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Economy & Efficiency Commission Meeting Minutes

MINUTES OF THE REGULAR MEETING ECONOMY AND EFFICIENCY COMMISSION

WEDNESDAY, JUNE 7, 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 9:45 a.m.

II. ATTENDANCE

COMMISSIONERS PRESENT

Fred Balderrama
Richard Barger
Gunther Buerk
John Crowley
David Farrar
Jon Fuhrman
Jaclyn They Hill
Chun Lee
Carole Ojeda-Kimbrough
Roman Padilla
Robert Philibosian
H. Randall Stoke
Julia Sylva
Tony Tortorice
Betty Trotter

COMMISSIONERS EXCUSED

John FitzRandolph
Louise Frankel
Randy Stockwell

William Petak

COMMISSIONERS ABSENT

Albert Vera

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 the May 1995 Commission meeting.

Commissioner Trotter corrected the spelling of Warren Olney's name on page 6.

Moved, Seconded and Approved: The minutes of the May 3, 1995 Commission Meeting be approved as amended.

IV. INTRODUCTIONS AND ANNOUNCEMENTS

There were no introductions or announcements.

V. OLD BUSINESS

A. Department of Health Services-Reengineering

Task Force Chairperson Tortorice reported that progress is being made on the report and the Task Force has communicated through conference calls and took a tour of the LAC/USC facilities. Mr. Staniforth has been concentrating on enhancing the content of the report and has been utilizing the Internet to access information.

Task Force Chairperson Tortorice felt that the response from the hospital, particularly Dr. Anderson, has been cooperative. He discovered that Dr. Anderson was a founder of LAC/USC's Emergency Medicine Department, which was the first in the country. Many of the differences that the hospital staff had with the consultants were due to the Emergency Medicine Department's academic focus versus the consultant's business focus.

Chairperson Buerk asked if it was Task Force Chairperson Tortorice's opinion that the Task Force is succeeding in its effort. Task Force Chairperson Tortorice replied yes.

B. Unincorporated Area Services

Task Force Chairperson Padilla reported that he read over the draft report that Mr. Staniforth has been working with the consultant, Gil Siegel, and felt that it was substantially improved over the preceding drafts. He believes that the study addresses the issues of the Commissioners on the Task Force.

Commissioner Crowley asked when he would be able to see a draft. Mr. Staniforth replied that he could have a copy of the report that Commissioner Padilla has which contains written comments that have not yet been incorporated into the report, or the staff could get him a copy of the report with comments incorporated into a draft by the beginning of next week. Commissioner Crowley replied that he would like a copy of the report with the written comments that have not yet been included to the body of the report.

C. Real Property Management.

Task Force Chairperson Farrar reported that since the last meeting the Task Force met to discuss possibilities of change. Also, Dan Rosenfeld, the head of Asset Management for the City of Los Angeles was interviewed and he recommended that John Salmon, who recently served as Director of the Governor's program of Asset Management, be hired as a consultant. Mr. Salmon was interviewed and Mr. Staniforth has negotiated scope of service and contract. Mr. Salmon suggested that, to lend credibility to our conclusions, we utilize an outside accounting firm to certify the lease differentials. Coopers and Lybrand has agreed to be subcontractors on this project to Mr. Salmon. Task Force Chairperson Farrar expressed his excitement over the caliber of people who are interested in being involved in this project even when we have limited funds available.

Task Force Chairperson Farrar commented that we received a letter from Sally Reed that stated that the CAO had heard about our study and they would work with the Commission in the event problems were discovered in regards to leases.

Mr. Staniforth reported on the status of the consultant's budget for this project. The budget for the consultant is

\$17,000.00. We are expecting the funds to be approved as of today.

Task Force Chairperson Farrar complimented Mr. Staniforth on his quick efforts on securing this consultant in such a tight time frame.

Motion that the Commission retain John Salmon to assist the Real Property Management Task Force on the evaluation of County leases for a contract amount of \$17,000 and to give Mr. Salmon the authority to contract out to Coopers and Lybrand for the amount he feels necessary.

Commissioner Crowley asked if this study is confined to situations where the County is the lessee, the lessor or both. Task Force Chairperson Farrar replied that this study is confined to the County as the lessee. This project provides the opportunity to influence and shape the way city, state and county governments in this region handle property management.

Motion carried with one abstention by Commissioner Tortorice.

Chairperson Buerk inquired if rents were charged for every department and if there is a rent provision. Task Force Chairperson Farrar replied that there are accounting debits charged to departments for the space used, but there needs to be a system by which a department head would have an incentive to economize the space and cost. Chairperson Buerk asked if the Task Force would be examining that aspect. Task Force Chairperson Farrar replied yes.

D. Jury Management.

Task Force Chairperson Trotter reported that the Superior Court's report on jury management has been issued. The Economy and Efficiency Commission was included in Judge Klausner's press conference and copies of our report were included in their press packets. The general concern of the Superior Court is that the problems of the Simpson jurors will be confused with the items that the report focuses on improving, all of which take place before a juror enters the court room. The report focuses on: improving the phone system, affidavit issue and return, and improving facilities. The report did not mention \$5 donation or juror questionnaires.

Chairperson Buerk asked how many of the recommendations deal with the amount of time the jurors spend idle and the amount of money private business lose by this waste of their employees' time. Task Force Chairperson Trotter replied that topic is not specifically addressed in this report.

Commissioner Philibosian commented that there are also many public entities who subsidize wages for jury duty, and they should also be considered.

Commissioner Stoke asked for an update in six months to check on the progress of recommendations. Commissioner Trotter agreed and said she would put that in the letter she is writing to Judge Klausner.

Commissioner Philibosian commented that he knew of a way to make approximately \$48,000 available, it would consist of cutting funding that goes to paying some Commissioners for attending Commission meetings and even committee meeting. For instance, the Commissioners in the Quality and Productivity Commission are paid \$50 each per meeting in addition to being paid for up to four committee meetings. Commissioner positions are volunteer positions and they should not be paid to serve their county. He suggested that the E&E Commission investigate how many commissions pay their commissioners and how much. Jurors only get \$5 a day, why should Commissioners get \$50 per meeting.

Motion that the Economy and Efficiency Commission staff investigate which County Commissions are paid and how much is paid and report back to this Commission within 60 days. Motion passed with no objections.

Chairperson Buerk asked Commissioner Trotter if every Commissioner had received a copy of the letter to Judge Klausner that she and Mr. Staniforth had drafted, and if she had any changes. Commissioner Trotter replied that she had an addition to the last sentence, "We urge the implementation and ask that you keep us advised of progress."

Commissioner Stoke asked that a reference to a six month follow up be included in that sentence. Commissioner Trotter complied.

E. Natural History Museum.

Task Force Chairperson Trotter reported that the report has not been placed on the Board's agenda as of yet.

F. County Economic Growth.

Task Force Chairperson Philibosian reported that he checked with the Republican and Democratic caucuses in the

State Legislature to see how things were proceeding and found that nothing in the assembly is moving at present.

G. Liability and Risk Management.

Task Force Chairperson Lee reported that this morning he received the Liability Claim Information Quarterly Report, but had not had time to read it yet. Mr. Staniforth added that this report had been generated by the CAO in response to our report on Risk Management.

Commissioner Fuhrman inquired as to the status of auditing outside firms as recommended in the E&E's report.

Chairperson Buerk asked that staff and the Task Force report to the Commission at the July meeting on the status of this recommendation.

VI. NEW BUSINESS

A. Proposed Change to Procedures of Reviewing Draft Reports.

Chairperson Buerk addressed the first item of new business and stated that Commissioner Padilla had some suggestions on modifying the motion.

Commissioner Padilla stated that his primary concern was that the motion would restrict discussion of issues at a full Commission level. If a Commissioner doesn't follow the policy but finds there is an item or two they would like to change in a draft report, he or she should not be restricted from bringing a motion to the entire Commission. He recommended three changes to the motion: 1) change the shalls to shoulds, 2) on the fourth line change submit to communicate, and 3) on the fourth line add and/or members of the Task Force after the word staff. He feels this adds more flexibility to the motion and allows comments to be submitted verbally as well as in writing.

Commissioner Philibosian moved the adoption of the policy as written. This policy was suggested by Commissioner Hill and himself in order to bring order to the proceedings and to address other Commissioners concerns about being well informed of draft and Task Force progress.

Motion to adopt the policy as stated on the June 7, 1995 agenda. Motion seconded.

Commissioner Trotter suggested that Commissioners communicate their comments to the staff and the Task Force simultaneously in order to save time. Commissioner Philibosian replied that often it is difficult to locate the Task Force Chairperson and staff is always available. Commissioner Trotter stated that her concern is that the information should be readily communicated to the Task Force. Commissioner Philibosian agreed and said he felt that is something the staff can expedite. His intention is to have a simple, clear procedure for the Commission to understand and abide.

Commissioner Stoke concurred with the motion but recognizes that each Commissioner has the right to bring an item before the entire Commission and this motion does not preclude a Commissioner's ability to do so. Commissioner Philibosian agreed. A Commissioner may raise an issue to the Commission and it is up to the Commission to decide whether or not it will be considered.

Commissioner Padilla raised his concern about the possibility of not being able to meet the time constraints due being out of town, etc. Commissioner Barger stated that is something he can voice at a Commission meeting. He can explain the reason why he has not been able to operate with the time constraints and ask the Commission to hear his comments. Although the policy would be in place, it doesn't preclude the Commission from suspending the policy for a specific reason.

Chairperson Buerk stated that his policy is designed to help the Commission to better consider all concerns that Commissioners have. It allows time for thoughtful and informed consideration before taking any action. Obviously, this policy would not prevent a discussion at the full Commission level. However, it would require Commissioners to be prepared, read the drafts and agendas ahead of time. The policy should be viewed as flexible.

Commissioner Fuhrman stated that he was comfortable with the motion as explained by the Chair, but wanted to know if comments had to be submitted in writing or could they be given over the phone. Chairperson Buerk replied that oral submission is acceptable.

Commissioner Padilla stated that he still wanted to move his motion.

Motion to amend the motion as stated previously. Amendment failed on a 11 to 3 vote.

Commissioner Padilla moved to add to the policy as stated the following: this policy shall not discourage debate, proposed changes, or discussion at the full Commission.

Motion for amendment. Amendment failed on an 8 to 5 vote with one abstention by Commissioner Trotter.

Motion to adopt the policy as stated on the June 7, 1995 agenda. Motion carried unanimously.

B. ISD Restructuring Assignment by the Board.

Chairperson Buerk reported that the Board directed the Economy and Efficiency Commission to conduct a review of ISD Restructuring Study. This study has a 30 day turnaround and no budget. This report is being handled by the staff with additional volunteer support by ARCO. The individuals from ARCO are a retired Vice-President/Controller and a Department Head of ISD at ARCO. Due to the time constraints, Chairperson Buerk has directed staff to work with him on preparing a draft report for the full Commission, before the next meeting.

Commissioner Fuhrman stated that he felt that a review of the draft at the next Commission meeting would not be enough time for the Commission to understand and approve the report. He suggested that the Commission act as a Task Force of the Whole and have at least two meetings scheduled where any of the Commissioners who are interested can meet and discuss or review proposed recommendations. This would allow for a better opportunity of reaching a consensus on the recommendations by the next meeting and taking action.

Chairperson Buerk stated the majority of the work that needs to be done consists of reviewing work done previously by the CAO and ISD. In order to address Commissioner Fuhrman's concern, he directed the staff to send out copies to the entire Commission of the two previous reports. After reviewing the documents, Commissioners should give any input they have to Mr. Staniforth. Commissioner Fuhrman asked if there could still be a meeting in mid-June for any interested Commissioners. Chairperson Buerk stated that he didn't believe that would be helpful because the staff will not have a draft ready at that time. Any feedback that Commissioners have after looking over the reports can be addressed without calling a meeting. He suggested that any comments be distributed to the entire Commission. Commissioner Stoke stated that he agreed with Chairperson Buerk's suggestions.

Motion to accept the recommendation of the Chair as to the process to be used in the process of the ISD project.

Commissioner Sylva pointed out that due to the Brown Act, the Commissioners' comments must be submitted to Mr. Staniforth only, and not the entire Commission. Individual comments can communicate their comments to individual Commissioners, but not to more than a quorum.

Commissioner Fuhrman stated he was still interested in seeing the other Commissioners' comments, even though those comments would become public. Chairperson Buerk said that in the amount of time that they were given to do the project, early release of unapproved statements would hinder the process. Commissioner Fuhrman moved that the Commission convene again before next month to discuss progress on the ISD project.

Motion for amendment stating that a special meeting of the Commission, acting as a Task Force of the Whole, be scheduled in mid-June to discuss the progress on the ISD project and the meeting would be posted for the public. Motion failed on an 11 to 3 vote.

Commissioner Padilla requested that a statement of issues without proposed recommendations be distributed to the Commission. Chairperson Buerk stated that the issues are clearly stated in the reports that will be distributed and there is no need to do a summary.

Motion to accept the recommendations of the Chair that staff work in conjunction with the Chair to prepare a draft report of the ISD project by the Commission's July meeting. Copies of the two reports that are being reviewed will be distributed to the entire Commission and Commissioners may submit any comments they have, regarding those reports, to staff. Motion carried.

VII. PRESENTATION

Chairperson Buerk welcomed Ms. Sandy Davis, Assistant Chief Administrative Officer. Ms. Davis introduced her topic for the day, Los Angeles County Budget, and distributed a booklet that the CAO published called The County of Los Angeles: Summary of Services and Programs.

Ms. Davis stated that the 94-95 budget will end balanced. Some of the factors that contributed to this were: a significant property tax increase projection for 94-95, approximately \$100 million; and various Board actions, including a hiring freeze; 3% reduction in all general fund operations; and a freeze imposed on service and supply expenditures.

One of the factors that has contributed to the condition of the 95-96 budget is the SB 910 MediCal reimbursement. There was a sizable amount of 910 money in the health and general fund budget, \$640 million, for the 94-95 year.

Those revenues are being realized to a very minimum amount, less than \$100 million.

Commissioner Stoke asked if the CAO would be able to do anything to rectify that situation. Ms. Davis replied that the CAO is acting as an agency of the State and working with the Federal government to negotiate a reimbursement level. Their claim had been at \$640 million. At one time they were hoping to get \$.50 on the dollar, however, they have learned in the past few weeks that it has to be realized. This would take many years to accrue the cost. In addition they would hit caps and negate other revenues that come into the Health Department. She stated that although 95-96 does not look favorable for 910 funds, they do not believe this was due to double dipping or double billing. A problem encountered with those two entities is a pending lawsuit with the State which will cause the State to lose money in other areas if they tamper with our MediCal rate. The CAO is trying to find an alternative solution, possibly reimbursing the County, matching of funds, but unfortunately the County is not in a solid cash position.

Chairperson Buerk asked if the \$600 million deficit is a result of changes in procedures and laws or if it was a problem specific to the events of the past year. Ms. Davis replied that the laws haven't changed, in fact the problem is larger than \$600 million. What she observed is that the County has used one time revenues to finance itself. It used the 910 mechanism to finance a significant amount of the Health system. We have now run out of the one time revenues. This has accounted for the gap. Chairperson Buerk asked if the 910 revenues of 94-95 were fully realized. Ms. Davis replied that there was \$640 million budgeted in the general fund and health services. Of that total, \$580 million were in health services, within that amount, they have realized a payment of \$18 million. Chairperson Buerk inquired as to the year before. Ms. Davis replied that the revenues that were anticipated for 94-95 were based on retroactive claims going back to 92-93 and 93-94 and prospectively into the 94-95 fiscal year. The delay happened due to the State positioning itself and whether there would be support to move things to the Federal level. The process that was employed by the Health Department for this claim was believed to have preapproval at the Federal level. Although other states have followed the same steps in the past that we are following, the problem is that Los Angeles County is so large as to be considered as a precedent setter. In addition, for 94-95 the State imposed an administrative fee of \$200 million on all counties. This has created a significant problem for the County and specifically the health department.

The County's budget is approximately \$14 billion, which incorporates the General Fund, Health Services, and special districts that the Board has supervision over. Two components of the budget problem are: 1) The General Fund (\$615 Million) and 2) Department of Health Services (\$655 Million).

The General Fund (\$615 Million) - The positive aspect of the General Fund was a Property Tax Increase, as well as, an increase in Sales Tax Revenues. The losses occurred in One-time financing and Use of Fund Balance, with a loss (initial forecast) of \$116.8 million. By using Reserves/Designations they are not available to finance the appropriations.

Chairperson Buerk asked Ms. Davis to site an example. Ms. Davis replied that the County sets aside certain funds in respect to the types of operations. One of these operations is rate stabilization, which was a return that was developed to show the rating agencies that the County was attempting to be fiscally prudent. In the event there were not funds available to make a debt payment, the County would have a reserve. The reserves were depleted in the 94-95 fiscal year and they will no longer be available to sustain appropriation authority into the 95-96 fiscal year. Total revenue adjustment going from 94-95 to 95-96 is a loss of \$140.9 million of revenue. Chairperson Buerk stated that the reserves/designations are a liability from 94-95. Ms. Davis replied that is correct.

Ms. Davis gave an explanation of Changes to Expenditures. Last year the County was able to defer contributions to the retirement system due to issuance of debt and a refund from the retirement plan that came back to the County. Therefore, in this upcoming year, those funds will not be available and the expenditure will have to be incurred by the departments in amount of \$127.5 million. The realignment shift is also an expenditure where revenues are no longer available. In order to sustain these expenditures, the departments will have to find internal alternatives. Unallocated Program Adjustments/Rate Stabilization Reserve, an expenditure, with \$40 million set aside, \$20 million utilized as Board discretionary fund, and \$20 million for a sub-planning to generate reserves. Nonrecurring expenses were deemed to be one-time only and taken out of the 94-95 budget. The Governor's Budget, proposed in January, is expected to cost the County \$166.9 million. The forecasted total of revenues less expenditures for 1995-96 is negative \$615.1 million.

Proposed ways to deal with balancing the budget:

- increased property tax estimate
- increased fund balance
- maintained departments at MOE level
- deleted rating stabilization reserve
- reduced unallocated program adjustments
- deferred Governor's Budget impact
- required departments absorb costs

- 20% departmental reductions

Chairperson Buerk stated that the increased property tax estimate and the deferred Governor's Budget impact didn't change the amount of money that the County gets. It increases the estimates of what the County will get, and ignores the impact that the Governor's Budget will have. Essentially, what happens is a deception of the budget being balanced, when in reality, it is not. Ms. Davis agreed and said she had observed some improvement from January to May, but she feels that Sacramento is dysfunctional and probably will not have a budget by the end of June. Because the problem is so significant they have decided to take it off the table, knowing that it will need to be dealt with later.

Commissioner Balderrama commented that he had seen in the paper that the Assessor's office had claimed that property taxes were decreasing.

Ms. Davis said that in the initial forecast there was a property tax increase at 1.1% negative, but between the 1994-95 budget and the 1995-96 budget, the overall tax collection has increased \$100 million. Even though we are seeing a negative tax property growth, there is an increase in the collections realization. The initial forecast of said value growth was 1.8 negative. There is a current improvement in the growth from 1.8 negative to 1.6 negative. The fund balance has been enhanced by \$10 million. There will not be any MOE overmatches, which will make \$6.5 million available. For the unallocated program adjustments/rating stabilization reserve \$40 million was forecasted and only \$5 million will be put there, which resulted in a savings of \$35 million.

Chairperson Buerk asked if the ratings decline, what is the cost in interest. Ms. Davis replied that if the ratings decline it will be the result of additional factors. She is going to New York next week to talk with the rating agencies. The Treasurer is trying to issue up to \$1.8 billion worth of short term borrowing. Los Angeles County is still perceived as a strong credit. Even so, it is still going to be a difficult sell, especially if the Board is unable to present a budget.

Ms. Davis said that, as she stated earlier, the Governor's Budget impact of \$166.9 million was being deferred. Departments are having to absorb any unavoidable costs with reductions imposed on departments.

Commissioner Philibosian asked if it was possible for a department to rearrange its cost, etc., within its own budget in order to give wage increases. Ms. Davis replied that the D.A.'s office recently approached the Board with that request and was granted approval beginning in July 1996. The Board will reexamine this issue in August. One restriction is that employees must be non-represented. This is a difficult time and departments will be absorbing many costs. It will be a Board decision whether or not a department could rearrange costs for salary increases or if the proposed economies would be used in some other manner.

Chairperson Buerk stated that the recommendations given were those of the CAO and have not been implemented by the Board. Ms. Davis replied that was correct but they will go before the Board on June 20th, and the actual hearings will begin on July 5th with budget deliberations beginning July 24th.

Department of Health Services (\$655 Million) - This problem started out as a \$606.2 million problem and has grown to a \$655 million problem. The Department of Health Services (DHS) has an appropriation of approximately \$2.5 billion, with a reduction of \$650 million that rolls up into a loss of revenues. This makes the actual total reduction \$1.2 or \$1.3 billion problem. The number rolls up due to the fact that DHS is highly leveraged with State and Federal revenues.

The majority of problems with DHS are lack of revenues, which in turn failed to realize the Federal and State liability. By a maintenance of effort, the amount of net County Cost associated with the DHS is \$419 million. That amount is not being cut, the potential downsizing in DHS results not realizing their 910 revenues, 1255 or 855. Also, because DHS did not realize 910 in 94-95 they had to use their reserves and set-asides for 95-96. Since the program is not going as planned, they will not see any new revenues in the 95-96 fiscal year. The overall cost of USC Medical Center is \$775 million, which is potentially a \$1.2 or \$1.3 billion problem. The total County cost for all six of the hospitals is \$901 million, which rolls up to \$1.7 or \$1.8 billion. There are several departments and programs involved in this problem: health centers, hospitals, individual programs that provide services. This has the potential of developing into a problem that could be detrimental to the well being of everyone who lives in L. A. County.

Commissioner Philibosian asked what the prospect was of receiving federal reimbursement for treatment of illegal aliens in the County hospital. Ms. Davis replied that this depends on whether the Federal Government issues block grants rather than entitlements or if SSI is no longer provided to legal immigrants. The GR caseload will increase from 100,000 to 250,000-300,000 if the Federal government stops handling services to legal immigrants. This will in turn place an additional obligation on the general fund in the amount of \$500 or \$600 million.

Other potential risks include:

- Governor's Budget impact

- Federal Budget impact
- General Relief cash grant court decision
- San Diego County court decision affecting Realignment
- Aggressive fund balance estimate
- Uncertainty of property tax estimate

There have been recent court decisions that have caused concern over the General Relief Fund. A couple of years ago the General Relief Grant was reduced by approximately \$70. A court decision has arisen that may cause it to again increase from \$212 to \$291. In San Diego, there was a court decision that may cause the County to loose on the vehicle license revenues.

Although the County has reduced its Fund Balance, it is still being aggressive. The complete \$485 million that is used in this projection hasn't been realized. The CAO is continuing to find ways to economize. There is a task force developed by the Ms. Davis's office, the Auditor, the Treasurer and the Assessor that is reviewing property taxes.

Chairperson Buerk stated that the E&E Commission is doing a report on municipal services in unincorporated areas and one of the questions we have in that study is to what degree does the County subsidize the municipal services to the unincorporated areas. We are looking at the possibility of unincorporated areas paying more for the services they receive. He asked Ms. Davis if the CAO's office knew any facts regarding how the municipal services are subsidized and what amount. Ms. Davis replied that, although she is not certain, she believes they are subsidized. However, the majority of costs for services that the County provides are in health, law enforcement and justice. The services being provided to the unincorporated areas are not high end.

Chairperson Buerk commented that the Sheriffs office provides municipal services, so there is some significant cost that no one has accounted for that the County provides. Ms. Davis replied that in line with the General Fund Tax that is assessed to all County residents, a significant amount goes to law enforcement, residents in the unincorporated areas pay this too. Unincorporated residents have less control over the amount and type of service they receive, but they do contribute a significant amount towards their law enforcement service. She commented that she was interested in the report and looked forward to seeing it when it was available. Chairperson Buerk stated that any subsidization should be done consciously and not by default. This amount should be reviewed by the Board. Ms. Davis agreed.

Chairperson Buerk asked what the status was of a recommendation in the E&E's Real Asset Management report that advocated the disposal of idle assets that the County has accumulated over that past decade. Ms. Davis replied that the report mentioned some 4.3 billion square feet valued at \$22.40 billion as total assets, of that 4.3 billion square feet the County only has control over 7 million square feet due to environmental restrictions, etc. Chairperson Buerk stated that even if this amount was liquidated there would still be a significant savings for the budget. Ms. Davis replied that on the high end that would be a savings of \$80 million and the County is looking into possibilities of savings there, they want to make sure they can use the liquidated assets to the County's advantage. Another option that the County is examining is a tipper's tax.

Commissioner Padilla asked Ms. Davis to comment on the new dynamic on the Board. Ms. Davis replied that Supervisor Yaroslavsky is conservative in his approach and very dedicated to balancing the budget. All of the Supervisors are concerned and are meeting as often as possible to work on this problem. However, she has seen no sympathy at the State or Federal level to impose or increase taxes. The block grants that we will be receiving, due to downsizing of Federal government, are fixed monies that don't take into consideration inflation, etc.. Ms. Davis added that this is a very difficult time and many at the County and Supervisor level are frightened that this community may be severely damaged by the problems we are facing.

Chairperson Buerk asked what kind of economic forecast is the budget based upon. Ms. Davis replied that they are projecting a 5% sales tax increase on local sales and public safety. There are no soft revenues.

Chairperson Buerk thanked Ms. Davis for her presentation and stated that the Commission appreciates the work that she and the CAO's office are doing in order to deal with this problem. He also offered the assistance of the Commission if the need arises. Ms. Davis thanked him and commented that the CAO's report on ISD that the Commission is working with is a draft and a final copy will be out soon.

VIII. ADJOURNMENT

The meeting was adjourned at 12:10 p.m.

Respectfully Submitted,



Bruce J. Staniforth
Executive Director

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