

City of Industry aims to redo or end trash pact with ex-mayor's firm

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City of Industry officials are seeking to renegotiate or possibly cancel a lucrative trash contract with a company headed by former Mayor Dave Perez as they scrutinize years of business deals that benefited him and his relatives.

The roughly \$12-million-a-year trash pact with Valley Vista Services is by far the richest arrangement between the city and companies controlled by ex-Mayor Dave Perez and his relatives whose grip on the city's politics and purse-strings has spanned decades. Businesses linked to the family have been paid more than \$326 million by Industry over the past 20 years, an audit has found.

Another Perez company, Zerep Management, collected millions of dollars annually from a maintenance contract for city properties, including the Industry Hills Expo Center. The city terminated that contract last September. Perez's wife, Carol, manages the Expo Center, which has lost millions of dollars since 2006. She is an employee of a company not owned by the family, officials said.

FOR THE RECORD:

City of Industry: In the April 30 California section, an article about the City of Industry's contracts with businesses owned by former Mayor Dave Perez and his family referred to Carol Perez as his wife. She is the wife of David M. Perez, the former mayor's nephew who is also involved in the family's enterprises. —

This month, the city-ordered audit by the firm KPMG drew fresh scrutiny to the family's business dealings with the tiny municipality. For many, the findings came as little surprise. A Times investigation in 2009 laid out the profitable ties between the Perezes and City Hall, with the family franchises extending beyond trash pickup to street sweeping, lawn mowing and other services.

An inquiry by the district attorney's office that began that same year led to no charges being filed.

Shortly after the new audit was completed, City Manager Kevin Radecki demanded financial

records and other documents from Valley Vista -- formerly known as City of Industry Disposal Co. -- a first step toward possibly altering or ending the contract with the company that collects refuse from homes and businesses. The contract extends to 2025.

In a letter to David M. Perez, who helps run Valley Vista and is a nephew of the former mayor, Radecki wrote, "Unfortunately, over the past several years, the city has received numerous complaints from city businesses about the cost and quality of services."

Radecki also said in the letter that the city intends to determine if the trash-hauling rates and level of service meet "the satisfaction of the city manager." He insisted that the company produce years of records on its ownership and management structure, customer accounts, routes and trash tonnage.

Perez family members either could not be reached for comment or did not respond to interview requests.

In an email earlier this month to City Council members and candidates, a man who described himself as an Industry business owner said he paid significantly more for trash service than neighboring cities charge. "I simply cannot understand how you can turn a blind eye to this blatant abuse," he wrote. The Times obtained the email through the state open records law.

The specific rates cited in the email could not be immediately verified. Radecki said his office is still gathering information on the rates. Valley Vista has asked for more time to turn over the billing records and other documents, he said.

"People have always complained that the rates are too high," Radecki said in an interview.

In addition, he said the city is looking into whether Valley Vista might have violated the contract terms by using older trucks.

In a letter to Radecki last September, after the city moved to terminate its maintenance agreement with Zerep, an attorney for the firm, Mark Austin, threatened to sue for breach of contract.

Austin criticized the city for demanding, beginning in 2012 "an onerous level of detail in its bills that had never before been required or requested." He also contended the city owed the company \$740,000 for work it had completed.

Austin struck a conciliatory tone in suggesting the two sides work out a settlement, noting that "the longstanding and mutually beneficial history between Zerep and the city should not be tossed aside on a whim," the letter states. He did not respond to requests for comment Wednesday.

Meanwhile, a consulting firm hired by the city to analyze the Expo Center's operations found that

it had lost money every fiscal year since 2006-07, in amounts ranging from \$752,000 that year to \$1.2 million in 2010-11 and \$885,000 in 2012-13, the most recent period examined.

The 125-acre, gated property rents out space for wedding receptions, rodeos, business meetings, boxing matches, cultural festivals and birthday parties.

The report by PKF Consulting said the venue was unlikely to ever reach a break-even point unless it found ways to increase revenue or cut costs.

"In short, the Expo Center is simply not generating enough income to cover the expenses required to successfully host its events and guests given the nature and quality of its current client base," according to the January 2014 report.

Among other things, the report questioned annual maintenance costs of about \$320,000. And at the same time it has been hemorrhaging money, the center also has given hefty discounts of up to 75% off its regular rates to city residents and employees, and others. Rates range from \$450 for a wedding ceremony at the Avalon Garden Gazebo to \$5,000 for an all-day event at the Grand Arena.

Records reviewed by The Times show that one city contractor, for example, paid \$1,287 to rent space for a recent wedding reception for 300 guests. The regular rate was \$4,750.

Discounts were approved for fundraising events that supported politicians, such as Walnut City Councilman Bob Pacheco and Los Angeles County Supervisor Hilda Solis. Valley Vista hosted the Solis event in March 2014, city records show.

Others had their fees waived altogether, including an Industry City Council candidate supported by the Perezes, Cory Moss, the records show.

"The practice of offering discounted rental rates to Expo Center employees and local residents and non-profit groups should be reduced or eliminated," the consultants' report noted. "We recommend that at a minimum, management continue with its current policies and that discounting be limited to non-peak, weekday events."

"It's being mismanaged," Radecki said of the center.

Radecki said he believed the city's review of the center is one reason the Perez family decided to back three council candidates in next June's election, a bid to win a majority on the panel. The family's influence over City Hall has waned since Dave Perez stepped down as mayor in 2012, citing declining health.

In February, the rift between city officials and the Perezes intensified when Radecki's staff asked

the council to remove Manuel Perez, the former mayor's brother, from the planning commission. The action was prompted by a family company's alleged unpermitted use of leased property to store trucks.

After a code enforcement officer reported the alleged violation, Manuel Perez berated the city planning director over the phone, according to a staff report.

"Commissioner Perez communicated via yelling at the planning director rather than using a business-like tone, he stated that the trucks were indeed being stored for other people but that he is used to doing business his way and without city interference, and he believes that the way things 'used to be done' at the city is better than the manner in which the city now operates," the staff report stated.

Manuel Perez, 80, died earlier this month.

Times staff writers Soumya Karlamangla, Frank Shyong, Ruben Vives and Paloma Esquivel contributed to this report.

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