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## **Ex-L.A. labor leader Alejandro Stephens headed to prison**

**Former head of large SEIU local pleaded guilty last year in a scheme to defraud a labor nonprofit.**

By Patrick J. McDonnell, Los Angeles Times

10:21 PM PST, December 8, 2010

For 15 years, Alejandro Stephens cut an imposing figure as a pugnacious Los Angeles union leader at the crossroads of labor and politics. This week he was headed to prison.

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Admitting his involvement in a scheme that defrauded a labor nonprofit to pad his union campaign coffers, he pleaded guilty last year to federal mail fraud and tax evasion.

"I made a mistake, OK," Stephens, 67, said in one of a series of interviews with The Times. "I'm ashamed of what I did."

The 2004 scheme, which netted Stephens \$52,000 in campaign money, helped him win reelection as head of a Service Employees International Union local that represented more than 50,000 L.A. County workers. The funds came from a nonprofit labor organization and were intended to pay for voter outreach, education and registration.

Stephens was the only person convicted in the scam, but federal prosecutors have named a number of people as "co-schemers" — including the late Miguel Contreras, once a political kingmaker as L.A.'s top labor leader.

Federal investigators also have questioned people with ties to the union about whether Andy Stern, former national head of the SEIU who now sits on President Obama's deficit reduction commission, may have approved a no-show position for Stephens. Stern has denied any

wrongdoing, and prosecutors have made no accusations against him.

At the epicenter of the Stephens scandal was the Voter Improvement Program (VIP), a nonprofit organization created by Contreras, who died in 2005. The federal complaint identifies a "co-schemer" with the initials "M.C." as the former "executive secretary/treasurer of the Los Angeles County Federation of Labor" — Contreras' longtime position.

According to the government, it was "M.C." who devised the scheme "to deprive VIP of the money it received for its voter registration and education programs."

Contreras, who once organized farmworkers for Cesar Chavez, is widely regarded as a transformational figure in California politics. As head of the largest union alliance in Southern California, Contreras used his clout to help elect a new generation of pro-labor, mostly Latino Democratic lawmakers who now dominate local politics and hold sway in Sacramento.

Friends and allies of Contreras say the allegations against him in the Stephens case shouldn't tarnish the legacy of a figure so revered that a downtown L.A. high school bears his name.

"Miguel's not here to defend himself, and therefore it shouldn't even be brought up," said Maria Elena Durazo, Contreras' widow, who holds his former post atop the federation. "All it would be is speculations and accusations."

VIP served as a cash cow for labor's sweeping agenda in California. The now-defunct nonprofit raised millions of dollars from corporations, Hollywood studios, labor unions and other donors.

In addition to the group's voter outreach efforts, cash was also poured into ballot initiative fights and generous consultant fees approved by Contreras for political allies, according to tax returns and campaign finance records. A federal investigation of VIP and its expenditures culminated last year in the charges against Stephens.

The genesis of the case, according to Stephens, was a phone call he received in early 2004 from an SEIU official, whom he declined to name. The official, Stephens said, told him Contreras wanted to help Stephens be reelected as president of Local 660, where he faced opposition amid criticism that he was autocratic and ineffective.

Stephens said he was then summoned to Sacramento. There, he said, he met with the SEIU official and others, who advised him to find people willing to accept the nonprofit's money and then turn it over to him.

"All I had to do was identify someone or persons who will be able to pass the checks, and then pay for the campaign," Stephens said.

Stephens admitted recruiting friends and relatives to serve as what prosecutors called "phony consultants," who received \$52,000 in VIP funds and were directed to "hand the money over to Stephens," federal authorities said in a statement.

Stephens conceded that he knew the arrangement amounted to an illegal diversion of the nonprofit's funds.

In 2007, Stern signed an agreement that eased Stephens out of his union position. The deal promised Stephens a \$76,770 severance payout and annual consulting payments of \$75,000 for three years.

The SEIU later demanded the money back, saying that Stephens never had performed the required consulting tasks on union-related retiree and community matters. In a statement, SEIU spokeswoman Michelle Ringuette said Stephens "scammed" the union by not abiding by the terms of the agreement.

Stephens said his work on a charity race and other union-related activities complied with his part of the deal.

Last month, an arbitrator rejected the SEIU's demand for a refund, saying that under the terms of the 2007 agreement, Stephens was not required to report to anyone and there was "no indication what Stephens's specific duties were, or the expectation of SEIU." The arbitrator blocked the final \$75,000 payment to Stephens because of his conviction.

Also touched by the scandal was Stephens' former girlfriend and ex-colleague Annelle Grajeda, who rose to become one of SEIU's six executive vice presidents and the top SEIU official in California before resigning her posts amid questions about whether she had improperly used influence to help Stephens.

Stephens identified Grajeda and her son, Carlos Grajeda, as a mother-son pair referred to by initials in the federal complaint as "co-schemers" in the case. The complaint alleges that "C.G." received \$10,000 from VIP in a phony consultant agreement and turned the money over to Stephens. Neither Grajeda was charged, and neither responded to telephone messages from The Times.

The Stephens affair is one of a number of corruption cases in Southern California that have marred the image of the giant SEIU, which has 2.1 million dues-paying members nationwide. In 2008, Tyrone Freeman, former head of the L.A.-based SEIU chapter that was California's largest local union, stepped down after reports in The Times of misuse of union funds for personal enrichment.

The Stephens investigation, a federal prosecutor said, originated with information provided by ex-Los Angeles Councilman Martin Ludlow, who succeeded Contreras as head of the L.A. County labor federation. Ludlow was sentenced to three years' probation in 2006 for illegally conspiring to divert school employees' union funds to his election campaign. Convicted of conspiracy and embezzlement in connection with that case was Janett Humphries, former president of SEIU Local 99, representing L.A.-area school workers.

Stephens was scheduled to begin his four-month federal prison term Wednesday. He said he was mired in debt and suffering from advanced prostate cancer.

A native of Panama who came to Los Angeles as a teenager and worked for L.A. County for 36 years, he called himself a "scapegoat" and "fall guy" for the union.

Defrauding the nonprofit "was something that I knew was wrong, and I have accepted that fact," said Stephens, sipping coffee recently in a fast-food outlet on Venice Boulevard, far removed from his days as a powerful union leader.

But "when I see anyone," he said, "they act like I've contracted leprosy, or am a ghost. They run and hide and turn their faces."

[patrick.mcdonnell@latimes.com](mailto:patrick.mcdonnell@latimes.com)

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*Times staff writer Paul Pringle contributed to this report.*

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