



**Special Report on the Remarks of
Nick Patsaouras on Sept. 21, 2009
Concerning the Los Angeles Department of Water and Power**

Part 1 of 2 of the 9-21-09 Valley VOTE Meeting Report
As reported by Richard Bort and Denny Schneider

This Special Report focuses on the remarks made by Nick Patsaouras at the September 21, 2009 meeting of Valley VOTE, on the topic of the Los Angeles Department of Water and Power. Mr. Patsaouras' comments in support of a Rate Payers Advocate are especially poignant, as Valley VOTE's Board earlier in the month endorsed the idea of creating a Rate Payers Advocate.

Mr. Patsaouras' background includes:

Former President, Board of Water and Power Commissioners

Former Member, Metropolitan Transportation Authority, which honored him by naming the Patsaouras Transit Plaza at the MTA Gateway Center after him

Former Member L.A. City Board of Zoning Appeals

Chair of Project Advisory Committees for new LAPD Headquarters building, new County USC Medical Center, new UCLA/Harbor Medical Center

Nick Patsaouras was President of Patsaouras and Associates, Inc., a 35-year old, highly successful electrical engineering company that specializes in the design and construction of power, lighting, and energy systems. He is President of Polis Builders, which develops mixed-use projects.

Mr. Patsaouras acknowledged Valley VOTE's concern when it recently adopted a resolution endorsing the appointment of a Rate Payers Advocate (RPA) to provide oversight of the Los Angeles Department of Water and Power (DWP). He focused his remarks on issues concerning the DWP, and he acknowledged that the notion of a RPA was developed by Jack Humphreville, who brought the idea to Patsaouras.

Establish an " Ombudsperson"- RPA

Nick Patsaouras not only supports the idea of a RPA, but he also believes that the DWP should have the benefit of an Inspector General, perhaps combining the two roles into one office that he would call an "Ombudsperson." He suggested that the RPA should be hired by, and report to, the Board of Water and Power Commissioners. The city's Personnel Department and neighborhood councils would act in an advisory capacity in the screening of candidates.

Citing as precedent, Patsaouras noted that the MTA has an Inspector General who reports to the MTA's Board of Directors, and the L.A.P. D. has an Inspector General who reports to the Police Commission. Patsaouras said that the Ombudsperson's authority should come from an amendment to the City Charter that establishes the office and should be patterned after the Inspector General position in the MTA. At a minimum, this would include the RPA having tenure, meaning that she/he could not be fired; the RPA would have subpoena power to call witnesses; the RPA would have authority to initiate any audit or investigation without prior approval of the Commission.

The RPA would have guaranteed access to all information and documents of the DWP to the same extent as the Commission itself. The RPA would have the freedom to employ a full-time team of analysts to evaluate the data and maintain transparency. Patsaouras praised the MTA's Office of Inspector General for having brought discipline to the department, and that is exactly what he said is needed today in the DWP.

Patsaouras asserted that when he went public with the idea of an RPA, the IBEW Local 18 and numerous City Hall denizens called the Commissioners to object. Patsaouras has since spoken with several unnamed City

Council members, however, who claim to support the RPA idea. He hoped the Council would place it on the ballot.

The DWP is many times the size of the MTA in terms of revenues and other measures, and it is controlled currently "by the unions and other 'sharks,'" he said, referring to IBEW's D'Arcy, and to lobbyists and contractors who feed at the DWP's trough.

Nick Patsaouras noted proudly how the community defeated DWP's proposed Solar Energy Plan (Measure B) at the polls last March, using a combination of neighborhood councils, homeowner associations, and community activists who raised a total of perhaps \$60,000 compared to the more than \$1.7 million provided by the IBEW and other unions to support the measure. (*Measure B was also opposed by Valley VOTE. See the Press Release dated February 17, 2009 on the web site at www.valleyvote.org*)

Power Rates in the future

Patsaouras, of course, supports solar energy despite its relatively high cost. He said he had to plead with DWP management to tell the truth about solar costs while he was the commission president. The reality is that energy costs are rising. About 18 months ago, the DWP announced that electric rates will rise by some 40 percent by the year 2014. Yet DWP continues to chant the mantra that its rates are lower than Edison's. Patsaouras asked DWP staff for the trend data for the past five years and found that, while the claim is true, the gap between DWP's and Edison's electricity rates is narrowing, citing the following examples of price per kilowatt hour:

Year	DWP	Edison	Difference
2008	\$0.10	\$0.147	\$0.047
2014	\$0.142	\$0.156	\$0.014

He also noted that Edison currently is way ahead of DWP with 16 percent of its energy sources being renewable, making Edison's mix more costly than the DWP's largely coal-based mix. He said that currently the comparative costs per kilowatt hour are:

Coal \$0.04 Wind \$0.12 Solar \$0.16`

Mr. Patsaouras made a startling prediction that three to four years from now, if the DWP's rates continue their current upward trend, people will begin to lose their homes because their utility costs will exceed their mortgage payments. He added that even if the DWP were to upgrade its infrastructure on a timely basis, rates would still go up by 40 percent implying that while maintenance costs would thereby decline, energy and water costs still would be rising.

DWP Internal Problems

Mr. Patsaouras went on to mention anecdotes that illustrate some of the current problems at the DWP. In the contracting process, for example, the DWP would announce the budgeted amount when it solicited contractors' proposals, and somehow the budgeted amounts kept rising and the bids came in to meet the budgeted figure. As president of the DWP Commission, Patsaouras questioned this approach, specifically when soliciting bids for renewable energy projects. He had the DWP change the process so as not to disclose the budgeted amount; and, sure enough, the bids came in much lower than the budgeted amount.

As an example of the lack of transparency at the DWP, Patsaouras noted that "99 percent of the people, who pay their bills," don't know that the annual transfer of funds from the DWP's Water operations to the City's General Fund was ruled illegal by the courts. So the DWP simply shifted that transfer to come out of the Electricity operations.

Another example of lack of transparency is the fact – well known to City Hall insiders – that the City has decided to move all laid off City Hall workers to the DWP to keep them employed. He noted that as a \$4.5 billion corporation, the DWP can easily afford the costs of an Office of RPA, especially if these transfers of surplus staff are discontinued.

Touching on the spate of some 35 water main breaks so far this month throughout the city, Patsaouras noted

that the DWP's former general manager, Ron Deaton, issued a report saying that to upgrade the water and power infrastructure using DWP employees would cost 160 percent to 170 percent more than if outside contractors were used. Deaton's report was based on actual bids that he had obtained. Moreover, outside contractors could be deployed all over the city simultaneously to do the work concurrently, whereas the limited number of DWP crews would have to perform the work sequentially. It takes three to four years to train DWP workers. But, Patsaouras noted cynically, "The IBEW controls this city," implying that outside contractors are not likely to be used.

Valley VOTE thanks Nick Patsaouras for sharing his views with us, which may be the start of a road map toward gaining public support for a DWP Rate Payers Advocate.

NEXT MEETING

The next meeting of Valley VOTE will be held on Monday, October 19, 2009 at Galpin Ford, 2nd Floor meeting room, 15555 Roscoe Blvd. at the 405 Freeway in North Hills. Our featured speaker for that evening is State Assemblymember Chuck DeVore representing the 70th district in Irvine. He will speak about nuclear power.

Valley VOTE Mission Statement

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Marshall Tuck on LAUSD Partnership Schools Part 2 of 2 of the Meeting Report for September 21, 2009

By Richard Bort and Denny Schneider

Valley VOTE Board members, community leaders, and concerned citizens convened on **September 21, 2009** at **Galpin Ford** to hear featured speakers **Nick Patsaouras** speak on the need for a Rate Payers Advocate for the DWP, and **Marshall Tuck** speak about educational progress being made by the Partnership for Los Angeles Schools.

We have reported at length on Mr. Patsaouras' comments in **Part 1** of this monthly report that has being sent via e-mail earlier today. Please see that **Special Report for Nick Patsaouras'** hard-hitting comments that surely will help drive the issue of creating a Rate Payers Advocate.

Marshall Tuck

Marshall Tuck currently serves as the Chief Executive Officer of the Partnership for Los Angeles Schools, (PLAS), the largest non-district school operator in Los Angeles with 10 schools, 18,000 students and 1,500 employees. He was formerly president of Green Dot Schools, an independent, for-profit charter school operator in Los Angeles. PLAS is the key education initiative of Mayor Villaraigosa, having commenced operations one year ago, and currently equals the 34th largest school district in California. Mr. Tuck discussed the changes currently underway at LAUSD and some of the challenges – and how PLAS is meeting them – at LAUSD to improve the quality of education for its students.

PLAS' mission is to transform teaching and learning so all students have a foundation for academic excellence and personal success. PLAS' goals are to turn around some of the lowest performing schools in LAUSD and implement a scalable reform model that can be replicated district wide, and possibly statewide and nationally.

To turn around low performing schools and accelerate academic achievement, PLAS is implementing a

comprehensive model that addresses key instructional, cultural, and policy issues that have plagued LAUSD schools for years. Tuck noted that to be successful, PLAS must have a committed leadership. PLAS has taken over operation of 10 of the worst performing schools in LAUSD, where over 90 percent of the students are not performing at grade level in English and math.

PLAS seeks to change the relationship between the teacher and student and uses strong Principals and Assistant Principals who are required to participate directly in the classrooms supporting the teachers, and by insisting that parents become involved. Moreover, PLAS insists that teacher coaches spend at least 30 hours per week in the classrooms coaching teachers in order to improve the quality of instruction.

When PLAS took over the first batch of schools, 70 percent of the Principals and Assistant Principals left because they were unwilling to go back into the classroom. They were replaced by a combination of candidates from outside the LAUSD and from several APs who were already working in LAUSD and wanted a faster track to become Principals. Also, teacher turnover reached about 15 percent because some teachers did not want to work in this new system.

Under California law, a school district may contract with a nonprofit organization such as PLAS (or Green Dot) to operate the district's schools, and it must be held accountable. The PLAS model sits somewhere between the charter school model and the regular school district. PLAS is subject to labor rules and existing union contracts, but it is exempt from parts of the California Education Code, including the right to select its own text books. PLAS is seeking to gain more flexibility in the union contracts, as it is virtually impossible to fire a teacher. Moreover, PLAS sets clear standards of student behavior and enforces them. Tuck noted that students need structure and often don't have any in their home life. All classes are taught in English, immersing non-English speakers while offering some foreign language help after school and during lunchtime.

Among the innovations introduced by PLAS is putting student test data into teachers' hands. Tuck noted that, incredibly, the LAUSD does not provide the historic test data of any students to the students' new teachers at the start of a school year. But PLAS has captured that data and makes it available online for teachers so that they can review the history of each student in his/her class. Tuck remarked that Ramon Cortines, LAUSD Superintendent, saw how PLAS does it and has now ordered that LAUSD do the same.

PLAS focuses on intervention for those many students who function below grade level, and it provides enrichment through use of online courses for those who function above grade level. PLAS also insists on engaging the students' parents and other family members (grandparents, etc.), recognizing that the more such engagement the greater the chance for success. PLAS has found it necessary to invest time in engaging parents and students, especially in cultures where parents do not know how to engage. PLAS seeks to establish a "parent center" on each campus where parents can learn what is expected of them and their students, and to sign a compact with PLAS.

Despite many anecdotal successes, Tuck said it is too soon to evaluate PLAS. Nevertheless, PLAS is very interested in taking on more schools under the recently approved LAUSD policy to contract out the operation of 50 new schools and more than 250 failing schools in the district.

COMMITTEE REPORTS and ANNOUNCEMENTS

DWP Update

Jack Humphreville reported on several recent developments regarding the Department of Water and Power. He said that there have been 35 water main breaks so far this month, and nobody – including DWP management – is really sure why this is happening with such frequency. Could it be the requirement for watering only on Mondays and Thursdays that causes changes in water pressure in the pipes?

The City Council has rejected the DWP Commission's request for a cap on the ECAF (Energy Cost Adjustment Factor), which is a major component of the electricity rate. The ECAF, which is currently capped at \$100 million annually, could rise to hundreds of millions of dollars if left uncapped. The City Council said that the DWP management had failed to provide any supporting information as to why the increased revenues were needed.

Jack went on to note that the new 3-tiered electricity rate structure that became effective on July 1 is causing a huge outcry from residents, who are receiving electricity bill increases that range from 50 percent to 100 percent more than the same period last year.

He noted that the DWP is reworking its Solar Energy Plan (which Jack called "Son of Measure B"), which failed at the ballot box in March, focusing on "in-basin" solar power generation. According to this revised plan, all work will still be done by DWP's own IBEW crews instead of contracting much of it out, despite that the DWP's IBEW crews have a poor reputation for quality, cost, and timely completion.

Humphreville also noted that the DWP has not instituted the recommendations of the IEA Survey, which is required by the City Charter to be conducted every seven years. For example, there is no Strategic Plan, no Integrated Resources Plan, no use of rigorous analysis or econometrics, or revamping the management of the DWP's inefficient supply chain and procurement operations.

Further, Jack pointed out that the DWP has been placing political appointees in key jobs for which they are not qualified, like in the purchasing department. DWP is also hiring a number of unqualified city workers who would have otherwise been furloughed or laid off. In addition, DWP is performing services for the city at below cost.

All this begs for a Rate Payers Advocate, he said.

DWP Rate Payer Advocate

Richard Bort reported that the Valley VOTE board approved a resolution earlier this month in support of the creation of a Rate Payers Advocate to oversee the DWP. This Valley VOTE initiative is in response to several events over the past several years, including recently the DWP's heavy handed approach on Measure B and the excessive increases in both water and electricity rates. Bort noted that there are a lot of questions that must be answered before proceeding down the RPA path, however.

Housing

Recouping Costs Under Rent Control

Valley VOTE Treasurer Vic Viereck, reported on the results of the Economic Roundtable's study of the City of Los Angeles Rent Stabilization Ordinance, and recommendations. Vic was one of the three apartment owner representatives on the seven-member Citizens Oversight Committee.

Based on what Vic described as the obviously negative effect of the ordinance on preservation of the rent stabilized units, the Economic Roundtable made recommendations for changes in the ordinance. One major recommendation is an increased recoupment of costs by the owner to either 75% or 100% of cost (omitting finance costs), depending on certain details, which is certainly helpful to investment needs. But the offset (in consideration of tenant activists), which stretches out the recoupment period to 10 years, essentially emasculates the recommended increase. Vic also indicated that the most important word needed for motivating investment in improvements has been sorely missing. That word is PROFIT.

A Likeable Tax Increase –

At the July 20, 2009 Valley VOTE meeting, Vic Viereck gave a report regarding home buyers saving on property tax upon replacing an existing primary residence with a higher priced primary residence. The subsequently emailed report omitted part of the important information, so the following report explains how the tax would be determined.

In 1978 Proposition 13 came to the rescue of people being taxed out of their homes, and has continued to protect property owners from overzealous tax raisers. For property bought after 1978, Proposition 13 limits property tax to 1% of the purchase price, which is the initial assessed value. It allows a 2% annual increase in the assessed value.

While senior home buyers are allowed, in many counties, to transfer their property tax level from the home they sell to the lower priced home they buy in its place, Valley VOTE Treasurer Vic Viereck has developed a means of longtime homeowners being able to save on property tax on a higher priced replacement home. Although the home buyers would be paying more than before, it would be less than under current law.

The new property tax would be determined by comparing two figures, and assessing the higher of the two as the new property tax. The first would be the current property tax on the home to be purchased, adjusted by the next annual tax increase on that home. The second figure would be the result of multiplying the property tax on the home to be sold by the ratio of the new home purchase price compared to the sale price of the home to be replaced. For example, the property tax on the home to be sold is \$1,800.00, the sale price will be \$300,000.00,

and the adjusted property tax on the home to be purchased at \$600,000.00 is \$3,500.00. Since the purchase price is double the sale price of the prior home, the \$1,800.00 being paid on the prior home would be doubled to \$3,600.00. Since that exceeds the \$3,500.00 adjusted tax on the home to be purchased, the new tax on the home purchased will be \$3,600.00.

Under present law, the buyer's property tax on the \$600,000 house (@ 1.25 %) would be \$7,500.00, which is **\$3,900.00 more** than under the proposed change. While it's a matter of bargaining between buyer and seller, substantial property tax savings could boost the sale price.

Airport Report

Denny Schneider reported that the most important airport action this month has been the approval of the Bradley West Project at LAX which will rebuild Tom Bradley International Terminal (TBIT) about 130 feet further west. This project will add new flex gates on the back that are large enough to handle the giant newer, larger aircraft like the Airbus A380 by 2012 and will increase the core building size by 2015. Denny Schneider, who is President of ARSAC, told BOAC today, "We support the project because we need to stop apologizing for poor customer service to our tourists, but several additional things should have been done to make it even better. We should have improved the curbside frontage, added bomb glass for security, and added even more concessions to accommodate friends bringing travelers to LAX. We still disagree with the EIR approval process, but time is of the essence to meet the aggressive schedule promised to the City Council. "

An EIR was also released for a new Central Utilities Plant project to increase power and heating/cooling capacity to meet current needs. Many additional maintenance and refurbishment projects are needed all over LAX. A full list of Capital projects is due to be released soon. For more info go to www.regionalsolution.org or write to Denny at: Denny@WeLiveFree.com.

Broken Sidewalks

Pauline Tallent reported that the city's attempt to require homeowners to repair their sidewalks at the "point of sale" has met with immediate and strong opposition. Such a mandate would burden a seller in a down market, and it would result in a patchwork remedy to a worsening situation. The city's "50/50 Sidewalk Repair Program," in which the city and the property owner share the expense of repair, is off the table as the city has no money left for that program. There have been other suggestions, like not requiring sidewalks in a horse-keeping area, and permitting communities to use materials other than concrete, but this issue remains unresolved.

Transportation

Bart Reed, Executive Director of the Transit Coalition, noted that use of the new TAP cards presents a subtle problem in the MTA's bus and subway systems for disabled riders. The TAP card is a machine-readable card that a rider uses to pay the fare by swiping it in front of an electronic reader. While the subways are completely accessible by wheelchairs, the MTA plans to install gates that will read the TAP card. Reed pointed out that the problem arises for disabled people who must produce and swipe the card while wrestling with their own mobility issues. Reed said that the MTA should have looked into systems involving infrared and RFID (radio frequency identification) before settling on the TAP system; and he suggested that the cost of installing these gates exceeds the additional amount of money that will be collected.

On the positive side, Reed noted that the numerous carriers and agencies operating in the "Los Angeles Corridor," running from San Luis Obispo to San Diego, have agreed to cooperate to "rationalize" the use of the track. The traffic in this corridor is second only to the Northeast Corridor (Boston to Washington, DC), yet it has been largely uncoordinated, Reed implied.

"Meet the Legislators" Event

Richard Leyner said he was very pleased with the turnout at the August 29th event at his home benefiting Valley VOTE. Among the luminaries attending were City Council Members Greig Smith and Dennis Zine, City Controller Wendy Greuel, Assemblyman Cameron Smyth, Millie Jones, Chief Field Deputy for Supervisor Mike Antonovich, Mitch Englander, Chief of Staff to Greig Smith, and numerous community activists and members of Valley VOTE.

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<http://www.ValleyVote.org>

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