

BOARD LETTER APPROVAL

Ann M. Santilli
Ann M. Santilli (Apr 24, 2024 15:25 PDT)

ANN M. SANTILLI
Chief Financial Officer

Simon Zewdu

SIMON ZEWDU
Senior Assistant General Manager
Power System

Aram Benyamin
Aram Benyamin (Apr 25, 2024 20:59 PDT)

ARAM BENYAMIN
Chief Operating Officer

Martin L. Adams

MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: April 12, 2024

SUBJECT: Fiscal Year 2024-2025 LADWP Final Budget – Power Revenue Fund
Receipts and Appropriations and Associated Schedules and
Fiscal Year 2024-2025 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) 2024-2025 Power Revenue Fund Receipts and Appropriations final budget and associated schedules totaling \$6.34 billion.

Approval of this Resolution also provides authority for the FY 2024-2025 Annual Personnel Resolution (APR) for the Power Revenue Fund totaling 9,305 positions and authorizes the functional transfers, as directed by the General Manager, from major system Joint (JXXX) to major system Power (PXXX) and from major system Power (PXXX) to major system Joint (JXXX). The details of said transfers are set forth in the "Transfer Schedule A".

Additionally, approval of this Resolution provides the required disclosure for Resolution No. 024-028 that requires, among other things, identification of the audited total direct and indirect costs borne by the Department under Rule No. 15, Part 15-E, Section I.1, as disclosed by January 31 and in the preliminary LADWP budget, as well as separate identification of those direct and indirect costs incurred for projects designated by the Mayor's Office.

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 2024-2025 LADWP Power Revenue Fund Final Receipts and Appropriations budget and associated schedules to the Council; and
2. Approval and execution of the FY 2024-2025 APR.

Said resolution contains the required disclosure associated with the 2023 Amendment of Rule No. 15, Part 15-E, Section I.1, for Underground Line Extensions in Public Property.

FINANCIAL INFORMATION

The Power Revenue Fund Proposed Final Budget incorporates expenditures for the Power System, including the share of expenditures associated with the Joint System and Water Revenue Fund that support Power System functions. Estimated appropriations for the Power Revenue Fund for FY 2024-2025, total \$7.25 billion. Net of receipts from the Water System, contributions in aid of construction, individuals, and companies and other miscellaneous sources, appropriations total \$6.34 billion.

Disclosure associated with Amendment of Rule No. 15, Part 15-E, Section I.1, for Underground Line Extensions in Public Property, includes total direct and indirect audited costs borne by the Department, as disclosed by January 31 and in the preliminary LADWP budget, amounting to \$2.3 million. For the Fair Share Powerline Program aspect, the total direct and indirect audited costs borne by the Department are \$0. For the projects designated by the Mayor's Office as 100 percent affordable or supportive housing projects, the direct and indirect audited costs borne by the Department amount to \$2.3 million. These projects are included in Project Powerhouse. The Department is not requesting that these identified costs be rebated to the Department from the utility users tax or other available City of Los Angeles sources in the upcoming year because the LADWP has applied for \$3.7 million from the Southern California Association of Governments grant, which has not been received as of April 11, 2024.

BACKGROUND

On March 26, 2024, in accordance with City Charter Section 684 (as added to the City Charter by Measure J adopted in March 2011), the Board reviewed and approved the transmittal of the FY 2024-2025 Preliminary Budget to the Council and the Mayor. By May 31, 2024, LADWP must update the preliminary budget based on additional information received after March 31, 2024, including without limitation, additional information about revenue and expense projections.

Since the development of the preliminary budget, LADWP Management has thoroughly reviewed the budget, prioritized, and adjusted the FY 2024-2025 spending proposals to support infrastructure investment, comply with regulatory mandates, and provide continued customer service and cost control to mitigate the impact on customer rates.

The General Manager has determined that moving the Advanced Technology Infrastructure and Capital Projects functions of the Joint System to the Power System, and the Utility Pre-Craft Trainee Program and Regulatory Compliance functions of the Power System to the Joint System, are in the best operating interest of LADWP. These transfers will not affect the overall staffing levels reflected in the APR. The Joint System's functional transfer involves 162 Budgeted positions, 170 Substitute positions, and 135 employees. The Power System functional transfer involves 57 Budgeted positions, 38 Substitute positions, and 40 employees. Employees affected by these functional transfers 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 2024-2025 Power Revenue Fund Receipts and Appropriations final budget and associated schedules will be transmitted to the Council in accordance with the City Charter. The FY 2024-2025 proposed final budget and associated financial plans have been provided to the Ratepayer Advocate for review.

Disclosure Associated with Amendment of Rule No. 15, Part 15-E, Section I.1, for Underground Line Extensions in Public Property per Resolution No. 024-028

On August 15, 2023, the Board adopted the Amendment of Rule No. 15, Part 15-E, Section I.1, of the Rules Governing Water and Electric Service for Underground Line Extensions. First, the Amendment will require customers to pay their share of the cost for an underground line extension in public property required to provide the customer's electric service. This aspect is known as the Fair Share Powerline Program. Second, the Amendment will allow LADWP to bear the cost of underground line extensions in public property for projects designated by the Mayor's Office as 100 percent affordable or supportive housing projects, during the existence of a local emergency due to homelessness declared by the Mayor. For the final budget resolution, Resolution No. 024-028 requires identification therein of the audited total direct and indirect costs borne by the Department under Rule No. 15, Part 15-E, Section I.1, as disclosed by

January 31 and in the preliminary LADWP budget, as well as separate identification of those direct and indirect costs incurred for projects designated by the Mayor's Office. It also requires identification therein of the total estimated utility users tax in the upcoming fiscal year, whether or not the Department is requesting that the identified Rule No. 15-related costs be rebated to the Department from the utility users tax or other available City of Los Angeles or outside sources in the upcoming year, and the reasons why such a return of that amount of funding is or is not being sought.

FY 2024-2025 POWER REVENUE FUND BUDGET

Changes between the FY 2024-2025 Power Revenue Fund preliminary budget and this proposed final budget include the following highlighted items:

- Power Revenue Fund Capital is \$2,396 million, reflecting a decrease of \$273 million (a 10.2 percent decrease from the \$2,669 million preliminary budget) primarily attributed to decreases in spending for the Renewable Portfolio Standard (\$175 million), the Power System Reliability Program (\$59 million), and Infrastructure (\$43 million).
- Power Revenue Fund Operation and Maintenance (O&M) is \$1,833 million reflecting an increase of \$43 million (2.4 percent increase from the \$1,791 million preliminary budget) primarily attributed to increases in spending for the Renewable Portfolio Standard (\$22 million), the Power System Reliability Program (\$13 million), and Infrastructure (\$9 million).
- Fuel, Purchased Power, and Other Expense is \$1,599 million, reflecting a decrease of \$6 million (0.4 percent decrease from the \$1,605 million preliminary budget).
- Retail revenue is \$4,990 million, reflecting a decrease of \$13 million (0.3 percent decrease from the \$5,003 million preliminary budget) mainly due to a decrease in the incremental reliability cost adjustment revenues (\$66 million) offset by an increase in the incremental energy cost adjustment revenues (\$53 million).

The following documents are included in the FY 2024-2025 Power Revenue Fund Budget:

- LADWP's Strategic Plan
- Final Power Revenue Fund Receipts and Appropriations
- Power Revenue Fund Capital Improvement Program
- Power Revenue Fund Salaries and Authorized Number of Positions
- Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates

FY 2024-2025 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 2024-2025. 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 Power Revenue Fund Salaries and Authorized Number of Positions as of July 2024, which reflects a total of 9,305 budgeted positions. The 5,467 positions represent the total staffing that the Power System has identified as necessary for continued and planned critical operations, with 3,838 Joint 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 2024-2025.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060 (c)(2). In accordance with this section, an activity is not subject to CEQA if it will not result in a direct or reasonably foreseeable indirect physical change in the environment. Transmitting budget information to the 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's Strategic Plan
- Final Power Revenue Fund Receipts and Appropriations
- Power Revenue Fund Capital Improvement Program
- Power Revenue Fund Salaries and Authorized Number of Positions
- Retirement, Disability, and Death Benefit Insurance Plan
- Federal and State Grant Funding Estimates
- FY 2024-2025 APR Schedule by System (one green bar report for the Board Office)
- Transfer Schedule A - Functional Transfer from the Joint System to the Power System and from the Power System to the Joint System