



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL

ANN M. SANTILLI
Chief Financial Officer

RICHARD F. HARASICK
Senior Assistant General Manager
Water System

MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: May 19, 2020

SUBJECT: Fiscal Year 2020-2021 LADWP Final Budget – Water Revenue Fund Receipts and Appropriations and Associated Schedules and Fiscal Year 2020-2021 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) 2020-2021 Water Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$1.91 billion. Approval of this Resolution also provides authority for the FY 2020-2021 Annual Personnel Resolution (APR) for the Water Revenue Fund totaling 4,029 positions and authorizes the functional transfer, as directed by the General Manager, from major system Joint (JXXXX) to major system Power (PXXXX). The details of said transfer are set forth in the "Transfer Schedule A".

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 2020-2021 LADWP Water Revenue Fund Final Receipts and Appropriations budget and associated schedules to the Council; and,

2. Approval and execution of the FY 2020-2021 APR, including authorization of the functional transfer from the Joint System to the Power System as set forth in the "Transfer Schedule A".

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 2020-2021, total \$2.45 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$1.91 billion.

BACKGROUND

On March 31, 2020, 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 2020-2021 Preliminary Budget to the Council and the Mayor. By May 31, 2020, 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 reduced the budget, prioritized, and adjusted the FY 2020-2021 spending proposals to align with the FY 2019-20 approved budget expenditure levels with priorities that still reflect continued investment to comply with mandates, upgrade aging infrastructure to maintain reliability, and provide customers with opportunities to reduce or control their water bills. Prior to and exacerbated by the start of COVID-19 the Department's water usage is expected to be lower than forecasted at the start of the year resulting in a reduction in sales of 18.5 million hundred cubic feet (HCF) from 213.7 down to 195.2 million HCF. With the reduced expenditure levels, the system average water rate has decreased \$0.07 per HCF, from \$7.38 to \$7.31 per HCF.

The General Manager has determined that moving the Fleet and Aviation Services function of the Joint System to the Power System is in the best operating interest of LADWP. The transfer will not affect the overall staffing levels reflected in the Annual Personnel Resolution, nor do they have any overall budgetary impact on the LADWP. The Joint System's functional transfer involves 428 Budgeted positions, 488 Substitute positions, 393 employees, and 45 classifications. Employees affected by this functional transfer will remain in their former class group for purposes of layoff and reemployment, in accordance with City Charter Section 1015.

Upon approval from the Board, the FY 2020-2021 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 2020-2021 proposed final budget and associated financial plans have been provided to the Ratepayer Advocate for review.

FY 2020-2021 WATER REVENUE FUND BUDGET

Changes between the FY 2020-2021 Water Revenue Fund preliminary budget and this proposed final budget include the following highlighted items:

- Water Revenue Fund Capital has decreased by \$104.5 million (11.4 percent decrease from \$920 million preliminary budget) primarily due to scope and schedule changes to various Water Quality, Water Supply and Infrastructure projects.
- Water Revenue Fund Operation and Maintenance has decreased by \$7.1 million (one percent decrease from \$602 million preliminary budget) due to various functional areas in Water Infrastructure, Water Supply and Operating Support.
- Purchase Water has only decreased by \$2.2 million due to slight changes in the water forecast.
- Operating revenue has decreased by \$66.7 million mainly due to decreases in base rate revenue resulted from lower projected sales, and lower pass-through revenues from Water Quality resulted from reduced budget spending level.

The following documents are included in the FY 2020-2021 Water Revenue Fund Budget:

- LADWP Goals and Objectives
- 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 2020-2021 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 2020-2021. 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 2020, which reflects a total of 4,029 budgeted positions. The 2,299 positions represent the total staffing that the Water System has identified as necessary for

continued and planned critical operations, with 1,024 Joint System positions and 706 Power 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 2020-2021.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060(c)(1). In accordance with this section, an activity is not subject to CEQA if it does not involve the exercise of discretionary powers by a public agency. Transmitting budget information to Los Angeles City Council is not an action subject to CEQA.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the Resolution as to form and legality.

ATTACHMENTS

- Resolution
- LADWP Goals and Objectives
- 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 2020-2021 APR Schedule by System (one green bar report for the Board Office)
- "Transfer Schedule A" for Functional Transfer from the Joint System to the Power System