



Los Angeles Department of Water & Power

BOARD LETTER APPROVAL

20 RESOLUTION NO. 015 217

- POWER SYSTEM
- WATER SYSTEM
- CAO
- CFO
- LEGAL

MAY 19 2015

RELEASE DATE: MAY 29 2015

[Signature]
PHILIP LEIBER
Chief Financial Officer

[Signature]
DAVID H. WIGGS
Chief Administrative Officer

[Signature]
MARTIN L. ADAMS
Senior Assistant General Manager -
Water System

[Signature]
MARCIE L. EDWARDS
General Manager

See Res No. 015 216 for approval of FY 2015-2016 for Annual Personnel Resolution (APR) - NOTE the APR information on this resolution is duplicate information.

DATE: May 7, 2015

SUBJECT: Fiscal Year 2015-2016 Los Angeles Department of Water and Power Final Budget - Water 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 Water 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 replacing aging infrastructure, protecting Los Angeles' drinking water quality, creating a more sustainable and local water supply, continuing compliance with regulatory mandates in the Owens Valley, while keeping rates competitive. As a result, this Proposed FY 2015-2016 Water Revenue Fund final budget does reflect additional water revenues, including base rate, securitization revenues, purchased water and other pass through adjustments of \$18.3 million for FY 2015-2016.

In addition to these new revenues, normal operation of the LADWP Board-approved pass-through adjustments (Purchased Water and Water Quality Improvement Adjustment Factors (WQIAF) 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 Water 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 Water Revenue Fund Final Budget incorporates expenditures for the Water System, including the share of expenditures associated with the Joint System and Power Revenue Fund that support Water System functions. Estimated appropriations for the Water Revenue Fund for FY 2015-2016, total \$2.28 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$1.93 billion.

BACKGROUND

In March 2011, Los Angeles voters approved Measure J that requires the 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.

Although in February 2012, funding was secured for a 35-cent increase to the WQIAF, the LADWP faces continuing challenges to comply with mandates, upgrade aging infrastructure, and create a more sustainable and local water supply without a Water Revenue Fund base rate increase in the last 5 years. The proposed revenues and appropriations associated with this final budget do reflect a proposed Water 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 Water 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 WATER 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 Water Revenue Fund preliminary budget and this proposed final budget include some notable items:

- Water Revenue Fund Capital has increased by \$123 million, which is primarily due to regulatory driven requirements for Owens Valley that includes the master project.
- Water Revenue Fund Operation and Maintenance (O&M) has increased by \$9 million, also primarily due to regulatory driven requirements for Owens Valley.
- Purchased Water forecast has increased by \$62 million, resulting from a low snowpack for the winter of FY 2014-15 whereas the preliminary budget assumed a normal water year.
- Retail revenue has increased by \$38 million as a result of increases in pass-through revenues related to the Purchased Water Adjustments for Purchased Water and Conservation and Reclaimed Water.

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

- LADWP Goals and Objectives for FY 2015-2016
- Final Water Revenue Fund Receipts and Appropriations
- Water Revenue Fund Capital Improvement Program
- Water 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 Water Revenue Fund Salaries and Authorized Number of Positions as of July 2015, which reflects a total of 3,407 budgeted positions. The 1,995 positions represent the total staffing that the Water 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 2015-2016.

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 Water Revenue Fund Receipts and Appropriations
- Water Revenue Fund Capital Improvement Program
- Water 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)