



Los Angeles Department of Water & Power

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RESOLUTION NO. _____

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POWER SYSTEM WATER SYSTEM
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BOARD LETTER APPROVAL

RELEASE DATE: MAY 29 2015

PHILIP LEIBER
Chief Financial Officer

DAVID H. WIGGS
Chief Administrative Officer

DAVID H. WRIGHT
Senior Assistant General Manager - Power System

MARCIE L. EDWARDS
General Manager

DATE: May 7, 2015

SUBJECT: Fiscal Year 2015-2016 Los Angeles Department of Water and Power Final Budget - Power Revenue Fund Receipts and Appropriations and Associated Schedules and FY 2015-2016 Annual Personnel Resolution

SUMMARY

Submitted for the Board of Water and Power Commissioners' (Board) consideration and approval is a Resolution to adopt and transmit to the Los Angeles City Council (Council) the Los Angeles Department of Water and Power (LADWP) Proposed Fiscal Year (FY) 2015-2016 Power Revenue Fund Receipts and Appropriations final budget and associated schedules, as required by City Charter Section 684. Additionally, approval of this Resolution provides authority for the FY 2015-2016 Annual Personnel Resolution (APR).

On March 17, 2015, in accordance with City Charter Section 684 (as amended by Measure J adopted in March 2011), this Honorable Board reviewed and approved the transmittal of the FY 2015-2016 Preliminary Budget to the Council and the Mayor.

Since the development of that preliminary budget, LADWP Management has thoroughly reviewed the budget, and prioritized and adjusted the spending proposals to emphasize LADWP's investment in system infrastructure, reliability, renewable energy, and customer service, while keeping rates competitive. As a result, this Proposed FY 2015-2016 Power Revenue Fund final budget does reflect additional power revenues, including base rate and other pass through adjustments of \$116 million for FY 2015-2016. In addition to these new revenues, normal operation of the LADWP Board approved pass-through adjustment (Energy Cost Adjustment Factor and successor charges) for fuel and other power expenses would continue.

RECOMMENDATION

It is recommended that your Honorable Board adopt the attached Resolution authorizing:

1. Approval and transmittal of the FY 2015-2016 LADWP Power Revenue Fund Final Receipts and Appropriations budget and associated schedules to the Council; and,
2. Approval and execution of the FY 2015-2016 APR.

FINANCIAL INFORMATION

The Power Revenue Fund Proposed Final Budget incorporates expenditures for the Power System, including the share of expenditures associated with the Joint System and Water Revenue Fund that support Power System functions. Estimated appropriations for the Power Revenue Fund for FY 2015-2016, total \$5.12 billion. Net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$4.51 billion.

BACKGROUND

In March 2011, Los Angeles voters approved Measure J that revised the City Charter to require LADWP to submit a Preliminary Budget to the Council by March 31 annually, and by May 31 update the preliminary budget based on additional information received after March 31, including without limitation, additional information about revenue and expense projections. This Honorable Board approved the transmittal of the preliminary budget to the Council for information purposes on March 17, 2015.

In October 2012, the Council approved a Power Revenue Fund rate action to increase base rates over two years, the first of which went into effect on November 11, 2012, and the second year change became effective July 1, 2013. The two-year rate action totaling 11 percent brought system-wide average rates to 14.1 cents per kWh, which are still among the lowest in the State. The proposed revenues and appropriations associated with this final budget do reflect a proposed Power revenue increase that is scheduled to be presented to this Honorable Board on May 19, 2015.

Upon approval from this Honorable Board, the FY 2015-2016 Power Revenue Fund Receipts and Appropriations final budget and associated schedules will be transmitted to the Council in accordance with the City Charter. The FY 2015-2016 preliminary and proposed final budget have been provided to the Ratepayer Advocate for review.

FY 2015-2016 POWER REVENUE FUND BUDGET

The final budget, while reflective of continued cost controls and prioritization of resources, will continue progress on the programs that address current and future

challenges, including improving customer service; maintaining and updating infrastructure; achieving high environmental goals; and restoring pride in the agency (through rebuilding customer confidence and setting an example for integrity and transparency).

Changes between the FY 2015-2016 Power Revenue Fund preliminary budget and this proposed final budget include some notable items:

- Power Revenue Fund Capital has decreased by \$6 million. This is primarily due to updated project schedules and deferral of some planned capital work. Some of the largest changes include \$12 million increase from the Power System Reliability Program (PSRP), \$11 million reduction from Power Supply Replacement Program, \$5 million reduction from In-Basin Plants Additions and Betterments, and \$2 million reduction in ITS Distribution Processing System.
- Power Revenue Fund Operation and Maintenance (O&M) has increased by \$29 million primarily due to increased funding for Navajo O&M (\$20 million), Customer Services (\$5 million), and Office of Sustainability and Economic Development programs (\$4 million).
- Fuel, Purchased Power, and Emissions Expense has decreased by \$60 million largely reflective of a decline in natural gas pricing and reduced purchase of fixed-priced biomethane gas, due to supply constraints.
- Retail revenue has decreased \$53 million as a result of reductions in the incremental base (\$49 million) and energy cost adjustment (\$4 million) revenues.

The following documents are included in the Power Revenue Fund Budget:

- LADWP Goals and Objectives for FY 2015-2016
- Final Power Revenue Fund Receipts and Appropriations
- Power Revenue Fund Capital Improvement Program
- Power Revenue Fund Salaries and Authorized Number of Positions
- Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates
- Final Budget Presentation

FY 2015-2016 ANNUAL PERSONNEL RESOLUTION

The attached Resolution, approved as to form and legality by the City Attorney, establishes the maximum allowable number of positions for the LADWP for FY 2015-2016. Positions in the APR Schedule are listed by System (Joint, Power, and Water), Civil Service classification, and duties description record. Establishing positions for each System will provide flexibility and allow positions to be reassigned between the Divisions within each System in a manner that is most advantageous to the LADWP and that meets critical operational needs as they arise.

See attached Power Revenue Fund Salaries and Authorized Number of Positions as of July 2015, which reflects a total of 6,607 budgeted positions. The 4,263 positions represent the total staffing that the Power System has identified as necessary for continued and planned critical operations during FY 2015-16. Employment of persons in positions authorized by this Resolution is subject to availability of authorized funding in the expenditure programs for the FY 2015-16.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- LADWP Goals and Objectives for FY 2015-2016
- Final Power Revenue Fund Receipts and Appropriations
- Power Revenue Fund Capital Improvement Program
- Power Revenue Fund Salaries and Authorized Number of Positions
- Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates
- Final Budget Presentation
- FY 2015-2016 APR Schedule by System (one green bar report for the Board Office)