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## **In rebuff to Pérez, Senate rejects disbanding Vernon**

**Legislators agree on the need for reforms but say dissolving the long-troubled industrial city is too radical and could cost jobs. Assembly speaker says Senate ignored 'decades of corruption.'**

By Sam Allen, Los Angeles Times

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For months, Assembly Speaker John Pérez tried to make the case that corruption and secrecy were so deeply rooted in the city of Vernon that the only solution was to disband its municipal government, a first in modern California history. Advertisement

But a coalition of labor leaders and business owners feared a loss of jobs. Other municipalities worried that disincorporation would set a dangerous precedent. And Los Angeles County supervisors balked at inheriting Vernon's financial problems.

On Monday, the campaign came to an abrupt end when the state Senate rejected Pérez's bill, AB 46, on a 13-17 vote, with 10 senators abstaining.

There was general agreement that reforms were needed in Vernon, an industrial city just south of downtown Los Angeles that is home to 1,800 businesses but only 112 residents. But some senators said disbanding the city was too radical and could harm its bustling economy.

Vernon has spent more than \$5 million in legal and lobbying costs this year to defeat disincorporation and prepare for a legal challenge if the bill passed, records show.

After the vote, Pérez, a Los Angeles Democrat, announced that he would not press disincorporation further. In a statement he said he was "deeply disappointed" at the bill's failure, adding that his goal was to "end the toxic corruption that has poisoned the southeast communities by disincorporating Vernon."

"The Senate chose to ignore decades of corruption in Vernon," he said.

State Sen. Kevin De Leon (D-Los Angeles), who represents Vernon and initially supported disincorporation, last week broke ranks with Pérez and introduced a less drastic reform plan.

Vernon's leaders eagerly accepted De Leon's proposals.

"There is consensus and agreement across the board, we're all against corruption. That's common sense," De Leon said. "But we have a responsibility to do everything possible to protect real jobs, real lives and real families."

Critics have long argued that the 106-year-old city has been run as a fiefdom by a small clique of insiders and that criminal charges have failed to stop the abuse. The city owns nearly all of the residential properties within its borders, and many of the residents have close ties to city leaders.

Los Angeles County Dist. Atty. Steve Cooley was among the first to suggest the idea of dissolving Vernon after his office indicted a former city administrator last year, the third city leader to face criminal charges in five years. "This has been going on for 75 years," Cooley said at the time. "There has to be an ultimate solution."

During a dramatic hourlong debate Monday, some Senate Democrats said that Vernon was a rare case in which disincorporation was necessary.

"There is no independent electorate in Vernon that can stand up against the corruption and mismanagement," said state Sen. Lois Wolk (D-Davis), who presented the bill. "This is not a real city."

But others rose in opposition, saying that Vernon should be left to reform itself and that disincorporation could be costly and set a dangerous precedent.

"It becomes a slippery slope when you start to change the rules to disincorporate one city," said state Sen. Bob Huff (R-Diamond Bar).

In recent months Vernon's City Council has approved a package of governmental reforms, including salary cuts for city officials and the formation of an independent commission to manage the city's housing stock. The mayor and City Council members, some of whom have held office since the 1970s, have refused to be interviewed over the last year and referred inquires to their attorneys and spokesmen.

The City Council also hired former state Atty. Gen. John K. Van de Kamp as an ethics advisor. Last month, Van de Kamp issued a report stating that the city had "opened up to the world and the need to operate on a 'best practices' approach."

Some have questioned the legitimacy of Vernon's reform efforts. The City Council has yet to agree to immediately reduce its pay to \$25,000 a year, despite Van de Kamp's urging.

De Leon's recommendations, which the council unanimously supported at a meeting last week, included the appointment of an independent monitor to track the ongoing reforms.

Even though disincorporation is no longer a threat, Vernon still faces significant financial issues.

The Times reported earlier this month that Vernon recorded a \$130-million loss in net assets and amassed nearly \$500 million in debt over the last six years. Over the same period, Vernon's governmental expenses rose steadily. Five different officials were paid more than \$500,000 a year, including Eric T. Fresch, a former city attorney and city administrator who made \$1.65 million in 2008.

County auditors found that since 2005, the city's general fund has operated at annual deficits ranging from \$20 million to \$33 million. The city's outstanding debt forced it to sharply increase electricity rates this year.

The Times reported Monday that the Internal Revenue Service had begun auditing a series of bonds Vernon issued in 2009 to help pay for a 15-year supply of natural gas. Experts said the IRS is probably examining whether the deal qualified as a tax-exempt project.

Los Angeles County supervisors, who under the disincorporation plan would have taken control of some parts of the city's government, had expressed alarm in recent weeks that Vernon's financial problems could be a major burden on the county's budget.

Vernon City Administrator Mark Whitworth, who is also the fire chief, released a statement after the vote saying that the city was "fully committed to the historic tasks ahead of us."

The vote marked a defeat for Pérez, who had focused for months on the disincorporation plan, secured support from dozens of other legislators and wrote a companion bill, AB 781, that would have formed a new special district to take over some parts of Vernon's government.

The plan received strong support in the state Assembly, passing on a 62-7 vote, but faced much greater scrutiny in the upper house.

On Friday, De Leon's chief of staff sent a memo to other Senate Democrats asking them to withhold support from AB 46, a copy of which was obtained by The Times.

"In the end, Senator De Leon simply cannot allow his legacy in the Senate to be that he helped chase tens of thousands of jobs out of his district," the memo stated.

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