




Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL


JEFFERY L. PELTO
Chief Financial Officer


DAVID H. WRIGHT
Chief Operating Officer


MICHAEL S. WEBSTER
Executive Director – Power System
Engineering and Technical Services


MARCIE L. EDWARDS
General Manager

DATE: April 29, 2016

SUBJECT: Fiscal Year 2016-2017 Los Angeles Department of Water and Power Final Budget - Power 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 Power Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$4.34 billion. Approval of this Resolution also provides authority for the FY 2016-2017 Annual Personnel Resolution (APR) for the Power Revenue Fund totaling 6,581 positions and authorizes three functional transfers, as directed by the General Manager, from major system Power (PXXXX) to major system Joint (JXXXX). The details of said transfers are set forth in the Transfer Schedule "A".

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 Power rate action, with approximately \$109 million in additional power revenues projected for the coming fiscal year. This FY 2016-2017 final budget emphasizes LADWP's investment in system infrastructure and reliability, improving and enhancing services for our customers, continued transition to renewable energy supplies, and 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 Power Revenue Fund Final Receipts and Appropriations budget and associated schedules to the Council; and,
2. Approval and execution of the FY 2016-2017 APR, including authorization of the functional transfer of certain functions from the Power System to the Joint System as set forth in the Transfer Schedule "A".

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 2016-2017, total \$4.90 billion. Net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$4.34 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. 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 January 19, 2016 Board approved Power revenue increases.

In 2012, the Security Planning, Fleet Engineering/Specification, and Power Real Estate/Assets functions were transferred from the Joint System to the Power System. The General Manager has determined that returning these functions to the Joint System is in the best operating interest of LADWP. The transfers will not affect the overall staffing levels reflected in the APR, nor do they have any overall budgetary impact on the LADWP. These three functional transfers involve a total of 23 positions, twelve employees, and twelve classifications. Employees affected by these functional transfers will remain in their former class group for purposes of layoff and reemployment, in accordance with City Charter Section 1015.

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

FY 2016-2017 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). While the court determined approval of the settlement remains pending, LADWP management has included in this budget estimated expenditures of approximately \$65 million for FY 2016-2017 to address the Customer Information and Billing System Class Action Litigation Settlement.

Changes between the FY 2016-2017 Power Revenue Fund preliminary budget and this proposed final budget include some notable items:

- Power Revenue Fund Capital has decreased by \$55 million primarily due to updated project schedules and deferral of some planned capital work. Some of the largest changes include decreases within the Power Supply Replacement Program (\$38 million), Power System Reliability Program or PSRP (\$4 million), and Customer Services (\$13 million) which is largely due to decreases in the Customer Relationship Management system and the Mail and Remittance Processing Center.
- Power Revenue Fund Operation and Maintenance (O&M) has decreased by \$3 million, which reflects a \$1 million reduction within PSRP and capitalization of Electric Vehicle Program costs (regulatory asset).
- Fuel, Purchased Power, and Emissions Expense has decreased by \$57 million largely reflective of natural gas pricing, which is at a ten year low.
- Retail revenue has increased by \$109 million as a result of increases in the incremental base of \$173 million and decreases of \$64 million in energy and reliability cost adjustment revenues.

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

- LADWP Goals and Objectives for FY 2016-2017
- 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 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 Power Revenue Fund Salaries and Authorized Number of Positions as of July 2016, which reflects a total of 6,581 budgeted positions. The 4,239 positions represent the total staffing that the Power 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 2016-17.

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 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 2016-2017 APR Schedule by System (one green bar report for the Board Office)
- Transfer Schedule "A" for Functional Transfer of Certain Functions from the Power System to the Joint System