Long Beach Water

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BUDGET SUMMARY

Fiscal Year 2022

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 467,354 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.

In FY 22 the Department will complete a comprehensive conversion to Advanced Metering Infrastructure (AMI) smart water meters resulting in operational efficiencies, cost savings, and improved water efficiency. Additionally, the Department is undertaking a significant infrastructure improvement program, funded by a $60,000,000 Line of Credit to drill new local water wells, refurbish existing wells, and rehabilitate existing storage tanks.

For the FY 22 Water Fund budget, expenditures are estimated to increase by 17% due to increased personal services costs, debt service, and Seawater Barrier costs. However, the additional debt service and Seawater Barrier costs are offset by revenue reimbursements. For FY 22, water purchase/pump/treatment costs have decreased due to a reduction in overall demand and an increase in pumping capacity which provides additional access to our lower cost water supply. In order to mitigate rate increases, budget reductions were achieved in materials and supplies, and the General Fund transfer. Budgeted revenues are estimated to increase by 16% due to an 8% increase in water rates as well as revenue reimbursements.

For the FY 22 Sewer Fund budget, expenditures are estimated to decrease by 2% due to capital improvements and interdepartmental charges. Budgeted revenues are estimated to increase by 2% due to 10% increase in sewer rates.

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 24 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 22, the planned replenishment assessment charged by WRD will increase by 3%.
- WRD's rates have risen a total of 92% since 2011.

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 22, MWD's rates for treated water will rise by 2.4%.
- MWD's rates have risen a total of 48% since 2011.

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, 2020, the water distribution system totaled 715 miles of water mains, 463 miles of water service lines with 89,291 active water service connections and the sewer distribution system totaled 715 miles of sewer mains, 369 miles of sewer service lines with 89,291 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 an average of 30 over the past five years. The Department responds immediately, 24-hours a day, 365 days a year, to water emergencies such as main breaks.

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.

In 2020, the Department established a $60,000,000 Line of Credit to facilitate increased investment in its water system infrastructure. Planned capital improvements include drilling new local water wells, refurbishing existing wells, and rehabilitating existing storage tanks. These investments will improve production, conveyance, treatment, storage, and distribution of water to its customers. The debt service for the Line of Credit will be secured by and payable from the revenues generated from charges to customers for water usage.

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.

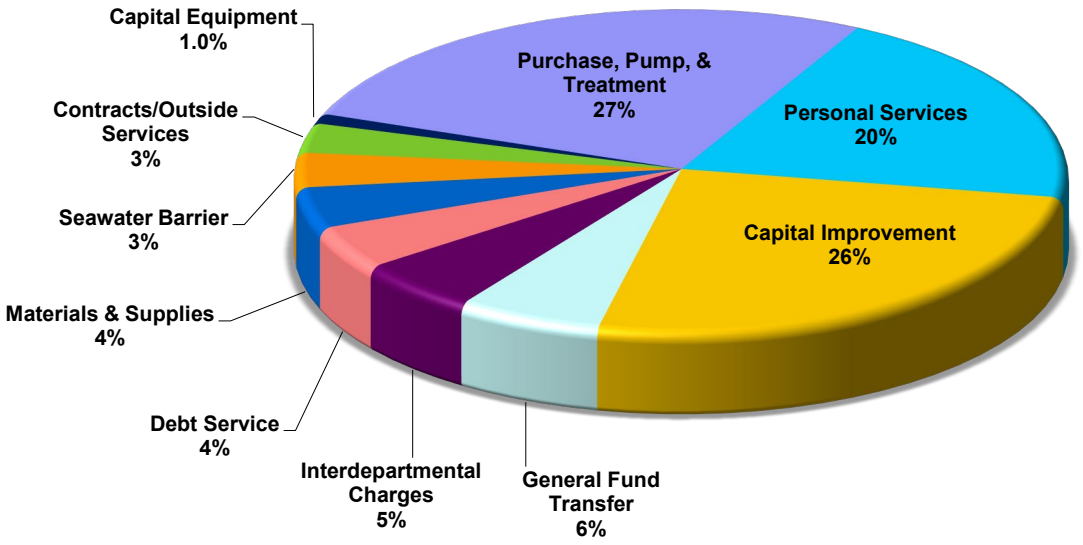
IV. Budget Highlights

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

- FY 22 Water Fund expenditures total $159.9 million, a 17% increase as compared to the FY 21 budget.
- FY 22 Water Fund revenues total $157.9 million, a 16% increase as compared to the FY 21 budget.
- FY 22 Sewer Fund expenditures total $23.3 million, a 2% decrease as compared to the FY 21 budget.
- FY 22 Sewer Fund revenues total $19.1 million, a 2% increase as compared to the FY 21 budget.

FIGURE 1

Water Fund
FY 22 Expenditures

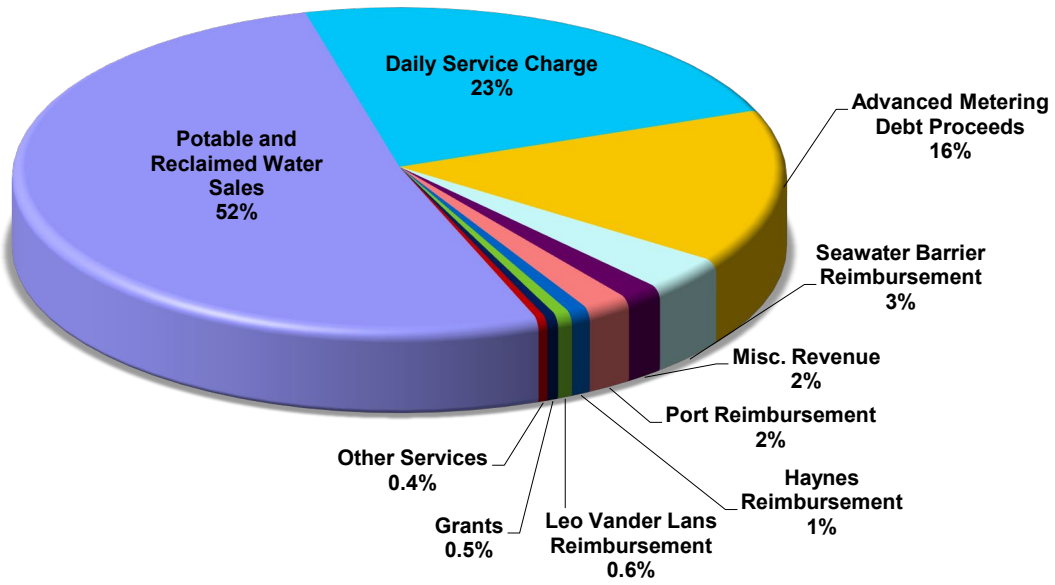


Expenditures (in $1,000's): Budget to Budget Comparison

	FY 21 Budget	FY 22 Budget	Change	Percent Change
Purchase, Pump, & Treatment	40,470	43,451	2,982	7%
Personal Services	30,903	32,078	1,175	4%
Capital Improvement	24,816	41,076	16,260	66%
General Fund Transfer	10,575	9,767	(808)	-8%
Interdepartmental Charges	8,334	8,286	(48)	-1%
Debt Service	5,822	6,885	1,063	18%
Materials & Supplies	5,604	6,527	923	16%
Seawater Barrier	5,513	5,513	-	0%
Contracts/Outside Services	4,200	4,733	532	13%
Capital Equipment	562	1,568	1,006	179%
Total Expenditures	**136,800**	**159,883**	**23,084**	**17%**

FIGURE 2

Water Fund
FY 22 Revenues

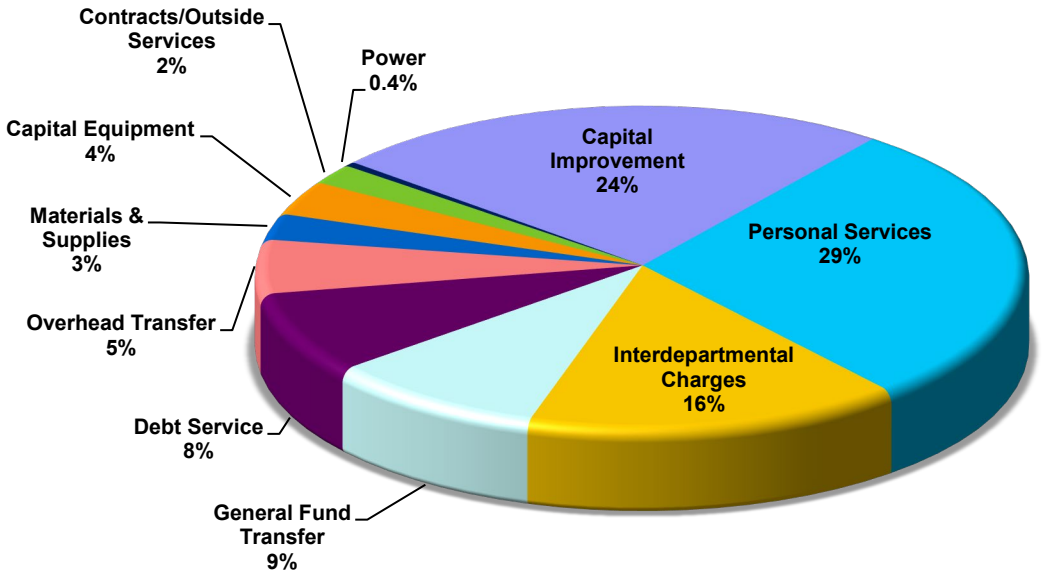


Revenues (in $1,000's): Budget to Budget Comparison

	FY 21 Budget	FY 22 Budget	Change	Percent Change
Potable and Reclaimed Water Sales	77,685	81,800	4,116	5%
Daily Service Charge	34,576	36,815	2,239	6%
Advanced Metering Debt Proceeds	9,375	24,488	15,113	161%
Seawater Barrier Reimbursement	5,513	5,513	-	0%
Misc. Revenue	2,706	2,590	(116)	-4%
Port Reimbursement	2,420	3,025	605	0%
Haynes Reimbursement	-	1,305	1,305	0%
Litigation Payback	1,710	-	(1,710)	-100%
Leo Vander Lans Reimbursement	851	995	144	17%
Grants	750	750	-	0%
Other Services	667	619	(48)	-7%
Total Revenues	**136,253**	**157,899**	**21,646**	**16%**

FIGURE 3

Sewer Fund
FY 22 Expenditures

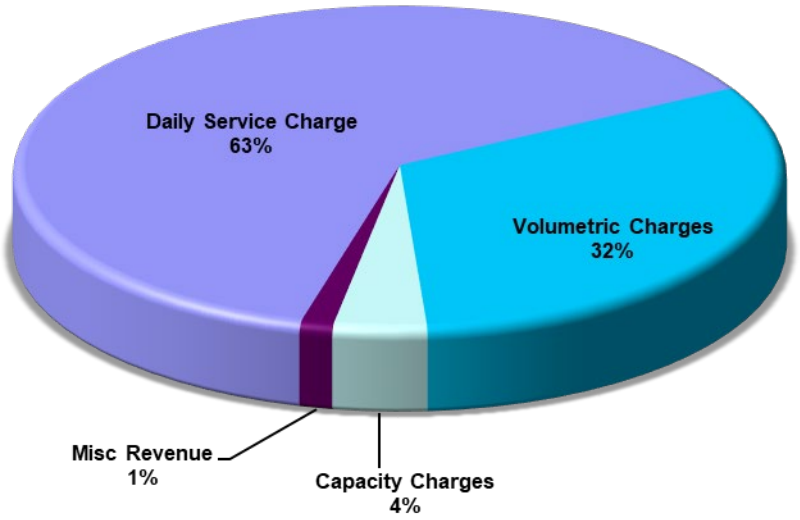


Expenditures (in $1,000's): Budget to Budget Comparison

	FY 21 Budget	FY 22 Budget	Change	Percent Change
Capital Improvement	6,287	5,679	(608)	-10%
Personal Services	6,654	6,640	(14)	0%
Interdepartmental Charges	4,156	3,698	(458)	-11%
General Fund Transfer	2,118	2,161	42	2%
Debt Service	1,749	1,897	149	8%
Overhead Transfer	1,069	1,253	184	17%
Materials & Supplies	706	609	(98)	-14%
Capital Equipment	495	806	311	63%
Contracts/Outside Services	452	477	25	5%
Power	102	102	-	0%
Total Expenditures	**23,789**	**23,321**	**(468)**	**-2%**

FIGURE 4

Sewer Fund
FY 22 Revenues



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

	FY 21 Budget	FY 22 Budget	Change	Percent Change
Daily Service Charge	11,104	11,993	888	8%
Volumetric Charges	5,473	6,073	600	11%
Litigation Payback	1,290	-	(1,290)	-100%
Capacity Charges	500	750	250	50%
Misc Revenue	263	263	-	0%
Total Revenues	**18,631**	**19,079**	**448**	**2%**