

DWP GOVERNANCE REFORM



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Los Angeles Department of Water and Power: Background

- Founded in 1902, the Los Angeles Department of Water and Power (DWP) is the largest municipal utility in the U.S.
- DWP employs approximately 10,000 and delivers water and power to 3.9 million residents and businesses of the City
- Power System supplies approximately 25 million megawatt-hours of electricity annually
- Water Systems supplies approximately 191 billion gallons of water annually

Evolution of DWP Governance

- 1902 Charter Amendment created the DWP
 - Five-member Board is appointed by the Mayor and confirmed by the City Council, with four-year staggered terms
 - Board elects salaried President to act as Executive Officer of Department
 - Board controls funds, appoints employees, and sets salaries
- 1925 Charter
 - Five-member Board is appointed by the Mayor and confirmed by the City Council, with five-year terms
 - Establish General Manager that is appointed by and reports to Board
 - Board controls funds, determines number of staff, and sets salaries
 - General Manager appoints employees
- 1925 to 1963 - Charter Amendments strengthened autonomy and increased authority of the Board, e.g. financial operations and separate indebtedness from general City debt
- 1960's to 1999 - Charter Amendments weakened autonomy and reduced authority of the Board, e.g. removed salary setting authority and power to appoint and remove the General Manager
- 2000 Charter established Current Governance Structure

Current Governance Structure

- Charter created DWP as one of three proprietary departments of the City
- Operations are financed by the sale of water and electric services and capital funds are raised through the sale of bonds
- Operations of the Department are under the direction of the General Manager, who is appointed by the Mayor and confirmed by the City Council
- General Manager reports to a five-member, volunteer citizens Board of Water and Power Commissioners
- Board is appointed by the Mayor and confirmed by the City Council for a term of up to five years
- Board is responsible for setting policy and controlling finances - final rate decisions go to City Council and the Mayor
- Board approves revenues, operational budgets, fuel, purchased power, purchased water and bonds.
- Council has contract approval authority (Charter Section 674) and power to review/overtake financial decisions made by the Board (Charter Section 245)

Additional Governance Support/Oversight

- City Attorney provides legal counsel to DWP
- City's Personnel Department handles civil service workforce hiring
- City Council and Mayor rely on financial/policy advice from the appointed offices of the Chief Legislative Analyst and City Administrative Officer, including employee relations
- Controller oversees accounting practices and conducts the IEA Study
- Office of Public Accountability/Ratepayer Advocate (OPA) is a relatively new City department established by Charter Amendment I adopted on March 8, 2011.
- OPA was founded in order to “provide public independent analysis of department actions as they relate to water and electricity rates”

Governance Reports and Council Motions

- Rand Study (1999) – Current structure cumbersome; options to modify: a) create a city-owned corporation with centralized authority; b) create an independent city agency with a strong board
- IEA Survey (2009) – Structure impedes efficient decision making, accountability, lacks independent analysis
- Council motions (2010) – Created Office of the Rate Payer Advocate
- 2020 Commission (2014) – Instability due to political interference and high leadership turnover; recommended a LA Utility Commission
- IEA Survey (2015) – Challenges include decentralized City authority, hiring process, lack of transparency and ambiguous role of the OPA

Comparative Utility Governance Structures

(Source: 2015 IEA by Navigant)

- Navigant reviewed governance arrangements of municipal utilities throughout the Country.
- Three general forms of governance emerged from their review:
 - Elected Board Governance
 - City Council/City Official Governance
 - Appointed Board Governance

Governance Models of Selected Municipal Utilities

UTILITY	GOVERNANCE MODEL	SELECTION PROCESS	TERM OF SERVICE	SIZE OF BOARD	RATE SETTING AUTHORITY	COUNCIL RATE SETTING AUTHORITY
Sacramento Municipal Utility District	Elected Board	Election by ward	4 years	7 members	YES	NO
San Francisco Public Utility Commission	Appointed Board	Mayorial Appointment Board of Supervisor confirmation	4 year terms	5 members	YES	NO
Inglewood Water	Division within Public Works Department	Mayor appoints General Manager Council Confirmation	General Manager at will of the Mayor	No Board	NO	YES
Glendale Water and Power	Appointed Board	Council Appointment	4 year term two term maximum	5 Members	NO	YES
Burbank Water and Power	Appointed Board	Council Appointment	4 years	7 members	NO	YES
Long Beach Water	Appointed Board	Mayoral Appointment Council Confirmation	5 years terms are staggered	5 members	YES	NO
Pasadena Water and Power	City Department	General Manager Appointed by Mayor Confirmed by Council	General Manager at will of Mayor and Council	No Board	NO	YES

Proposed Ballot Schedules

<u>Election Date</u>	<u>Last Day for Committee Action</u>	<u>Last Day for Council to Request City Attorney to Prepare Election Resolutions</u>	<u>Last Day for Council to Adopt Election Resolutions</u>
A. November 8, 2016 (State General)	June 17, 2016*	June 29, 2016***	July 1, 2016***
B. March 7, 2017 (City Primary)	October 21, 2016*	November 2, 2016	November 16, 2016
C. May 16, 2017 (City General)	December 9, 2016**	January 11, 2017	January 25, 2017

*Last Regular scheduled Rules Committee meeting by which the Committee should act.

**Date shown is a Special meeting, due to Council recess in December 2016.

***Date shown is due to scheduled Council recess in July 2016.