

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 23, 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 23 Water Fund budget, expenditures are estimated to decrease by 2% due to a lower transfer to the General Fund. However, there are significant increases in construction costs, chemicals, and other materials used for operations. Construction costs are expected to rise by 11%. Sodium hydroxide is up 123%, liquid chlorine is up 281%, and the polymer blend used to remove the color is up 88%. Budgeted revenues are estimated to decrease by 5% due to the rate decrease that took place on June 1, 2022.

For the FY 23 Sewer Fund budget, expenditures are estimated to decrease by 1% due to a decrease in capital improvements and capital equipment. Budgeted revenues are estimated to increase by 4% due to increased capacity 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 to be produced from groundwater wells 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 23, the planned replenishment assessment charged by WRD will increase by 4%.
- WRD's rates have risen a total of 68% since 2011.

Imported Supplies - The balance of the 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 23, MWD's rates for treated water will rise by 3.5%.
- MWD's rates have increased a total of 54% since 2011.

Water efficiency as a way of life - Since 2007, the Department has undertaken a comprehensive 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 toward 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 that needs to be maintained and replaced in certain parts. The water distribution system is comprised of over 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 to water emergencies such as main breaks immediately, 24 hours a day, 365 days a 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.

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 the 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 the 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.

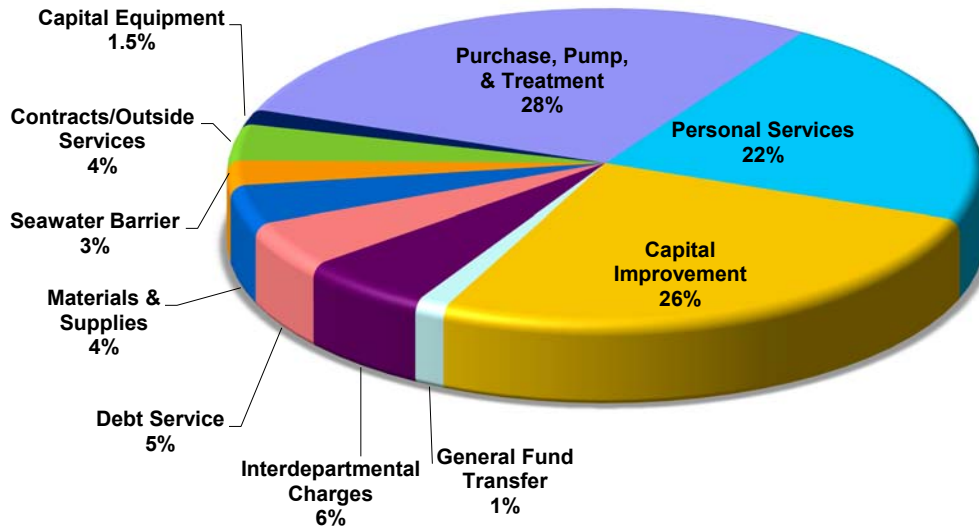
IV. Budget Highlights

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

- FY 23 Water Fund expenditures total \$156.8 million, a 2% decrease compared to the FY 22 budget.
- FY 23 Water Fund revenues total \$149.2 million, a 5% decrease compared to the FY 22 budget.
- FY 23 Sewer Fund expenditures total \$23.2 million, a 1% decrease compared to the FY 22 budget.
- FY 23 Sewer Fund revenues total \$20.7 million, a 6% increase compared to the FY 22 budget.

FIGURE 1

**Water Fund
FY 23 Expenditures**

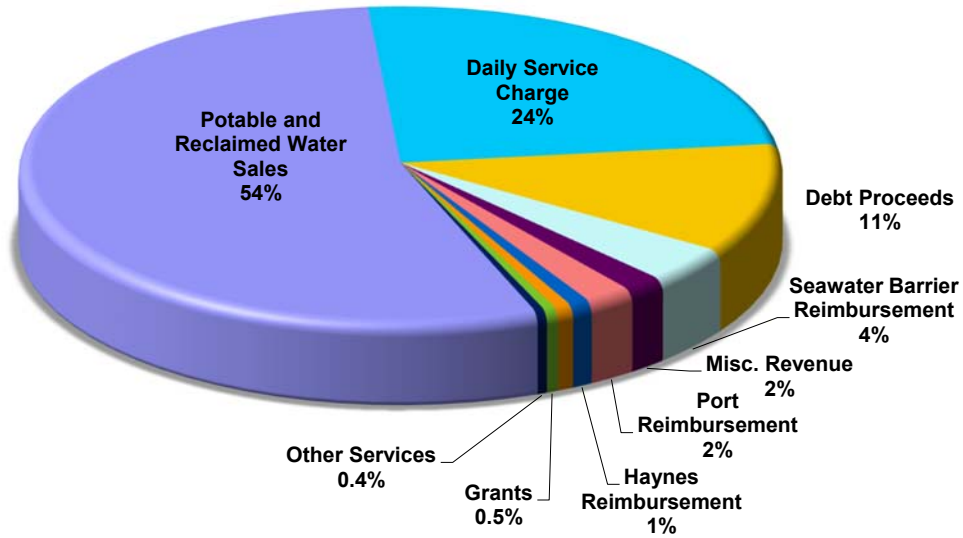


Expenditures (in \$1,000's): Budget-to-Budget Comparison

	FY 22 Budget	FY 23 Budget	Change	Percent Change
Purchase, Pump, & Treatment	43,451	44,630	1,179	3%
Personal Services	32,078	34,173	2,095	7%
Capital Improvement	41,076	41,127	51	0%
General Fund Transfer	9,767	2,100	(7,667)	-78%
Interdepartmental Charges	8,286	8,834	548	7%
Debt Service	6,885	7,415	531	8%
Materials & Supplies	6,527	6,250	(276)	-4%
Seawater Barrier	5,513	4,029	(1,484)	-27%
Contracts/Outside Services	4,733	5,880	1,147	24%
Capital Equipment	1,568	2,403	835	53%
Total Expenditures	159,883	156,842	(3,041)	-2%

FIGURE 2

**Water Fund
FY 23 Revenues**

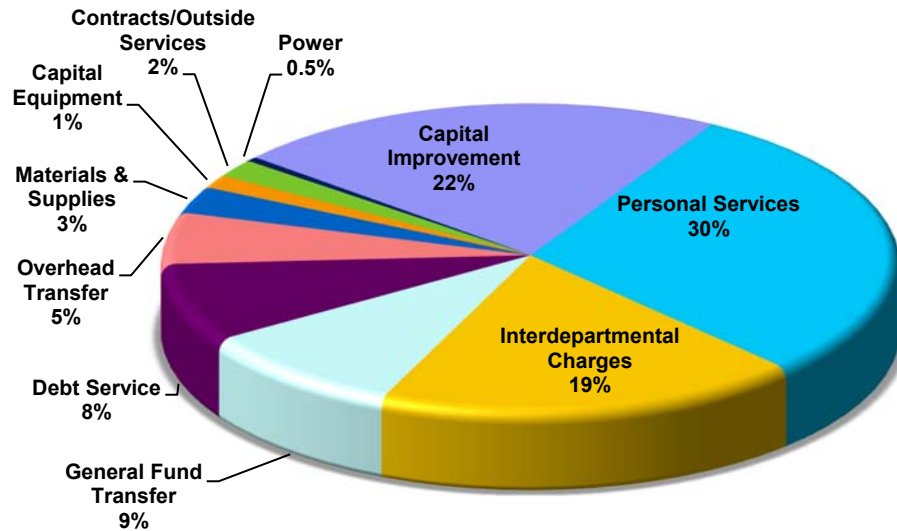


Revenues (in \$1,000's): Budget-to-Budget Comparison

	FY 22 Budget	FY 23 Budget	Change	Percent Change
Potable and Reclaimed Water Sales	81,800	81,227	(574)	-1%
Daily Service Charge	36,815	36,557	(258)	-1%
Debt Proceeds	24,488	16,663	(7,825)	-32%
Seawater Barrier Reimbursement	5,513	5,563	50	1%
Misc. Revenue	2,590	2,490	(100)	-4%
Port Reimbursement	3,025	3,025	-	0%
Haynes Reimbursement	1,305	1,305	-	0%
Leo Vander Lans Reimbursement	995	1,045	50	5%
Grants	750	750	-	0%
Other Services	619	619	-	0%
Total Revenues	157,899	149,243	(8,656)	-5%

FIGURE 3

**Sewer Fund
FY 23 Expenditures**

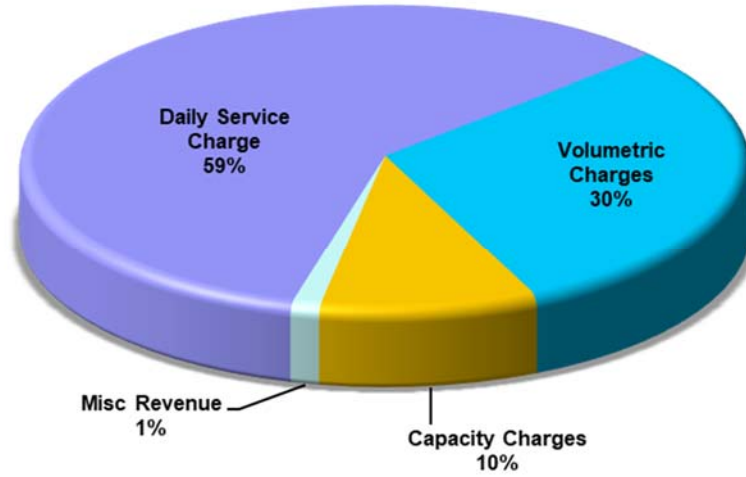


Expenditures (in \$1,000's): Budget-to-Budget Comparison

	FY 22 Budget	FY 23 Budget	Change	Percent Change
Capital Improvement	5,679	5,179	(500)	-9%
Personal Services	6,640	6,826	187	3%
Interdepartmental Charges	3,698	4,337	640	17%
General Fund Transfer	2,161	2,161	-	0%
Debt Service	1,897	1,896	(1)	0%
Overhead Transfer	1,253	1,253	-	0%
Materials & Supplies	593	657	64	11%
Capital Equipment	806	322	(484)	-60%
Contracts/Outside Services	493	444	(49)	-10%
Power	102	112	9	9%
Total Expenditures	23,321	23,188	(133)	-1%

FIGURE 4

**Sewer Fund
FY 23 Revenues**



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

	FY 22 Budget	FY 23 Budget	Change	Percent Change
Daily Service Charge	12,215	12,215	-	0%
Volumetric Charges	6,186	6,186	-	0%
Capacity Charges	750	2,000	1,250	167%
Misc Revenue	263	263	-	0%
Total Revenues	19,414	20,664	1,250	6%