



May 17, 2010  
Meeting Report by  
Richard Bort

Valley VOTE Board members, community leaders, and concerned citizens convened on May 17, 2010 at Galpin Ford to hear featured speaker Austin Beutner share his views on City Hall, the DWP, and other efforts to make Los Angeles a better city.

## Austin Beutner



Mr. Beutner is the **First Deputy Mayor and Chief Executive for Economic & Business Policy for the City of Los Angeles**. His alternate title is “Jobs Czar,” and he oversees 13 city departments. In addition, he is the **Interim General Manager of the L.A. Department of Water and Power**. Beutner currently serves as Chairman of the Board of Trustees for the California Institute of the Arts and Chairman of the Board of the California Governor's Council on Physical Fitness and Sports. Austin was born in New York and raised in Grand Rapids Michigan. He attended Dartmouth College earning a degree in Economics in 1982. He and his family have lived in Los Angeles for the past ten years.

Austin Beutner noted that today was only his 82nd day on the job. He stated his Number One Priority for Los Angeles is to change the culture in the city government and its agencies. He said that the City Hall culture forgets that it is in business to serve its constituents. To do that will require changes in the way in which the city allocates and manages its assets, and the way that the 17,000 employees in his portfolio of agencies (excluding Police and Fire) provide service. Beutner gave the example that one can go online and buy a \$20 pair of shoes, and track that purchase from ordering and payment, through shipping and delivery. Yet a business can apply for a permit in Los Angeles and be “totally in the dark” about the status of the plan's approval.

The principal cultural change he seeks is to make growth and job creation into top priorities. Borrowing a page from the private industry sales manual, Beutner asks each of his staff members in the Office of Economic & Business Policy to make five cold calls per day to talk with businesses in Los Angeles. His objective is to learn what businesses are thinking and doing so that the city can help them be successful.

Beutner noted that in a recent issue of Chief Executive Magazine, California was ranked dead last among all 50 states (even behind Washington, DC) in being business friendly. Since L.A. is a major component of the state, Beutner said that L.A. must lead the way up the rankings. So his mantra is to ask the question, “What can the city do to become more business friendly?”

As an example of becoming more business friendly, the city announced last week that L.A. had received approval from the state to expand its existing **Enterprise Zone**, located in the East Valley into the West Valley. Beutner found a way to persuade the state to approve establishment of a noncontiguous Enterprise Zone that will include portions of Woodland Hills, Canoga Park, Chatsworth, and the Van Nuys Airport area. According to the L.A. Daily News (5/17/10), he expects this to save 4,000 jobs from moving elsewhere, and to generate some 15,000 new jobs in the next five years.

Enterprise Zones assist businesses by providing them with state incentives, such as hiring credits, sales and use tax credits, and expense and interest deductions. The city offers additional local incentives such as DWP rate discounts, site fee waivers, sewer facility hookup payment plans, Work Opportunity Tax Credit, and reduced parking rates.

In addition to the Enterprise Zone expansion, another coup brought about by Austin Beutner was landing **Microsoft's 2011 Worldwide Partner Conference** July 10-14, 2011 for the L.A. Convention Center. This move, announced on May 11, will bring up to 15,000 attendees from all 50 states and 120 countries, generating more than 50,000 hotel room nights and over \$45 million in attendee spending. It will be the largest convention ever to be hosted in Los Angeles.

Another feather in Beutner's 82 day-old cap is the announcement last week that **BYD Co.**, which is based in China and employs 150,000 workers worldwide, will open its U.S. headquarters near downtown L.A. in late 2010. It plans to enter the U.S. electric car market, shipping its vehicles through the Port of Los Angeles. The headquarters eventually will have about 150 corporate employees, including managers, designers and engineers. Beutner predicted that the BYD corporate office could generate some 1,500 ancillary jobs through contractors and other support services. The company also will aggressively pursue U.S. markets for its other products, including solar panels and storage battery products for renewable energy supplies. To persuade BYD to locate in L.A., Beutner said that the city offered a rather standard package of incentives, including commitment to purchase 10 electric vehicles (for the city's fleet of more than 1,000 vehicles), and to provide between \$1 million and \$2 million of CRA projects and other grants, which Beutner said is very consistent with what has been offered to other large businesses in the past.

Commenting on the DWP, Beutner said that the biggest issue is the "**crisis of leadership**" resulting from instability of leadership over the past decade. **Beutner noted that he is the ninth General Manager in the last 10 years**, and he is actively looking to replace himself as the Interim G.M. with someone permanent. He said that the successful candidate may come from inside the DWP; but wherever the person comes from, the next general manager must have utility experience and have the leadership qualities required of a "general manager," and not be a politician.

The DWP faces numerous pressing issues, including on the power side:

Aging coal-based infrastructure that must be changed to replace coal with renewable and other non-carbon power sources.

A transmission infrastructure that needs enhancement, with insufficient capacity to carry power from the desert and other areas where power is generated to the metropolitan area distribution grid.

The distribution network (that connects to end users) must be updated to meet current and future needs. He cited an example in which the current distribution system was built to supply single family home with one TV set, and to supply power to a couple of automobile assembly plants. But in the current times, homes have multiple TV sets, computers, microwaves and other appliances that are taxing the distribution system.

The water side of DWP has similar challenges, with aging aqueducts and pipes, and uncovered reservoirs.

Beutner said that "**There are many long-term issues at the DWP, and we need policies to deal with them.**" He started the policy-making process by rejecting the first draft of the annual operating and capital budget presented to him because he couldn't understand it. He pointed out that the DWP is engineering-based, which is good, but such things as budgets need to be understandable and in plain English. He anticipates vetting the budget by personally visiting several neighborhood councils, and the budget will be published on the DWP's website ([www.ladwp.com](http://www.ladwp.com)). He noted that he expects to have a **revised budget by June 1 (2010)**; and 15 days later he will unveil recommendations for long-range choices in the form of a draft strategic plan. He said that it is essential that the DWP agree on a long-range strategy and plan.

Over the next 12 to 24 months, the DWP will focus on becoming more transparent and on making decisions on the long-range direction of energy sources.

When asked about the significant wage rate differential between DWP workers and city workers with similar jobs, Beutner pointed out that there are only 15 exempt (i.e., nonunion) employees of DWP, and that the labor contracts will not expire for five years. So we should not expect any changes in the near term.

On the recent flap over electric rates and especially the **ECAF (Energy Cost Adjustment Factor)**, **Beutner acknowledged that this has become politicized** and that it must be simplified. He noted that most utilities' electric rates are composed of a base rate, which usually consists of capital costs and fixed operating costs, and a variable rate that adjusts based on the fuel and other variable costs of producing energy. In the DWP's case, however, the variable rate (i.e., ECAF) contains not only variable fuel costs but base costs for renewable energy. Moreover, he agreed that the ECAF has not reflected the decline in natural gas prices over the past several years. "We clearly need to simplify and clarify the cost structure," Beutner said.

When asked, Beutner pleased the Valley VOTE attendees by saying that he **fully supports the establishment of a Ratepayers Advocate**. He added that he believes that the City Controller's Office would be a good place to house the RPA. Hearing Austin Beutner speak was like experiencing a breath of fresh air. Members will

welcome him back soon for an update and progress report.

*(Valley VOTE would like to thank Mike Cohen for making available a video of Austin's remarks)*

## Valley VOTE Committee Reports

### **Nuclear Power Report - Joe Vitti**

Joe continued his series of "lectures" on the DWP's long-range power requirements. He said, "The major challenge is to replace dirty coal plants, which currently provide 44% of the DWP's power while nuclear supplies about 9% currently."

Joe posed **10 reasons (in no special order) for the DWP to include nuclear power in its long range plans**, pointing out that nuclear has about the same cost of coal but it is clean. The proportion of nuclear in the mix should be increased significantly since the renewables are costly.

**1. Obama** - President Obama said in his State of Union Address, "To create more of these clean energy jobs, we need more production, more efficiency, more incentives. And that means building a new generation of safe, clean nuclear power plants in this country."

**2. Vogtle 3 & 4** - The federal government has issued \$8.33 billion in loan guarantees to finance two additional reactors at the Vogtle Nuclear Power Plant in Georgia. These are the first new reactors to be built in the U.S. in 30 years.

**3. 60-Year Life** - Reactors are now being licensed by the NRC for 60 years, meaning that the large capital costs of a nuclear reactor can be amortized over 60 years, thereby reducing the annual charges. About half of the existing 104 reactors in the U.S. have had their licenses extended by the NRC for another 20 years on top of the original 40-year license term. Currently, the NRC is working on 17 applications for 26 new nuclear plants for the U.S.

**4. Safety Record** - The U.S. nuclear power industry has an excellent safety record. No deaths have occurred over the last 30 years. The former director of Green Peace, who was an opponent of nuclear energy in the 1970's, has said, in a recent interview on CNBC "We made a mistake in the 70's. I would not only live near a reactor; I would live in the reactor building."

**5. Palo Verde** - The Palo Verde Nuclear Power Plant in Arizona, which provides 9% of the DWP's power, was designed for 5 reactors but only three have been built. Expansion would provide at least 5% more power to DWP, depending on how the other owners agree to share the output. To add the two additional reactors would have no significant hurdles regarding the site or transmission lines to deal with, as the site already exists and there is a dedicated corridor for the existing transmission lines.

**6. World Expansion** - Nuclear power is currently undergoing worldwide expansion. For example, China is adding 60 gigawatts of energy (GWE) by 2020 with 18 reactors presently under construction. India will be adding 60 GWE by 2032; Japan is increasing its power mix to 26% nuclear by 2018; and Korea will be 48% nuclear by 2022.

**7. France** - Some 80% to 85% of France's electricity comes from nuclear, and it exports power to other countries. French companies reprocess and reuse spent fuel and reduce the volume needed for long term storage to 4% of the original volume. The Chinese are also planning by mid-century to be using fast reactors, and they will reprocess and reuse spent fuel as well.

**8. Base Loaded** - If you omit coal, 70% of the base-loaded power in the U.S. is from nuclear plants. Wind and solar are not always available, and therefore cannot be counted on to cover the base-load demand requirements.

**9. Cost** - The cost of nuclear power is comparable to coal in the U.S., especially with the 60-year amortization period now available. In Europe, nuclear power is actually less expensive than coal-generated power.

**10. Fresno Nuclear Energy Group** - The French company Areva has signed a letter of intent with the Fresno Nuclear Energy Group to build two nuclear reactors in the San Joaquin Valley. Areva, which is a leading builder of nuclear power plants, reportedly will ship spent fuel rods back to France for reprocessing and reuse. This would circumvent a 1974 California statute that requires an operator to have a solution for the safe permanent storage of spent fuel.

### **Housing - Vic Viereck**

Vic Viereck raised **concern over the Los Angeles City Council's proposed moratorium on rent increases for rent-controlled apartments.** If the moratorium is approved, who will invest in Los Angeles's traditional affordable (older) housing? The city is (at least) on the brink of bankruptcy and tenants naturally don't provide housing. After 31 years of the Rent Stabilization Ordinance, which at least allowed a range of increases (depending supposedly on the cost of living index), discouraging investment in rental housing, the City Council found a way to fully stifle the preservation of older, more affordable housing. They are proposing a moratorium on rent increases for four to six months, effective on July 1, 2010. For the tenants, again, it's be careful what you ask for. You may get it.

### **L.A. World Airports - Denny Schneider**

The phase out of noisy stage 2 aircraft is proceeding, and beginning July 1, 2010 LAWA will initiate a new online flight tracking and aircraft noise complaint entry system called WebTrak. The Community Response Line for noise complaints is (800) 560-0010. **The LAX Master Plan process is restarting** with a Notice of Preparation and new Environmental Review. Current improvements at the Tom Bradley International Terminal are progressing, as the first of two midfield taxiways is underway. The Central Utilities Plant replacement is progressing, and upscale concessions are being added in terminals. Upper terminal roadway repairs to replace failed expansion joints remains an open issue since first identified by CalTrans in 2003. Auto traffic remains a problem at terminals although the number of people using LAX remains down but is improving slightly. Nothing is happening with the Consolidated Rental Car facility, which could help traffic concerns by reducing the number of buses. The long-awaited report, **The Final Northside Runway Safety Study**, prepared by a panel of academics who have done much-lauded FAA and NASA work in the past, was released last week. Yet the controversy continues. The panel's draft report stated that the North Airfield runways are already extremely safe and that only nominal safety improvements would be gained by moving the runways northward, thereby wiping out substantial portions of the Westchester Business District. The FAA criticized the professors' draft report, demanding that the runway be moved, only to have the professors respond that they used FAA information and followed the FAA's policy. The panel continues to maintain that the only valid justification for moving the runways is expansion, not safety. The Controllers Union, NATCA, wrote a position paper that agreed with the panel of professors. **Adequate staffing of the tower by fully trained controllers remains an open FAA issue.** Meanwhile, quicker and cheaper safety improvements resulting from moving taxiways has been identified but not started.

### **Broken Sidewalks - Pauline Tallent**

Pauline reported that the City Council recently moved to shift the responsibility for sidewalk repairs from the city to the residential homeowner whose property abuts the broken sidewalk. The Valley VOTE Executive Committee has gone on record opposing this City Council effort, and Valley VOTE directors will be asked shortly to affirm this opposition. The State of California Improvement Act of 1911 provided cities with the authority to require property owners to repair sidewalks abutting their property. In 1973, federal funds became available to make sidewalk repairs. To qualify for these funds, the City Council had to put the burden of repair back on the City, so the City Council adopted an ordinance in 1974 to shift responsibility for repairs to the City. These federal funds were fully used by 1976.

In 2005, faced with some 4,620 miles of damaged sidewalks, the City (through the Bureau of Street Services) initiated a program to share the cost of sidewalk repairs with homeowners on a 50%-50% cost-sharing basis. The city's budget provided for repair of only about 64 miles of sidewalk reconstruction per year, and this amount of funding ran out quickly each year. In 2007, the City came up with the novel idea – but did not adopt an ordinance – that would require the property owner to repair the sidewalk as a contingency of sale prior to the close of escrow. The City estimated that this would take care of approximately 10% of repairs to the sidewalks. Currently, the city's budget deficit has forced the city to severely reduce – if not eliminate – expenditure of general funds for sidewalk repair. Consequently, the city has resurrected the idea of requiring the seller of a house to repair the sidewalk prior to the close of escrow. A motion to this effect is pending in City Council. Pauline has drafted a proposed solution to this issue, which she shared at the meeting and will be referring to the Executive Committee for consideration.

### **Transportation - Bart Reed**

Bart explained the idea of the Mayor's "30/10 Initiative." Measure R, which voters passed in 2008, raised sales taxes in L.A. County by a half-cent for 30 years. About \$40 billion of these funds would be invested in transit,

road, and other transportation improvements, principally under the aegis of the L.A. County Metropolitan Transportation Authority (Metro). Under Measure R, the transit and road projects were [scheduled to be built over 30 years](#) to match the flow of sales tax receipts. Recently, **Mayor and Metro Board Member Antonio Villaraigosa proposed to compress 12 Measure R projects from 30 years of construction down to 10 years. He calls this the "30/10 plan."** These accelerated projects would be funded by supplementing the current flow of Measure R money with federal loan guarantees or other finance mechanisms. Any loans would be repaid with Measure R revenues over the 30 years. According to Metro, the 12 projects identified for the 30/10 plan are shown in the table, and they include two Valley projects: (1) extension of the Orange Line busway northward, from its present terminus in Canoga Park, to the Chatsworth Metro station; and (2) a proposed train line from the Valley south through a tunnel in the Sepulveda Pass to connect with the Westside Subway near UCLA.

Project	Status	Year Opens Current Plan	Year Opens "30/10"
SFV North-South (Canoga)	Construction	2013	2013
Exposition - Phase 2	Environmental	2015	2015
Gold Line Foothill (Azusa)	Start <12 mos.	2017	2014
Crenshaw	Environmental	2018	2016
SFV East North-South	Planning	2018	2018
Regional Connector	Environmental	2019	2017
Westside Subway (Purple Line)	Environmental	2019, 26, 36	2017
West Santa Ana Branch	- - - -	2027	2018
Green Line - LAX	- - - -	2028	2018
Eastside - Phase 2	Environmental	2035	2017
Green Line - South Bay	Environmental	2035	2018
San Fernando Valley I-405	- - - -	2039	2018

**The Metro Board unanimously approved the 30/10 proposal on April 22, 2010**, which requests federal loans and guarantees, and the Mayor has been actively discussing this in Washington. Bart mentioned that the Alameda Corridor rail line from the Port to the Inland Empire was built this way. Moreover, he said that Villaraigosa is working with L.A.'s congressional delegation and others to create a "National Infrastructure bank" as a vehicle for such funding nationwide. Reed expressed optimism that substantial funding will be forthcoming for the 30/10 Plan, either from the government or from federally guaranteed bonds, to enable these projects to be completed within the 10-year time frame. He is also optimistic that the Valley will get its "fair share" of the projects. Joe Vitti encouraged Bart Reed to bring to the Valley VOTE Executive Committee a supportive proposal that Valley VOTE can back.

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**Our next Valley VOTE meeting will be on Monday evening June 21, 2010 at Galpin Ford.**

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***Thanks to Chuck Betts and Denny Schneider for providing cookies at this meeting.***

*Valley VOTE is a diverse coalition of San Fernando Valley residents, business people, educators, community activists, and organizations, committed to exploring and fostering the implementation of programs that empower the people of the San Fernando Valley and the City of Los Angeles, to improve local governance, education and public participation on policy matters.*

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