

Long Beach Water Department Fiscal Year 2018 Annual Budget Summary

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 474,140 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 18 Water Fund budget, expenditures are estimated to increase by 4% due to additional staffing, capital improvement projects, and automated metering infrastructure costs. Budgeted revenues are estimated to increase by 5% due to a 4% increase in water rates and automated metering infrastructure bond proceeds.

For the FY 18 Sewer Fund budget, expenditures are estimated to increase by 9% due to increased City charges, capital improvement projects, and automated metering infrastructure costs. Budgeted revenues are estimated to remain relatively unchanged despite a 2% increase in sewer rates due to the conservation-related winter reset affecting volumetric charges.

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 31 active wells and pump it to our groundwater treatment plant. The Department pays a Pump 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 18, the planned pump assessment charged by WRD will increase by 7%.
- WRD's rates have risen a total of 75% 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 18, MWD's rates for treated water will rise by 4%.
- MWD's rates have risen a total of 45% 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, 2016, the water distribution system totaled 912 miles of water mains with 90,955 active 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.

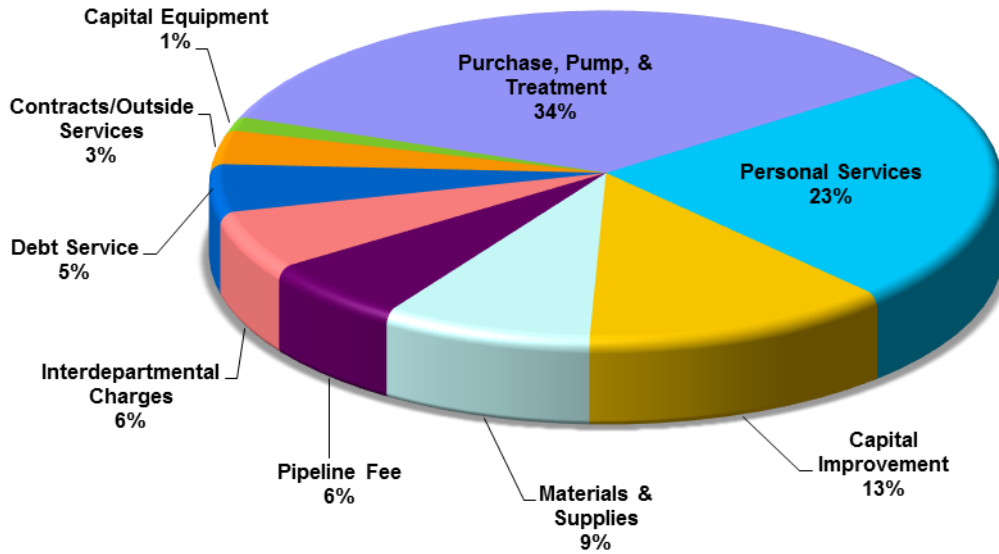
IV. Budget Highlights

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

- FY 18 Water Fund expenditures total \$106.4 million, a 4% increase as compared to the FY 17 budget.
- FY 18 Sewer Fund expenditures total \$22.0 million, a 9% increase as compared to the FY 17 budget.
- FY 18 Water Fund revenues total \$103.0 million, a 5% increase as compared to the FY 17 budget.
- FY 18 Sewer Fund revenues total \$19.0 million, 0.3% decrease as compared to the FY 17 budget.

FIGURE 1

**Water Fund
FY 18 Expenditures**

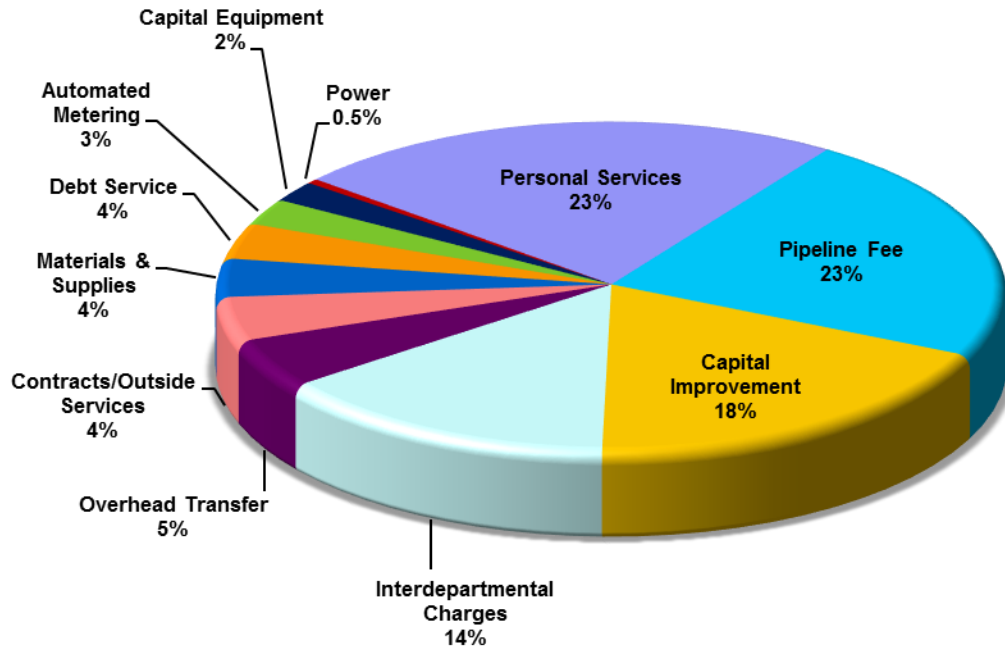


Expenditures (in \$1,000's): Budget to Budget Comparison

	FY 17 Budget	FY 18 Budget	Change	Percent Change
Purchase, Pump, & Treatment	37,088	36,603	(485)	-1%
Personal Services	23,396	24,566	1,170	5%
Capital Improvement	12,588	13,416	828	7%
Materials & Supplies	10,263	9,191	(1,072)	-10%
Pipeline Fee	6,147	6,453	306	5%
Interdepartmental Charges	5,520	6,147	627	11%
Debt Service	3,134	5,013	1,879	60%
Contracts/Outside Services	2,890	3,545	656	23%
Capital Equipment	1,295	1,447	152	12%
Total Expenditures	102,320	106,382	4,061	4%

FIGURE 2

**Sewer Fund
FY 18 Expenditures**

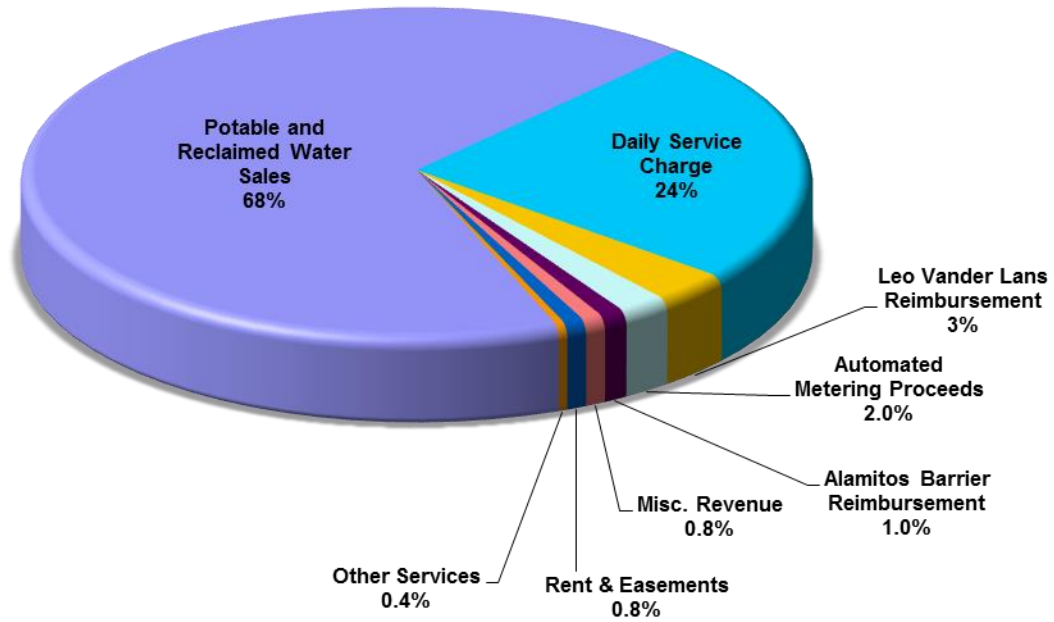


Expenditures (in \$1,000's): Budget to Budget Comparison

	FY 17 Budget	FY 18 Budget	Change	Percent Change
Personal Services	5,311	5,149	(162)	-3%
Pipeline Fee	4,712	4,959	247	5%
Capital Improvement	3,794	4,046	252	7%
Interdepartmental Charges	2,502	3,146	644	26%
Overhead Transfer	1,132	1,061	(71)	-6%
Contracts/Outside Services	862	947	85	10%
Materials & Supplies	820	826	6	1%
Debt Service	613	770	157	26%
Automated Metering	-	568	568	
Capital Equipment	380	450	70	18%
Power	102	102	-	0%
Total Expenditures	20,229	22,025	1,796	9%

FIGURE 3

**Water Fund
FY 18 Revenues**

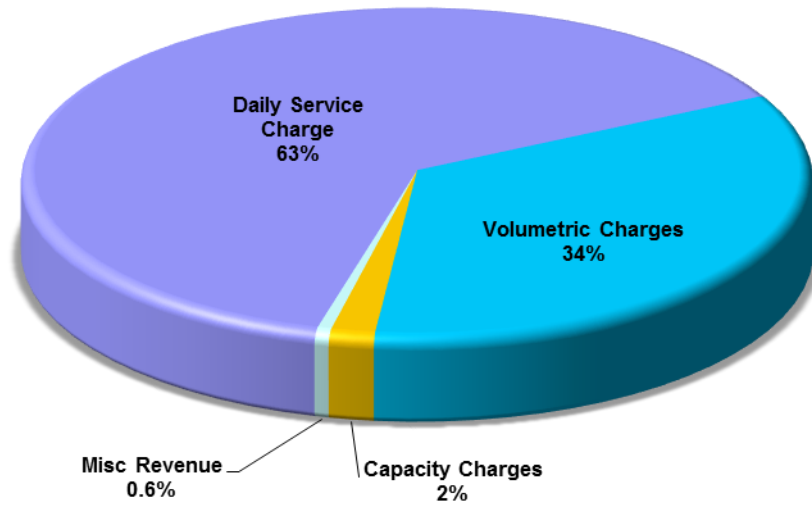


Revenues (in \$1,000's): Budget to Budget Comparison

	FY 17 Budget	FY 18 Budget	Change	Percent Change
Potable and Reclaimed Water Sales	67,070	69,769	2,700	4%
Daily Service Charge	23,861	24,882	1,021	4%
Leo Vander Lans Reimbursement	3,574	3,178	(396)	-11%
Automated Metering Proceeds	-	2,077	2,077	
Alamos Barrier Reimbursement	826	1,025	199	24%
Misc. Revenue	865	875	10	1%
Rent & Easements	1,025	849	(175)	-17%
Other Services	542	376	(166)	-31%
Grant Proceeds	750	-	(750)	-100%
Total Revenues	97,763	103,031	5,269	5%

FIGURE 4

**Sewer Fund
FY 18 Revenues**



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

	FY 17 Budget	FY 18 Budget	Change	Percent Change
Daily Service Charge	11,807	12,034	227	2%
Volumetric Charges	6,783	6,506	(277)	-4%
Capacity Charges	350	350	-	0%
Misc Revenue	111	111	-	0%
Total Revenues	19,051	19,001	(50)	0%