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Economy & Efficiency Commission Meeting Minutes

MINUTES OF THE REGULAR MEETING ECONOMY AND EFFICIENCY COMMISSION

WEDNESDAY, JANUARY 4, 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 9:50 a.m.

II. ATTENDANCE

COMMISSIONERS PRESENT

Gunther Buerk
David Farrar
Louise Frankel
James Gilson
Jaclyn Tilley Hill
Carole Ojeda Kimbrough
Chun Lee
Roman Padilla
William Petak
Robert Philibosian
H. Randall Stoke
Julia Sylva
Tony Tortorice
Betty Trotter

COMMISSIONERS EXCUSED

Richard Barger
Jon Fuhrman
Randy Stockwell

COMMISSIONERS ABSENT

Fred Balderrama
John FitzRandolph
Albert Vera

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

III. CONSIDERATION OF MINUTES

Chairperson Buerk asked for any amendments, correction or objections to the proposed Minutes from the December 7, 1994 Commission meeting.

Moved, Seconded and Approved: The minutes of the December 7, 1994 Commission Meeting be approved as amended.

IV. INTRODUCTIONS AND ANNOUNCEMENTS

Mr. Staniforth made the following announcements:

1. Two documents are being distributed at this meeting: the ISU Annual Report and copies of Dr. Burke's overheads from the December 7th meeting.
2. Jan 3rd Agenda action has been take to disband several commissions (1/2 dozen already disbanded).
3. Introduced Mary McCloud, temporarily assisting in the Economy and Efficiency Commission office.
4. Charlie Kaufmann, who was a consultant to the Commission on many projects, most recently the jury report, passed away. There will be a service on Saturday. He commended Charlie for his dedication and courage.

Commissioner Trotter suggested that the necessary steps be taken to allow the Board to adjourn in his memory on the 10th when the Jury report is presented.

Chairperson Buerk gave more background on Charlie Kaufmann and his involvement over the last several years with the Commission.

V. OLD BUSINESS

Commissioner Trotter gave an update on Jury Management report. Copies are being sent to all parties that might be interested in the information contained in that report. Commissioner Trotter informed the commission that she is attending a conference in Court Administration later in January, and one of their workshops concerns jury management.

Commissioner Padilla asked for a clarification of when the Jury report was going to be presented to the board. Commissioner Trotter responded, January 10th.

A. Natural History Museum

Task Force Chairperson Trotter reported that the project is still progressing but the task force would like at least a month postponement due to length of material and conflicts over the holidays. Chairperson Buerk suggested a two month postponement. Commissioner Trotter agreed.

Commissioner Gilson inquired as to the scope of the project. He asked if the subject of the review is solely focused on collection management and storage. Commissioner Trotter said that the focus of the project has broadened to include other aspects, but specific subjects have not yet been isolated.

B. Department of Health Services-Reengineering.

Task Force Chairperson Tortorice reported that Task Force has not had a meeting since the last Commissioners meeting, but they have continued to meet with the staff at DHS. Primarily their discussions have focused on defining barriers to the reengineering process, such as people resistant to change in standard clinical practices. These are the types of problems they were anticipating - it is difficult for people to change the way they do business. They are also working up the numbers of potential savings for the organization, most of this saving will come from consolidating activities. Numbers are not available yet.

Chairperson Buerk asked if there was a time schedule. Commissioner Tortorice said that they are scheduled to have a meeting at the end of January to review the final draft of the report. The Commission will receive a draft copy of the report in the March meeting.

C. Liability and Risk Management.

Task Force Chairperson Lee reported that on December 20th the County Supervisor approved the county court to authorize the Chief Administrative Office and to set the county wide policy directions on risk management. The County is focusing on uniform administration, consistent application and setting minimum requirement criteria guidelines for the County risk management program. This department must comply with County Supervisor plans which are being implemented.

Chairperson Buerk asked if we have a date for the report. Mr. Staniforth said that we are waiting for a review from the consultants of the final document that the CAO submitted. The consultants were not given a specific time but asked to complete the review as soon as possible. Mr. Staniforth said that he would write a letter asking for their review now and he anticipates that the report can be presented to the Commission at the next meeting.

Commissioner Padilla asked if any more recommendations will be made to what they are implementing. Mr. Staniforth replied probably not, but this report is to make sure that all of our recommendations are addressed.

D. Unincorporated Area Services.

Task Force Chairperson Padilla reported that the Task Force held a conference call two and a half weeks ago with consultant Gil Siegel. Currently Mr. Siegel and Mr. Staniforth are reviewing a draft report and should have something for the Commission in the near future

Mr. Staniforth added that Mr. Siegel, John Crowley (former Mayor of Pasadena) and he had a meeting with Jim Colangelo, the LAFCO Director who had many helpful comments. Mr. Siegel is revising the draft now and The Task Force will see the draft by the end of the month. The Commission will have the report at the March meeting.

E. County Economic Growth.

Task Force Chairperson Philibosian reported that although they are still in the developmental stages, the Task Force would like the Commission to consider approving the report based on the summary that was sent to them with a December 29th memo. This would allow them to present the report to the Board of Supervisors before the next meeting. It also needs to be submitted to the CAO and they need to look at it first. Commissioner Philibosian expressed his concerns about time constraints.

Chairperson Buerk asked if there were any additional recommendations that the task force wants to make or is it just fine tuning. Commissioner Philibosian said that they will not be posing additional recommendations, they are only refining the documentation that supports the current recommendations. Chairperson Buerk asked why the CAO had to review it first. Commissioner Philibosian replied they need to give an independent review to the Board of Supervisors, but they have no veto power.

Commissioner Frankel asked Commissioner Philibosian to clarify what a "focused environmental review" means in regards to a recommendation concerning CEQUA. Mr. David Adishian, consultant, replied that the Task Force attempted to find a consensus between liberal and conservatives to make CEQUA more effective. CEQUA's role will become more focused as legislative proposals appear in the next few months. Commissioner Frankel asked him the difference between an EIR and a "focused" EIR.

Commissioner Tortorice replied that a focused EIR covers only one area of concern of a project as opposed to the entire project. Commissioner Philibosian added that a particular area of an EIR can be reviewed in an independent, focused manner. Commissioner Stockwell said that this can be applied two different ways: 1) Master project 2) Particular items within project. As an example, the staff of a planning department says that for a certain project you only need to be concerned with noise, air and water. A focused EIR would concern itself with these 3 issues.

Commissioner Frankel expressed concern over anything that might weaken CEQUA. Commissioner Philibosian assured her that nothing is being cut out of CEQUA. He then reminded the Commission that what this Task Force is essentially doing is compiling areas of consensus from reports already in existence that were done by Republican, Democratic, and Bi-Partisan legislative groups and a Citizen's group. The recommendations in this report are taken from those reports and the Task Force has given them the seal of approval and would like the Commission to do so as well.

Commissioner Gilson said he is not clear what the proposed legislation would change (referring to #12 and #19 in the summary) from existing law. As he understands it, local government agency already has the authority to allow for a focus EIR. Commissioner Philibosian replied that the recommendations would make these existing laws more specific and definite. Commissioner Gilson said he wants to see specific legislation that supports the recommendation before he gives his support. Commissioner Philibosian and Mr. Adishian did not have specific legislation with them but assured

Commissioner Gilson that the supporting materials are in the complete report that the Commission will be viewing when it is complete.

Commissioner Padilla said that he wants to see the supporting text before approving the recommendations. Commissioner Philibosian suggested that the Commission approve the recommendations in principle so the report (in draft form) can be taken to the CAO to begin its review. The final report would then be brought to the Commission at the next meeting when each Commissioner would have the chance to review all the material.

Commissioner Hill pointed out that the reason we have task forces is because everyone can't work on every project. The Commission needs to support each task force and not put up roadblocks. The process of a task force allows for focused work on projects.

Chairperson Buerk suggests that the recommendations be approved in principle so that report may go on to the CAO and the Commission will be able to see the full report before it goes to the Board of Supervisors.

Commissioner Gilson asks if we need to approve in principle in order to get the CAO's response or can we send it to them without approval? Chairperson Buerk replied that the recommendations need to be approved in principle - the Commission must take a position.

Commissioner Trotter commented that some refinement had already been done on the recommendation during a conference call, but she still has concerns about #2 dealing with limiting redress with cumulative work injuries. Commissioner Philibosian replied that these are recommendations taken from a consensus of four different reports. The Commission needs to decide whether or not they want to approve these recommendations. Mr. Adishian added that the Council on Competitiveness was in support of the recommendation that Commissioner Trotter mentioned. Also, the consensus of the reports indicated that most people are for elimination of cumulative trauma concept rather than reform, because California is one of four states in the country that allows this claim.

Commissioner Philibosian motions that the Commission approve in principle the recommendations presented in the December 29th memo. Those recommendations and draft text can then be sent to the CAO for review. Following the CAO review the Commission will be presented with a completed draft and the next meeting to approve or disapprove. Motion 2nd.

Commissioner Padilla proposes an amendment to attach a disclaimer to the recommendations sent to the CAO that all Commissioners have not approved these specific recommendations as of yet.

Commissioner Philibosian says that no amendment is acceptable to the maker of the motion.

Chairperson Buerk states that the Commission has to vote on the main motion with no amendments. If the motion fails then substitute motions can be made.

Commissioner Frankel states that this is the first time in the last ten years since she has been on the Commission that a recommendations have been forwarded without seeing the supporting material.

Chairperson Buerk points out that this is going to the CAO not the Board of Supervisors which would require all of the information to be present in order for the Commission to vote.

Commissioner Sylva asks Commissioner Philibosian to repeat motion. Commissioner Philibosian replied.

Motion the Commission approve in principle the recommendations so that they may be sent to the CAO for review and returned to this Commission for consideration of full text and possible approval at the next meeting. Motion carried on a 8 to 5 vote, Commissioners Trotter, Padilla, Gilson, Frankel, Ojeda- Kimbrough voted against the motion.

The Task Force is requested to flush Out the details of the recommendations and to refine them.

Commissioner Gilson requested that a matrix be included to demonstrate what information came from which of the four reports that task force used when compiling its report. Commissioner Philibosian said that would be done.

F. Real Property Management.

Task Force Chairperson Farrar reported that the Task Force has met via a conference call and they have established two plans: 1) short letter of recommendation to the Board that outlines immediate action and 2) a request for moderate funding for a consultant to assist with CAO response. The Task Force will submit this report for the Commission's approval at the next meeting. The essence of the report is as follows: no more study needs to be done - in at least two of the cases there is general agreement that some savings can be achieved by lease renegotiation and that there are advantages to attempting to purchase some of the properties. Commissioner Farrar has met with two of the leading

Commissioners of the Real Property Commission and they support the above mentioned recommendations. At the next meeting the Task Force will suggest that the Commission go to the Board with those recommendations.

There were three items from last month's meeting that the Task Force was looking in to: lease/rate reductions, exercise options and the disposal of surplus property. In response to the latter, there is a consensus between the CAO and the Real Property Commissioners that there is no surplus property available. Commissioner Farrar suggests we proceed with recommendations to the first two items to the CAO's office and they can renegotiate those leases.

Chairperson Buerk inquired if Commissioner Farrar felt there might be a divergence of definition of surplus property. Commissioner Farrar felt that was possible because of consequences of defining property surplus but this requires some research. This is one area where Commissioner Farrar feels that a consultant's help will be useful. Chairperson Buerk agreed and said he thought a modest amount of funding would be available to secure a consultant.

G. Management Information Systems.

In Task Force Chairperson Fuhrman's absence, Commissioner Tortorice reported that due to vacation schedules the Task Force has not met but expects to have a draft for the Commission in March. Chairperson Buerk remarked that he neglected to introduce Bill Waddel, a representative of the Productivity Commission who is replacing Commissioner Hertzberg. Bill Waddel has significantly contributed to the Commission in the past.

Commissioner Petak asked if it was necessary to have an agenda item for reports of liaisons. Chairperson Buerk confirmed that this was correct and told Commissioner Petak to add his comments at the end of "New Business" and he told Mr. Waddel to add to the agenda whenever he had something to report.

VI. NEW BUSINESS

In order to preserve the quorum Chairperson Buerk decided to change the order of the presentation and New Business.

A. Election of Officers.

Chairperson Buerk turned over the Chair to Mr. Staniforth for the election of officers. Mr. Staniforth reminds the Commission that nominations are accepted for the Chair and the Chair then appoints the Vice-Chair. The floor was opened for nominations.

Commissioner Philibosian complimented the team of Buerk and Trotter and nominated Chairperson Buerk and encouraged him to reselect Commissioner Trotter. The motion was seconded.

As no other nominations were made the nominations closed. Gunther Buerk was unanimously reelected Chair of the Commission. Chairperson Buerk accepted his election and reappointed Commissioner Trotter to Vice-Chair. Chairperson Buerk's goals for the next year are to finish as many projects as possible and to continue to develop a consensus for the entire Commission.

B. Local Government Services Commission.

Commissioner Petak reported on that the Local Government Services Commission has been asked by the Board to develop a more economic and efficient way to utilize training facilities for public safety within the counties and local governments. It seems that this is a project for which the E&E Commission can provide assistance. Would the E&E Commission be willing to receive a report for review and possibly assist them in their task?

Chairperson Buerk confirmed that the E&E Commission could receive the report and appoint a Task Force to review the report.

Commissioner Sylva stated that T.R. Rosenthal has specifically asked for the E&E Commission's thoughts and input on regional services and contributions. Chairperson Buerk replied that whenever someone asks for our assistance in manners like the two preceding ones, they should be aware that the Commission is not a "quick response" organization. Don't discourage them, but be honest with the length of the Commission's processes - it will take about two months for the Commission to respond.

Commissioner Philibosian said that he is a member of that Commission as well and knows that they do not have the same methodology that the E&E does. He would like to help but does not want to infringe on the way they work.

Commissioner Stoke asked if we have the ability to assist other Commissions without the approval of the Board. Commissioner Buerk replied that we do have the prerogative.

Commissioner Petak stated that the Local Government Services Commission has no financial resources, only a part-

time staff and they would like some support from this Commission to help them with their task. Chairperson Buerk replied that the way we can assist them is for them to bring to the E&E Commission's attention any area they feel has the potential for accomplishing economies for their county and then this Commission decides whether or not that would be a topic to investigate.

Commissioner Trotter added that Commissioner FitzRandolph is a former Chair of that Commission.

Commissioner Padilla asked for clarification of what they are seeking to do. Commissioner Petak replied that they want to share training resources. An example is driver training, all of them have to train drivers but it is wasteful for each organization to acquire property for separate driving facilities.

Commissioner Buerk said that these additional projects will be considered in April and May after the E&E Commission's current projects are finished.

After a five minute recess the Commission reconvened.

VII. PRESENTATION

Chairperson Buerk introduced Bill Eggers, Director of the Privatization Center at the Reason Foundation. Mr. Staniforth presented his background.

Mr. Eggers began his presentation by speaking of broken government and the cynicism towards government that is permeating the country. The November election expressed America's intolerance of politics as usual and that they demand smaller, better government. Mr. Eggers feels this election will go down in history as one the most defining election in the past 50 years. Over 2/3 of those people polled at the exit polls stated that they believe government almost always wastes money and they want a more effective, efficient, flexible and local government and they want government returned to the people. In short, people are demanding revolutionary change. Some leaders across the country have gotten this message and Mr. Eggers showed a video tape of mayors across the U.S. that he considers "forces of change" in government today. These Mayors included Mayor Richard Daley of Chicago, Mayor Steven Goldsmith of Indianapolis, Mayor Michael White of Cleveland and Mayor John Norquist of Milwaukee. These mayors focus on privatization, competition and efficiency.

The current crisis in our government presents the opportunity of an American Renaissance. The principles that will guide this Renaissance are as follows:

1) Focus on Core Functions - Businesses often asks the question, "If we were not already doing this, would we be doing this today?" If the answer is no, they get out of that business. What happens when governments ask this question? Nothing. Governments never ask that question but they need to start. Mr. Eggers said that in the research he has been conducting he has asked many government employees what programs they have eliminated while examining government waste. Unfortunately the answer is always - nothing. This is the biggest weakness in reinventing government. Mr. Eggers cited four examples: A) National Performance Review Report only found 3 programs to eliminate of the federal government. B) The Bureau of Reclamation acknowledged in 1987 that it no longer had a mission and the NPR suggested they create a new mission. C) Illinois Self-esteem program for Teenage mothers designed to deter them from having more children, supposedly had the opposite effect - more mothers in this program had another child out of wedlock than mothers not in this program. D) New York City is financially involved in almost every aspect of the city and yet they can not keep their streets clean, provide adequate police protection, or teach students to read - it is distracted by its score of activities and neglects its core priorities. The City should not even be involved in gambling parlors, etc. if it can't provide the basic needs of the community.

Ways to do this - program elimination, privatization, non-core programs (ie zoos, parks, museums, recreational programs, arts, some social services...) can be turned over to non-profit groups. Mr. Eggers cites as evidence that the same day Norfolk, Virginia turned over its Botanical Gardens over to the Non- profit Botanical Society the gardens received their first \$1 million donation. Michigan enjoyed a \$291,000,000 windfall from the sale of its state accident fund. Many cities are looking into selling sports complexes, radio stations, television stations, airports, utilities, etc. to private owners in order to turn dormant fiscal capital into financial capital.

Enterprising government is a public investment in a non-core function in the hopes of a future payoff. Public officials who embrace this philosophy forget one crucial fact: they are risking taxpayers' money. An example of a failed attempt of enterprising government is Josephine County, Oregon. First, they purchased a soup to nuts store where the county spent more on property statements than they ever made from operating the store. Then the county decided to hold a 3 day rock concert where they lost over \$75,000 including \$22,000 spent on an audit to find out how they lost so much money. The citizens of the county reacted by passing a series of initiatives that require voter approval on almost everything but routine spending items.

2) Injecting competition into government services: Mayor Steven Goldsmith of Indianapolis has moved about 60 government into the "market place" since he took office 2 1/2 years ago saving the city a hundred million dollars. One of the first services he opened up to competition was pothole repair, he also loaded all the of the cities costs (fringe benefits, supervisors, etc...) on to the bid. When forced to compete with private companies the transportation department found that they could fill potholes with four workers instead of eight and use one truck instead of two. Even with cutting their work force in half they still could not compete because of the cost of 32 supervisors for 90 workers. The transportation department asked the mayor to relieve them of the burden of the supervisors. Mayor Goldsmith made a politically difficult choice - he cut the jobs of the supervisors, most of which were his Republican supporters (as opposed to the Democrat city workers) and the city got the bid resulting in a 25% savings for the city.

Competition is much more effective than TQM. An example - In Philadelphia there was a sludge processing treatment plant that was notoriously inefficient. A TQM team was brought in to analyze the problem but the union would not allow the TQM team to meet with employees unless the TQM team agreed not to cut any jobs as a result of their evaluations, change salaries, etc. The Mayor put the plant on the privatization list. This move prompted the manager of the plant along with the union representative to approach the city with a plan to cut almost half of the employees, to cut costs by 1/3. This change only came in to being because of competition. Governments can save 20 - 50% by privatizing services.

3) Improving government systems. It is impossible for government to ever work as efficiently as private enterprise. An example - in San Diego in the 80's there was a county employee who physically assaulted someone, this was the second time this had occurred and the supervisor fired the employee. The Civil Service Commission reinstated the employee because there was no written policy that said you couldn't assault someone. Due to situations similar to the circumstances surrounding that employee's reinstatement, government will never run as efficiently as it should. However, there are ways to improve the system. First, reduce personnel classifications by broadbanding employees into general employment categories which would increase management's ability to assign existing employees to new duties, a process that currently must go through the unions. Second, stop rewarding all employees equally and reward based on performance.

Procurement is another system that needs to be improved and reorganized. In the private sector a business would not change a supplier unless they were displeased with the cost or service, but in government, each time a contract is up a new search for a supplier must be done in order to insure fairness. We need to find a system that capitalizes on the best service and price without reverting back to the days of corruption that was present when the current system was enacted.

4) Limit governments growth. We must limit the growth of government to have a better, more productive, more efficient government. How?

a) Some states have passed state constitutional limitations on state taxing and spending and when there are surpluses they must either be returned to the taxpayers or voted on to let the state, city or county keep the money. Many predict that this will end tax increases in these states.

b) Tax cuts. During boom times when there is a lot of money coming in, governments tend to create more programs, but when the boom ends they are stuck with new programs, employees, etc... and they either have to raise taxes or they have a fiscal crisis. Mr. Eggers suggests imposing a fiscal discipline on them by cutting taxes during the boom times so the money is not coming into the government in the first place.

In conclusion, to survive in the 21st Century government will have to be downsized and revolutionized. Our current crisis demands that we end "business as usual".

The floor was opened up for questions.

Commissioner Stoke asked how Mr. Eggers would propose to accommodate minority hiring clauses, etc. and achieve the efficiencies he mentioned in his presentation. Mr. Eggers pointed out the way to deal with job rules and classifications is either to take them to the unions and politicians or you can do what Mayor Guliani is doing in New York where he doesn't impose any restriction but he forces government services to compete with the private sector. This tactic will force the union, etc., to restructure themselves. Mr. Eggers acknowledged that he did not fully address Commissioner Stoke's question, but that the specific clauses he mentioned have been voted on in the courts and, therefore, they must be executed as stated while the law is in effect.

Chairperson Buerk commented that due to the Economy and Efficiency Commission's Recommendations, six county Commissions were ended. And several years ago the E&E Commission made recommendation to reduce the numbers of departments in the county, which has been reduced by twelve. This was the first time that the number of departments decreased rather than increased.

Commissioner Tortorice asked if there were any examples of privatized police forces. Mr. Eggers replied that privatization is playing a role in neighborhood and community improvement districts where they hire their own security officers. Community involvement is essential in handling crime. Commissioner Tortorice asked where is the profit. Mr. Eggers responded that privatization does not necessarily mean profit. San Diego has privatized its crime analysis unit. Other departments have contracted private firms for court services. Contracting out for non-core services allows the police to focus on their core functions.

Commissioner Farrar asked background on the Reason Foundation. Mr. Eggers responded that they are a non-profit organization and they give advice and guidance for free. Mr. Eggers is the Director of the Privatization Center of the 21st Century Government which is a public service to help cities in the nuts and bolts of reform. They don't take any money from the government. Occasionally they are hired as consultants by private firms. Currently they are assisting Orange County. As a public service they did a report for the City of Los Angeles which identified over \$120 million dollars in savings.

VIII. ADJOURNMENT

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

Respectfully Submitted,



Bruce J. Staniforth
Executive Director

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