


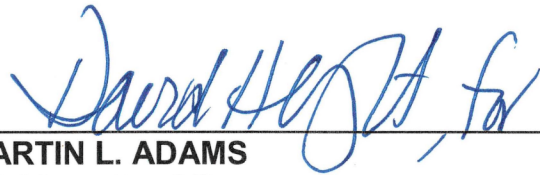
Los Angeles
Department of
Water & Power


RESOLUTION NO. _____

BOARD LETTER APPROVAL


NEIL M. GUGLIELMO
Chief Financial Officer


REIKO A. KERR
Senior Assistant General Manager - Power System
Engineering, Planning, and Technical Services


MARTIN L. ADAMS
Chief Operating Officer


DAVID H. WRIGHT
General Manager

DATE: May 2, 2017

SUBJECT: Fiscal Year 2017-2018 LADWP Final Budget – Power 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 Power Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$4.4 billion. Approval of this Resolution also provides authority for the FY 2017-2018 Annual Personnel Resolution (APR) for the Power Revenue Fund totaling 7,042 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 Power 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 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 2017-2018, total \$4.9 billion. Net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$4.4 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 spending proposals in accordance with the Board approved power five-year rate action, with approximately \$179 million in additional power revenues projected for the coming fiscal year. The FY 2017-2018 power rates are less than the average annual rate adjustment over the five-year rate period (3.26 percent versus 3.86 percent).

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

FY 2017-2018 POWER 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 to maintain reliability, and provide customers with opportunities to reduce or control their energy bills. 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 \$76 million for FY 2017-2018 to address continued remediation and investment in the billing and collection system.

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

- Power Revenue Fund Capital has decreased by \$199 million primarily attributed to delays in the Scattergood Repowering Units 1 & 2 project* (from \$180 million to \$51 million a reduction of \$129 million) and re-estimates for the Power System Reliability Program or PSRP (\$68 million).

*The proposed FY 17/18 estimate of \$51 million is for the Scattergood Generating Station (SGS) Unit 3 Demolition Project which will result in the permanent disablement of the generating unit and prepare the site for future SGS energy projects. The SGS projects also include the design and installation of the latest technology that will complement the integration of renewable power, reduce greenhouse gas emissions, provide energy storage, and satisfy compliance with the California State Once-Through-Cooling policy. This project is currently undergoing environmental analysis.

- Power Revenue Fund Operation and Maintenance (O&M) has increased by \$3 million mainly due to minor Infrastructure O&M increases in various in-basin plants (\$1.6 million) and the PSRP's Power System Trainee program (\$2 million).
- Fuel, Purchased Power, and Emissions Expense has decreased by \$91 million primarily due to lower than expected natural gas pricing and reduced purchase of coal, nuclear and other non-renewables.
- Retail revenue has increased by \$179 million as a result of increases in the incremental base of \$106 million and increases of \$73 million in energy and reliability cost adjustment revenues.

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

- LADWP Strategic Plan
- 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 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 Power Revenue Fund Salaries and Authorized Number of Positions as of July 2017, which reflects a total of 7,042 budgeted positions. The 4,558 positions represent the total staffing that the Power System has identified as necessary for continued and planned critical operations, with 2,484 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 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 2017-2018 APR Schedule by System (one green bar report for the Board Office)