

March 15, 2018

Mr. Richard H. Llewellyn, Jr.
City Administrative Officer
Room 1500, City Hall East
200 North Main Street
Los Angeles, CA 90012

Dear Mr. Llewellyn, Jr.:

Subject: Preliminary Fiscal Year 2018-2019 Los Angeles Department of
Water and Power Revenue Fund Budget Transmittal

Respectfully submitted for informational purposes is the Los Angeles Department of Water and Power (LADWP) Preliminary "Receipts and Appropriations" Budget for Fiscal Year (FY) 2018-2019. The proposed budget is submitted in accordance with the City Charter Section 684 (as amended by Measure J adopted in March 2011) and sets forth the funding allocations necessary to responsibly serve all of our customers.

The enclosed Water and Power Revenue Fund preliminary Receipts and Appropriations budget for FY 2018-2019 (Preliminary Budget) provides funding for operational requirements, regulatory and other mandates, and increased levels of investment in customer service and infrastructure. 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.

Enclosed within for your review and informational purposes are the following Preliminary Budget documents:

- LADWP Strategic Plan
- Water Revenue Fund Receipts and Appropriations
- Power Revenue Fund Receipts and Appropriations
- Water Revenue Fund Capital Improvement Program
- Power Revenue Fund Capital Improvement Program
- Retirement, Disability and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates
- Water Revenue Fund Salaries and Authorized Number of Positions (based on Annual Personnel Resolution)
- Power Revenue Fund Salaries and Authorized Number of Positions (based on Annual Personnel Resolution)

Estimated General Fund Revenues

In addition to reliable, low-cost utility services, the LADWP provides the City of Los Angeles with ongoing financial support through the collection and remittance of Utility Users Tax – Electricity (UUT) revenues and the Power Revenue Transfer. Based on the sales forecast for FY 2018-2019, the UUT for next fiscal year is estimated to be in the range of \$412.0 to \$418.7 million. For the Power Revenue Transfer, the estimate for FY 2018-2019 is \$243 million and is based on the outlook for the FY 2017-2018 fiscal year.

Power System

The total Power Revenue Fund Receipts and Appropriations budget for FY 2018-2019 is \$4.64 billion, net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, and reflects critical investments for compliance with regulatory mandates related to the power supply and increased funding to address aging infrastructure.

- Power System Reliability Program: \$903 million
- Infrastructure: \$694 million
- Renewable Portfolio Standard: \$175 million
- Energy Efficiency Program: \$174 million

Water System

The total Water Revenue Fund Receipts and Appropriations budget for FY 2018-2019 is \$1.82 billion, net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, and reflects investment in local water supply projects to reduce our reliance on costly imported water and meet regulatory mandates, while continuing funding to improve drinking water quality and replace aging system infrastructure.

- Water Quality Program: \$425 million
- Water Infrastructure: \$454 million
- Local Water Supply and Conservation: \$259 million
- Owens Valley Regulatory: \$75 million

Multi-year Financial Planning

The FY 2018-2019 budget continues a multi-year effort to prepare the utility for the future and will address the challenges involved in evolving the power and water systems. The LADWP continues to update and refine multi-year financial plans for both the Water and Power Revenue Funds, with funding prioritized towards investment in

Mr. Richard H. Llewellyn, Jr.
March 14, 2018
Page 3

critical infrastructure, increased system reliability and more sustainable water and energy supplies. Funding is also required to ensure that resource needs are met within our customer contact centers and meter routes, with focus on rebuilding customer confidence and expanding efforts to improve the customer experience with all LADWP operations and services. Lastly, through the efforts of the highly skilled and dedicated LADWP workforce, we will increase agency transparency and accountability through use of operational and financial performance measurements, while improving productivity through increased use of technology and innovation.

In conclusion, the LADWP is looking forward to working closely with Mayor Garcetti, the Los Angeles City Council, Ratepayer Advocate, and your Office to finalize a FY 2018-2019 budget that is fiscally responsible and provides the resources required to provide the citizens of the City of Los Angeles with quality and reliable water and power, now and into the future.

Sincerely,



David H. Wright
General Manager

BT:mma/jm

Enclosures

c/enc: Board of Water and Power Commissioners