



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: March 4, 2021

SUBJECT: Transmittal of Preliminary Fiscal Year 2021-22 Los Angeles Department of Water and Power 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 Los Angeles Department of Water and Power (LADWP) to transmit the preliminary Fiscal Year (FY) 2021-22 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 2021-22 total \$2.54 billion or \$2.02 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 2021-22 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, 2021.

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 2021-22 total \$2.54 billion. Net of receipts from the Power System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations are \$2.02 billion.

BACKGROUND

Development of the FY 2021-22 Preliminary Budget is subject to further analysis and refinement culminating in the submission of the final budget in May 2021. The FY 2021-22 preliminary budget reflects pass-through rates that 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 final budget will include refined water supply costs based on the snowfall through the end of the winter season.

The LADWP continues to emphasize cost control and fiscal discipline across all programs and performance metrics reporting contributing to greater cost efficiency and accountability. The FY 2021-22 funding priorities 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:

Replace Aging Infrastructure: Total \$522M (Capital \$367M and O&M \$155M)

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.

Water Quality Program: Total \$434M (Capital \$322M and O&M \$112M)

Planned water quality capital projects will continue to fund investments in FY 2021-22 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 and meet State and Federal water quality standards. The Water System has been awarded \$283.2 million in Proposition 1 grant funds for the planning, design, and construction of the North Hollywood Central; North Hollywood West; Tujunga; and Pollock Groundwater Remediation Projects.

Operating Support: Total \$247M (Capital \$86M and O&M \$161M)

Funding is for Water's share of the technology and system upgrades, cyber security investment, customer, meter, and billing services, in addition to insurance and legal services.

Local Water Supply and Conservation: Total \$218M (Capital \$88M and O&M \$130M)

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, and long-term recycled water strategies. The Water System has secured \$7 million in Proposition 1 grant funds for the Tujunga Spreading Grounds Enhancement Project, \$1 million in Proposition 1 grant funds for the Los Angeles Groundwater Replenishment Project Initial Phase - Ozone Demonstration Project, and \$3 million in zero interest loans for the Institutional Water Use Efficiency Loan Program. In addition, Water System has been notified of a preliminary award of \$3 million in Proposition 1 grant funds for the Valley Village Stormwater Capture Project.

Owens Valley Regulatory: Total \$60M (Capital \$23M and O&M \$37M)

These investments allow LADWP 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 (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
- Cover Letter to the City Administrative Officer
- LADWP's Goals and Objectives
- 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