

Budget Summary

Fiscal Year 2020



Long Beach Water
Exceptional Water • Exceptional Service

I. Overview

For over 100 years, the Long Beach Water Department has provided Long Beach residents and businesses with a reliable, cost-effective and high-quality drinking water supply. In addition, the Department has established itself as one of California's leaders in the areas of water conservation and environmental stewardship. As imported water supplies continue to become more expensive, the Department continues to seek out cost-effective methods for expanding its utilization of alternative water supply sources and water conservation programs.

The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in the state, with an area of approximately 50 square miles and a population of 469,450 with some customers outside the City limits. Total active water accounts number just under 90,000. The Department's budget and activities are divided into two independent funds, the Water Fund and the Sewer Fund.

For the FY 20 Water Fund budget, expenditures are estimated to increase by 9% due to increased purchasing and treatment costs, capital improvement projects, and personal services costs. Budgeted revenues are estimated to increase by 14% due to a 12% increase in water rates and advanced metering infrastructure debt proceeds.

For the FY 20 Sewer Fund budget, expenditures are estimated to decrease by 20% due to advanced metering infrastructure costs being shifted to the Water Fund. Budgeted revenues are estimated to decrease by 22% due to advanced metering infrastructure debt proceeds being shifted to the Water Fund.

II. Management of the Water Resources Portfolio

The Department meets the needs of its customers through a 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.

Groundwater - Ownership of water rights in the Central Groundwater Basin allows almost two-thirds of the Department's water supply needs to be produced from groundwater wells located within the City. High-powered pumps extract the groundwater from 30 active wells and pump it to our groundwater treatment plant. The Department pays a Replenishment Assessment to the Water Replenishment District of Southern California (WRD), for water produced from the wells, in addition to electricity, maintenance and treatment costs at our groundwater treatment plant.

- For FY 20, the planned replenishment assessment charged by WRD will increase by 8%.
- WRD's rates have risen a total of 101% since 2010.

Imported Supplies - The balance of water supply needed to meet the City's demand for potable (drinking) water is treated water purchased from MWD. MWD's water supplies originate from two sources: the Colorado River Aqueduct and the State Water Project. Long Beach has been a member of MWD since 1931, and is one of the 13 original founding cities.

- For FY 20, MWD's rates for treated water will rise by 3.4%.
- MWD's rates have risen a total of 50% since 2010.

Water efficiency as a way of life - Since 2007, the Department has undertaken an extensive public communications strategy to emphasize the need for a comprehensive reduction in water consumption. The Department's customers were able to gradually reduce water usage to 25% below the historical ten-year average. During the recent historic drought, customers were able to cut back water use by an additional 15%, resulting in water use comparable to the 1950's despite having a 40% larger population.

California's climate naturally swings between flood and drought, and looking towards the future, climate change is predicted to exacerbate this pattern, resulting in more extreme droughts and storm events. Rather than take a reactive approach to inevitable future droughts, the Department is emphasizing a more proactive and durable approach to water use. The Department continues to provide programs such as landscape retrofit rebates to its customers and believes in water efficiency programs that promote sustainable practices to make water efficiency a way of life.

III. Infrastructure Repair and Rehabilitation

The City has an aging infrastructure, which needs to be maintained and in certain parts replaced. At September 30, 2018, the water distribution system totaled 912 miles of water mains, 463 miles of water service lines with 89,354 active water service connections and the sewer distribution system totaled 714 miles of sewer mains, 369 miles of sewer service lines with 86,703 active sewer service connections.

The Department continues to replace aging cast iron mains with ductile iron pipe, which enhances the reliability of the distribution system and protects against main breaks. Since 1991, this investment in infrastructure has reduced the annual number of main breaks from near 150 in 1991 to less than 30 per year.

Additionally, efficient operation of the distribution system requires the ongoing maintenance, repair and rehabilitation of the other components of the distribution system, such as control valves, storage tanks and the network of groundwater pumping wells.

The Department responds immediately, 24-hours a day, 365 days a year, to water emergencies such as main breaks.

Since 2009, the Department's Sewer Fund capital expenditures have been focused on a large amount of capital work driven by the Sewer Master Plan. The Department's Sewer Master Plan

was also updated in response to increased statewide regulations that required preparation of a Master Plan and targeted infrastructure repairs and replacements to the sewer collection system. Statewide regulations also established additional, annual activities such as televising and cleaning of sewer lines and a Fats, Oil and Grease (FOG) reduction program.

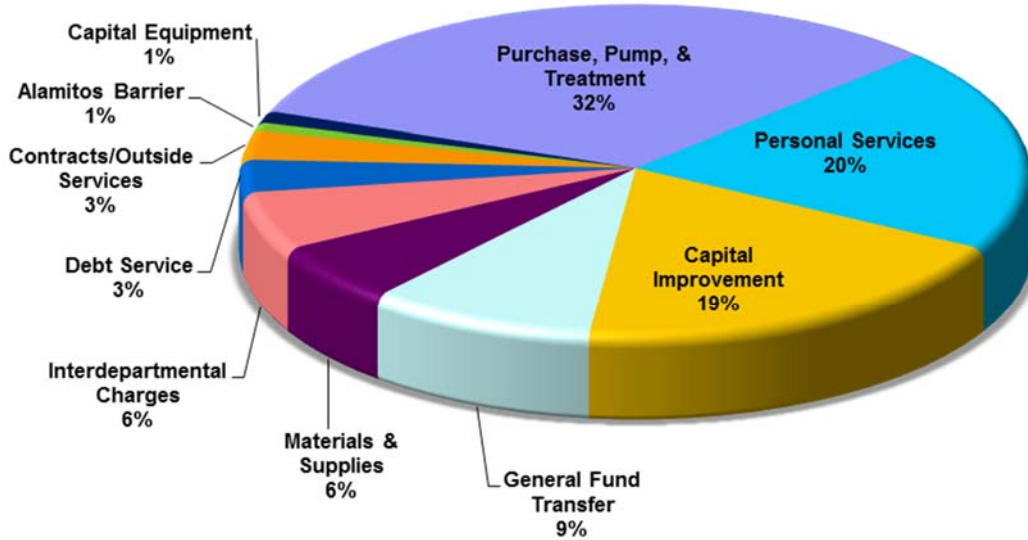
IV. Budget Highlights

Please refer to Figures 1 - 4 for the budget summaries of the Water and Sewer Funds.

- FY 20 Water Fund expenditures total \$134.9 million, a 9% increase as compared to the FY 19 budget.
- FY 20 Sewer Fund expenditures total \$21.4 million, a 21% decrease as compared to the FY 19 budget.
- FY 20 Water Fund revenues total \$128.3 million, a 14% increase as compared to the FY 19 budget.
- FY 20 Sewer Fund revenues total \$18.9 million, a 22% decrease as compared to the FY 19 budget.

FIGURE 1

**Water Fund
FY 20 Expenditures**

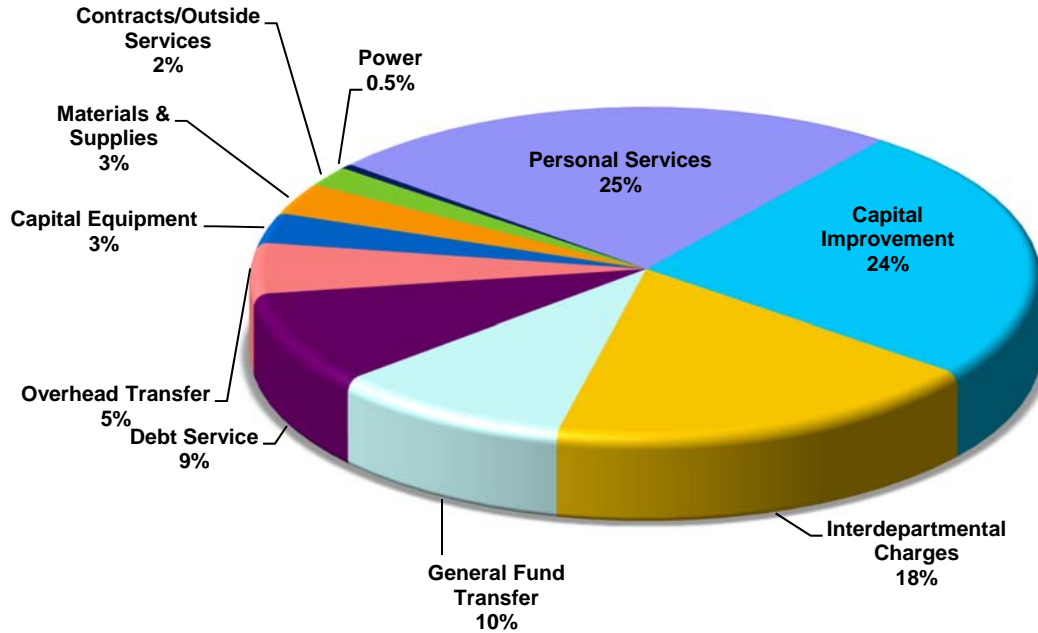


Expenditures (in \$1,000's): Budget to Budget Comparison

	FY 19 Budget	FY 20 Budget	Change	Percent Change
Purchase, Pump, & Treatment	39,426	43,768	4,342	11%
Personal Services	25,475	26,819	1,344	5%
Capital Improvement	19,511	25,518	6,006	31%
General Fund Transfer	12,318	12,654	337	3%
Materials & Supplies	7,361	7,776	416	6%
Interdepartmental Charges	6,963	7,647	684	10%
Debt Service	4,332	4,270	(63)	-1%
Contracts/Outside Services	4,075	3,792	(283)	-7%
Alamos Barrier	3,141	1,069	(2,072)	-66%
Capital Equipment	1,565	1,545	(20)	-1%
Total Expenditures	124,167	134,857	10,690	9%

FIGURE 2

**Sewer Fund
FY 20 Expenditures**

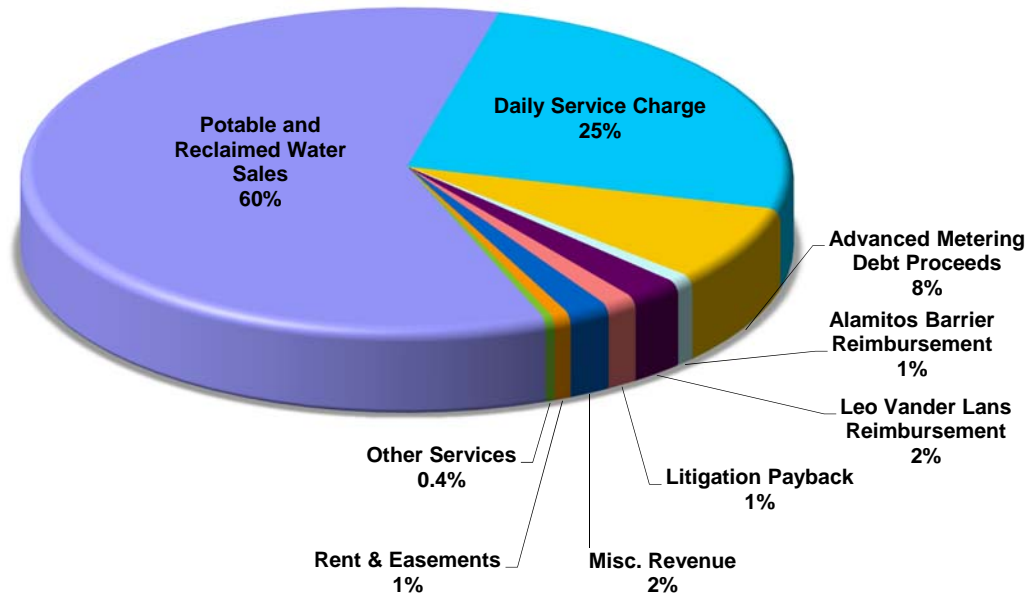


Expenditures (in \$1,000's): Budget to Budget Comparison

	FY 19 Budget	FY 20 Budget	Change	Percent Change
Capital Improvement	11,769	5,198	(6,571)	-56%
Personal Services	4,988	5,411	423	8%
Interdepartmental Charges	3,465	3,836	371	11%
General Fund Transfer	2,094	2,118	24	1%
Debt Service	1,968	1,937	(31)	-2%
Overhead Transfer	1,038	1,069	31	3%
Capital Equipment	779	635	(144)	-18%
Materials & Supplies	644	668	24	4%
Contracts/Outside Services	271	421	150	55%
Power	102	102	-	0%
Total Expenditures	27,118	21,395	(5,723)	-21%

FIGURE 3

**Water Fund
FY 20 Revenues**

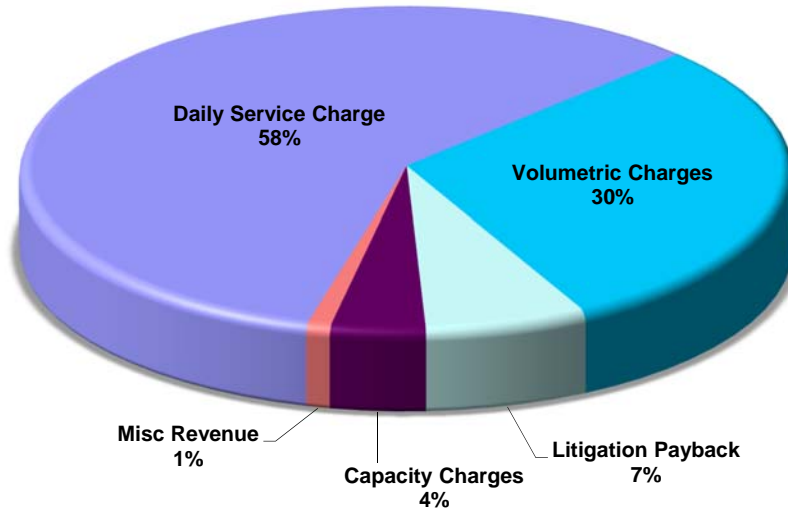


Revenues (in \$1,000's): Budget to Budget Comparison

	FY 19 Budget	FY 20 Budget	Change	Percent Change
Potable and Reclaimed Water Sales	71,651	76,699	5,048	7%
Daily Service Charge	25,553	32,458	6,906	27%
Advanced Metering Debt Proceeds	5,258	9,752	4,494	85%
Alamos Barrier Reimbursement	3,141	1,069	(2,072)	-66%
Leo Vander Lans Reimbursement	2,792	2,946	154	6%
Litigation Payback	1,710	1,710	-	0%
Misc. Revenue	1,040	2,280	1,240	119%
Rent & Easements	893	927	34	4%
Other Services	419	502	83	20%
Total Revenues	112,457	128,344	15,887	14%

FIGURE 4

**Sewer Fund
FY 20 Revenues**



Revenues (in \$1,000's): Budget to Budget Comparison

	FY 19 Budget	FY 20 Budget	Change	Percent Change
Daily Service Charge	10,782	11,057	274	3%
Volumetric Charges	5,829	5,595	(234)	-4%
Advanced Metering Debt Proceeds	5,258	-	(5,258)	-100%
Litigation Payback	1,290	1,290	-	0%
Capacity Charges	750	750	-	0%
Misc Revenue	186	187	2	1%
Total Revenues	24,095	18,879	(5,216)	-22%