




Long Beach Water

ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE LONG BEACH WATER DEPARTMENT
A Department of the City of Long Beach, California

For The Fiscal Year Ended
September 30, 2022



Long Beach Water

Exceptional Water • Exceptional Service

LONG BEACH WATER DEPARTMENT

1800 East Wardlow Road

Long Beach, CA 90807

www.lbwater.org

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE
LONG BEACH WATER DEPARTMENT
(A Department of the City of Long Beach, California)**

**For the Fiscal Year Ended
SEPTEMBER 30, 2022**

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**Prepared by the Finance Division
of the
Business Bureau**

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INTRODUCTORY SECTION

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Annual Comprehensive Financial Report
of the
Long Beach Water Department
(A Department of the City of Long Beach, California)
For the Fiscal Year Ended September 30, 2022

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DATE March 27, 2023
TO Board of Water Commissioners
FROM B. Anatole Falagan, Assistant General Manager
SUBJECT Approval of Annual Comprehensive Financial Report for the fiscal years ended September 30, 2022

Management is pleased to present the Annual Comprehensive Financial Report (ACFR) of the Long Beach Water Department (Department), for the fiscal year ended September 30, 2022. The Department's financial statements are also included in the City of Long Beach (the City) Financial Statements as enterprise funds (Water Fund and Sewer Fund).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements have been audited by KPMG LLP, an independent certified public accounting firm. KPMG LLP has issued an unmodified ("clean") opinion on the Department's financial statements for the fiscal year ended September 30, 2022. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report, and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE REPORTING ENTITY

During the early years of the 20th Century, Long Beach began establishing itself as an up-and-coming area that seemed destined to someday become a large city. In order to sustain the expected growth that would occur in future years, it was critical that the City identify and secure a reliable source of water. In recognizing the importance of this, on June 27, 1911, Long Beach voters approved an \$850,000 bond issuance to purchase two private water companies that had been providing water supplies to the Long Beach population. Three days later, on June 30, 1911, the Long Beach city council approved an emergency ordinance creating the Long Beach Water Department, thereby giving the City its own municipal water agency that would regulate and control the use, sale and distribution of water owned or controlled by the City.

Twenty years later, in 1931, two additional significant milestones came to pass for the Department. The first was the creation of the Long Beach Board of Water Commissioners (Board), which governs the Department and is comprised of five members appointed by the Mayor, subject to confirmation by the City Council. Members of the Board serve overlapping five-year terms to provide continuity of operations. That same year, the City also became one of the original 13 founding members of the Metropolitan Water District of Southern California (MWD). Joining MWD would allow the Department to eventually acquire imported water as a supplement to the City's groundwater supplies.

In February 1988, the Department assumed the responsibility of the various functions of the City's sanitary sewer system, including operations and maintenance. In April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy for the Department in administering the City's sanitary sewer operations.

The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in State, with an area of approximately 50 square miles and a population of 456,062 with some customers outside the City limits. The Department is not subject to regulation by the California Public Utilities Commission.

LOCAL ECONOMY

Long Beach continues to maximize opportunities in today's global economy by drawing from the strength and adaptability of its local economy. In the current economic environment, the combination of local, national, and international businesses keeps Long Beach growing to meet the constantly changing needs of city.

Long Beach's business community continues to grow, thus, the need for housing infrastructure also grows. New residential projects have been approved for construction to meet this need. In addition to city-wide improvements, there were 50 lane-miles of residential streets rehabilitated, 400 new ADA ramps installed and over 3,000 traffic and street name signs installed by City staff and contractors, which are important to the safety of residents and visitors.

In FY2022, the Department's customer base is relatively stable and is comprised of ninety percent (90%) residential accounts, with the remaining ten percent (10%) comprised of commercial, industrial, irrigation and other accounts. The residential accounts comprise approximately sixty-nine percent (69%) of the Department's total potable water sales.

The City continues its commitment in protecting the environment and resources by transitioning to low-polluting public transportation system which uses compressed natural gas and electric power. In addition, the City implements innovative changes throughout its organization to maintain and improve its services. Such improvements include natural gas pipeline leaks survey systems, library system remote services, and airport terminal upgrades and expansions.

Long Beach will continue to face challenges and the Coronavirus Disease 2019 (COVID-19) pandemic has been a major one. However, the City has been a state and national leader in addressing it and minimizing the impact on the city of Long Beach residents and businesses.

When the World Health Organization (WHO) declared a global pandemic due to the outbreak of the COVID-19 on March 11, 2020, the City took many actions including issuing health orders (the City is one of the few in California with its own health department) to restrict social gatherings, require face coverings when in a business or within six feet of another person and holding some of the largest COVID-19 vaccination and testing events throughout various City locations. In the face of the financial impacts, there were deferrals of business taxes and fees for those businesses impacted by the pandemic, deferrals of lease payments to the City by impacted tenants, as well as grants and other actions (often supported by federal financial assistance) to assist businesses and residents. A moratorium on evictions was enacted to provide relief to residential tenants facing hardships, temporary relief from parking penalties, and financing options for business and residents having difficulty paying these costs.

In FY2022, the Department continues to recognize the effects on revenue streams of the Coronavirus Disease 2019 (COVID-19) pandemic and has been monitoring the accounts receivables as a portion of these are expected to ultimately become uncollectable and be written off as lost revenue. Also, the Department is monitoring Federal and State legislation which is intended to provide economic relief to customers in the form of assistance in paying past due utility bills. Furthermore, the Department is engaging in customer outreach with flexible payment options for customers with past due bills. The economic impact on revenues is not expected to be permanent and the Department is continuously searching for new opportunities to reduce the economic hardship endured by its residents and businesses.

Further information on the local economy is provided in the City of Long Beach Annual Comprehensive Financial Report.

WATER SUPPLY

The Department meets the needs of its customers through an increasingly diverse portfolio of water resources. Local groundwater, combined with imported supplies, water recycling and water conservation are used in combination to meet the water demands within the service area.

Drought Related Developments

Long Beach water demand peaked in 1990, but water demand has been declining ever since. The reduced water demand can be attributed to a combination of a steady commitment to water conservation efforts by the Department and statewide droughts in 1990-1991, 2007-2009, 2015-2016, and 2020-2022, each of which triggered a sharp decrease in water demand. Conservation efforts have included aggressive public outreach and incentive programs for water saving measures. The Water Department will continue these efforts to incorporate the conservation success into a sustained change in consumption behavior.

Reduced water usage due to conservation does result in reduced revenues. At the same time, those reductions are also offset by a reduction in operating expenses as a result of reduced need for imported water purchases from Metropolitan Water District (MWD).

Additionally, the Department managed discretionary budget expenses to minimize initial budget and rate impacts from reduced consumption. The Water Department's budget and rate structure is based annually on cost recovery and on State law governing water utility rate setting (Proposition 218).

The following subsections provide an overview of the Department's water resources.

Groundwater

Ownership of water rights allows approximately sixty percent (60%) of Long Beach's water supply needs to be produced from groundwater wells located within the City. Before it reaches our customers' taps, local groundwater must journey many miles from its source high up in the mountains. Rain and snow-melt from the San Gabriel Mountains watershed travel through washes and creeks into the San Gabriel River and the Whittier Narrows Basin. From there it percolates underground through sand and water beds where it begins a lengthy subsurface journey to Long Beach. High-powered pumps then extract it from 21 active groundwater wells and pump it to our groundwater treatment plant.

During the 1940's and 1950's the population grew and the increased water demand in the San Gabriel Valley significantly reduced the flows southward to the Central Basin, contributing to falling water tables. In 1959, to protect this vital source of local water supply, the Board initiated a lawsuit against major water producers in the San Gabriel Valley to guarantee water supplies to Central Basin producers.

Parties to the lawsuit negotiated a settlement which provided the basis of a stipulated judgment (the "Long Beach Judgment") rendered by the Superior Court on October 8, 1965. By separate action, a committee of Central Basin producers reached an agreement

for voluntary reduction of pumpage within the basin to restore and protect the water table and to expedite the above judgment to permanently prevent excessive pumping. The reduction in pumping began October 1, 1962. The two events were of major importance in securing local water supplies for the City. The Department is the largest producer of water in the Central Basin.

Imported Supplies

Another portion of the City's potable (drinking) water supply is treated water purchased from MWD. This water originates from two sources: the Colorado River Aqueduct and the State Water Project (SWP).

Through its 242-mile long system, the Colorado River Aqueduct provides up to a billion gallons of water a day to residents and businesses in Southern California's coastal plain. Water is taken in at Lake Havasu and carried to the reservoir facilities at Lake Mathews. The State Water Project delivers water originating from the Oroville Dam and Reservoir and the Sacramento River Delta. The SWP is an intricate network of dams, pumping plants, reservoirs, hydroelectric plants, the Sacramento and San Joaquin Rivers and 440 miles of aqueducts that carry water to several Southern California reservoirs.

Water Recycling

Effective water recycling helps stretch the potable water supply; that is the primary reason the Department launched a reclaimed water system in 1978. In the fiscal year ended September 30, 2022 (FY2022), the Department served approximately 3.1 billion gallons of reclaimed water to a variety of users throughout the City.

Water that would otherwise flow to the ocean and be wasted is reclaimed and used to irrigate park land, golf courses, freeway landscaping and school grounds, which reduces our dependence on imported water. Since 2005, recycled water treated at the Leo J. Vander Lans Advanced Water Treatment Facility (LVLAWTF) has partially replaced the use of imported water at the Alamitos Barrier, an engineered freshwater pressure ridge and seawater trough constructed to prevent seawater intrusion into the Central Basin and neighboring Orange County Groundwater Basin. In 2015, LVLAWTF was expanded, providing the operational flexibility to meet the needs of the Alamitos Barrier almost entirely with recycled water, minimizing the need of imported water.

Conservation

The Department has an aggressive water conservation program that offers a variety of opportunities to conserve water across different sectors of the community and for both indoor and outdoor water uses.

Single-family and multi-family customers together are responsible for approximately two-thirds of the City's demand for water. Several of the Department's programs provide rebates to residential customers towards the purchase of water-efficient toilets and washing machines.

Close to half of single-family residential water use is estimated to be for landscape irrigation. The Department has also developed and implemented programs whereby customers can apply for an incentive to replace turf with a California-friendly landscape.

In addition to promoting conservation to residential and landscape accounts, we work closely with commercial, industrial and institutional (CII) customers to help them conserve water. The Department has encouraged conservation through targeted direct marketing, through rebates for water conserving devices, and offers a Certified Blue program to promote water efficiency in restaurants which will be expanded to include other CII sectors.

Long Beach Water Department promotes water use efficiency with many community partners, including schools, organizations and businesses. The Department takes pride in its award-winning outreach efforts, including supporting community functions, making presentations at local and regional events, and marketing through print, digital and social media strategies.

WATER QUALITY

A primary objective of the Department is to deliver to our customers water that meets or exceeds all Federal and State standards. The Department continues to be recognized as a leader in water quality. Our extensive testing and Quality Assurance/Quality Control program ensures that water delivered to our customers is of the highest possible quality.

The Long Beach Groundwater Treatment Plant is a state of the art water treatment facility, including four advanced water quality laboratories. This combination helps explain why the City's high quality drinking water consistently meets or exceeds all Federal and state drinking water regulations.

The Department conducts extensive sampling and testing of groundwater wells, water storage reservoirs, the water distribution system and, when appropriate, selected homes, businesses, schools and public facilities. This year, our Water Quality laboratories collected 11,818 samples and performed 62,090 tests while maintaining certification with the California Department of Health Services and Environmental Protection Agency (EPA).

During fiscal year 2022, the Groundwater Treatment Plant processed approximately 7.5 billion gallons of drinking water. Overall, 15.6 billion gallons of high-quality water were delivered to the Long Beach community.

MAJOR INITIATIVES

Automated Metering Infrastructure

The Department has undertaken a comprehensive overhaul of its metering infrastructure, by installing Automated Metering Infrastructure (AMI) on all of its approximately 90,000 metered connections. The installed automated meters will capture and store real-time flow measurements, and then routinely upload them electronically into the existing Meter Data Management System (MDMS) and interface with the Customer Information System (CIS), used for all utility billing in the City.

AMI is expected in the near future to provide enhanced customer benefits, ultimately allowing for more self-monitoring of water use by customers via an interactive web portal, allowing for more timely responses to customer leaks through high use alerts, and provide additional data to help with Department operations.

Seawater Desalination Research

During the 1990's and early 2000's, through an innovative public sector partnership, the Long Beach Water Department along with the Los Angeles Department of Water & Power and the United States Bureau of Reclamation operated a 300,000 gallon-per-day prototype desalination facility, one of the largest seawater desalination research and development facilities in the United States at the time. The Seawater Desalination study was completed in March 2010 and research gathered from the operation of the prototype plant was published as a report to the U.S. Bureau of Reclamation. The Department continued to operate the under-ocean intake and discharge system to collect data and research the performance of the system until mid-year 2022 in preparation of removing the system required by the California Coastal Commission. The Department is currently demolishing the desalination facility with the anticipated removal completed by May 2023.

Conjunctive Use

The Department has also partnered with MWD and the California Department of Water Resources (DWR) on an innovative groundwater storage program. The \$4.5 million project, which was funded by State of California Proposition 13, stored surplus water in the Central Groundwater Basin, and has previously, delivered the stored water during previous drought conditions in 2008 and 2009. A second \$2.7 million joint conjunctive use project with the City of Lakewood was completed in 2009 and water stored under this project may also be called upon in a drought.

Water Distribution System

The City has an aging infrastructure, which needs to be maintained, and in certain parts, replaced. At September 30, 2022, the water distribution system totaled 917 miles of water mains with approximately 90,000 service connections.

During fiscal year 2022, the Department replaced 11,392 feet of deteriorated cast iron water mains with new ductile iron pipe. This critical replacement program addresses upgrading old pipelines, many of which were installed more than 50 years ago.

The Department maintains 646 large control valves 20 inches or more in diameter and 23,505 smaller control valves. The Department has a maintenance and replacement program to ensure that control valves are operational and that they can be turned off or on promptly during emergencies. The Department responds immediately, 24-hours a day, 365 days a year to water emergencies. With 21 active water wells across Long Beach supplying just over half of the City's water, well maintenance is another ongoing project for the Department. Rehabilitation of water wells and storage tanks at Alamitos and J. Will Johnson Reservoirs continues to ensure a reliable supply of water in the future.

Sanitary Sewer Collection System

The Department has made considerable progress since 1988 in addressing the substantial challenges posed by an aging sanitary sewer infrastructure, much of which is between 60 and 100 years old. On September 30, 2022, the sanitary sewer collection system totaled 714 miles of sewer pipelines. The Department developed the first City-wide Sewer Master Plan in 1991, which provided an initial prioritization of sewer deficiencies to be addressed. The Department has since developed a comprehensive program of maintenance, monitoring and repair of sewer lines including:

- an aggressive annual pipeline cleaning program;
- a Fats, Oil and Grease (FOG) program, working collaboratively with the City's Department of Health and Human Services, to address impacts to lines;
- a video monitoring program to assess conditions of pipelines;
- a comprehensive annual sewer infrastructure rehabilitation and replacement program

The Department continues to develop and implement a multi-year Capital Improvement Program to address aging pipeline and lift station infrastructure. In 2021, the Department began another Sewer Master Plan Update Project to renew the comprehensive plan for the Department's sanitary sewer system, studying the existing sewer infrastructure and aiding in the planning of future operations, maintenance, and upgrades of the system. The Project builds on the existing sewer hydraulic system model, originally created in the 2009 Sewer Master Plan Project and updated further in the 2013 Update and expands on the recently-updated downtown sewer hydraulic system model created in the 2018 Downtown Area Sewer Focus Study. The Department is currently in the process of finalizing the new Sewer Master Plan Update and is expected to complete the study mid-year 2023.

RELEVANT FINANCIAL POLICIES

The Department's financial statements are presented on the accrual basis of accounting. As an enterprise fund, the cost of providing water is recovered through user charges assessed by meter size, volumetric charges and other miscellaneous charges. The cost of providing sewer service is also recovered through user and volumetric charges for all water customers who are connected to the City's sewers. Certain services, such as payroll, civil service, public service, general service, customer billing, data processing, legal, etc., are provided to the Department by other City departments; these costs are reimbursed to the City by transfer of funds from the Water Fund or the Sewer Fund.

Internal Control Structure

In the development and enhancement of the Department's accounting system, careful consideration is given to the adequacy of the internal controls designed to provide reasonable assurance regarding the safeguarding of assets against possible loss, unauthorized use or disposition; to ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets, and to promote operational efficiency and compliance with managerial policies. The concept of reasonable assurance recognizes that: (1) the cost of a specific control feature should not exceed the benefits likely to be derived, and; (2) the evaluation of costs and benefits requires continued estimates and judgment by management.

Budgetary Control

The budget is a management control device for the forthcoming fiscal year. Prior to July 1 each year, the Board adopts an operating budget, which covers anticipated revenues and expenditures of the Department. The Department's budget is also subject to the approval of the City Council. By September 30 each year, the City Council shall approve the budget as adopted by the Board of Water Commissioners, or shall amend the budget and approve it as amended.

Budgets are prepared on a cash basis for revenues and for several categories of expenses. These budgets are not designed to be pro-forma statements of income and expense in the same format as the Water Department's financial statements. Instead, they are utilized primarily for controlling costs along organizational and programmatic lines. Each Bureau within the Department is responsible for outlays initiated by Divisions. Revenues are monitored only at the departmental level, except in certain areas where they are controlled by individual projects.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2021. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government agency and its management. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized ACFR whose contents not only conform to the high program standards of the GFOA, but also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge the assistance of Sokhalay Hong, Senior Accountant, and Yumina C. Eggleston, Senior Accountant, of the Business Bureau Finance Division in the preparation of this report.

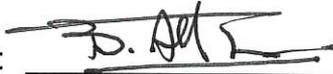
It is recommended that the Board of Water Commissioners receive and file the Annual Comprehensive Financial Report for the fiscal years ended September 30, 2022.

Prepared by:



Brandon Walker, Director of Finance

Submitted and
Recommended by:



B. Anatole Falagan, Assistant General Manager

Approved by:



Christopher J. Garner, General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Long Beach Water Department
California**

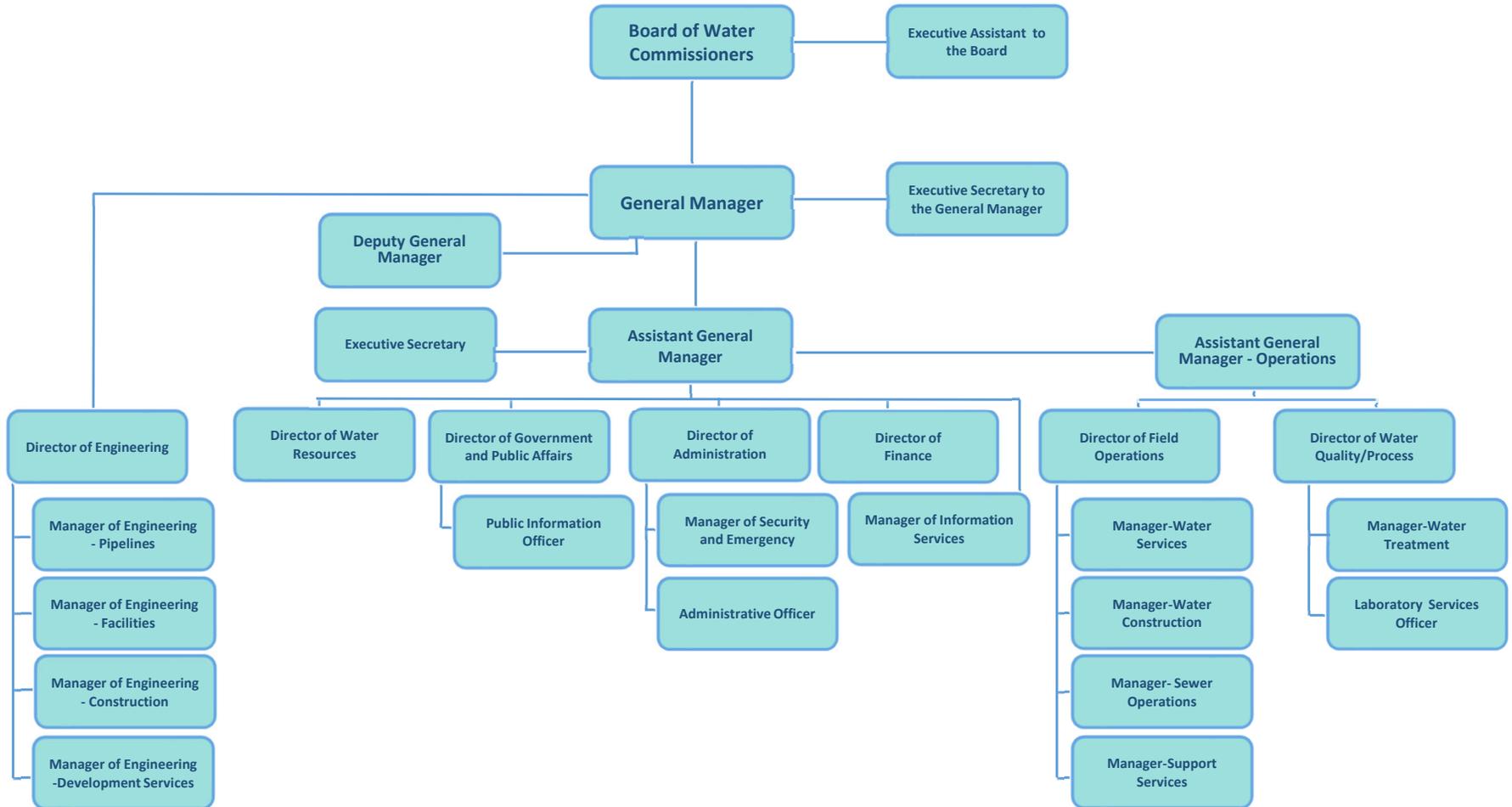
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

Christopher P. Morill

Executive Director/CEO

Long Beach Water Department Organizational Chart



LONG BEACH WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS

GLORIA CORDERO	PRESIDENT
NAOMI RAINEY	VICE PRESIDENT
GINA RUSHING MAGUIRE	SECRETARY
FRANK MARTINEZ	MEMBER
ROBERT SHANNON	MEMBER

STAFF

CHRISTOPHER J. GARNER
General Manager

B. ANATOLE FALAGAN
Assistant General Manager

FINANCIAL SECTION

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Honorable Mayor and City Council
The Honorable Members of the Board of Water Commissioners:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and each major fund of the Long Beach Water Department (the Department) of the City of Long Beach, California (the City), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund for the Department, as of September 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of City, as of September 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedules listed under the Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.



In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2023 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 27, 2023

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2022

As the management of the Long Beach Water Department, a department of the City of Long Beach (the City), we offer readers of the Long Beach Water Department's financial statements this narrative overview and analysis of the financial activities of the Long Beach Water Department (the Department) for the fiscal year ended September 30, 2022. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements. The Department comprises the City's Water Enterprise Fund (Water Fund) and Sewer Enterprise Fund (Sewer Fund) operations. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The Department's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2022 (FY2022) by \$424,522 (*net position*). The Department's net position is further broken down between the Water Fund and Sewer Fund below.

Water Fund. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of FY2022 by \$339,574. This amount includes a total of net investment in capital assets of \$332,612, and \$1,027 in resources that are subject to restrictions on how they may be used. The Water Fund reported an unrestricted net position of \$5,935 in FY2022. Total Water Fund net position decreased by \$8,563 (-2.5%) from the prior fiscal year. The decrease is mostly due to net increases on expenditures during the year.

Sewer Fund. Total Sewer Fund net position totaled \$84,948 as of September 30, 2022, an increase of \$5,279 (+6.6%) from the prior fiscal year. The increase reflects income in excess of expenses during the year and capital grants and contributions received during the year. In FY2022, the net investment in capital assets and the unrestricted portion of net position totaled \$79,066 and \$5,578, respectively.

Significant Department Events

A lawsuit filed back in October 2018, against the City of Long Beach (City) alleging that the passage of Utility Revenue Transfer Charter Amendment (Measure M) violated Article XIII of the California Constitution and was unenforceable insofar as it authorized the transfer of funds from the Water and Sewer Funds to the General Fund. In February 2020, the Superior Court of Los Angeles County issued a final ruling, in favor of the plaintiffs, finding Measure M unconstitutional, ordering the return of funds previously transferred under the authority granted by Measure M, and prohibiting the future transfer of funds pursuant to Measure M. In FY2022, the court-ordered payment transfers in the amount of \$30,832 from the City were fulfilled. Although not legally required, the Board of Water Commissioners (Board) approved a one-time utility rebate amount not to exceed \$30,832, to all current water customers of the Department. The credit to customers applied against customer accounts' consumption and service charges went in effect in FY2022.

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In FY2022, the Department continues to recognize the effects on revenue streams of the Coronavirus Disease 2019 (COVID-19) pandemic and has been monitoring the accounts receivables as a portion of these are expected to ultimately become uncollectable and be written off as lost revenue. Also, the Department is monitoring Federal and State legislation which is intended to provide economic relief to customers in the form of assistance in paying past due utility bills. As a result of this effort, the Department received funds in the amount of \$1,195 from the California Water and Wastewater Arrearage Payment Program (CWWAPP). This program was initiated by the State of California to offer financial assistance to water and sewer customers to help reduce past-due bill balances that accrued during the pandemic. In FY2022, the CWWAPP funds received were applied to eligible customer bills. Moreover, the Department continues to engage in customer outreach with flexible payment options for customers with past-due bills.

As changes in the pandemic continue, the Department, being part of the critical infrastructure sector, remains diligent in providing the City of Long Beach with clean water as its top priority.

Effects of these significant events on the Water Fund and Sewer Fund operations are further discussed in the Financial Analysis section of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. Because the Department is a business-type activity of the City, enterprise funds are used to account for its water and sewer operations. These financial statements include only the activities of the Department and provide comparative information for the last fiscal year. Information on Citywide financial operating results is available in the City of Long Beach Annual Comprehensive Financial Report as of September 30, 2022.

The Department's financial statements comprise two components: 1) financial statements and 2) notes to financial statements. Included as part of the financial statements are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Fund Net Position, and Statements of Cash Flows.

The *Statements of Net Position* present the Department's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Fund Net Position* present information showing how the Department's net position have changed during the most

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recent fiscal year. Results of operations are recorded under the accrual basis of accounting, whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable and accounts receivable). The Department's use of the accrual basis of accounting is more fully described in the accompanying *Notes to Financial Statements*.

The *Statements of Cash Flows* present flows of cash and cash equivalents during the last fiscal year, including certain restricted amounts.

The *Notes to Financial Statements* provide additional information that is essential to the full understanding of the data provided in the financial statements and can be found on pages 28-52 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. As of September 30, 2022, Water Fund assets and deferred outflows exceeded liabilities and deferred inflows by \$339,574, and Sewer Fund assets and deferred outflows exceeded liabilities and deferred inflows by \$84,948, representing an 2.5% decrease in net position over the prior fiscal year for the Water Fund and a 6.6% increase in Sewer Fund net position. Net positions are further categorized by net investment in capital assets, restricted and unrestricted net positions.

As of September 30, 2022, investment in capital assets, such as production, transmission, and distribution facilities, less any related debt used to acquire those assets that remains outstanding, amounted to \$332,612 and \$79,066 of Water Fund and Sewer Fund, respectively. The Department uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt on the Statements of Net Position must come from other sources such as operations.

The restricted portion of the Department's net position amounted to \$1,027 and \$304 for Water Fund and Sewer Fund, respectively. This represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

The unrestricted portion of the net position for Water Fund of \$5,935 as of September 30, 2022, representing a 70.4% decrease compared to FY2021. The Sewer Fund's unrestricted portion amounted to \$5,578, representing a 24.2% increase over FY2021. The unrestricted

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portion of the Department's net position may be used to meet the Department's ongoing obligations to creditors and customers.

The Department's Condensed Schedules of Net Position as of September 30, 2022 and 2021 are as follows:

Long Beach Water Department Condensed Schedules of Net Position September 30, 2022 and 2021 (in thousands)				
	2022	2021	Variance	
			2022/2021	
			Amount	%
Assets:				
Current and other assets	\$ 81,883	\$ 97,238	\$ (15,355)	-15.8%
Capital assets	468,757	445,147	23,610	5.3%
Total assets	550,640	542,385	8,255	1.5%
Deferred outflows of resources	17,359	6,511	10,848	166.6%
Liabilities:				
Current liabilities	34,054	30,180	3,874	12.8%
Noncurrent liabilities	105,086	69,594	35,492	51.0%
Total liabilities	139,140	99,774	39,366	39.5%
Deferred inflows of resources	4,337	21,316	(16,979)	-79.7%
Net Position:				
Net investment in capital assets	411,678	401,510	10,168	2.5%
Restricted	1,331	1,745	(414)	-23.7%
Unrestricted	11,513	24,551	(13,038)	-53.1%
Total net position	\$ 424,522	\$ 427,806	\$ (3,284)	-0.8%

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The Department's financial position is further broken down as follows between the Department's Water Fund and the Sewer Fund as of September 30, 2022 and 2021:

Water Fund Condensed Schedules of Net Position September 30, 2022 and 2021 (in thousands)

	2022	2021	Variance	
			2022/2021	
			Amount	%
Assets:				
Current and other assets	\$ 67,539	\$ 83,340	\$ (15,801)	-19.0%
Capital assets	379,767	360,205	19,562	5.4%
Total assets	<u>447,306</u>	<u>443,545</u>	<u>3,761</u>	<u>0.8%</u>
Deferred outflows of resources	<u>14,585</u>	<u>5,423</u>	<u>9,162</u>	<u>168.9%</u>
Liabilities:				
Current liabilities	31,244	27,403	3,841	14.0%
Noncurrent liabilities	87,638	55,824	31,814	57.0%
Total liabilities	<u>118,882</u>	<u>83,227</u>	<u>35,655</u>	<u>42.8%</u>
Deferred inflows of resources	<u>3,435</u>	<u>17,604</u>	<u>(14,169)</u>	<u>-80.5%</u>
Net Position:				
Net investment in capital assets	332,612	326,635	5,977	1.8%
Restricted	1,027	1,441	(414)	-28.7%
Unrestricted	5,935	20,061	(14,126)	-70.4%
Total net position	<u>\$ 339,574</u>	<u>\$ 348,137</u>	<u>\$ (8,563)</u>	<u>-2.5%</u>

Sewer Fund Condensed Schedules of Net Position September 30, 2022 and 2021 (in thousands)

	2022	2021	Variance	
			2022/2021	
			Amount	%
Assets:				
Current and other assets	\$ 14,344	\$ 13,898	\$ 446	3.2%
Capital assets	88,990	84,942	4,048	4.8%
Total assets	<u>103,334</u>	<u>98,840</u>	<u>4,494</u>	<u>4.5%</u>
Deferred outflows of resources	<u>2,774</u>	<u>1,088</u>	<u>1,686</u>	<u>155.0%</u>
Liabilities:				
Current liabilities	2,810	2,777	33	1.2%
Noncurrent liabilities	17,448	13,770	3,678	26.7%
Total liabilities	<u>20,258</u>	<u>16,547</u>	<u>3,711</u>	<u>22.4%</u>
Deferred inflows of resources	<u>902</u>	<u>3,712</u>	<u>(2,810)</u>	<u>-75.7%</u>
Net Position:				
Net investment in capital assets	79,066	74,875	4,191	5.6%
Restricted	304	304	-	-
Unrestricted	5,578	4,490	1,088	24.2%
Total net position	<u>\$ 84,948</u>	<u>\$ 79,669</u>	<u>\$ 5,279</u>	<u>6.6%</u>

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Fiscal Year Ended September 30, 2022 Compared to 2021

Water Fund. Net position decreased by \$8,563 (-2.5%) over FY2021. This net decrease is mostly attributable to a loss from operations of \$11,483 in FY2022. This decrease was offset by capital grants and contributions from various Developers for water distribution system improvements in the amount of \$2,920.

Current and other assets decreased by \$15,801 (-19.0%) from FY2021, which reflects a decrease in receivables from other government funds in the amount of \$31,220 (-99.7%), which is related to the fulfillment of the Measure M payment transfers from the City. However, this decrease was offset by an increase in pooled cash and cash equivalents by \$17,836 (+71.1%), mainly due to a \$14,000 drawing on the Second Lien Water Revenue Short-Term Obligation Revolving Line of Credit (Water LOC) to fund water capital projects in FY2022.

Capital assets increased by \$19,562 (+5.4%) over the prior year, mainly due to the ongoing capital improvement program such the cast iron water main replacement, water service installations, well development and rehabilitation, large valve replacements, machinery and equipment purchases, and facility improvements.

Deferred outflows of resources increased by \$9,162 (+168.9%) over FY2021. The majority of the net increase in FY2022 is a result of increases in the difference between actual and expected investment returns in the amount of \$7,429 (+100.0%) and changes on actuarial assumptions and proportions in the amount of \$1,836 (+243.2%). In addition, pension contributions after the measurement date increased by \$12 (+12.4%) compared to FY2021. However, this net increase was offset by a decrease of \$198 (-38.8%) on debt refunding and a decrease of \$50 (-14.5%) in changes in actuarial assumptions on Other Postemployment Benefits (OPEB) costs compared to FY2021. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 47.

Current liabilities increased by \$3,841 (+14.0%) compared to FY2021, mainly due to an increase in accounts payable by \$4,371 (+27.9%) relating to continued expenditures in operating activities and capital improvement programs. This increase was offset by a decrease of \$547 (-35.6%) in employee benefits payables due in FY2022.

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Noncurrent liabilities increased by \$31,814 (+57.0%) from FY2021, primarily due to the net pension liability increase in the amount of \$23,554 (+117.7%) resulting from a significant increase in investment returns in the California Public Employees' Retirement System (CalPERS) pension plans. In addition, the Department drew \$14,000 from the Water LOC to fund water capital projects in FY2022. However, this increase was offset by annual principal payments on debt and bonds premium amortization in FY2022 resulted to a decrease in long-term bonds payable by \$3,681 (-36.0%). Furthermore, long-term obligations on the equipment financing agreement executed by the Department to finance the AMI project decreased by \$1,696 (-8.7%) in FY2022. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements on page 42.

Deferred inflows of resources decreased by \$14,169 (-80.5%) over FY2021. This net decrease mainly reflects a total of \$15,081 (-92.1%) decreases in differences between actual and projected experience and OPEB costs. However, this decrease was offset by increases in changes in actuarial assumptions, proportionate share of deferred pension and deferred amount for leases in the amount of \$912 (+73.7%) compared to FY2021. Additional information on deferred lease receivable is found on Note 1 – Description of the Department and Summary of Significant Accounting Policies on page 28 and on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 47.

Sewer Fund. Net position increased \$5,279 (+6.6%) over FY2021. This increase is primarily due to revenues in excess of expenses.

Current assets and other assets increased by \$446 (+3.2%) over FY2021, mainly due to increases in pooled cash and cash equivalents and in customer accounts receivable by \$117 (+1.0%) and \$278 (+21.3%), respectively, which reflect increases on sales revenues in FY2022.

Capital assets increased by \$4,048 (+4.8%) over FY2021, due to machinery and equipment purchases and to continued expenditures on sewer main pipe relining and replacement, and sewer pump station rehabilitation projects across the City of Long Beach.

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Deferred outflows of resources increased by \$1,686 (+155.0%) over FY2021. This net increase reflects increases on difference between actual and expected investment returns in FY2022 in the amount of \$1,445 (+100%). In addition, the actuarial determined deferred pension costs increased by \$268 (+113.56%) compared to FY2021, due to changes in actuarial assumptions, experience, and funds proportion of the City-wide pension liability. However, these increases were offset by decreases in changes in actuarial assumptions on OPEB costs in the amount of \$14 (-31.8%) and in pension contributions after measurement date by \$11 (-1.41%) compared to FY2021. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 47.

Current liabilities increased by \$33 (+1.2%) over FY2021, which is mainly due to an increase in accounts payable amounts by \$349 (+31.0%). This was offset by decreases in accrued wages, compensated absences payable, and unearned revenue amounting to \$259 (-35.2%).

Noncurrent liabilities increased by \$3,678 (+26.7%) from FY2021, primarily due to an increase in the net pension liabilities of \$4,373 (+106.7%). However, this increase was offset by a decrease in long-term bonds payable in the amount of \$526 (-6.1%) due to annual principal payments on Series 2016A Bonds. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 42 and on Note 5 - Retirement Program on page 47.

Deferred Inflows of resources decreased by \$2,810 (-75.7%) over FY2021. This net decrease reflects changes in actuarial assumptions, differences between actual and projected experience and proportionate share of deferred pension in the amount of \$2,769 (-80.9%) in FY2022. In addition, the Department recorded a net decrease in OPEB costs in the amount of \$41 (-14.3%). Additional information on deferred outflows related to pensions is provided on the Note 5 - Retirement Program of the Notes to Financial Statements on page 47.

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The Water Department's Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position provide further insight as to the nature and source of changes in net position and are summarized as follows for the years ended September 30, 2022 and 2021:

Long Beach Water Department
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Years Ended September 30, 2022 and 2021
(in thousands)

	2022	2021	Variance	
			2022/2021	
			Amount	%
Operating Revenues:				
Metered sales	\$ 80,454	\$ 79,591	\$ 863	1.1%
Reclaimed water sales	4,584	4,888	(304)	-6.2%
Service charges	49,783	46,062	3,721	8.1%
Other services	9,221	6,747	2,474	36.7%
Total operating revenues	144,042	137,288	6,754	4.9%
Operating Expenses:				
Cost of water	32,211	27,672	4,539	16.4%
Personal services	29,856	18,810	11,046	58.7%
Commercial Services	3,302	2,751	551	20.0%
Maintenance and other	37,903	33,825	4,078	12.1%
Street Impact charges	3,531	4,066	(535)	-13.2%
Depreciation and amortization	16,572	16,272	300	1.8%
Total operating expenses	123,375	103,396	19,979	19.3%
Operating income	20,667	33,892	(13,225)	-39.0%
Nonoperating Income (Expenses):				
Interest income	458	382	76	19.9%
Investment loss	(2,513)	(300)	(2,213)	737.7%
Interest expense	(1,478)	(1,618)	140	-8.7%
Rental income	1,148	1,036	112	10.8%
Payments from/(to) the City	-	22,204	(22,204)	-100.0%
Payments from other governments	1,195	-	1,195	100.0%
Credit to customers	(23,652)	-	(23,652)	100.0%
Other	(2,162)	854	(3,016)	-353.2%
Total non-operating income (expense)	(27,004)	22,558	(49,562)	-219.7%
Income (loss) before capital grants and contributions	(6,337)	56,450	(62,787)	-111.2%
Capital grants and contributions	3,053	2,854	199	7.0%
Changes in net position	(3,284)	59,304	(62,588)	-105.5%
Net position - October 1	427,806	368,502	59,304	16.1%
Net position - September 30	\$ 424,522	\$ 427,806	\$ (3,284)	-0.8%

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2022

The Department's operations are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2022 and 2021:

Water Fund				
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position				
Fiscal Years Ended September 30, 2022 and 2021				
(in thousands)				
	2022	2021	Variance	
			2022/2021	
			Amount	%
Operating Revenues:				
Metered sales	\$ 74,204	\$ 73,876	\$ 328	0.4%
Reclaimed water sales	4,584	4,888	(304)	-6.2%
Service charges	37,526	34,900	2,626	7.5%
Other services	6,281	5,304	977	18.4%
Total operating revenues	122,595	118,968	3,627	3.0%
Operating Expenses:				
Cost of water	32,211	27,672	4,539	16.4%
Personal services	25,350	15,555	9,795	63.0%
Commercial Services	1,827	1,496	331	22.1%
Maintenance and other	33,963	30,052	3,911	13.0%
Street Impact charges	1,513	1,948	(435)	-22.3%
Depreciation and amortization	13,785	13,429	356	2.7%
Total operating expenses	108,649	90,152	18,497	20.5%
Operating income	13,946	28,816	(14,870)	-51.6%
Nonoperating Income (Expenses):				
Interest income	337	271	66	24.4%
Investment loss	(1,964)	(170)	(1,794)	1055.3%
Interest expense	(1,266)	(1,394)	128	-9.2%
Rental income	1,148	1,036	112	10.8%
Payments from/(to) the City	-	22,204	(22,204)	-100.0%
Payments from other governments	1,061	-	1,061	100.0%
Credit to customers	(23,518)	-	(23,518)	100.0%
Other	(1,227)	968	(2,195)	-226.8%
Total non-operating income (expense)	(25,429)	22,915	(48,344)	-211.0%
Income (loss) before capital grants and contributions	(11,483)	51,731	(63,214)	-122.2%
Capital grants and contributions	2,920	2,665	255	9.6%
Changes in net position	(8,563)	54,396	(62,959)	-115.7%
Net position - October 1	348,137	293,741	54,396	18.5%
Net position - September 30	\$ 339,574	\$ 348,137	\$ (8,563)	-2.5%

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Sewer Fund Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2022 and 2021 (in thousands)

	2022	2021	Variance	
			2022/2021	
			Amount	%
Operating Revenues:				
Metered sales	\$ 6,250	\$ 5,715	\$ 535	9.4%
Service charges	12,257	11,162	1,095	9.8%
Other services	2,940	1,443	1,497	103.7%
Total operating revenues	<u>21,447</u>	<u>18,320</u>	<u>3,127</u>	<u>17.1%</u>
Operating Expenses:				
Personal services	4,506	3,255	1,251	38.4%
Commercial Services	1,475	1,255	220	17.5%
Maintenance and other	3,940	3,773	167	4.4%
Street Impact charges	2,018	2,118	(100)	-4.7%
Depreciation	2,787	2,843	(56)	-2.0%
Total operating expenses	<u>14,726</u>	<u>13,244</u>	<u>1,482</u>	<u>11.2%</u>
Operating income	<u>6,721</u>	<u>5,076</u>	<u>1,645</u>	<u>32.4%</u>
Nonoperating Income (Expenses):				
Interest income	121	111	10	9.0%
Investment loss	(549)	(130)	(419)	322.3%
Interest expense	(212)	(224)	12	-5.4%
Payments from other governments	134	-	134	100.0%
Credit to customers	(134)	-	(134)	100.0%
Other	(935)	(114)	(821)	720.2%
Total non-operating income (expense)	<u>(1,575)</u>	<u>(357)</u>	<u>(1,218)</u>	<u>341.2%</u>
Income before capital grants and contributions	<u>5,146</u>	<u>4,719</u>	<u>427</u>	<u>9.0%</u>
Capital grants and contributions	<u>133</u>	<u>189</u>	<u>(56)</u>	<u>-29.6%</u>
Changes in net position	<u>5,279</u>	<u>4,908</u>	<u>371</u>	<u>7.6%</u>
Net position - October 1	<u>79,669</u>	<u>74,761</u>	<u>4,908</u>	<u>6.6%</u>
Net position - September 30	<u>\$ 84,948</u>	<u>\$ 79,669</u>	<u>\$ 5,279</u>	<u>6.6%</u>

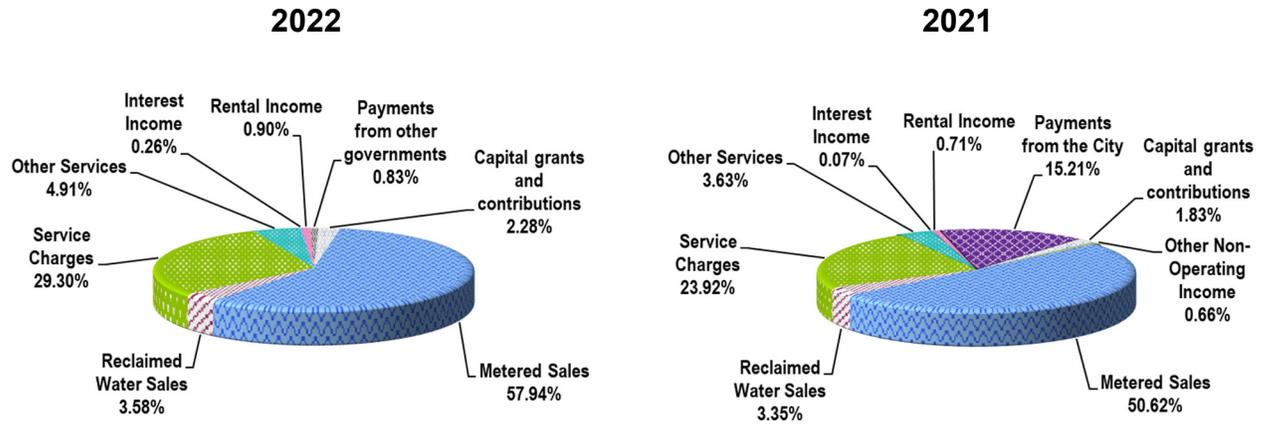
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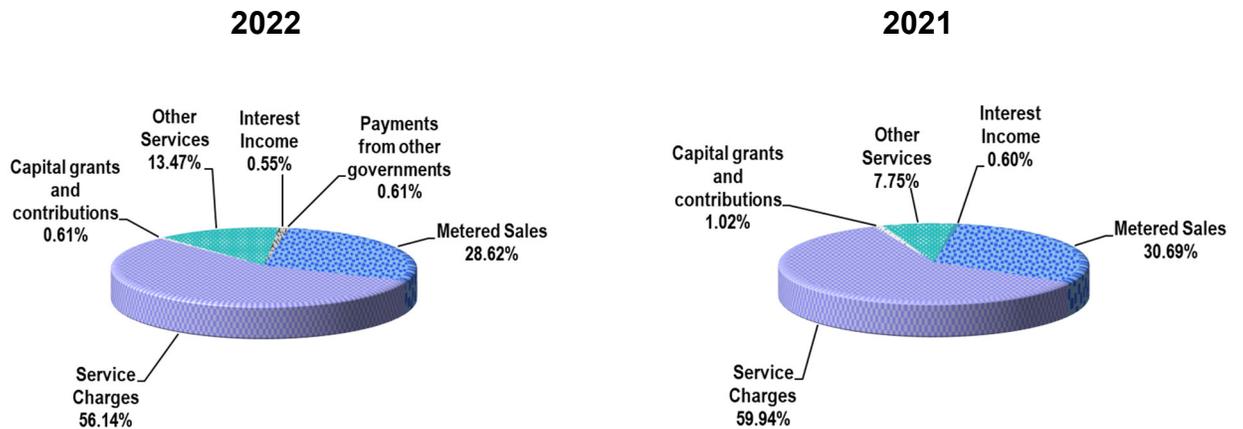
Sources of Revenues

Sources of revenue for fiscal years 2022 and 2021 are shown on the following charts.

Water Fund



Sewer Fund



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Management Review of the Department's Revenues

Water Fund

Fiscal Year Ended September 30, 2022 Compared to 2021

Total operating revenues were \$122,595, an increase of \$3,627 (+3.0%) over FY2021. The major elements of this net increase are as follows:

- Metered sales revenue increased by \$328 (+0.4%), primarily due to a net increase of 5.5% on water rates in FY2022. This was offset by a 2,494 AF (-5.0%) decrease in consumption.
- Reclaimed water sales revenue decreased by \$304 (-6.2%) mainly due to a decrease in consumption by 671 AF (-12.0%) compared to FY2021. However, this was offset by a 5.5% net increase in reclaimed water rates in FY2022.
- Service charges increased by \$2,626 (+7.5%) over FY2021 which reflects a net increase of 5.5% on rates during FY2022.
- Revenue from other services totaled \$6,281, a net increase of \$977 (+18.4%) from the prior year. This is primarily due to an increase in reimbursements received by \$830 (+377.5%) compared to FY2021, relating to conservation programs such as Lawn-to-Garden Conservation Incentives, Direct Install Gardens and Leak Detection Services.

Capital grants and contributions increased by \$255 (+9.6%) compared to FY2021, primarily due to an increase in the amount of \$305 (+100.0%) on contributions received in relation to the Port Water System project.

Sewer Fund

Fiscal Year Ended September 30, 2022 Compared to 2021

Total operating revenues increased \$3,127 (+17.1%) over FY2021. The key elements of this increase are as follows:

- Metered sales and service charges revenue increased by \$535 (+9.4%) and \$1,095 (+9.8%) respectively, over FY2021 as a result of a 10% sewer rate increase. This increase was slightly offset by a 607 AF decrease in volumetric demand in FY2022.
- Other services revenue increased by \$1,497 (+103.7%) over FY2021, mainly due to an increase in sewer capacity charges revenue resulting from several new residential and commercial sewer collection system developments in the city of Long Beach.

Capital grants and contributions decreased by \$56 (-29.6%) compared to FY2021, primarily due to a decrease in proceeds received from sewer collection system development agreements with the Department.

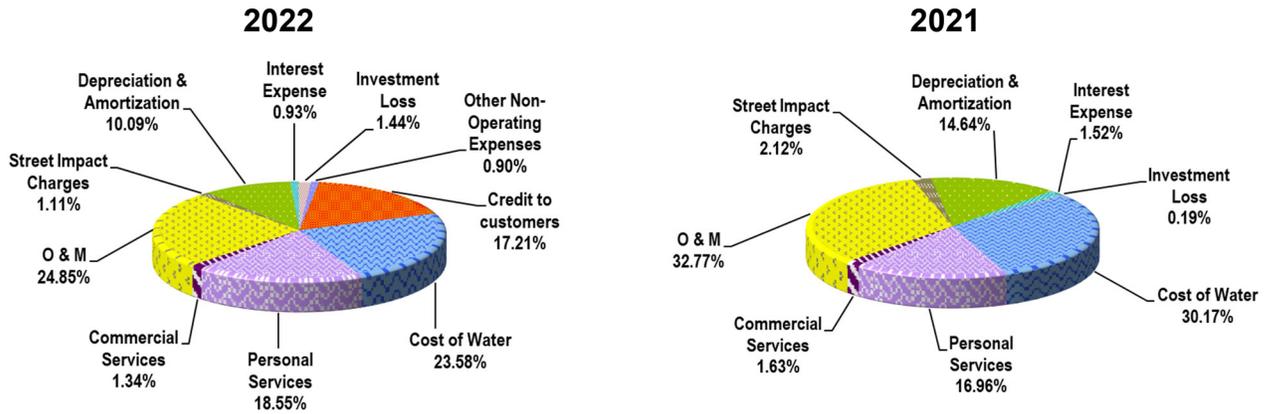
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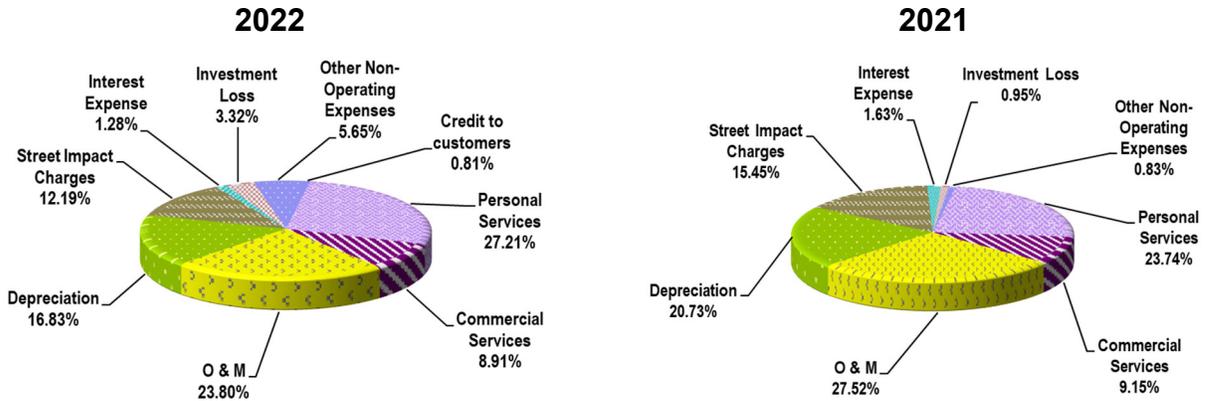
Functional Expenses

Functional expenses for the 2022 and 2021 fiscal years are shown on the following charts.

Water Fund



Sewer Fund



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Management's Discussion and Analysis
September 30, 2022

Management Review of the Department's Expenses

Water Fund

Fiscal Year Ended September 30, 2022 Compared to 2021

Operating expenses totaled \$108,649, an increase of \$18,497 (+20.5%) over FY2021. The major elements attributable to the net increase are as follows:

- In FY2022, purchased water costs and volume increased by \$4,539 (+16.4%) and 3,167 AF (+16.6%) respectively. Increased reliance on imported water was a result of a scheduled shutdown of the Groundwater Treatment plant for repair and maintenance in FY2022.
- Personal services costs increased by \$9,795 (+63.0%) in FY2022, primarily due to increases in pension costs and fringe benefits in the amount of \$7,470 (+1,665.3%). In addition, employee salaries, compensated absences costs, and overtime costs increased by \$2,004 (14.0%) due to increases on negotiated salary range and Cost of Living Allowance (COLA) in FY2022.
- Maintenance and other costs had a net increase of \$3,911 (+13.0%) from FY2021. The net increase is primarily attributable to the following factors:
 - Materials and other contractual services costs incurred for repair, maintenance and daily operations increased by \$2,045 (+40.8%) compared to FY2021, primarily due to an increase in sales and contract prices and operating activities. This includes laboratory supplies, fuel, electrical supplies, machinery and equipment parts, advertising services, security services, disposal services and other contractual services.
 - Legal fees and services increased by \$812 (+3,429.1%) compared to FY2021, mainly due to legal fees paid in relation to the Measure M litigation.
 - Technology infrastructure services increased by \$270 (+27.4%) due to the allocated costs increases compared to FY2021.
 - Property and liability insurance costs increased by \$693 (+66.1%) compared to FY2021, due to an increase in evaluated share of costs from the City.

FY2022 net nonoperating expense totaled \$25,429, a net decrease of \$48,344 (-211.0%) over FY2021. The net decrease is primarily due to the following factors:

- Payments from the City decreased by \$22,204 (-100.0%) in FY2022. This is primarily due to non-operating income related to Measure M being fully recognized in FY2021.
- Credit to customers costs increased by \$23,518 (+100.0%) in FY2022, mainly due to a one-time utility rebates applied against consumption and daily service charges on all water customers' utility bills.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2022

- Other expense had a net increase of \$2,195 (-226.8%) in FY2022, primarily due a net decrease of \$1,897 (-91.0%) on other non-operating revenue received relating to damage claims recoveries and the conclusion of four equal annual payments from the City stipulated in the Settlement and Release Agreement (Agreement) which came into effect on November 8, 2017.
- Investment loss increased by \$1,794 (+1,055.3%) mainly due to a decrease in income received relating to pooled cash and mark-to-market pooled cash investments.

Sewer Fund

Fiscal Year Ended September 30, 2022 Compared to 2021

Total operating expenses amounted to \$14,726, an increase of \$1,482 (+11.2%) over FY2021. This net increase is mostly attributable to the following elements:

- Personal services costs increased by \$1,251 (+38.4%) in FY2022, primarily because of increases in pension costs and fringe benefits in the amount of \$1,035 (+154.4%). In addition, overtime costs increased by \$73 (+18.8%) due to increases on negotiated salary range, COLA, and sewer operating activities in FY2022.
- Commercial services costs increased by \$220 (+17.5%) compared to FY2021, due to an increase in allocated costs for utility customer support and billing and collection services charges from the City.

FY2022 net nonoperating expense totaled \$1,575, a net increase of \$1,218 (+341.2%) compared to FY2021. The net increase is primarily due to the following factors:

- Other expense had a net increase of \$821 (+720.2%) in FY2022, primarily due a net decrease of \$1,044 (-80.8%) on other non-operating income received relating to damage claims recoveries and with the conclusion of four equal annual payments from the City stipulated in the Agreement.
- Investment loss increased by \$419 (+322.3%) mainly due to a decrease in income received relating to pooled cash and mark-to-market pooled cash investments.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2022

Capital Assets and Debt Administration

Capital assets. The Department's capital assets (net of accumulated depreciation and amortization) as of September 30, 2022 amounted to \$379,767 for the Water Fund and \$88,990 for the Sewer Fund. Capital assets include investments in production, transmission, patent, improvements on buildings and structures, and distribution related facilities, as well as general items such as office equipment and furniture. For FY2022, net capital assets increased \$19,562 (+5.4%) and \$4,048 (+4.8%) for Water Fund and Sewer Fund, respectively. The net increase is due primarily to machinery and equipment purchases and capitalization of major potable water and reclaimed water distribution systems, and sewer collection systems.

The Department's capital assets are summarized as follows for the years ended September 30, 2022 and 2021 (in thousands):

Long Beach Water Department Condensed schedules of Capital Assets September 30, 2022 and 2021 (in thousands)				
	2022	2021	Variance	
			2022/2021	
			Amount	%
Land	\$ 11,214	\$ 11,214	\$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	165,106	163,547	1,559	1.0%
Distribution/collection systems	616,109	601,956	14,153	2.4%
Machinery and equipment	27,560	27,744	(184)	-0.7%
Construction in progress	91,766	68,166	23,600	34.6%
Total capital assets	<u>912,610</u>	<u>873,482</u>	<u>39,128</u>	<u>4.5%</u>
Less: accumulated depreciation and amortization	(443,853)	(428,335)	(15,518)	3.6%
Total capital assets, net	<u><u>\$ 468,757</u></u>	<u><u>\$ 445,147</u></u>	<u><u>\$ 23,610</u></u>	<u><u>5.3%</u></u>

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2022

The Department's capital assets are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2022 and 2021:

Water Fund				Variance	
Capital Assets				2022/2021	
September 30, 2022 and 2021					
(in thousands)					
	2022	2021	Amount	%	
Land	\$ 11,214	\$ 11,214	\$ -	-	
Water Rights	40	40	-	-	
Patent	815	815	-	-	
Buildings, structures, and facilities	152,676	151,117	1,559	1.0%	
Distribution/collection systems	394,618	383,489	11,129	2.9%	
Machinery and equipment	20,628	20,921	(293)	-1.4%	
Construction in progress	80,256	60,015	20,241	33.7%	
Total capital assets	660,247	627,611	32,636	5.2%	
Less: accumulated depreciation and amortization	(280,480)	(267,406)	(13,074)	4.9%	
Total capital assets, net	\$ 379,767	\$ 360,205	\$ 19,562	5.4%	

Sewer Fund				Variance	
Capital Assets				2022/2021	
September 30, 2022 and 2021					
(in thousands)					
	2022	2021	Amount	%	
Buildings, structures, and facilities	\$ 12,430	\$ 12,430	\$ -	-	
Distribution/collection systems	221,491	218,467	3,024	1.4%	
Machinery and equipment	6,932	6,823	109	1.6%	
Construction in progress	11,510	8,151	3,359	41.2%	
Total capital assets	252,363	245,871	6,492	2.6%	
Less: accumulated depreciation	(163,373)	(160,929)	(2,444)	1.5%	
Net capital assets	\$ 88,990	\$ 84,942	\$ 4,048	4.8%	

Additional information regarding capital assets can be found in notes 1 and 3 to the Department's financial statements.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2022

Long-term obligations. As of September 30, 2022, the Department had total outstanding long-term obligations in the amount of \$29,595 for the Water Fund and \$8,523 for the Sewer Fund. All debt is supported by Water Fund revenues and Sewer Fund revenues. Total Department outstanding debt as of September 30, 2022 and 2021 is summarized as follows:

Water Fund				
Long-Term Obligations				
September 30, 2022 and 2021				
(in thousands)				
	2022	2021	Variance	
			2022/2021	
			Amount	%
Equipment Financing obligation:				
Equipment Financing obligation-AMI	\$ 19,587	\$ 21,226	\$ (1,639)	-7.7%
Total equipment financing obligation outstanding	19,587	21,226	(1,639)	-7.7%
Long-term debt:				
Revenue refunding bonds	9,645	12,945	(3,300)	-25.5%
Water Revenue Revolving Line of Credit	14,000	-	14,000	100.0%
Long-term debt outstanding, net	23,645	12,945	10,700	82.7%
Unamortized bond discount	-	-	-	-
Add: Unamortized bond premium	363	594	(231)	-38.9%
Total long-term debt outstanding	24,008	13,539	10,469	77.3%
Total long-term obligations	\$ 43,595	\$ 34,765	\$ 8,830	25.4%

Sewer Fund				
Long-Term Obligations				
September 30, 2022 and 2021				
(in thousands)				
	2022	2021	Variance	
			2022/2021	
			Amount	%
Long-term debt:				
Revenue refunding bonds	\$ 7,570	\$ 7,960	\$ (390)	-4.9%
Long-term debt outstanding, net	7,570	7,960	(390)	-4.9%
Add: Unamortized bond premium	953	1,074	(121)	-11.3%
Total long-term obligations	\$ 8,523	\$ 9,034	\$ (511)	-5.7%

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2022

The Department maintains AA+ credit ratings from Standard & Poor's for the Water and Sewer Funds. Additional information on the Department's long-term obligations can be found in Note 4 - Long-term Liabilities of the Notes to Financial Statements on page 42.

Economic Factors and Next Year's Budget and Rates

The Board of Water Commissioners (Board) approved the budget for the fiscal year-end September 30, 2023, with budgeted expenditures totaling approximately \$156,842, a decrease of \$3,041 (-1.9%) compared to FY2022. In addition, Sewer Fund's budgeted expenditures amounted to \$23,188, which decreased by \$133 (-0.6%) in FY2023.

In FY2023, there were no rate increases for potable water, reclaimed water and sewer collection services compared to FY2022.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Long Beach Water Department, 1800 E. Wardlow Road, Long Beach, California 90807.

LONG BEACH WATER DEPARTMENT

**Statements of Net Position
Business Type Activity - Enterprise
September 30, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Pooled cash and cash equivalents	\$ 42,935	12,378	55,313
Non-pooled cash equivalents	903	-	903
Interest receivable	4	-	4
Due from other government	877	-	877
Due from the City	101	-	101
Customer accounts receivable	9,222	1,582	10,804
Allowance for doubtful accounts	(1,181)	(158)	(1,339)
Material and supplies inventory	7,025	238	7,263
Prepaid expense	2,646	-	2,646
Lease receivable	342	-	342
Restricted assets:			
Pooled cash and cash equivalents:			
Funds held in trust	1,061	-	1,061
Bond service funds	1,632	304	1,936
Sub-total pooled cash and cash equivalents	2,693	304	2,997
Non-pooled investments	1,972	-	1,972
Total restricted assets	4,665	304	4,969
Total current assets	67,539	14,344	81,883
Noncurrent Assets:			
Capital assets:			
Land	11,214	-	11,214
Water rights	40	-	40
Patent	815	-	815
Buildings, structures and facilities	152,676	12,430	165,106
Distribution/collection systems	394,618	221,491	616,109
Machinery and equipment	20,628	6,932	27,560
Construction in progress	80,256	11,510	91,766
Total capital assets	660,247	252,363	912,610
Less: Accumulated depreciation and amortization	(280,480)	(163,373)	(443,853)
Total capital assets, net	379,767	88,990	468,757
Total assets	447,306	103,334	550,640
DEFERRED OUTFLOWS OF RESOURCES			
Economics loss from the refunding of debt	313	-	313
Pension contributions after measurement date	3,962	770	4,732
Difference between actual and expected			
CalPERS investment returns	7,429	1,445	8,874
Pension changes in assumptions	2,591	504	3,095
OPEB contributions after measurement date	109	20	129
OPEB liability change in proportions	56	12	68
OPEB change in assumptions	95	18	113
OPEB change in experience	30	5	35
Total deferred outflows of resources	\$ 14,585	2,774	17,359

(Continued)

LONG BEACH WATER DEPARTMENT

**Statements of Net Position
Business Type Activity - Enterprise
September 30, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 20,057	1,475	21,532
Accrued wages payable	124	29	153
Unearned revenue	237	7	244
Accrued compensated absences	2,351	440	2,791
Due to other funds	988	104	1,092
Advances from developers	1,066	215	1,281
Accrued interest payable	194	135	329
Equipment financing obligation due with in one year	1,696	-	1,696
Long-term debt due within one year	3,450	405	3,855
Customer deposits	1,081	-	1,081
Total current liabilities	<u>31,244</u>	<u>2,810</u>	<u>34,054</u>
Noncurrent Liabilities:			
Equipment financing obligation, net of current portion	17,891	-	17,891
Long-term debt, net of current portion	20,558	8,118	28,676
Compensated absences	4,501	836	5,337
Total OPEB liability	129	24	153
Net pension liability	43,559	8,470	52,029
Accrued site restoration cost	1,000	-	1,000
Total noncurrent liabilities	<u>87,638</u>	<u>17,448</u>	<u>105,086</u>
Total Liabilities	<u>118,882</u>	<u>20,258</u>	<u>139,140</u>
DEFERRED INFLOWS OF RESOURCES			
Pension changes in experience	960	187	1,147
CalPERS change in proportion	864	469	1,333
OPEB change in assumptions	957	180	1,137
OPEB change in proportion	110	45	155
OPEB change in experience	218	21	239
Deferred amount for leases	326	-	326
Total deferred inflows of resources	<u>3,435</u>	<u>902</u>	<u>4,337</u>
NET POSITION			
Net investment in capital assets	332,612	79,066	411,678
Restricted for:			
Bond Service	1,027	304	1,331
Unrestricted	5,935	5,578	11,513
Total Net Position	<u>\$ 339,574</u>	<u>84,948</u>	<u>424,522</u>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

**Statements of Revenues, Expenses,
and Changes in Fund Net Position
Business Type Activity - Enterprise
Year Ended September 30, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Metered sales	\$ 74,204	6,250	80,454
Reclaimed water sales	4,584	-	4,584
Service charges	37,526	12,257	49,783
Other services	6,281	2,940	9,221
Total operating revenues	<u>122,595</u>	<u>21,447</u>	<u>144,042</u>
Operating Expenses:			
Cost of water	32,211	-	32,211
Personal services	25,350	4,506	29,856
Commercial services	1,827	1,475	3,302
Maintenance and other	33,963	3,940	37,903
Street Impact charges	1,513	2,018	3,531
Depreciation and amortization	13,785	2,787	16,572
Total operating expenses	<u>108,649</u>	<u>14,726</u>	<u>123,375</u>
Operating income	<u>13,946</u>	<u>6,721</u>	<u>20,667</u>
Non-operating Income (Expense):			
Interest income	337	121	458
Investment loss	(1,964)	(549)	(2,513)
Interest expense	(1,266)	(212)	(1,478)
Rental income	1,148	-	1,148
Payments from other governments	1,061	134	1,195
Credit to customers	(23,518)	(134)	(23,652)
Other	(1,227)	(935)	(2,162)
Total non-operating income (expense)	<u>(25,429)</u>	<u>(1,575)</u>	<u>(27,004)</u>
Income before capital grants and contributions	<u>(11,483)</u>	<u>5,146</u>	<u>(6,337)</u>
Capital grants and contributions	<u>2,920</u>	<u>133</u>	<u>3,053</u>
Changes in net position	<u>(8,563)</u>	<u>5,279</u>	<u>(3,284)</u>
Net position - October 1	<u>348,137</u>	<u>79,669</u>	<u>427,806</u>
Net Position - September 30	<u>\$ 339,574</u>	<u>84,948</u>	<u>424,522</u>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

**Statements of Cash Flows
Business Type Activity - Enterprise
Year ended September 30, 2022**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 124,518	21,058	145,576
Cash paid to employees	(26,650)	(4,944)	(31,594)
Cash paid for water	(32,609)	-	(32,609)
Cash paid for goods and services	(29,636)	(5,207)	(34,843)
Cash paid to the City	(1,513)	(2,018)	(3,531)
Other expense	(1,412)	(1,183)	(2,595)
Other income	189	2	191
Net cash provided by operating activities	<u>32,887</u>	<u>7,708</u>	<u>40,595</u>
Cash flows from non-capital financing activities:			
Cash received from rental income	1,148	-	1,148
Payments received from the City	30,832	-	30,832
Payments received from other governments	1,061	134	1,195
Credit to customers	(23,518)	(134)	(23,652)
Net cash (used for)/provided by non-capital financing activities	<u>9,523</u>	<u>-</u>	<u>9,523</u>
Cash flows from capital and related financing activities:			
Proceeds from line of credit	14,000	-	14,000
Proceeds from sale of capital assets	98	246	344
Contributions in aid of construction	2,518	133	2,651
Payments for capital acquisitions	(33,145)	(6,814)	(39,959)
Principal repayments-bonds	(3,300)	(390)	(3,690)
Principal repayments-equipment financing obligation	(1,639)	-	(1,639)
Interest payments	(1,352)	(338)	(1,690)
Net cash used for capital and related financing activities	<u>(22,820)</u>	<u>(7,163)</u>	<u>(29,983)</u>
Cash flows from investing activities:			
Receipt of Interest	(1,212)	(428)	(1,640)
Net cash use in investing activities	<u>(1,212)</u>	<u>(428)</u>	<u>(1,640)</u>
Net increase (decrease) in cash and cash equivalents	18,378	117	18,495
Cash and cash equivalents, October 1	<u>28,153</u>	<u>12,565</u>	<u>40,718</u>
Cash and cash equivalents, September 30	<u>46,531</u>	<u>12,682</u>	<u>59,213</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	13,946	6,721	20,667
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense and amortization	13,785	2,787	16,572
Other income	(2,473)	136	(2,337)
Other expense	1,250	(1,317)	(67)
Decrease in pension, OPEB and compensated absences	(608)	(311)	(919)
Decrease in prepaid expense	2,404	-	2,404
Decrease (increase) in customer accounts receivable	1,814	(276)	1,538
Increase in due from City of Long Beach	(87)	-	(87)
Increase in material and supplies inventory	(468)	(53)	(521)
Increase in accounts and retainage payable	4,367	348	4,715
Decrease in accrued wages payable	(692)	(127)	(819)
Increase (decrease) in unearned revenue	57	(113)	(56)
Decrease in due to City of Long Beach	(547)	(87)	(634)
Increase in customer deposits	139	-	139
Total adjustments	<u>18,941</u>	<u>987</u>	<u>19,928</u>
Net cash provided by operating activities	<u>\$ 32,887</u>	<u>7,708</u>	<u>40,595</u>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

Note 1 - Description of the Department and Summary of Significant Accounting Policies

Description of the Department

The Long Beach Water Department (the Department) was established in 1911 through adoption of the City Charter of the City of Long Beach, California (the City) to regulate and control the use, sale, and distribution of water owned or controlled by the City. In February 1988, the City Council of the City of Long Beach voted to transfer administrative, operational, and maintenance responsibility of the City's sewer system to the Department. In addition, in April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy of the Department in administering sewer operations. For accounting purposes, the transfer was effective July 1, 1988.

The Department services the City's sewer system that consists of 714 miles of sewer mains, 15,143 manholes, and 26 sewage pumping stations. This system is capable of transporting for treatment approximately 40 to 60 million gallons of raw sewage daily.

The Department obtains potable water for distribution from two sources. Historically, approximately half of the City's water is purchased from the Metropolitan Water District of Southern California; the other half is pumped from the Department's own groundwater wells. Potable water is stored in two reservoirs with a combined capacity of 108.9 million gallons. As of September 30, 2022, the Department delivered over 3.1 billion gallons of reclaimed water to various users in the City.

Reporting Entity

The Department's financial activities are considered to be enterprise operations of the City of Long Beach; accordingly, such activities are included in the City's Annual Comprehensive Financial Report in the Water Utility Fund and Sewer Utility Fund. Control and management of the Department is vested in the five-member Board of Water Commissioners (the Board). Each Commissioner is appointed by the Mayor, confirmed by the City Council, and may serve two five-year terms.

The accompanying Department financial statements include the Water and Sewer Fund operations of the City of Long Beach. The statements of the Department are intended to present the financial position, and changes in financial position, and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2022, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

The City's Annual Comprehensive Financial Report may be obtained by contacting:

City of Long Beach, California – Department of Financial Management
411 W. Ocean Blvd.
Long Beach, CA 90802

Basis of Accounting

The Department's accounts are maintained on a flow of economic resources measurement focus utilizing the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, regardless of when they are received, and expenses are recognized in the period incurred. The Department's operations are not subject to regulation by the Public Utilities Commission.

The Department applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations.

Implementation of New Accounting Pronouncements

Application of the following Statements was effective for the Department's fiscal year ended September 30, 2022.

In June of 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. As a result of the implementation of GASB Statement No. 87, lease receivable and deferred inflows of resources as of October 1, 2021 were each restated by \$652, with no impact to the beginning net position.

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement is effective for reporting periods beginning after December 15, 2021, and all reporting periods thereafter. Early application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2022.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The Statement is effective for reporting periods after June 15, 2021, and all reporting periods thereafter. Application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2022.

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, as amended, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance. Application of these requirements of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2022.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The Statement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Early application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2022.

The Department is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In March of 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In May of 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. This Statement is effective for the Department's fiscal year ending September 30, 2024.

City of Long Beach Investment Pool

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other City funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

At September 30, 2022, the Water Fund and Sewer Fund had equity in the Pool of \$45,628 and \$12,682, respectively, which represents approximately 2.35% and 0.65%, respectively, for a total departmental equity of \$58,310 or 3.00% of the Pool.

The Department's share of the Pool is stated at fair value. For a complete description of the Pool and its underlying investments, refer to the City of Long Beach's separately issued financial statements.

Cash Equivalents

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Department can withdraw amounts from the pool without penalty or notice.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents. These cash equivalents are reported at amortized cost in the accompanying financial statements.

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Fair Value

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

Material and Supplies Inventory

Material and supplies inventory are reported at cost determined on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment, and transmission and distribution infrastructure, are composed of assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. The cost of additions to capital assets and replacement of retired property is capitalized. The costs of replacement expenditures are expensed as incurred. Upon retirement or sale of capital assets, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in the Department's financial statements (see note 3).

Depreciation of capital assets is provided by the straight-line method based on the estimated service lives of the properties, as follows:

Buildings, structures, and facilities	10 to 50 years
Distribution/collection systems	20 to 75 years
Patents	20 years
Other machinery and equipment	5 to 10 years

Lease Receivable

The Department is a lessor for noncancellable leases of land and buildings and recognizes a lease receivable and a deferred inflow of resources.

At the commencement of a lease, the Department measures the lease receivable at the present value of payments expected to be received over the course of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments

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received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term. Key estimates and judgments related to leases in which the Department is lessor are as follows:

- The Department recognizes lease receivables with an initial, individual value of \$500 or more.
- The Department uses its estimated implicit rate or incremental borrowing rate as the discount rate for leases, whichever is applicable.
- The lease term includes the noncancellable period of the lease.
- Projected lease revenues included in the measurement of the lease receivable are comprised of fixed payments required per the lease terms.
- Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- Leases with rent payments that depend on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage rent increases or flat rate rent increases that are specified in the lease terms are included in the measurement of the lease receivable.

The Department monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

Land rentals

The Department owns approximately 820 acres of land, approximately 80 acres of which is rented for commercial purposes. All nine land rental agreements are cancellable, with various terms ranging from 1 to 42 years. Within the various terms, the minimum future rentals for these agreements total to \$10,278. As of September 30, 2022, the Department recorded a total rental income of \$1,148.

Capital grants and contributions

Advances received from developers for construction of plant assets are recorded as advances from developers when received. As construction progresses, advanced amounts equivalent to capitalized expenditures are recorded as capital grants and contributions in the accompanying financial statements. Donated assets, donated works of art and similar items, capital assets received in service concession arrangement and assets constructed by

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developers and contributed to the Department are capitalized at fair value at the date of acquisition which equates to the acquisition cost.

Revenue Recognition

Operating revenues include revenues derived from the sale of water, from providing sewer service, and from other activities closely related to providing water and sewer service. Principal revenues are derived from volumetric usage and service charges for water and sewer services. Nonoperating revenues and expenses are those not directly associated with the Department's normal business operations of supplying water and sewer service and include interest income and expense, rents received for Department property, and gains and losses on disposition of property. Revenues for water and sewer charges are recorded when delivered to customers. Billings to customers are based on monthly meter readings.

Operating Expenses

The cost of water includes all purchases of water from the Metropolitan Water District of Southern California. Personal services include labor costs for operations, maintenance, and general and administrative functions. Commercial services cost is the Department's share of the City's utility billing system. Maintenance and other costs include the operating costs of the Department and include costs of pumping and treating groundwater as well as general and administrative costs. Payments from/(to) the City are transfers made to the City.

Employee Benefits, Compensated Absences and Termination Benefits

At September 30, 2022, the Department has recorded compensated absences of \$8,128 (\$6,852 for Water and \$1,276 for Sewer) of which short-term amounts totaled to \$2,791 (\$2,351 for Water and \$440 for Sewer) and long-term balances of \$5,337 (\$4,501 for Water and \$836 for Sewer). Compensated absences include accrued but unused vacation and holiday benefits and accumulated sick and termination benefits.

Vacation, holiday and sick benefits are recognized when earned and recorded as personal services in the accompanying financial statements. Amounts that are earned but unused at year end, are reported as compensated absences and classified as current or non-current in the accompanying financial statements based on historical usage of the benefits. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. Accumulated sick leave vests when an employee meets the City's minimum requirements for retirement and is forfeited if the employee terminates prior to vesting.

Upon retirement, management employees may convert 75 percent of their outstanding vacation leave to sick leave. The retiree's accumulated sick leave and any covered sick leave may be used to either purchase additional pension benefits from California Public Employees' Retirement System (CalPERS) or to participate in the City's Retired Employee

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Health Insurance Program (REHIP) until the sick leave is exhausted. The REHIP allows retirees to convert their accumulated vested unused sick leave to the cash value at the date of retirement and use those amounts for health, dental, and long-term care insurance premiums for the retiree, their spouse, and eligible dependents in accordance with the City's Personnel Ordinance.

The sick and termination benefits are determined based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences (GASB 16)*. The liability considers an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees. The Department's share of the liability is based on the its share of accrued sick leave at September 30, 2022. The liability is being funded over time through burden rates, applied as a percentage of current productive salaries.

Pension Plan and Postretirement Benefits

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund. The costs to be funded are determined annually as of July 1 and are incorporated into the payroll burden rate to reimburse the Employee Benefits Internal Service Fund for contributions made on behalf of Department employees (see note 5).

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan and additions to/deductions from Miscellaneous Plan's fiduciary net position have been determined on the same basis as they are reported by the Miscellaneous Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restricted Assets

Amounts restricted for bond indenture requirements and funds held in trust are recorded as restricted assets. Related liabilities of these funds are identified as amounts payable from restricted assets when such obligations are incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represent a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

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In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. The separate financial element, Deferred Inflows of Resources, represent an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Risk Management

The Department, as an entity of the City, participates in the City's self-insured program for workers' compensation, property, and tort liability. The City and the Department's management believe that sufficient funds are being accumulated in the City's Insurance Internal Service Fund (Insurance Fund) to meet losses as they arise. The Department contributes to the Insurance Fund through payroll burden charges applied as a percent of current productive salaries. In addition, various risk control techniques, including safety training for all employees and the inclusion of appropriate legal provisions in third-party contracts, have been implemented to minimize risk losses.

Estimates

The preparation of the Department's financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position are classified into the following net position categories:

Net Investment in Capital Assets - Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt.

Restricted - Amounts restricted for bond indenture requirements.

Unrestricted - All other categories of net position.

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Current Environment – Coronavirus Disease 2019 (COVID-19)

On March 11, 2020, the World Health Organization declared a global pandemic due to an outbreak caused by a respiratory disease called Coronavirus Disease 2019 (COVID-19). As changes in the pandemic continue, the Department, being part of the critical infrastructure sector, remains diligent in providing the city of Long Beach with clean water as its top priority.

As part of the 2021-22 State budget approval in late 2021, the State of California initiated the California Water and Wastewater Arrearage Payment Program (CWWAPP) to offer financial assistance to water and sewer customers to help reduce past due bill balances that accrued during the pandemic. In FY2022, the Department received funds from the CWWAPP program in the amount of \$1,061 and \$134, for Water and Sewer Fund respectively, and applied to eligible customer bills.

Utility Revenue Transfer Charter Amendment (Measure M)

On June 5, 2018, the residents of the City of Long Beach voted to pass the Utility Revenue Transfer Charter Amendment (Measure M). With this amendment, the Department is authorized to make annual transfers of any funds from the Water and Sewer Funds to the General Fund that are determined by the Board of Water Commissioners (Commission) to be unnecessary to meet its obligations; provided that the maximum transfer does not exceed 12% of each funds' audited annual gross revenues. The transfers to the General Fund can be spent for unrestricted general revenue purposes. The Commission is authorized to set, and the City Council to approve, water and sewer rates in an amount sufficient to recover the cost of Water and Sewer Fund obligations.

In October of 2018, a lawsuit was filed against the City of Long Beach (City) alleging that, among other things, the passage of Measure M violated Article XIII of the California Constitution and was unenforceable insofar as it authorized the transfer of funds from the Water and Sewer Funds to the General Fund. On January 2, 2020, a judge in the Superior Court of Los Angeles County issued a tentative ruling in favor of the plaintiffs, finding Measure M unconstitutional, ordering the return of funds previously transferred under the authority granted by Measure M, and prohibiting the future transfer of funds pursuant to Measure M. The tentative ruling became final in February of 2020. On March 23, 2022, the Supreme Court denied the City's petition to review and therefore the appellate court decision stood. In FY2022, the City executed a court-ordered transfer of \$30,832 to the Department within 180 days from the final ruling. In May 2022, the Board of Water Commissioners approved a one-time bill credit of the entire amount of \$30,832 back to the Department's customers. As of September 30, 2022, the customer bill credits used amounted to \$22,457 and the remaining balance of \$8,375 has not been used by customers.

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Notes to Financial Statements
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Note 2 - Cash Equivalents and Investments

The Department's unrestricted and restricted cash equivalents and investments are as follows:

Water Fund			
	Unrestricted	Restricted	Total Investments & Cash Equivalent
Equity in the City of Long Beach's investment pool	\$ 42,935	2,693	45,628
Non-pooled cash equivalents	903	-	903
Investments - U.S. Treasury Notes	-	1,972	1,972
Total cash and investments	\$ 43,838	4,665	48,503

Sewer Fund			
Sewer Fund	Unrestricted	Restricted	Total Investments & Cash Equivalent
Equity in the City of Long Beach's investment pool	\$ 12,378	304	12,682
Total cash and investments	\$ 12,378	304	12,682

The Departments investment policy allows funds to be invested with the City or to be held outside of the Pool based on the requirements of bond indentures or by actions of the Board. The City's investment policy limits the permitted investments in the Investment Pool to the following: Obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, Local Agency Investment Fund, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities and money market mutual funds. Cash equivalents held outside of the Pool are governed by the provisions of the debt agreement.

As of September 30, 2022, the City's Investment Pool has weighted average maturity of 1.65 years and is not rated. The Department's investment in the Pool is not categorized nor leveled in the fair value hierarchy.

The Water Funds' investments in U.S. Treasury notes have a weighted average maturity of 1.62 years and are not rated. These investments are reported at fair value using observable inputs and are accordingly reported as a level 2 investment in the fair value hierarchy.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements September 30, 2022 (in thousands of dollars)

Note 3 – Capital Assets

Capital assets at September 30, 2022 were as follows:

Water Fund	Balance September 30, 2021	Additions	Deletions, Retirements and Transfers	Balance September 30, 2022
Capital assets, not being depreciated:				
Land	11,214	-	-	11,214
Construction in progress	60,015	34,459	(14,218)	80,256
Water Rights	40	-	-	40
Total capital assets, not being depreciated	71,269	34,459	(14,218)	91,510
Capital assets, being depreciated:				
Buildings, structures and facilities	151,117	1,559	-	152,676
Patents	815	-	-	815
Distribution/collection systems	383,489	11,417	(288)	394,618
Machinery and equipment	20,921	231	(524)	20,628
Total capital assets, being depreciated	556,342	13,207	(812)	568,737
Less accumulated depreciation for:				
Buildings, structures and facilities	(77,968)	(4,250)	-	(82,218)
Patents	(613)	(41)	-	(654)
Distribution/collection systems	(170,194)	(8,117)	187	(178,124)
Machinery and equipment	(18,631)	(1,377)	524	(19,484)
Total accumulated depreciation	(267,406)	(13,785)	711	(280,480)
Total capital assets, being depreciated, net	288,936	(578)	(101)	288,257
Total Water Fund capital assets, net	360,205	33,881	(14,319)	379,767
Sewer Fund				
	Balance September 30, 2021	Additions	Deletions, Retirements and Transfers	Balance September 30, 2022
Capital assets, not being depreciated:				
Construction in progress	8,151	6,403	(3,044)	11,510
Total capital assets, not being depreciated	8,151	6,403	(3,044)	11,510
Capital assets, being depreciated:				
Buildings, structures and facilities	12,430	-	-	12,430
Distribution/collection systems	218,467	3,024	-	221,491
Machinery and equipment	6,823	452	(343)	6,932
Total capital assets, being depreciated	237,720	3,476	(343)	240,853
Less accumulated depreciation for:				
Buildings, structures and facilities	(3,013)	(278)	-	(3,291)
Distribution/collection systems	(153,191)	(2,024)	-	(155,215)
Machinery and equipment	(4,725)	(485)	343	(4,867)
Total accumulated depreciation	(160,929)	(2,787)	343	(163,373)
Total capital assets, being depreciated, net	76,791	689	-	77,480
Total Sewer Fund capital assets, net	84,942	7,092	(3,044)	88,990

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Notes to Financial Statements September 30, 2022 (in thousands of dollars)

Combined Total	Balance September 30, 2021	Additions	Deletions, Retirements and Transfers	Balance September 30, 2022
Capital assets, not being depreciated:				
Land	11,214	-	-	11,214
Construction in progress	68,166	40,862	(17,262)	91,766
Water Rights	40	-	-	40
Total capital assets, not being depreciated	79,420	40,862	(17,262)	103,020
Capital assets, being depreciated:				
Buildings, structures and facilities	163,547	1,559	-	165,106
Patents	815	-	-	815
Distribution/collection systems	601,956	14,441	(288)	616,109
Machinery and equipment	27,744	683	(867)	27,560
Total capital assets, being depreciated	794,062	16,683	(1,155)	809,590
Less accumulated depreciation for:				
Buildings, structures and facilities	(80,981)	(4,528)	-	(85,509)
Patents	(613)	(41)	-	(654)
Distribution/collection systems	(323,385)	(10,141)	187	(333,339)
Machinery and equipment	(23,356)	(1,862)	867	(24,351)
Total accumulated depreciation	(428,335)	(16,572)	1,054	(443,853)
Total capital assets, being depreciated, net	365,727	111	(101)	365,737
Total Department capital assets, net	445,147	40,973	(17,363)	468,757

In FY2022, the Department capitalized enhancements to several facilities and structures, which amounted to \$1,559 for Water Fund. These improvements included water reservoir tank roofing and interior lining installation and well facilities security enhancements. In addition, the Department completed numerous projects as part of ongoing improvements to its current water distribution system and sewer collection system, which totaled \$11,417 for the Water Fund and \$3,024 for the Sewer Fund. These improvements include ongoing programs for Water Cast Iron Main replacement, Water Services installations, Fireline and Fire Hydrant installations, Large Valve replacement, Well rehabilitation, and Sewer Pipe rehabilitation. The Department also purchased machinery and equipment which totaled \$231 for the Water Fund and \$452 for the Sewer Fund. These machinery and equipment purchases included utility vehicles, water distribution and sewer collection pump and a camera van for closed-circuit television (CCTV) monitoring of sewer mains and lateral pipes.

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Construction in Progress

Construction in progress at September 30, 2022 includes the following projects:

<u>Project</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Water Main Replacement Program	\$ 9,072	\$ -
Water Reservoir Improvements	1,790	-
Water Well Development and Rehabilitation	12,869	-
Water System Facility Improvements	40,646	-
Reclaimed Water System	2,319	-
Sewer Main Replacement Program	-	5,353
Sewer Lift Stations Rehabilitation	-	4,607
Other Projects	13,560	1,550
Total Combined Construction in Progress	\$ 80,256	\$ 11,510

It is the Department's policy to transfer the costs of projects after their completion to other capital asset classifications or to expense. For the fiscal year ended September 30, 2022, completed projects were transferred from Construction in progress as follows:

	<u>Total</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
Transfers to Capital Assets	\$ 12,977	3,024
Transfers to Expense	1,241	20
Total	\$ 14,218	3,044

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Note 4 – Long-term Liabilities

Water Fund						
September 30, 2022	Beginning of year	Additions	Reductions	End of year	Due within one year	
2010 Water Revenue Refunding Bonds	\$ 8,250	-	(2,590)	5,660	2,715	
2012 Water Revenue Refunding Bonds	4,695	-	(710)	3,985	735	
	12,945	-	(3,300)	9,645	3,450	
Add 2010 unamortized bond premium	292	-	(150)	142	-	
Add 2012 unamortized bond premium	302	-	(81)	221	-	
Total long-term debt	13,539	-	(3,531)	10,008	3,450	
Compensated Absences	7,006	12,464	(12,618)	6,852	2,351	
Net Pension Liability	20,005	23,554	-	43,559	-	
Total OPEB Liability	282	-	(153)	129	-	
Equipment financing obligation	21,226	-	(1,639)	19,587	1,696	
Water Revenue Revolving Line of Credit	-	14,000	-	14,000	-	
Accrued site restoration cost	1,000	-	-	1,000	-	
Total	<u>\$ 63,058</u>	<u>50,018</u>	<u>(17,941)</u>	<u>95,135</u>	<u>7,497</u>	

Sewer Fund						
September 30, 2022	Beginning of year	Additions	Reductions	End of year	Due within one year	
2016 Sewer Revenue Refunding Bonds	\$ 7,960	-	(390)	7,570	405	
	7,960	-	(390)	7,570	405	
Add 2016 unamortized bond premium	1,074	-	(121)	953	-	
Total long-term debt	9,034	-	(511)	8,523	405	
Compensated Absences	1,430	2,351	(2,505)	1,276	440	
Net Pension Liability	4,097	4,373	-	8,470	-	
Total OPEB Liability	58	-	(34)	24	-	
Total	<u>\$ 14,619</u>	<u>6,724</u>	<u>(3,050)</u>	<u>18,293</u>	<u>845</u>	

The bonds are payable from and secured by net revenues of the Department.

Second Lien Water Revenue Bonds - Series 2012A

On August 30, 2012, the Water Fund issued \$9,850 in Second Lien Water Revenue Bonds, Series 2012A (the Series 2012A Bonds) at a premium of \$1,342 to provide funds to (a) refund, on a current basis, \$11,000 aggregate principal outstanding in Subordinate Water Revenue Commercial Paper Notes, and (b) pay the cost of issuing the Series 2012A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take

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advantage of historically low fixed bond rates and provide the Department with certainty in its future debt service payment requirements. The Commercial Paper program, as authorized by the Board under Resolution WD-1170, expired on October 1, 2012.

The Bonds bear interest ranging from 2.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2012. Principal payments are due every May 1, commencing on May 1, 2013, with bond terms maturing through the year 2027. The initial issuance premium of \$1,342 on the Series 2012 Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

Under Board Resolution WD-1300 adopted July 24, 2012 authorizing the issuance and sale of the Series 2012A Bonds, the Board also approved closure of the Senior Lien trust indentures pursuant to which the Department previously issued the Series 1997A City of Long Beach Water Revenue Refunding Bonds and Series 2010A City of Long Beach Water Revenue Refunding Bonds. The Board also irrevocably covenanted that the Department would not issue any additional Parity Obligations in the future that would have a lien on Net Revenues senior to its Subordinate Obligations, including the 2012A Bonds.

The Board, on behalf of the City, has covenanted under the Master Subordinate Indenture, to set rates and charges for the supply of water to its customers sufficient to yield net revenues each year equal to at least equal to 1.10 times the aggregate annual amount of principal and interest due on the Senior Lien Bonds and any Subordinate Obligations, including the Series 2012A Bonds.

Water Revenue Refunding Bonds - Series 2010A

On September 29, 2010, the Water Fund issued \$22,740 in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of \$3,021 to (a) advance refund 82.4% or \$24,290 of the outstanding Series 1997A Water Revenue Refunding Bonds at a redemption premium of 2% over par value, (b) fund a reserve fund for the Series 2010A Bonds, and (c) pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010. Principal payments are due May 1, commencing on May 1, 2012.

The remaining Series 1997A Bonds maturing on May 1, 2015 were not subject to redemption prior to maturity and the \$1,825 outstanding was paid off on May 1, 2015.

The initial issuance premium of \$3,021 on the Series 2010A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

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In addition, the refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of \$2,697. This difference is considered to be a deferred outflow on the refunding and is reported in the Statement of Net Position as a separate category under Deferred Outflows of Resources. The deferred outflow from the refunding is being amortized using the straight-line method over the life of the Series 2010A bonds, which have the same maturity as the old debt. The Refunded Series 1997A Bonds were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by \$3,286, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was \$3,349.

The Series 2010A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the entire water system (the Water Enterprise Fund) of the City of Long Beach. Net revenues are defined as all gross revenues derived by the ownership and operation of the Water Enterprise Fund less operation and maintenance costs. The Board has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations.

Second Lien Water Revenue Short-Term Obligation Revolving Line of Credit

On April 16, 2020, the Board approved Resolution WD-1427 authorizing the issuance of up to \$60,000 of Second Lien Water Revenue Short-Term Obligations pursuant to the Master Subordinate Trust Indenture, the Fourth Supplemental Subordinate Trust Indenture, and a Credit Agreement with JPMorgan Chase Bank, National Association, the provider of the Revolving Line of Credit (LOC). The term of the Water LOC was for three years, with a Commitment Termination Date of May 19, 2023, with the option to extend for an additional two years after such date. The department has requested for an extension of two additional years up to May 19, 2025. Obligations under the Water LOC are secured and payable solely from the Water Fund revenues.

The Water LOC would accrue interest at a variable rate per annum equal to a percentage of the One Month London Interbank Offered Rate (LIBOR) plus a spread. This rate will be deemed no less than three-fourths of one percent in any one-month interest period. The purpose of establishing the Water LOC is to facilitate increased investment in the Department's water system infrastructure. As of September 30, 2022, and for the year then ended, there was a \$14 million draw on the Water LOC.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

Equipment Financing Obligation-Automated Metering Infrastructure (AMI)

On November 1, 2018, the Board of Water Commissioners authorized the Long Beach Water Department to proceed with execution of an equipment financing agreement and related financing documents with Banc of America Public Capital Corp, for the financing of the Advanced Metering Infrastructure (AMI) Project, in an amount not to exceed \$36,000, including cost of issuance, principal and interest, payable over a fifteen-year period.

The AMI Project is an integrated network of smart meters, communication collectors, and data management systems that allow water meters to be read automatically and uploaded electronically. AMI Project costs to be financed total approximately \$27,400.

On December 11, 2018, City Council approved the execution of the 15-year equipment financing agreement with Banc of America Public Capital Corporation to finance the AMI Project. The equipment financing agreement was executed and funded on December 20, 2018. The total purchase price was \$27,400, at an interest rate of 3.35%. In FY2022, the Department paid a total of \$2,326 (\$1,639 principal and \$687 interest) in rental payments.

Senior Sewer Revenue Refunding Bonds - Series 2016A

On September 7, 2016, the Sewer Fund issued \$9,830 in Senior Sewer Revenue Refunding Bonds, Series 2016A (the Series 2016A Bonds) at a premium of \$1,727 to provide funds to (a) refund, on a current basis, \$11,250 aggregate principal outstanding in Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, and (b) pay the cost of issuing the Series 2016A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of low fixed bond yield rates and provide the Department with certainty in its future debt service payment requirements.

The Series 2016A Bonds bear interest ranging from 4.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2016. Principal payments are due every May 1, commencing on May 1, 2017, with bond terms maturing through the year 2036. The initial issuance premium of \$1,727 on the Series 2016A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

The Series 2016A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the Sewer Enterprise. Net revenues are defined as all gross revenues derived by ownership and operation of the Sewer Enterprise less operation and maintenance costs. The Board, on behalf of the City, has covenanted under the Senior Indenture to set rates and charges for sewer service to its customers sufficient to yield net revenues each year which are at least equal to 1.25 times the aggregate annual amount of debt service on the Senior Bonds (including the Series 2016A Bonds) for such fiscal year.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

Total Annual Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending Sept 30	Series 2010 Bonds		Series 2012 Bonds		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2023	\$ 2,715	276	735	168	3,450	444	3,894
2024	2,945	147	775	131	3,720	278	3,998
2025	-	-	795	108	795	108	903
2026	-	-	820	84	820	84	904
2027	-	-	860	43	860	43	903
Total	<u>\$ 5,660</u>	<u>423</u>	<u>3,985</u>	<u>534</u>	<u>9,645</u>	<u>957</u>	<u>10,602</u>

Water Fund - Equipment Financing Obligation

Fiscal Year Ending Sept 30	Principal	Interest	Total Debt Service
2023	\$ 1,696	630	2,326
2024	1,753	573	2,326
2025	1,813	513	2,326
2026	1,875	451	2,326
2027	1,938	388	2,326
2028-2032	10,512	902	11,414
Total	<u>\$ 19,587</u>	<u>3,457</u>	<u>23,044</u>

Sewer Fund

Fiscal Year Ending Sept 30	Series 2016A Bonds		Total Debt Service
	Principal	Interest	
2023	\$ 405	323	728
2024	420	307	727
2025	435	290	725
2026	455	273	728
2027	475	255	730
2028-2032	2,740	900	3,640
2033-2036	2,640	270	2,910
Total	<u>\$ 7,570</u>	<u>2,618</u>	<u>10,188</u>

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

Note 5 - Retirement Program

Plan Description – Public Employees’ Retirement System (CalPERS)

The Department contributes to the CalPERS agent multiple-employer defined benefit pension plan. The City is considered the employer and the Department is a department of the City. The plan functions as a cost sharing plan for the Department. The Department’s employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. All City departments are considered collectively to be a single employer, and the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Department’s employees is determined as the Department’s percentage of the City as a single employer. Similarly, the net assets available for benefits of Department employees is determined as the Department’s percentage of the City’s net assets. CalPERS issues publicly available reports that include a full description of the pension plans, including benefit provisions, assumptions and membership information. All qualified permanent employees of the Department are eligible to participate in the Miscellaneous Plan. The reports can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees’ Retirement Law.

Contributions

California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

The Plans' provisions and benefits in effect at September 30, 2022, are summarized in the following table:

Hire Date	Miscellaneous		
	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50 - 55	50 - 55	52 - 62
	Required Contribution Rates		
Employee	8.0%	8.0%	6.5%
Employer	30.58%	30.58%	30.58%
	Percentage of Eligible Compensation		
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

Allocation Methodology

The City used a calculated percentage based on the Department's share of the pensionable compensation to the City's total pensionable compensation amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's calculated percentage was 7.4% (6.2% for Water and 1.2% for Sewer) for the Plan.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The City's net pension liability for the Plan was measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2022 (measurement date), using the actuarial valuation report as of June 30, 2021. At September 30, 2022, the City reported net pension liability of \$701.9 million for the Plan. The Department's net pension liability for the Plan was \$52.0 million (\$43.5 million for Water and \$8.5 million for Sewer) as of September 30, 2022.

For the year ended June 30, 2022 (the measurement date), the Department reported pension expense of \$5.7 million (\$4.8 million for Water and \$0.9 million for Sewer).

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

As of September 30, 2022, the Department had deferred outflows of resources and deferred inflows of resources related to pensions as follows:

Deferred outflows and inflows at September 30

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contributions after measurement date	\$ 3,962	770	4,732
Net difference between actual and expected investment returns	7,429	1,445	8,874
CalPERS change in assumptions	2,591	504	3,095
Total deferred outflows of resources	<u>\$ 13,982</u>	<u>2,719</u>	<u>16,701</u>
Deferred inflows of resources:			
Differences between actual and expected experience	\$ 960	187	1,147
Change in proportion	864	469	1,333
Total deferred inflows of resources	<u>\$ 1,824</u>	<u>656</u>	<u>2,480</u>

Exclusive of deferred outflows of resources related to contributions after measurement date of \$4.7 million (\$3.9 million for Water and \$0.8 million for Sewer), the net amount of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense is as follows:

Measurement Period Ending	Water	Sewer	Total
<u>June 30</u>			
2023	\$ 1,274	69	1,343
2024	1,708	209	1,917
2025	628	122	750
2026	4,586	893	5,479
	<u>\$ 8,196</u>	<u>1,293</u>	<u>9,489</u>

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by entry age and service
Mortality	1

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Discount Rate

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

The expected real rates of return by asset class are as follows:

<u>Asset Class ¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return ²</u>
Global Equity - Cap-Weighted	30.00 %	4.54 %
Global Equity - Non-Cap-Weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-Backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the department as of the measurement date, calculated using the discount rate of 6.90%, compared to a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%):

<u>Net Pension Liability/(Asset)</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
1% Decrease (5.90%)	\$ 68,120	13,246	81,366
Current Discount Rate (6.90%)	43,559	8,470	52,029
1% Increase (7.90%)	23,288	4,528	27,816

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2022
(in thousands of dollars)

Note 6 - Commitments and Contingencies

Litigation

The Department is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney's office. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that any liability for unreserved claims and lawsuits will not have a material impact on the basic financial statements of the Department.

Commitments

Contract commitments and purchase orders for which materials or services were not received as of September 30, 2022 amount to \$9,112 and \$528 for the Water Fund and Sewer Fund, respectively.

Note 7 – Subsequent Events

A General Municipal Election was held on November 8, 2022, which contained Ballot Measure BB, amending the City Charter to merge the existing water, sewer, and gas utilities into a singly publicly-owned utility, governed by the existing independent Water/Utility Commission. Voters passed the Measure by simple majority and the City Council certified the election results at its meeting on December 13, 2022. Operations as a merged single utility began in January 2023.

STATISTICAL SECTION
(Unaudited)

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Financial Trends

These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

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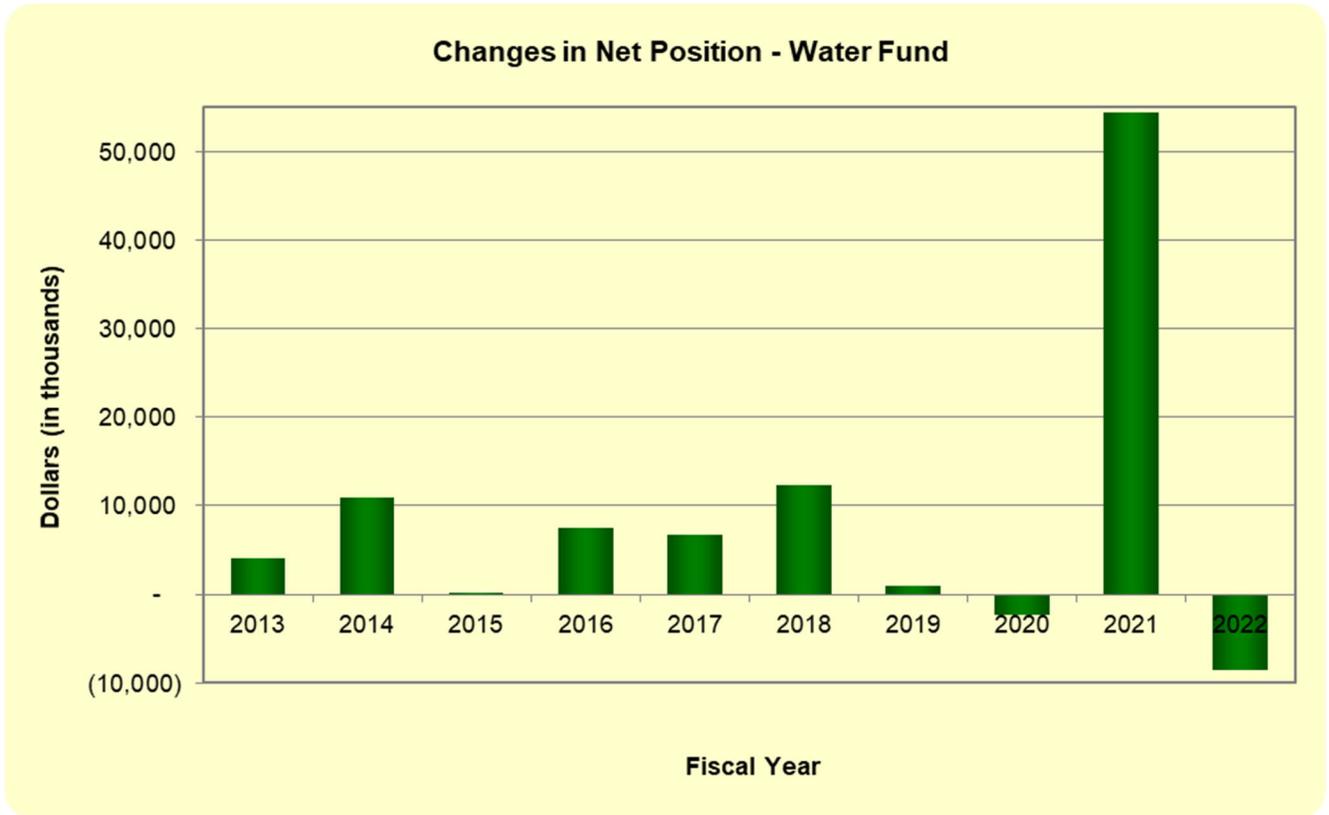
LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue ⁽¹⁾	Total Operating Expense	Operating Income (Loss)	Total Non-Operating Income (Expense)	Capital grants and contributions	Changes in Net Position
9/30/2013	91,949	85,783	6,166	(2,152)	131	4,145 ⁽²⁾
9/30/2014	100,187	91,992	8,195	(216)	2,924	10,903
9/30/2015	99,475	102,134	(2,659)	1,051	1,726	118
9/30/2016	97,650	92,253	5,397	(672)	2,710	7,435
9/30/2017	97,383	91,893	5,490	510	734	6,734
9/30/2018	99,173	95,066	4,107	2,167	6,122	12,396
9/30/2019	99,289	93,480	5,809	(6,506)	1,627	930
9/30/2020	113,091	110,737	2,354	(8,612)	3,909	(2,349)
9/30/2021	118,968	90,152	28,816	22,915	2,665	54,396
9/30/2022	122,595	108,649	13,946	(25,429)	2,920	(8,563)

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



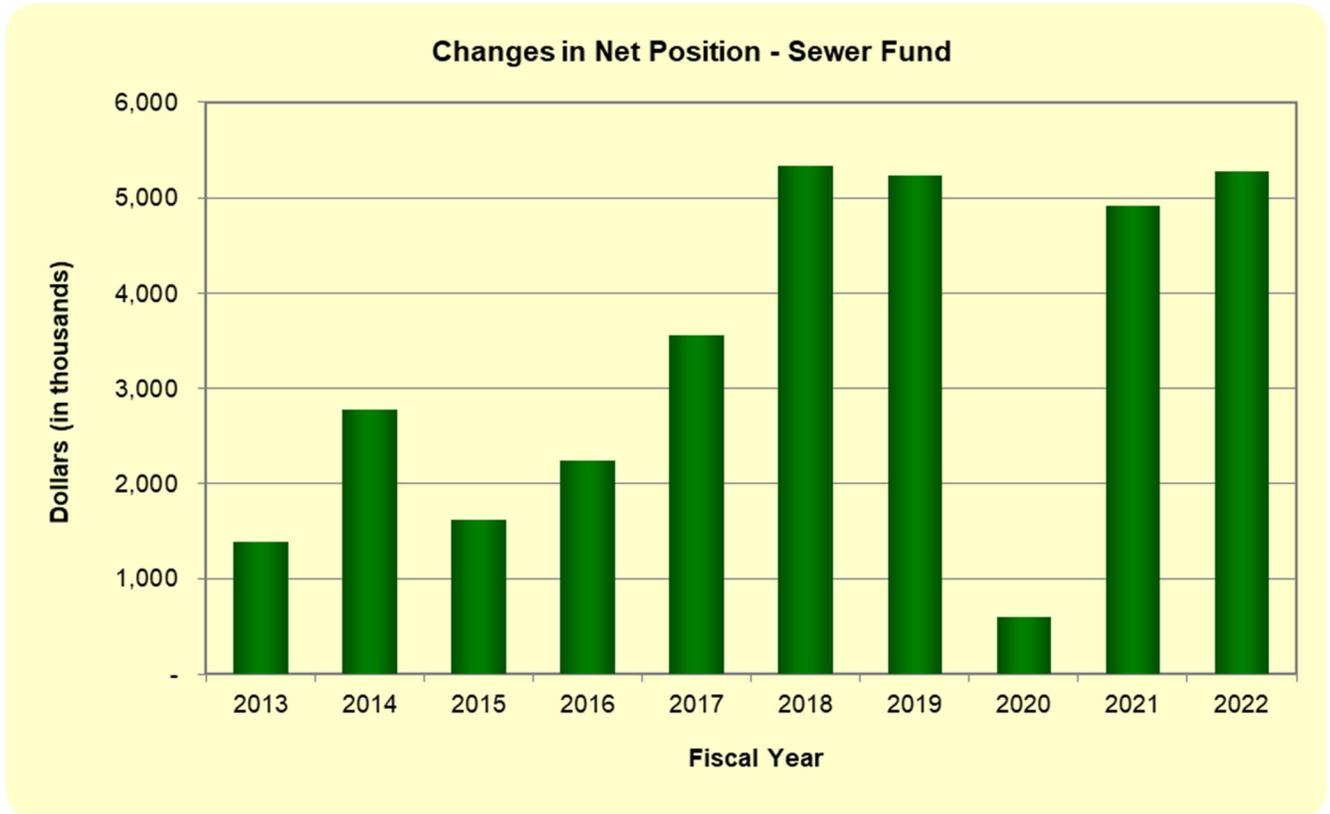
LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

<u>Fiscal Year Ended</u>	<u>Total Operating Revenue ⁽¹⁾</u>	<u>Total Operating Expense</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Capital grants and contributions</u>	<u>Changes in Net Position</u>
9/30/2013	17,311	15,165	2,146	(761)	-	1,385 ⁽²⁾
9/30/2014	17,953	15,479	2,474	(462)	759	2,771
9/30/2015	17,903	16,024	1,879	(257)	-	1,622
9/30/2016	18,355	15,835	2,520	(280)	-	2,240
9/30/2017	19,949	15,312	4,637	(1,087)	-	3,550
9/30/2018 ⁽³⁾	18,872	14,474	4,398	391	549	5,338
9/30/2019	19,130	14,903	4,227	909	96	5,232
9/30/2020	17,925	17,490	435	129	38	602
9/30/2021	18,320	13,244	5,076	(357)	189	4,908
9/30/2022	21,447	14,726	6,721	(1,575)	133	5,279

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.
(3) Total Operating Expense and Operating Income (Loss) data updated.

Source: Department's annual reports

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT
NET POSITION BY COMPONENT - WATER FUND
LAST TEN FISCAL YEARS**
(in thousands of dollars)

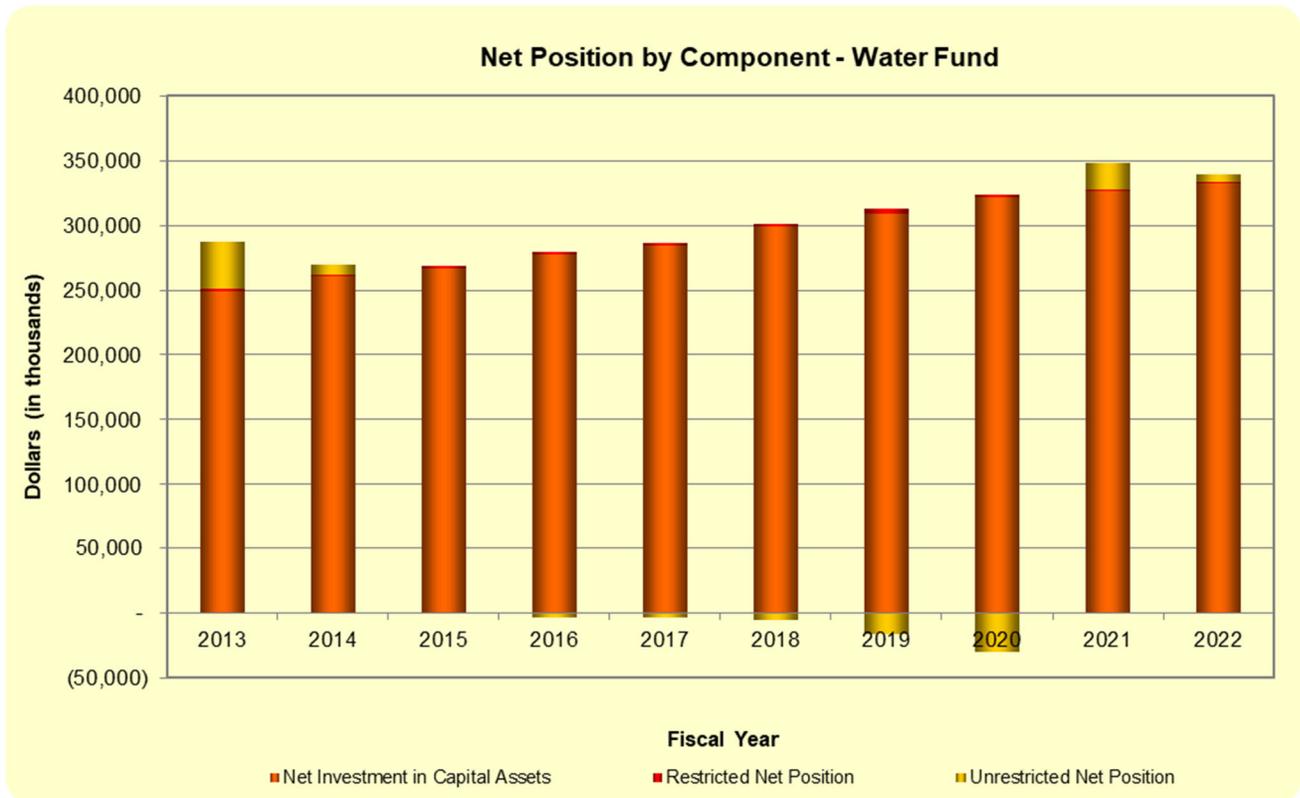
<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position (deficit)</u>	<u>Total Net Position</u>
9/30/2013	249,256	1,656	36,814	287,726 ⁽¹⁾
9/30/2014	260,538	1,673	7,725	269,936
9/30/2015 ⁽²⁾	267,041	1,697	(143)	268,595
9/30/2016	277,394	1,716	(3,080)	276,030
9/30/2017	284,413	1,700	(3,349)	282,764
9/30/2018	299,325	1,706	(5,871)	295,160
9/30/2019	309,416	3,277	(16,603)	296,090
9/30/2020	321,467	2,377	(30,103)	293,741
9/30/2021	326,635	1,441	20,061	348,137
9/30/2022	332,612	1,027	5,935	339,574

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 4

LONG BEACH WATER DEPARTMENT
NET POSITION BY COMPONENT - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

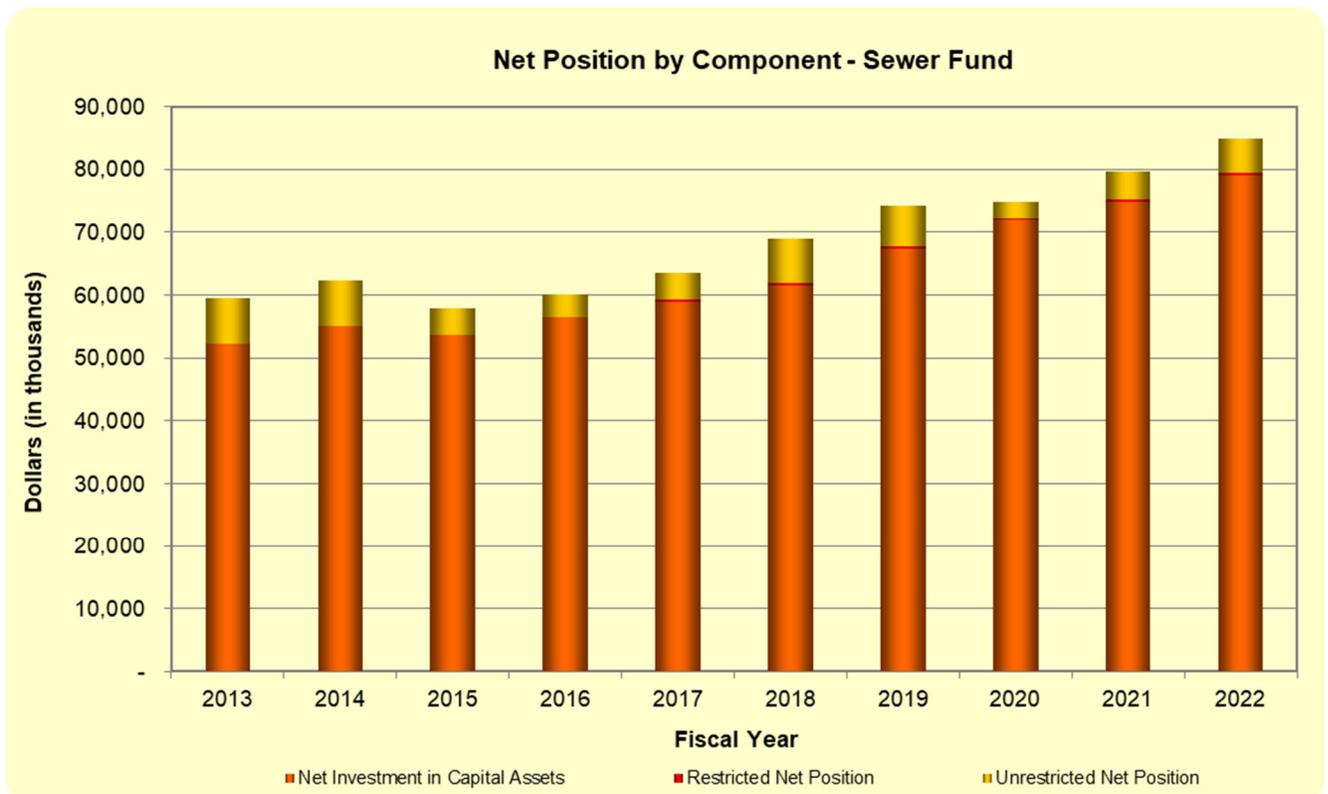
<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total Net Position</u>
9/30/2013	52,151	-	7,412	59,563 ⁽¹⁾
9/30/2014	55,006	-	7,328	62,334
9/30/2015 ⁽²⁾	53,604	-	4,195	57,799
9/30/2016	56,462	84	3,493	60,039
9/30/2017	58,927	302	4,360	63,589
9/30/2018	61,593	303	7,031	68,927
9/30/2019	67,357	294	6,508	74,159
9/30/2020	71,906	304	2,551	74,761
9/30/2021	74,875	304	4,490	79,669
9/30/2022	79,066	304	5,578	84,948

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



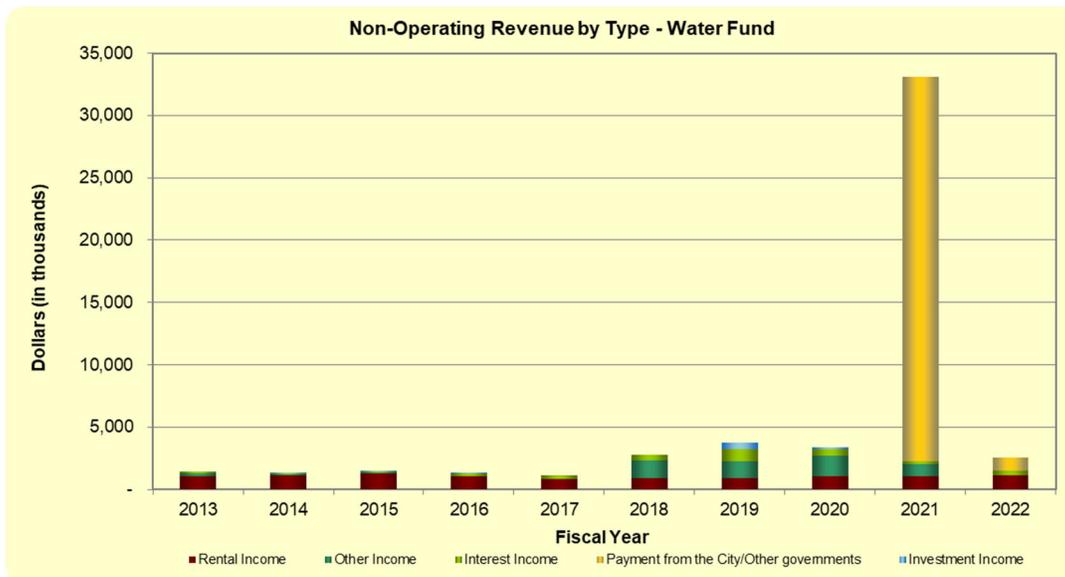
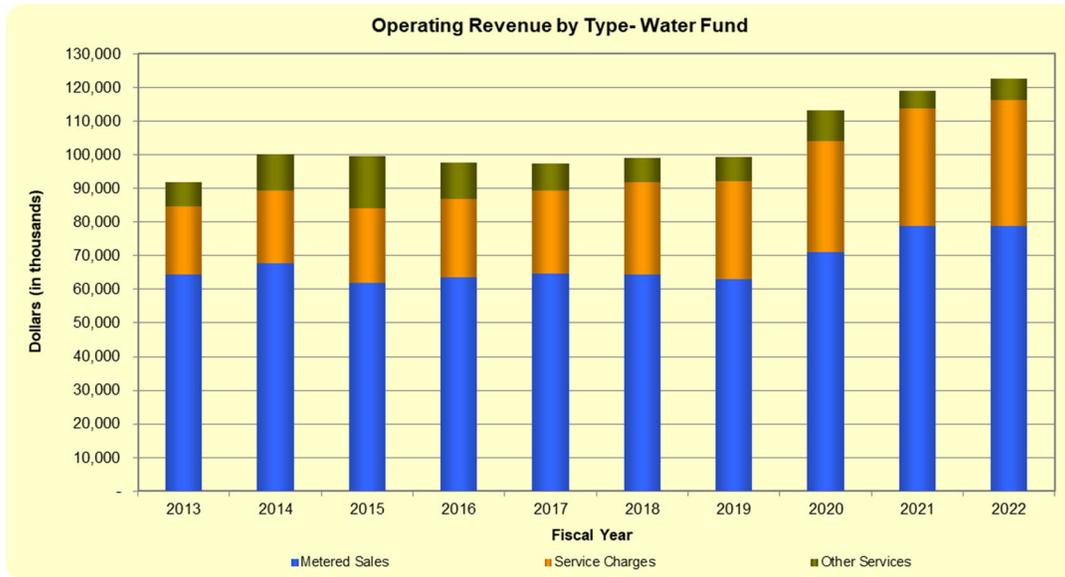
LONG BEACH WATER DEPARTMENT
WATER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING ⁽²⁾					
	Metered Sales ⁽¹⁾	Service Charges	Other Services	Total Operating Revenue	Interest Income	Investment Income	Rental Income	Other Income	Payments from the city/ other governments	Total Non-Operating Income
9/30/2013	64,347	20,363	7,239	91,949	166	-	1,087	196	-	1,449
9/30/2014	67,818	21,548	10,821	100,187	118	8	1,158	36	-	1,320
9/30/2015	61,995	22,061	15,419	99,475	140	83	1,256	62	-	1,541
9/30/2016	63,658	23,121	10,871	97,650	248	51	1,027	-	-	1,326
9/30/2017	64,721	24,599	8,063	97,383	301	-	811	-	-	1,112
9/30/2018	64,490	27,325	7,358	99,173	461	-	905	1,429	-	2,795
9/30/2019	62,943	29,121	7,225	99,289	1,022	496	942	1,283	-	3,743
9/30/2020	71,141	32,807	9,143	113,091	526	171	1,043	1,636	-	3,376
9/30/2021	78,764	34,900	5,304	118,968	271	-	1,036	968	30,832	33,107
9/30/2022	78,788	37,526	6,281	122,595	337	-	1,148	-	1,061	2,546

Notes: (1) Metered Sales is net of Provision for doubtful accounts expense.
 (2) Non-Operating Revenue data updated.

Source: Department's annual reports

See accompanying independent auditors' report



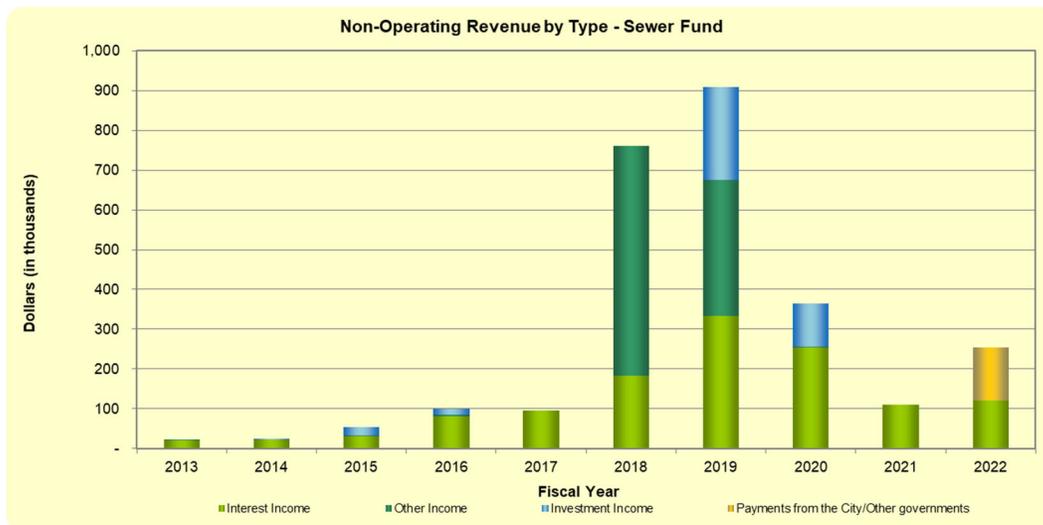
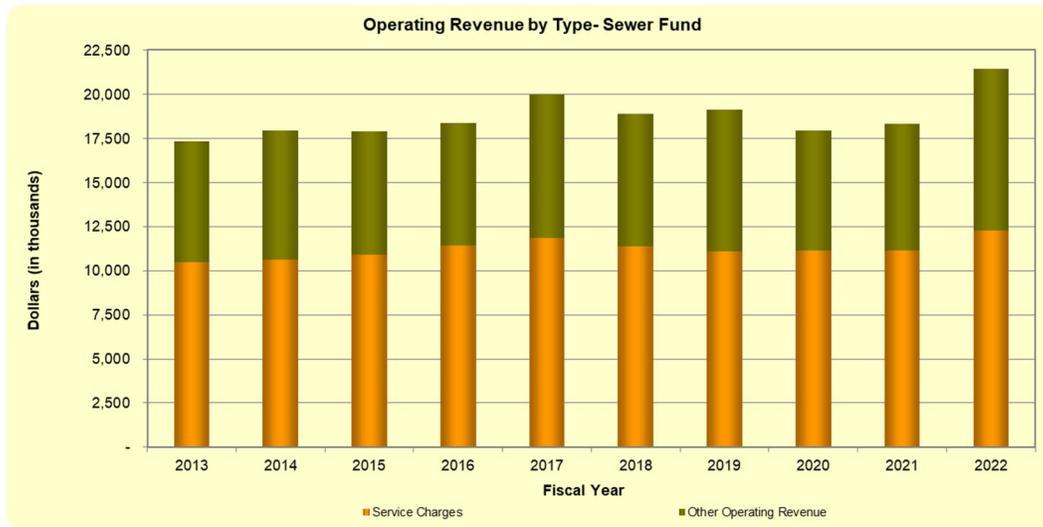
**LONG BEACH WATER DEPARTMENT
SEWER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS**
(in thousands of dollars)

Fiscal Year Ended	OPERATING			NON-OPERATING ⁽¹⁾				
	Service Charges	Other Operating Revenue	Total Operating Revenue	Interest Income	Investment Income	Payments from the city/ other governments	Other Income	Total Non-Operating Income
9/30/2013	10,477	6,834	17,311	21	-	-	2	23
9/30/2014	10,637	7,316	17,953	22	1	-	-	23
9/30/2015	10,916	6,987	17,903	32	20	-	2	54
9/30/2016	11,428	6,927	18,355	80	14	-	5	99
9/30/2017	11,870	8,079	19,949	95	-	-	-	95
9/30/2018	11,372	7,500	18,872	184	-	-	577	761
9/30/2019	11,082	8,048	19,130	334	234	-	341	909
9/30/2020	11,147	6,778	17,925	254	109	-	2	365
9/30/2021	11,162	7,158	18,320	111	-	-	-	111
9/30/2022	12,257	9,190	21,447	121	-	134	-	255

Note: (1) Non-Operating Revenue data updated.

Source: Department's annual reports

See accompanying independent auditors' report



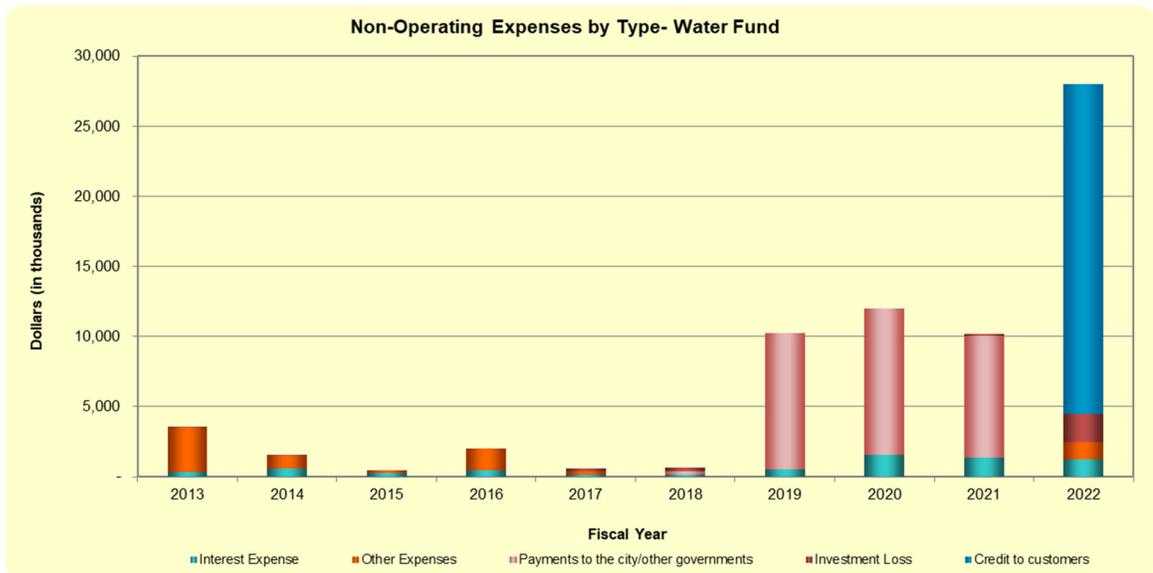
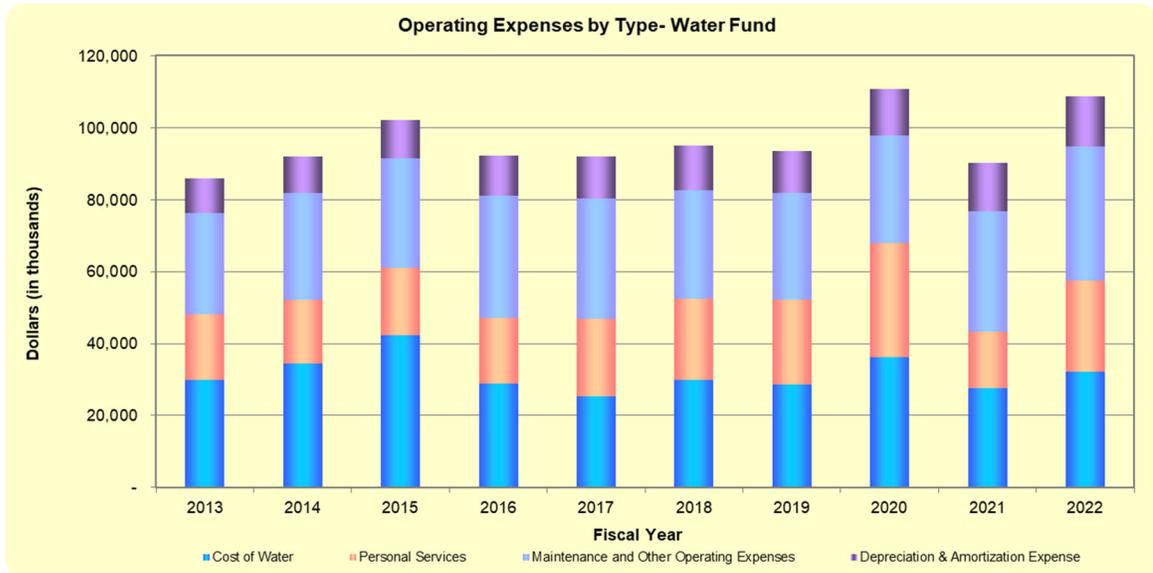
LONG BEACH WATER DEPARTMENT
WATER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING					NON-OPERATING ⁽¹⁾					
	Cost of Water	Personal Services	Maintenance and Other Operating Expenses	Depreciation & Amortization Expense	Total Operating Expenses	Interest Expense	Investment Loss	Other Expenses	Credit to Customers	Payments to the city/ other governments	Total Non-Operating Expenses
9/30/2013	29,753	18,309	28,155	9,566	85,783	363	108	3,130	-	-	3,601
9/30/2014	34,378	17,822	29,566	10,226	91,992	587	6	943	-	-	1,536
9/30/2015	42,178	18,923	30,294	10,739	102,134	292	-	198	-	-	490
9/30/2016	28,743	18,405	33,936	11,169	92,253	433	-	1,565	-	-	1,998
9/30/2017	25,374	21,389	33,436	11,694	91,893	161	214	227	-	-	602
9/30/2018	29,927	22,500	30,086	12,553	95,066	123	251	-	-	254	628
9/30/2019	28,659	23,532	29,569	11,720	93,480	527	-	-	-	9,722	10,249
9/30/2020	36,163	31,617	29,932	13,025	110,737	1,538	-	-	-	10,450	11,988
9/30/2021	27,672	15,555	33,496	13,429	90,152	1,394	170	-	-	8,628	10,192
9/30/2022	32,211	25,350	37,303	13,785	108,649	1,266	1,964	1,227	23,518	-	27,975

Note: (1) Non-Operating Expenses data updated.

Source: Department's annual reports

See accompanying independent auditors' report



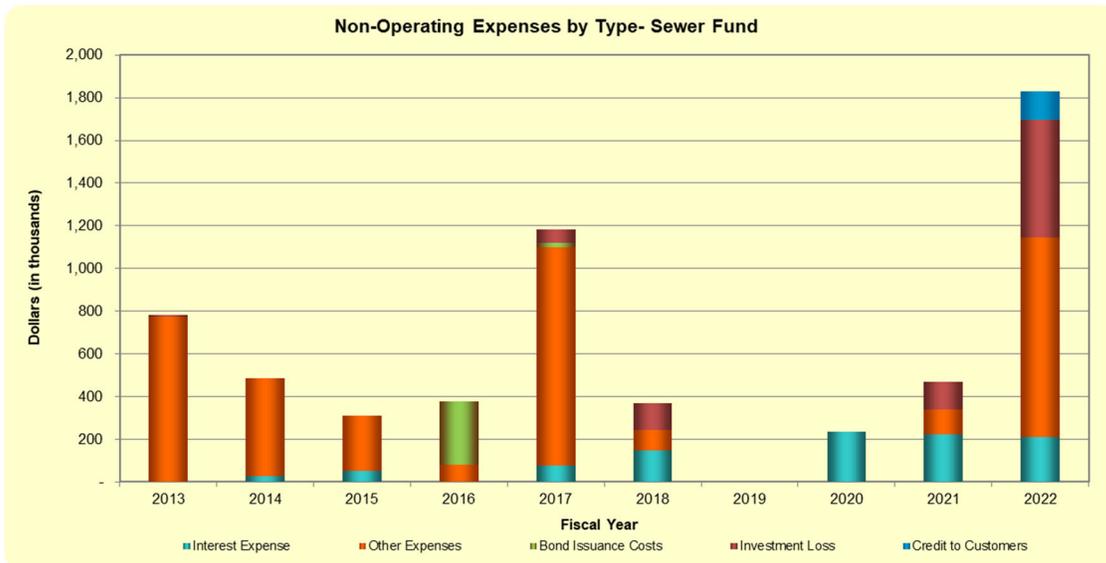
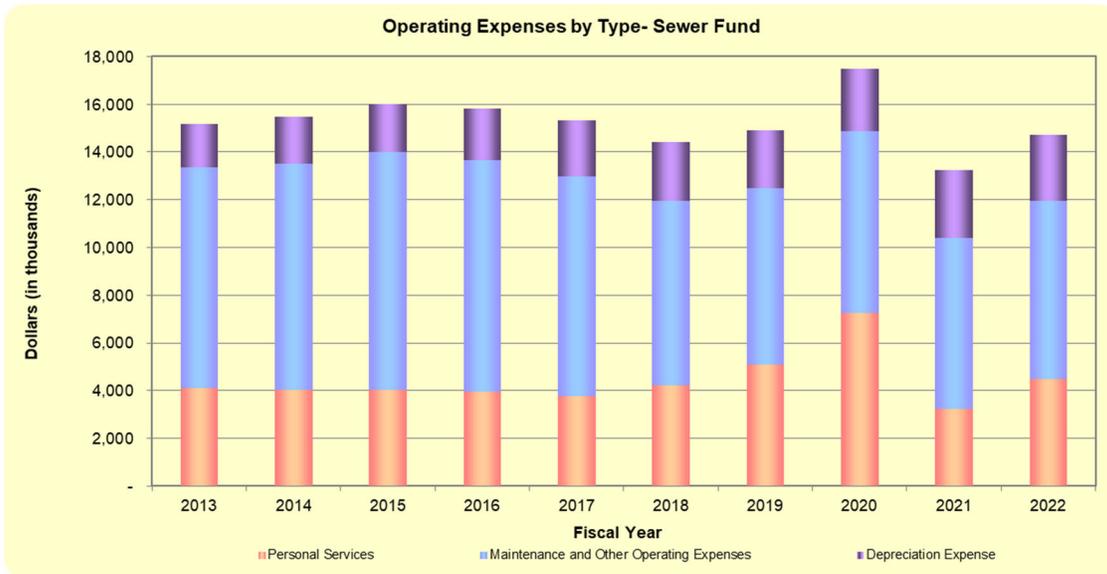
LONG BEACH WATER DEPARTMENT
SEWER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING ⁽¹⁾					
	Personal Services	Maintenance and Other Operating Expenses	Depreciation Expense	Total Operating Expenses	Interest Expense	Investment Loss	Credit to Customers	Other Expenses	Bond Issuance Costs	Total Non-Operating Expenses
9/30/2013	4,122	9,246	1,797	15,165	2	10	-	772	-	784
9/30/2014	4,043	9,475	1,961	15,479	27	-	-	458	-	485
9/30/2015	4,021	9,993	2,010	16,024	51	-	-	260	-	311
9/30/2016	3,968	9,680	2,187	15,835	-	-	-	81	298	379
9/30/2017	3,764	9,225	2,323	15,312	77	63	-	1,021	21	1,182
9/30/2018	4,206	7,732	2,490	14,428	146	126	-	98	-	370
9/30/2019	5,106	7,372	2,425	14,903	-	-	-	-	-	-
9/30/2020	7,240	7,639	2,611	17,490	236	-	-	-	-	236
9/30/2021	3,255	7,146	2,843	13,244	224	130	-	114	-	468
9/30/2022	4,506	7,433	2,787	14,726	212	549	134	935	-	1,830

Note: (1) Non-Operating Expenses data updated.

Source: Department's annual reports

See accompanying independent auditors' report



Revenue Capacity

These schedules contain information to help the reader assess the Department's significant revenue sources.

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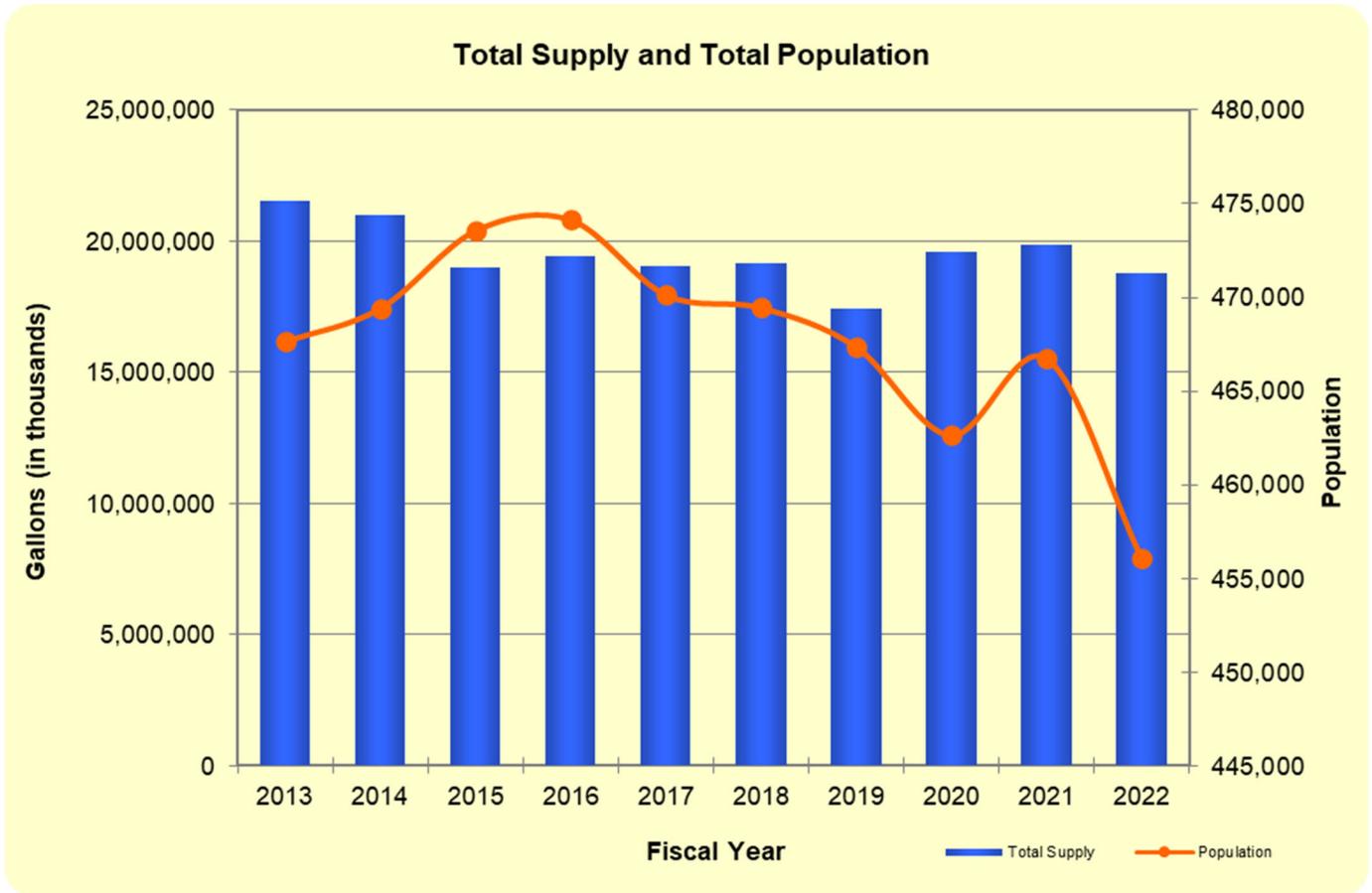
LONG BEACH WATER DEPARTMENT
SOURCE OF WATER (PUMPED, PURCHASED, AND RECLAIMED) AND CONSUMPTION - LAST TEN FISCAL YEARS
 (in thousands of gallons, except population)

Fiscal Year Ended	SOURCE OF SUPPLY				CONSUMPTION			
	Potable Water		Reclaimed Water	Total Supply	Average Daily Demand Potable Water ⁽¹⁾	Peak Day Distribution	Average Daily Sales Per Capita	Population
	Pumped	Purchased						
9/30/2013	10,125,461	9,248,531	2,164,954	21,538,946	53,079	68,700	126	467,646
9/30/2014	9,131,485	9,990,526	1,897,724	21,019,735	52,389	72,000	123	469,428
9/30/2015	7,169,276	10,146,544	1,684,650	19,000,470	47,441	68,600	110	473,577
9/30/2016	10,455,223	6,487,074	2,470,635	19,412,932	46,417	63,300	112	474,140
9/30/2017	10,283,141	6,459,051	2,303,734	19,045,926	45,869	60,300	111	470,130
9/30/2018	9,479,592	7,901,528	1,790,910	19,172,030	47,620	64,200	112	469,450
9/30/2019	9,105,157	7,129,392	1,204,117	17,438,666	44,478	63,900	102	467,354
9/30/2020	7,424,678	10,339,252	1,805,475	19,569,405	48,668	58,900	116	462,628
9/30/2021	9,667,706	6,986,636	3,176,852	19,831,194	45,628	64,500	116	466,742
9/30/2022	7,511,582	8,097,006	3,173,886	18,782,474	42,763	55,900	113	456,062

Note: (1) Does not include reclaimed water which is used for irrigation only.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
WATER RATES: VOLUMETRIC RATE CHARGES
LAST TEN FISCAL YEARS

Effective Date	Potable Water ⁽¹⁾			Reclaimed Water		
	TIER I ⁽²⁾	TIER II ⁽³⁾	TIER III ⁽⁴⁾	Peaking Rate Per Cubic Foot ⁽⁵⁾	Non-Peaking Rate Per Cubic Foot ⁽⁶⁾	Interruptible Rate Per Cubic Foot ⁽⁷⁾
10/1/2012	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2013	2.283	2.537	3.806	1.776	1.269	1.269
10/1/2014	2.374	2.638	3.957	1.847	1.319	1.319
10/1/2015	2.470	2.744	4.116	1.921	1.372	1.372
10/1/2016	2.569	2.854	4.281	1.998	1.427	1.427
7/1/2017 ⁽⁸⁾	1.921	3.678	5.366	1.859	1.578	1.578
10/1/2017	1.998	3.825	5.581	1.933	1.641	1.641
1/1/2018	1.914	3.664	5.347	1.852	1.572	1.572
10/1/2018	2.052	3.928	5.732	1.985	1.685	1.685
10/1/2019	2.298	4.399	6.420	2.223	1.887	1.887
10/1/2020	2.436	4.663	6.805	2.356	2.000	2.000
10/1/2021	2.631	5.036	7.349	2.544	2.160	2.160
6/1/2022	2.564	4.908	7.162	2.479	2.105	2.105

Note: (1) Volumetric rate charges for Single family residence, not granted an exemption (one billing unit equals 100 cubic feet).

(2) From 10/1/2007 to 10/1/2016, Tier I is billed for first five (5) billing units. Starting 7/1/2017, Tier I is billed for first six (6) billing units.

(3) All non-residential customers are charged at the Tier II rate. From 10/1/2007 to 10/1/2016, Tier II is billed for next ten (10) billing units. Starting 7/1/2017, Tier I is billed for first seven (7) billing units.

(4) From 10/1/2007 to 10/1/2016, Tier III is billed for over fifteen (15) billing units. Starting 7/1/2017, Tier III is billed for over thirteen (13) billing units.

(5) Rate for total average daily demand occurring between the hours of 9:00pm and 6:00am.

(6) Rate for total average daily demand occurring at a continuous, constant level over a 24 hour period.

(7) Rate for reclaimed water service that can be suspended at anytime at the Board of Water Commissioner's discretion, without liability and dependent upon the Department's reclaimed water system needs for such service.

(8) Restructured water rates effective July 1, 2017.

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4"	1" ⁽¹⁾	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2012	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2013	0.435	0.655	1.222	1.812	3.752	5.936	10.940	17.171	28.123	34.370	56.884
10/1/2014	0.452	0.681	1.271	1.884	3.902	6.173	11.378	17.858	29.248	35.745	59.159
10/1/2015	0.470	0.708	1.322	1.959	4.058	6.420	11.833	18.572	30.418	37.175	59.159
10/1/2016	0.489	0.736	1.375	2.037	4.220	6.677	12.306	19.315	31.635	38.662	63.986
7/1/2017 ⁽²⁾	0.550	0.815	1.478	2.273	4.790	8.102	18.039	37.251	55.800	70.374	103.497
10/1/2017	0.572	0.848	1.537	2.364	4.982	8.426	18.761	38.741	58.032	73.189	107.637
1/1/2018	0.548	0.812	1.472	2.265	4.773	8.072	17.973	37.114	55.595	70.115	103.116
10/1/2018	0.587	0.870	1.578	2.428	5.117	8.653	19.267	39.786	59.598	75.163	110.540
10/1/2019	0.657	0.974	1.767	2.719	5.731	9.691	21.579	44.560	66.750	84.183	123.805
10/1/2020	0.696	1.032	1.873	2.882	6.075	10.272	22.874	47.234	70.755	89.234	131.233
10/1/2021	0.752	1.115	2.023	3.113	6.561	11.094	24.704	51.013	76.415	96.373	141.732
6/1/2022	0.733	1.087	1.972	3.034	6.394	10.812	24.077	49.717	74.474	93.926	138.133

Note: (1) Normal residential size.

(2) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 12

**LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY FIRELINE SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS**

Effective Date	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2012	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2013	0.907	1.551	2.291	3.904	5.723	7.742	9.758	14.308
10/1/2014	0.943	1.613	2.383	4.060	5.952	8.052	10.148	14.880
10/1/2015	0.981	1.678	2.478	4.222	6.190	8.374	10.554	15.475
10/1/2016	1.020	1.745	2.577	4.391	6.438	8.709	10.976	16.094
7/1/2017 ⁽¹⁾	0.325	0.654	1.221	3.256	6.767	12.047	19.365	41.095
10/1/2017	0.338	0.680	1.270	3.386	7.038	12.529	20.140	42.739
1/1/2018	0.324	0.651	1.217	3.244	6.742	12.003	19.294	40.944
10/1/2018	0.347	0.698	1.305	3.478	7.227	12.867	20.683	43.892
10/1/2019	0.389	0.782	1.462	3.895	8.094	14.411	23.165	49.159
10/1/2020	0.412	0.829	1.550	4.129	8.580	15.276	24.555	52.109
10/1/2021	0.445	0.895	1.674	4.459	9.266	16.498	26.519	56.278
6/1/2022	0.434	0.872	1.631	4.346	9.031	16.079	25.846	54.849

Note: (1) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 13

**LONG BEACH WATER DEPARTMENT
TEN LARGEST POTABLE WATER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO**

Fiscal Year 2022					Fiscal Year 2013				
Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	\$ 6,937	3,070	6.41 %	Government	1	\$ 4,500	4,431	7.67 %
Education	2	1,437	493	1.03	Education	2	968	702	1.21
Utility	3	1,022	590	1.23	Utility	3	765	710	1.23
Education	4	872	445	0.93	Education	4	540	471	0.81
Utility	5	634	360	0.75	Utility	5	496	456	0.79
Healthcare	6	585	287	0.60	Utility	6	487	438	0.76
Healthcare	7	574	319	0.67	Government	7	465	317	0.55
Utility	8	529	282	0.59	Healthcare	8	321	291	0.50
Education	9	273	62	0.13	Healthcare	9	307	266	0.46
Manufacturing	10	238	130	0.27	Cruise Line	10	208	190	0.33
Total Ten Largest Users		13,101	6,038	12.61	Total Ten Largest Users		9,057	8,272	14.31
Total All Other Users		98,629	41,863	87.39	Total All Other Users		72,612	49,528	85.69
Total City		\$ 111,730	47,901	100.00	Total City		\$ 81,669	57,800	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
TEN LARGEST RECLAIMED WATER USERS IN CITY OF LONG BEACH
 CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2022				Fiscal Year 2013			
Industry	Ranking	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Acre Feet (AF)	AF Percent of Total
Water Resource Management	1	4,545	47.99 %	Water Resource Management	1	1,847	27.80 %
Oil Production	2	1,538	16.24	Golf Course	2	1,421	21.39
Golf Course	3	1,378	14.55	Government	3	1,353	20.36
Government	4	1,123	11.86	Oil Production	4	1,073	16.15
Education	5	163	1.72	Education	5	188	2.83
Education	6	153	1.62	Golf Course	6	156	2.35
Memorial Park	7	147	1.55	Memorial Park	7	131	1.97
Memorial Park	8	110	1.16	Education	8	121	1.82
Education	9	92	0.97	Memorial Park	9	93	1.40
Property Management	10	34	0.36	Education	10	89	1.34
Total Ten Largest Users		9,283	98.02	Total Ten Largest Users		6,472	97.41
Total All Other Users		187	1.98	Total All Other Users		172	2.59
Total City		9,470	100.00	Total City		6,644	100.00

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 15

LONG BEACH WATER DEPARTMENT
SEWER RATES: VOLUMETRIC RATE CHARGES & CAPACITY CHARGES
 LAST TEN FISCAL YEARS

Effective Date	Volumetric Rate Charges ⁽¹⁾	Capacity Charges ⁽²⁾
10/1/2012	0.347	93.200
10/1/2013	0.347	93.390
10/1/2014	0.361	97.310
10/1/2015	0.375	99.520
10/1/2016	0.390	101.110
7/1/2017 ⁽³⁾	0.390	101.110
10/1/2017	0.398	108.390
1/1/2018	0.357	108.390
10/1/2018	0.357	108.720
10/1/2019	0.357	109.050
10/1/2020	0.357	109.160
10/1/2021	0.393	121.390
6/1/2022	0.393	121.390

Note: (1) Volumetric rate charges one (1) billing unit equals 100 cubic feet.

(2) A one-time capacity charge per equivalent fixture unit is applied to all new developments in the City.

(3) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT
SEWER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS**

Effective Date	3/4" ⁽¹⁾	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2012	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2013	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2014	0.260	0.412	0.750	1.088	2.251	3.565	6.568	10.317	16.878	20.632	33.760
10/1/2015	0.270	0.428	0.780	1.132	2.341	3.708	6.831	10.731	17.553	21.457	35.110
10/1/2016	0.281	0.445	0.811	1.177	2.435	3.856	7.104	11.159	18.255	22.315	36.514
7/1/2017 ⁽²⁾	0.246	0.365	0.957	1.649	3.842	5.558	15.482	16.412	25.405	32.042	47.125
10/1/2017	0.251	0.372	0.976	1.682	3.919	5.669	15.792	16.740	25.913	32.683	48.068
1/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2019	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2020	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2021	0.248	0.366	0.961	1.658	3.862	5.587	15.565	16.499	25.540	32.212	47.376
6/1/2022	0.248	0.366	0.961	1.658	3.862	5.587	15.565	16.499	25.540	32.212	47.376

Note: (1) Normal residential size
(2) Restructured sewer rates effective July 1, 2017
Source: Department's records
See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT
TEN LARGEST SEWER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO**

Industry	Fiscal Year 2022				Industry	Fiscal Year 2013			
	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total		Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	\$ 466	1,125	3.07 %	Government	1	\$ 301	1,212	2.89 %
Education	2	284	318	0.87	Education	2	175	387	0.92
Education	3	121	438	1.19	Education	3	90	443	1.05
Healthcare	4	89	285	0.78	Healthcare	4	54	258	0.61
Education	5	60	61	0.17	Government	5	47	186	0.44
Hotel	6	36	62	0.17	Residential Community	6	24	108	0.26
Healthcare	7	33	104	0.28	Hotel	7	23	57	0.14
Government	8	31	43	0.12	Residential Community	8	20	87	0.21
Manufacturing	9	29	57	0.16	Manufacturing	9	19	110	0.26
Manufacturing	10	28	130	0.35	Manufacturing	10	18	78	0.19
Total Ten Largest Users		1,177	2,623	7.16	Total Ten Largest Users		771	2,926	6.97
Total All Other Users		17,330	34,041	92.84	Total All Other Users		16,009	39,076	93.03
Total City		\$ 18,507	36,664	100.00	Total City		\$ 16,780	42,002	100.00

Source: Department's utility billing records
See accompanying independent auditors' report

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Debt Capacity Information

These schedules contain information to help the reader assess the affordability of the Department's current levels of outstanding debt and ability to issue additional debt in the future.

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LONG BEACH WATER DEPARTMENT
WATER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Operating Income	Net Non-Operating Income/ (Expense) ⁽³⁾	Amount Available for Debt Service	Principal	Interest	Total Debt Service ⁽⁴⁾	Times Coverage
9/30/2013	91,949	76,217	15,732	(1,985)	13,747	2,110	1,485	3,595	3.82
9/30/2014	100,187	81,766	18,421	335	18,756	2,385	1,502	3,887	4.83
9/30/2015	99,475	91,395	8,080	1,541	9,621	2,510	1,390	3,900	2.47
9/30/2016	97,650	81,084	16,566	44	16,610	2,630	1,264	3,894	4.27
9/30/2017	97,383	80,199	17,184	765 ⁽⁵⁾	17,949 ⁽⁵⁾	2,730	1,165	3,895	4.61
9/30/2018	99,173	82,767	16,406	2,406	18,812	2,815	1,077	3,892	4.83
9/30/2019	99,289	81,760	17,529	3,637 ⁽⁵⁾	21,166 ⁽⁵⁾	2,930	965	3,895	5.43 ⁽⁵⁾
9/30/2020	113,091	97,712	15,379	3,394 ⁽⁵⁾	18,773 ⁽⁵⁾	3,050	848	3,898	4.82 ⁽⁵⁾
9/30/2021	118,968	76,723	42,245	2,105 ⁽⁵⁾	44,350 ⁽⁵⁾	3,170	725	3,895	11.39 ⁽⁵⁾
9/30/2022	122,595	94,864	27,731	(1,703)	26,028	3,300	592	3,892	6.69

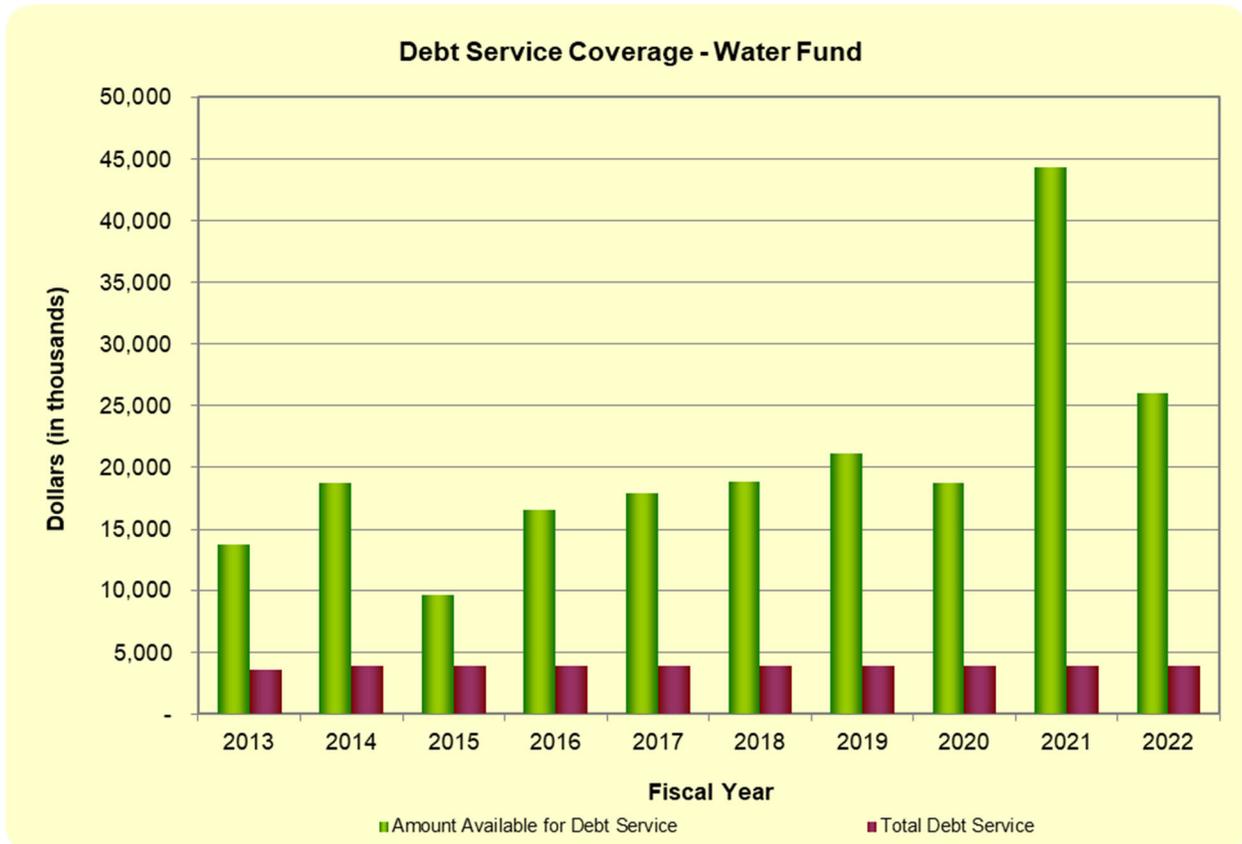
Bond Issues: Water Revenue Refunding Bonds - 1997 Series A, 2010 Series A, & 2012 Series A

Average Coverage, ten years	5.32
Rate Covenant (Series: 1997A, 2010A, & 2012A)	1.10

- Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Operating Expenses are exclusive of depreciation expense.
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, payments from(to) the city/other governments, credit to customers, capital grants and contributions and loss on disposition of property.
(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.
(5) Net Non-operating Income (Expense), Amount Available for Debt Service & Times coverage data updated.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
SEWER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

<u>Fiscal Year Ended</u>	<u>Total Operating Revenue</u> ⁽¹⁾	<u>Operating Expenses</u> ⁽²⁾	<u>Net Operating Income</u>	<u>Net Non-Operating Income (Expense)</u> ⁽³⁾	<u>Amount Available for Debt Service</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u> ⁽⁴⁾	<u>Times Coverage</u>
9/30/2013	17,311	13,368	3,943	(761)	3,182	-	54	54	58.93
9/30/2014	17,953	13,518	4,435	(434)	4,001	-	76	76	52.64
9/30/2015	17,903	14,014	3,889	(208)	3,681	-	79	79	46.59
9/30/2016	18,355	13,648	4,707	13	4,720	-	125	125	37.76
9/30/2017	19,949	12,989	6,960	(969)	5,991	460	269	729	8.22
9/30/2018	18,872	11,984	6,888	635	7,523	330	395	725	10.38
9/30/2019	19,130	12,478	6,652	812	7,464	345	382	727	10.27
9/30/2020	17,925	14,879	3,046	356	3,402	360	368	728	4.67
9/30/2021	18,320	10,401	7,919	(133) ⁽⁵⁾	7,786 ⁽⁵⁾	375	354	729	10.68
9/30/2022	21,447	11,939	9,508	(1,363)	8,145	390	339	729	11.17

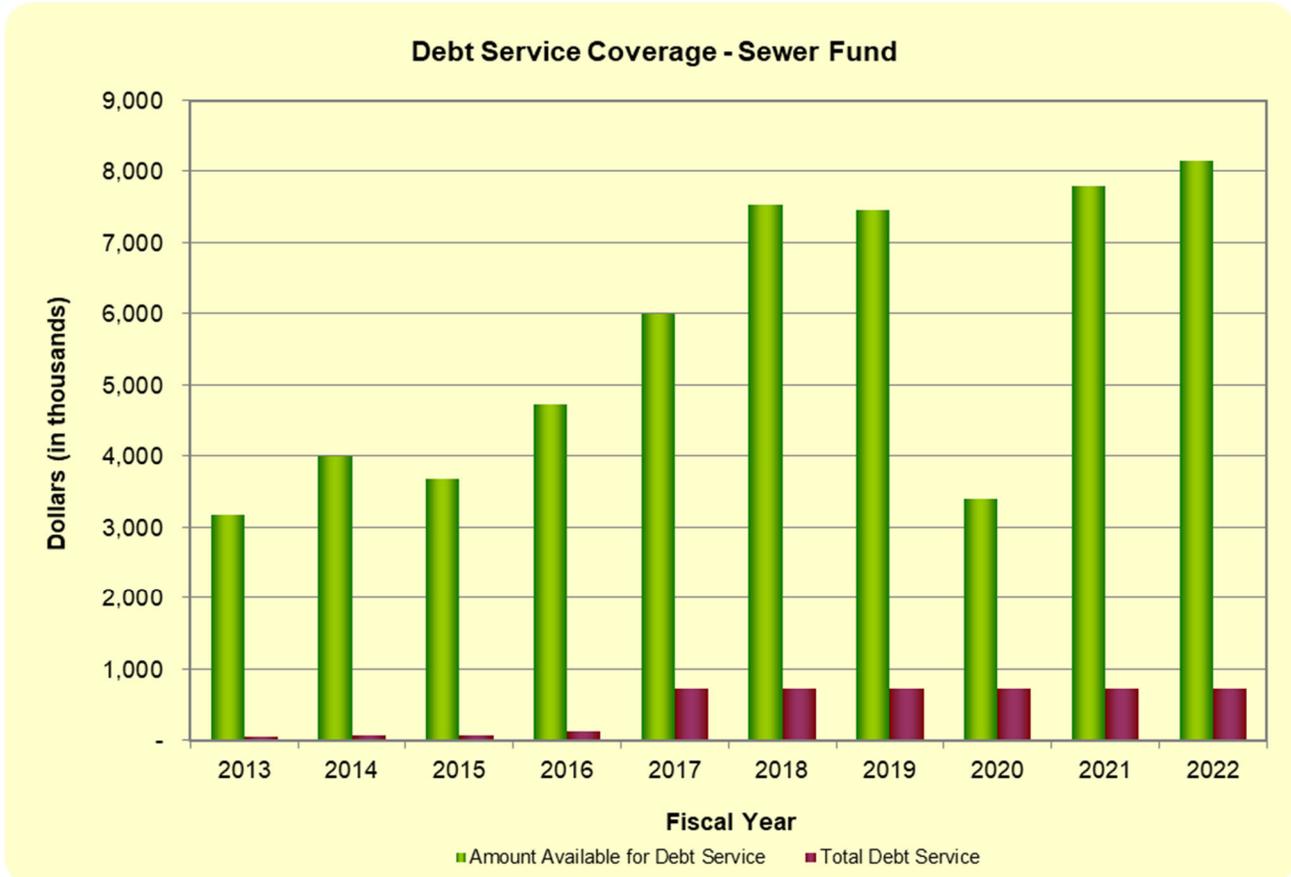
Average Coverage, ten years	25.13
Rate Covenant	1.25

Bond Issues: None

- Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Operating Expenses are exclusive of depreciation expense.
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, payments from(to) the city/other governments, credit to customers, capital grants and contributions and loss on disposition of property.
(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.
(5) Net Non-operating Income (Expense), Amount Available for Debt Service & Times coverage data updated.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 20

LONG BEACH WATER DEPARTMENT
WATER FUND RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds			Water Revenue Revolving Line of Credit	Equipment Financing Obligation	Discounts, premiums, & adjustments	Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	Series 1997	Series 2010	Series 2012						
9/30/2013	3,545	22,125	9,495	-	-	3,498	38,663	0.26%	0.083
9/30/2014	1,825	21,995	8,960	-	-	3,107	35,887	0.23%	0.076
9/30/2015	-	21,860	8,410	-	-	2,703	32,973	0.20%	0.070
9/30/2016	-	19,795	7,845	-	-	2,303	29,943	0.18%	0.063
9/30/2017	-	17,645	7,265	-	-	1,914	26,824	0.15%	0.057
9/30/2018	-	15,435	6,660	-	-	1,537	23,632	0.13%	0.050
9/30/2019	-	13,135	6,030	-	26,326	1,190	46,681	0.25%	0.100
9/30/2020	-	10,740	5,375	-	24,860	873	41,848	0.21%	0.090
9/30/2021	-	8,250	4,695	-	21,226	594	34,765	0.17%	0.074
9/30/2022	-	5,660	3,985	14,000	19,587	363	43,595	0.21%	0.096

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

(Unaudited)

Exhibit 21

LONG BEACH WATER DEPARTMENT
SEWER FUND RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds Series 2016A	Sewer Revolving Line of Credit	Premium	Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
9/30/2014	-	9,750	-	9,750	0.06%	0.021
9/30/2015	-	11,250	-	11,250	0.07%	0.024
9/30/2016	9,830	-	1,719	11,549	0.07%	0.024
9/30/2017	9,370	-	1,584	10,954	0.06%	0.023
9/30/2018	9,040	-	1,453	10,493	0.06%	0.022
9/30/2019	8,695	-	1,323	10,018	0.05%	0.021
9/30/2020	8,335	-	1,197	9,532	0.05%	0.021
9/30/2021	7,960	-	1,074	9,034	0.04%	0.019
9/30/2022	7,570	-	953	8,523	0.04%	0.019

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

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**LONG BEACH WATER DEPARTMENT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Estimated Population ^{(1) (4)}	Personal Income (in millions) ^{(2) (4)}	Per Capita Personal Income ^{(2) (4)}	Unemployment Rate ⁽³⁾
9/30/2013	467,646	14,757	31,556	10.3%
9/30/2014	469,428	15,525	33,072	8.6%
9/30/2015	473,577	16,242	34,296	6.8%
9/30/2016	474,140	16,939	35,725	5.7%
9/30/2017	470,130	17,490	37,203	5.3%
9/30/2018	469,450	18,209	38,789	4.7%
9/30/2019	467,354	18,892	40,423	4.7%
9/30/2020	462,628	19,467	42,079	15.9%
9/30/2021	466,742	20,460	43,836	8.9%
9/30/2022	456,062 ⁽⁵⁾	20,827	45,667	4.6%

Source: (1) California Department of Finance Demographic Reports

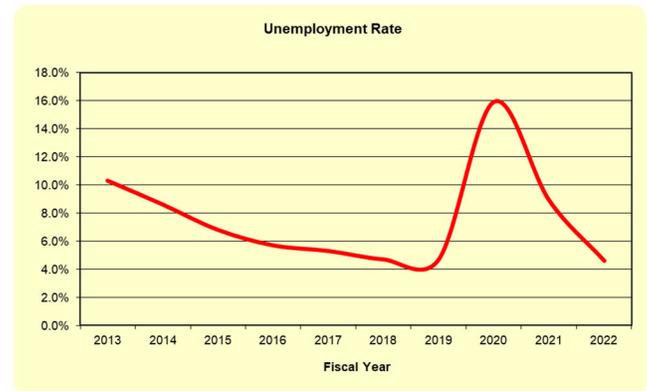
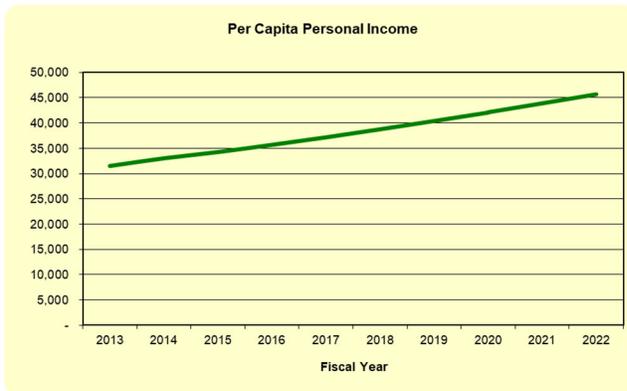
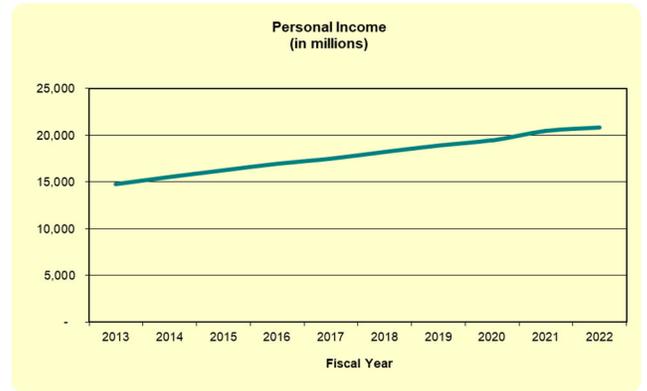
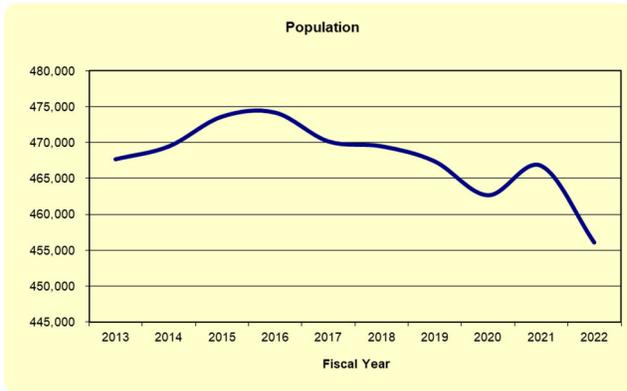
(2) U.S. Department of Commerce, Bureau of Economic Analysis: Personal Income and per capita personal income are based on percent change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistical Area). The BEA's Report does not have personal income available for 2015, so an average of the last five years was used.

(3) Average annual rate reported by California Employment Development Department (EDD) for Long Beach city.

(4) Data from 2008-2014 restated due to the annual revisions.

(5) Data is estimated value from previous year.

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT
MAJOR EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2022			Fiscal Year 2013		
	Ranking	Number of Employees ⁽¹⁾	Percentage of Total City Employment ⁽²⁾	Ranking	Number of Employees ⁽¹⁾	Percentage of Total City Employment ⁽²⁾
Long Beach Unified School District	1	12,049	5.10%	1	10,389	4.31%
City of Long Beach	2	5,395	2.28%	4	5,028	2.09%
Long Beach Memorial Medical Center	3	4,950	2.09%	2	5,693	2.36%
Veteran Affairs Medical Center	4	3,524	1.49%	6	2,413	1.00%
California State University Long Beach	5	3,336	1.41%	5	2,679	1.11%
Long Beach City College	6	3,321	1.41%	7	2,137	0.89%
The Boeing Company	7	2,019	0.85%	3	5,042	2.09%
St. Mary Medical Center	8	1,547	0.65%	9	1,200	0.50%
California State Univ Long Beach Research Foundation	9	1,261	0.53%	8	1,464	0.61%
Molina Healthcare Inc	10	1,119	0.47%	10	841	0.35%

Sources: (1) Department of Financial Management Accounting and Business License
(2) State of California Employment Development Department Labor Market Info for 2013 and 2022.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT
NUMBER OF EMPLOYEES BY FUND
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Water Fund	Sewer Fund	Total
9/30/2013	179	47	226
9/30/2014	170	49	219
9/30/2015	172	47	219
9/30/2016	180	44	224
9/30/2017	183	47	230
9/30/2018	207	47	254
9/30/2019	214	56	270
9/30/2020	212	49	261
9/30/2021	220	44	264
9/30/2022	220	44	264

Sources: Department's Personnel records

See accompanying independent auditors' report

Operating Information

These schedules contain information about operations and resources to help the reader understand how the Department's financial information relates to the services the Department provides and the activities it performs.

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LONG BEACH WATER DEPARTMENT WATER DEMAND - LAST TEN FISCAL YEARS

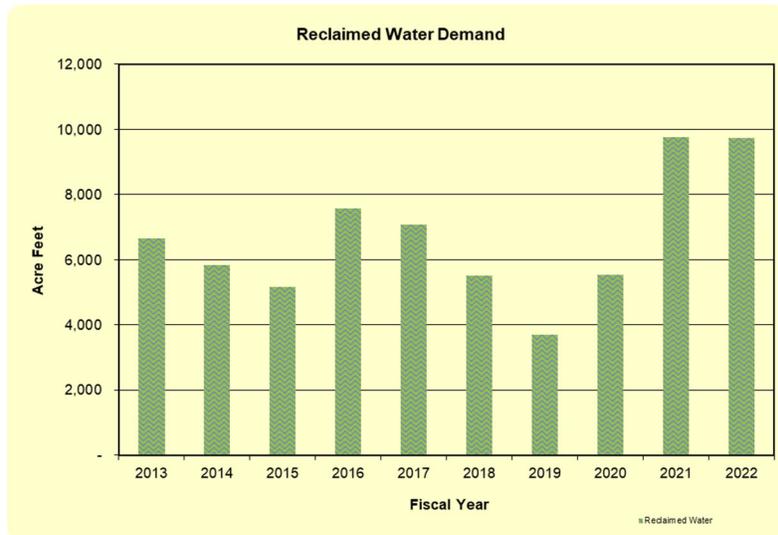
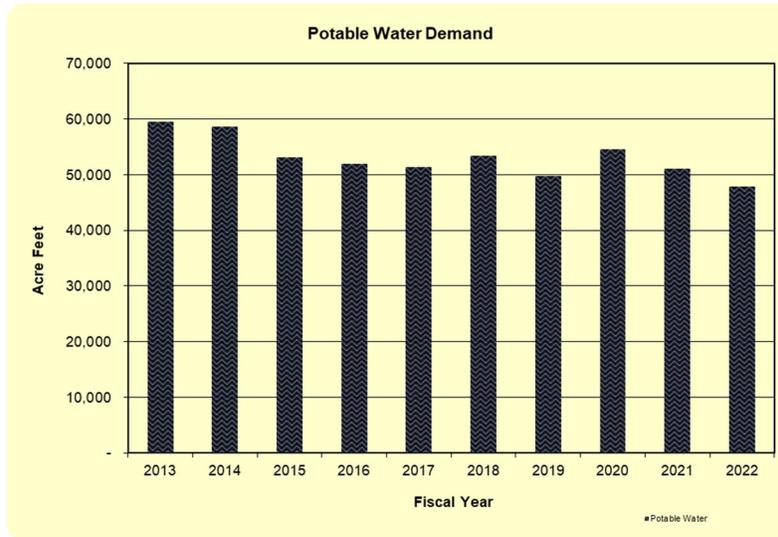
(in acre feet)

Fiscal Year Ended	Potable Water		Total Potable Demand	Reclaimed Water	Total Demand
	Pumped	Purchased			
9/30/2013	31,074	28,383	59,457	6,644	66,101
9/30/2014	28,024	30,660	58,684	5,824	64,508
9/30/2015	22,002	31,139	53,141	5,170	58,311
9/30/2016	32,086	19,908	51,994	7,582	59,576
9/30/2017	31,558	19,822	51,380	7,070	58,450
9/30/2018	29,092	24,249	53,341	5,496	58,837
9/30/2019	27,943	21,879	49,822	3,695	53,517
9/30/2020	22,785	31,730	54,515	5,541	60,056
9/30/2021	29,669	21,441	51,110	9,749	60,859
9/30/2022	23,052	24,849	47,901	9,740	57,641

Note: One acre foot equals 43,560 cubic feet or 325,851 gallons.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 26

LONG BEACH WATER DEPARTMENT
METROPOLITAN WATER DISTRICT'S RATE CHANGES
 LAST TEN FISCAL YEARS
 (in dollars per acre foot)

<u>Effective Date</u>	<u>Non-Interruptible Treated Water</u>	<u>Percent Change Non-Interruptible Treated Water</u>
1/1/2013	847	6.7
1/1/2014	890	5.1
1/1/2015	923	3.7
1/1/2016	942	2.1
1/1/2017	979	3.9
1/1/2018	1,015	3.7
1/1/2019	1,050	3.4
1/1/2020	1,078	2.7
1/1/2021	1,104	2.4
1/1/2022	1,143	3.5

Source: Metropolitan Water District of Southern California

See accompanying independent auditors' report

(Unaudited)

Exhibit 27

LONG BEACH WATER DEPARTMENT
WATER REPLENISHMENT DISTRICT ASSESSMENT (PUMP TAX)
 LAST TEN FISCAL YEARS

<u>Effective Date</u>	<u>Rate per Acre-Foot</u>	<u>Percent Change</u>
7/1/2013	\$ 268.00	9.8
7/1/2014	268.00	-
7/1/2015	283.00	5.6
7/1/2016	297.00	4.9
7/1/2017	318.00	7.1
7/1/2018	339.00	6.6
7/1/2019	365.00	7.7
7/1/2020	382.00	4.7
7/1/2021	394.00	3.1
7/1/2022	411.00	4.3

Source: Water Replenishment District of Southern California (WRD)

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - WATER FUND
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Water System				Water Quality		Reclaimed System
	Number of Active Groundwater wells	Miles of water mains	Number of active water service	Number of fire hydrants	Number of water samples collected	Number of tests performed	Miles of Pipeline
9/30/2013	31	912	89,996	6,589	14,388	60,819	34
9/30/2014	31	912	89,895	6,604	13,750	58,968	34
9/30/2015	31	912	89,897	6,631	13,050	57,070	34
9/30/2016	31	912	90,955	6,894	14,635	72,587	34
9/30/2017	31	912	89,147	6,910	15,370	79,442	34
9/30/2018	30	912	89,354	6,953	16,421	82,033	34
9/30/2019	27	916	89,805	7,036	16,316	75,459	34
9/30/2020	24	917	90,192	7,049	13,273	65,771	35
9/30/2021	24	917	90,126	7,054	11,709	63,758	35
9/30/2022	21	917	89,705	7,070	11,818	62,090	35

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 29

**LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - SEWER FUND
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Number of sewer pump stations	Miles of sewer pipelines	Number of sewer manholes
9/30/2013	28	714	16,158
9/30/2014	28	714	16,170
9/30/2015	28	714	15,129
9/30/2016	28	714	15,127
9/30/2017	28	714	15,112
9/30/2018	28	714	15,122
9/30/2019	28	714	15,125
9/30/2020	28	715	15,126
9/30/2021	28	715	15,132
9/30/2022	26	714	15,143

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
INFRASTRUCTURE MAINTENANCE AND IMPROVEMENTS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Cast Iron Water Mains Replaced (in feet)	Fire Hydrants Repaired	Water Meters Repaired ⁽²⁾	Sewer Mains & Laterals Repaired⁽¹⁾	Sewer Mains Cleaned (in miles)	Sewer Manholes Chemically Treated
9/30/2013	24,595	266	3,348	241	535	5,000
9/30/2014	19,475	208	1,835	213	498	5,000
9/30/2015	16,366	544	760	224	492	5,000
9/30/2016	20,427	259	2,037	215	405	7,719
9/30/2017	20,360	156	2,939	169	446	7,734
9/30/2018	22,198	492	2,196	157	439	8,100
9/30/2019	9,216	161	3,096	164	477	8,100
9/30/2020	5,802	182	4,181	237	360	8,100
9/30/2021	5,340	95	3,919	270	294	4,358
9/30/2022	11,392	76	3,478	191	343	7,630

Note: (1) Repairs are tracked according to the number of jobs.

(2) Data from 2018 to 2020 updated.

Source: Department's records

See accompanying independent auditors' report