

Why Is Lame Duck Felipe Fuentes Holding DWP Hostage?

Jack Humphreville

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LA WATCHDOG--Our Department of Water and Power cannot get out of the spotlight these days as it has proposed to raise our rates by more than \$1 billion over the next five years. This estimated 22% bump in our rates will also be accompanied by about a \$175 to \$200 million tax increase based on the less than transparent 8% Transfer Fee and the City Utility Tax.

There have also been calls to reform and restructure the Department by Council Felipe Fuentes, Mayor Eric Garcetti, and others, including Mickey Kantor and Austin Beutner, the co-chairman of the LA 2020 Commission which called for an independent Los Angeles Utility Rate Commission almost two years ago to oversee the Department and its rates, finances, operations, and management.

There are three areas of reform.

The first calls for a more independent Board of Commissioners, free - for the most part - from the counterproductive political meddling by the City Council and Mayor. This Board would be supported by a more robust Ratepayer Advocate. However, there are some significant differences between the Fuentes and Garcetti proposals that need to be reconciled by June 17 so that this reform may be placed on the November ballot.

The second reform would establish an independent DWP Personnel Department, free from the stifling City Hall bureaucracy and its restrictive civil service rules. It may also allow for a more flexible contracting process.

The third and most controversial reform involves the taxes that are paid by the Ratepayers. The two taxes consist of the City Utility Tax and the 8% Transfer Fee that together are expected to contribute about \$640 million to the City's coffers this year. However, there is a high probability that the 8% Transfer Fee will be tossed out by the courts. As a result, Fuentes is proposing lowering the Transfer Fee to \$220 million from its current level of \$267 million, subject to the approval of the voters.

On the other hand, Kantor and Beutner are proposing to freeze the payments to City Hall at its current level of \$640 million which would essentially result in a lowering of the Transfer Fee over time.

But the rate increase and the three reforms are on a very slow boat as Felipe Fuentes has refused to place these individual matters on the agenda of the Energy and Environment Committee. Rather, it appears that he wants to delay the process by lumping them all together in a big bundle and hold the rate increases, deemed reasonable by the Ratepayers Advocate, and the two non-monetary reforms hostage to voter approval of the \$220 million Transfer Tax.

However, at a meeting of the Rules Committee last Friday, City Council President Herb Wesson took control of the process and pledged to have "an open and public conversation about making the City's utility run more efficiently and effectively while ensuring accountability." But it remains to be seen if this "outreach" will be a dog and pony show, with the City Council trying to sell us on its already drafted ballot measure that was created behind closed doors by Fuentes with help from IBEW Union Bo\$\$ d'Arcy. Or will the City Council and the Mayor enter into a real give and take dialogue with the Ratepayers, the Neighborhood Councils, and other interested parties?

While the increases in our water and power rates are not our idea of a good time, DWP has been open and transparent throughout the process and has made significant concessions, including lowering its rate request and agreeing to measureable goals that are subject to review and analysis by a more robust Ratepayers Advocate.

As such, the Energy and Environment Committee and the City Council should move to approve the rate increases separate and apart from the proposed reforms. Furthermore, each of the three reforms should be considered separate and distinct and allowed to stand on its own merits.

Holding the rate increases and the non-monetary reforms hostage to the tax increase will backfire, resulting a lose-lose situation, where already skeptical voters will reject these reforms and tax increase because of their contempt for City Hall.

(Jack Humphreville writes LA Watchdog for CityWatch. He is the President of the DWP Advocacy Committee and a member of the Greater Wilshire Neighborhood Council. Humphreville is the publisher of the Recycler Classifieds -- www.recycler.com. He can be reached at: lajack@gmail.com) -cw

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