PAT BROWN INSTITUTE
FOR PUBLIC AFFAIRS

Unleashing the Power of Participation

A SUMMARY REPORT:

MAKING SENSE OF DWP REFORM



A CONFERENCE AND PANEL DISCUSSION HELD TUESDAY, MARCH 29, 2016

RONALD F. DEATON CIVIC AUDITORIUM ■ LAPD HEADQUARTERS

PRESENTED BY
THE PAT BROWN INSTITUTE FOR PUBLIC AFFAIRS
CAL STATE LA



"These forums can be our city's second Mulholland moment when our city reimagines the kind of DWP our city needs. This moment needs to be not only about the **things** *we do, but* **how** *we do them."*

—Mayor Eric Garcetti

A SUMMARY REPORT:

MAKING SENSE OF DWP REFORM

The Los Angeles Department of Water and Power (DWP) has often been the subject of reform efforts. DWP reform is once again on the city's agenda. Customer service, utility rates, budget transfers, hiring and other labor issues have all generated discussion and debate. There is a great deal at stake. After all, the DWP is the water and power provider to four million people, and is the largest municipal utility in the United States.

Would changes to the governance of the DWP respond to the issues and questions that have been raised in recent years? City leaders have begun to explore some possible reforms. On January 22, 2016, Los Angeles City Councilmember Felipe Fuentes (7th district), chair of the council's Energy and Environmental Committee, submitted a motion to change the current governance structure at the DWP. Councilmember Fuentes's motion drew support from City Council President Herb Wesson, Jr. In mid-February, Mayor Eric Garcetti outlined the key principles of reform that he considers essential for a ballot measure in November 2016.

The Pat Brown Institute for Public Affairs at Cal State LA convened *Making Sense of DWP Reform* to foster dialogue and to help leaders and residents craft the best possible reforms. This report is a summary of this event. A complete video recording of the event is available at: *www.patbrowninstitute.org/pbi-events/making-sense-of-dwp-reform/*



Cal State LA Provost and PBI Board Chair Dr. Lynn Mahoney opens Making Sense of DWP Reform

"You have goals and agendas at City Hall, but you have to temper those with the mandates that the utility has to work with. There's this tension between what we want to do with what we have to do. The way that we do things now makes it difficult for the commission and everyone else."

Felipe Fuentes
Councilmember 7th District
Los Angeles

MAKING SENSE OF DWP REFORM

TUESDAY, MARCH 29, 2016 ■ RONALD F. DEATON CIVIC AUDITORIUM ■ LAPD HEADQUARTERS

PROGRAM

WELCOME

Dr. Lynn Mahoney
Provost, PBI Board Chair
Cal State LA

OPENING REMARKS

Eric Garcetti
Mayor
City of Los Angeles

Ron Galperin
Controller
City of Los Angeles

Felipe Fuentes
Councilmember, 7th District
City of Los Angeles

PANEL DISCUSSION

Marcie Edwards
General Manager, Los Angeles Department of Water and Power

Marcie Edwards is the General Manager of the Los Angeles Department of Water and Power. She is the first woman to lead this municipal utility. She is a third generation DWPer and first worked at the utility 24 years ago as a clerk typist. She gained experience in several Power System positions and then moved up as the energy control center manager and assistant general manager for the marketing and customer service business units. Currently, she leads the nation's largest municipal utility and oversees a $5.5 billion budget, 8,800 employees and provides water and power to four million residents of Los Angeles.

George Kieffer
Chair, Civic Alliance and Appointed Charter Reform Commission

George Kieffer led the first full revision of the Los Angeles City Charter in 75 years, chairing the City of Los Angeles Appointed Commission. The revision was adopted in 1999. He is the chair of the Los Angeles Civic Alliance. Kieffer is also a partner at Manatt, Phelps & Phillips, LLP and has been named one of the "Top 100" attorneys in California by the Los Angeles and San Francisco Daily Journals. He is the co-founder of FuturePorts and also serves on the Board of Regents of the University of California. Kieffer is a former chair of the Los Angeles Area Chamber of Commerce.

Tony Wilkinson
Chair, Neighborhood Council DWP MOU Oversight Committee

Tony Wilkinson heads the committee that oversees the formal information sharing and transparency agreement between the city's Neighborhood Councils and the Department of Water and Power. He is a member of both the Panorama City and the North Hills East Neighborhood Councils. He is also active in the First 5 LA tobacco tax money for kids program and in police and gang issues work in his community. Wilkinson retired from a business career that included experience as a business economist, marketing services manager, and information technology manager for a national land title insurance company.

MODERATOR

Dr. Raphael J. Sonenshein
Executive Director
Pat Brown Institute for Public Affairs

CHARTER REFORM AND THE DWP

Most of the DWP's governance rules are outlined in the Los Angeles City Charter, Sections 670-682. The DWP is a *proprietary** department governed by a five-member Board of Water and Power Commissioners. The DWP is owned by the people of Los Angeles, and will celebrate its first century of combined water and power service in 2017. The DWP commissioners are appointed by the mayor and confirmed by the council. They serve staggered five-year terms and can be removed by the mayor acting alone. The general manager of the DWP is appointed by the board of commissioners subject to approval by both the mayor and the City Council. Utility rates are established by the board and approved by the mayor and City Council by ordinance. Surplus revenue from the Power Fund may be transferred to the regular city budget by the mayor and City Council subject to approval by the board of commissioners (Section 344).

*A *proprietary*, or entrepreneurial department has its own revenue and a budget that is separate from the city budget. The two other proprietary departments in the city of Los Angeles are the Port of Los Angeles and Los Angeles World Airports.



(L-R) PBI Executive Director Dr. Raphael Sonenshein, L.A. City Councilmember Felipe Fuentes, Cal State LA Provost Dr. Lynn Mahoney, L.A. Mayor Eric Garcetti, L.A. City Controller Ron Galperin, Chair of the Neighborhood Council DWP MOU Oversight Committee Tony Wilkinson, DWP General Manager Marcie Edwards, and Chair of Appointed Charter Reform Commission George Kieffer

WHAT IS **CHARTER REFORM**?

The city's system of governance, specifying the structure of how decisions get made, is defined by the Los Angeles City Charter. Reformers pursue charter reform when seeking to improve the design of decision-making authority to maximize accountability, effectiveness, and responsiveness. ***The charter can only be amended through a ballot measure approved by the voters.*** Such a ballot measure can be placed on the ballot directly by a petition of the voters or through an ordinance passed by the council and subject to the mayor's veto. The ultimate decision rests with the voters. Nothing in the charter can be changed except by the voters.

DWP: BY THE NUMBERS

$5.4 billion

The DWP's budget for the 2014-2015 fiscal year

8,800

People employed by the DWP

8%

The percentage of gross operating revenue that was transferred to the Los Angeles City General Fund in 2014–2015

Sources:

www.ladwp.com/ladwp/faces/ladwp/aboutus/a-water/a-w-factandfigures?

www.ladwp.com/ladwp/faces/ladwp/aboutus/a-power/a-p-factandfigures?

KEY DWP GOVERNANCE ISSUES

ROLE AND AUTHORITY OF DWP'S GENERAL MANAGER

- Should the GM have greater flexibility?
- Does the GM serve under too many authorities?
- How can the GM best be held accountable, and to whom?

STRUCTURE AND POWER OF THE BOARD OF COMMISSIONERS

- Should the board have greater independence from city hall?
- To whom should the commissioners be accountable, and how?
- Should the board continue to be part time, or should it be full time?

PERSONNEL AND CIVIL SERVICE

- Does the DWP require greater flexibility in hiring?
- Should there be a separate civil service system in the DWP?

TRANSFER OF REVENUE TO CITY HALL

- Is it appropriate for the DWP to transfer power revenue to the city budget?
- What would be the consequences for city services of reducing or eliminating the transfer?
- Should there be limits on the transfer in the charter?
- Should the structure of who approves the transfer be amended?

TRANSPARENCY

- What can be done to improve DWP transparency to enhance oversight by elected officials and the community?
- Is the ratepayer advocate established by the voters in 2011 sufficient or should there be changes?

UTILITY RATES

- How would charter reform affect utility rates?
- Who should make the decisions regarding utility rates?





SUMMARY OF COMMENTS BY ELECTED OFFICIALS

Mayor Eric Garcetti

The L.A. Department of Water and Power has accomplished great things in its nearly 100 year history, particularly its phenomenal engineering success. However, the Department of Water and Power today needs to get "back to the basics." There is much that needs to be done because the DWP currently is the department that most embodies how disempowered people feel. We need to keep reforming the DWP. We are doing a lot of things better than competing utilities, but because of the marketing outreach and customer service of other utilities, they have better reviews. We need to clean up the internal inefficiencies at the DWP that waste time and money, rethink the engineering of water in the wake of L.A.'s drought, update old infrastructure, make it possible for ratepayers to trust that they are looking at an honest bill, facilitate a hiring process that allows for the next generation of workers, and give the board more time to serve the public while increasing their accountability to the ratepayers. We can move these agenda items forward and can bring a ballot measure before the voters of Los Angeles in November 2016.



Mayor Eric Garcetti

City Controller Ron Galperin

In 1902, when DWP began as a water provider, the department faced similar issues to the ones we hear about in 2016: rising rates, underinvestment in infrastructure and lack of accountability. In terms of governance reform, we need to focus on the unchaining of bureaucracy at the DWP, especially with personnel and contracts. Unchaining of bureaucracy, however, does not mean that politics leave the DWP both because that's impractical and because there still needs to be accountability. We need to strengthen the role of management by giving authorities the tools and power that they need to govern effectively. The most important thing going forward is to have an open process that includes the general public and the neighborhood councils. We also need to keep ratepayers informed and help them understand their bills in order for them to make good decisions on their own water and power usage. We can overcome the current obstacles and will see change at the DWP.



City Controller Ron Galperin

Comments by Elected Officials (continued)



L.A. City Councilmember Felipe Fuentes

Councilmember Felipe Fuentes

We need to have a system in place where every decision we make is in the interest of the utility. The utility has a fiduciary obligation to convey its responsibility in a way that enhances and protects the rate base. The motion I introduced in January 2016 initially kicked off the conversation on how to reform the Department of Water and Power. There are five different areas that must be addressed: 1) We need to professionalize the Department of Water and Power Commission and free it from the threat of removal by political leaders. This can be done by making them a full-time board so that they can serve the public to the best of their capabilities. 2) We need to divorce the utility's personnel functions from the city. 3) There needs to be a streamlined process between L.A. City Hall and the utility. 4) We need to remove politics between City Hall and the Department of Water and Power. Increasing transparency and accountability is crucial. 5) Lastly, there needs to be a focus on customer service to ensure a good experience for the ratepayers.

PANEL DISCUSSION

A Summary of Questions and Responses

- **Dr. Sonenshein:** *No good charter reform can be conducted without first asking: what is the problem to be solved? Otherwise we have battles over solutions but do not know which will be best. So what are the biggest governance problems you see at DWP?*

Marcie Edwards, General Manager of the DWP:
There is a lack of ability to make productivity enhancements. DWP is too bureaucratized as it relates to procurements (purchase of goods) and hiring personnel and industry experts.

Tony Wilkinson, Chair of the Neighborhood Council DWP MOU Oversight Committee:
There are too many parts of city government that have interaction and control over this public utility, but they do not bear a direct responsibility for the results.

George Kieffer, Chair of both the Civic Alliance and the 1999 Appointed Charter Reform Commission:
There is a disconnect between the responsibilities that management such as the board and general manager are given versus the authority that they actually have. If the goal of the board and general manager is to provide reliable and quality water and power and run these utilities efficiently, we have to give them more authority to do so.

- **Dr. Sonenshein:** *If any change is made, what is the essential oversight function? Who at city hall would have oversight?*

George Kieffer:
City Hall should maintain oversight of rates with some limitations. Instead of approval of rates, the council should have the power to disapprove. Councilmembers should not have to approve everything, but can still maintain accountability. There should be a longer term limit of seven years for the board of commissioners, but the board should not become full-time.

Tony Wilkinson:
Elected officials should have a veto power on rates. The board should have primary responsibility in setting rates; this is a way to depoliticize rate-setting.

Marcie Edwards:
Elected officials should maintain the ability to reach in and redirect the utility if they think something will not work. There needs to be oversight by City Hall to maintain control and transparency, and to enforce accountability on the board and on the general manager.

- **Dr. Sonenshein:** *What do you think is the most important step moving forward?*

Tony Wilkinson:
Expand outreach and maintain the public process that this event, hosted by the Pat Brown Institute, started.

Marcie Edwards:
Continue speaking with the public, but a better job needs to be done of including the Neighborhood Councils in the discussion about DWP reform. The authority of the ratepayer advocate should be expanded to further protect the interests of the ratepayers (a sentiment echoed by Tony Wilkinson).

George Kieffer:
Communication between the public and City Hall needs to be facilitated. The public should be able to know where and to whom they can go if they think something is not being handled correctly. Board members should be empowered to increase both their responsibilities and their accountability for what happens with L.A.'s water and power. City Hall and elected officials must take a "leap of faith" in the executives and managers who they themselves appoint and confirm in the first place.

- **Dr. Sonenshein:** *If a new mayor ran on a platform of policy change at DWP, and all the commissioners had fixed terms, what would stop them from blocking his or her changes? What would that new elected mayor be able to do if the board, for example, said that such a policy change didn't fit with its basic mission of water and power, or that it would be too costly?*

George Kieffer:
The mayor would use the City Council to make those desired changes. In the mayor's four-year term, he or she could turn the board over completely if they have terms. Similar issues are faced at the federal level when appointing a Supreme Court Justice, or a member of the Federal Communications Commission (FCC).

Panel Discussion (continued)

- **Dr. Sonenshein:** *Running the DWP has been like pulling a sword from the stone. What will make it work?*

Marcie Edwards:

There have been a lot of general managers in recent years (11 in 15 years). One of the things that makes the job difficult is that the GM has to serve so many masters, and is forced to compromise to accomplish a portion of what she would like to achieve. The board needs to keep in mind that GM's are not necessarily given the funding or resources required to execute a goal or decision. For example, to be able to state to the general public, "LADWP is going to give you 100% renewable power," the appropriate funding consistent with managing rate pressures and technology needs to be acquired. Fortunately, she has received the help of flexible people to manage a dysfunctional customer service department.

STAY UP-TO-DATE ON
DWP REFORM

Visit the L.A. DWP Reform website:

www.dwpreform.lacity.org

and for further reading* about the DWP:

City of Los Angeles Inter-Department Correspondence

2015 Industrial, Economic and Administrative Survey of the Los Angeles Department of Water and Power

*see links on p. 9

AUDIENCE QUESTIONS

Ms. Edwards, you discussed the procurement process and mentioned how currently you need to go through one hundred people to purchase a box of pencils. Additionally, you spoke about the $125,000 inflation. In regards to the procurement process and the $125,000 inflation, who makes those policies and who has the authority to change them? Is this something the city council can quickly change?

Watts, Los Angeles is 2.12 square-miles and has been underserved for half a century today. How do we get DWP to support solar energy in Watts? What is being done or what can be done about the disabled and elderly's rates?

The water and power rates have gradually increased, and they continue to rise. We are forced to pay those inflated/excessive rates because we need water and power. Why do rates continue to rise during this recession?

Recently, I became aware of the DWP's involvement in the selling of power with Sun Edison which may merge financially with another company. Is the DWP making provisions for the possible collapse of this house of cards due to the selling of energy?

Do you favor the proposal that rates should be set by the board and subject to override by the council or do you think they should continue to have the council and the mayor have ordinance power to set rates?

I am aware that there has not been any mention of privatization in this proposal for reform. However, I am concerned about the mayor's initial comments in which he said an executive can make snap decisions but that is because they are not accountable. Can you tell us about whether you can turn back some of the privatization of the DWP?

AS SEEN ON SOCIAL MEDIA

Mayor of Los Angeles @MayorOfLA — Follow

A full house turns out for our first forum on reforming @LADWP #PowerofParticipation

Julie Butcher @JulieButcher — Follow

Is #DWP Change Really Possible? Here's What They Said at the Reform Forum citywatchla.com/index.php/the-… #LADWP #DWPReform @PBI

Pat Brown Institute @PBI — Follow

Great questions & comments from the audience at #DWPReform event tonight @MayorOfLA @LADWP_GM @slowtony #CalStateLA



Staci Goddard @M8stermind — Follow

"Too many cooks in the kitchen" not enough accountability. Governance needs improvement, Issue #2 #ladwp #dwpreform

Dallas Fowler @YoDallas — Follow

"We have not given the @LADWP_GM the authority to do her job nor the @LADWP Board" -George Kieffer #DWPReform @PBI @MayorOfLA @Fuentes4LA

Ron Galperin @RonGalperin — Follow

How is the LA Dept. of Water & Power performing?

Explore performance metrics of the @LADWP here: dwp.controlpanel.la #dwpreform

marianmerritt @marianmerritt — Follow

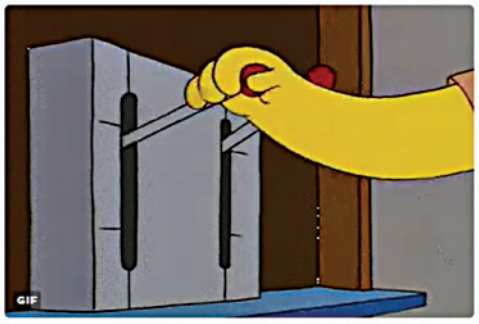
"Internal productivity improvements" can help us offset pricey imported water and keep rates in control. #dwpreform

Raphael Sonenshein @SonensheinPBI — Follow

Next year is 100th anniversary of DWP as a "power" agency; first it was for water #DWPReform

Pat Brown Institute @PBI
Need help "Making Sense of DWP Reform"? Join @SonenshienPBI at #DWPReform w/@LADWP_GM, T. Wilkinson, & G. Kieffer tiny.cc/DWPReformForum…

Juan Lopez @juan4prez · Mar 29
At the end of day, it's voters that will change DWP. #DWPreform @PBI



MEDIA COVERAGE

Is DWP Change Really Possible? What They Said at the Reform Forum by Julie Butcher (***City Watch***)
www.citywatchla.com/index.php/the-la-beat/10815-is-dwp-change-really-possible-here-s-what-they-said-at-the-reform-forum

My Reform Forum Takeaway: DWP Reform Not Ready for Prime Time by Tony Butka (***City Watch***)
www.citywatchla.com/index.php/the-la-beat/10819-my-reform-forum-takeaway-dwp-reform-not-ready-for-prime-time

One Angry Bus Driver Tries to Put the Brakes on DWP Rate Hikes by Gene Maddaus (***LA Weekly***)
www.laweekly.com/news/one-angry-bus-driver-tries-to-put-the-brakes-on-dwp-rate-hikes-6772263

Links to additional readings about the DWP:

http://cao.lacity.org/DWP/20160405 DWP DEPARTMENT OF WATER & POWER - GOVERNANCE REFORM (FUENTES - WESSON - O'FARRELL - CF 16-0093.pdf

http://cao.lacity.org/DWP/2015 IEA Survey Summary 12-08-2015.pdf

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