

Board of Education of the City of Los Angeles  
Los Angeles Unified School District



Mónica Ratliff  
Board Member, District 6

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February 19, 2016

The Honorable Herb J. Wesson, Jr.  
Chair of the Rules, Elections, Intergovernmental Relations, & Neighborhoods Committee  
City of Los Angeles  
200 North Spring Street  
Los Angeles, California 90012

Dear Honorable Council President Wesson,

I am writing to encourage you to take public schools into account as you review the proposed ballot measure to amend the Los Angeles City Charter and Administrative Code to restructure the governance of the Los Angeles Department of Water and Power (LADWP).

I am extremely concerned about the potential impact of the LADWP proposal to increase water and power rates over the next five years. While I fully understand that the deteriorating and unreliable water and power infrastructure needs to be replaced, the currently proposed rate increase will result in millions of dollars less being available for classrooms and schools. If the rate increase is approved, at full implementation L.A. Unified will have to pay an additional \$22.4 million more than it is currently paying in utilities. That \$22.4 million will have to come out of the general fund and works out to roughly 211 teachers or 364 buildings and grounds workers we will be unable to employ. L.A. Unified is LADWP's single largest customer. However, unlike many commercial/industrial LADWP customers, L.A. Unified does not have paying customers and, therefore, we do not have the option of raising fees to offset LADWP's proposed rate increase.

It would be great if any amendment to the City Charter related to the LADWP and/or the City transfer policy would take public schools into account. Perhaps authorized, transparent, reliable discounts or support to public schools can be explored and codified. If the City transfer policy is reformed, funds that could go to supporting public schools could be delineated in any transfer policy revision or clarification. For example, crossing guards at all qualifying intersections near public elementary schools would significantly benefit school communities. Timely tree-trimming services around schools would make students safer at, and while traveling to and from, public schools. If the City performed recycling and garbage-disposal services for the District and public schools, it would save the District \$6.7 million.

Finally, when my office submitted a proposed resolution to be considered by the L.A. Unified Board, the LADWP responded by unilaterally putting a signed mutually beneficial MOU on hold. What oversight protections for consumers, big and small, will be codified in any City Charter amendment to ensure that they are treated appropriately?

Thank you for your work for the City of Los Angeles and your attention to this important matter.

Sincerely,

A handwritten signature in black ink that reads "Mónica Ratliff".

Mónica Ratliff

Attachments:

In Support of Fair Utility Rates for Schools  
February 11, 2016 Letter from Superintendent King and Board President Zimmer  
E-Mail Correspondence between Heidi Bass, LADWP and Mark Hovatter, LAUSD

29. Ms. Ratliff, Dr. Rodríguez — In Support of Fair Utility Rates for Schools (Res-031-15/16) (Waiver of Board Rule 72)

**ADOPTED AS AMENDED**

Whereas, In the case of *State of California ex rel. Samir Barakat, et al. vs. Los Angeles Department of Water and Power* (the “Overcharge Case”), the San Bernardino Superior Court found that the Los Angeles Department of Water and Power (LADWP) had intentionally overcharged the Los Angeles Unified School District, among others, for capital facilities fees going back at least as far as 1988, and, in 2007, the court rendered a tentative decision awarding the District \$94.7 million in damages;

Whereas, As a result of a mediation that followed the Overcharge Case, the parties entered into a Settlement Agreement in October 2008, which, among other things, provided that the parties would file for the court to set aside/vacate the tentative decision in the Overcharge Case and that LADWP would pay approximately \$53.1 million to the District (net of an \$11.5 million whistleblower entitlement and \$3.1 million of LAUSD’s attorney’s fees and costs) in four categories of payment: (i) an initial unrestricted payment of \$18.3 million in fiscal 2009; (ii) three annual installments totaling approximately \$5.2 million, paid in fiscal 2010, 2011 and 2012; (iii) an aggregate of approximately \$6.6 million in bill credits spread over ten years (fiscal 2009 to 2018); and approximately \$23.0 million placed in a restricted trust account and only available to the District to fund qualifying energy conservation projects undertaken by the District;

Whereas, The LADWP has not compensated the District dollar-to-dollar for the District’s years of overpayments out of District general fund and the settlement included programmatic funding of certain conservation projects, which the District could have financed through its bond program;

Whereas, The District is grateful to the LADWP for their exceptional customer service in assisting the District over the holidays break to prepare school sites for relocations necessitated by the natural gas leak at Southern California Gas Co.’s Aliso Canyon storage facility;

Whereas, The Governing Board of the Los Angeles Unified School District appreciates the efforts the LADWP has made in successfully partnering with the District to contribute funding to certain conservation projects on District properties above and beyond those required by the Settlement Agreement, which, while not accruing directly to the District’s general fund, has made more funding available to the District through its tax-payer funded bond measures, while furthering the LADWP’s goals of reducing load and increasing efficiency;

Whereas, The District has made significant contributions to load reductions, including (i) closure of most school sites during peak summer usage periods, and

(ii) implementation of numerous conservation projects including many funded in part by the proceeds of the District's settlement with LADWP of the Overcharge Case;

Whereas, The Board of Water and Power Commissioners, at their January 19, 2016 meeting just approved substantial rate hikes, which are scheduled to be considered by the Los Angeles City Council's Energy & Environment Committee on February 17, 2016, and by the City Council, itself, on February 24, 2016;

Whereas, LADWP maintains that a portion of its increase in revenues will go to much needed infrastructure improvements;

Whereas, The rate hikes proposed by LADWP that are applicable to the District include a 4.57% electric rate increase per year for the next 5 years, a 2.43% water rate increase per year for the next 5 years, and the discontinuation of irrigation Schedule F over 5 years, which is expected to increase the District's water costs by a further 3.71% per year;

Whereas, Given the District's current annual electricity and water payments to LADWP of approximately \$72 million and \$12 million, respectively, and assuming no change in electric and water usage, the proposed rate hikes will increase the District's annual utility costs, which must be paid for out of the general fund, by approximately \$22.4 million annually by the fifth year<sup>1</sup>;

Whereas, The District's out-year budget projections included with the 2015-16 First Interim Financial Report anticipate a deficit of approximately \$350 million for the 2017-18 fiscal year, along with a drastic Fiscal Stabilization Plan to close the portion of this deficit that exceeds the District's expected 2016-17 ending balance;

Whereas, LADWP generates positive cash-flow and has been making nine-figure distributions of its surplus revenues to the general fund of its owner, the City of Los Angeles, each year, including \$265 million in 2015;

Whereas, The District's \$24 22.4 million in anticipated additional electric and water fees payable to LADWP as a result of the proposed rate hikes (in the fifth year) is enough to fund approximately ~~230~~ 211 classroom teachers or ~~390~~ 364 buildings and grounds workers;

<sup>1</sup> Estimated effects of LADWP's proposed rate increases on the District's LADWP-provided electric and water costs over the next five years are set forth below:

	<u>FY 14/15</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>FY 17/18</u>	<u>FY 18/19</u>	<u>FY 19/20</u>
Electric	71,542,887	74,376,215	76,509,677	81,108,350	84,487,918	88,684,460
Water	12,325,147	12,843,299	13,785,896	15,129,441	16,354,512	17,588,165
<b>TOTAL</b>	<b>83,868,034</b>	<b>87,219,514</b>	<b>90,295,573</b>	<b>96,237,792</b>	<b>100,842,430</b>	<b>106,272,624</b>

Whereas, The proposed rate hikes would, therefore, not only decrease the potential availability of resources for the District's students, but also increase the financial burden for their families; and

Whereas, The City could perform a number of services which would directly benefit the District's schools and/or reduce existing burdens on the District's general fund, including: (i) restoring crossing guards to approximately 140 unstaffed intersections near qualifying elementary schools at an estimated annual cost of \$3 million<sup>2</sup>; (ii) extending free refuse removal to the District, which would save the District \$6.7 million annually; (iii) timely executing tree-trimming and similar City obligations in areas adjacent to, or otherwise affecting, school sites, the remediation of which the District has undertaken for the safety of its students, and deploy City tree-trimming units to District school sites, which could save the District approximately \$1 million annually; now therefore, be it

Resolved, That the Governing Board of the Los Angeles Unified School District hereby authorizes the District to promptly seek some relief from the imposition of higher electric and water costs on all publicly funded schools, including independent charter schools;

Resolved further, That the Superintendent direct the appropriate staff to immediately contact the Los Angeles City Council Members, including those on the Council's Energy & Environment Committee, to discuss the impact of the proposed Los Angeles Department of Water and Power rate hikes as currently written;

Resolved further, That the Superintendent direct the appropriate staff to advocate for substantial financial relief and/or assistance to public schools, which may include, without limitation:

- The City providing crossing guards at all qualifying intersections near public elementary schools;
- The City undertaking tree-trimming services that will make students safer at, and while travelling to and from, public schools;
- The City performing recycling and garbage-disposal services for the District; and
- Such other measures as may be reasonable and appropriate;

Resolved further, That the Superintendent direct the appropriate staff to reach out to other publicly funded educational institutions in the region, including, but not limited to, the Los Angeles Community College District, the California State University, and the University of California, to jointly seek and advocate for solutions that would mitigate the adverse impact upon educational opportunities

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<sup>2</sup> See February 10, 2014 City of LA Report on the City of Los Angeles' Crossing Guard Program

in the City of Los Angeles by the proposed water and power rate hikes; and, be it finally

Resolved, That the Superintendent direct the appropriate staff to provide information to all appropriate external bodies that will allow those bodies to investigate advocacy of a separate discounted rate structure for the District and all publicly funded schools, including independent charter schools.

**MEMBERS OF THE BOARD**

**STEVEN ZIMMER, PRESIDENT**  
**MONICA GARCIA**  
**DR. GEORGE J. MCKENNA III**  
**MÓNICA RATLIFF**  
**DR. REF RODRIGUEZ**  
**SCOTT M. SCHMERELSON**  
**DR. RICHARD A. VLADOVIC**



**ADMINISTRATIVE OFFICES**

333 South Beaudry Avenue, 24<sup>th</sup> Floor  
Los Angeles, California 90017  
Telephone: (213) 241-7000 | Fax: (213) 241-8442

**MICHELLE KING**  
Superintendent of Schools

February 11, 2016

The Honorable Felipe Fuentes  
Councilmember and Energy and Environment Committee Chair  
City of Los Angeles  
200 North Spring Street  
Los Angeles, California 90012

The Honorable Bob Blumenfield  
Councilmember and Energy and Environment Committee Vice Chair  
City of Los Angeles  
200 North Spring Street  
Los Angeles, California 90012

The Honorable Paul Koretz  
Councilmember and Energy and Environment Committee Member  
City of Los Angeles  
200 North Spring Street  
Los Angeles, California 90012

The Honorable Gil Cedillo  
Councilmember and Energy and Environment Committee Member  
City of Los Angeles  
200 North Spring Street  
Los Angeles, California 90012

The Honorable Mitch O'Farrell  
Councilmember and Energy and Environment Committee Member  
City of Los Angeles  
200 North Spring Street  
Los Angeles, California 90012

Dear Energy and Environment Committee Members,

We are writing with regard to the upcoming meeting, on February 17, 2016, of the Energy and Environment Committee, where the Committee will consider the Los Angeles Department of Water and Power's (LADWP) proposal to increase water and power rates over the next five years. Prior to considering this item, we and the entire Governing Board of the Los Angeles Unified School District (LAUSD) wanted to provide you with information regarding the significant impacts these increases will have on Los Angeles area public students.

The Los Angeles Unified School District is supportive of, and understands the importance of investing in aging infrastructure. A deteriorating and unreliable water and power infrastructure benefits no one. However, LAUSD is already facing a significant structural deficit in its operating budget that threatens our long-term financial viability. Any additional burdens on our operating budget, such as LADWP's increased rates, will further exacerbate the problem, and would result in fewer dollars being invested in the classrooms.

LAUSD is LADWP's single largest customer. For the 2014-2015 Fiscal Year, we consumed more than 420 million kilowatt hours (kWh) of electricity and nearly 2 billion gallons of water annually, and spent nearly \$90 Million for water and power consumed only within LADWP's territory (LAUSD's total utilities budget for this period was more than \$120 Million). Based on the proposed rate increases, and LADWP's categorization of LAUSD as a commercial customer, LAUSD's rate for water and power will increase annually by approximately 2.4 percent and 4.5 percent respectfully, over a five-year period, which equates to a total increase of more than \$22 Million. However, unlike most commercial/industrial customers, LAUSD does not have paying customers, and thus does not have the option to raise any fees to offset LADWP's proposed rate increases.

We would like to respectfully request a meeting between District staff and each of your offices to discuss instituting measures to mitigate the impact to Los Angeles City students. Such mitigation measures could include: restoring crossing guards to unstaffed intersections located near elementary schools, and extending free refuse removal and tree trimming services to LAUSD, to name a few.

We would also like to bring to your attention the Memorandum of Understanding that LAUSD and LADWP entered into during the spring of 2015, to undertake various projects and initiatives to reduce electricity and water consumption at LAUSD schools. In light of LAUSD's recent questions and concerns regarding the impacts of the proposed utility and water rate increases on our public school students, LADWP has temporarily suspended all work on the MOU. We believe the MOU is beneficial to LAUSD, LADWP and the City as a whole and that it should move forward independently of the rate increase discussions. We would like to respectfully request that you discuss the importance of moving forward with this MOU immediately with LADWP leadership.

Thank you for your consideration of our requests. We look forward to working with you to develop a plan that allows for important investments to be made to the City's water and power infrastructure, and minimizes the impact on our students' educational opportunities.

Sincerely,



Steven Zimmer  
Board President



Michelle King  
Superintendent

- c: The Honorable Eric Garcetti, Los Angeles City Mayor  
Members, Los Angeles City Council  
Members, LADWP Board of Commissioners  
Members, LAUSD Board of Education  
Miguel Santana, Los Angeles City Chief Administrative Officer  
Frederick Pickel, Los Angeles City, Office of Accountability Executive Director/Ratepayer Advocate

**From:** "Hovatter, Mark" <[mark.hovatter@lausd.net](mailto:mark.hovatter@lausd.net)>  
**Date:** Tuesday, February 9, 2016 8:05 PM  
**To:** LAUSD user <[david.zlotchew@lausd.net](mailto:david.zlotchew@lausd.net)>  
**Cc:** "King, Michelle Superintendent" <[michelle.king@lausd.net](mailto:michelle.king@lausd.net)>  
**Subject:** Fwd: LAUSD MOU on hold until further notice -2/09/16 LAUSD Board Book

Please see request email below.

**From:** "Bass, Heidi" <[Heidi.Bass@ladwp.com](mailto:Heidi.Bass@ladwp.com)>  
**Date:** February 2, 2016 at 10:14:47 AM PST  
**To:** "Christos Chrysiliou ([christos.chrysiliou@lausd.net](mailto:christos.chrysiliou@lausd.net))" <[christos.chrysiliou@lausd.net](mailto:christos.chrysiliou@lausd.net)>, "Jacot, David" <[David.Jacot@ladwp.com](mailto:David.Jacot@ladwp.com)>, "Alvelais, Lucia" <[Lucia.Alvelais@ladwp.com](mailto:Lucia.Alvelais@ladwp.com)>, "Gentili, Mark" <[Mark.Gentili@LADWP.com](mailto:Mark.Gentili@LADWP.com)>, "Saiyan, Armen" <[Armen.Saiyan@ladwp.com](mailto:Armen.Saiyan@ladwp.com)>, "Starks, Steven" <[Steven.Starks@ladwp.com](mailto:Steven.Starks@ladwp.com)>, "Bolan, Jeffrey" <[Jeffrey.Bolan@ladwp.com](mailto:Jeffrey.Bolan@ladwp.com)>, "Brown, Alexander" <[Alexander.Brown@ladwp.com](mailto:Alexander.Brown@ladwp.com)>  
**Cc:** Mark Hovatter <[mark.hovatter@lausd.net](mailto:mark.hovatter@lausd.net)>, Mark Cho <[mark.cho@lausd.net](mailto:mark.cho@lausd.net)>, "Balaa, Talal" <[talal.balaa@lausd.net](mailto:talal.balaa@lausd.net)>, "SUTLEY, NANCY H" <[Nancy.Sutley@ladwp.com](mailto:Nancy.Sutley@ladwp.com)>, "HORNSBY, GREGORY" <[Gregory.Hornsby@ladwp.com](mailto:Gregory.Hornsby@ladwp.com)>, "Battle, Darlene" <[Darlene.Battle@ladwp.com](mailto:Darlene.Battle@ladwp.com)>, "Moe, Moira" <[Moira.Moe@ladwp.com](mailto:Moira.Moe@ladwp.com)>, "Vogie, Robert" <[Robert.Vogie@ladwp.com](mailto:Robert.Vogie@ladwp.com)>  
**Subject:** FW: LAUSD MOU on hold until further notice -2/09/16 LAUSD Board Book

**Hi Everyone,**

**Please be advised, in light of the proposed LAUSD Board Action opposing LADWP rate action, all activities associated with the LAUSD MOU are now on hold until further notice.**

**Any activities associated with already established incentives and rebate programs may proceed as normal.**

**Thanks for your understanding in this matter. We hope to have this resolved soon.**  
**Heidi**

**Heidi L. Bass, MBA, CEM**  
**Supervisor, Premier Account Management**  
**213-367-2422**  
**[heidi.bass@ladwp.com](mailto:heidi.bass@ladwp.com)**

**From:** Bass, Heidi **Sent:** Tuesday, February 02, 2016 10:00 AM **To:** Edwards, Marcie **Cc:** Ted Bardacke; Peltola, Jeff; Guglielmo, Neil; Yancy, Winifred; HORNSBY, GREGORY; Battle, Darlene **Subject:** RE: LAUSD - MOU on hold until further notice - 2/09/16 Board Book

Thanks Marcie,

I will notify the appropriate managers of the need to put everything on hold until these issues are resolved.

Heidi

Heidi L. Bass, MBA, CEM  
Supervisor, Premier Account Management  
213-367-2422  
[heidi.bass@ladwp.com](mailto:heidi.bass@ladwp.com)

**From:** Edwards, Marcie **Sent:** Tuesday, February 02, 2016 9:18 AM **To:** Ted Bardacke; Peltola, Jeff; Guglielmo, Neil; Bass, Heidi; Yancy, Winifred **Subject:** RE: 02/09/16 Board Book

Please halt any implementation efforts regarding the LAUSD MOU until other issues are cleared up.

**From:** Ted Bardacke [<mailto:ted.bardacke@lacity.org>] **Sent:** Tuesday, February 02, 2016 9:17 AM **To:** Peltola, Jeff; Guglielmo, Neil; Bass, Heidi; Yancy, Winifred **Cc:** Edwards, Marcie **Subject:** Fwd: 02/09/16 Board Book

----- Forwarded message -----

**From:** Derek Mazzeo <[derek.mazzeo@lacity.org](mailto:derek.mazzeo@lacity.org)>

**Date:** Mon, Feb 1, 2016 at 4:49 PM

**Subject:** Fwd: 02/09/16 Board Book

**To:** [ted.bardacke@lacity.org](mailto:ted.bardacke@lacity.org), Cecilia Cabello <[cecilia.cabello@lacity.org](mailto:cecilia.cabello@lacity.org)>

Please see attached. Ratliff is introducing a motion at the Feb 9 board meeting opposing the rate increase.

Sent from my iPhone

**From:** Scott, Channa **Sent:** Monday, February 01, 2016 11:32 AM **To:** District 1; District 2; District 3; District 4; District 5; District 6; District 7; King, Michelle Superintendent; Hernandez, Norma; Holmquist, David (OGC); Aguilar, Maria (OGC); Elam, Nicole; Lopez, Lisa M.; Melendez, Thelma; Macias, Alicia; Perkins, Earl; Padilla, Olga; Zipperman, Steven; Baltazar, Linda **Subject:** 02/09/16 Board Book

Please make the following updates to the February 9, 2016 Regular Board Meeting Board Book (delivered on Friday, Jan. 29th):

- Replace the Order of Business with the attached version marked "02/01/16draft" in the footer

- Replace Pages 421-422 with the attached version of the resolution In Support of Fair Utility Rates for Schools

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