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## Water and Power Associates

The Honorable Herb Wesson  
Council President  
200 North Spring Street, Room 430  
Los Angeles, CA 90012

Re: Council File 16-0093, Department of Water and Power  
Governance Issues I Charter and Administrative Code Amendments for  
Inclusion in a 2016 Ballot Measure

Dear Council President Herb Wesson:

Attached please find the comments of Los Angeles Water and Power Associates concerning the proposed governance changes at the Department of Water and Power (DWP). Our organization consists of retired managers from the DWP, academics and managers from other municipal utilities. We are a non-profit, independent, private organization incorporated in 1971 to inform and educate our members, public officials and the general public on critical water and energy issues affecting the citizens of Los Angeles,

*Southern California and the State. As indicated in our comments, while we strongly agree with the need to give the DWP greater independence and the ability to operate more like a business, free of ongoing political interference and the City's bureaucracy, we think the proposed motion before your Rules, Elections, Intergovernmental Relations, and Neighborhoods Committee has some serious flaws which need to be addressed. We would be happy to speak with your Committee or staffs to further explain our comments and recommend approaches that could achieve your objectives without exacerbating the already troubling operating environment the DWP finds itself in today.*

*Sincerely,*

*Edward A. Schlotman, President (818) 790-2433*

*John Schumann, Vice President (310) 561-2678*

*cc: Marqueece Harris-Dawson  
Councilmember, Eighth District  
200 N. Spring St., Room 450  
Los Angeles, CA 90012*

*Jose Huizar  
Councilmember, Fourteenth District  
200 N. Spring St., Room 465  
Los Angeles, CA 90012*

Holly Wolcott, City Clerk  
200 N. Spring St., Room 360  
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via email:

Richard Williams, Legislative Assistant

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## **Water and Power Associates Positions on Proposed Amendments (Fuentes Motion)**

**Replace voluntary board with five to seven full-time professional Board members. *NO***

The best Board member candidates will not be interested in being on a full-time board, but they would be willing to serve on a part-time basis.

Ideal candidates **are those who have** already succeeded in their chosen careers and are now serving in very senior positions in their organizations or are retired from them.

Southern California Edison, Pacific Gas and Electric Company and Sempra Energy do not have full time boards.

These **Water and Power Board** positions will be filled by political staff or supporters of the **current** Mayor and Council **undoubtedly** including termed-out legislators, **who with all due respect may not be** the best or most logical candidates. They will take their lead from the Mayor and Council as opposed to taking an independent view of what is in the best long-term interest of the **people of Los Angeles, the** ratepayers.

Future candidates for top management positions will **not likely** want to manage under the direction of a board of full-time **inexperienced** political appointees who will feel compelled to micromanage the Department to justify their time there, and **a** new staff that will second guess the management every step of the way.

A full-time Board and staff will **simply** add another layer of political oversight. It will not increase efficiency or effectiveness.

**Require Board members to have expertise in areas such as public utility management, environmental policy, consumer advocacy or finance. *YES***

Long-term high-level and relevant experience is critical to ensure focused and critical oversight of the DWP. However, it will be very difficult to write into the Charter minimum qualifications that would prevent the filling of these positions by **inexperienced** political appointees, as opposed to people that will actually bring appropriate long-standing senior experience to the job.

People used to overseeing very large organizations will **be able to** focus on the most important issues for Board involvement and respect the appropriate roles of the Board **versus and** management. Good candidates will be able to determine for themselves the areas they need to concentrate on, based on their own training and experience.

Having Board members with high-level utility experience can be very valuable, but care must be taken to avoid appointees with a conflict of interest because of ties with competing utilities.

**Require Board member to serve full five-year terms. YES**

For true independence, Board members must know they cannot be easily removed for disagreeing with the Mayor or Council. It also means they cannot be completely replaced when a new Mayor is elected. The Mayor's requirement of undated signed letters of resignation from new Commissioners should be banned.

**Establish staggered terms. YES**

Staggered terms provide for continuity and a Board that is always up to speed. But it also allows the addition of new points of view over time.

**Establish Term Limits for Board members. YES**

The right people will probably not want to serve more than five years anyway.

**Determine process for appointing or electing Board member positions. YES**

The Board members should be appointed by the Mayor and approved by the City Council. However, in order to establish a Board that is truly independent, the Mayor or Council should not be able to remove Board members except in cases of criminal or unethical behavior or mental incompetence or instability. Otherwise, they will not be independent of the Mayor, once appointed.

**Remove requirements for City Council approval or oversight of certain Board actions. YES. with important exceptions**

If the Council truly intends to insulate the DWP from City Hall politics and reestablish a more independent governance structure, it should exempt the Department from Charter Section 245, which allows the City Council to veto any action taken by the Board of Water and Power Commissioners. This provision was inserted in the Charter by the Council twenty-five years ago to give it more control over the Department, and nothing has been more corrosive of the Department's independence since. It is absolutely meaningless to eliminate the other Council approvals listed in the Fuentes motion, if Charter Section 245 or its equivalent remains.

As stated in the Motion, an independent Board should have the authority to appoint and remove the General Manager without approval of the Mayor or Council.

The Council should also return to the Board the authority to approve the Memorandum of Understanding with the unions representing DWP employees, including their salaries and work rules. Employee salaries and benefits are major cost components of the DWP and should be under the control of the Board, as should MOU provisions that lay out management and union rights and authorities. While there remain salary differences with some classes at City Hall, the Council itself has not been successful in closing these differences for 25 years. One of the primary reasons is that the DWP must compete with other utilities for skilled **utility** personnel, not City Hall. This is particularly true now, as DWP faces a large wave of retirements in the next few years.

The Mayor and Council should continue to approve the Department's rates. That is a fundamental check on a more independent Department. Just as the State's Public Utility Commission plays this independent oversight rule for investor owned utilities, the City Council should continue this important role for the DWP.

**Authorize Board to hire its own legal counsel. NO**

While, in an ideal world, the Department would like such an ability so it could quickly obtain the best experts in the various legal fields it gets involved in, it could soon find itself in conflict with the City Attorney, who represents the City as a whole. While there will always be tensions between the specific concerns of the Department versus the broader interests of the City, generally these matters have been resolved satisfactorily, if the Department makes a good case for its needs. However, Charter language might be loosened to make it easier for the DWP to contract with specialized legal experts that would still have to work under the oversight of the City Attorney.

**Authorize Board to hire its own budget/policy advisors to serve a City Administrative Officer/Chief Legislative Analyst-like function. YES, with limits**

It is appropriate for the Board to have some staff capability of its own. However, care should be taken to avoid creating a competition between the staff and the General Manager and other top managers over the direction the Board should take. If the Board is dissatisfied with the information and recommendations it is getting from the General Manager, that should be their focus, not creating a competing staff.

A more appropriate solution would be to augment the role of the Ratepayer Advocate and staff to also serve as staff for the Commission. They are independent and should possess the skills and background to perform this job well.

**Authorize the Department to oversee its own hiring functions and remove the Department from its obligation to follow civil service rules. NO**

While something must be done to permit the Department to much more rapidly and effectively hire the employees it needs, wholesale elimination of civil service rules is not the answer. The original purpose of civil service systems was to prevent political patronage and fairly hire employees based on merit. However, a significant overhaul may be appropriate to streamline the system and make it more effective.

Moreover, the use of additional exempt positions allowed by the Charter change in 1999 should be reexamined as well. Too often they are used to find homes for political appointees without complying with appropriate training and experience requirements. Until then, many of the very few exempt positions provided for in the Charter required fifteen years of experience at DWP. That worked well.

**Cap the City Transfer at its pre-Prop 26 level. YES**

This may soon be required by the Court anyway.