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LA City Attorney's Failure to Act to Recoup Tens of Millions of Taxpayer Dollars in a Bad Wall Street Deal Prompts Fix LA Coalition to Take Matters Into their Own Hands

Los Angeles, CA - *Members of the Fix LA coalition—including city residents, city workers and community leaders—showed up at the office of City Attorney Mike Feuer demanding to know why the City has failed to file a financial regulatory complaint to recover tens of millions of dollars that Los Angeles taxpayers are being unjustly charged by Bank of NY Mellon and the Dexia Group in a bad interest rate swap deal.*

The Fix LA coalition members wore stickers emblazoned with a clock and the words "Tick-Tock" and carried an oversized check in the amount of $1,800—the cost of filing a complaint with Financial Industry Regulatory Authority (FINRA). They also carried a ipad with a FINRA online complaint form already filled out in order to demonstrate the ease with which the City of Los Angeles could file a complaint—and to highlight the failure of the City Attorney's Office to act in the interests of the City's residents and workers.

Even though the City Attorney's staff called six police officers to remove the Fix LA members from the office, they held their ground and did not leave until the staff faced them to address their demands.

The following is a statement from Bill Przylucki, director of People Organized for Westside Renewal (POWER) and Simboa Wright, City of LA Wastewater Division worker & SEIU Local 721 Executive Board member, on behalf of the Fix LA Coalition.

"We are deeply disappointed and angered that Los Angeles City Attorney not only has failed to file a FINRA complaint to get back millions of dollars —he has utterly failed to communicate whether or not he intends to pursue any action at all on this bad bank deal. The deal with Bank of New York Mellon and Dexia costs taxpayers $5 million each year and may eventually cost as much as $138 million in total.

As we demonstrated today, filing a FINRA complaint is simple only requiring filling out an online application and paying an $1,800 fee—a fee that the Fix LA coalition has offered to pay on behalf of the Los Angeles residents and workers who are suffering from cuts to city services and jobs while Wall Street takes our money.

The clock is ticking and rather than urgent action from our City leaders to better position LA City's chances of getting our money back, taxpayers are getting complete silence as to what the plan is if Feuer fails to act in the next 24hrs. It is believed that the statute of limitations for filing a FINRA complaint expires on October 31, as described in a Forbes article published September 16, 2014, titled 'LA, Chicago Listen Up: Clock Is Ticking For Cities Sitting on Costly Swaps.'

> ***For most of the cities who began suffering losses in 2008, a six-year statute of limitation for arbitration with the Financial Industry Regulatory Authority (FINRA) is closing in October.***
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> ***Without the threat of arbitration, the only recourse would be the arduous process of proving fraud through the court system, making renegotiation of the swaps, totaling $300 billion nationwide, nearly impossible.***

The failure of the City Attorney's office to file a FINRA complaint is especially puzzling since the groundwork for the complaint has already been completed by the Fix LA coalition and published in a groundbreaking report, No Small Fees. Earlier this year, Fix LA presented the report to the mayor, the City Administrative Officer for the City of Los Angeles, the City Council and the City Attorney. The City Council acted on the findings and passed a resolution with a 14-0 vote requesting that the City Attorney evaluate potential legal remedies that the City may have against the financial institutions involved in the swaps deal—making Los Angeles the largest city in the U.S. to pass such a resolution.

So while the clock keeps ticking as the City Attorney fails to act on a FINRA complaint or even present taxpayers with an exit plan from this bad deal, LA residents and City workers are left with the cuts to crucial services that result when our City chooses to balance the budget on the backs of working families while letting Wall Street off the hook."

Background

Los Angeles entered into the interest rate swap in 2006 in order to fund its Wastewater System Bonds. The deal locked the City into an interest rate for 22 years—an unprecedented length of time. A typical interest rate swap has a length of 3 to 5 years. When interest rates dropped to historic lows in the wake of the financial crash of 2008, the City was unable to refinance the debt.

The financial impact on the City has been severe, with significant cuts to positions in wastewater management—potentially leading to increased pollution in our waterways and jeopardizing the ecological health of the City's oceans and beaches.

City Administrative Officer Miguel Santana and his staff—the people who made the decision to enter into the toxic swap deal—have flip-flopped repeatedly in public statements as to whether or not this was a bad deal. This has further eroded public confidence in the ability of both the City Attorney's Office and the City Administrative Office to advocate on behalf of LA taxpayers and residents and to protect the interests of the people they are charged with serving.

On August 13, the City Council voted unanimously (14-0) to request that the City Attorney evaluate potential legal remedies that the City may have against the financial institutions involved in the Wastewater swaps deal and to pursue action to renegotiate or terminate the deals. It is unclear what action, if any, the City Attorney has taken in the more than two months since the vote.

On October 6, 23 groups in the Fix LA coalition signed a letter on behalf of the citizens and workers they represent, urging the City Attorney to take immediate action to file a complaint and renegotiate the toxic deal. The City Attorney failed to respond to the letter.

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