



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

JEFFERY L. PELTO
Chief Financial Officer

DAVID H. WRIGHT
Chief Operating Officer

MARTIN L. ADAMS
Senior Assistant General Manager -
Water System

MARCIE L. EDWARDS
General Manager

DATE: April 29, 2016

SUBJECT: Fiscal Year 2016-2017 Los Angeles Department of Water and Power Final Budget - Water Revenue Fund Receipts and Appropriations and Associated Schedules and Fiscal Year 2016-2017 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) 2016-2017 Water Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$1.94 billion. Approval of this Resolution also provides authority for the FY 2016-2017 Annual Personnel Resolution (APR) for the Water Revenue Fund totaling 3,434 positions.

On March 16, 2016, in accordance with City Charter Section 684 (as amended by Measure J adopted in March 2011), the Board reviewed and approved the transmittal of the FY 2016-2017 Preliminary Budget to the Council and the Mayor.

Since the development of the preliminary budget, LADWP Management has thoroughly reviewed the budget and prioritized and adjusted the spending proposals in accordance with the Board approved Water rate action, with approximately \$160 million in additional water revenues projected for the coming fiscal year. This FY 2016-2017 final budget emphasizes LADWP's investment in replacing aging infrastructure, improving and enhancing services for our customers, protecting Los Angeles' drinking water quality, creating a more sustainable and local water supply, and continuing compliance with regulatory mandates.

RECOMMENDATION

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

1. Approval and transmittal of the FY 2016-2017 LADWP Water Revenue Fund Final Receipts and Appropriations budget and associated schedules to the Council; and,
2. Approval and execution of the FY 2016-2017 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 2016-2017, total \$2.34 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$1.94 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. The Board approved the transmittal of the preliminary budget to the Council for information purposes on March 16, 2016. The proposed revenues and appropriations associated with this final budget are in accordance with the December 15, 2015 Board approved Water revenue increases.

Upon approval from the Board, the FY 2016-2017 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 2016-2017 preliminary and proposed final budget have been provided to the Ratepayer Advocate for review.

FY 2016-2017 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). While the court determined approval of the settlement remains pending, LADWP management has included in this budget estimated expenditures of approximately \$28M for FY 2016-2017 to address the Customer Information and Billing System Class Action Litigation Settlement.

Changes between the FY 2016-2017 Water Revenue Fund preliminary budget and this proposed final budget include the following items:

- Water Revenue Fund Capital has decreased by \$5 million largely due to decreases in the Customer Relationship Management system and the Mail and Remittance Processing Center.
- Water Revenue Fund Operation and Maintenance (O&M) has decreased by approximately \$7 million primarily due to changes in customer services allocations between the Water and Power Systems (\$11 million reduction) and an increase in Water Recycling O&M of \$6 million.
- Purchased Water forecast has increased by \$43.8 million, resulting from a lower than expected snowpack for the winter of FY 2015-16 whereas the preliminary budget assumed a normal water year.
- Retail revenue has increased by \$159.8 million as a result of increases in base rate and pass-through revenues related to adjustment factors for Water Supply Cost, Water Infrastructure, Water Quality, Water Expense Stabilization, and Owens Valley Regulatory.

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

- LADWP Goals and Objectives for FY 2016-2017
- 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 2016-2017 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 2016-2017. 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 2016, which reflects a total of 3,434 budgeted positions. The 1,993 positions represent the total staffing that the Water System has identified as necessary for continued and planned critical operations during FY 2016-17. Employment of persons in positions authorized by this Resolution is subject to availability of authorized funding in the expenditure programs for the FY 2016-2017.

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 2016-2017
- 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 2016-2017 APR Schedule by System (one green bar report for the Board Office)