



Los Angeles  
Department of  
Water & Power

RESOLUTION NO. \_\_\_\_\_

**BOARD LETTER APPROVAL**

**ANN M. SANTILLI**  
Interim 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:** April 24, 2018

**SUBJECT:** Fiscal Year 2018-2019 LADWP Final Budget – Power Revenue Fund  
Receipts and Appropriations and Associated Schedules and  
Fiscal Year 2018-2019 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) 2018-2019 Power Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$4.7 billion. Approval of this Resolution also provides authority for the FY 2018-2019 Annual Personnel Resolution (APR) for the Power Revenue Fund totaling 7,455 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 2018-2019 LADWP Power Revenue Fund Final Receipts and Appropriations budget and associated schedules to the Council; and,
2. Approval and execution of the FY 2018-2019 APR.

## **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 2018-2019, total \$5.4 billion. Net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$4.7 billion.

## **BACKGROUND**

On March 13, 2018, 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 2018-2019 Preliminary Budget to the Council and the Mayor. By May 31, 2018, 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 2018-2019 spending proposals to below the approved five-year rate spending plan. Despite this effort, the projected five-year average rate increase over the rate action period is 0.7 percent (4.6 percent vs 3.9 percent) higher than the rate case largely attributed to the incremental reliability cost adjustment.

Upon approval from the Board, the FY 2018-2019 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 2018-2019 proposed final budget and associated financial plans have been provided to the Ratepayer Advocate for review.

## **FY 2018-2019 POWER REVENUE FUND BUDGET**

The FY 2018-2019 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.

Changes between the FY 2018-2019 Power Revenue Fund preliminary budget and this proposed final budget include the following highlighted items:

- Power Revenue Fund Capital has increased by \$102 million primarily attributed to the Power System Reliability Program's (PSRP) Distribution Automation Project to improve overall reliability by installing smart devices on distribution circuits.

- Power Revenue Fund Operation and Maintenance (O&M) has increased by \$64 million of which \$59 million in Energy Efficiency, Solar Incentive Payments and Electric Transportation Program expenditures were reclassified from capital to O&M with the remaining net \$5 million increases attributed to various PSRP and Infrastructure O&M expenditures.
- Fuel, Purchased Power, and Other Expense has slightly increased by \$9 million due to increases in non-renewables, renewables, and other expenses.
- Retail revenue has increased by \$114 million as a result of increases in the incremental energy and reliability cost adjustment revenues.

The following documents are included in the FY 2018-2019 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 2018-2019 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 2018-2019. 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 2018, which reflects a total of 7,455 budgeted positions. The 4,762 positions represent the total staffing that the Power System has identified as necessary for continued and planned critical operations, with 2,693 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 2018-2019.

### **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.

### **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 2018-2019 APR Schedule by System (one green bar report for the Board Office)