



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL


NEIL M. GUGLIELMO
Acting Chief Financial Officer


RICHARD F. HARASICK
Senior Assistant General Manager
Water System


MARTIN L. ADAMS
Chief Operating Officer


DAVID H. WRIGHT
General Manager

DATE: March 1, 2017

SUBJECT: Transmittal of Preliminary Fiscal Year 2017-2018 LADWP Budget to the Los Angeles City Council – Water Revenue Fund Receipts and Appropriations Budget and Associated Schedules

SUMMARY

Submitted to the Board of Water and Power Commissioners (Board) for consideration is a Resolution authorizing the LADWP to transmit the preliminary Fiscal Year (FY) 2017-2018 LADWP Water Revenue Fund Receipts and Appropriations budget and associated schedules to the Los Angeles City Council (Council), as required by City Charter Section 684. Estimated appropriations for FY 2017-2018 total \$2.17 billion or \$1.73 billion, net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board adopt the attached Resolution authorizing the transmittal of the preliminary FY 2017-2018 LADWP Water Revenue Fund Receipts and Appropriations budget and associated schedules to the Council with the understanding that the LADWP will submit to the Board changes from this preliminary budget through the final budget by May 31.

FINANCIAL INFORMATION

The Water Revenue Fund Preliminary 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 FY 2017-2018 total \$2.17 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations are \$1.73 billion.

BACKGROUND

Development of the FY 2017-2018 Preliminary Budget commenced in September 2016, with continued analysis and refinement. The final budget will be submitted for your review and approval in May 2017. The preliminary budget is consistent with the approved five-year rate action. Pass through rates would continue to adjust for, in part, variable and uncontrollable costs including infrastructure investments, continuing water quality improvements and decreased purchased water from the Metropolitan Water District.

The LADWP continues to emphasize cost control and fiscal discipline across all programs and enhanced performance metrics reporting contributing to greater cost efficiency and accountability. The FY 2017-2018 funding priorities are consistent with the Mayor's priorities and reflect continued investment to comply with mandates, upgrade aging infrastructure, and create a more sustainable and local water supply.

Some of the proposed budget highlights are as follows:

Water Quality Program: Total \$401 million, Capital (\$315 million) and Operating & Maintenance (\$86 million)

Planned water quality capital projects will continue to fund investments in FY 2017-2018 that develop the highest quality of water through the reservoir covers, bypasses, trunk line replacement, and regulatory compliance for construction, operation and maintenance, equipment, and supplies for facilities and systems to provide high quality water and meet State and Federal water quality standards. Construction is scheduled to be completed at Elysian Reservoir in the coming fiscal year and to start at Upper Stone Canyon Reservoir in the coming months,

The budget includes continued financing with State Revolving Funds for qualifying projects and reduced rate bonds issued through the Southern California Water Authority Joint Powers Agreement.

Replace Aging Infrastructure: Total \$391 million, Capital (\$275 million) and Operating & Maintenance (\$116 million)

Ensuring reliable water for domestic use and fire protection, replacement and repair of water pipelines and other water system facilities are critical priorities for the Water

System. To address these priorities, the Water System has developed the Water Infrastructure Program (WIP). To support the WIP, the Water System is developing an Asset Management process to assess the reliability of aging distribution mainlines, trunk lines, pump stations, pressure regulating stations, tanks, reservoirs, aqueducts, and meters and services and plan for appropriate ongoing maintenance and operations.

The Water System is on schedule to meet current year mainline replacement goals as well as meter replacement, pumping station and regulator station improvements and completed significant refurbishment of sections of the Los Angeles Aqueduct this fall.

Local Water Supply and Conservation: Total \$289 million, Capital (\$178 million) and Operating & Maintenance (\$111 million)

Currently, the LADWP receives its water supply from four sources:

1. Owens Valley and Mono Basin via the Los Angeles Aqueduct
2. Pumping groundwater in the San Fernando Groundwater Basin, the Sylmar Basin, and the Central Basin
3. Recycled water
4. Purchases from the Metropolitan Water District of imported water delivered through the Colorado River Aqueduct and the California Aqueduct

To ensure long term reliability, resilience and low-costs, the Water System is investing in increased local supply and conservation. Investments include increased storm water capture capability, additions to the recycled water purple pipe infrastructure, and long term recycled water strategies.

The City met the Mayor's January 1, 2017 conservation goal of 104 gallons per capita usage. Investments and continued outreach provided in this budget will support customers in longer-term goals. The Water System is aggressively pursuing funding for supply projects through the State Proposition 1 program.

Owens Valley Regulatory: Total \$114 million, Capital (\$82 million) and Operating & Maintenance (\$32 million)

The LADWP plans to complete the remaining sections of dust mitigation, work to reduce the water-intensive measures on the lake, which will increase the long-term availability of water.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- Cover Letter to the City Administrative Officer
- LADWP Strategic Plan
- Preliminary Water Revenue Fund Receipts and Appropriations
- Water Revenue Fund Capital Improvement Program
- Water Revenue Fund Salaries and Authorized Number of Positions (based on Annual Personnel Resolution)
- Preliminary Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates
- Preliminary Budget Presentation

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WHEREAS, Section 684, of the Los Angeles City Charter, requires that the Board of Water and Power Commissioners (Board) shall, submit a preliminary budget for the upcoming fiscal year to the Los Angeles City Council (Council) for informational purposes, no later than March 31, of each year; and

WHEREAS, the Los Angeles Department of Water and Power (LADWP) management has prepared a preliminary budget for Fiscal Year (FY) 2017-2018 that reflects the anticipated funding needs for the year; and

WHEREAS, this recommended preliminary budget furthers LADWP's goal of building a water system for the next century, and reflects continued investment to comply with mandates, upgrade aging infrastructure, and create a more sustainable and local water supply; and

WHEREAS, this recommended preliminary budget is consistent with the approved five-year rate action. Pass through rates would continue to adjust for, in part, variable and uncontrollable costs including infrastructure investments, continuing water quality improvements and decreased purchased water from the Metropolitan Water District; and

WHEREAS, LADWP continues to emphasize cost control and fiscal discipline across all programs and enhanced performance metrics reporting contributing to greater cost efficiency and accountability; and

WHEREAS, the preliminary budget schedules and documents submitted do not reflect a Board adopted position and are, therefore, subject to further refinement in the upcoming months.

NOW THEREFORE, BE IT RESOLVED that the Board approves the transmittal of the Preliminary FY 2017-2018 LADWP Budget – Water Revenue Fund, submitted by the General Manager to this Board to the Council as required by Los Angeles City Charter Section 684.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a resolution adopted by the Board of Water and Power Commissioners of the City of Los Angeles at its meeting held

APPROVED AS TO FORM AND LEGALITY
MICHAEL W. PEHR, CITY ATTORNEY

MAR 02 2017

DIANE BRONERSMA
DEPUTY CITY ATTORNEY

Secretary