman to explain more specifically what the Commission might be able to accomplish with such a project. Commissioner Fuhrman cited their response to the Commission's Liability and Risk Management studies along with other indications that the County Counsel's operations can stand improvement. He also wanted to determine if significant money can be saved by contracting out. Commissioner Fuhrman suggested a management audit process.

Commissioner Tortorice expressed concern that contracting may have negative impact on "turn around" time. This would result due to the requirements for the issuance of RFP, together with necessary response time.

Commissioner Philibosian stated that this suggestion involves a legal issue. The County Charter requires the County to be represented by the County Counsel, thus, he cannot be replaced by a contractor. The issue to be addressed is whether there is wide-spread dissatisfaction requiring extensive review. He recommended that this request be considered by the Executive Committee.

Chairperson Buerk questioned the approach to be used in undertaking such a project. He suggested that a more specific definition of the problem would be necessary prior to a task force being established.

Commissioner Shapiro indicated that serious issues have been raised, but questioned whether the Commission is in a position to perform a management audit of the County Counsels office.

Commissioner Barger echoed the concerns expressed by the others and added that this is a very serious action to take toward a major County department.

Commissioner Farrar stated that there are elements in this proposal which are common to the risk management report. Once this report is completed the Commission will have a better idea of what the next step may be.

### **VII. PUBLIC COMMENT**

In the absence of Productivity Commission member Robert Hertzberg, Commissioner Trotter reported on her attendance at the last Productivity Commission meeting. She described how the Commission examines department operations and indicated that the Assets Management project is currently on hold. She reported that Mr. Hertzberg has been very busy as the chair of their Marketing Task Force. The report of that task force will be submitted on audio tape. Commissioner Trotter will also attend their annual meeting on topics of interest at Descanso Gardens in June.

### **VII. NEW BUSINESS**

#### **A. Department of Health Services (DHS) Reengineering Project.**

Mr. Staniforth presented a sample of the certificate of recognition for past Commissioners and asked for approval of the language and format.

Moved, Seconded and Approved: That the wording and format of the Certificate of Recognition for Past Commission Service be approved as presented.

**B. E-Mail.**

Commissioner Ojeda-Kimbrough suggested that in accordance with the Commission recommendations on Public Access to the Board of Supervisors, that a recommendation be forwarded to the Board that they put themselves on E-Mail to facilitate the receipt of constituent input. Vice Chairperson Trotter agreed with this suggestion. She added that the present system which may be used to call for agenda items is difficult to use.

**C. Meetings with Supervisors.**

Chairperson Buerk reported that since the regular annual meetings with the Supervisors have not taken place, he has written to each Supervisor requesting that such meetings be scheduled with the appointees of each Supervisor together with the Chair and Vice Chair. He asked the Commissioners to support this request with the appropriate Supervisor. Commissioner Barger recommended that when the meetings take place that we have an agenda which sets forth what the Commission is doing for the purpose of seeking their input.

**D. Executive Committee Meeting.**

It was decided that the Executive Committee would meet on Thursday, June 9, 1994 at 9:30 a.m.

**VIII. ADJOURNMENT**

At 11:50 a.m..

Moved, Seconded and Approved: The meeting be adjourned.

Respectfully Submitted,



Bruce J. Staniforth  
Executive Director

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