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## **Economy & Efficiency Commission**

# **Meeting Minutes**

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

WEDNESDAY, APRIL 5, 1995  
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 Gunther Buerk called the meeting to order at 9:55 a.m.

#### **II. ATTENDANCE**

##### **COMMISSIONERS PRESENT**

Gunther Buerk  
John Crowley  
John FitzRandolph  
Louise Frankel  
David Farrar  
Jaclyn Tilley Hill  
Roman Padilla  
William Petak  
Robert Philibosian  
H. Randall Stoke  
Betty Trotter

##### **COMMISSIONERS EXCUSED**

Jon Fuhrman  
Richard Barger  
Carole Ojeda Kimbrough  
Chun Lee  
Tony Tortorice  
Randy Stockwell  
Julia Sylva

Albert Vera

Since the beginning of the meeting did not have a quorum, the Commission preceded as a committee of the whole.

Mr. Staniforth listed the names of the Commissioners who would not be attending the meeting. Chairperson Buerk asked if there were reasons given as to why the Commissioners could not attend. Mr. Staniforth replied that information is not requested when checking on meeting attendance. Chairperson Buerk noted that there were three last minute cancellations and that it was difficult for the Commission to appropriately function with such short notice. He then suggested the Commission approve only the absences that were called in by the last day. Commissioner Petak asked if the Commission could do that. Chairperson Buerk said that it is up to the Commission to approve or disapprove the absences.

Commissioner Hill inquired about the written policy regarding absences. Chairperson Buerk replied that the Supervisor is notified when a Commissioner has three absences in a row. It is then up to the Supervisor to take action and appoint a Commissioner who can attend meetings. The Commission does not have the authority to remove a Commissioner. Commissioner Hill asked if the Commission can make recommendations to the Supervisors or institute a policy. Chairperson Buerk replied that the Commission can suggest that the Supervisors review the attendance of a Commissioner. Commissioner Trotter commented that it is difficult for the Commission to function when Commissioners do not share the work load.

Chairperson Buerk asked if it was the consensus of the Commission to write a letter to the Supervisors. Commissioner Crowley said he agreed with that but felt that a differentiation should be made between an adequate response and a timely response. Commissioner Padilla suggested that we have a cut off date for absences. Commissioner Hill suggested that Commissioners notify the office within 48 hours if they cannot attend. This allows for adequate planning or cancellation of the meeting, if necessary. Commissioner Trotter said that we are actually dealing with two problems: consistent absences and unexcused absences. Commissioner Frankel said that Supervisors have been notified of consistent absences in the past and have not acted. She suggested setting a policy of a certain amount of absences a year and then following through with a direct action to the Supervisor. Chairperson Buerk said that he would write a letter to all the Commissioners regarding a new policy of 48 hour absence notifications.

Commissioner Trotter asked Commissioner Waddell from the Quality and Productivity Commission how they had such strong attendance. Commissioner Waddell replied that they have only five Commissioners who are appointed by Supervisors and the other 15 are jointly appointed by the Chair and CAO and can be replaced, if necessary. Commissioner Frankel added that the Commissioner's Handbook states that each Commissioner assumes an obligation to actively serve and participate on the Commission when they accept. She was recently on a board that handled chronic absenteeism by sending a letter to the board members who missed 50% or more of the meetings. This letter, sent at the end of the year, stated that although their opinion was valued when they were there, they obviously had trouble attending the meetings and their absence prevents the board from carrying out its business. In light of this, the board needed to replace them with someone who was able to devote an adequate amount of time to the board. Normally, the board members would then resign. Commissioner Hill commented that the issue of last minute cancellation is the most important issue, because it prevents the Commission from being able to function.

Chairperson Buerk asked if it was the consensus of the Commission for him to write a letter to the entire Commission, that cancellations with 48 hours are not acceptable. Commissioner Petak suggested that Chairperson Buerk institute a policy. Since there was no quorum to vote on the policy, the Commission acted as a Committee of the whole until the 10th member arrived or until the next meeting.

Commissioner Farrar added that the circumstance of this meeting (no quorum and the inconvenience the Commissioners present) is enough of a reason to send a letter. He suggested a cutoff date of 5:00 p.m. on Friday before the meeting in order to give proper notice.

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

There was no quorum. The minutes for March will be considered at the May Commission meeting.

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

None.

### **V. OLD BUSINESS**

Commissioner Trotter gave an update on Jury Management report. She is sending a copy of the report to Jess Marlowe who gave a report on a related issue: conditions in the criminal court building. The Superior Court report has not made its report to the CAO.

## A. Natural History Museum.

Task Force Chairperson Trotter reported that all Commissioners have received a copy of the final draft, which is undergoing minor technical changes. Mr. Staniforth said that the document will undergo format and wording changes up until the time it is published. There are no substance changes.

Commissioner Farrar stated that his friend, Dick Volpert, a real estate lawyer and Chairman of the Board of Trustees, requested to be informed concerning this report. Commissioner Farrar gave him a copy of the draft report. Mr. Volpert spoke with Dr. Powell and Jim Gilson and had some comments, based upon a letter from Mr. Gilson to Mr. Volpert. Commissioner Farrar agreed to share these comments with the Commission.

The report extends far beyond the collections management, specifically pages 49-62, Appendix 4, and Addendum 1.

1)

Page 50, "The objective of this review is to merge the two boards, resulting in a downsizing the governance of the museum in accordance with the considerations presented in this report." Mr. Gilson felt that this is a subject best considered without a proposed outcome.

a)

Mr. Gilson feels that recommendation 22, which states, "NHMLAC should prepare, prior to the year 2000, to undertake a 20-year transition from County Museum to a Private Museum, with the County providing and maintaining grounds, buildings, utilities and security," is premature.

b)

Mr. Gilson also felt that the report should recognize that Berkshire Hathaway investment is a mutual fund like investment.

2)

Footnote on page 58 regarding Pool A

a)

The report should state that the stock was given to the museum with the recommendation it be held in that form. He feels the implication of the report is that the Foundation has been investing assets into Berkshire Hathaway.

b)

Commissioner Trotter stated that is a recommendation of the report. Commissioner Hill stated that a great deal of emphasis is put on the stock and that is not really the issue. What is relevant, is not the stock, but that they put "all their eggs in one basket." Commissioner Stoke stated that it is not up to the Commission to characterize the stock. If there are limitations to the gift or use of the stock, then Mr. Gilson should give us that information so it may be incorporated into the report. The IRS requires private not for profit organizations spend 5% of their capital for purposes of the Foundation. Commissioner Stoke feels that what the Foundation does with its capital is its business, but they should provide that 5% of their capital to support the operations of the museum. Dr. Powell needs to be aware that in the future the Commission will be reviewing its recommendations to see if a policy has been adopted that would provide revenue from the capital funds for the operation of the museum. Commissioner Crowley asked if he was referring to the earning power of the capital or the capital itself. Commissioner Stoke replied the earning power of the capital. If they keep all of their assets in one stock with a zero dividend, then they would have to sell 5% a year and use it for operation of the museum. Commissioner Crowley agreed, unless the fund does not increase 5% a year. Commissioner Frankel expressed concern over the use of the museum's \$35 million endowment.

Chairperson Buerk stated that their needs to be a reasonable policy relative to County funds and the museum. It is an important part of the County services, but it needs to be viewed in the context of all other County expenses and services. Commissioner Trotter said that it appears that the NHMLAC has not been adding to its endowment or pursuing other monies which they should be doing. Commissioner Padilla said that the NHMLAC has been selling stock. Commissioner Stoke said it was not his intention to tell the museum how to handle their assets, he is concerned with what the policy should be. Chairperson Buerk asked if Commissioner Stoke was satisfied with the recommendation in the report. Commissioner Stoke said that he supported the report and was making his comments as a member of the Commission, not a Task Force member.

Commissioner Hill added that many of the topics that Commissioner Stoke addressed the Task Force plans to cover in subsequent reviews of the museum operations. Chairperson Buerk asked for the specific recommendation number. Commissioner Stoke referred to recommendation 33 and the language which precedes it which states, "a prudent course of action for the committee to follow would be to generate and allow the spending of earnings of the endowment, generally for a well managed portfolio 4.5-6%." Commissioner Hill added that recommendation had been made after a review by County Counsel. Chairperson Buerk felt that an additional sentence related to prudent use of an

increase in value of the fund or operating funds. Commissioner Stoke read a sentence that did not end up in the final draft, "If the endowment has maintained in non dividend paying investments, a portion of the capital should be sold to generate the level of income recommended." Commissioner Petak said that he did not think that a County Commission could tell a private organization how to spend their money beyond the terms of the contract of the County and museum. Commissioner Padilla commented that the problem is that the museum may spend money in areas that the Task Force doesn't feel they should be spending money. Commissioner Petak said that could be handled by designating restricted and unrestricted funds. This way the County could have some say in the way the money given to the Museum is used. This could hold true for Berkshire Hathaway funds as well.

Commissioner Hill said she does not want to focus on micro management, but on the recommendations that seek to bring this world class facility in compliance with other world class facilities and how they operate. This is the focus of the report, not the specifics of micro-management. Chairperson Buerk asked if the wording of recommendation of 33 is adequate. Commissioner Stoke said that he was in agreement with the wording.

Commissioner Farrar asked if the Task Force was comfortable with the strength of the wording in the report that states the foundation should be moving toward greater contributions and a larger endowment. This appears to be a major discrepancy in the way the NHMLAC handles their finances and the way similar institutions handle their finances.

Commissioner Philibosian said because of the investment policy the County may be contributing more to this enterprise than would normally be the case. They appear to operate as an independent operation who only receives money from the County but desire no controls or reviews imposed to regulate them. We should know where the taxpayer's money is going. Commissioner Petak said these are issues that should be addressed to the County and the County contract with the museum. Commissioner Philibosian replied that he believes these issues fall under the Commission's charge to oversee the economy and efficiency of the County.

Chairperson Buerk asked if the 20-year contract is irrevocable. Commissioner Petak replied that the conditions of the contract may be negotiable. On page 12 of the County agreement with the museum it reads, "...notwithstanding any other provision to this agreement, County may, at its option, request Foundation to meet for the purpose of negotiating in good faith regarding the amount of County contribution for any year in which there exists a substantial budget crisis. For purposes of this section, the parties agree that the term 'substantial budget crisis' shall be evidenced and measured by the reduction for budgetary reasons of the number of budgeted positions of permanent County employees by 2% from the preceding fiscal year. Exercise by County of its option under this Section shall not in any way be deemed to relieve either party of its respective obligations, hereunder, specifically including, but not limited to, the County's obligation to pay the annual County Contribution required by this Agreement." If the County has reduced its workforce by 2% from the prior year, the discussion can be reopened. Commissioner Stoke commented that was not something he wanted to investigate at this time. Commissioner Petak replied that the museum has a responsibility to act in good faith in using its own resources. The only lever that this Commission or the County has, is how it restricts the use of its resources. Commissioner Petak feels that we cannot tell them how to use their other resources.

Chairperson Buerk stated that the issue is whether or not to add something to the report or not. Commission Trotter reminded the Commission that the priority is to make sure the museum reviews and changes its governance. Commissioner Frankel motions that the comment on the issue of endowment funds for expenses of the museum be amplified and extended. Chairperson Buerk asked if Commissioner Frankel would like to delegate to Commissioner Trotter and himself the approval of the wording of the clarification. Commissioner Frankel replied yes.

Commissioner Petak asked if the museum is part of the County and thus under the jurisdiction of the Board of Supervisors. The consensus was yes.

Motion that Chairperson Buerk and Commissioner Trotter amplify and extend the comment on the issue of endowment funds used for the expenses of the museum. Motion carried with nine votes for, one vote against by Commissioner Trotter, and one abstention by Commissioner Crowley.

Motion that Commission adopt the report as amended. Motion unanimously carried.

Commissioner Trotter thanked the Task Force and Mr. Staniforth for their hard work. Chairperson Buerk thanked Commissioner Trotter and the Task Force for successfully handling a complicated subject.

Commission Farrar commented that there was no negative response from Jim Gilson or Dick Volpert with respect to the proposal of spending a greater amount of the endowment. Commission Hill pointed out that all of these recommendations were developed by the Task Force, with a review by Dr. Davis and Dr. Powell. This is important because these are viable recommendations that have a strong chance of being implemented.

## **B. Department of Health Services-Reengineering.**

In Task Force Chairperson Tortorice's absence Mr. Staniforth reported that first draft of the consultant's report is finished. The next step is a review of the document with the Task Force to ensure that it contains all the issues that the Commission is concerned about. The Task Force will receive a draft of the document.

Commissioner Frankel commented that she was unhappy with the low level of input that the Task Force has had in this report's process. Mr. Staniforth said he would be happy to set up a meeting of the Task Force with the consultant. This has been a long process of information gathering for Task Force review. Commissioner Frankel said she realized that but in other task forces the Commissioners have had some level of involvement before a draft of the report was available. They were able to interact with the heads of departments, etc., rather than only the consultant. Chairperson Buerk suggested that Commissioner Frankel discuss the Task Force taking a more active role in the process with Task Force Chairperson Tortorice.

### **C. Liability and Risk Management.**

In Task Force Chairperson Lee's absence Mr. Staniforth reported that the draft report would be going out the Task Force this afternoon. Chairperson Buerk asked if the Commission should be able to adopt the report at the next meeting. Mr. Staniforth replied yes.

### **D. Unincorporated Area Services.**

Task Force Chairperson Padilla reported that the Task Force met with the consultant before the Commission meeting. Mr. Staniforth presented a diagram that outlines issues, revenues and expenditures. There was a consensus on the issues that need to be addressed and how to address them. The Task Force is focusing on how we are delivering services to residents in unincorporated areas. From this area of focus they will also explore the issues that stem from the primary focus. Commissioner Crowley commented that this will be the first report in a series of reports on other related issues such as municipal services to incorporated cities. Task Force Chairperson Padilla said that was correct.

### **E. County Economic Growth.**

Task Force Chairperson Philibosian reported that the report had been submitted and there has been no response. Mr. Staniforth said that in order to get a response, the Commission could file it as a Board letter. In this instance there was a decision not to put the report on the Board agenda. Unless one of the Board members brings it up it will not go on, and will most likely be received and filed, then, hopefully incorporated into the legislative program. Task Force Chairperson Philibosian said another action item would be to recommend that the Supervisors convene, host and sponsor a meeting of the Los Angeles County Legislators.

Commissioner Crowley asked Chairperson Buerk if most reports were submitted with the anticipation that no action will be taken. Task Force Chairperson Philibosian explained that the Commission felt it was valuable to put the County on record as supporting certain legislative programs. There are specific action items that are included in our report that will impact the County legislative program. Commissioner Frankel commented that many of the Board directed actions take a significant amount of time to be implemented or have action taken. Commissioner Trotter said that the sponsoring Supervisor may postpone the issue. Task Force Chairperson Philibosian remarked that happens because three votes are needed in order to get an item passed. Commissioner Crowley stated that his question of action had been answered.

Task Force Chairperson Philibosian asked if it was decided not to submit the report as a Board letter. Chairperson Buerk said that was decided at the last meeting but there will be follow-ups with the staff.

Commissioner Crowley asked if the Commission finds a topic that it feels is worth investigating, is it beneficial to bring this to the attention of the Board. Chairperson Buerk replied that was a possibility, but not necessarily beneficial, since three votes from the Board are needed to direct an action.

Commissioner Petak asked for confirmation that the report was submitted, and requested that Mr. Staniforth explain the definition of a 'Board letter.' Mr. Staniforth replied that it was submitted and a Board letter means that the issue has been placed on the agenda - a letter is sent to the Board with the report requesting action.

### **F. Real Property Management.**

Task Force Chairperson Farrar reported that he has come to the conclusion that the Task Force is in need of a consultant to assist in the same way consultants have for the Natural History Museum Task Force and Department of Health Services-Reengineering Task Force.

Task Force Chairperson Farrar met with Dan Rosenfeld who was recently retained by the City of Los Angeles to head a study of all the real property assets of the City and prepare a plan to utilize. Mr. Rosenfeld recently completed a

similar study for the State of California, which Task Force Chairperson Farrar has seen. The only way to bring positive change is to have someone from the outside putting out fires and viewing the whole situation. He suggested that this could be a consultant or possibly the consultant will recommend that the County retain someone like Dan Rosenfeld to do the type of work he has done for the state and city.

Commissioner Trotter stated that in the minutes of last month's meeting, she had mentioned that Commissioner Sarah Stivelman from the Quality and Productivity Commission is working on a related study. Commissioner Farrar said he had not spoken with her yet but he had met with the Real Property Management Group.

Commissioner Crowley suggested that Commission look at the subject of leasing. This is an area that has a great opportunity for efficiency. Task Force Chairperson Farrar commented that is what got him excited about working on the Task Force in the beginning. The County is using fifty million square feet of space, thirty-five million of which is leased. There is an enormous potential to economize and this is where he would also focus the report.

Commissioner Waddell from the Quality and Productivity Commission agreed with Commissioner Trotter that it would be beneficial for the two Commissions to work together on this subject or at least exchange information. Specifically, the Q&P Commission has four people assigned to get an inventory, there is excess property, and the focus is to determine what can be sold or leased. The point had been made that the existing office space could be consolidated by at least 10%. Chairperson Buerk agreed that there should be communication with the Q&P Commission, and a decision must be made on what a consultant should do and then have an executive committee meeting on what direction to take. We don't want to duplicate the efforts of the Q&P Commission.

Commissioner Crowley said that he would like to be involved. Chairperson Buerk suggested that Commissioners Crowley and Farrar talk and if Commissioner Crowley wishes to be on the Task Force, he would be pleased to appoint him.

#### **G. Management Information Systems.**

In Task Force Chairperson Fuhrman's absence Mr. Staniforth reported that he had not heard back from Task Force Chairperson Fuhrman regarding a schedule of the project. Chairperson Buerk stated that this was originally a short term project that was designed to help with the ISD and centralizing of information. Chairperson Buerk asked if Mr. Staniforth was aware of the status of the report. Mr. Staniforth replied that he felt that this situation may be similar to the Real Property Management Task Force situation of needing a consultant to assist with the work load. Chairperson Buerk expressed his concern that this project may be obsolete now and asked Mr. Staniforth to investigate and put it on the agenda for the Executive Committee review as well as the subject of a consultant for the Real Property Management Task Force. This should happen within two weeks. The meeting was scheduled for Wednesday, April 19th, at 12:00 p.m.

Commissioner Waddell of the Quality and Productivity Commission, stated that this project may still be relevant. He Chairs the Productivity Investment Board, and at their last meeting there were several major projects that dealt with networks and infrastructure. The issues were tabled at the time in order to determine if this is how we should be spending money. It is important to know how various departments are spending significant amounts of money on designing compatible networks. The department that would oversee this is being abolished due to CAO cuts. Now it appears that there is no one taking a county wide view point on the compatibility of systems. Chairperson Buerk agreed that this is an important area, but may be too much for a Commission to undertake. We may be able to suggest the County undertake some sort of action.

Chairperson Buerk announced that our speaker from the Sheriff's Department canceled yesterday afternoon. He added if it was the consensus of the Commission, he would write a letter to the Sheriff's office expressing his disappointment of the late cancellation without replacement.

Commission Frankel gave an update on the Security Task Force and reported that when they originally communicated with the Board, she brought up some of the security discrepancies she observed when she was on jury duty in Van Nuys (Supervisors Edelman had the same experience). One report was done in 1984 which recommended a single person be hired to manage and oversee the departments and to insure that they had compatible devices and support in installing security systems. They hired someone on contract who had no authority. The second time recommendations were made, they specified the need for a central guidance person, who worked out of the CAO's office. This was in addition to two individuals that were assigned from the Sheriff's department as advisors to departmental security systems. They also recommended an information reporting system that kept track of crime occurrence. The reports from these changes have been favorable: self-defense training classes are offered, more surveillance, etc. Commissioner Frankel said the Task Force would like to see a uniform security system in every department that utilizes centralized purchasing. Chairperson Buerk asked if the Commission could ask the staff to get an update on the progress.

## **VI. NEW BUSINESS**

Commissioner Farrar said that he was disappointed that he missed last month's speaker, the Los Angeles County Treasurer, and he inquired if there was a possibility that the Commission would be taking a look into the Treasury or the pension trust. Chairperson Buerk replied that the Treasurer was repeatedly questioned regarding parallels of Los Angeles County finances and Orange County finances and none were found. First, the contribution to the general fund from those types of investments were in the 3% range, compared to Orange County's 40%. Second, the derivatives are not used in the way Orange County did. Plus, Orange County still has an elected Treasurer, Los Angeles County does not. The state is investigating legislation to prevent this from happening again. Chairperson Buerk said that personally, he is confident that there are few parallels between Orange County and Los Angeles County. Commissioner Hill commented that the Treasurer addressed her concern of checks and balances. Los Angeles County has many, Orange County had few. Secondly, our Treasurer advocates strong legislative reform and he continually gives total and complete disclosure even when not required.

## **VIII. ADJOURNMENT**

The meeting was adjourned at 11:45 a.m.

Respectfully Submitted,



Bruce J. Staniforth  
Executive Director

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