

## Los Angeles Daily News

Council opens faucets, hikes water rate 11%

By James Nash, Staff Writer

Tuesday, May 11, 2004 - Ending months of debate, Los Angeles City Council members voted Tuesday to raise residential water rates by 11 percent, but postponed a decision on future hikes that could top 30 percent over five years.

The 10-4 vote increases rates an average of \$2.94 a month for the residential customer, according to officials from the Department of Water and Power. The increase will take effect 30 days after Mayor James Hahn signs it -- or possibly as early as June.

The DWP has faced months of criticism over its handling of the rate increase, the first in 12 years. City officials and neighborhood activists accused the utility of hiding information about the need for the increase. The criticism intensified after the Daily News reported that officials withheld information about the increase for political reasons during the 2002 San Fernando Valley secession campaign.

On Tuesday, City Council members Jack Weiss, Wendy Greuel, Dennis Zine and Greig Smith -- all representing the Valley -- voted against the increase, saying the DWP officials had failed to make their case.

"They never convinced me that it was necessary," said Zine, who noted that the Valley's hotter temperatures and larger landscaped yards lead to more water use.

"With the frivolous expenditures that Water and Power has made in the past -- with the Rose Parade float and the (public relations) -- they weren't spending money, they were squandering money."

Critics cite the DWP's \$3 million contract with the public-relations firm of Fleishman-Hillard, a \$1.2 million sponsorship pact with the Los Angeles Dodgers and a \$175,000 Rose Parade float as examples of questionable spending.

Frank Salas, the DWP's acting general manager, told council members that spending of those three types is being discontinued.

"The last time we were before this body, we listened and we listened well," Salas said, referring to an hourlong dressing-down by council members. "We are going back to the basics."

But long-delayed fixes to the utility's network of reservoirs and pipes, as well as security improvements after 9-11, could saddle Los Angeles residents with higher water bills for years to come.

An accountant hired by the DWP told council members that water rates will need to increase by 6 percent annually over the next five years to meet the DWP's infrastructure needs.

Bernard Uffelman of Deloitte & Touche LLP said council members will need to approve several years of rate increases to protect the utility's bond rating, pay for system upgrades and preserve the agency's annual transfer to the city's general fund. "Even with the 11 percent increase, the department would need to cut its capital improvement plan," Uffelman said.

The City Council already has ordered the DWP to submit to an outside financial analysis before seeking future rate increases.

DWP Assistant Chief Financial Officer Robert Rozanski said he expects the utility ultimately will propose an increase of less than 6 percent over five years.

Neighborhood leaders who opposed the rate increases were silent before the council's vote, saying they await the results of the financial analysis. Officials have said the study will take several months.

"The bottom line is, we're going to have to see where this independent review goes," said Porter Ranch resident Jim Alger, who has led opposition to the rate increase among the city's neighborhood councils.

"I view this as a neighborhood council success for now, but we haven't finished this process," Alger said.

Councilman Tony Cardenas said he reluctantly supported the 11 percent increase but demanded an independent review for future increases. Greuel said she couldn't support the 11 percent increase without an objective study.

Council President Alex Padilla urged other council members to vote for this rate increase but noted that questions remain about further ones.

"The bottom line is, we need this 11 percent," Padilla said. "We need it for water quality, we need it for the security of our infrastructure, and we need it to comply with the regulatory agencies."