



COUNCILWOMAN MONICA RODRIGUEZ
SEVENTH DISTRICT

May 9, 2024

Energy and Environment Committee
Councilmember Katy Yaroslavsky, Chair
Councilmember Tim McOsker
Councilmember Nithya Raman
Councilmember Bob Blumenfield
Councilmember Kevin de León
200 N. Spring Street
Los Angeles, CA 90012

Re: **Council File 23-0600-S9, Rate Adjustments for the Clean Water Program**

Dear Councilmembers,

The LA Sanitation and Environment (LASAN) - Clean Water (Wastewater) program proposed rate action is a significant item that will impact every Angeleno. If approved, it will result in fee increases at a time when working families and small businesses are struggling to make ends meet. Fee increases of this amount, a proposed 22% increase in just a few months, cannot be rushed and careful and detailed review is required. As you consider these fee increases, I ask that you incorporate the following items: engage the Office of Public Accountability/Ratepayer Advocate to do an independent analysis of the rate increase recommendations, establish a public engagement process to ensure the public's trust, create a long-term solution to these fee adjustments and exercise fiscal responsibility. Collectively these actions will increase accountability and provide greater transparency to ratepayers.

Independent Analysis

These rate increases require independent analysis. As proposed, the increases are frontloaded while the benefits of new infrastructure will likely occur much later, if at all. The Black & Veatch study does not account for labor and hiring issues that may stymie the development of new projects. Nor does it consider that LASAN is subject to Charter Section 1022, which requires them to make specific findings before being able to utilize outside labor. All this to say that the people paying for the rate increases may never receive the benefit and the city may not be able to implement the improvements in the time frame due to labor issues. This is just one reason why we must give these increases the same level of analysis as a water and power proposed rate increase, if not we will be neglecting our responsibility to ratepayers and setting a bad precedent for future rate increases.

To fulfill our obligations, we must engage the Office of Public Accountability (OPA) to assess these rate increases in their totality and determine what is needed now and what is needed in future years, to alleviate the initial impact and come up with solutions for how the increases can be phased in. The OPA has third party contracting authority that, if needed, will allow the City to hire a firm to support their deep and forensic review of the rate increases. Understanding this item is time sensitive, I ask the OPA to review the proposed rate increases and report with recommendations in 30 days on the fee increase amounts and phasing.

Public Engagement Process

I am very concerned that Angelenos are not part of this discussion, as they are the ones who will be financially burdened when the fee increases appear on their bi-monthly bill from LADWP. This may be especially true for multifamily property owners that need to comply with tenant protection regulations, and would bear the greatest financial burden should the fee increases be approved as proposed. That is not inclusive governance and does not allow ratepayers the ability to plan and weigh in on this process. The LADWP has an established MOU with Neighborhood Councils to engage in proposed rate increases and it is a model that LASAN should follow. While this rate increase may be on a compressed timeline for review, there should still be public engagement. Knowing that LASAN followed this model in 2011-2012 when the last sewer rate increases were considered, I recommend that LASAN work with relevant city departments including the LA Housing Department, to develop a plan that will conduct a formal public engagement process and report back in 15 days on it.

Long-term Solution

The primary reason the proposed rate increases are so significant for the Clean Water Program is due to the fact that rates have not been raised since 2020. The fees related to this program do not have automatic adjusters. While there is an opportunity for the Board of Public Works to review the rates annually, it has not been done and now the burden is great and time is short. The LADWP has adjusters built into their rates so they are adjusted and approved by the Board of Water and Power Commissioners when specified criteria is met. Under this scenario the City Council, if needed, can utilize Section 245 of the Charter and assert jurisdiction to review the rates. I want rate increases to be predictable and ask the Chief Legislative Analyst (CLA), City Administrative Officer (CAO) and LASAN to provide a report in 90 days with recommendations regarding a fee adjustor based on the consumer price index and other relevant factors. As we consider longer-term solutions it would also be beneficial to consider the establishment of a civilian panel to monitor the fee increases and associated expenditures to ensure these funds are being used for their stated purpose and not supplanting other city funds. The CLA and CAO should provide recommendations regarding oversight of the fee increases and expenditures.

Fiscal Responsibility

While we consider these rate increases, we must also be mindful of the City's bond rating and compliance with our bond level policies. This is critical to maintain good standing as a credit worthy institution; however, that does not mean we need to act in haste. I also recognize that these fee increases, as proposed, were factored into this year's budget, so we must account for any reductions as I believe the proposed rate increases may be altered once we receive the OPA's analysis and engage

the public. As we consider this item, I ask the CAO and the CLA to provide regular reports on how the proposed increases impact the City's bond rating and related budget implications.

While I understand the necessity, raising sewer service fees will result in a significant impact to low-income communities, and we must do all we can to alleviate the effects. I appreciate your due diligence and commitment to independent analysis and public engagement.

Sincerely,

A handwritten signature in black ink that reads "Monica Rodriguez". The signature is written in a cursive, flowing style.

Monica Rodriguez

Los Angeles City Councilwoman, 7th District