DWP GOVERNANCE REFORM

Presented by:

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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
  o Five-member Board is appointed by the Mayor and confirmed by the City Council, with four-year staggered terms
  o Board elects salaried President to act as Executive Officer of Department
  o Board controls funds, appoints employees, and sets salaries

• 1925 Charter
  o Five-member Board is appointed by the Mayor and confirmed by the City Council, with five-year terms
  o Establish General Manager that is appointed by and reports to Board
  o Board controls funds, determines number of staff, and sets salaries
  o 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 Board and confirmed by the Mayor and 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/overturn 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

- 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

Source: 2015 IEA by Navigant
### Governance Models of Selected Municipal Utilities

<table>
<thead>
<tr>
<th>Utility</th>
<th>Governance Model</th>
<th>Selection Process</th>
<th>Term of Service</th>
<th>Size of Board</th>
<th>Rate Setting Authority</th>
<th>Council Rate Setting Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacramento Municipal Utility District</td>
<td>Elected Board</td>
<td>Election by ward</td>
<td>4 years</td>
<td>7 members</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Seattle City Light</td>
<td>Appointed</td>
<td>4 nominated by Mayor; 5 nominated by City Council</td>
<td>3 year terms are staggered</td>
<td>9 members</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>San Francisco Public Utility Commission</td>
<td>Appointed Board</td>
<td>Mayorial Appointment Board of Supervisor confirmation</td>
<td>4 year terms</td>
<td>5 members</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Inglewood Water</td>
<td>Division within Public Works Department</td>
<td>Mayor appoints General Manager Council Confirmation</td>
<td>No Board</td>
<td>5 members</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Glendale Water and Power</td>
<td>Appointed Board</td>
<td>Council Appointment</td>
<td>4 year term two term maximum</td>
<td>5 Members</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Burbank Water and Power</td>
<td>Appointed Board</td>
<td>Council Appointment</td>
<td>4 years</td>
<td>7 members</td>
<td>NO</td>
<td>YES</td>
</tr>
<tr>
<td>Long Beach Water</td>
<td>Appointed Board</td>
<td>Mayoral Appointment Council Confirmation</td>
<td>5 years terms are staggered</td>
<td>5 members</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Pasadena Water and Power</td>
<td>City Department</td>
<td>General Manager Appointed by Mayor Confirmed by Council</td>
<td>No Board</td>
<td></td>
<td>NO</td>
<td>YES</td>
</tr>
</tbody>
</table>
Proposed Ballot Schedules

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

*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.