

ECONOMY AND EFFICIENCY COMMISSION

MINUTES

Gunther W. Buerk, *Chairperson*
Betty Trotter, *Vice Chairperson*

FULL COMMISSION MEETING

SEPTEMBER 11, 1991

HALL OF ADMINISTRATION, 830-A

Alfred P. Balderrama
George E. Bodle
Ann King Cooper
Joe Crail
Jack Drown
Emma E. Fischbeck
Louise Frankel
Dr. Alfred J. Freitag
Chun Y. Lee
Robert J. Lowe
Abraham M. Lurie
Lauro J. Neri
Arthur J. Peever
Robert H. Philibosian
Daniel M. Shapiro
Randolph B. Stockwell
Wally Thor
Robert L. Williams
Efrem Zimbalist, III

I. CALL TO ORDER

Chairperson Gunther W. Buerk opened the meeting at 9:30 a.m.. Guests and visitors were welcomed to the meeting.

II. INTRODUCTIONS & ANNOUNCEMENTS

Chairperson Buerk noted that today's meeting is the last official Commission meeting due to the Commission's sunset date of September 30, 1991. The Sunset Task Force's report, which was sent to the Board of Supervisors on May 30th, recommends that the Commission continue after September 30th with a re-structured staffing system. To date, the Board has not taken any action on this issue. *Chairperson Buerk* also noted that each of the Commissioner's terms and staff contracts terminate on September 30th.

Visitors in attendance were *Judith Kendall*, from the Community Development Commission; *Neil Stone* and *Charlotte Miyamoto*, from the Department of Public Works; *Gerald A. Roos* and *William Lewis* from the Chief Administrative Office; *Amy Hall*, from *Supervisor Michael D. Antonovich's* office; *Roman Padilla* from *Supervisor Gloria Molina's* office.

III. ATTENDANCE

The attendance list is on the last page. The absences of Commissioners *Bodle*, *Crail*, *Drown*, *Frankel*, *Freitag*, *Lowe*, *Lurie*, *Peever*, *Philibosian* and *Shapiro* were excused by vote of the Commissioners present.

III. ATTENDANCE (Cont'd)

Chairperson Buerk noted that some Commissioners do not regularly attend Commission meetings and suggested that a letter be sent to each Supervisor with the attendance record of their appointees. The letter should also suggest that the Supervisors appoint interested parties who would be more willing to attend Commission meetings. *Commissioner Trotter* made the motion which was seconded by *Commissioner Zimbalist* and approved by the full Commission without objection.

Dr. William C. Waddell representing the Productivity Commission was also in attendance.

Minutes of the August 7, 1991 full Commission meeting were approved.

IV. OLD BUSINESS

PRESENTATION - *Randy Stockwell*, Chair, Real Property Management Task Force

Commissioner Stockwell gave a brief overview of the additions that were made to the task force's Real Property Management and Development in Los Angeles County report. The significant changes that were made included the addition of a section entitled Concept of Economic Management of Real Property Assets. This section was added to pages 1 and 14 of the report to clarify the task force's recommendations and to dispel concern about rent charges.

SUMMARY OF CONCEPT:

The Commission believes the key components of its recommendations are that the County understand the economic costs of holding its real estate, and that there be economic incentives for the businesslike management of the County's real property.

Under this system departments pay rent for property use, but also receive an equal amount of additional funds to pay for it. The net initial effect on both a department's and the County budget is zero. This system allows a department to review the costs of real property use, make businesslike judgements concerning those costs, thus giving the department an incentive to manage and where possible save on those costs.

From a County-wide perspective, when a department uses less real property assets, these can be made available to another department thus avoiding costs of leasing additional space; or can be rented out for added revenue; or sold to convert real property assets to liquid assets which can be invested.

The current system does not have this incentive because departments are not made aware of the costs for real property use.

OTHER ADDITIONS:

Rent Program to include all appropriate County Properties (Page 15)

- Recommend office and warehouse space be included initially.
- Other appropriate properties to be phased-in over time.

Range of Values of County Real Property Holdings (Page 28)

- Low valuation range = \$22 billion dollars.
- High valuation range = \$40 billion dollars.

Affirm Restrictions on County's Role as Land Developer (Pages 15 & 16; 55 to 57)

- County to comply with conditions and restrictions mandated by State law (Article 7.5).
- County should continue to use independent private sources for economic evaluations to support its recommendations.
- Article 7.5 (Development of Public Property) reproduced on pages 55 to 57.

Special Fund and General Fund Properties Differentiated (Page 18)

- Departments to manage and administer their own General or Special Fund properties.
- Board and Steering Committee should review and evaluate departmental performance on all properties.

Revenue Projections of Asset Development Projects (CAO) (Page 26)

- New page shows 5-10-20 year revenue projections from major developmental projects.
- The projected additional income: In 5 years at \$30.2 million dollars, multiplied by 20%, would be \$6 million dollars; 10 years \$93.0 million dollars, multiplied by 20%, would be \$19 million dollars; 20 years \$323.6 million dollars, multiplied by 20%, would be \$65 million dollars.

De-centralization of Property Management Functions (Page 15)

- *Cautions against de-centralizing all property management activities.*
- *Recommends retaining at a minimum a central data base which all departments must consult before acquiring or disposing of property.*

Discussion of Pan Pacific Auditorium Development (Pages 9 & 10)

- *Notes difficulties encountered in development project.*
- *Concludes more involvement of Board and department heads is needed.*

Additional Functions for Real Property Steering Committee (Pages 17 & 18)

- *Steering Committee to assign responsibilities to County organizations for property functions: develop inventories and data bases; development and implementation of rental program; maintenance of space planning data, etc.*
- *Department of Public Works to be included to supply staff support to the Steering Committee.*

Discussion of Selected Terms (Pages 63 & 64)

- *Land, Economic Opportunity Costs, Appraisals, and Highest and Best Use Analysis defined from our references.*

SUMMARY OF RECOMMENDATIONS:

- *The Board adopt a real property management policy,*
- *Establish a Real Property Management Steering Committee,*
- *Assign additional responsibilities for property management and development to the real property organizations in the County,*
- *Develop current and accurate inventories of all County property which are relevant for management or development purposes, and*
- *Provide rent savings and retention incentives.*

The task force estimates that there would be no initial costs in implementing their recommendations. The inventory development costs are unknown. However, the task force believes that costs can be kept down by using trained and supervised interns for routine initial data gathering, with County real estate professionals developing the market values. Costs can be financed from the County Innovation Fund; or Productivity Investment Fund, and repaid by revenue increases and rent savings. The up-front costs for providing expertise, or capital for specific projects can be allocated by the Real Property Steering Committee, and repaid from revenue increases.

Pending approval of the task force's report by the full Commission, the task force plans to request a set-time agenda item for presentation to the Board of Supervisors; meet with individual Supervisors prior to presentation to the full Board; continue to build support for their recommendations within the County organization, the media, and other outside parties.

Chairperson Buerk stated that the task force has done an excellent job in completing their report. The floor was opened for comments and suggestions.

Commissioner Zimbalist inquired if the task force had set a time-frame for the County to implement their recommendations. He believes a time-frame should be given so the Commission could follow-up on the progress. *Commissioner Zimbalist* also believes that in order for the full Commission to keep abreast of how the implementation of recommendations is being directed, either the Steering Committee should report back to the full Commission, or an ex-officio member from the Commission should be appointed to the Steering Committee.

Chairperson Buerk agreed that a time-frame should be given, adding that a cover letter should be written to accompany the task force's report to the Board suggesting a time-frame for the implementation.

Commissioner Trotter noted that in the report under the recommendation for better defined organizational responsibilities, (page 22, first paragraph), the task force did suggest a two year period to implement working arrangements.

Commissioner Stockwell agreed that the task force would compose a cover letter suggesting a time-frame for implementation.

Chairperson Buerk asked *Commissioner Zimbalist* if he would assist in composing the letter. *Commissioner Zimbalist* agreed. *Chairperson Buerk* also offered his assistance.

John Campbell noted that the report recommends the Chief Administrative Officer chair the Real Property Management Steering Committee. He asked *Mr. Roos*, who is a Senior Assistant Administrative Officer in the CAO's office if he had any comments.

Mr. Roos stated that he believes setting a time-frame is an appropriate action for the task force to take. He suggested that the letter should instruct the Steering Committee to convene within 30 days after adoption of the recommendations by the Board, and at that time the Steering Committee should establish a time-frame for implementation. *Mr. Roos* also noted that his office is currently working on recommendation five, (*Need for Incentives*) and that his office is reviewing the other recommendations.

Commissioner Zimbalist suggested that the Steering Committee give the Commission a progress report after six months to advise of the Steering Committee's progress.

Chairperson Buerk entertained the motion that *Commissioner Stockwell*, *Commissioner Zimbalist*, and himself, compose the time-frame letter. *Commissioner Zimbalist* made the motion which was seconded by *Commissioner Trotter*, and approved by the full Commission without objection.

Chairperson Buerk entertained the motion that the Commission adopt the task force's report. The motion was made by *Commissioner Zimbalist* and seconded by *Commissioner Thor*. The Real Property Management & Development in Los Angeles County report was unanimously adopted by all Commission members present.

Commissioner Stockwell expressed special appreciation to Commission staff members *Charley Kaufmann* and *Cathy Carr* for the outstanding job they performed in gathering information and assisting the task force.

Chairperson Buerk echoed those sentiments and also thanked the task force for their work.

ADDITIONAL TASK FORCE BUSINESS:

Task Force on Internal Services:

The task force's recommendations on the Board's policy of controlling the funding of ISD has been placed on the Tuesday, September 17, 1991 Board agenda, and will be discussed during the Board of Supervisor meeting in the Board's Hearing Room, 381B in the Hall of Administration.

Task Force on Security:

The security task force is in the process of scheduling a meeting with Lt. Patrick Soll, County Security Program Manager in the CAO's office.

Task Force on Contracting:

Mr. Campbell stated that the task force on contracting, which is chaired by *Commissioner Drown*, is also active, and a draft report is being prepared. It's estimated the draft should be completed before the end of September. However, with the Commission facing a sunset date of September 30th, the report may not be brought before the full Commission for adoption.

Chairperson Buerk suggested the contracting task force schedule a meeting to finalize their report before the Commission's sunset date.

Mr. Campbell also noted that a meeting with *Supervisor Molina*, or someone on her staff, is trying to be arranged to discuss general Commission matters, and appointments to the Commission from the First District.

V. PRESENTATION

Mr. Donald R. Deise, Senior Assistant Administrative Officer, CAO's Office

Subject: County Compensation Policies, Specifically:

How the Bonus Program is administered, and directed by what criteria.

How the Performance Evaluation Program is structured for department heads.

How the Cost of Living Adjustment (COLA) policy for County employees is managed.

John Campbell introduced *Mr. Deise*, who was accompanied by *Mr. Martin Golds*, Chief of the Management Program Division (CAO).

Mr. Deise who has been employed with the County for a number of years, and has been involved in human resources programs for the past five years started his presentation with an overview of the compensation program. The overall purpose of the program is to recruit, retain, and motivate employees. The program is designed in three categories: Represented employees (approximately 76,000); Non-represented employees (of which there are approximately 7,000); and senior and executive management. There are 20 unions representing the 76,000 employees, with 53 bargaining units. Currently 65% of the 53 bargaining units are in negotiations.

For represented employees the CAO, in conjunction with department heads, presents bargaining recommendations to the Board of Supervisors. Once the Board determines their position, the Chief Administrative Officer directs the bargaining. Once bargaining agreements are reached, the Board considers the contracts, which are usually for two or three years.

For non-represented employees, (doctors, lawyers, etc.) their contracts are not negotiated. Their compensation is based on experience, and whether they are board certified. The District Attorney's office is the largest group of non-represented employees, with the Public Defenders' office being the second largest. Non-represented employees are also on the five step program.

In 1987 the CAO's office instituted a performance based pay plan for executive management. There are approximately 1,800 upper management and executive employees involved. They are evaluated annually based on their performance, whether their specific goal expectations were met, and on their overall managing of departmental functions. There are 20 separate salary ranges with a minimum, control point, and a maximum structure that is different from the five step compensation program. There is a 50% differential between the minimum and maximum of each salary range, with a 7.5% differential between each of the 20 salary ranges.

Department heads are part of the performance base pay plan. They are evaluated by the Board of Supervisors. The process starts with establishing goals, and takes place during the budget deliberations. The process is finalized after the budget is adopted. During this time the CAO discusses with the department heads what goals they envision, and also what the Board expects of her\his department. The Board's expectations are developed jointly with the CAO to establish what the performance objectives should be, and what results should be accomplished from those objectives. After discussion with the department heads, the CAO gives his judgement and recommendations to the Board in closed session. The Board approves the goals or adjusts them.

Commissioner Hoffenberg inquired about the impact the program has experienced.

Mr. Deise stated that no formal study has been done on the impact of the program.

Mr. Deise continued his presentation by reviewing the bonus program. There are various types of bonus programs including skill bonuses, and condition bonuses. In order for an employee to receive a bonus the department head must determine that an employee's specific assignment warrants a bonus.

For skill bonuses (e.g., bi-lingual) there must be a need that requires fluency in both English and at least one other foreign language, that will be used on a continuing and frequent basis in order for an employee to meet the public service responsibilities of her\his department.

For the condition bonuses an employee must work under different conditions than the standard 9 a.m. to 5 p.m. operation, (e.g., evening or night shifts).

Mr. Deise stated that the Chief Administrative Officer also has the authority to review and approve the department head's request for awarding bonuses. The bonus amount cannot exceed 11% of the base salary in one year, to any one employee.

Mr. Deise also commented on the August 23, 1991 Los Angeles Times article that generated a lot of heat by stating that "the County gave \$3 million in bonuses". *Mr. Deise* clarified that of the \$3 million, \$2.6 million went to the District Attorney's and Public Defenders offices as part of a salary dispute adjustment which was settled last year. He noted that only \$600,000 in bonuses were actually awarded, and that the Board of Supervisors has put a hold on the balance of the bonuses for this fiscal year. Future bonuses must get the Board's approval before being awarded.

Commissioner Stockwell noted that there seems to be a commitment by department heads to improve circumstances. He inquired if *Mr. Deise* perceives a change in government due to restrictions, or a changing attitude by the populace.

Mr. Deise believes that there is a need for County departments to be more competitive. However, he doesn't perceive much change with the colleagues with whom he works. *Mr. Deise* believes that County employees have always been committed. He does feel that there is a different attitude from people outside of government in terms of the way they view public service employment.

Commissioner Zimbalist inquired as to the number of applicants applying for employment in Los Angeles County.

Mr. Deise believes students on the college level are showing an interest in public service. Four years ago his office re-instituted a program called the Management Trainee Program in an attempt to recruit outstanding students from campuses, and train them for a career in public service within the County. The program had been very successful in the past, and is now in its fourth class. *Mr. Deise* believes that if quality is any indication of the interest to work in public service, then interest is good.

Mr. Campbell stated that the problem in government has been the inability to attract people who are effective and dedicated. A survey was taken of parents who work in public service, and who have children in college. They were asked if they would recommend to their children that they enter public service. Most of the parents said they would not recommend public service employment. When college students were asked if they would enter public service, most said they would not. This type of attitude represents a serious crisis for government to recruit and maintain well-educated people who are willing to make a career in the public sector.

Commissioner Zimbalist believes that in the past when people looked toward making money in the private sector, working for the public sector didn't compare. However, he believes that today, with the Country going through an economic recession, attitudes have changed where working for the public sector is becoming a more favorable option.

Chairperson Buerk thanked *Mr. Deise* and *Mr. Golds* for their presentation.

VI. NEW BUSINESS

Mr. Campbell noted that *Cathy Carr*, who worked with the Commission on the Real Property Management report, and has worked for the Commission in the past, has an article published in Productivity Review that examines all of Los Angeles County's productivity programs. If anyone is interested in obtaining a copy they can contact the office.

There was no further new business.

VII. COMMENTS AND SUGGESTIONS FROM VISITORS

None

VIII. ADJOURNMENT

Before adjourning the meeting, *Commissioner Buerk* thanked the staff for their assistance and dedication to the Commission, and for the outstanding and hard work they have performed over the years.

Commissioner Buerk noted that there is a possibility the Board could re-instate Commission. However, it is not known if any of the Commissioners will be re-instated or how the task force's recommended re-staffing structure will be directed.

In the sunset review task force's report it was recommended that an Executive Director be hired who would contract for the Commission with one or several consulting firms to work on various projects the Commission may enter into. The Director would also be responsible for preparing meetings, updating Commissioners on progress, and communicating with County organizations, the press, etc. The Director and Executive Committee would supervise the contractors. *Mr. Campbell* has prepared a memo that states the job description and recommended arrangements. It has already been distributed to the Executive Committee, and will be sent to the other Commissioners for their review.

The meeting was adjourned by vote of the Commissioners present.

ATTENDANCE

September 11, 1991

COMMISSIONERS PRESENT

Alfred Balderrama

Gunther W. Buerk

Ann K. Cooper

Marvin Hoffenberg

Chun Y. Lee

Randolph Stockwell

Wally Thor

Betty Trotter

Efrem Zimbalist III

COMMISSIONERS EXCUSED

George Bodle

Joe Crail

Jack Drown

Louise Frankel

Dr. Alfred Freitag

Robert J. Lowe

Abraham M. Lurie

Arthur J. Peever

Robert H. Philibosian

Daniel M. Shapiro

GUEST

Mr. Donald R. Deise, Senior Asst. Administrative Officer, CAO's Office

Mr. Martin Golds, Chief, Management Program Division, CAO's Office

VISITORS

Chief Administrative Office

Mr. William Lewis, Asset Development Division

Mr. Gerald A. Roos, Senior Assistant Administrative Officer

Community Development Commission

Ms. Judith Kendall, Director, Development Division

Department of Public Works

Ms. Charlotte Miyamoto, Head, Real Estate Mapping\Property Mgmt.

Mr. Neil Stone, Revenue Properties Unit

Ms. Amy Hall, Representative, Supervisor Antonovich's Office

Mr. Roman Padilla, Budget Deputy, Supervisor's Molina's Office