



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

NEIL M. GUGLIELMO
Chief Financial Officer

RICHARD F. HARASICK
Senior Assistant General Manager - Water System

MARTIN L. ADAMS
Chief Operating Officer

DAVID H. WRIGHT
General Manager

DATE: May 2, 2017

SUBJECT: Fiscal Year 2017-2018 LADWP Final Budget - Water Revenue Fund Receipts and Appropriations and Associated Schedules and Fiscal Year 2017-2018 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 LADWP Proposed Fiscal Year (FY) 2017-2018 Water Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$1.7 billion. Approval of this Resolution also provides authority for the FY 2017-2018 Annual Personnel Resolution (APR) for the Water Revenue Fund totaling 3,608 positions.

City Council approval is not required.

RECOMMENDATION

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

1. Approval and transmittal of the FY 2017-2018 LADWP Water Revenue Fund Final Receipts and Appropriations budget and associated schedules to the Council; and,
2. Approval and execution of the FY 2017-2018 APR.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act Guidelines 15060 (c)(3). In accordance with Section 15060 (c)(3) of the California Environmental Quality Act (CEQA) Guidelines, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(2) and (4) states that continuing administrative, fiscal, or personnel related activities, do not meet that definition.

FINANCIAL INFORMATION

The Water Revenue Fund Proposed 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 2017-2018, total \$2.1 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$1.7 billion.

BACKGROUND

On March 21, 2017, 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 2017-2018 Preliminary Budget to the Council and the Mayor. By May 31, 2017, LADWP must update the preliminary budget based on additional information received after March 31, including without limitation, additional information about revenue and expense projections.

Since the development of the preliminary budget, LADWP Management has thoroughly reviewed the budget, prioritized, and adjusted the FY 2017-18 spending proposals in accordance with the Board approved water five-year rate action, with approximately \$168 million in additional water revenues projected for the coming fiscal year. The FY 2017-2018 water rates exceed the average annual rate adjustment over the five-year rate period (5.9 percent versus 5.3 percent) largely as a result of 1) the delay in programming the non-bypassable charge for securitization (rate reduction bonds) and 2) the greater than expected water conservation.

Upon approval from the Board, the FY 2017-2018 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 2017-2018 proposed final budget and associated financial plans have been provided to the Ratepayer Advocate for review.

FY 2017-2018 WATER REVENUE FUND BUDGET

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. The final budget is reflective of continued cost control and prioritization of resources, as well as enhanced performance

metrics reporting contributing to greater cost efficiency and accountability. This budget includes funding of approximately \$21 million for FY 2017-2018 to address continued remediation and investment in the billing and collection system.

Changes between the FY 2017-2018 Water Revenue Fund preliminary budget and this proposed final budget include the following highlighted items:

- Water Revenue Fund Capital has decreased by \$79 million primarily attributed to the deferral of the Water Recycling and Water Quality Reservoir and Trunkline Improvement projects until securitization is implemented in FY 2018-2019.
- Water Revenue Fund Operation and Maintenance (O&M) has decreased by \$2 million mainly due to minor Infrastructure and Operating Support decreases.
- Purchased Water Expense has increased by \$17 million from the forecast used in the preliminary budget.
- Retail revenue has increased by \$168 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, and Owens Valley Regulatory.

The following documents are included in the FY 2017-2018 Water Revenue Fund Budget:

- LADWP Strategic Plan
- 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 2017-2018 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 2017-2018. 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 2017, which reflects a total of 3,608 budgeted positions. The 2,134 positions represent the total staffing that the Water System has identified as necessary for continued and planned critical operations, with 1,474 Joint System positions in support. Employment of persons in positions authorized by this Resolution is subject to availability of authorized funding in the expenditure programs for the FY 2017-2018.

CITY ATTORNEY

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

ATTACHMENTS

- Resolution
- LADWP Strategic Plan
- 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 2017-2018 APR Schedule by System (one green bar report for the Board Office)