



Long Beach Water Department
Fiscal Year 2013 Annual Budget Summary

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I. Overview

For over 100 years, the 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, yet less reliable, 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 sixth largest city in State, with an area of approximately 50 square miles and a population of 462,257 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 13 Water Fund budget, revenues are slightly reduced compared with FY 12, mainly due to reduced reimbursement contributions from third party development projects. Revenues from water sales and charges are estimated to remain unchanged. Expenditures will be the same as in FY 12, balancing Personal and Non-Personal services cost increases by reducing planned capital expenditures for the fiscal year.

For the FY 13 Sewer Fund budget, revenues and expenditures will also remain relatively unchanged when compared to the current fiscal year, reflecting a slightly lower amount of debt issuance to cover planned capital expenditures.

Two main focal points of the Department's budget are related to the management of its water resources portfolio and the maintenance of the Department's infrastructure.

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 just over half of Long Beach'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. Long Beach Water Department pays a Replenishment Assessment,

or pump tax, to the Water Replenishment District of Southern California, for water produced from the wells, in addition to Long Beach Water Department's costs for electricity, maintenance and treatment of the groundwater at our groundwater treatment plant.

For FY 13, the pump tax charged by WRD was not increased. Previously, the pump tax rate had been increased 64% since FY 07.

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

For FY 13, MWD's rates for treated water rose 7%. MWD's rates have risen a total of 77% since FY 07.

These core costs associated with the production of groundwater and payment for imported water comprise approximately 39% of the Water Fund budget.

Water Conservation - Drought Related Developments. Since 2007, the Water Department has undertaken a comprehensive public communications strategy to emphasize the need for a comprehensive reduction in water consumption. The Water Department began communicating a regular update on the overall demand in its service area, compared to a historical ten (10) year average period immediately predating the call for conservation. Since 2007, the Water Department's customers have achieved a sustained conservation response leading to annual demands at about 16% below the historical ten (10) year average. Currently, overall consumption by Water Department customers is approximately equivalent to the consumption levels in 1966. The Water Department continues to provide additional communications and programs such as landscape retrofits to its customers, and believes the conservation response is a sustained change in consumption behavior.

Since 2007, reduced water usage by the customers of the City has resulted in reduced Department revenues. However, such reduction in revenues has also been mitigated by a reduction in operating expenses as a result of less water having to be purchased from Metropolitan Water District (MWD). However, with the significant increases in the costs for pumped groundwater and imported water, those core costs have continued to increase, even with reduced consumption.

III. Infrastructure Repair and Rehabilitation

The City has an aging infrastructure, which needs to be maintained and in certain parts replaced. At September 30, 2011, the water distribution system totaled 909 miles of water mains with 89,851 active service connections.

Long Beach Water Department continues to annually replace approximately 27,000 linear feet of 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 just over 20 estimated for this fiscal year. This effort represents \$5.2 million of the budgeted capital expenditures for the Water Fund.

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. Those efforts comprise an additional \$7.3 million of the budgeted capital expenditures for the Water Fund.

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.

In order to complete the first years of the mandated program, the Department has issued short term debt obligations to manage the initial ramp up in capital costs of the projects. These projects represent \$5.5 million in the Sewer Fund.

For FY 12, capital project expenses saw below budget expenditures due to a favorable bidding climate, and needed deferral of some capital projects based on additional design requirements. For the Water Fund, there was a significant change to a joint well development project, causing the project to be put on hold, subject to further analysis and potential reconfiguration.

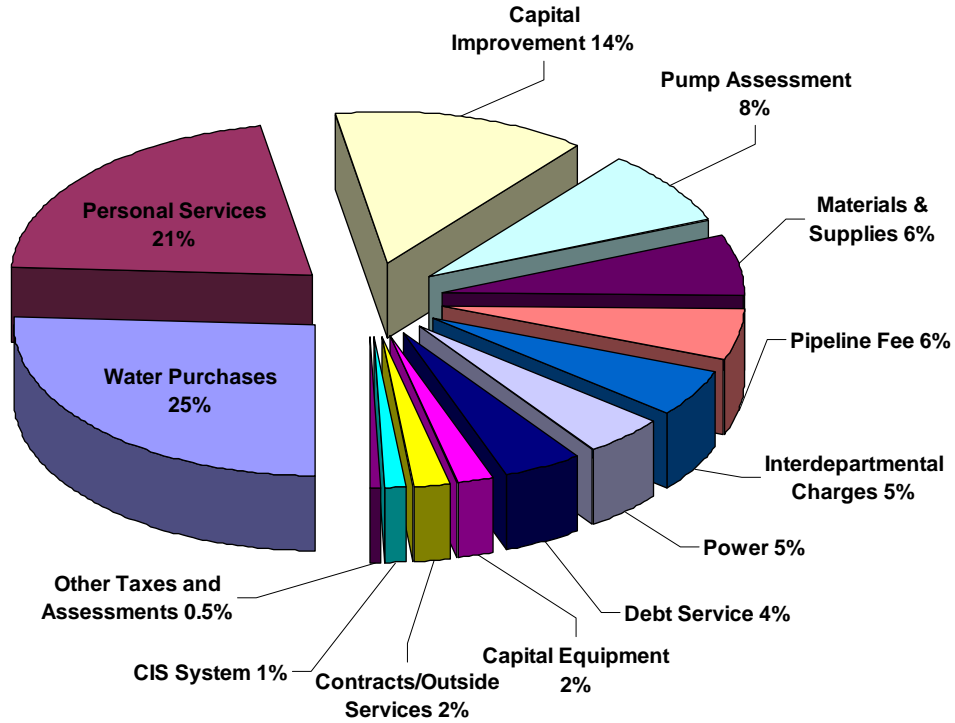
IV. Budget Highlights

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

- FY 13 Water Fund expenditures total \$100.2 million, a 0% increase over the FY 12 budget.
- FY 13 Sewer Fund expenditures total \$21.6 million, a 1% increase over the FY 12 budget.
- FY 13 Water Fund revenues total \$88.5 million, a 2% decrease over the FY 12 budget.
- FY 13 Sewer Fund revenues total \$21.4 million, a 3% decrease over the FY 12 budget.
- Personal services includes bargaining unit salary increases, no management increases.
- Planned borrowing of \$4.4 million for Sewer Fund capital expenditures.

FIGURE 1

**Water Fund
FY 13 Expenditures**

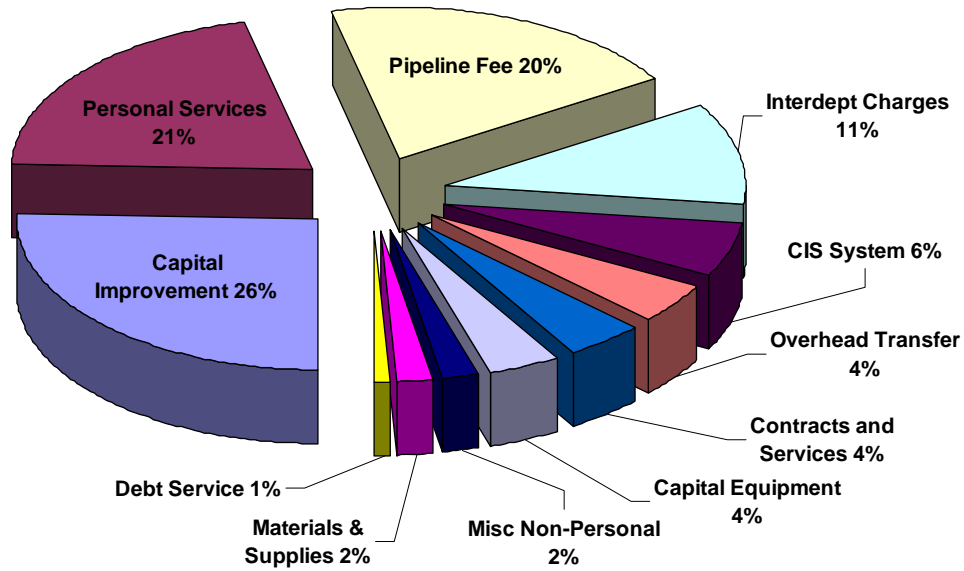


Expenditures (in \$1,000's): Budget to Budget Comparison

	FY 12 Budget	FY 13 Budget	Change	Percent Change
Water Purchases	23,010	25,576	2,565	10.03%
Personal Services	20,438	21,504	1,065	5.0%
Capital Improvement	19,457	13,572	(5,885)	-43.4%
Pump Assessment	8,299	7,863	(436)	-6%
Materials & Supplies	6,205	6,430	226	4%
Pipeline Fee	5,549	5,567	18	0.3%
Interdepartmental Charges	4,480	4,773	293	6%
Power	4,356	4,619	263	6%
Debt Service	1,915	3,960	2,045	52%
Capital Equipment	1,928	2,146	218	10%
Contracts/Outside Services	3,891	1,922	(1,969)	-102%
CIS System	-	1,734	1,734	100%
Other Taxes & Assessments	609	487	(123)	-25%
Total Expenditures	100,137	100,150	14	0%

FIGURE 2

**Sewer Fund
FY 13 Expenditures**

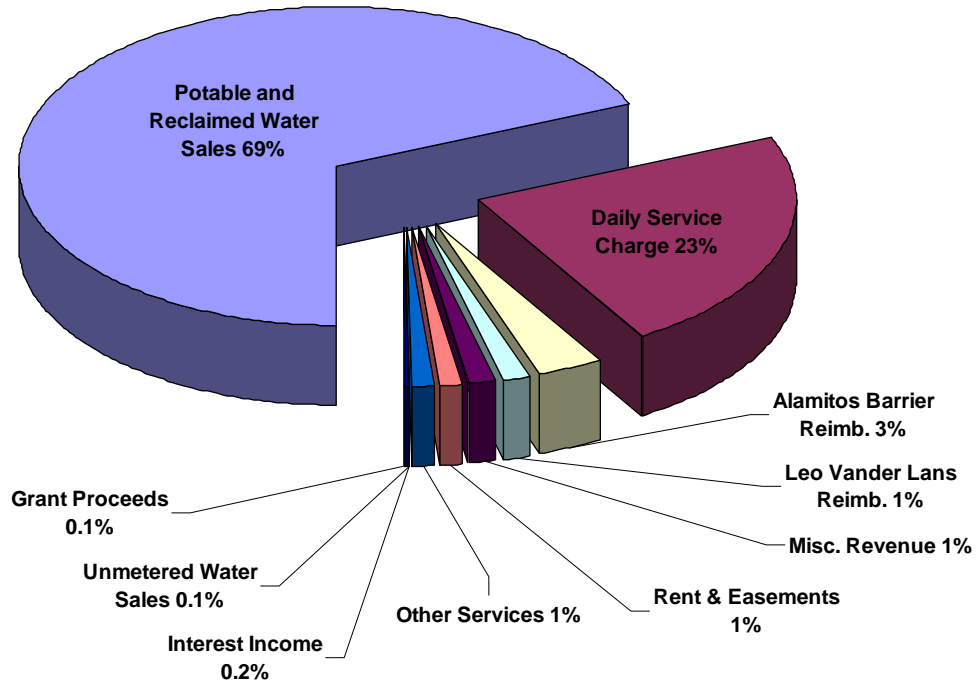


Expenditures (in \$1,000's): Budget to Budget Comparison

	FY 12 Budget	FY 13 Budget	Change	Percent Change
Capital Improvement	6,587	5,533	(1,054)	-19.1%
Personal Services	4,292	4,463	171	3.8%
Pipeline Fee	4,273	4,284	11	0.26%
Interdepartmental Charges	2,090	2,316	226	10%
CIS System	-	1,274	1,274	100%
Overhead Transfer	979	962	(18)	-2%
Contracts and Services	1,461	883	(579)	-65.6%
Capital Equipment	398	812	414	51%
Misc Non-Personal	476	449	(26)	-6%
Materials & Supplies	424	428	4	1%
Debt Service	318	162	(156)	-96%
Total Expenditures	21,298	21,565	267	1%

FIGURE 3

**Water Fund
FY 13 Revenues**

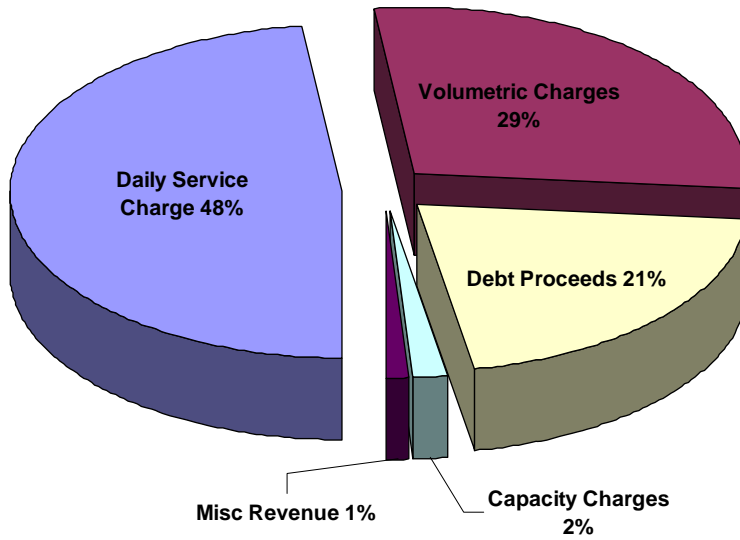


Revenues (in \$1,000's): Budget to Budget Comparison

	FY 12 Budget	FY 13 Budget	Change	Percent Change
Potable and Reclaimed Water Sales	60,705	60,794	89	0.1%
Daily Service Charge	19,983	19,978	(5)	-0.03%
Alamos Barrier Reimb.	2,768	2,969	201	7%
Leo Vander Lans Reimb.	1,200	1,350	150	11.1%
Misc. Revenue	2,315	1,156	(1,159)	-100%
Rent & Easements	1,225	1,042	(183)	-18%
Other Services	693	855	162	19%
Interest Income	123	141	18	13%
Unmetered Water Sales	100	100	-	0.0%
Grant Proceeds	800	88	(713)	-814%
Total Revenue	89,912	88,472	(1,439)	-2%

FIGURE 4

**Sewer Fund
FY 13 Revenues**



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

	FY 12 Budget	FY 13 Budget	Change	Percent Change
Daily Service Charge	10,236	10,236	-	0.0%
Volumetric Charges	6,093	6,093	-	0.0%
Debt Proceeds	5,270	4,426	(843)	-19.06%
Capacity Charges	287	350	63	18%
Misc Revenue	163	246	83	34%
Total Revenues	22,049	21,351	(698)	-3%