



"Accountability"  
The Government Watchdog

**Vanguard**  
Glendale CA Vol V  
Week of July 4 2010  
[info@vanguardians.org](mailto:info@vanguardians.org)

**TRUTH BE TOLD – NOT BY THE COUNCIL**

**Vanguardians Purpose:** To Inform, Educate, & Motivate for Involvement, Engagement & Advocacy

**CONTENTS:**

- 1) [Commentary](#)
- 2) [Shout Box](#)
- 3) [Public Records](#)
- 4) [Vanguardians](#)
- 5) [The Insider](#)
- 6) [The Denizens on the Dais](#)
- 7) [Neighborhood News Briefs](#)
- 8) [Jump](#)



**VANGUARD NEWS SERVICE STARTS UPDATE TELEPHONE SERVICE (UTS)** at 641 715 3900 then enter 318465# when requested. This service will be used to update the public on issues during the website refurbishment. Try it out. LD or Toll charges may apply depending on your carrier.

**FITCH AFFIRMS GLENDALE, CA'S WATER REVS AT 'AA'; OUTLOOK REVISED TO NEGATIVE**

Fitch Ratings affirms approximately \$50 million of Glendale Water & Power (CA) series 2008 water revenue bonds as part of its continuous surveillance effort. The Rating Outlook is revised to Negative from Stable.

The Negative Outlook reflects downward pressure on financial margins at the utility and the absence of financial flexibility given the limited cash flow after the general fund transfer. The financial forecast relies on additional annual rate increases to maintain these slim margins and to support increasing debt service. Any further deterioration in margins, such that annual revenues do not fully support operations, debt service, and payment of the general fund transfer, could prompt a rating downgrade.

**RATING RATIONALE:**

--As is the case with much of southern California, water supply shortages have prompted mandatory cutbacks, but Glendale's rate structure has an adjustable component that recovers actual purchased water costs on a rolling six month basis.

--The city's administration approved significant multi-year rate increases effective Jan. 10, 2008 to rebuild reserves and recover costs. Base rates are expected to increase further to support capital spending and debt issuance, along with purchased water cost increases that are passed through in an adjustable component of retail rates.

--Financial performance has declined with further financial pressure on margins projected in the next few years even with assumed rate increases. Liquidity is modest.

--The utility transfers a sizable amount of revenues to the city's general fund at 11% of revenues in fiscal 2009, which directly decreases the availability of the cash flow generated by the utility to fund its own system needs. [See Jump](#)

**This Just In:** Los Angeles Times | July 2, 2010 | 12:33 p.m. A state appellate court has sided with the Schwarzenegger administration in its attempt to impose the federal minimum wage on tens of thousands of state workers. It was not immediately clear how today's ruling will affect the governor's order a day earlier to pay 200,000 state workers the federal minimum of \$7.25 an hour.

**Vanguard is published independently by Vanguardians, Inc.** Advocating for Accountability– Our vision is to live in a community where all people can enjoy accountability, integrity, effectiveness and responsiveness from our government.

# 1 COMMENTARY

*You may agree or disagree with the views below. Feel free to comment on them. The commentaries do not necessarily reflect the position of Vanguardians*

## From the Publisher...



On June 30<sup>th</sup> there was a special edition of Vanguard carrying some very frightening news about the bond ratings going to hell-in-a-handbasket. But the city council is caught up in issues in which they have no jurisdiction. They are caught up in the fact that speakers such as Herbert Molano and I speak from facts and have an agenda to educate unsophisticated elected officials as well as the voters.

We have listened to people being maligned by those on the dais because they are speaker advocates for accountable government. This treatment is misdirection by people you have elected that haven't been upfront about borrowing money and how it is going to be paid back.

They applaud the fire union for stepping up and saying they will take less. Let's see, constant staffing means there will always be a set number of firemen and paramedics on a 24-hour shift. These 'underpaid employees' are scheduled to work 1 day out of 3 or 10 days in a 30 day month. During each on-duty day they have a paid sleep period of 8 hours. They have about one month off for vacation and 11 paid holidays a year. They have an average base pay in excess of \$100,000 depending upon the 4 firefighter job classifications. Twenty days at overtime pay is another \$30,000. It takes only one overtime period to replace the COLA they gave up. The amounts cited do not include the taxpayers portion of the pension – about 25% and the medical insurance for the employee and family.

People that sit on the dais are responsible for these redistributions of the taxpayers' wealth, certainly not management that takes direction from the Denizens of the Dais. Check the [City organization chart](#) even though when you speak with them one-on-one they blame it on Management.

For several issues I have mentioned there are employees and retirees that receive gift cards from the City. Those not on the \$100K list get amounts under \$100 and those on the list along with retirees get gifts up to \$500. So far only two people have asked to see those lists. Talk about apathy, that is taxpayer money, your money and you just don't care. The City is spending an extra \$6,000,000 a year on the 400 City credit cards while they raise utility fees that you have to pay.

Pity the poor Council member that bounced a \$500 check payable to the City. This man is among the first to move a request for more money for the City employees. It is a strange world.

Unfortunately many voters feel their job is done by voting and getting a little sticker to show they are good citizens, Then they go home and complain when the utility bills go up and when a tire blows out from hitting a pothole. Their job only began at the voting booth. For people who are concerned about the decay of their quality of life they need to get involved and research the issues or in the case of Glendale, Bell, Alhambra, Monterey Park and other cities, they need to support the advocates for accountable government. The ones on the front lines watching for land mines and snipers; people who are unconcerned about retaliation and retribution. Without civic participation by the public the democratic process is diminished. Without oversight, the warning by Jefferson and Madison on the government becoming less responsive and autocratic can become a reality. Maybe it already has.

Support your local advocates, the ones doing the heavy lifting...

**BARRY ALLEN**

---

*Most people want the benefits of an accountable government but are afraid to work for accountability or to support those that do often because they fear retaliation or are the beneficiaries of the largesse or corruption of government*

---

## THE PRINCE OF GLENDALE

By Niccolò Machiavelli



The likelihood that anyone will wind up divorced in America is roughly fifty percent. At least that is the most often quoted statistic. For men, divorce is a devastatingly efficient way to lose a good chunk of wealth. What do you do when you are fifty, the divorce lawyers have taken half your equity and your ex-wife took another quarter of it?

Well, if you lost your home and your executive job, you might just have to look for a rich divorcee with plenty of real estate and a stash of bonds. The older the lady, the more appreciative she would be for the attention of a relatively younger man.

If you find that divorcee, you may want to look deeper into her financial affairs. If she has plenty of real estate, you might want to find out her real net worth. You don't want to be locking lips and signing a marriage certificate if she's mortgaged her property to pay for her kids' college and post-graduate education. Her nice house and the income property investments will mean nothing to you if there is little equity left.

In a way, that is how any city manager needs to look at life if he has to find a new gig. If he trashed the finances of his employer, even with the consent of an accommodating city council, the burden is still his. He might find himself looking for a new municipality with plenty of equity, low taxes, low fees, and low debt. If the councilmen are clueless about city's hidden wealth, better still. That means he can run up the debt, reduce capital improvement expenditures, drain the reserves and use that money to nurture rich relationships with the fire and police unions. I call it job-protection money. But it is really just a non-criminal racket. In such a city, he can always tell the public how proud they should be of his balanced budget.

For the single middle-aged divorced male who is poorer through divorce, but who wants to travel the world, finding an equity-rich divorcee has a similar benefit. If her children are around, you just need to concoct a gimmick so that they won't be paying close attention, or better still, you can find a way to drive them out. A rich divorcee is the open door to a life of leisure. Any rogue can tell you the joy of sipping wine while sitting on the balcony overlooking Lake Como. It is simply delightful when it is paid for by someone else's equity.

You can also take ocean cruises regularly and build up the portly figure which is the mark of the gourmand. You'll exchange her tanned wrinkles for your oversized belly. After three cocktails you can forget her age spots and even tolerate her occasional anti-ethnic remarks. Her joint pains may not always let you waltz, but if you have a good exit strategy, you can pull off your last couple of decades in style.

It helps if you look dignified. And if you look patrician, it's even better. You can link up with other dignified-looking people who are needlessly admired by the community and extend this joyous relationship for many, many years.

You can make this new Mrs. feel like a queen.

An experienced city manager, once he has arrived at his new job, must start handing out money strategically. That'll secure his position. Incentivize and influence should be his motto. But since he needs to be in control, he must hire his own cadre of inner-circle managers. They'll be sent out to every division to keep a close eye on every executive. He needs total obedience. If they play by his rules, he can hand out promotions, salary increases, benefits galore, and multi-million dollar pension deals. If they compliment him publicly, he can hire more managing assistants so senior managers won't have to work much. They only need to sit at meetings, be well-dressed, look smart, memorize the talking points, and sip the Starbucks coffee at their leisure.

The problem is that, eventually, the voters will be on to his scheme. The Prince can look at them in shock. He can put up the most righteous indignation he can muster and hope that'll keep them away for a few more years. Or alternatively, he can get a Chihuahua councilman who'll jump excitedly at city critics and bark at them non-stop. That always adds an element of fun.

But if his critics won't be dismissed easily and they get testimony from experienced financial analysts, they'll be ready to expose his evil ways faster than he can say, "Time to pack my bags." The Prince would have drained the city's net assets, or sank it into near bankruptcy. It will be his last encore presentation. The gig is up and time to collect on old favors. A rich retirement awaits him.

**HERBERT MOLANO**

## FROM MACHU-PICHU TO CUZCO AND BACK AGAIN



The only council sessions in which I don't find a lack of transparency or a tortuous grappling with the truth are the sessions which I fail to attend. Falsehoods and misdirection are by now intrinsic to the Glendale city council sessions and are exemplified in their concocted deliberations. I wonder how we could justify sending troops to foreign lands to sell them on this type of democracy.

Last Tuesday's afternoon's session was embarrassing to watch. Not only were key elements about the city's GWP financials left out, my attempts at initiating a fair level of discussion at the rate increase study session was fraught with another disgusting display from a couple of council members.

The financial discussions left out trend information. It should have been a no-brainer to give that information to the public, and it should have been the key subject of the discussion. Given the typical residential user, they should have provided the rates per gallon or per HCF each year for the last 10 years. But they didn't. No graphs. No charts.

The city staff could have provided a schedule of the capital improvements it needs today by major category such as major valves, reservoirs, water mains, and their average age. A chart of those needs year by year could have told us the level of deferred maintenance the city has accumulated and the cost impact. But the truth did not come out. Grudgingly the staff did acknowledge a list of the assets in need of repair and replacement, but I got the feeling that they may have had a dressing down after the public session.

Personally I wanted to see a discussion of the total Salaries for GWP water utility employees year to year for the past 10 years. I also wanted to see the pension costs for each of those years. I felt we needed to see the health and other benefit costs for those 10 years as well. But no one took up the discussion.

Since it was a study session, I passed along a reminder to Commissioner Zanku Armenian and a few minutes later a different set of questions that I felt should have been asked. I handed those questions to Commissioner Chen. Then all hell broke loose.

Quintero went on a tirade on how inappropriate it was for me to hand those questions to the panel or board. He came unhinged. How dare this stakeholder/taxpayer, submit questions during a study session? Lord almighty! Now I know how the lowly Incas of Peru must have felt under the wrath of the Spaniard – Francisco Pizarro. We lowly Indians must not get out of place.

Of course, I didn't feel anything unusual about my request. This was, after all, a study session, and the last time I checked, a study session is a time for learnin'. You can't do much learnin' if you can't ask questions. Well, never mind.

Never mind that councilmen send and receive texts all the time while they are sitting on the dais. That means that it is ok for them to get their talking points and discuss topics, or arrange a vote out of the public earshot. The duplicity could not have been more pregnant with irony.

This poor little Indian must learn to respect Vice-Royalty when he sees it. Queen Isabella must have bestowed this warmed up Spaniard with high-honors and privileges that must be adhered to, even in a democratic republic. Thank goodness the conquistadors can't reach me at my mountain retreat under a rock in Cusco.

Then it was Najarian's turn. He forecasted fire and brimstone if water rates are adjusted according to the level of use. There would be hell to pay if those who waste water or need it pumped to their mountain abodes would be charged more. What a calamity!

What Najarian failed to acknowledge was his personal need for plenty of water to keep his multi-lane competitive pool filled to capacity at his home. Since he declared the water shortage crisis, three years ago this week, he's conveniently failed to show his water usage and utility bill. I've asked for it. Others have challenged him to produce it. Heaven forbid that we catch him in the most basic level of hypocrisy clamoring for water conservation while splurging and splashing in his swimming pool. Now this adds offense to injury. We dare challenge his wallet by suggesting that water rates be adjusted higher for those with higher uses. How on God's green earth did the ANC happen to endorse this guy as the local epitome of the Armenian ethos? That's a real puzzle to me.

From Machu-Pichu en route to Cusco (shhhh, don't tell Quintero)

**HERBERT MOLANO**, reporting

---

## THE ADVENTURES OF COUSIN SCALPY

Hey, cousin wants to be your day-trader!



Every family has one. You only need to imagine a major family event, a baptism, a bar-mitzvah, a wedding, or a funeral and this family pain-in-the-neck will find a way to show up. He'll come linked to one relative or another. He will come uninvited knowing that you won't drag him out and risk ruining the event for everyone else.

The family pariah could be a scheming brother-in-law, a histrionic aunt, or some third-cousin in a 12-step program. Every family has one, and we just need to learn to avoid this menace at any cost. If we don't, we either wind up paying for his misdeeds or with some great embarrassment. The city of Glendale has such a family member – CalPERS.

Yes, CalPERS, the city employees' pension system. They were supposed to grab 9% of the city's payroll for safe-keeping and investing. That's what most cities pay for Fire and Police personnel. We taxpayers of Glendale pay it, albeit indirectly. Until November 16th, 1991 the city used to expense those costs based on the employee's base pay and send it off to Cousin Scalpy. Since then, we add this amount to the employee's paycheck and they have it deducted from their pay. It's virtually the same thing, except that now employees can claim a higher pay from which the benefits will be calculated.

So cousin Scalpy gets our money and puts it to work in all kinds of investments. Real Estate deals, office buildings, new high-rise development, blue-chip stocks, and other not-so-secure and risky investments. Cousin Scalpy tells us how good those investments are based on their asset valuation. Cousin Scalpy also gets in over his head. When everyone goes nuts over a fast rise in the stock market, cousin Scalpy also goes nuts and pours our money in every conceivable, over-optimistic, follow-the-herd, profit-seeking trend he sees. Hell, it's not his money he's spending.

Last year, in a single failed transaction, cousin Scalpy wrote off one billion dollars in a new housing development scheme that went bust. That's right. He shrugged, said, "Oops," and went about his merry way. Another state investigation found that friends of cousin Scalpy had defrauded him of millions of dollars in scheming lies and deception. So we got a letter from cousin Scalpy asking for more money. You say, "What!?"

That's right dear taxpayer and fellow Glendale sucker, we taxpayers, thanks to a clueless city council action, guarantee the investments of cousin Scalpy. If his investments don't return 7.75% annually, we get stuck for the difference. We give him the money, he says, "Ooops!" then given our agreements with the city employee unions, an additional twenty million are taken from our wallets each year with even higher increases in the future.

But cousin Scalpy is not all that dumb. When the city council agreed with the fire and police employee associations to give them five extra years of pay without their having to do any work, cousin Scalpy said, "That'll be another 100 million dollars you need to invest. What do you expect me to do, work miracles?" When we tell cousin Scalpy that we also promised to give these employees 90% of the highest annual pay as their retirement for life, cousin Scalpy said, "You did what? Are you crazy? You think I am schlepping billions of dollars around in a back pack? Fork over another fifty million and hope the stock market give us 20,000% growth every five years. Are you nuts?"

Do you get it now? Cousin Scalpy can trace his lineage to public employee associations, way back. You don't hear very often from him, but he is there every time there is a new public employee contract. His name is there like an unwanted relative on Uncle Jacob's will. But let his gambling habits go bad, and cousin Scalpy will come running down for more money. "Ooops, I did a boo-boo"

Alright, enough already! It's time for the Glendale city council to sever the ties to this ne'r-do-well schemer with his escapades in Vegas. Just because he is related to brother and sister police officers and fire fighters doesn't mean we must continue to cough up more money. Let's give 5% of net base pay to employee associations and let them be responsible for their own retirement investments. If they want to give their money to cousin Scalpy or Cousin Bernie, it's their call. We need to stop being played for fools. **HERBERT MOLANO**

---

## TAKE ACTION – GET INVOLVED – BE INFORMED – SHARE VANGUARD – VOLUNTEER

### 2 Shout Box

ED – Letters published do not necessarily express the opinion of Vanguardians, Vanguard News Service, the organization or Barry Allen. Names are used only when requested. Initials are used as there are people, believe it or not, who are concerned with retaliation or have issues before a legislative body. Letters will be published that are signed and are not hate oriented.



What is going on in GWP is going on with public utilities across the country. The elected officials will drain the city's reserves to pay off the unions that have funded their elections and our infrastructure might resemble the old USSR in a decade or two if we fail to stop this corrupt dynamic. I visited the old Soviet Republic of Georgia and besides the quaint sculpture of Stalin on the Water and Power plant's wall, the other distinctive feature was the frequent black outs and regular water shut offs. Many of the pensioners there have been reduced to begging in the streets or relying on their children. One of the reasons why their economic system collapsed was that they didn't generate enough wealth to keep up with their expenses. In our case we generate enough wealth for public employees to enjoy modest lifestyles, the problem is there are too many of them who want to live beyond our means and they are content to raid our utilities operating and emergency reserve budgets to maintain it. In the end sadly, they might find themselves on the wrong end of a Chapter 9 if they keep it up and the 99 cents only store might become very familiar to them. Michael Fuss [ED – Fuss is the person behind the Save Our Budget Initiative.]

Do you have the total percentage of water rate increases starting with the first phase in 2008 and the last phase believe it was in January of this year? I believe it was close to 33% not counting the proposed 3.8 increase being recommended for council action in the near term. The pattern that the management of GWP doesn't have the savvy in living within their budget means without having to resort going to the GWP commission and ultimately the council in order to balance their sheets. It is issues such as water rates, GWP, recycle water that resonate with your subscribers and residents, because this is where it hits them the hardest from their pocketbook, especially already hard hit residents in zip codes 91204/05. GWP never proposed an option, only water rate increase. I remember that March 15th rally last year at Parcher Plaza, because it was during the Municipal Election. GC [ED – Read the article on Fitch ratings in the news section. **Herbert Molano** responds: "With regard to the rates on water, I have to locate a spreadsheet I made on my building and the increases I documented but there have been significant increases in my rate. But the issues are many.

1. Single family residents pay directly but they make up only 30 percent of the 67% residential customers. The problem is that they make up over 50% of the usage.

2. Multi-family and condos make up 70% of the residential customers and the individual resident does not pay.

3. The rate structure has a large fixed cost accounting for over 2/3 of the bill

4. The rate structure for variable costs is only 1/3 of the bill making conservation less effective financially.

5. Because the fixed cost (delivery and customer charge) are fixed, the rate is higher for the low user.

Example if fixed cost is \$100 and variable cost is \$100 for 50,000 gallons the cost would be \$0.004 per gallon. But if the usage is 100,000 gallons the fixed cost is \$100 and the variable cost is \$200. So \$300 buys you 100,000 gallons of water or \$0.003 in effect the cost per gallon drops the more you use.

6. The protest on the utility bill was mainly on electricity because the protesters were from Southern Glendale.

7. Aram's campaign hit upon the discontent by accident. Their door to door pollsters got an earful from residents about their high electricity bills. Many Glendale Residents have relatives in Hollywood and they do compare their expenses. L.A. rates were 60% lower at that time. Aram's campaign made use of that ire by helping to highlight the awareness in organizing the protest. If there had not been such discontent, the protest would not have gotten off the ground.

8. I got an earful myself when I helped Philpott campaigning for him at the Annex north of Foothill. These rates are a real problem and some single family residents tell me that they now only wash once every week or two weeks to keep their utility costs down."

Comment from an editorial advisor: "The bond rating information includes the statement that the city intends on taking another \$50 million water bond out in 2011 and the debt service on previous bonds were deferred so the city could rebuild the reserve (which it hasn't -- they say the level is still less than adequate). The debt service

payments on the previous bonds will begin in a few years and will require more millions each year. The finances on the city's water department are getting dimmer each year because the city has used it as a cash cow, ran it dry and left it will huge debt and the only way to recover is to continue to increase the costs to the users."

### 3



Public



Information



#### "Just the facts"

GWP delivered a litany of decaying infrastructure projects citing 90,000 feet of sewers and power valves...yet in a request for documents relating to the obtaining Federal Stimulus money for 'shovel ready' projects, there were none submitted in response to the public records request. Now this could be an oversight by the City Attorney but the records disclose paving projects, traffic signals, and new buses for a total request of \$48.5M broken down to Transit - \$34M and Roadway - \$14.5M.

Truth be Told?

"All truths are easy to understand once they have been discovered; the point is to discover them." - Galileo Galilei.

[Home Page of Open Government \(???\) in Glendale California](#)



Click to view the agenda [City Council](#) [Housing Authority](#) [Redevelopment Agency](#)

Meetings at City Hall (CH) are in the Council Chambers, 2<sup>nd</sup> Floor at 613 E Broadway.

Meetings at the Municipal Services Bldg. (MSB) are in room 105 at 633 E Broadway.

Meetings at the Perkins Bldg (PB) are in the Conference Room at 141 N Glendale Ave.

Phone numbers are in area code 818 unless noted otherwise

Another weak week

**Monday, July 5** Federal Holiday – All City Offices Closed

**Wednesday, July 7**

Planning Commission – 5:00 pm, MSB 548-2140

**Tuesday, July 6**

Housing Authority -- 2:30 pm, CH 548-2060

Redevelopment Agency -- 2:30 pm, CH 548-2005

City Council -- 6:00 pm, CH 548-4844

**Thursday, July 8**

Design Review Board #1 -- 5:00 pm MSB 548-2140

## 4 *Vanguardians* Vanguardians websites down for renovation

Order your bumper stickers now. Display them on your car and the note book you bring to government meetings. Speak out on the issues that spoil your quality of life. Make certain the elected officials and the government bureaucrats know the pain you are feeling while you continue to heap benefits and pensions on them.



Vanguard is now available many languages. Please provide the email address and language required. Send to [info@vanguardians.org](mailto:info@vanguardians.org)

**SEND YOUR UNION DUES TO VANGUARDIANS AS ALLOWED BY The [Meyers-Milias-Brown Act](#)** LOCAL PUBLIC EMPLOYEE ORGANIZATIONS act allows union members to have their dues go to Vanguardians -- (c) An employee who is a member of a bona fide religion, body, or sect that has historically held conscientious objections to joining or financially supporting public employee organizations shall not be required to join or financially support a public employee organization as a condition of employment. The employee may be required, in lieu of periodic dues, initiation fees, or agency shop fees, to pay sums equal to the dues, initiation fees, or agency shop fees to a nonreligious, nonlabor charitable fund exempt from taxation under Section 501(c)(3) of the Internal Revenue Code.

Vanguardians is establishing a City Wide Financial Oversight Committee to review public documents and report on them. If you have an interest, contact Barry Allen for details and a meeting.

**Vanguardians**, a local government accountability organization, **needs a volunteer construction project manager**. We sometimes find it necessary to review public documents such as construction plans, bid documents, work and change orders and want a chartered professional to prepare our reports.

FOR SALE.... a 1975 34' Silverton twin engine Cabin



Long Beach. Serious inquiries only. Revenue will be used for Vanguardians operations.

**Vanguard is following these lawsuits: the 5 GPD officers; Rodriguez; Gillespie; Hayn; Brooks; Ovasapyan. The cases cited were from the Randy Adams regime.**


## VANGUARDIANS needs your Continuing Financial Support

Please make checks payable to "VANGUARDIANS" Mail to: POB 11202 Glendale, CA 91226

Your contributions are tax deductible. You will receive a receipt for income tax purposes

- The **Ralph M Brown Act** mandates legislative bodies to provide each person an opportunity to speak and requires that agendas are posted and meetings are open.
- The **California Public Records Act** (PRA) is the tool to get information about the operations of government.
- The **Political Reform Act of 1974** allows public access to the financial reports of public officials.

To become more involved in your community, to learn how to use these important tools, you can call 818 243 1502

**5**  **the Insider** is written by city employees that care about the way the City is run. As they are concerned about retaliation, their identities are secret. Vanguard provides them the opportunity to have this forum. The comments are their own.



HOLIDAY BREAK



## 6 THE DENIZENS ON THE DAIS

**The ability to see and create the future is the essence of leadership. It is the secret of outstanding success in any field. Wfs**

Some men are born mediocre, some men achieve mediocrity, and some men have mediocrity thrust upon them. – Joseph Heller, Catch 22.

When did it begin?

Weaver*	Quintero	Najarian	Drayman*	Friedman
1997	2001	2005	2007	2009



\* Drayman and Weaver terms end in April 2011

## 7 NEWS BRIEFS FROM THE NEIGHBORHOOD

<http://watchcityofbell.blogspot.com/2005/08/city-of-bell-address-6330-pine-avenue.html>

A California City says, "Goodbye." A City Council that couldn't control their expenses and didn't monitor taxpayer dollars; beset by Police Department lawsuits, not by the employees but by their victims. The City lost its workers comp insurance because of their continued failure to comply with procedures. The community voices were unheard by the elected officials who did their best to silence them. You can read the sad story...probably one of the first...of many [from the LA Times](#).

---

# 8 Jump Page

## OUTLOOK REVISED TO NEGATIVE

### WHAT COULD PROMPT A DOWNGRADE:

--Failure to adopt rate increases needed to support the proposed debt issuance and preserve healthy operating margins for bondholders;

--Reduction in cash reserves;

--An increase in the transfer to the city's general fund, which could further diminish the financial strength of the water system.

SECURITY: The bonds are secured by a net revenue pledge of the City of Glendale's water enterprise fund.

CREDIT SUMMARY: Glendale Water and Power, an enterprise of the City of Glendale, provides retail services to 33,407 water system customers, including approximately 96% of the city's residents. Since Glendale is largely built out, there is only slow expansion of its customer base. The majority (64%) of the city's water supply is provided by the Metropolitan Water District, the regional wholesale provider of imported water to serve communities that do not have sufficient local water resources, such as Glendale. Due to critically dry hydrological conditions and reductions in its available supply, MWD implemented mandatory 10% reductions in deliveries to its members, including Glendale, effective July 1, 2009. MWD also raised rates to its members by 14% in January 2009 and 19.7% in September 2009. Glendale's customers exceeded expectations on the conservation targets, over 15%, although the revenues were protected at the lower consumption levels with base and adjustable component rate increases. The adjustable component in Glendale's rates recovers the imported water and pumping costs from MWD. Additional rate increases have been adopted by MWD of 7.5% in January 2011 and 7.5% in January 2012.

Glendale just implemented the third of a three-year rate increase package that was adopted by the city council in 2007. Base rates, that recover all costs other than those of Metropolitan, were increased 14% in January 2010 and 12% in January 2009. The city is conducting a rate study in 2010 but anticipates continued annual rate increases will be needed to fund ongoing capital needs, debt costs, and the sizable transfer to the general fund. Capital needs are estimated at \$113 million over the next five years, which is a substantial amount of capital spending per customer.

Debt service coverage appeared high at 7.1 times (x) in fiscal 2009, or 4.3x after the transfer. However, this is because principal on the only outstanding series of bonds does not begin to amortize until fiscal 2013. The delay in amortization was designed to provide the city with relief on its debt repayment in order to rebuild its reserves. **With additional debt issuance of \$50 million expected in fiscal 2011, debt service coverage is expected to be much lower, depending on additional rate increases.** The financial forecast projects debt service coverage of 1.95x in fiscal 2011, or 1.15x after the GF transfer. The result is that although debt service coverage hovers around 2.0x in the five year forecast, with annual assumed rate increases, cash flow available to the utility after payment of the transfer is slim. Although the transfer is legally subordinate to debt service, the funds are essential to city operations. While city charter permits the transfer to climb as high as 25% of revenues (it is currently 11%), management has indicated to Fitch that an agreement is in place with the city to fix the transfer at the fiscal 2009 level.

**Reserve levels were intended to be rebuilt as a result of the rate increases and the delayed amortization of debt in the series 2008 bonds. While it has improved, liquidity is still low with \$6.7 million in unrestricted reserves at the end of fiscal 2009, or 84 days cash. Based on the very slim cash flow, cash reserves are not expected to be rebuilt over the forecast period, unless higher rate increases are adopted.** These rating actions reflect the application of Fitch's current criteria which are available at '[www.fitchratings.com](http://www.fitchratings.com)' and specifically include the following reports:

--'Revenue-Supported Rating Criteria', Dec. 29, 2009;

--'Water and Sewer Revenue Bond Rating Guidelines', Aug. 6, 2008.

Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS).

IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE '[WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM)'.

PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.

---

Email [info@vanguardians.org](mailto:info@vanguardians.org) to subscribe to the Weekly News on issues that impact you. **Vanguardians encourage and support advocacy, involvement and engagement with government. Vanguard is intended for personal use by recipient and forwarding without change to recipient's personal email list. Vanguardians is a 501C3 charitable non-profit corporation. Contributions are tax deductible.** Vanguardians does not use commercial fundraisers. **To ensure you receive Vanguard, please add our email addresses [info@vanguardians.org](mailto:info@vanguardians.org), [vanguardweekly@gmail.com](mailto:vanguardweekly@gmail.com) and [ba@fieldworks.net](mailto:ba@fieldworks.net) - to your address book or Internet Service Provider safe list. Annual subscription for email \$50, by US Mail \$75, Newsstand \$2 per issue. Copyrighted materials used with permission. ©2010**