



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL


NEIL M. GUGLIELMO
Chief Financial Officer


RICHARD F. HARASICK
Senior Assistant General Manager
Water System


MARTIN L. ADAMS
Chief Operating Officer


DAVID H. WRIGHT
General Manager

DATE: February 20, 2018

SUBJECT: Transmittal of Preliminary Fiscal Year 2018-2019 LADWP Budget to the Los Angeles City Council – Water Revenue Fund Receipts and Appropriations Budget and Associated Schedules

SUMMARY

Submitted to the Board of Water and Power Commissioners (Board) for consideration is a Resolution authorizing the LADWP to transmit the preliminary Fiscal Year (FY) 2018-2019 LADWP Water Revenue Fund Receipts and Appropriations budget and associated schedules to the Los Angeles City Council (Council), as required by City Charter Section 684. Estimated appropriations for FY 2018-2019 total \$2.28 billion or \$1.82 billion, net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board adopt the attached Resolution authorizing the transmittal of the preliminary FY 2018-2019 LADWP Water Revenue Fund Receipts and Appropriations budget and associated schedules to the Council with the understanding that the LADWP will submit to the Board changes from this preliminary budget through the final budget by May 31, 2018.

FINANCIAL INFORMATION

The Water Revenue Fund Preliminary 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 FY 2018-2019 total \$2.28 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations are \$1.82 billion.

BACKGROUND

Development of the FY 2018-2019 Preliminary Budget commenced in September 2017, with continued analysis and refinement. The final budget will be submitted for your review and approval in May 2018. While the FY 2018-19 preliminary budget is below the approved five-year rate spending plan, the water rates exceed the average annual rate adjustment over the five-year rate period by 3.3 percent (8.5 percent vs. 5.3 percent) largely attributed to historic levels of water conservation efforts and also the delay in securitization. Pass through rates would continue to adjust for, in part, variable and uncontrollable costs including infrastructure investments, continuing water quality improvements and increased purchased water from the Metropolitan Water District.

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. 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.

Some of the proposed budget highlights are as follows:

Water Quality Program: Total \$425M, Capital (\$326M) and Operating & Maintenance (\$99M)

Planned water quality capital projects will continue to fund investments in FY 2018-2019 that develop the highest quality of water through the reservoir covers, bypasses, trunk line replacement, and regulatory compliance for construction, operation and maintenance, equipment, and supplies for facilities and systems to provide high quality water and meet State and Federal water quality standards. Construction progresses at the Upper Stone Canyon Reservoir and the North Hollywood West Remediation Project in the coming fiscal year.

Replace Aging Infrastructure: Total \$454M, Capital (\$337M) and Operating & Maintenance (\$117M)

Ensuring reliable water for domestic use and fire protection, replacement and repair of water pipelines and other water system facilities are critical priorities for the Water System. To address these priorities, the Water System has developed the Water Infrastructure Program (WIP). To support the WIP, the Water System is developing an

Asset Management process to assess the reliability of aging distribution mainlines, trunk lines, pump stations, pressure regulating stations, tanks, reservoirs, aqueducts, and meters and services and plan for appropriate ongoing maintenance and operations.

The Water System met 2017 infrastructure goals including mainline replacement, and additionally, has completed two pressure regulating stations retrofits and is on schedule to meet and possibly exceed the annual goal by the end of the current year. Also, ten pump and motor replacement projects have been completed and Water System is on track to surpass the annual goal by three.

Local Water Supply and Conservation: Total \$259M, Capital (\$143M) and Operating & Maintenance (\$116M)

Currently, the LADWP receives its water supply from four sources:

1. Owens Valley and Mono Basin via the Los Angeles Aqueduct
2. Pumping groundwater in the San Fernando Groundwater Basin, the Sylmar Basin, and the Central Basin
3. Recycled water
4. Purchases from the Metropolitan Water District of imported water delivered through the Colorado River Aqueduct and the California Aqueduct

To ensure long term reliability, resilience and low-costs, the Water System is investing in increased local supply and conservation. Investments include increased storm water capture capability, additions to the recycled water purple pipe infrastructure, and long term recycled water strategies. The Water System secured up to \$9 million of State Proposition 1 funding for the Griffith Park South Water Recycling Project.

The City met the Mayor's January 1, 2017 conservation goal of 104 gallons per capita usage. Investments and continued outreach provided in this budget will support customers in longer-term goals.

Owens Valley Regulatory: Total \$75M, Capital (\$39M) and Operating & Maintenance (\$36M)

The LADWP plans to continue meeting air quality and other regulatory requirements in the Owens Valley.

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
- Cover Letter to the City Administrative Officer
- LADWP Strategic Plan
- Preliminary Water Revenue Fund Receipts and Appropriations
- Water Revenue Fund Capital Improvement Program
- Water Revenue Fund Salaries and Authorized Number of Positions (based on Annual Personnel Resolution)
- Preliminary Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates
- Preliminary Budget Presentation