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DWP Reform: Not So Fast

JACK HUMPHREVILLE / 25 JANUARY 2016



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NEXT ARTICLE

Playing Budget Roulette with LADWP Transfer Tax ([/index.php/la-watchdog/10346-playing-budget-roulette-with-ladwp-transfer-tax](#))

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LA WATCHDOG--On Friday, Councilmember Felipe Fuentes "introduced a motion calling for a 2016 ballot measure to reform and restructure" our Department of Water and Power.

There are three major proposals, including the establishment of a full time, professional Board of Commissioners to set rates and oversee the operations, finances, and management of the Department without the oversight or approval of the City Council "unless the City Council asserts jurisdiction."

DWP would also establish its own Personnel Department that would be responsible for the hiring and firing of its 9,000 employees without being burdened by the civil service rules and the City's cumbersome bureaucracy.

The third proposal would cap the annual Transfer Fee to City Hall from the Department's Power System at its 2010, pre-Proposition 26 level of \$221 million, an amount equal to about 6% of revenues. In 2015, the 8% Transfer Fee was \$266 million is projected to increase to \$327 million in 2020.

While these proposals are long overdue, they are not ready for prime time. Rather, these proposals are "a great place to start the conversation" as there needs to be a "robust public discussion and debate before any charter proposal gets put on the ballot."

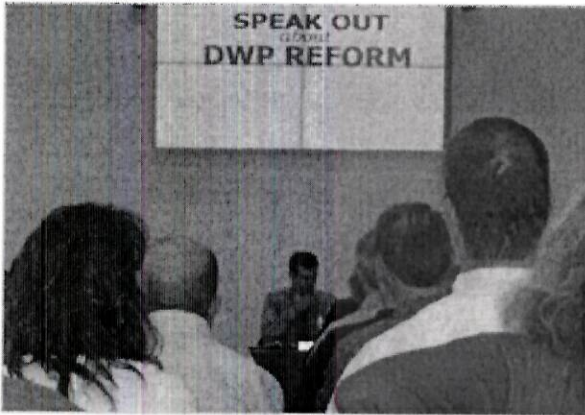
While the idea of a more autonomous, full time, professional Board of Commissioners is appealing, it is not a silver bullet. Rather, it may add a layer of bureaucracy that may be counter-productive if the proper ground rules are not established and followed by the politically appointed commissioners who may want to micro manage the Department.

There are numerous other questions, including how the Commissioners are selected or removed, their qualifications, and how to prevent the Board from going "rogue" by raising our rates to astronomical levels.

The new Personnel Department will need to respect the DWP's existing labor agreements. But personnel policies should also allow the Department to increase the number of exempt positions, make lateral hires to key positions areas such as information technology and

procurement, and permit greater outsourcing, especially as it relates to local solar power, the repair of the water mains, and the power supply reliability program.

The idea of capping the annual Transfer Fee to City Hall may appear to be a huge concession by the City. It would not result in any additional investment in the Department, but would lower our rates by over 1%.



However, the real story is that there is a high probability that the courts will declare that the 8% Transfer Fee is an illegal “disguised” tax that violates Proposition 26 as alleged by the plaintiffs in a class action lawsuit (*Eck v. City of Los Angeles*).

In any case, this new \$221 million Transfer Tax would require voter approval, an unlikely event unless the City reforms its budget and financial policies by also placing on the ballot a measure that requires the City to Live Within its Means.

Before proceeding with Fuentes’ proposals, the Herb Wesson led City Council should approve the proposed increases in our water and power rates that have been blessed by the Ratepayers Advocate so that they can become effective as of April 1, 2016.

The Council should also follow the recommendation of Navigant, the well regarded consulting firm retained by the Ratepayers Advocate to review the rate increases, to form a DWP Governance Committee to review and analyze Fuentes’ proposals.

Ratepayers must be given a significant role in this committee as they are not only the people paying the bills, but whose votes will be required to approve any ballot measures, including the new Transfer Tax. This will be an opportunity for the City to earn the confidence of the Ratepayers, who, at this point in time, do not trust City Hall when it involves DWP and their wallets.

Without our meaningful participation and buy-in, Ratepayers and the voters will reject any ballot measures that require a new tax, just like we did in 2013 when 55% of the voters rejected Proposition A, the permanent half cent increase in our sales tax.

(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 (<http://www.recycler.com/>). He can be reached at: lajack@gmail.com (<mailto:lajack@gmail.com>))

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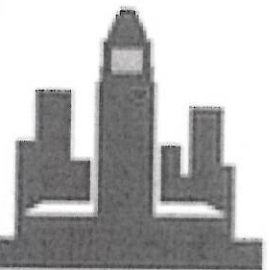
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The Inglewood Rams: Can They Win Like Their Owner Stan Kroenke?

19 Jan 2016 Written by Jack Humphreville



LA WATCHDOG—The Los Angeles Rams are returning to Southern California, 35 years after they left Memorial Coliseum for Anaheim and 21 years after ditching Anaheim for St. Louis. But most importantly, the return to the Southland is not being financed with taxpayer money which is why the move to Inglewood does not make economic sense for either the San Diego Chargers or the Oakland Raiders.

The Rams will be playing in an 80,000 seat stadium that is projected to cost \$1.8 billion. But this futuristic, high tech venue is only part of a 298 acre, \$3 billion entertainment complex that will consist of not only the football stadium, but over 4 million square feet of retail, office, hotel, and high end residential space as well as a 6,000 seat performing arts venue and a 25 acre park.

This entertainment complex that is located in Inglewood, just south of the refurbished Forum that is now managed by New York based Madison Square Garden, is owned by Hollywood Park Land Company, a joint venture between two sophisticated, well-heeled partners, San Francisco based Stockbridge Capital, a real estate investment firm with almost \$10 billion of assets under management, and The Kroenke Company, a commercial real estate and development company founded in 1985 by Rams owner Stan Kroenke. This family enterprise controls over 60 million square feet of space, including shopping centers, warehouse facilities, residential real estate and entertainment venues in the United States, Canada, and the United Kingdom.

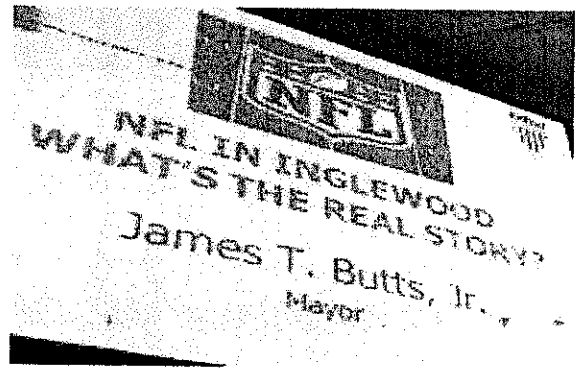
However, if the Chargers or Raiders decide to relocate to Inglewood, the second team in the market would have to pony up \$900 million, an amount equal 50% of the cost of the not-so-profitable stadium. However, this team would not have the opportunity to participate in the upside of the joint venture unlike Kroenke, the owner of the Rams and one of the principals of the Hollywood Park Land Company.

As a result, both the Chargers and Raiders would be better off by staying in their respective cities, leveraging the threat to move to LA with the cities of San Diego and Oakland for new stadiums, saving their \$900 million needed for the Inglewood stadium, foregoing the payment of a substantial relocation fee, and taking the \$100 million that the National Football League has offered each of them to stay in their existing markets.

The relocation of the Rams to Southern California, the second largest media market in the country, is a huge win for the NFL as the 17 million residents in the Los Angeles metropolitan area (including the Inland Empire) will more than offset of the loss of 3 million people in the St. Louis metropolitan area where the Rams play second fiddle to their beloved Cardinals.

Kroenke will benefit not only from his investment in the Inglewood entertainment complex, but also from the increase in the value of the Los Angeles Rams (v. the St. Louis Rams) over and above the \$550 million relocation fee that the NFL will extract from the team.

While the economics of the relocation of the Rams to Inglewood (and not the City of Los Angeles, contrary to the impression left by LA Mayor Eric Garcetti in his Sports Center interview) is of paramount interest to the 32 billionaire owners of the NFL, our question is when will we have winning team? Fans may not be bothered by being forced to buy a personal seat license for thousands of dollars and pay over \$100 for a nose bleed ticket, but putting up with another losing team is unacceptable, especially now that the Lakers have lost almost 80% of their games this season.



The Rams have not had a winning record in 12 years. Over the last five years, the team has won less than 40% of its games and over the last ten years, less than 30% of its games. So the question to Stan Kroenke and Coach Jeff Fisher (a home town boy who graduated from Taft and USC) is: "What is the plan to produce a winning team, especially in a division that features the Arizona Cardinals and the Seattle Seahawks?"

(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)

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