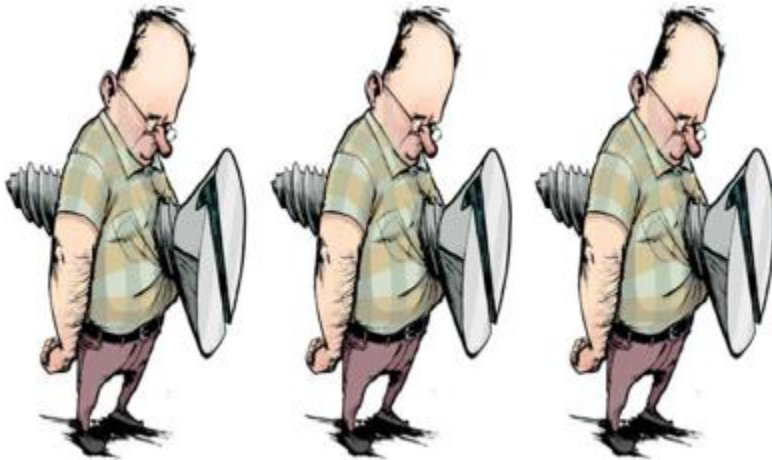


# City Hall Spendoholics Rip Off DWP Ratepayers ... To the Tune of \$242 Million!

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LA WATCHDOG--On Tuesday, November 28, the politically appointed Board of Water and Power Commissioners rubber stamped the transfer of \$242 million of Ratepayer money from the DWP's debt burdened Power System to City Hall without any meaningful discussion.

There was no documentation that disclosed how the Department determined the \$242 million transfer. Nor did the Board address in any detail the legality of this transfer despite the fact that this so called fee is really a tax pursuant to Proposition 26 (The Supermajority Vote to Pass New Fees and Taxes).

Needless to say, the Department of Water and Power has a pressing need for this money.

DWP could use this cash to update its infrastructure, fund its ambitious capital expenditure program, or invest in renewable energy projects. Alternatively, the Department could reduce the Power System's ever increasing debt load (now approaching \$9 billion) or pay down some of its unfunded retirement liabilities that exceed \$4.8 billion (71% funded) as of June 30, 2016. This money could also be used to offset the 20-25% increase in our power rates that went into effect last year.

To put this transfer in the proper perspective, DWP and its Ratepayers are the City's single largest source of cash. Last year, DWP transferred \$264 million of Ratepayer money to the City. Combined with the \$366 million from the 10% City Utility Tax, the Ratepayers forked over \$630 million to our fiscally mismanaged City.

This year, the City's haul is projected to be \$650 million.

Underlying the decrease in the transfer from \$264 million to \$242 million is the settlement of the class action lawsuit (*Eck v City of Los Angeles*). This complaint claimed that the transfer was an illegal tax that had not been approved by the voters and sought refunds of the transfers for the past three years. The plaintiffs also wanted to ban future transfers. (Of course, the voters could approve the transfer.)

Under the terms of the settlement, the transfer would be fixed at \$242 million and the Department would establish a \$52 Settlement Fund, a far cry from the almost \$800 million in past illegal transfers. For the average homeowner, the refund will be a onetime credit of about \$20 while forking over \$120 for the transfer tax for many years to come. Including the City Utility Tax, the average homeowner will pay \$330 in taxes every year to the City.

The City is also making the unsupported claim that this settlement will "save" Ratepayers \$243 million over the next three years. But the City fails to inform us that Ratepayers will be taxed \$750 million over the next three years.

This settlement is not in the best interest of the Ratepayers as the class action lawyers sold us out for \$15 million in fees (almost 30% of the Settlement Fund) as opposed to hauling the City into court and forcing it to end the transfer and refund \$800 million (over \$400 for the average homeowner) to DWP and its Ratepayers.

On Tuesday, December 5, the Energy, Climate Change, and Environmental Justice Committee of the City Council will no doubt approve the \$242 million transfer as the all-knowing members of the City Council believe that the City has the God given right to our money despite the requirements of Proposition 26.

Throughout the litigation, the City has had a conscious policy to treat us like mushrooms, keeping us in the dark and piling on the manure, claiming executive privilege even when it involved just the facts surrounding the case. They did not even consult with the charter-authorized Neighborhood Councils who have a Memorandum of Understanding with DWP.

There is little we can do to stop our money grubbing politicians from approving the illegal transfer of our money to the bowels of City Hall.

There are rumblings, however, that selected Ratepayers may haul the City into court to enjoin the transfer to the City. They will allege that the City is violating Proposition 26. Of course, Mayor Eric Garcetti, the City Council, and the Budget and Finance Committee will go bonkers, threatening to lay off cops and firefighters and other draconian measures if the transfer is eliminated.

The solution is very simple. The City Council and Mayor Garcetti should place on the ballot a measure that, if approved by two-thirds of the voters, would authorize the transfer tax.

At the same time, the City should offer taxpayers an incentive by agreeing to place another measure on the ballot that would require the City to Live Within Its Means.\*\*\*

There is another alternative open to Ratepayers. Vote against any ballot measures to increase our taxes or authorize bonds. The rejection of these measures to increase our already astronomical taxes will send a loud and clear message to Mayor Garcetti and the City Council.

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**\*\*\*Live Within Its Means**

The “Live Within Its Means” charter amendment, if approved by the voters, will require the City to refrain from entering into any new labor contracts that will result in future budget deficits; to develop and adhere to a Five Year Financial Plan; to pass three year balanced budgets based on Generally Accepted Accounting Principles; to benchmark the efficiency of its operations; to fully fund its pension plans within twenty years; to implement a twenty year plan to repair and maintain our streets, sidewalks, and the rest of our infrastructure; and to establish a fully funded, independent Office of Transparency and Accountability to oversee the City’s finances and operations.

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<http://www.citywatchla.com/index.php/la-watchdog-for-rss/14472-city-hall-spendoholics-rip-off-dwp-ratepayers-to-the-tune-of-242-million>