

Press Reports and Audits on Governmental Waste, Fraud and Mismanagement

Compiled by the California Taxpayers' Association

Public Utilities

Power Trading Losses

Dollar Amount: \$25,000,000

Buying and selling electricity apparently is a tricky business. As the San Francisco Chronicle reported October 25, the state sold electricity for next to nothing – or nothing at all – as it piled up \$25 million in power trading losses during April, May and June. Included was May 26, when the state sold 500 megawatts to the Los Angeles Department of Water and Power for 50 cents each. The state paid an average of \$271 a megawatt hour during May. On May 28, the state gave away 786 MW hours to a British Columbia utility. Oscar Hidalgo, spokesperson for the Department of Water Resources, told the newspaper that California may not have had a buyer and electricity is not a storable product. (2001)

Region: Statewide

Jurisdiction: State

Source: SF Chronicle - Oct. 25, 2001

L.A. DWP Buys Extras

Dollar Amount: \$16,000,000

An independent study of the Los Angeles Department of Water and Power's budget shows more than \$16 million was spent on "non-core" activities in fiscal 2005-06, including more than \$1 million for parenting and breast-feeding classes, a fitness center and a choir for employees. (Caltaxletter: 4/7/06, from Los Angeles Daily News, 4/3/06.)

Region: So. California

Jurisdiction: City

Source: LA Daily News - Apr. 3, 2006

SF and Water = Waste

Dollar Amount: \$2,000,000

The City and County of San Francisco spent more than \$2 million on bottled water in the past 4 ½ years, including 342 five-gallon jugs delivered to the city in 2005. This happened despite the fact that the city's tap water comes from the Hetch Hetchy reservoir near Yosemite National Park and is of renowned quality. City officials said a contract with some employee unions, including nurses, require bottled water for employees. (Caltaxletter: 1/27/06 from S.F. Chronicle, 1/27/06.)

Region: Bay Area

Jurisdiction: County

Source: SF Chronicle - Jan. 27, 2006

Touting its Tap Water, Public Water Agency Buys Bottled Water

Dollar Amount: \$88,900

The Los Angeles Department of Water and Power spent \$1 million over two years touting the quality of tap water. However, the agency spent \$88,900 over the same period buying bottled drinking water. "I am stunned," said L.A. Controller Laura Chick. A Public Records Act request was needed to get information from the DWP, and L.A. Times columnist Steve Lopez, building on his paper's reporting, said this may be small potatoes in a \$4.3 billion DWP annual budget, but "this is the historically reckless DWP, where you could take all the small potatoes over the years and stack them higher than the Himalayas. (Caltaxletter: 1/6/06 from L.A. Times of 1/3/06 and 1/4/06.)

Region: So. California

Jurisdiction: City

Source: LA Times - Jan. 3-4, 2006

No Sushi or Italian Takeout for Department of Water Resources

Dollar Amount: \$3,600

Controller Kathleen Connell told reporters on July 24 that the state would not be paying for \$3,600 in Department of Water Resources food purchases in January. The department employees, who at the time were putting in 20-hour days making electricity purchases, ate pizza and sushi charged on state credit cards. Dr. Connell said the state does not buy business-hour meals for staff while in town and it is improper to use a government-issued credit card. Department spokesperson Oscar Hidalgo said the department was operating under a state of emergency called by the governor and the food purchases were normal under such conditions, similar to a natural disaster such as a flood. Buying power is not the same as firefighters being fed while fighting a forest fire, the controller responded. Steve Maviglio, the governor's press secretary, said, "Unless she wants to go home and bake a few pans of lasagna for the guys on the front lines who are trying to keep the lights on, she should stick to the job of writing checks." (2001)

Region: Statewide

Jurisdiction: State

Source: July 24, 2001 Press Conference - Kathleen Connell

L.A. DWP's Overtime Bonanza

Dollar Amount:

The Los Angeles Department of Water and Power had more than \$51 million in overtime pay during the last half of 2005, with 8,100 workers getting some of the pay. It added 50 percent or more to the base pay of some electrical and mechanical engineers who otherwise make \$74,000 to \$100,000. "You have emergencies, people take time off ... overtime is just a given in the business," said DWP chief administrative officer, Robert Rozanski. (Caltaxletter: 3/24/06, from Los Angeles Daily News, 3/20/06.)

Region: So. California

Jurisdiction: City

Source: LA Daily News - Mar. 20, 2006

Wasted Waste Water

Dollar Amount:

Ninety percent of the waste water going into San Diego's \$201 million North City Water Reclamation Plant has been going through an expensive treatment process only to be discharged into the sea. The San Diego Union-Tribune reported October 10, after examining plant records for its first two years of operation, that only 3 percent of the water has been reclaimed and sold. An additional 7 percent of the water is used at the plant itself for landscaping, cleaning filters and testing machinery. Critics say the 16 billion gallons discharged into the ocean since the plant opened two years ago represent money poured down a drain. Sierra Club attorney Bob Simmons said, "I can't think of anything to rival it in terms of the magnitude of water waste and waste of ratepayer money. It's scandalous, frankly." However, Peter MacLaggan, executive director of the WaterReuse Association, said demand for the reclaimed water, which cannot be used for drinking, will grow. "San Diego is in the early stages of developing what is going to be a long-term investment," Mr. MacLaggan said. "The use will grow as the needs of the city grow." So far the city has sold \$1 billion worth of reclaimed water. Sixty-five customers are on line and another 88 are in the hook-up process, which takes months. Water Department Director Larry Gardner says the plant will exceed its goal of reusing 25 percent of the water by 2003. The City Council has killed the idea of purifying the waste water to the standard that would allow using it for drinking. The Sierra Club's Simmons wants the city to enforce an existing ordinance that requires irrigation with reclaimed water when it is available. The biggest customer is the city itself, using reclaimed water for golf courses and some parks. A city water salesperson, Hossein Juybari, says the problem of making reclaimed water easier to sell has one sure-fire solution: Drought. (1999)

Region: So. California

Jurisdiction: City

Source: SD Union Tribune - Oct. 10, 2001

Electricity Grid Budget

Dollar Amount:

The California Independent System Operator, a non-profit agency that oversees the flow of electricity in the state, has a bloated budget, the San Jose Mercury News reported on May 5. The agency spends twice as much as other system operators, the newspaper reported, citing a \$30 million-a-year telephone system that exceeds the agency's needs, a chief executive salary and benefits of \$550,000 a year, and \$15 million spent on a computer system that must be replaced after only three years. The ISO is "really gold-plated," said James Caldwell, an energy consultant. ISO Treasurer and Financial Director Philip Leiber acknowledged that the ISO, compared to other ISOs, is about "twice as costly" and explained that the high costs were a result of requirements to get up and running on a tight schedule. "... if you build something quick, you pay a premium," he said. The California ISO, with a staff of 475, has a budget of \$225 million. It serves 10 million customers. (2001)

Region: Statewide

Jurisdiction: State

Source: San Jose Mercury News - May 5, 2001

LA Green Energy Chief Quits

Dollar Amount:

City Controller Laura Chick on May 30 said she has ordered another audit of the Department of Water and Power's renewable energy program in the wake of the resignation of the department's strategic planning director. An audit last year found that the department's "Green L.A." program had spent \$22.7 million since 1999 to develop solar energy but had not produced "significant amounts of new green power." In the Los Angeles Times (May 31, 2003), Ms. Chick said, "I am indignant because months and months ago our audit said something was wrong with the management and decision-making of this program. I had hoped things would have changed." Angelina Galiteva said she felt no pressure to resign, even though she left amid criticism that her office overspent its budget for solar power and may have provided rebates to ineligible groups.

Region: So. California

Jurisdiction: City

Source: LA Times - May 31, 2003

SF Utility Commission Fiscal Management Criticized by Budget Analyst

Dollar Amount:

While administrative expenses of the San Francisco Public Utilities Commission have grown by an average of 11 percent per year since 2000, the increased staff is not managing money in a prudent manner. One-third of its contracts are over budget, some by as much as 74 percent. The entire contracting process is unnecessarily slow and cumbersome, according to a report from the Board of Supervisors Budget Analyst's Office. Further, 18 percent of the workers are collecting workers' compensation and \$6.2 million has been paid on lawsuits since 2003. (San Francisco Examiner, August 16, 2005.)

Region: Bay Area

Jurisdiction: City

Source: SF Examiner - Aug. 16, 2005

Water Districts Audit Questions Spending

Dollar Amount:

The Bureau of State Audits reported finding questionable spending in an examination of eight water districts, The Sacramento Bee reported (June 25, 2004), including thousands of ratepayer dollars spent on directors' retirement parties, anniversaries, mixers and other socials functions. The audit was prompted by the newspaper's coverage of water districts in the Sacramento region, but similar problems were found elsewhere, according to Senator Deborah Ortiz of Sacramento, who requested the audit. For example, Walnut Valley Water District in Southern California was found to have run up a tab of \$18,000 for 15 out-of-town meals for directors and guests. State Auditor Elaine Howle said five of the eight districts surveyed may have problems explaining why they have amassed what seem to be unnecessarily large budget reserves.

Region: Statewide

Jurisdiction: City

Source: Sacramento Bee - June 25, 2004
