



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

ANN M. SANTILLI
Interim Chief Financial Officer

RICHARD F. HARASICK
Senior Assistant General Manager
Water System

MARTIN L. ADAMS
Chief Operating Officer

DAVID H. WRIGHT
General Manager

DATE: April 24, 2018

SUBJECT: Fiscal Year 2018-2019 LADWP Final Budget – Water 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 Water Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$1.8 billion. Approval of this Resolution also provides authority for the FY 2018-2019 Annual Personnel Resolution (APR) for the Water Revenue Fund totaling 3,810 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 Water 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 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 2018-2019, total \$2.2 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$1.8 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 2018-19 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 0.8 percent (6.1 percent vs 5.3 percent) higher than the rate case largely attributed to historic levels of water conservation efforts and also the delay in securitization.

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

FY 2018-2019 WATER 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, 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.

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

- Water Revenue Fund Capital has decreased by \$37 million primarily due to scope and schedule changes to various Water Quality and Infrastructure projects.

- Water Revenue Fund Operation and Maintenance has slightly increased by \$3 million due to minor increases across numerous functional areas that include Infrastructure, Water Quality, Water Supply and Operating Support.
- Retail revenue has increased by \$3.3 million largely as a result of an increase in the Water Supply Cost adjustment factor offset by decreases in other cost adjustment factors.

The following documents are included in the FY 2018-2019 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 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 Water Revenue Fund Salaries and Authorized Number of Positions as of July 2018, which reflects a total of 3,810 budgeted positions. The 2,309 positions represent the total staffing that the Water System has identified as necessary for continued and planned critical operations, with 1,501 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 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 2018-2019 APR Schedule by System (one green bar report for the Board Office)