

COMMUNICATION FROM CHAIR, ENERGY AND ENVIRONMENT COMMITTEE AND CHAIR AND MEMBER, BUDGET AND FINANCE COMMITTEE relative to Los Angeles Department of Water and Power's (LADWP) Budget for Fiscal Year (FY) 2014-15.

Recommendation for Council action:

NOTE and FILE the April 23, 2014 LADWP report relative to the FY 2014-15 LADWP Budget.

Fiscal Impact Statement Submitted: Not applicable.

Community Impact Statement: None submitted.

Summary:

On May 7, 2014, the Chair of the Energy and Environment Committee considered an April 23, 2014 LADWP report relative to the FY 2014-15 LADWP Budget. According to the LADWP, in accordance with Charter Section 684 (as amended by Measure J adopted in March 2011), the LADWP submitted its Preliminary Budget for FY 2014-2015 to Council and the Mayor. This budget proposal was developed over many months and included the funding that was believed necessary to responsibly serve our customers, meet legal/regulatory requirements and address aged infrastructure. It reflected an additional emphasis on cost control that reduced spending levels from those planned for earlier in 2013. However, this Preliminary Budget for FY 2014-2015 still assumed spending levels that would have required Council-approved rate adjustments for both the Water and Power Revenue Funds.

The LADWP also noted in the transmittal letter for the Preliminary Budget to the Chief Administrative Officer that there would be a thorough review of the budget to determine if the LADWP could provide expected levels of customer service and maintain progress on meeting legal/regulatory mandates, while avoiding the need for a Council-approved rate action for FY 2014-2015. Pass-through rates would continue to adjust for, in part, uncontrollable costs, such as fuel and purchased power, as well as the need to purchase substantially more water from the Metropolitan Water District, as a result of the current drought. The LADWP stated that it believes those objectives can be met, and the final budget be presented to the Board of Water and Power Commissioners in May will not assume a rate action for FY 2014-2015. Council-approved rate actions for the Water and Power funds would instead be deferred until FY 2015-2016. At the same time, in the development of the final budget for FY 2014-2015, the LADWP will ensure continued progress towards the priorities that the Council and Mayor have conveyed, including improving customer service; maintaining and updating infrastructure to ensure reliability; achieving high environmental goals; and most significantly rebuilding customer confidence and restoring pride in the agency. After consideration, the Committee Chair moved to note and file the April 23, 2014 LADWP report.

Subsequently, on June 23, 2014, the Chair and one member of the Budget and Finance Committee also considered the April 23, 2014 LADWP report. After consideration, the Committee Chair moved to concur with the Energy and Environment Committee. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

COUNCILMEMBER FELIPE FUENTES, CHAIR
ENERGY AND ENVIRONMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
FUENTES:	YES
BLUMENFIELD:	ABSENT
LABONGE:	ABSENT
HUIZAR:	ABSENT
KORETZ:	ABSENT

COUNCILMEMBER PAUL KREKORIAN, CHAIR
BUDGET AND FINANCE COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	ABSENT
KORETZ:	ABSENT
BLUMENFIELD:	YES
BONIN:	ABSENT

ARL
6/23/14

-NOT OFFICIAL UNTIL COUNCIL ACTS-