



Long Beach Water



ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE LONG BEACH WATER DEPARTMENT
A Department of the City of Long Beach, California

For The Fiscal Year Ended
September 30, 2021



Long Beach Water

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LONG BEACH WATER DEPARTMENT

1800 East Wardlow Road
Long Beach, CA 90807

www.lbwater.org

**ANNUAL COMPREHENSIVE FINANCIAL REPORT
OF THE
LONG BEACH WATER DEPARTMENT
(A Department of the City of Long Beach, California)**

**For the Fiscal Year Ended
SEPTEMBER 30, 2021**

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**Prepared by the Finance Division
of the
Business Bureau**

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INTRODUCTORY SECTION

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Annual Comprehensive Financial Report
of the
Long Beach Water Department
(A Department of the City of Long Beach, California)
For the Fiscal Year Ended September 30, 2021

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DATE March 28, 2022
TO Board of Water Commissioners
FROM B. Anatole Falagan, Assistant General Manager
SUBJECT Approval of Annual Comprehensive Financial Report for the fiscal years ended September 30, 2021

Management is pleased to present the Annual Comprehensive Financial Report (ACFR) of the Long Beach Water Department (Department), for the fiscal year ended September 30, 2021. The Department's financial statements are also included in the City of Long Beach (the City) Financial Statements as enterprise funds (Water Fund and Sewer Fund).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements have been audited by KPMG LLP, an independent certified public accounting firm. KPMG LLP has issued an unmodified ("clean") opinion on the Department's financial statements for the fiscal year ended September 30, 2021. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report, and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE REPORTING ENTITY

During the early years of the 20th Century, Long Beach began establishing itself as an up-and-coming area that seemed destined to someday become a large city. In order to sustain the expected growth that would occur in future years, it was critical that the City identify and secure a reliable source of water. In recognizing the importance of this, on June 27, 1911, Long Beach voters approved an \$850,000 bond issuance to purchase two private water companies that had been providing water supplies to the Long Beach population. Three days later, on June 30, 1911, the Long Beach city council approved an emergency ordinance creating the Long Beach Water Department, thereby giving the City its own municipal water agency that would regulate and control the use, sale and distribution of water owned or controlled by the City.

Twenty years later, in 1931, two additional significant milestones came to pass for the Department. The first was the creation of the Long Beach Board of Water Commissioners (Board), which governs the Department and is comprised of five members appointed by the Mayor, subject to confirmation by the City Council. Members of the Board serve overlapping five-year terms to provide continuity of operations. That same year, the City also became one of the original 13 founding members of the Metropolitan Water District of Southern California (MWD). Joining MWD would allow the Department to eventually acquire imported water as a supplement to the City's groundwater supplies.

In February 1988, the Department assumed the responsibility of the various functions of the City's sanitary sewer system, including operations and maintenance. In April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy for the Department in administering the City's sanitary sewer operations.

The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in State, with an area of approximately 50 square miles and a population of 466,742 with some customers outside the City limits. The Department is not subject to regulation by the California Public Utilities Commission.

LOCAL ECONOMY

Long Beach has drawn from the strength and adaptability of the local economy to maximize opportunities in today's global world economy. The blending of local, national, and international businesses keep Long Beach growing and adapting to meet the constantly changing needs of today's modern life.

The Coronavirus Disease 2019 (COVID-19) pandemic has been a big challenge, and the City has been state and national leader in addressing it and minimizing the impact on the city of Long Beach and its residents and businesses.

On March 11, 2020, the World Health Organization (WHO) declared a global pandemic due to the outbreak of the COVID-19. The City took many actions including issuing health orders (the City is one of the few in California with its own health department) to restrict

social gatherings, require face coverings when in a business or within six feet of another person, deferring payment of business taxes and fees for those businesses impacted by the COVID-19 pandemic, deferring most lease payments to the city if a tenant was impacted, a series of grants and other actions (often supported by federal grants) to assist businesses, a moratorium on evictions to provide relief to residential tenants facing hardships and different forms of parking relief. In September 2020, the unemployment rate in Long Beach was recorded at 15.9% due mostly to the COVID-19 pandemic. Thanks to the resilience of the Long Beach economy and the committed response of the community, it fell to 8.9% by the end of September 2021.

The City found opportunities in the television and film industry which selected Long Beach for the filming of many television shows like “NCIS:LA” and “Battlebots” as well as feature films such as “Chip n’ Dale Rescue Rangers”, “Purple Hearts”, and “Me Time.” In 2021, 350 film permits were issued bringing 604 production days to the City. In addition to the improvements that can be easily seen, but equally important to the safety of the citizens and visitors, were the 13.7 lane-miles of streets and 2.1 lane-miles of alleys rehabilitated and the 1.45 million square feet of graffiti abated by City staff and contractors. Further information on the local economy is provided in the City of Long Beach Annual Comprehensive Financial Report.

As an older, established and geographically built-out City, the Department’s customer base is relatively stable and is comprised of ninety percent (90%) residential accounts, with the remaining ten percent (10%) comprised of commercial, industrial, irrigation and other accounts. The residential accounts comprise approximately seventy-one percent (71%) of the Department’s total potable water sales.

The Department recognizes the potential effect on revenue streams of the COVID-19 pandemic and has been monitoring the accounts receivables in unpaid bills as a portion of these receivables are expected to ultimately become uncollectable and be written off as lost revenue. As of January 2022, the Water Fund has approximately \$1.9 million and the Sewer Fund has approximately \$261,000 in unpaid bills which are over 120 days past due. The Department is monitoring Federal and State legislation which is intended to provide economic relief to customers in the form of assistance in paying past due utility bills. The Department is also engaging in customer outreach with flexible payment options for customers with past due bills. The economic impact on revenues is not expected to be permanent and the time frame to return to a normal standard of operations cannot yet be determined.

WATER SUPPLY

The Department meets the needs of its customers through an increasingly 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.

Drought Related Developments

Long Beach water demand peaked in 1990, but water demand has been declining ever since. The reduced water demand can be attributed to a combination of a steady commitment to water conservation efforts by the Department and statewide droughts in 1990-1991, 2007-2009, and 2015-2016, each of which triggered a sharp decrease in water demand. Conservation efforts have included aggressive public outreach and incentive programs for water saving measures. The Water Department will continue these efforts to incorporate the conservation success into a sustained change in consumption behavior.

Reduced water usage due to conservation does result in reduced revenues. At the same time, those reductions are also offset by a reduction in operating expenses as a result of less imported water purchases from Metropolitan Water District (MWD).

Additionally, the Department managed discretionary budget expenses to minimize initial budget and rate impacts from reduced consumption. The Water Department's budget and rate structure is based annually on cost recovery and on State law governing water utility rate setting (Proposition 218).

The following subsections provide an overview of the Department's water resources.

Groundwater

Ownership of water rights allows approximately sixty percent (60%) of Long Beach's water supply needs to be produced from groundwater wells located within the City. Before it reaches our customers' taps, local groundwater must journey many miles from its source high up in the mountains. Rain and snow-melt from the San Gabriel Mountains watershed travel through washes and creeks into the San Gabriel River and the Whittier Narrows Basin. From there it percolates underground through sand and water beds where it begins a lengthy subsurface journey to Long Beach. High-powered pumps then extract it from 24 active groundwater wells and pump it to our groundwater treatment plant.

During the 1940's and 1950's the population grew and the increased water demand in the San Gabriel Valley significantly reduced the flows southward to the Central Basin, contributing to falling water tables. In 1959, to protect this vital source of local water supply, the Board initiated a lawsuit against major water producers in the San Gabriel Valley to guarantee water supplies to Central Basin producers.

Parties to the lawsuit negotiated a settlement which provided the basis of a stipulated judgment (the "Long Beach Judgment") rendered by the Superior Court on October 8, 1965. By separate action, a committee of Central Basin producers reached an agreement for voluntary reduction of pumpage within the basin to restore and protect the water table and to expedite the above judgment to permanently prevent excessive pumping. The reduction in pumping began October 1, 1962. The two events were of major importance in securing local water supplies for the City. The Department is the largest producer of water in the Central Basin.

Imported Supplies

Another portion of the City's potable (drinking) water supply is treated water purchased from MWD. This water originates from two sources: the Colorado River Aqueduct and the State Water Project (SWP).

Through its 242-mile long system, the Colorado River Aqueduct provides up to a billion gallons of water a day to residents and businesses in Southern California's coastal plain. Water is taken in at Lake Havasu and carried to the reservoir facilities at Lake Mathews. The State Water Project delivers water originating from the Oroville Dam and Reservoir and the Sacramento River Delta. The SWP is an intricate network of dams, pumping plants, reservoirs, hydroelectric plants, the Sacramento and San Joaquin Rivers and 440 miles of aqueducts that carry water to several Southern California reservoirs.

Water Recycling

Effective water recycling helps stretch the potable water supply; that is the primary reason the Department launched a reclaimed water system in 1978. In the fiscal year ended September 30, 2021 (FY2021), the Department served approximately 3.2 billion gallons of reclaimed water to a variety of users throughout the City.

Water that would otherwise flow to the ocean and be wasted is reclaimed and used to irrigate park land, golf courses, freeway landscaping and school grounds, which reduces our dependence on imported water. Since 2005, recycled water treated at the Leo J. Vander Lans Advanced Water Treatment Facility (LVLAWTF) has partially replaced the use of imported water at the Alamitos Barrier, an engineered freshwater pressure ridge and seawater trough constructed to prevent seawater intrusion into the Central Basin and neighboring Orange County Groundwater Basin. In 2015, LVLAWTF was expanded, providing the operational flexibility to meet the needs of the Alamitos Barrier almost entirely with recycled water, minimizing the need of imported water.

Conservation

The Department has an aggressive water conservation program that offers a variety of opportunities to conserve water across different sectors of the community and for both indoor and outdoor water uses.

Single-family and multi-family customers together are responsible for approximately two-thirds of the City's demand for water. Several of the Department's programs provide rebates to residential customers towards the purchase of water-efficient toilets and washing machines.

Close to half of single-family residential water use is estimated to be for landscape irrigation. The Department provides, at no cost to the customers, very well attended and well received classroom instruction on the design, installation, and maintenance of water-efficient California-friendly landscapes. The Department has also developed and implemented an award-winning Lawn-to-Garden program whereby customers can apply for an incentive to replace up to 1,500 square feet of turf with a California-friendly landscape. Incentives are also offered for customers to change traditional spray

irrigation systems to water-efficient drip irrigation.

In addition to promoting conservation to residential and landscape accounts, we work closely with commercial, industrial and institutional (CII) customers to help them conserve water. The Department has encouraged conservation through targeted direct marketing, through rebates for water conserving devices, and offers a Certified Blue program to promote water efficiency in restaurants which will be expanded to include other CII sectors.

Long Beach Water Department promotes water use efficiency with many community partners, including schools, organizations and businesses. The Department takes pride in its award-winning outreach efforts, including supporting community functions, making presentations at local and regional events, and marketing through print, digital and social media strategies.

WATER QUALITY

A primary objective of the Department is to deliver to our customers water that meets or exceeds all Federal and State standards. The Department continues to be recognized as a leader in water quality. Our extensive testing and Quality Assurance/Quality Control program ensures that water delivered to our customers is of the highest possible quality.

The Long Beach Groundwater Treatment Plant is a state of the art water treatment facility, including four advanced water quality laboratories. This combination helps explain why the City's high quality drinking water consistently meets or exceeds all Federal and state drinking water regulations.

The Department conducts extensive sampling and testing of groundwater wells, water storage reservoirs, the water distribution system and, when appropriate, selected homes, businesses, schools and public facilities. This year, our Water Quality laboratories collected 11,709 samples and performed 63,758 tests while maintaining certification with the California Department of Health Services and Environmental Protection Agency (EPA).

During fiscal year 2021, the Groundwater Treatment Plant processed approximately 9.7 billion gallons of drinking water. Overall, 16.6 billion gallons of high-quality water were delivered to the Long Beach community.

MAJOR INITIATIVES

Automated Metering Infrastructure

The Department has undertaken a comprehensive overhaul of its metering infrastructure, by installing Automated Metering Infrastructure (AMI) on all of its approximately 90,000 metered connections. The installed automated meters will capture and store real-time flow measurements, and then routinely upload them electronically into the existing Meter Data Management System (MDMS) and interface with the Customer Information System (CIS), used for all utility billing in the City.

AMI is expected in the near future to provide enhanced customer benefits, ultimately allowing for more self-monitoring of water use by customers via an interactive web portal, allowing for more timely responses to customer leaks through high use alerts, and provide additional data to help with Department operations.

Seawater Desalination Research

During the 1990's and early 200's, through an innovative public sector partnership, the Long Beach Water Department along with the Los Angeles Department of Water & Power and the United States Bureau of Reclamation operated a 300,000 gallon-per-day prototype desalination facility, one of the largest seawater desalination research and development facilities in the United States. The Seawater Desalination study was completed in March 2010 and research gathered from the operation of the prototype plant was published as a report to the U.S. Bureau of Reclamation. Additionally, the Department continues to operate an ongoing research project for an under-ocean intake and discharge system.

Conjunctive Use

The Department has also partnered with MWD and the California Department of Water Resources (DWR) on an innovative groundwater storage program. The \$4.5 million project, which was funded by State of California Proposition 13, stored surplus water in the Central Groundwater Basin, and has previously, delivered the stored water during previous drought conditions in 2008 and 2009. A second \$2.7 million joint conjunctive use project with the City of Lakewood was completed in 2009 and water stored under this project may also be called upon in a drought.

Water Distribution System

The City has an aging infrastructure, which needs to be maintained, and in certain parts, replaced. At September 30, 2021, the water distribution system totaled 917 miles of water mains with approximately 90,000 service connections.

During fiscal year 2021, the Department replaced 5,340 feet of deteriorated cast iron water mains with new ductile iron pipe. This critical replacement program addresses upgrading old pipelines, many of which were installed more than 50 years ago.

The Department maintains 644 large control valves 20 inches or more in diameter and 23,455 smaller control valves. The Department has a maintenance and replacement program to ensure that control valves are operational and that they can be turned off or on promptly during emergencies. The Department responds immediately, 24-hours a day, 365 days a year to water emergencies. With 24 active water wells across Long Beach supplying just over half of the City's water, well maintenance is another ongoing project for the Department. Rehabilitation of water wells and storage tanks at Alamitos and J. Will Johnson Reservoirs continues to ensure a reliable supply of water in the future.

Sanitary Sewer Collection System

The Department has made considerable progress since 1988 in addressing the substantial challenges posed by an aging sanitary sewer infrastructure, much of which is between 60 and 100 years old. On September 30, 2021, the sanitary sewer collection system totaled 715 miles of sewer pipelines. The Department developed the first City-wide Sewer Master Plan in 1991, which provided an initial prioritization of sewer deficiencies to be addressed. The Department has since developed a comprehensive program of maintenance, monitoring and repair of sewer lines including:

- an aggressive annual pipeline cleaning program;
- a Fats, Oil and Grease (FOG) program, working collaboratively with the City's Department of Health and Human Services, to address impacts to lines;
- a video monitoring program to assess conditions of pipelines;
- a comprehensive annual sewer infrastructure rehabilitation and replacement program

The Department continues to develop and implement a multi-year Capital Improvement Program to address aging pipeline and lift station infrastructure. In 2021, the Department began the 2021 Sewer Master Plan Update Project to update the comprehensive plan for the Department's sanitary sewer system, studying the existing sewer infrastructure and aiding in the planning of future operations, maintenance, and upgrades of the system. The Project builds on the existing sewer hydraulic system model, originally created in the 2009 Sewer Master Plan Project and updated further in the 2013 Update, and expands on the recently-updated downtown sewer hydraulic system model created in the 2018 Downtown Area Sewer Focus Study.

RELEVANT FINANCIAL POLICIES

The Department's financial statements are presented on the accrual basis of accounting. As an enterprise fund, the cost of providing water is recovered through user charges assessed by meter size, volumetric charges and other miscellaneous charges. The cost of providing sewer service is also recovered through user and volumetric charges for all water customers who are connected to the City's sewers. Certain services, such as payroll, civil service, public service, general service, customer billing, data processing, legal, etc., are provided to the Department by other City departments; these costs are reimbursed to the City by transfer of funds from the Water Fund or the Sewer Fund.

Internal Control Structure

In the development and enhancement of the Department's accounting system, careful consideration is given to the adequacy of the internal controls designed to provide reasonable assurance regarding the safeguarding of assets against possible loss, unauthorized use or disposition; to ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets, and to promote operational efficiency and compliance with managerial policies. The concept of reasonable assurance recognizes that: (1) the cost of a specific control feature should not exceed the benefits likely to be derived, and; (2) the evaluation of costs and benefits requires continued estimates and judgment by management.

Budgetary Control

The budget is a management control device for the forthcoming fiscal year. Prior to July 1 each year, the Board adopts an operating budget, which covers anticipated revenues and expenditures of the Department. The Department's budget is also subject to the approval of the City Council. By September 30 each year, the City Council shall approve the budget as adopted by the Board of Water Commissioners, or shall amend the budget and approve it as amended.

Budgets are prepared on a cash basis for revenues and for several categories of expenses. These budgets are not designed to be pro-forma statements of income and expense in the same format as the Water Department's financial statements. Instead, they are utilized primarily for controlling costs along organizational and programmatic lines. Each Bureau within the Department is responsible for outlays initiated by Divisions. Revenues are monitored only at the departmental level, except in certain areas where they are controlled by individual projects.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended September 30, 2020. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government agency and its management. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized ACFR whose contents not only conform to the high program standards of the GFOA, but also satisfy both generally accepted accounting principles and applicable legal requirements.

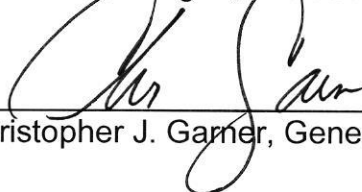
A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

We would like to acknowledge the assistance of Sokhalay Hong, Senior Accountant, and Yumina C. Eggleston, Senior Accountant, of the Business Bureau Finance Division in the preparation of this report.

It is recommended that the Board of Water Commissioners receive and file the Annual Comprehensive Financial Report for the fiscal years ended September 30, 2021.

Prepared by: 
Brandon Walker, Director of Finance

Submitted and Recommended by: 
B. Anatole Falagan, Assistant General Manager

Approved by: 
Christopher J. Garner, General Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
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**Long Beach Water Department
California**

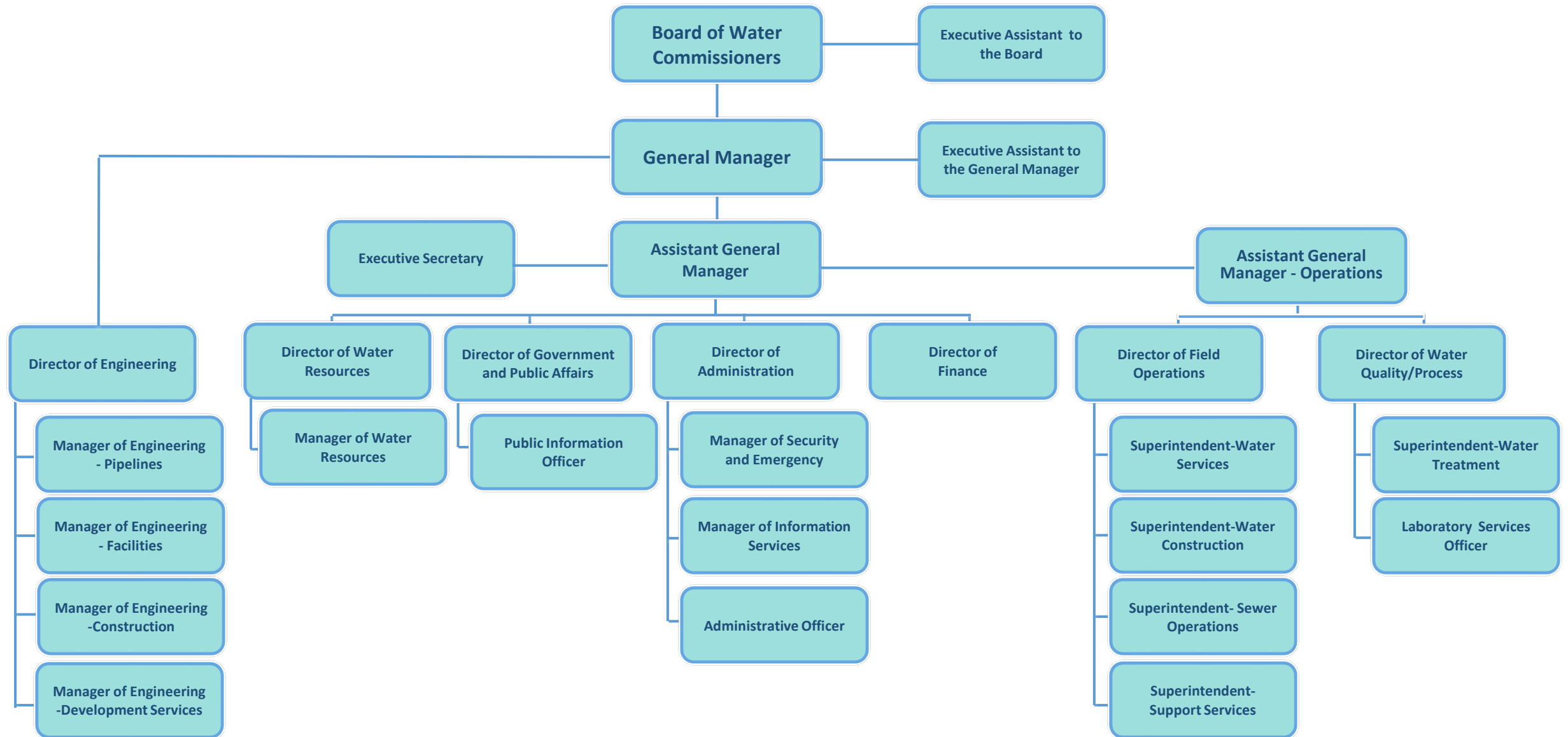
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2020

Christopher P. Morill

Executive Director/CEO

Long Beach Water Department Organizational Chart



LONG BEACH WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS

ROBERT SHANNON	PRESIDENT
GLORIA CORDERO	VICE PRESIDENT
NAOMI RAINEY	SECRETARY
FRANK MARTINEZ	MEMBER
<i>Position to be filled</i>	MEMBER

STAFF

CHRISTOPHER J. GARNER
General Manager

B. ANATOLE FALAGAN
Assistant General Manager

FINANCIAL SECTION

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Honorable Mayor and City Council
The Honorable Members of the Board of Water Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Long Beach Water Department (the Department) of the City of Long Beach, California (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Long Beach Water Department of the City of Long Beach, California, as of September 30, 2021, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City as of September 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedules listed under the Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 28, 2022

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2021

As the management of the Long Beach Water Department, a department of the City of Long Beach (the City), we offer readers of the Long Beach Water Department's financial statements this narrative overview and analysis of the financial activities of the Long Beach Water Department (the Department) for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements. The Department comprises the City's Water Enterprise Fund (Water Fund) and Sewer Enterprise Fund (Sewer Fund) operations. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The Department's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2021 (FY2021) by \$427,806 (*net position*). The Department's net position is further broken down between the Water Fund and Sewer Fund below.

Water Fund. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of FY2021 by \$348,137. This amount includes a total of net investment in capital assets of \$326,635, and \$1,441 in resources that are subject to restrictions on how they may be used. The Water Fund reported an unrestricted net position of \$20,061 in FY2021. Total Water Fund net position increased by \$54,396 (+18.5%) from the prior fiscal year. The increase reflects income in excess of expenses and capital grants and contributions received during the year.

Sewer Fund. Total Sewer Fund net position totaled \$79,669 as of September 30, 2021, an increase of \$4,908 (+6.6%) from the prior fiscal year. The increase reflects income in excess of expenses during the year and capital grants and contributions received during the year. In FY2021, the net investment in capital assets and the unrestricted portion of net position totaled \$74,875 and \$4,490, respectively.

Significant Department Events

On March 11, 2020, the World Health Organization declared a global pandemic due to an outbreak caused by a respiratory disease called Coronavirus Disease 2019 (COVID-19). Since then, the virus and its impact on economic activity has spread across the globe. On March 17, 2020, the City issued a notice to modify all city operations in accordance to the mandate issued by the City of Long Beach Health and Human Services Department. On March 19, 2020, the Safer-At-Home Order went into effect whereas residents of Long Beach were informed to stay at home as much as possible, requiring face coverings indoors and outdoors, employers offering telework, closing of local schools for in-person learning, limiting commercial businesses capacity, and implementing restrictions on community gathering and non-essential travels. The Department responded in full support

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of the City's mandate by closing its facilities to the public, encouraging employees whose positions enabled them to work remotely, purchasing and providing personal protective equipment (PPE) for employees at work, implementing changes in work environments and continued communication updates about COVID-19.

The Department recognizes the potential effect on revenue streams of the COVID-19 pandemic and has been monitoring the accounts receivables in unpaid bills as a portion of these receivables are expected to ultimately become uncollectable and be written off as lost revenue. Also, the Department is monitoring Federal and State legislation which is intended to provide economic relief to customers in the form of assistance in paying past due utility bills. Furthermore, the Department continues to engage in customer outreach with flexible payment options for customers with past due bills. As part of the 2021-22 State budget approval in late 2021, the State of California initiated the California Water and Wastewater Arrearage Payment Program (CWWAPP) to offer financial assistance to water and sewer customers to help reduce past due bill balances that accrued during the pandemic. Awarded funds will not be received until fiscal year 2022 (FY2022).

As changes in the pandemic continue, the Department, being part of the critical infrastructure sector, remains diligent in providing the City of Long Beach with clean water as its top priority.

Effects of these significant events on the Water Fund and Sewer Fund operations are further discussed in the Financial Analysis section of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. Because the Department is a business-type activity of the City, enterprise funds are used to account for its water and sewer operations. These financial statements include only the activities of the Department and provide comparative information for the last fiscal year. Information on Citywide financial operating results is available in the City of Long Beach Annual Comprehensive Financial Report as of September 30, 2021.

The Department's financial statements comprise two components: 1) financial statements and 2) notes to financial statements. Included as part of the financial statements are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Fund Net Position, and Statements of Cash Flows.

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The *Statements of Net Position* present the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statements of Revenues, Expenses, and Changes in Fund Net Position* present information showing how the Department's net position have changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting, whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable and accounts receivable). The Department's use of the accrual basis of accounting is more fully described in the accompanying *Notes to Financial Statements*.

The *Statements of Cash Flows* present flows of cash and cash equivalents during the last fiscal year, including certain restricted amounts.

The *Notes to Financial Statements* provide additional information that is essential to the full understanding of the data provided in the financial statements and can be found on pages 26-49 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. As of September 30, 2021, Water Fund assets and deferred outflows exceeded liabilities and deferred inflows by \$348,137, and Sewer Fund assets and deferred outflows exceeded liabilities and deferred inflows by \$79,669, representing an 18.5% increase in net position over the prior fiscal year for the Water Fund and a 6.6% increase in Sewer Fund net position. Net positions are further categorized by net investment in capital assets, restricted and unrestricted net positions.

As of September 30, 2021, investment in capital assets, such as production, transmission, and distribution facilities, less any related debt used to acquire those assets that remains outstanding, amounted to \$326,635 and \$74,875 of Water Fund and Sewer Fund, respectively. The Department uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt on the Statements of Net Position must come from other sources such as operations.

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The restricted portion of the Department's net position amounted to \$1,441 and \$304 for Water Fund and Sewer Fund, respectively. This represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

The unrestricted portion of the net position for Water Fund of \$20,061 as of September 30, 2021, representing a 166.6% decrease on the deficit over FY2020. The Sewer Fund's unrestricted portion amounted to \$4,490, representing a 76.0% increase over FY2020. The unrestricted portion of the Department's net position may be used to meet the Department's ongoing obligations to creditors and customers.

The Department's Condensed Schedules of Net Position as of September 30, 2021 and 2020 are as follows:

Long Beach Water Department Condensed Schedules of Net Position September 30, 2021 and 2020 (in thousands)				
	2021	2020	Variance	
			2021/2020	
			Amount	%
Assets:				
Current and other assets	\$ 97,238	\$ 59,778	\$ 37,460	62.7%
Capital assets	445,147	437,885	7,262	1.7%
Total assets	542,385	497,663	44,722	9.0%
Deferred outflows of resources	6,511	7,194	(683)	-9.5%
Liabilities:				
Current liabilities	30,180	28,674	1,506	5.3%
Noncurrent liabilities	69,594	105,546	(35,952)	-34.1%
Total liabilities	99,774	134,220	(34,446)	-25.7%
Deferred inflows of resources	21,316	2,135	19,181	898.4%
Net Position:				
Net investment in capital assets	401,510	393,373	8,137	2.1%
Restricted	1,745	2,681	(936)	-34.9%
Unrestricted	24,551	(27,552)	52,103	-189.1%
Total net position	\$ 427,806	\$ 368,502	\$ 59,304	16.1%

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The Department's financial position is further broken down as follows between the Department's Water Fund and the Sewer Fund as of September 30, 2021 and 2020:

Water Fund Condensed Schedules of Net Position September 30, 2021 and 2020 (in thousands)

	2021	2020	Variance	
			2021/2020	
			Amount	%
Assets:				
Current and other assets	\$ 83,340	\$ 44,829	\$ 38,511	85.9%
Capital assets	360,205	356,447	3,758	1.1%
Total assets	<u>443,545</u>	<u>401,276</u>	<u>42,269</u>	<u>10.5%</u>
Deferred outflows of resources	<u>5,423</u>	<u>5,808</u>	<u>(385)</u>	<u>-6.6%</u>
Liabilities:				
Current liabilities	27,403	25,252	2,151	8.5%
Noncurrent liabilities	55,824	86,327	(30,503)	-35.3%
Total liabilities	<u>83,227</u>	<u>111,579</u>	<u>(28,352)</u>	<u>-25.4%</u>
Deferred inflows of resources	<u>17,604</u>	<u>1,764</u>	<u>15,840</u>	<u>898.0%</u>
Net Position:				
Net investment in capital assets	326,635	321,467	5,168	1.6%
Restricted	1,441	2,377	(936)	-39.4%
Unrestricted	20,061	(30,103)	50,164	-166.6%
Total net position	<u>\$ 348,137</u>	<u>\$ 293,741</u>	<u>\$ 54,396</u>	<u>18.5%</u>

Sewer Fund Condensed Schedules of Net Position September 30, 2021 and 2020 (in thousands)

	2021	2020	Variance	
			2021/2020	
			Amount	%
Assets:				
Current and other assets	\$ 13,898	\$ 14,949	\$ (1,051)	-7.0%
Capital assets	84,942	81,438	3,504	4.3%
Total assets	<u>98,840</u>	<u>96,387</u>	<u>2,453</u>	<u>2.5%</u>
Deferred outflows of resources	<u>1,088</u>	<u>1,386</u>	<u>(298)</u>	<u>-21.5%</u>
Liabilities:				
Current liabilities	2,777	3,422	(645)	-18.8%
Noncurrent liabilities	13,770	19,219	(5,449)	-28.4%
Total liabilities	<u>16,547</u>	<u>22,641</u>	<u>(6,094)</u>	<u>-26.9%</u>
Deferred inflows of resources	<u>3,712</u>	<u>371</u>	<u>3,341</u>	<u>900.5%</u>
Net Position:				
Net investment in capital assets	74,875	71,906	2,969	4.1%
Restricted	304	304	-	-
Unrestricted	4,490	2,551	1,939	76.0%
Total net position	<u>\$ 79,669</u>	<u>\$ 74,761</u>	<u>\$ 4,908</u>	<u>6.6%</u>

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Fiscal Year Ended September 30, 2021 Compared to 2020

Water Fund. Net position increased by \$54,396 (+18.5%) over FY2020. This net increase is mostly attributable to capital grants and contributions of \$2,665 from various Developers for water distribution system improvements and revenues in excess of expenses of \$51,731.

Current and other assets increased by \$38,511 (+85.9%) from FY2020, which reflects an increase in pooled cash and cash equivalents by \$10,123 (+67.59%) due to an increase in cash reserves from revenues in excess of operating expenses and an increase in amounts due from the City of \$30,846 (+100.0%). However, this increase was offset by a decrease in receivables from other government funds in the amount of \$2,299 (-82.5%), primarily due to a decrease in grant proceeds related to the Automated Metering Infrastructure (AMI) project.

Capital assets increased by \$3,758 (+1.1%) over the prior year, mainly due to the ongoing capital improvement program such the AMI project, cast iron water main replacement, water service installations, machinery and equipment purchases, and facility improvements.

Deferred outflows of resources decreased by \$385 (-6.6%) over FY2020. The majority of the net decrease in FY2021 is a result of decreases on difference between actual and expected investment returns in the amount of \$1,091 (-100.0%) and changes on actuarial assumptions in the amount of \$1,555 (-67.3%). This net decrease was offset by an increase in pension contributions after the measurement date in the amount of \$2,514 (+193.7%) in FY2021. In addition, there was a decrease of \$198 (-27.9%) on debt refunding and a decrease of \$55 (-13.8%) in changes in actuarial assumptions on Other Postemployment Benefits (OPEB) costs compared to FY2020. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 43.

Current liabilities increased by \$2,151 (+8.5%) compared to FY2020, mainly due to an increase in accounts payable by \$1,730 (+12.4%) relating to continued expenditures in operating activities and capital improvement programs. In addition, there was an increase of \$333 (+61.1%) in accrued employee benefits in FY2021.

Noncurrent liabilities decreased by \$30,503 (-35.3%) from FY2020, primarily due to the net pension liability decrease in the amount of \$22,894 (-53.4%) resulting from a significant increase in investment returns in the California Public Employees' Retirement System (CalPERS) pension plans. In addition, annual principal payments on debt and bonds premium amortization in FY2021 resulted to a decrease in long-term bonds payable by \$3,580 (-25.9%). Furthermore, long-term obligations on the lease-purchase agreement

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executed by the Department to finance the AMI project decreased by \$3,757 (-16.1%) in FY2021. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 39 and on Note 6 - Leasing Arrangements on page 48.

Deferred inflows of resources increased by \$15,840 (+898.0%) over FY2020. This net increase mainly reflects a total of \$16,031 (+8,856.9%) increase in changes in actuarial assumptions, differences between actual and projected experience and proportionate share of deferred pension. This increase was offset by a decrease on OPEB costs in the amount of \$191 (-12.1%). Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 43.

Sewer Fund. Net position increased \$4,908 (+6.6%) over FY2020. This increase is primarily due to revenues in excess of expenses.

Current assets and other assets decreased by \$1,051 (-7.0%) over FY2020, reflecting a decrease in pooled cash and cash equivalents by \$1,190 (-8.9%) due primarily to the funding of major sewer capital improvement projects and other sewer operations.

Capital assets increased by \$3,504 (+4.3%) over FY2020, due to machinery and equipment purchases and to continued expenditures on sewer main pipe relining and replacement, and sewer pump station rehabilitation projects across the City of Long Beach.

Deferred outflows of resources decreased by \$298 (-21.5%) over FY2020. This net decrease reflects decreases in changes in actuarial assumptions on OPEB costs in the amount of \$14 (-16.5%) and on deferred pension costs in the amount of \$284 (-21.8%). The actuarial determined deferred pension costs decreased by \$566 (-70.6%) compared to FY2020, due to changes in actuarial assumptions, experience and funds proportion of the City-wide pension liability. However, pension contributions after measurement date increased by \$510 (+188.2%) compared to FY2020. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 43.

Current liabilities decreased by \$645 (-18.8%) over FY2020, which is mainly due to a reduction in accounts payable and accrued wages payable amounts at the end of fiscal year.

Noncurrent liabilities decreased by \$5,449 (-28.4%) from FY2020, primarily due to an increase in the net pension liabilities by \$4,850 (-54.2%). In addition, long-term bonds payable decreased by \$513 (-5.6%) due to annual principal payments on Series 2016A

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Bonds. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 39 and on Note 5 - Retirement Program on page 43.

Deferred Inflows of resources increased by \$3,341 (+900.5%) over FY2020. This increase reflects increases in actuarial assumptions, differences between actual and projected experience and proportionate share of deferred pension in the amount of \$3,387 (+8,913%) in FY2021. However, this increase was slightly offset by a decrease in OPEB costs in the amount of \$46 (-13.8%). Additional information on deferred outflows related to pensions is provided on the Note 5 - Retirement Program of the Notes to Financial Statements in page 43.

The Water Department's Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position provide further insight as to the nature and source of changes in net position and are summarized as follows for the years ended September 30, 2021 and 2020:

Long Beach Water Department Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2021 and 2020 (in thousands)				
	2021	2020	Variance	
			2021/2020	
			Amount	%
Operating Revenues:				
Metered sales	\$ 79,591	\$ 73,511	\$ 6,080	8.3%
Reclaimed water sales	4,888	3,154	1,734	55.0%
Service charges	46,062	43,954	2,108	4.8%
Other services	6,747	10,397	(3,650)	-35.1%
Total operating revenues	137,288	131,016	6,272	4.8%
Operating Expenses:				
Cost of water	27,672	36,163	(8,491)	-23.5%
Personal services	18,810	38,857	(20,047)	-51.6%
Commercial Services	2,751	4,291	(1,540)	-35.9%
Maintenance and other	33,825	29,377	4,448	15.1%
Street Impact charges	4,066	3,903	163	4.2%
Depreciation and amortization	16,272	15,636	636	4.1%
Total operating expenses	103,396	128,227	(24,831)	-19.4%
Operating income	33,892	2,789	31,103	1115.2%
Nonoperating Income (Expenses):				
Interest income	101	1,060	(959)	-90.5%
Interest expense	(1,637)	(1,774)	137	-7.7%
Rental income	1,036	1,043	(7)	-0.7%
Payments from/(to) the City	22,204	(10,450)	32,654	-312.5%
Other	854	1,638	(784)	-47.9%
Total non-operating income (expense)	22,558	(8,483)	31,041	-365.9%
Income (loss) before capital grants and contributions	56,450	(5,694)	62,144	-1091.4%
Capital grants and contributions	2,854	3,947	(1,093)	-27.7%
Changes in net position	59,304	(1,747)	61,051	-3494.6%
Net position - October 1	368,502	370,249	(1,747)	-0.5%
Net position - September 30	\$ 427,806	\$ 368,502	\$ 59,304	16.1%

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The Department's operations are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2021 and 2020:

Water Fund
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Years Ended September 30, 2021 and 2020
(in thousands)

	2021	2020	Variance	
			2021/2020	
			Amount	%
Operating Revenues:				
Metered sales	\$ 73,876	\$ 67,987	\$ 5,889	8.7%
Reclaimed water sales	4,888	3,154	1,734	55.0%
Service charges	34,900	32,807	2,093	6.4%
Other services	5,304	9,143	(3,839)	-42.0%
Total operating revenues	118,968	113,091	5,877	5.2%
Operating Expenses:				
Cost of water	27,672	36,163	(8,491)	-23.5%
Personal services	15,555	31,617	(16,062)	-50.8%
Commercial Services	1,496	2,405	(909)	-37.8%
Maintenance and other	30,052	25,774	4,278	16.6%
Street Impact charges	1,948	1,753	195	11.1%
Depreciation and amortization	13,429	13,025	404	3.1%
Total operating expenses	90,152	110,737	(20,585)	-18.6%
Operating income	28,816	2,354	26,462	1124.1%
Nonoperating Income (Expenses):				
Interest income	101	697	(596)	-85.5%
Interest expense	(1,394)	(1,538)	144	-9.4%
Rental income	1,036	1,043	(7)	-0.7%
Payments from/(to) the City	22,204	(10,450)	32,654	-312.5%
Other	968	1,636	(668)	-40.8%
Total non-operating income (expense)	22,915	(8,612)	31,527	-366.1%
Income (loss) before capital grants and contributions	51,731	(6,258)	57,989	-926.6%
Capital grants and contributions	2,665	3,909	(1,244)	-31.8%
Changes in net position	54,396	(2,349)	56,745	-2415.7%
Net position - October 1	293,741	296,090	(2,349)	-0.8%
Net position - September 30	\$ 348,137	\$ 293,741	\$ 54,396	18.5%

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Sewer Fund Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2021 and 2020 (in thousands)

	2021	2020	Variance	
			2021/2020	
			Amount	%
Operating Revenues:				
Metered sales	\$ 5,715	\$ 5,524	\$ 191	3.5%
Service charges	11,162	11,147	15	0.1%
Other services	1,443	1,254	189	15.1%
Total operating revenues	<u>18,320</u>	<u>17,925</u>	<u>395</u>	<u>2.2%</u>
Operating Expenses:				
Personal services	3,255	7,240	(3,985)	-55.0%
Commercial Services	1,255	1,886	(631)	-33.5%
Maintenance and other	3,773	3,603	170	4.7%
Street Impact charges	2,118	2,150	(32)	-1.5%
Depreciation	2,843	2,611	232	8.9%
Total operating expenses	<u>13,244</u>	<u>17,490</u>	<u>(4,246)</u>	<u>-24.3%</u>
Operating income	<u>5,076</u>	<u>435</u>	<u>4,641</u>	<u>1066.9%</u>
Nonoperating Income (Expenses):				
Interest income	-	363	(363)	-100.0%
Interest expense	(243)	(236)	(7)	3.0%
Other	(114)	2	(116)	-5800.0%
Total non-operating income (expense)	<u>(357)</u>	<u>129</u>	<u>(486)</u>	<u>-376.7%</u>
Income before capital grants and contributions	<u>4,719</u>	<u>564</u>	<u>4,155</u>	<u>736.7%</u>
Capital grants and contributions	<u>189</u>	<u>38</u>	<u>151</u>	<u>397.4%</u>
Changes in net position	<u>4,908</u>	<u>602</u>	<u>4,306</u>	<u>715.3%</u>
Net position - October 1	<u>74,761</u>	<u>74,159</u>	<u>602</u>	<u>0.8%</u>
Net position - September 30	<u>\$ 79,669</u>	<u>\$ 74,761</u>	<u>\$ 4,908</u>	<u>6.6%</u>

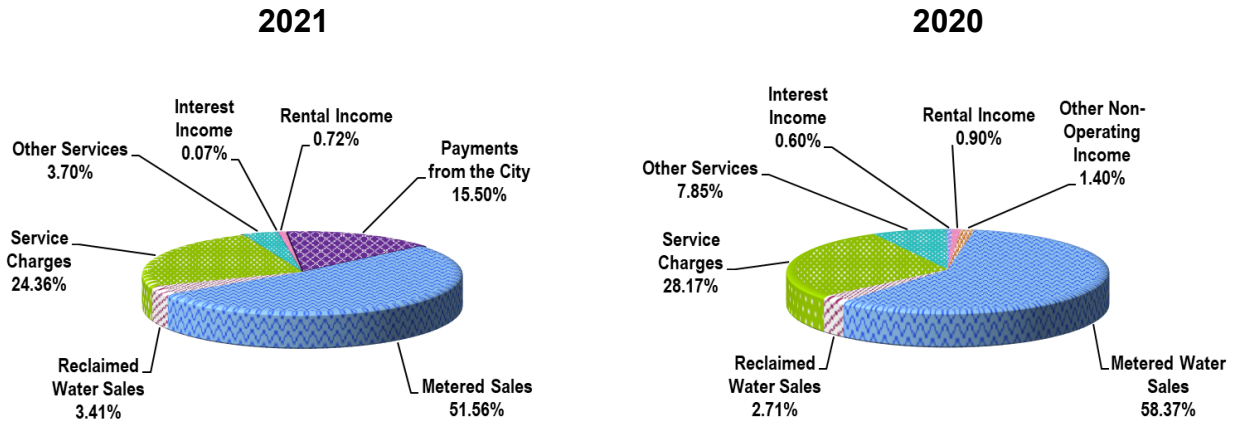
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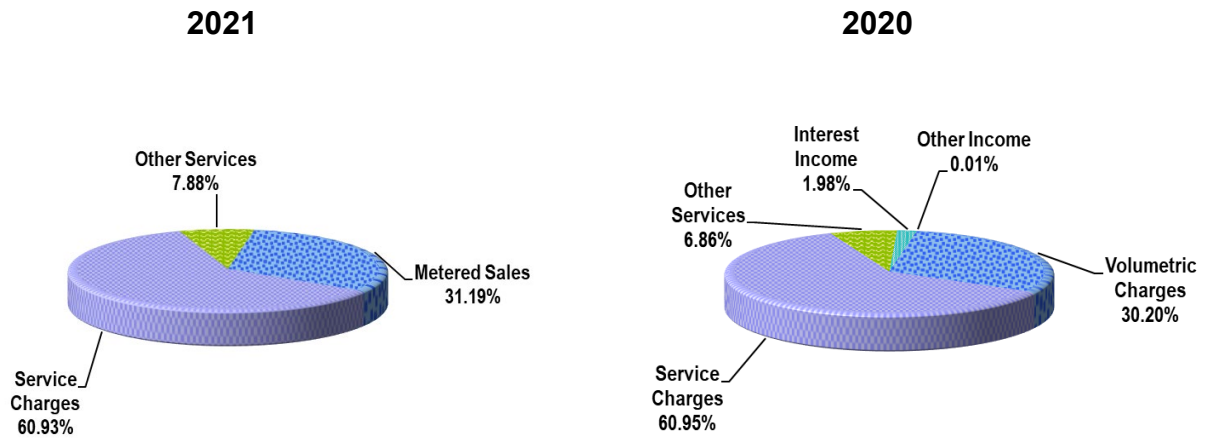
Sources of Revenues

Sources of revenue for fiscal years 2021 and 2020 are shown on the following charts.

Water Fund



Sewer Fund



LONG BEACH WATER DEPARTMENT

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Management Review of the Department's Revenues

Water Fund

Fiscal Year Ended September 30, 2021 Compared to 2020

Total operating revenues were \$118,968, an increase of \$5,877 (+5.2%) over FY2020. The major elements of this net increase are as follows:

- Metered sales revenue increased by \$5,889 (+8.7%), primarily due to a 6% water rates increase effective October 1, 2020. In addition, customer potable water consumption increased by 961 AF (+2.0%) compared to FY2020.
- Reclaimed water sales revenue increased by \$1,734 (+55.0%) mainly due to an increase in consumption by 1,780 AF (+46.7%) compared to FY2020. In addition, there was a 6% reclaimed water rates increase in FY2021.
- Service charges increased by \$2,093 (+6.4%) over FY2020 which reflects the 6% rate increase effective October 1, 2020.
- Revenue from other services totaled \$5,304, a net decrease of \$3,839 (-42.0%) from the prior year. The major factors of this net decrease are as follows:
 - In FY2020, the Department agreed to retire unused Current Allocated Pumping Rights (CAPR) of 5,000 AF with Water Replenishment District of Southern California (WRD). Similar transaction did not occur in FY2021, which contributed to a decrease of \$2,532 (-100.0%) in revenue from an In-Lieu Groundwater Replenishment Agreement with WRD.
 - Revenue received from sales of potable water and readiness-to-serve charges to WRD and Orange County Water District (OCWD) decreased by \$1,054 (-23.7%) and \$121 (-25.7%), respectively. This is mainly due to the decrease in demand by 1,071 AF (-25.8%) relating to the Alamitos Seawater Intrusion Barrier.

FY2021 net nonoperating income totaled \$22,915, a net increase of \$31,527 (-366.1%) over FY2020. The net increase is primarily due to the following factors:

- Payments from the City increased by \$32,654 (-312.5%) compared to FY2020. Effective June 5, 2018, the Department began annual payments to the City related to Measure M. In March 2022, after exhausting appeal options, the City, as required by the court, approved repayment of all current and previous Measure M payments totaling \$30,832.
- Other income had a net decrease of \$668 (-40.8%) in FY2021, primarily due to the water capital improvement projects charged to expense in the amount of \$607.
- Interest income decreased by \$596 (-85.5%) mainly due to a decrease in income received relating to pooled cash and mark-to-market pooled cash investments.

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Capital grants and contributions decreased by \$1,244 (-31.8%) compared to FY2020, primarily due to a decrease in the amount of \$1,499 (-100.0%) on contributions received in relation to the AMI project. This decrease was offset by grant proceeds received for water distribution system facilities in FY2021 which totaled to \$294 (+100.0%).

Sewer Fund

Fiscal Year Ended September 30, 2021 Compared to 2020

Total operating revenues increased \$395 (+2.2%) over FY2020. The key elements of this increase are as follows:

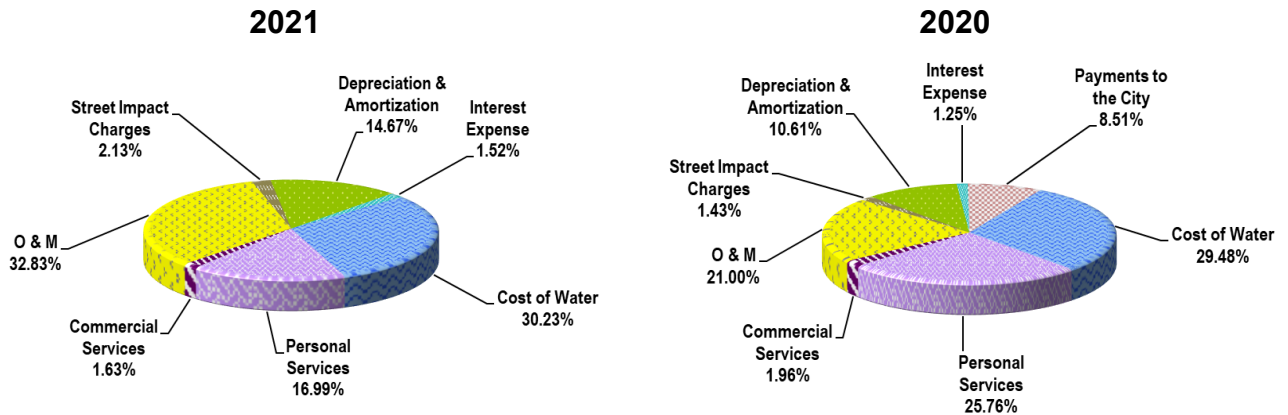
- Metered sales revenue increased by \$191 (+3.5%) as a result of a 1,384 AF (+3.9%) increase in demand. In addition, Service charges revenue slightly increased in FY2021 by \$15 (+0.1%). There was no sewer rate increase in FY2021.
- Other services revenue increased by \$189 (+15.1%) over FY2020, mainly due to an increase in sewer capacity charges revenue resulting from several new residential and commercial sewer collection system developments in the city of Long Beach.

Capital grants and contributions increased by \$151 (+397.4%) compared to FY2020, primarily due to an increase in proceeds received from sewer collection system development agreements with the Department.

Functional Expenses

Functional expenses for the 2021 and 2020 fiscal years are shown on the following charts.

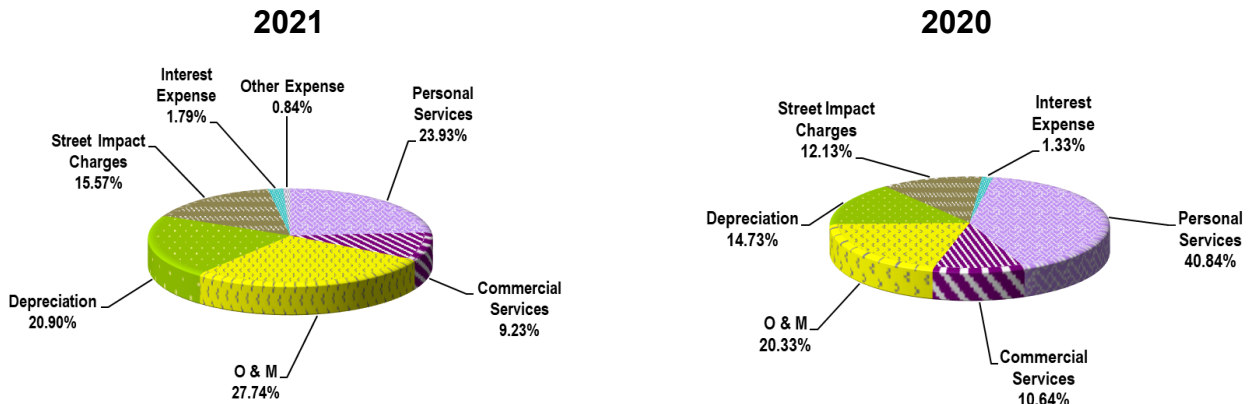
Water Fund



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Sewer Fund



Management Review of the Department's Expenses

Water Fund

Fiscal Year Ended September 30, 2021 Compared to 2020

Operating expenses totaled \$90,152, a decrease of \$20,585 (-18.6%) over FY2020. The major elements attributable to the net decrease are as follows:

- In FY2021, purchased water costs and volume decreased by \$8,491 (-23.5%) and 11,360 AF (-31.7%) respectively. There were no purchases of imported water from Metropolitan Water District (MWD) in relation to the Central Groundwater Basin replenishment agreement with WRD and the Department's Groundwater Treatment Plant was fully operational in FY2021, which resulted to a decrease on imported water demand by 8,018 AF (-29.6%). In addition, the Department's stored groundwater obligation with MWD relating to the Long Beach Conjunctive Use Program (CUP) decreased by 3,250 AF (-100.0%) in FY2021.
- Personal services costs decreased by \$16,062 (-50.8%) in FY2021, primarily due to decreases in pension costs and fringe benefits in the amount of \$9,609 (-95.5%). In addition, a decrease in the amount of \$4,595 (-100.4%) reflects a one-time adjustment on City's Employee Benefit Fund (EBF) for sick leave and Retired Employees Health Insurance Program (REHIP) costs recorded in FY2020, which did not occur in FY2021. Also, on September 26, 2020, the City implemented employee furloughs to up to 26 days of unpaid time off for City employees during FY2021. This is to address the revenue loss and budget shortfall associated with the COVID-19 pandemic, which resulted to a \$1,704 (-12.1%) decrease in employee salaries and overtime costs in FY2021. The employee furloughs ended on April 17, 2021.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2021

- Maintenance and other costs had a net increase of \$4,278 (+16.6%) from FY2020. The net increase is primarily attributable to the following factors:
 - Replenishment assessment (pump tax) increased by \$3,589 (+40.6%) due to increased groundwater pumping of 8,147 AF (+33.7%) compared to FY2020. In addition, replenishment assessment rate increased by 4.7% for the first three quarters and 3.1% for the last quarter of FY2021.
 - Utility services, mainly electricity consumption for the Groundwater Treatment Plant operations, increased by \$331 (+14.4%) due to the increase in groundwater pumping in FY2021.
 - Laboratory and chemical supplies increased by \$228 (+27.9%) compared to FY2020, primarily due to an increase in purchases of chemicals used for treating groundwater.

Sewer Fund

Fiscal Year Ended September 30, 2021 Compared to 2020

Total operating expenses amounted to \$13,244, a decrease of \$4,246 (-24.3%) over FY2020. This decrease is mostly attributable to the following elements:

- Personal services costs decreased by \$3,985 (-55.0%) in FY2021, primarily because of decreases in pension costs and fringe benefits in the amount of \$2,095 (-75.8%). In addition, a decrease in the amount of \$1,402 (-2,027.1%) reflects a one-time adjustment on EBF for sick leave and REHIP costs recorded in FY2020, which did not occur in FY2021. Due to employee furloughs implemented by the City in September 2020, employee salaries and overtime costs decreased by \$401 (-10.8%). This employee furloughs ended on April 17, 2021.
- Commercial services costs decreased by \$631 (-33.5%) compared to FY2020, due to a decrease in allocated costs for utility customer support and billing and collection services charges from the City.

FY2021 net nonoperating expense totaled \$357, a net increase of \$486 (-376.7%) compared to FY2020. This is primarily due to a decrease of \$382 (-105.0%) in interest income received in relation to pooled cash and mark-to-market pooled cash investments in FY2021.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2021

Capital Assets and Debt Administration

Capital assets. The Department's capital assets (net of accumulated depreciation and amortization) as of September 30, 2021 amounted to \$360,205 for the Water Fund and \$84,942 for the Sewer Fund. Capital assets include investments in production, transmission, patent, improvements on buildings and structures, and distribution related facilities, as well as general items such as office equipment and furniture. For FY2021, net capital assets increased \$3,758 (+1.1%) and \$3,504 (+4.3%) for Water Fund and Sewer Fund, respectively. The net increase is due primarily to machinery and equipment purchases and capitalization of major potable water and reclaimed water distribution systems, and sewer collection systems.

The Department's capital assets are summarized as follows for the years ended September 30, 2021 and 2020 (in thousands):

Long Beach Water Department
Condensed schedules of Capital Assets
September 30, 2021 and 2020
(in thousands)

	2021	2020	Variance	
			2021/2020	
			Amount	%
Land	\$ 11,214	\$ 11,214	\$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	163,547	159,452	4,095	2.6%
Distribution/collection systems	601,956	583,169	18,787	3.2%
Machinery and equipment	27,744	27,548	196	0.7%
Construction in progress	68,166	69,048	(882)	-1.3%
Total capital assets	873,482	851,286	22,196	2.6%
Less: accumulated depreciation and amortization	(428,335)	(413,401)	(14,934)	3.6%
Total capital assets, net	\$ 445,147	\$ 437,885	\$ 7,262	1.7%

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2021

The Department's capital assets are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2021 and 2020:

Water Fund				
Capital Assets				
September 30, 2021 and 2020				
(in thousands)				
	2021	2020	Variance	
			2021/2020	
			Amount	%
Land	\$ 11,214	\$ 11,214	\$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	151,117	147,022	4,095	2.8%
Distribution/collection systems	383,489	371,322	12,167	3.3%
Machinery and equipment	20,921	20,853	68	0.3%
Construction in progress	60,015	60,496	(481)	-0.8%
Total capital assets	627,611	611,762	15,849	2.6%
Less: accumulated depreciation and amortization	(267,406)	(255,315)	(12,091)	4.7%
Total capital assets, net	\$ 360,205	\$ 356,447	\$ 3,758	1.1%

Sewer Fund				
Capital Assets				
September 30, 2021 and 2020				
(in thousands)				
	2021	2020	Variance	
			2021/2020	
			Amount	%
Buildings, structures, and facilities	\$ 12,430	\$ 12,430	\$ -	-
Distribution/collection systems	218,467	211,847	6,620	3.1%
Machinery and equipment	6,823	6,695	128	1.9%
Construction in progress	8,151	8,552	(401)	-4.7%
Total capital assets	245,871	239,524	6,347	2.6%
Less: accumulated depreciation	(160,929)	(158,086)	(2,843)	1.8%
Net capital assets	\$ 84,942	\$ 81,438	\$ 3,504	4.3%

Additional information regarding capital assets can be found in notes 1 and 3 to the Department's financial statements.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2021

Long-term obligations. As of September 30, 2021, the Department had total outstanding long-term obligations in the amount of \$34,765 for the Water Fund and \$9,034 for the Sewer Fund. All debt is supported by Water Fund revenues and Sewer Fund revenues. Total Department outstanding debt as of September 30, 2021 and 2020 is summarized as follows:

Water Fund				
Long-Term Obligations				
September 30, 2021 and 2020				
(in thousands)				
	2021	2020	Variance	
			2021/2020	
			Amount	%
Capital Lease:				
AMI Capital Lease	\$ 21,226	\$ 24,860	\$ (3,634)	-14.6%
Total capital lease outstanding	<u>21,226</u>	<u>24,860</u>	<u>(3,634)</u>	<u>-14.6%</u>
Long-term debt:				
Revenue refunding bonds	12,945	16,115	(3,170)	-19.7%
Long-term debt outstanding, net	<u>12,945</u>	<u>16,115</u>	<u>(3,170)</u>	<u>-19.7%</u>
Add: Unamortized bond premium	594	873	(279)	-32.0%
Total long-term debt outstanding	<u>13,539</u>	<u>16,988</u>	<u>(3,449)</u>	<u>-20.3%</u>
Total long-term obligations	<u>\$ 34,765</u>	<u>\$ 41,848</u>	<u>\$ (7,083)</u>	<u>-16.9%</u>

Sewer Fund				
Long-Term Obligations				
September 30, 2021 and 2020				
(in thousands)				
	2021	2020	Variance	
			2021/2020	
			Amount	%
Long-term debt:				
Revenue refunding bonds	\$ 7,960	\$ 8,335	\$ (375)	-4.5%
Long-term debt outstanding, net	<u>7,960</u>	<u>8,335</u>	<u>(375)</u>	<u>-4.5%</u>
Add: Unamortized bond premium	1,074	1,197	(123)	-10.3%
Total long-term obligations	<u>\$ 9,034</u>	<u>\$ 9,532</u>	<u>\$ (498)</u>	<u>-5.2%</u>

The Department maintains AA+ credit ratings from Standard & Poor's for the Water and Sewer Funds. Additional information on the Department's long-term obligations can be found in Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 39 and on Note 6- Leasing Arrangements on page 48.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis
September 30, 2021

Economic Factors and Next Year's Budget and Rates

The Board of Water Commissioners (Board) approved the budget for the fiscal year-end September 30, 2022, with budgeted expenditures totaling approximately \$159,883, an increase of \$23,688 (+17.4%) compared to FY2021. In addition, Sewer Fund's budgeted expenditures amounted to \$23,321, which decreased by \$231 (-1.0%) in FY2022.

In FY2022, there were 8.0% rate increases for potable water and reclaimed water. In addition, there were 10% rate increases for sewer collection services in FY2022.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Long Beach Water Department, 1800 E. Wardlow Road, Long Beach, California 90807.

LONG BEACH WATER DEPARTMENT

**Statements of Net Position
Business Type Activity - Enterprise
September 30, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS			
Current Assets:			
Pooled cash and cash equivalents	\$ 25,099	12,261	37,360
Non-pooled cash equivalents	510	-	510
Interest receivable	10	-	10
Due from other government	475	-	475
Due from the City	30,846	-	30,846
Customer accounts receivable	10,925	1,304	12,229
Allowance for doubtful accounts	(1,071)	(156)	(1,227)
Material and supplies inventory	6,557	185	6,742
Prepaid expense	5,050	-	5,050
Restricted assets:			
Pooled cash and cash equivalents:			
Funds held in trust	922	-	922
Bond service funds	1,622	304	1,926
Sub-total pooled cash and cash equivalents	2,544	304	2,848
Non-pooled investments	2,395	-	2,395
Total restricted assets	4,939	304	5,243
Total current assets	83,340	13,898	97,238
Noncurrent Assets:			
Capital assets:			
Land	11,214	-	11,214
Water rights	40	-	40
Patent	815	-	815
Buildings, structures and facilities	151,117	12,430	163,547
Distribution/collection systems	383,489	218,467	601,956
Machinery and equipment	20,921	6,823	27,744
Construction in progress	60,015	8,151	68,166
Total capital assets	627,611	245,871	873,482
Less: Accumulated depreciation and amortization	(267,406)	(160,929)	(428,335)
Total capital assets, net	360,205	84,942	445,147
Total assets	443,545	98,840	542,385
DEFERRED OUTFLOWS OF RESOURCES			
Economics loss from the refunding of debt	511	-	511
Pension contributions after measurement date	3,812	781	4,593
Pension changes in proportions	755	236	991
OPEB contributions after measurement date	97	20	117
OPEB liability change in proportions	71	15	86
OPEB change in assumptions	142	29	171
OPEB change in experience	35	7	42
Total deferred outflows of resources	\$ 5,423	1,088	6,511

(Continued)

LONG BEACH WATER DEPARTMENT

**Statements of Net Position
Business Type Activity - Enterprise
September 30, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 15,686	1,126	16,812
Accrued wages payable	816	156	972
Unearned revenue	180	120	300
Accrued compensated absences	2,294	459	2,753
Due to other funds	1,535	191	1,726
Advances from developers	763	194	957
Accrued interest payable	247	141	388
Capital lease due with in one year	1,640	-	1,640
Long-term debt due within one year	3,300	390	3,690
Customer deposits	942	-	942
	<hr/>	<hr/>	<hr/>
Total current liabilities	27,403	2,777	30,180
Noncurrent Liabilities:			
Capital lease, net of current portion	19,586	-	19,586
Long-term debt, net of current portion	10,239	8,644	18,883
Compensated absences	4,712	971	5,683
Total OPEB liability	282	58	340
Net pension liability	20,005	4,097	24,102
Accrued site restoration cost	1,000	-	1,000
	<hr/>	<hr/>	<hr/>
Total noncurrent liabilities	55,824	13,770	69,594
	<hr/>	<hr/>	<hr/>
Total Liabilities	83,227	16,547	99,774
DEFERRED INFLOWS OF RESOURCES			
Difference between actual and expected			
CalPERS investment returns	14,974	3,066	18,040
Pension changes in experience	646	132	778
CalPERS change in proportion	592	227	819
OPEB change in assumptions	1,055	218	1,273
OPEB change in proportion	156	37	193
OPEB change in experience	181	32	213
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	17,604	3,712	21,316
NET POSITION			
Net investment in capital assets	326,635	74,875	401,510
Restricted for:			
Bond Service	1,441	304	1,745
Unrestricted	20,061	4,490	24,551
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 348,137	79,669	427,806
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

**Statements of Revenues, Expenses,
and Changes in Fund Net Position
Business Type Activity - Enterprise
Year Ended September 30, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Metered sales	\$ 73,876	5,715	79,591
Reclaimed water sales	4,888	-	4,888
Service charges	34,900	11,162	46,062
Other services	5,304	1,443	6,747
Total operating revenues	<u>118,968</u>	<u>18,320</u>	<u>137,288</u>
Operating Expenses:			
Cost of water	27,672	-	27,672
Personal services	15,555	3,255	18,810
Commercial services	1,496	1,255	2,751
Maintenance and other	30,052	3,773	33,825
Street Impact charges	1,948	2,118	4,066
Depreciation and amortization	13,429	2,843	16,272
Total operating expenses	<u>90,152</u>	<u>13,244</u>	<u>103,396</u>
Operating income	<u>28,816</u>	<u>5,076</u>	<u>33,892</u>
Non-operating Income (Expense):			
Interest income	101	-	101
Interest expense	(1,394)	(243)	(1,637)
Rental income	1,036	-	1,036
Payments from/(to) the City	22,204	-	22,204
Other	968	(114)	854
Total non-operating income (expense)	<u>22,915</u>	<u>(357)</u>	<u>22,558</u>
Income before capital grants and contributions	<u>51,731</u>	<u>4,719</u>	<u>56,450</u>
Capital grants and contributions	<u>2,665</u>	<u>189</u>	<u>2,854</u>
Changes in net position	<u>54,396</u>	<u>4,908</u>	<u>59,304</u>
Net position - October 1	<u>293,741</u>	<u>74,761</u>	<u>368,502</u>
Net Position - September 30	<u>\$ 348,137</u>	<u>79,669</u>	<u>427,806</u>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

**Statements of Cash Flows
Business Type Activity - Enterprise
Year ended September 30, 2021**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 118,419	18,301	136,720
Cash paid to employees	(22,871)	(4,683)	(27,554)
Cash paid for water	(31,327)	-	(31,327)
Cash paid for goods and services	(28,248)	(5,596)	(33,844)
Cash paid to the City	(1,948)	(2,118)	(4,066)
Other income	375	1,292	1,667
Other expense	(792)	(1,406)	(2,198)
Net cash provided by operating activities	<u>33,608</u>	<u>5,790</u>	<u>39,398</u>
Cash flows from non-capital financing activities:			
Payments to the City	(8,628)	-	(8,628)
Cash received from rental income	1,036	-	1,036
Payments received from the City	1,710	-	1,710
Net cash (used for)/provided by non-capital financing activities	<u>(5,882)</u>	<u>-</u>	<u>(5,882)</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	238	-	238
Contributions in aid of construction	4,082	189	4,271
Payments for capital acquisitions	(17,828)	(6,421)	(24,249)
Principal repayments-bonds	(3,170)	(375)	(3,545)
Principal repayments-capital lease	(3,634)	-	(3,634)
Interest payments	(1,530)	(373)	(1,903)
Net cash used for capital and related financing activities	<u>(21,842)</u>	<u>(6,980)</u>	<u>(28,822)</u>
Cash flows from investing activities:			
Interest income received	553	-	553
Net cash provided by investing activities	<u>553</u>	<u>-</u>	<u>553</u>
Net increase (decrease) in cash and cash equivalents	6,437	(1,190)	5,247
Cash and cash equivalents, October 1	21,716	13,755	35,471
Cash and cash equivalents, September 30	<u>28,153</u>	<u>12,565</u>	<u>40,718</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	28,816	5,076	33,892
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense and amortization	13,429	2,843	16,272
Other income	375	1,292	1,667
Other expense	(792)	(1,406)	(2,198)
Decrease in pension, OPEB and compensated absences	(7,027)	(1,276)	(8,303)
Increase in prepaid expense	(2,498)	-	(2,498)
Increase in customer accounts receivable	(1,447)	(196)	(1,643)
Decrease in due from City of Long Beach	879	57	936
Increase in material and supplies inventory	(45)	-	(45)
Increase (decrease) in accounts and retainage payable	1,730	(579)	1,151
Decrease in accrued wages payable	(289)	(152)	(441)
Increase in unearned revenue	82	120	202
Increase in due to City of Long Beach	460	11	471
Decrease in customer deposits	(65)	-	(65)
Total adjustments	<u>4,792</u>	<u>714</u>	<u>5,506</u>
Net cash provided by operating activities	<u>\$ 33,608</u>	<u>5,790</u>	<u>39,398</u>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

Note 1 - Description of the Department and Summary of Significant Accounting Policies

Description of the Department

The Long Beach Water Department (the Department) was established in 1911 through adoption of the City Charter of the City of Long Beach, California (the City) to regulate and control the use, sale, and distribution of water owned or controlled by the City. In February 1988, the City Council of the City of Long Beach voted to transfer administrative, operational, and maintenance responsibility of the City's sewer system to the Department. In addition, in April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy of the Department in administering sewer operations. For accounting purposes, the transfer was effective July 1, 1988.

The Department services the City's sewer system that consists of 715 miles of sewer mains, 15,132 manholes, and 28 sewage pumping stations. This system is capable of transporting for treatment approximately 40 to 60 million gallons of raw sewage daily.

The Department obtains potable water for distribution from two sources. Historically, approximately half of the City's water is purchased from the Metropolitan Water District of Southern California; the other half is pumped from the Department's own groundwater wells. Potable water is stored in two reservoirs with a combined capacity of 108.9 million gallons. As of September 30, 2021, the Department delivered over 3.2 billion gallons of reclaimed water to various users in the City.

Reporting Entity

The Department's financial activities are considered to be enterprise operations of the City of Long Beach; accordingly, such activities are included in the City's Annual Comprehensive Financial Report in the Water Utility Fund and Sewer Utility Fund. Control and management of the Department is vested in the five-member Board of Water Commissioners (the Board). Each Commissioner is appointed by the Mayor, confirmed by the City Council, and may serve two five-year terms.

The accompanying Department financial statements include the Water and Sewer Fund operations of the City of Long Beach. The statements of the Department are intended to present the financial position, and changes in financial position, and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2021, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

The City's Annual Comprehensive Financial Report may be obtained by contacting:

City of Long Beach, California – Department of Financial Management
411 W. Ocean Blvd.
Long Beach, CA 90802

Basis of Accounting

The Department's accounts are maintained on a flow of economic resources measurement focus utilizing the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, regardless of when they are received, and expenses are recognized in the period incurred. The Department's operations are not subject to regulation by the Public Utilities Commission.

The Department applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations.

Implementation of New Accounting Pronouncements

Application of the following Statements was effective for the Department's fiscal year ended September 30, 2021.

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*. The objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. The Statement is effective for reporting periods after December 31, 2020. Application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2021.

In June of 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. The requirements in paragraph 6-9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Early application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2021.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

In October 2021, GASB issued Statement No. 98, *The Annual Comprehensive Financial Report*. The objectives of this Statement are to address references in authoritative literature to the term comprehensive annual financial report. The Statement is effective for reporting periods after December 15, 2021. The Department elected to early implement this Statement for the fiscal year ended September 30, 2021.

The Department is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June of 2017, the GASB issued Statement No. 87, *Leases*. This Statement is effective for the Department's fiscal year ending September 30, 2022.

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. This Statement is effective for the Department's fiscal year ending September 30, 2022.

In March of 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is effective for the Department's fiscal year ending September 30, 2022.

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In May of 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

City of Long Beach Investment Pool

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other City funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

At September 30, 2021, the Water Fund and Sewer Fund had equity in the Pool of \$27,643 and \$12,565, respectively, which represents approximately 1.41% and 0.64%, respectively, for a total departmental equity of \$40,208 or 2.05% of the Pool.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

The Department's share of the Pool is stated at fair value. For a complete description of the Pool and its underlying investments, refer to the City of Long Beach's separately issued financial statements.

Cash Equivalents

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Department can withdraw amounts from the pool without penalty or notice.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents. These cash equivalents are reported at amortized cost in the accompanying financial statements.

Fair Value

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

Material and Supplies Inventory

Material and supplies inventory are reported at cost determined on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment, and transmission and distribution infrastructure, are composed of assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. The cost of additions to capital assets and replacement of retired property is capitalized. The costs of replacement expenditures are expensed as incurred. Upon retirement or sale of capital assets, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in the Department's financial statements (see note 3).

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Depreciation of capital assets is provided by the straight-line method based on the estimated service lives of the properties, as follows:

Buildings, structures, and facilities	10 to 50 years
Distribution/collection systems	20 to 75 years
Patents	20 years
Other machinery and equipment	5 to 10 years

Capital grants and contributions

Advances received from developers for construction of plant assets are recorded as advances from developers when received. As construction progresses, advanced amounts equivalent to capitalized expenditures are recorded as capital grants and contributions in the accompanying financial statements. Donated assets, donated works of art and similar items, capital assets received in service concession arrangement and assets constructed by developers and contributed to the Department are capitalized at fair value at the date of acquisition which equates to the acquisition cost.

Revenue Recognition

Operating revenues include revenues derived from the sale of water, from providing sewer service, and from other activities closely related to providing water and sewer service. Principal revenues are derived from volumetric usage and service charges for water and sewer services. Nonoperating revenues and expenses are those not directly associated with the Department's normal business operations of supplying water and sewer service and include interest income and expense, rents received for Department property, and gains and losses on disposition of property. Revenues for water and sewer charges are recorded when delivered to customers. Billings to customers are based on monthly meter readings.

Operating Expenses

The cost of water includes all purchases of water from the Metropolitan Water District of Southern California. Personal services include labor costs for operations, maintenance, and general and administrative functions. Commercial services cost is the Department's share of the City's utility billing system. Maintenance and other costs include the operating costs of the Department and include costs of pumping and treating groundwater as well as general and administrative costs. Payments from/(to) the City are transfers made to the City.

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Employee Benefits, Compensated Absences and Termination Benefits

At September 30, 2021, the Department has recorded compensated absences of \$8,436 (\$7,006 for Water and \$1,430 for Sewer) of which short-term amounts totaled to \$2,753 (\$2,294 for Water and \$459 for Sewer) and long-term balances of \$5,683 (\$4,712 for Water and \$971 for Sewer). Compensated absences include accrued but unused vacation and holiday benefits, and accumulated sick and termination benefits.

Vacation, holiday and sick benefits are recognized when earned and recorded as personal services in the accompanying financial statements. Amounts that are earned but unused at year end, are reported as compensated absences and classified as current or non-current in the accompanying financial statements based on historical usage of the benefits. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. Accumulated sick leave vests when an employee meets the City's minimum requirements for retirement and is forfeited if the employee terminates prior to vesting.

Upon retirement, management employees may convert 75 percent of their outstanding vacation leave to sick leave. The retiree's accumulated sick leave and any covered sick leave may be used to either purchase additional pension benefits from California Public Employees' Retirement System (CalPERS) or to participate in the City's Retired Employee Health Insurance Program (REHIP) until the sick leave is exhausted. The REHIP allows retirees to convert their accumulated vested unused sick leave to the cash value at the date of retirement and use those amounts for health, dental, and long-term care insurance premiums for the retiree, their spouse, and eligible dependents in accordance with the City's Personnel Ordinance.

The sick and termination benefits are determined based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences (GASB 16)*. The liability considers an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees. The Department's share of the liability is based on its share of accrued sick leave at September 30, 2021. The liability is being funded over time through burden rates, applied as a percentage of current productive salaries.

Pension Plan and Postretirement Benefits

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund. The costs to be funded are determined annually as of July 1 and are incorporated into the payroll burden rate to reimburse the Employee Benefits Internal Service Fund for contributions made on behalf of Department employees (see note 5).

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For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Miscellaneous Plan and additions to/deductions from Miscellaneous Plan's fiduciary net position have been determined on the same basis as they are reported by the Miscellaneous Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restricted Assets

Amounts restricted for bond indenture requirements and funds held in trust are recorded as restricted assets. Related liabilities of these funds are identified as amounts payable from restricted assets when such obligations are incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. The separate financial element, Deferred Inflows of Resources, represent an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Risk Management

The Department, as an entity of the City, participates in the City's self-insured program for workers' compensation, property, and tort liability. The City and the Department's management believe that sufficient funds are being accumulated in the City's Insurance Internal Service Fund (Insurance Fund) to meet losses as they arise. The Department contributes to the Insurance Fund through payroll burden charges applied as a percent of current productive salaries. In addition, various risk control techniques, including safety training for all employees and the inclusion of appropriate legal provisions in third-party contracts, have been implemented to minimize risk losses.

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Estimates

The preparation of the Department's financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position are classified into the following net position categories:

Net Investment in Capital Assets - Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt.

Restricted - Amounts restricted for bond indenture requirements.

Unrestricted - All other categories of net position.

Current Environment – Coronavirus Disease 2019 (COVID-19)

On March 11, 2020, the World Health Organization declared a global pandemic due to an outbreak caused by a respiratory disease called Coronavirus Disease 2019 (COVID-19). Since then, the virus and its impact on economic activity has spread across the globe. On March 17, 2020, the City issued a notice to modify all city operations in accordance to the mandate issued by the City of Long Beach Health and Human Services Department. On March 19, 2020, the Safer-At-Home Order went into effect whereas residents of Long Beach were informed to stay at home as much as possible, requiring face coverings indoors and outdoors, employers offering telework, closing of local schools for in-person learning, limiting commercial businesses capacity, and implementing restrictions on community gathering and non-essential travels. The Department responded in full support of the City's mandate by closing its facilities to the public, encouraging employees whose positions enabled them to work remotely, purchasing and providing personal protective equipment (PPE) for employees at work, implementing changes in work environments and continued communication updates about COVID-19. As changes in the pandemic continue, the Department, being part of the critical infrastructure sector, remains diligent in providing the city of Long Beach with clean water as its top priority.

LONG BEACH WATER DEPARTMENT

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With the onset of COVID-19, the City initiated steps to avoid furthering the financial burdens experienced by utility customers impacted by the pandemic. In March 2020, the City suspended charging late fees to utility customers (including Water and Sewer customers), suspended terminations (shut-offs) of utilities for nonpayment, and suspended collection efforts for amounts in arrears. This suspension of late fees, utility service shut-offs, and collection efforts continued through September 30, 2021. These moratoriums continue into FY2022.

As part of the 2021-22 State budget approval in late 2021, the State of California initiated the California Water and Wastewater Arrearage Payment Program (CWWAPP) to offer financial assistance to water and sewer customers to help reduce past due bill balances that accrued during the pandemic. Awarded funds will not be received until FY2022.

Utility Revenue Transfer Charter Amendment (Measure M)

On June 5, 2018, the residents of the city of Long Beach voted to pass the Utility Revenue Transfer Charter Amendment (Measure M). With this amendment, the Department is authorized to make annual transfers of any funds from the Water and Sewer Funds to the General Fund that are determined by the Board of Water Commissioners (Commission) to be unnecessary to meet its obligations; provided that the maximum transfer does not exceed 12% of each funds' audited annual gross revenues. The transfers to the General Fund can be spent for unrestricted general revenue purposes. The Commission is authorized to set, and the City Council to approve, water and sewer rates in an amount sufficient to recover the cost of Water and Sewer Fund obligations.

In October of 2018, a lawsuit was filed against the City of Long Beach (City) alleging that, among other things, the passage of Measure M violated Article XIII of the California Constitution and was unenforceable insofar as it authorized the transfer of funds from the Water and Sewer Funds to the General Fund. On January 2, 2020, a judge in the Superior Court of Los Angeles County issued a tentative ruling in favor of the plaintiffs, finding Measure M unconstitutional, ordering the return of funds previously transferred under the authority granted by Measure M, and prohibiting the future transfer of funds pursuant to Measure M. The tentative ruling became final in February of 2020. On March 23, 2022, the Supreme Court denied the City's petition to review and therefore the appellate court decision stood. The City is required to transfer \$30,832 to the Department within 180 days from the final ruling.

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Notes to Financial Statements
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Note 2 - Cash Equivalents and Investments

The Department's unrestricted and restricted cash equivalents and investments are as follows:

Water Fund			Total Investments & Cash Equivalent
	Unrestricted	Restricted	
Equity in the City of Long Beach's investment pool	\$ 25,099	2,544	27,643
Non-pooled cash equivalents	510	-	510
Investments - U.S. Treasury Notes	-	2,395	2,395
Total cash and investments	\$ 25,609	4,939	30,548

Sewer Fund			Total Investments & Cash Equivalent
Sewer Fund	Unrestricted	Restricted	
Equity in the City of Long Beach's investment pool	\$ 12,261	304	12,565
Total cash and investments	\$ 12,261	304	12,565

The Departments investment policy allows funds to be invested with the City or to be held outside of the Pool based on the requirements of bond indentures or by actions of the Board. The City's investment policy limits the permitted investments in the Investment Pool to the following: Obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, Local Agency Investment Fund, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities and money market mutual funds. Cash equivalents held outside of the Pool are governed by the provisions of the debt agreement.

As of September 30, 2021, the City's Investment Pool has weighted average maturity of 1.44 years and is not rated. The Department's investment in the Pool is not categorized nor leveled in the fair value hierarchy.

The Water Funds' investments in U.S. Treasury notes have a weighted average maturity of 1.59 years and are not rated. These investments are reported at fair value using observable inputs and are accordingly reported as a level 2 investment in the fair value hierarchy.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements September 30, 2021 (in thousands of dollars)

Note 3 – Capital Assets

Capital assets at September 30, 2021 were as follows:

Water Fund	Balance September 30, 2020	Additions	Deletions, Retirements and Transfers	Balance September 30, 2021
Capital assets, not being depreciated:				
Land	11,214	-	-	11,214
Construction in progress	60,496	17,434	(17,915)	60,015
Water Rights	40	-	-	40
Total capital assets, not being depreciated	71,750	17,434	(17,915)	71,269
Capital assets, being depreciated:				
Buildings, structures and facilities	147,022	4,193	(98)	151,117
Patents	815	-	-	815
Distribution/collection systems	371,322	13,116	(949)	383,489
Machinery and equipment	20,853	922	(854)	20,921
Total capital assets, being depreciated	540,012	18,231	(1,901)	556,342
Less accumulated depreciation for:				
Buildings, structures and facilities	(73,884)	(4,182)	98	(77,968)
Patents	(572)	(41)	-	(613)
Distribution/collection systems	(162,816)	(7,764)	386	(170,194)
Machinery and equipment	(18,043)	(1,442)	854	(18,631)
Total accumulated depreciation	(255,315)	(13,429)	1,338	(267,406)
Total capital assets, being depreciated, net	284,697	4,802	(563)	288,936
Total Water Fund capital assets, net	356,447	22,236	(18,478)	360,205
Sewer Fund	Balance September 30, 2020	Additions	Deletions, Retirements and Transfers	Balance September 30, 2021
Capital assets, not being depreciated:				
Construction in progress	8,552	6,528	(6,929)	8,151
Total capital assets, not being depreciated	8,552	6,528	(6,929)	8,151
Capital assets, being depreciated:				
Buildings, structures and facilities	12,430	-	-	12,430
Distribution/collection systems	211,847	6,620	-	218,467
Machinery and equipment	6,695	128	-	6,823
Total capital assets, being depreciated	230,972	6,748	-	237,720
Less accumulated depreciation for:				
Buildings, structures and facilities	(2,735)	(278)	-	(3,013)
Distribution/collection systems	(151,162)	(2,029)	-	(153,191)
Machinery and equipment	(4,189)	(536)	-	(4,725)
Total accumulated depreciation	(158,086)	(2,843)	-	(160,929)
Total capital assets, being depreciated, net	72,886	3,905	-	76,791
Total Sewer Fund capital assets, net	81,438	10,433	(6,929)	84,942

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Notes to Financial Statements September 30, 2021 (in thousands of dollars)

Combined Total	Balance September 30, 2020	Additions	Deletions, Retirements and Transfers	Balance September 30, 2021
Capital assets, not being depreciated:				
Land	11,214	-	-	11,214
Construction in progress	69,048	23,962	(24,844)	68,166
Water Rights	40	-	-	40
Total capital assets, not being depreciated	80,302	23,962	(24,844)	79,420
Capital assets, being depreciated:				
Buildings, structures and facilities	159,452	4,193	(98)	163,547
Patents	815	-	-	815
Distribution/collection systems	583,169	19,736	(949)	601,956
Machinery and equipment	27,548	1,050	(854)	27,744
Total capital assets, being depreciated	770,984	24,979	(1,901)	794,062
Less accumulated depreciation for:				
Buildings, structures and facilities	(76,619)	(4,460)	98	(80,981)
Patents	(572)	(41)	-	(613)
Distribution/collection systems	(313,978)	(9,793)	386	(323,385)
Machinery and equipment	(22,232)	(1,978)	854	(23,356)
Total accumulated depreciation	(413,401)	(16,272)	1,338	(428,335)
Total capital assets, being depreciated, net	357,583	8,707	(563)	365,727
Total Department capital assets, net	437,885	32,669	(25,407)	445,147

In FY2021, the Department capitalized enhancements to several facilities and structures, which amounted to \$4,193 for Water Fund. These improvements included water reservoir tank roofing and interior lining installation, well development and cistern improvements. In addition, the Department completed numerous projects as part of ongoing improvements to its current water distribution system and sewer collection system, which totaled \$13,116 for the Water Fund and \$6,620 for the Sewer Fund. These improvements include ongoing programs for Water Cast Iron Main replacement, Water Services installations, Fireline and Fire Hydrant installations, Large Valve replacement, and Sewer Pipe rehabilitation. The Department also purchased machinery and equipment which totaled \$922 for the Water Fund and \$128 for the Sewer Fund. These machinery and equipment purchases included utility vehicles and sewer collection pump.

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Construction in Progress

Construction in progress at September 30, 2021 includes the following projects:

<u>Project</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Water Main Replacement Program	\$ 4,457	\$ -
Water Reservoir Improvements	1,743	-
Water Well Development and Rehabilitation	6,983	-
Water System Facility Improvements	38,634	-
Reclaimed Water System	732	-
Sewer Main Replacement Program	-	3,067
Sewer Lift Stations Rehabilitation	-	4,010
Other Projects	7,466	1,074
Total Combined Construction in Progress	<u>\$ 60,015</u>	<u>\$ 8,151</u>

It is the Department's policy to transfer the costs of projects after their completion to other capital asset classifications or to expense. For the fiscal year ended September 30, 2021, completed projects were transferred from Construction in progress as follows:

	<u>Total</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
Transfers to Capital Assets	\$ 17,309	6,694
Transfers to Expense	606	235
Total	<u>\$ 17,915</u>	<u>6,929</u>

LONG BEACH WATER DEPARTMENT

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Note 4 – Long-term Liabilities

Water Fund						
September 30, 2021	Beginning of year	Additions	Reductions	End of year	Due within one year	
2010 Water Revenue Refunding Bonds	\$ 10,740	-	(2,490)	8,250	2,590	
2012 Water Revenue Refunding Bonds	5,375	-	(680)	4,695	710	
	16,115	-	(3,170)	12,945	3,300	
Add 2010 unamortized bond premium	481	-	(189)	292	-	
Add 2012 unamortized bond premium	392	-	(90)	302	-	
Total long-term debt	16,988	-	(3,449)	13,539	3,300	
Compensated Absences	7,122	1,624	(1,740)	7,006	2,294	
Net Pension Liability	42,899	-	(22,894)	20,005	-	
Total OPEB Liability	326	-	(44)	282	-	
Capital Lease	24,860	-	(3,634)	21,226	1,640	
Accrued site restoration cost	1,000	-	-	1,000	-	
Total	<u>\$ 93,195</u>	<u>1,624</u>	<u>(31,761)</u>	<u>63,058</u>	<u>7,234</u>	
Sewer Fund						
September 30, 2021	Beginning of year	Additions	Reductions	End of year	Due within one year	
2016 Sewer Revenue Refunding Bonds	\$ 8,335	-	(375)	7,960	390	
	8,335	-	(375)	7,960	390	
Add 2016 unamortized bond premium	1,197	-	(123)	1,074	-	
Total long-term debt	9,532	-	(498)	9,034	390	
Compensated Absences	1,484	330	(384)	1,430	459	
Net Pension Liability	8,947	-	(4,850)	4,097	-	
Total OPEB Liability	69	-	(11)	58	-	
Total	<u>\$ 20,032</u>	<u>330</u>	<u>(5,743)</u>	<u>14,619</u>	<u>849</u>	

The bonds are payable from and secured by net revenues of the Department.

Second Lien Water Revenue Bonds - Series 2012A

On August 30, 2012, the Water Fund issued \$9,850 in Second Lien Water Revenue Bonds, Series 2012A (the Series 2012A Bonds) at a premium of \$1,342 to provide funds to (a) refund, on a current basis, \$11,000 aggregate principal outstanding in Subordinate Water Revenue Commercial Paper Notes, and (b) pay the cost of issuing the Series 2012A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of historically low fixed bond rates and provide the Department with

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
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certainty in its future debt service payment requirements. The Commercial Paper program, as authorized by the Board under Resolution WD-1170, expired on October 1, 2012.

The Bonds bear interest ranging from 2.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2012. Principal payments are due every May 1, commencing on May 1, 2013, with bond terms maturing through the year 2027. The initial issuance premium of \$1,342 on the Series 2012 Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

Under Board Resolution WD-1300 adopted July 24, 2012 authorizing the issuance and sale of the Series 2012A Bonds, the Board also approved closure of the Senior Lien trust indentures pursuant to which the Department previously issued the Series 1997A City of Long Beach Water Revenue Refunding Bonds and Series 2010A City of Long Beach Water Revenue Refunding Bonds. The Board also irrevocably covenanted that the Department would not issue any additional Parity Obligations in the future that would have a lien on Net Revenues senior to its Subordinate Obligations, including the 2012A Bonds.

The Board, on behalf of the City, has covenanted under the Master Subordinate Indenture, to set rates and charges for the supply of water to its customers sufficient to yield net revenues each year equal to at least equal to 1.10 times the aggregate annual amount of principal and interest due on the Senior Lien Bonds and any Subordinate Obligations, including the Series 2012A Bonds.

Water Revenue Refunding Bonds - Series 2010A

On September 29, 2010, the Water Fund issued \$22,740 in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of \$3,021 to (a) advance refund 82.4% or \$24,290 of the outstanding Series 1997A Water Revenue Refunding Bonds at a redemption premium of 2% over par value, (b) fund a reserve fund for the Series 2010A Bonds, and (c) pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010. Principal payments are due May 1, commencing on May 1, 2012.

The remaining Series 1997A Bonds maturing on May 1, 2015 were not subject to redemption prior to maturity and the \$1,825 outstanding was paid off on May 1, 2015.

The initial issuance premium of \$3,021 on the Series 2010A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

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In addition, the refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of \$2,697. This difference is considered to be a deferred outflow on the refunding and is reported in the Statement of Net Position as a separate category under Deferred Outflows of Resources. The deferred outflow from the refunding is being amortized using the straight-line method over the life of the Series 2010A bonds, which have the same maturity as the old debt. The Refunded Series 1997A Bonds were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by \$3,286, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was \$3,349.

The Series 2010A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the entire water system (the Water Enterprise Fund) of the City of Long Beach. Net revenues are defined as all gross revenues derived by the ownership and operation of the Water Enterprise Fund less operation and maintenance costs. The Board has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations.

Second Lien Water Revenue Short-Term Obligation Revolving Line of Credit

On April 16, 2020, the Board approved Resolution WD-1427 authorizing the issuance of up to \$60,000 of Second Lien Water Revenue Short-Term Obligations pursuant to the Master Subordinate Trust Indenture, the Fourth Supplemental Subordinate Trust Indenture, and a Credit Agreement with JPMorgan Chase Bank, National Association, the provider of the Revolving Line of Credit (LOC). The term of the Water LOC was for three years, with a Commitment Termination Date of May 19, 2023, with the option to extend for an additional two years after such date. Obligations under the Water LOC are secured and payable solely from the Water Fund revenues.

The Water LOC would accrue interest at a variable rate per annum equal to a percentage of the One Month London Interbank Offered Rate (LIBOR) plus a spread. This rate will be deemed no less than three-fourths of one percent in any one-month interest period. The purpose of establishing the Water LOC is to facilitate increased investment in the Department's water system infrastructure. As of September 30, 2021, and for the year then ended, there were no draws on the Water LOC.

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Senior Sewer Revenue Refunding Bonds - Series 2016A

On September 7, 2016, the Sewer Fund issued \$9,830 in Senior Sewer Revenue Refunding Bonds, Series 2016A (the Series 2016A Bonds) at a premium of \$1,727 to provide funds to (a) refund, on a current basis, \$11,250 aggregate principal outstanding in Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, and (b) pay the cost of issuing the Series 2016A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of low fixed bond yield rates and provide the Department with certainty in its future debt service payment requirements.

The Series 2016A Bonds bear interest ranging from 4.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2016. Principal payments are due every May 1, commencing on May 1, 2017, with bond terms maturing through the year 2036. The initial issuance premium of \$1,727 on the Series 2016A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

The Series 2016A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the Sewer Enterprise. Net revenues are defined as all gross revenues derived by ownership and operation of the Sewer Enterprise less operation and maintenance costs. The Board, on behalf of the City, has covenanted under the Senior Indenture to set rates and charges for sewer service to its customers sufficient to yield net revenues each year which are at least equal to 1.25 times the aggregate annual amount of debt service on the Senior Bonds (including the Series 2016A Bonds) for such fiscal year.

Total Annual Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Fiscal Year Ending Sept 30	Series 2010 Bonds		Series 2012 Bonds		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 2,590	396	710	196	3,300	592	3,892
2023	2,715	276	735	168	3,450	444	3,894
2024	2,945	147	775	131	3,720	278	3,998
2025	-	-	795	108	795	108	903
2026	-	-	820	84	820	84	904
2027	-	-	860	43	860	43	903
Total	\$ 8,250	819	4,695	730	12,945	1,549	14,494

LONG BEACH WATER DEPARTMENT

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September 30, 2021
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Fiscal Year	Sewer Fund		Total Debt
	Series 2016A Bonds		
Ending Sept 30	Principal	Interest	Service
2022	\$ 390	339	729
2023	405	323	728
2024	420	307	727
2025	435	290	725
2026	455	273	728
2027-2031	2,615	1,025	3,640
2032-2036	3,240	399	3,639
Total	\$ 7,960	2,956	10,916

Note 5 - Retirement Program

Plan Description – Public Employees’ Retirement System (CalPERS)

The Department contributes to the CalPERS agent multiple-employer defined benefit pension plan. The City is considered the employer and the Department is a department of the City. The plan functions as a cost sharing plan for the Department. The Department’s employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. All City departments are considered collectively to be a single employer, and the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Department’s employees is determined as the Department’s percentage of the City as a single employer. Similarly, the net assets available for benefits of Department employees is determined as the Department’s percentage of the City’s net assets. CalPERS issues publicly available reports that include a full description of the pension plans, including benefit provisions, assumptions and membership information. All qualified permanent employees of the Department are eligible to participate in the Miscellaneous Plan. The reports can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees’ Retirement Law.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

Contributions

California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Plans' provisions and benefits in effect at September 30, 2021, are summarized in the following table:

Hire Date	Miscellaneous		
	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50 - 55	50 - 55	52 - 62
	Required Contribution Rates		
Employee	8.0%	8.0%	6.5%
Employer	28.446%	28.446%	28.446%
	Percentage of Eligible Compensation		
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

Allocation Methodology

The City used a calculated percentage based on the Department's share of the pension plan contributions to the City's pension plan contributions amounts for each plan, to provide the Department's net pension liability and related GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (GASB 68)* accounting elements. The Department's calculated percentage was 7.7% (6.4% for Water and 1.3% for Sewer) for the Plan.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions

The City's net pension liability for the Plan was measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2021 (measurement date), using the actuarial valuation report as of June 30, 2020. The Department's net pension liability for the Plan was \$24,102 (\$20,005 for Water and \$4,097 for Sewer) at September 30, 2021.

For the measurement period ended June 30, 2021 (the measurement date), the Department reported pension income of \$311 (\$258 for Water and \$53 for Sewer).

As of September 30, 2021, the Department had deferred outflows and deferred inflows related to pensions as follows:

Deferred outflows and inflows at September 30

	Water	Sewer	Total
Deferred outflows of resources:			
Pension contributions after measurement date	\$ 3,812	781	4,593
Change in proportion	755	236	991
Total deferred outflows of resources	\$ 4,567	1,017	5,584
Deferred inflows of resources:			
Net difference between actual and expected investment returns	\$ 14,974	3,066	18,040
Differences between actual and expected experience	646	132	778
Change in proportion	592	227	819
Total deferred inflows of resources	\$ 16,212	3,425	19,637

Exclusive of deferred outflows related to payments after the measurement date, the net amounts of deferred outflows (inflows) of resources related to pensions that will be recognized in future pension expense is as follows:

Measurement Period Ending June 30	Water	Sewer	Total
2022	\$ (3,695)	(728)	(4,423)
2023	(4,025)	(877)	(4,902)
2024	(3,588)	(734)	(4,322)
2025	(4,149)	(850)	(4,999)
	\$ (15,457)	(3,189)	(18,646)

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.15%
Mortality	¹

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2020 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class for Miscellaneous Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10^a	Real Return Years 11+^b
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

^a An expected inflation of 2.00% used for this period

^b An expected inflation of 2.92% used for this period

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City for each plan as of the measurement date, calculated using the discount rate of 7.15%, compared to a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%):

<u>Net Pension Liability/(Asset)</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
1% Decrease (6.15%)	\$ 43,337	8,874	52,211
Current Discount Rate (7.15%)	20,005	4,097	24,102
1% Increase (8.15%)	657	135	792

Note 6 – Leasing Arrangements

The Department owns approximately 820 acres of land, approximately 80 acres of which is leased for commercial purposes. Minimum future rental income due to the Water Fund under noncancelable operating leases which have an initial term in excess of one year is as follows:

Year ending September 30:

2022	\$ 1,013
2023	1,012
2024	1,035
2025	1,064
2026	1,095
2027-2031	5,038
2032-2036	2,777
2037-2041	1,057
2042-2046	<u>125</u>
Total minimum future rentals	<u>\$ 14,216</u>

Capital Lease-Automated Metering Infrastructure (AMI)

On November 1, 2018, the Board of Water Commissioners authorized the Long Beach Water Department to proceed with execution of a lease-purchase agreement and related financing documents with Banc of America Public Capital Corp, for the financing of the Advanced Metering Infrastructure (AMI) Project, in an amount not to exceed \$36,000, including cost of issuance, principal and interest, payable over a fifteen-year period.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2021
(in thousands of dollars)

The AMI Project is an integrated network of smart meters, communication collectors, and data management systems that allow water meters to be read automatically and uploaded electronically. AMI Project costs to be financed total approximately \$27,400.

On December 11, 2018, City Council approved the execution of the 15-year lease-purchase agreement through the City's Master Lease Agreement with Banc of America Public Capital Corporation to finance the AMI Project. The lease-purchase agreement was executed and funded on December 20, 2018. The total purchase price was \$27,400, at an interest rate of 3.35%. In FY2021, the Department paid a total of \$4,440 (\$3,634 principal and \$806 interest) in rental payments.

Water Fund - Capital Lease

Fiscal Year Ending Sept 30	Principal	Interest	Total Debt Service
2022	1,640	686	2,326
2023	1,696	630	2,326
2024	1,753	573	2,326
2025	1,813	513	2,326
2026	1,875	451	2,326
2027-2031	10,373	1,255	11,628
2032	2,076	35	2,111
Total	<u>\$ 21,226</u>	<u>4,143</u>	<u>25,369</u>

Note 7 - Commitments and Contingencies

Litigation

The Department is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney's office. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that any liability for unreserved claims and lawsuits will not have a material impact on the basic financial statements of the Department.

Commitments

Contract commitments and purchase orders for which materials or services were not received as of September 30, 2021 amount to \$12,005 and \$1,111 for the Water Fund and Sewer Fund, respectively.

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REQUIRED SUPPLEMENTARY
INFORMATION SECTION
(Unaudited)

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LONG BEACH WATER DEPARTMENT
Schedule of the Department Proportionate Share of the
Net Pension Liability and Contributions
September 30, 2021 (in thousands of dollars)
Last 10 years¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability

	<u>2021</u>	<u>2020</u>
Department's proportion of the collective net pension liability	7.7%	7.9%
Department's proportionate share of the collective net pension liability ²	\$ 24,102	\$ 51,846
Department's covered payroll	\$ 21,507	\$ 22,915
Department's proportionate share of the collective net pension liability as a percent of covered payroll	112.1%	226.3%
Pension plan's fiduciary net position as a percentage of total pension liability	89.1%	76.5%

Schedule of the Water Fund's proportionate share of the net pension liability

	<u>2021</u>	<u>2020</u>
Water's proportion of the collective net pension liability	6.40%	6.50%
Water's proportionate share of the collective net pension liability ²	20,005	42,899
Water's covered payroll	\$ 17,876	\$ 18,854
Water's proportionate share of the collective net pension liability as a percent of covered payroll	\$ 111.9%	\$ 227.5%
Pension plan's fiduciary net position as a percentage of total pension liability	89.1%	76.5%

Schedule of the Sewer's Fund's proportionate share of the net pension liability

	<u>2021</u>	<u>2020</u>
Sewer's proportion of the collective net pension liability	1.30%	1.40%
Sewer's proportionate share of the collective net pension liability ²	\$ 4,097	\$ 8,947
Sewer's covered payroll	\$ 3,631	\$ 4,061
Sewer's proportionate share of the collective net pension liability as a percent of covered payroll	112.8%	220.3%
Pension plan's fiduciary net position as a percentage of total pension liability	89.1%	76.5%

Schedule of the Department's Contributions

	<u>2021</u>	<u>2020</u>
Contractually required contribution ³	\$ 6,018	\$ 5,654
Contributions in relation to the contractually required contributions ⁴	6,018	5,654
Contribution deficiency (excess)	\$ —	\$ —
Department's covered payroll	\$ 21,507	\$ 22,915
Department's contributions as a percentage of covered payroll	28.0%	24.7%

Schedule of the Water Fund's Contributions

	<u>2021</u>	<u>2020</u>
Contractually required contribution ³	\$ 5,002	\$ 4,652
Contributions in relation to the contractually required contributions ⁴	5,002	4,652
Contribution deficiency (excess)	\$ —	\$ —
Water's covered payroll	\$ 17,876	\$ 18,854
Water's contributions as a percentage of covered payroll	28.0%	24.7%

Schedule of the Sewer Fund's Contributions

	<u>2021</u>	<u>2020</u>
Contractually required contribution ³	\$ 1,016	\$ 1,002
Contributions in relation to the contractually required contributions ⁴	1,016	1,002
Contribution deficiency (excess)	\$ —	\$ —
Sewer's covered payroll	\$ 3,631	\$ 4,061
Sewer's contributions as a percentage of covered payroll	28.0%	24.7%

Notes to Required Supplementary Information

¹ The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

² The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

³ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁴ Amount represents actual contributions recorded by CalPERS.

LONG BEACH WATER DEPARTMENT
Schedule of the Department Proportionate Share of the
Net Pension Liability and Contributions
September 30, 2021 (in thousands of dollars)
Last 10 years¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability

	2019	2018
Department's proportion of the collective net pension liability	7.3%	7.0%
Department's proportionate share of the collective net pension liability ²	45,960	41,860
Department's covered payroll	20,246	18,709
Department's proportionate share of the collective net pension liability as a percent of covered payroll	227.0%	223.7%
Pension plan's fiduciary net position as a percentage of total pension liability	77.2%	77.4%

Schedule of the Water Fund's proportionate share of the net pension liability

	2019	2018
Water's proportion of the collective net pension liability	6.1%	5.9%
Water's proportionate share of the collective net pension liability ²	38,216	35,183
Water's covered payroll	16,918	15,769
Water's proportionate share of the collective net pension liability as a percent of covered payroll	225.9%	223.1%
Pension plan's fiduciary net position as a percentage of total pension liability	77.2%	77.4%

Schedule of the Sewer's Fund's proportionate share of the net pension liability

	2019	2018
Sewer's proportion of the collective net pension liability	1.2%	1.1%
Sewer's proportionate share of the collective net pension liability ²	7,744	6,677
Sewer's covered payroll	3,328	2,940
Sewer's proportionate share of the collective net pension liability as a percent of covered payroll	232.7%	227.1%
Pension plan's fiduciary net position as a percentage of total pension liability	77.2%	77.4%

Schedule of the Department's Contributions

	2019	2018
Contractually required contribution ³	4,562	3,729
Contributions in relation to the contractually required contributions ⁴	4,562	3,729
Contribution deficiency (excess)	—	—
Department's covered payroll	20,246	18,709
Department's contributions as a percentage of covered payroll	22.5%	19.9%

Schedule of the Water Fund's Contributions

	2019	2018
Contractually required contribution ³	3,812	3,143
Contributions in relation to the contractually required contributions ⁴	3,812	3,143
Contribution deficiency (excess)	—	—
Water's covered payroll	16,918	15,769
Water's contributions as a percentage of covered payroll	22.5%	19.9%

Schedule of the Sewer Fund's Contributions

	2019	2018
Contractually required contribution ³	750	586
Contributions in relation to the contractually required contributions ⁴	750	586
Contribution deficiency (excess)	—	—
Sewer's covered payroll	3,328	2,940
Sewer's contributions as a percentage of covered payroll	22.5%	19.9%

Notes to Required Supplementary Information

¹ The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

² The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

³ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁴ Amount represents actual contributions recorded by CalPERS.

LONG BEACH WATER DEPARTMENT
Schedule of the Department Proportionate Share of the
Net Pension Liability and Contributions
September 30, 2021 (in thousands of dollars)
Last 10 years¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability

	2017	2016
Department's proportion of the collective net pension liability	6.9%	6.9%
Department's proportionate share of the collective net pension liability ²	46,689	43,284
Department's covered payroll	17,696	17,271
Department's proportionate share of the collective net pension liability as a percent of covered payroll	263.8%	250.6%
Pension plan's fiduciary net position as a percentage of total pension liability	74.1%	74.2%

Schedule of the Water Fund's proportionate share of the net pension liability

	2017	2016
Water's proportion of the collective net pension liability	5.8%	5.7%
Water's proportionate share of the collective net pension liability ²	39,341	36,007
Water's covered payroll	14,875	14,267
Water's proportionate share of the collective net pension liability as a percent of covered payroll	264.5%	252.4%
Pension plan's fiduciary net position as a percentage of total pension liability	74.1%	74.2%

Schedule of the Sewer's Fund's proportionate share of the net pension liability

	2017	2016
Sewer's proportion of the collective net pension liability	1.1%	1.2%
Sewer's proportionate share of the collective net pension liability ²	7,348	7,277
Sewer's covered payroll	2,821	3,004
Sewer's proportionate share of the collective net pension liability as a percent of covered payroll	260.5%	242.2%
Pension plan's fiduciary net position as a percentage of total pension liability	74.1%	74.2%

Schedule of the Department's Contributions

	2017	2016
Contractually required contribution ³	3,165	2,752
Contributions in relation to the contractually required contributions ⁴	3,165	2,752
Contribution deficiency (excess)	—	—
Department's covered payroll	17,696	17,271
Department's contributions as a percentage of covered payroll	17.9%	15.9%

Schedule of the Water Fund's Contributions

	2017	2016
Contractually required contribution ³	2,660	2,273
Contributions in relation to the contractually required contributions ⁴	2,660	2,273
Contribution deficiency (excess)	—	—
Water's covered payroll	14,875	14,267
Water's contributions as a percentage of covered payroll	17.9%	15.9%

Schedule of the Sewer Fund's Contributions

	2017	2016
Contractually required contribution ³	505	479
Contributions in relation to the contractually required contributions ⁴	505	479
Contribution deficiency (excess)	—	—
Sewer's covered payroll	2,821	3,004
Sewer's contributions as a percentage of covered payroll	17.9%	15.9%

Notes to Required Supplementary Information

¹ The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

² The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

³ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁴ Amount represents actual contributions recorded by CalPERS.

LONG BEACH WATER DEPARTMENT
Schedule of the Department Proportionate Share of the
Net Pension Liability and Contributions
September 30, 2021 (in thousands of dollars)
Last 10 years¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability	2015
Department's proportion of the collective net pension liability	7.2%
Department's proportionate share of the collective net pension liability ²	37,374
Department's covered payroll	17,270
Department's proportionate share of the collective net pension liability as a percent of covered payroll	216.4%
Pension plan's fiduciary net position as a percentage of total pension liability	78.4%

Schedule of the Water Fund's proportionate share of the net pension liability	2015
Water's proportion of the collective net pension liability	6.0%
Water's proportionate share of the collective net pension liability ²	31,033
Water's covered payroll	14,392
Water's proportionate share of the collective net pension liability as a percent of covered payroll	215.6%
Pension plan's fiduciary net position as a percentage of total pension liability	78.4%

Schedule of the Sewer's Fund's proportionate share of the net pension liability	2015
Sewer's proportion of the collective net pension liability	1.2%
Sewer's proportionate share of the collective net pension liability ²	6,341
Sewer's covered payroll	2,878
Sewer's proportionate share of the collective net pension liability as a percent of covered payroll	220.3%
Pension plan's fiduciary net position as a percentage of total pension liability	78.4%

Schedule of the Department's Contributions	2015
Contractually required contribution ³	2,530
Contributions in relation to the contractually required contributions ⁴	2,530
Contribution deficiency (excess)	—
Department's covered payroll	17,270
Department's contributions as a percentage of covered payroll	14.6%

Schedule of the Water Fund's Contributions	2015
Contractually required contribution ³	2,108
Contributions in relation to the contractually required contributions ⁴	2,108
Contribution deficiency (excess)	—
Water's covered payroll	14,392
Water's contributions as a percentage of covered payroll	14.6%

Schedule of the Sewer Fund's Contributions	2015
Contractually required contribution ³	422
Contributions in relation to the contractually required contributions ⁴	422
Contribution deficiency (excess)	—
Sewer's covered payroll	2,878
Sewer's contributions as a percentage of covered payroll	14.7%

Notes to Required Supplementary Information

¹ The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

² The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

³ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁴ Amount represents actual contributions recorded by CalPERS.

STATISTICAL SECTION
(Unaudited)

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Financial Trends

These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

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LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

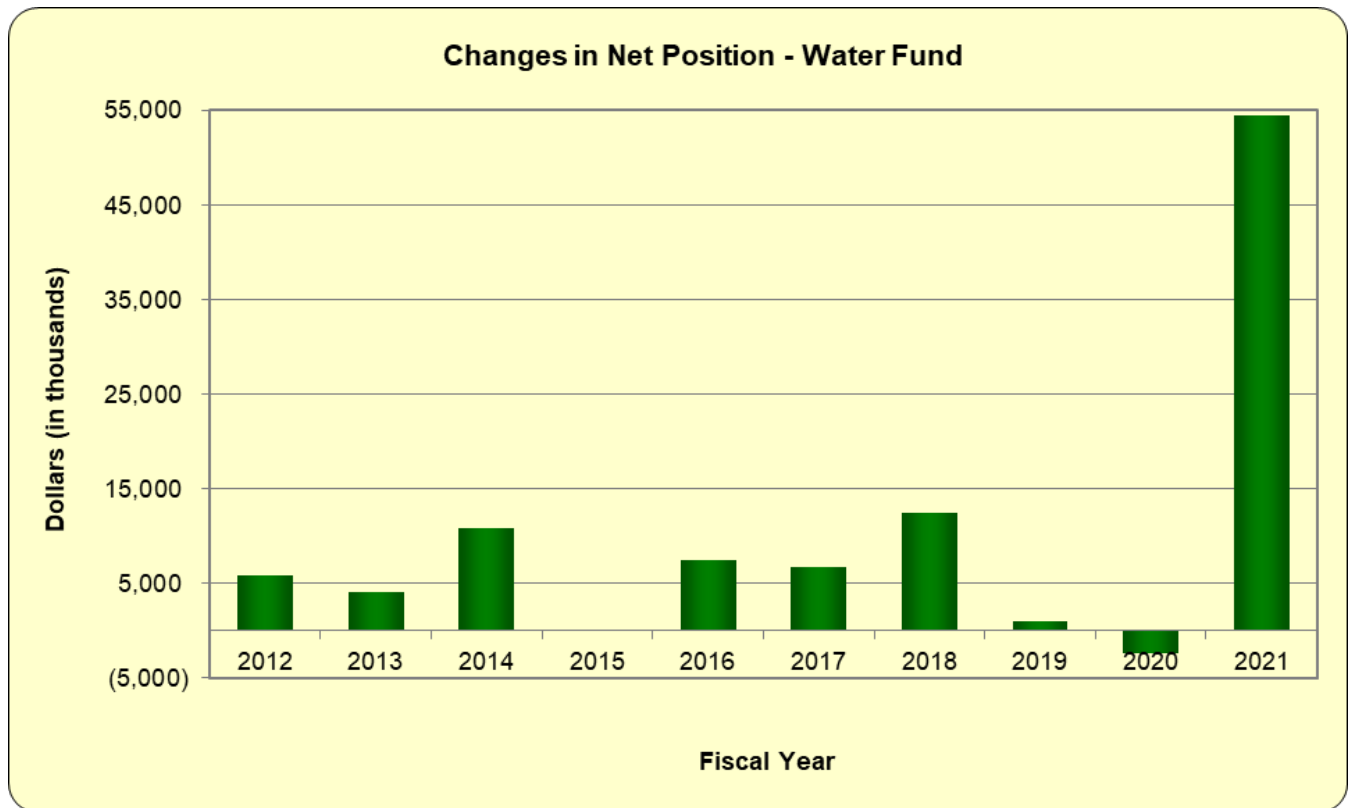
<u>Fiscal Year Ended</u>	<u>Total Operating Revenue ⁽¹⁾</u>	<u>Total Operating Expense</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Capital grants and contributions</u>	<u>Changes in Net Position</u>
9/30/2012	86,515	79,342	7,173	(1,573)	247	5,847
9/30/2013	91,949	85,783	6,166	(2,152)	131	4,145 ⁽²⁾
9/30/2014	100,187	91,992	8,195	(216)	2,924	10,903
9/30/2015	99,475	102,134	(2,659)	1,051	1,726	118
9/30/2016	97,650	92,253	5,397	(672)	2,710	7,435
9/30/2017	97,383	91,893	5,490	510	734	6,734
9/30/2018	99,173	95,066	4,107	2,167	6,122	12,396
9/30/2019	99,289	93,480	5,809	(6,506)	1,627	930
9/30/2020	113,091	110,737	2,354	(8,612)	3,909	(2,349)
9/30/2021	118,968	90,152	28,816	22,915	2,665	54,396

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

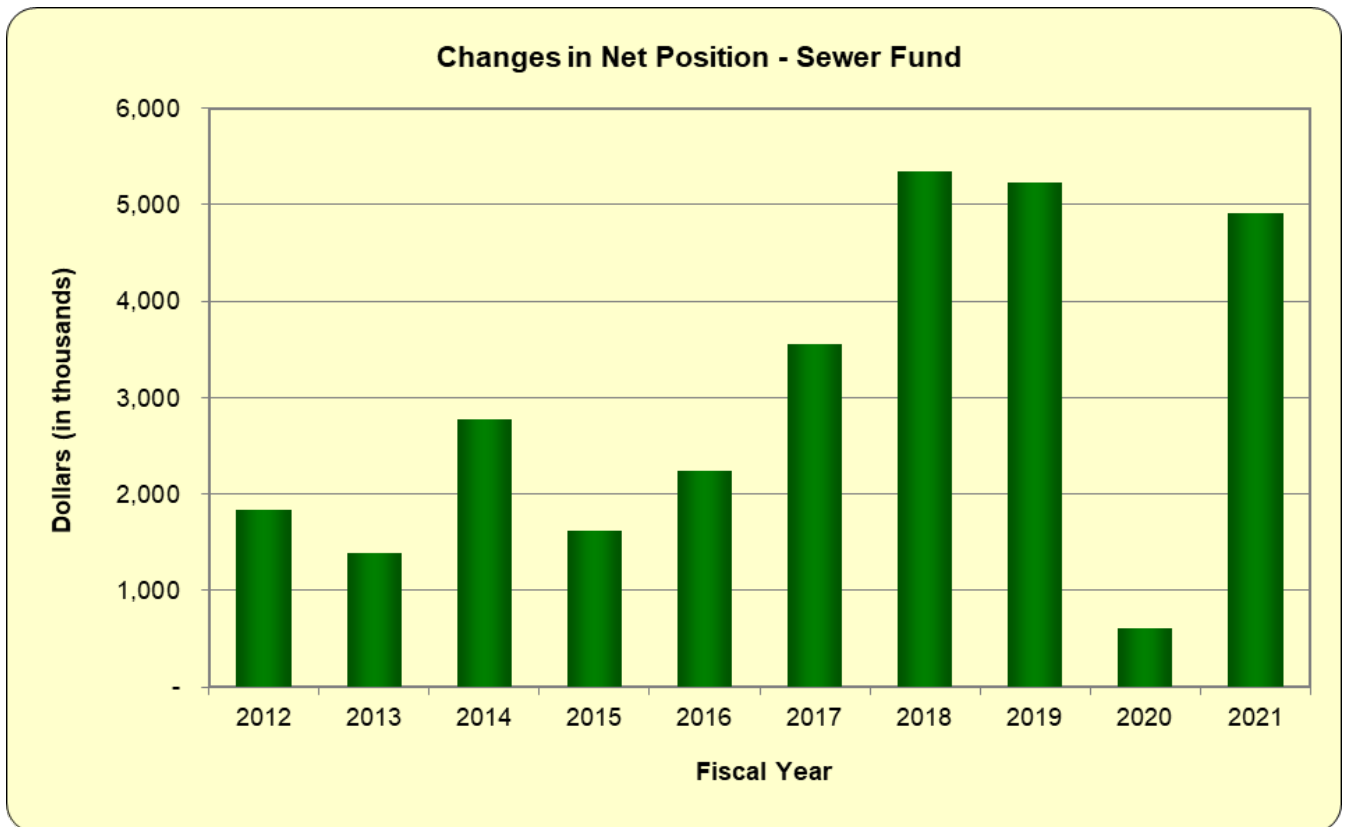
<u>Fiscal Year Ended</u>	<u>Total Operating Revenue ⁽¹⁾</u>	<u>Total Operating Expense</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Capital grants and contributions</u>	<u>Changes in Net Position</u>
9/30/2012	17,325	14,411	2,914	(1,260)	185	1,839
9/30/2013	17,311	15,165	2,146	(761)	-	1,385 ⁽²⁾
9/30/2014	17,953	15,479	2,474	(462)	759	2,771
9/30/2015	17,903	16,024	1,879	(257)	-	1,622
9/30/2016	18,355	15,835	2,520	(280)	-	2,240
9/30/2017	19,949	15,312	4,637	(1,087)	-	3,550
9/30/2018	18,872	14,428	4,444	345	549	5,338
9/30/2019	19,130	14,903	4,227	909	96	5,232
9/30/2020	17,925	17,490	435	129	38	602
9/30/2021	18,320	13,244	5,076	(357)	189	4,908

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
NET POSITION BY COMPONENT - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

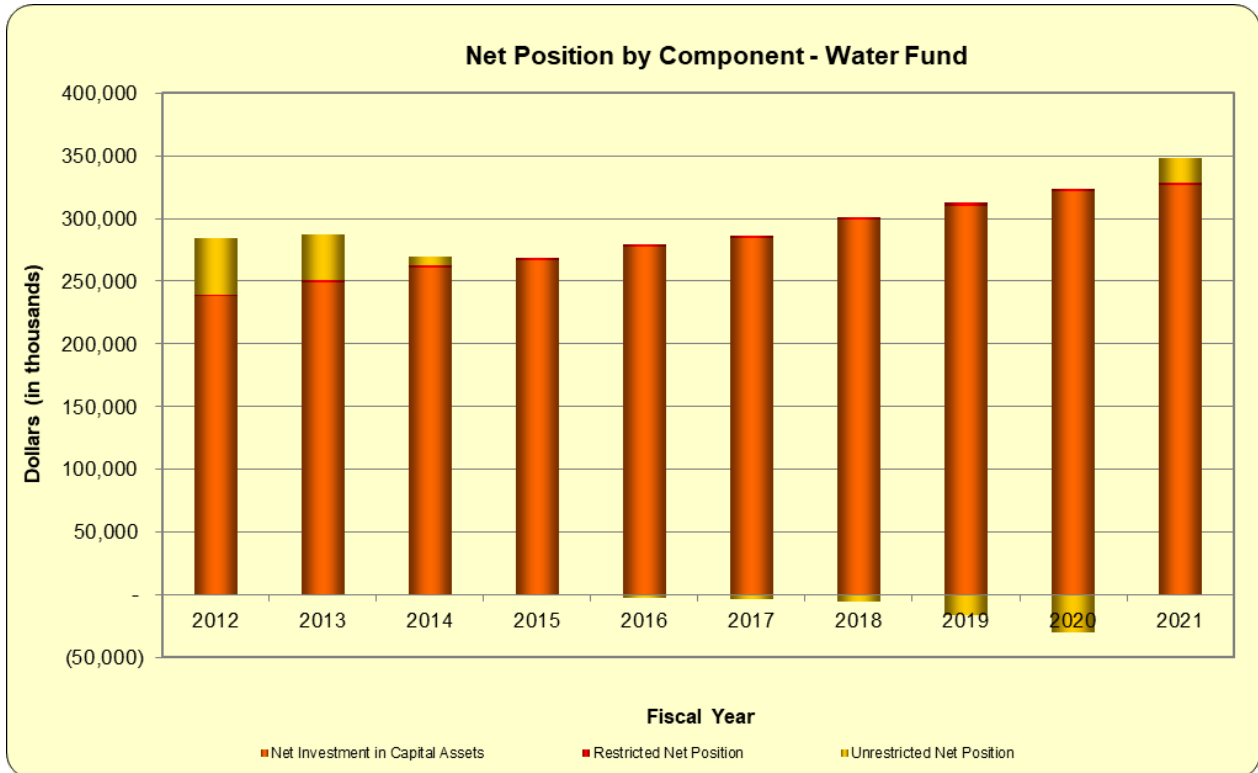
<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position (deficit)</u>	<u>Total Net Position</u>
9/30/2012	237,793	1,350	44,978	284,121
9/30/2013	249,256	1,656	36,814	287,726 ⁽¹⁾
9/30/2014	260,538	1,673	7,725	269,936
9/30/2015 ⁽²⁾	267,041	1,697	(143)	268,595
9/30/2016	277,394	1,716	(3,080)	276,030
9/30/2017	284,413	1,700	(3,349)	282,764
9/30/2018	299,325	1,706	(5,871)	295,160
9/30/2019	309,416	3,277	(16,603)	296,090
9/30/2020	321,467	2,377	(30,103)	293,741
9/30/2021	326,635	1,441	20,061	348,137

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT
NET POSITION BY COMPONENT - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)**

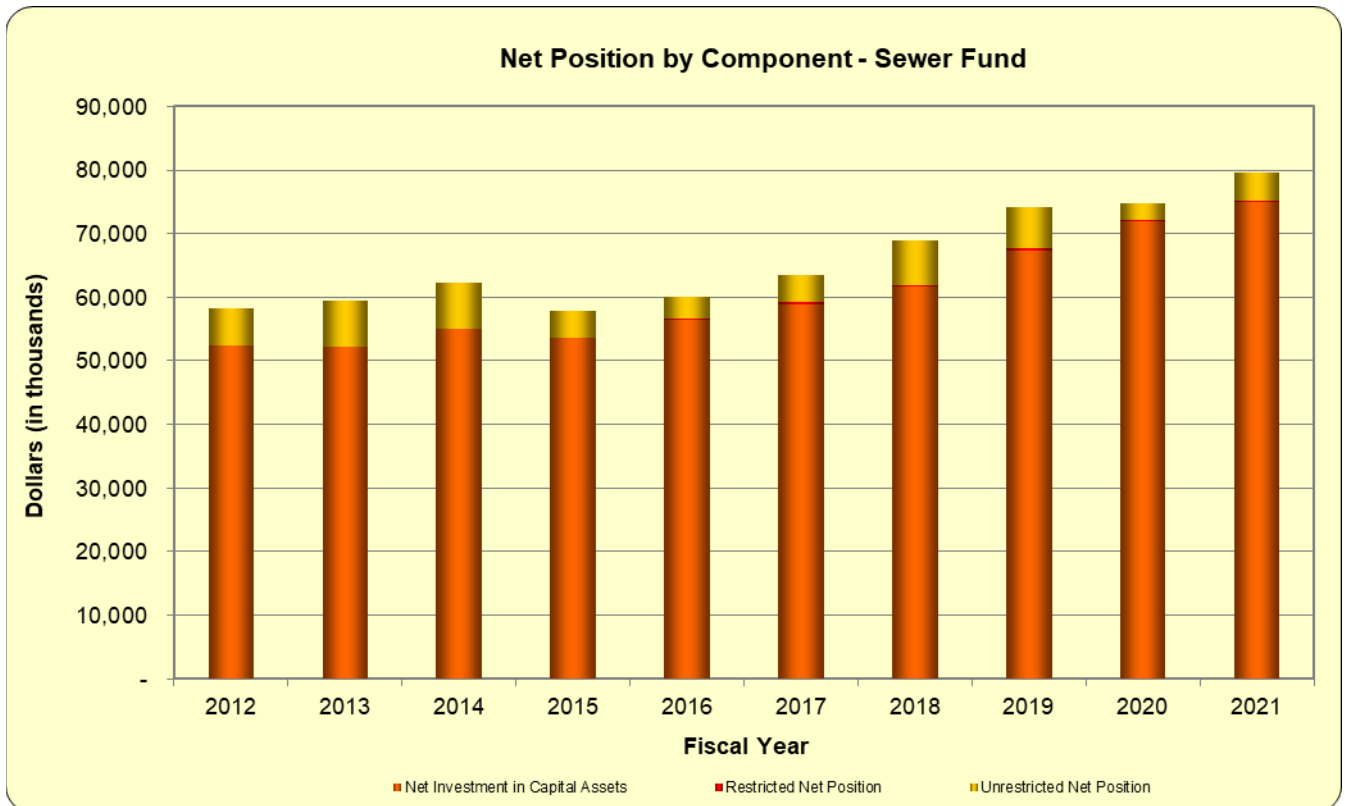
<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total Net Position</u>
9/30/2012	52,465	-	5,849	58,314
9/30/2013	52,151	-	7,412	59,563 ⁽¹⁾
9/30/2014	55,006	-	7,328	62,334
9/30/2015 ⁽²⁾	53,604	-	4,195	57,799
9/30/2016	56,462	84	3,493	60,039
9/30/2017	58,927	302	4,360	63,589
9/30/2018	61,593	303	7,031	68,927
9/30/2019	67,357	294	6,508	74,159
9/30/2020	71,906	304	2,551	74,761
9/30/2021	74,875	304	4,490	79,669

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



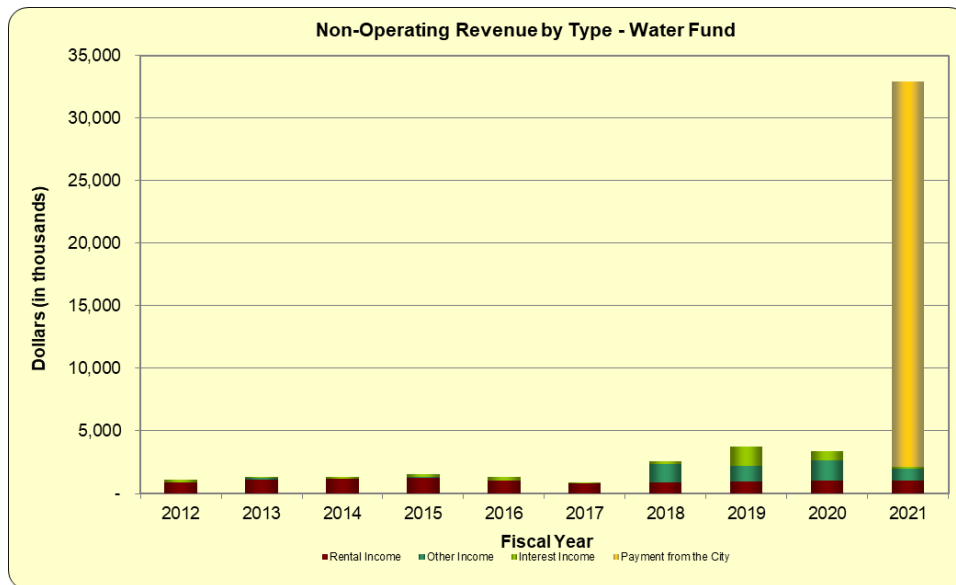
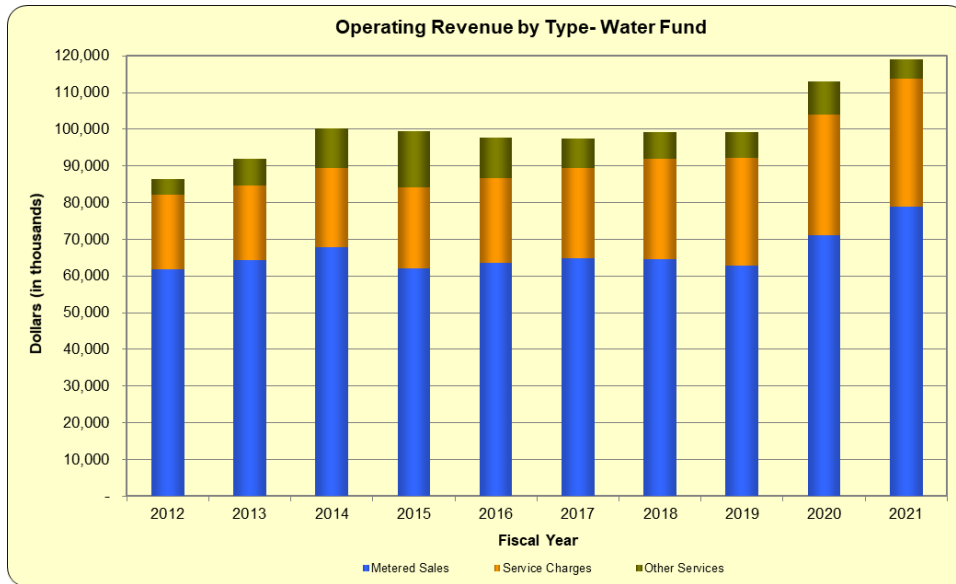
LONG BEACH WATER DEPARTMENT
WATER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING			Total Operating Revenue	NON-OPERATING				Total Non-Operating Income
	Metered Sales ⁽¹⁾	Service Charges	Other Services		Interest Income	Rental Income	Other Income	Payments from the City	
9/30/2012	61,884	20,223	4,408	86,515	193	885	-	-	1,078
9/30/2013	64,347	20,363	7,239	91,949	58	1,087	196	-	1,341
9/30/2014	67,818	21,548	10,821	100,187	120	1,158	36	-	1,314
9/30/2015	61,995	22,061	15,419	99,475	223	1,256	62	-	1,541
9/30/2016	63,658	23,121	10,871	97,650	299	1,027	-	-	1,326
9/30/2017	64,721	24,599	8,063	97,383	87	811	-	-	898
9/30/2018	64,490	27,325	7,358	99,173	210	905	1,429	-	2,544
9/30/2019	62,943	29,121	7,225	99,289	1,518	942	1,283	-	3,743
9/30/2020	71,141	32,807	9,143	113,091	697	1,043	1,636	-	3,376
9/30/2021	78,764	34,900	5,304	118,968	101	1,036	968	30,832	32,937

Notes: (1) Metered Sales is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report

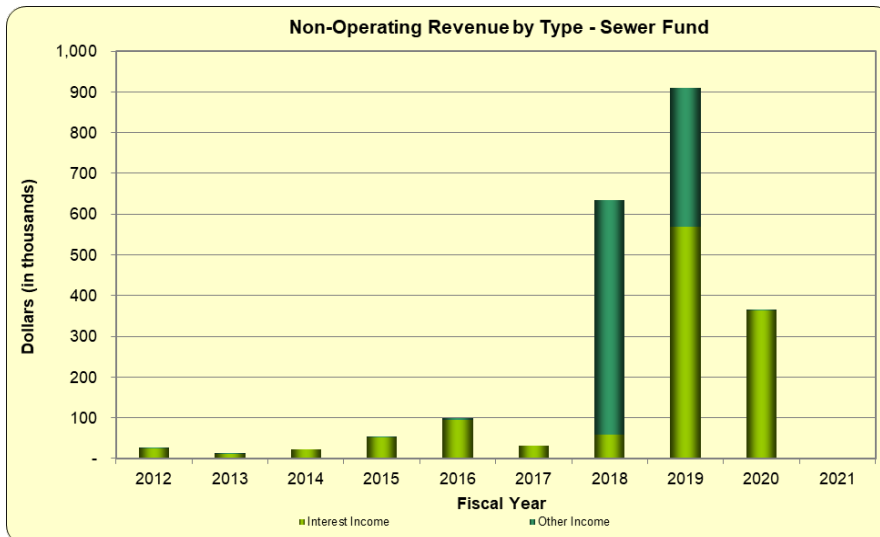
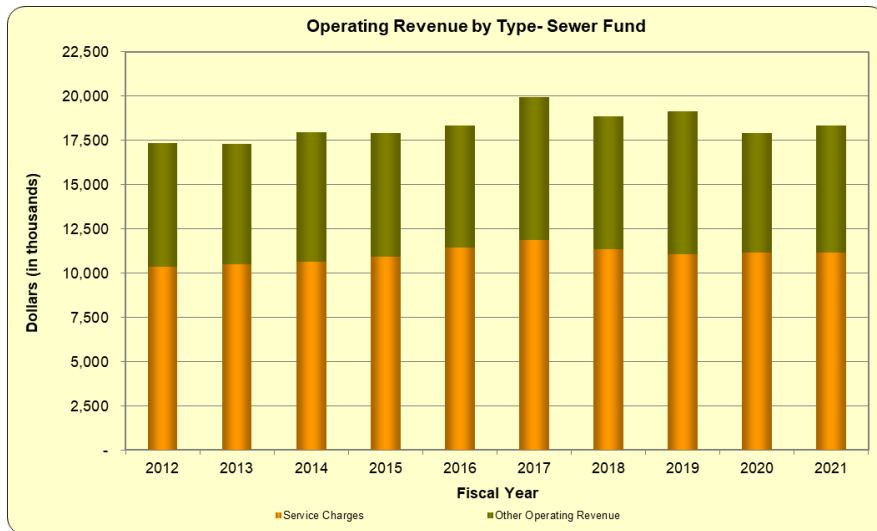


LONG BEACH WATER DEPARTMENT
SEWER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING			NON-OPERATING		
	Service Charges	Other Operating Revenue	Total Operating Revenue	Interest Income	Other Income	Total Non-Operating Income
9/30/2012	10,380	6,945	17,325	25	2	27
9/30/2013	10,477	6,834	17,311	11	2	13
9/30/2014	10,637	7,316	17,953	23	-	23
9/30/2015	10,916	6,987	17,903	52	2	54
9/30/2016	11,428	6,927	18,355	94	5	99
9/30/2017	11,870	8,079	19,949	32	-	32
9/30/2018	11,372	7,500	18,872	58	577	635
9/30/2019	11,082	8,048	19,130	568	341	909
9/30/2020	11,147	6,778	17,925	363	2	365
9/30/2021	11,162	7,158	18,320	-	-	-

Source: Department's annual reports

See accompanying independent auditors' report

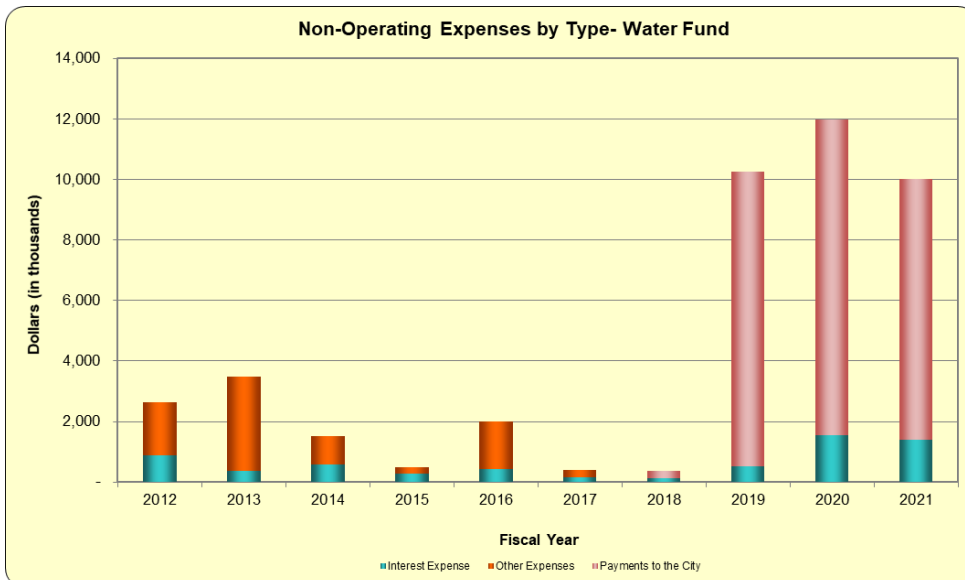
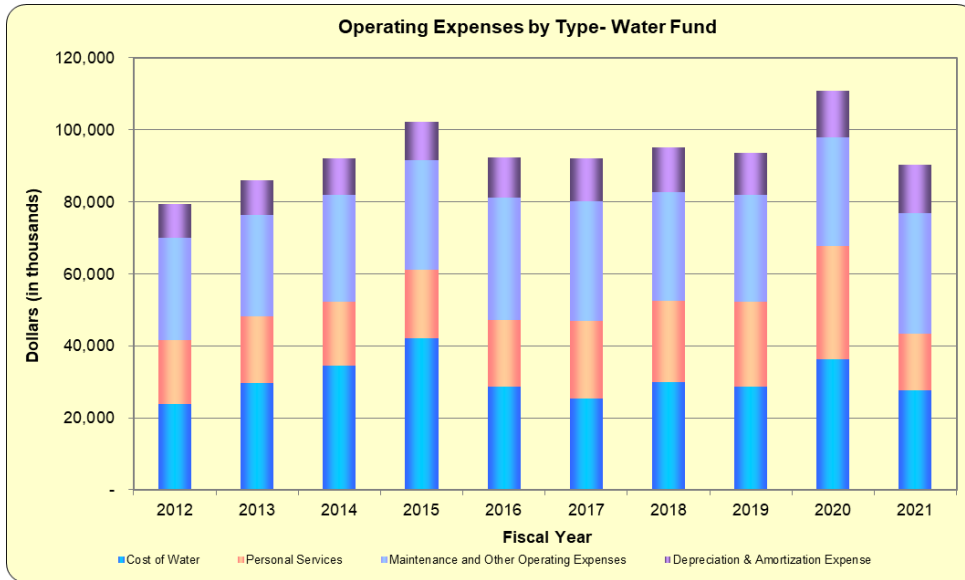


LONG BEACH WATER DEPARTMENT
WATER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING				
	Cost of Water	Personal Services	Maintenance and Other Operating Expenses	Depreciation & Amortization Expense	Total Operating Expenses	Interest Expense	Other Expenses	Payments to the City	Total Non-Operating Expenses
9/30/2012	23,887	17,594	28,502	9,359	79,342	872	1,779	-	2,651
9/30/2013	29,753	18,309	28,155	9,566	85,783	363	3,130	-	3,493
9/30/2014	34,378	17,822	29,566	10,226	91,992	587	943	-	1,530
9/30/2015	42,178	18,923	30,294	10,739	102,134	292	198	-	490
9/30/2016	28,743	18,405	33,936	11,169	92,253	433	1,565	-	1,998
9/30/2017	25,374	21,389	33,436	11,694	91,893	161	227	-	388
9/30/2018	29,927	22,500	30,086	12,553	95,066	123	-	254	377
9/30/2019	28,659	23,532	29,569	11,720	93,480	527	-	9,722	10,249
9/30/2020	36,163	31,617	29,932	13,025	110,737	1,538	-	10,450	11,988
9/30/2021	27,672	15,555	33,496	13,429	90,152	1,394	-	8,628	10,022

Source: Department's annual reports

See accompanying independent auditors' report

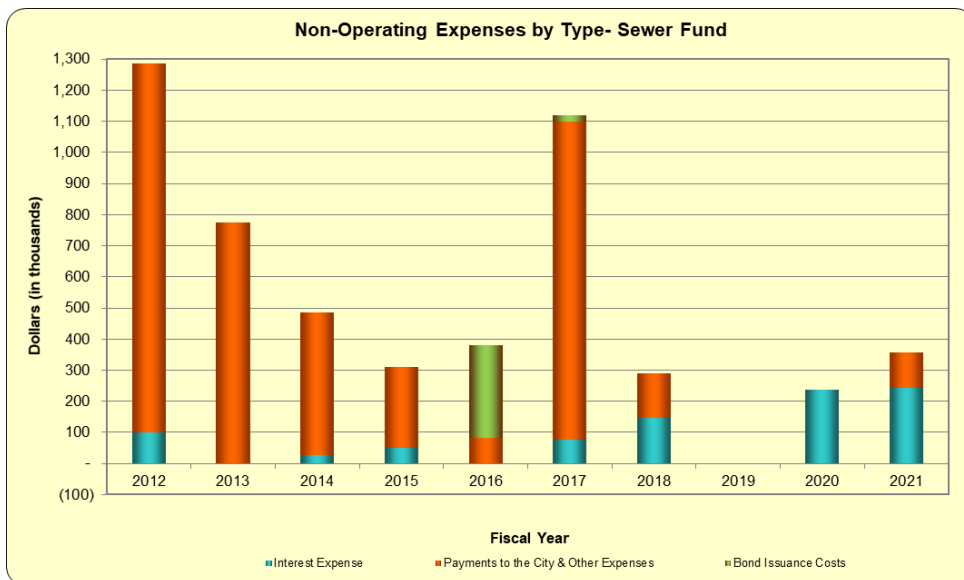
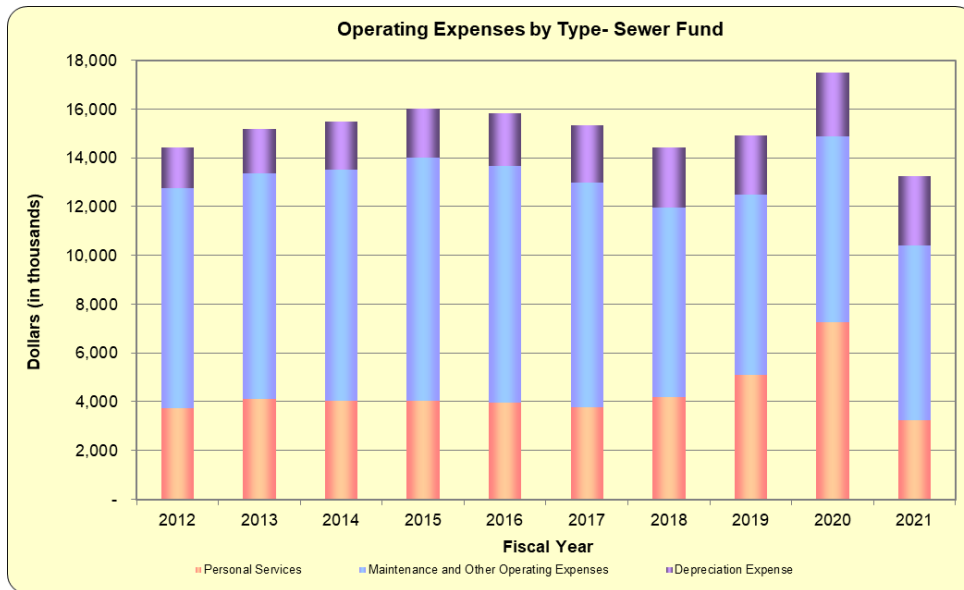


LONG BEACH WATER DEPARTMENT
SEWER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING			
	Personal Services	Maintenance and Other Operating Expenses	Depreciation Expense	Total Operating Expenses	Interest Expense	Payments to the City & Other Expenses	Bond Issuance Costs	Total Non-Operating Expenses
9/30/2012	3,748	8,988	1,675	14,411	101	1,186	-	1,287
9/30/2013	4,122	9,246	1,797	15,165	2	772	-	774
9/30/2014	4,043	9,475	1,961	15,479	27	458	-	485
9/30/2015	4,021	9,993	2,010	16,024	51	260	-	311
9/30/2016	3,968	9,680	2,187	15,835	-	81	298	379
9/30/2017	3,764	9,225	2,323	15,312	77	1,021	21	1,119
9/30/2018	4,206	7,732	2,490	14,428	146	144	-	290
9/30/2019	5,106	7,372	2,425	14,903	-	-	-	-
9/30/2020	7,240	7,639	2,611	17,490	236	-	-	236
9/30/2021	3,255	7,146	2,843	13,244	243	114	-	357

Source: Department's annual reports

See accompanying independent auditors' report



Revenue Capacity

These schedules contain information to help the reader assess the Department's significant revenue sources.

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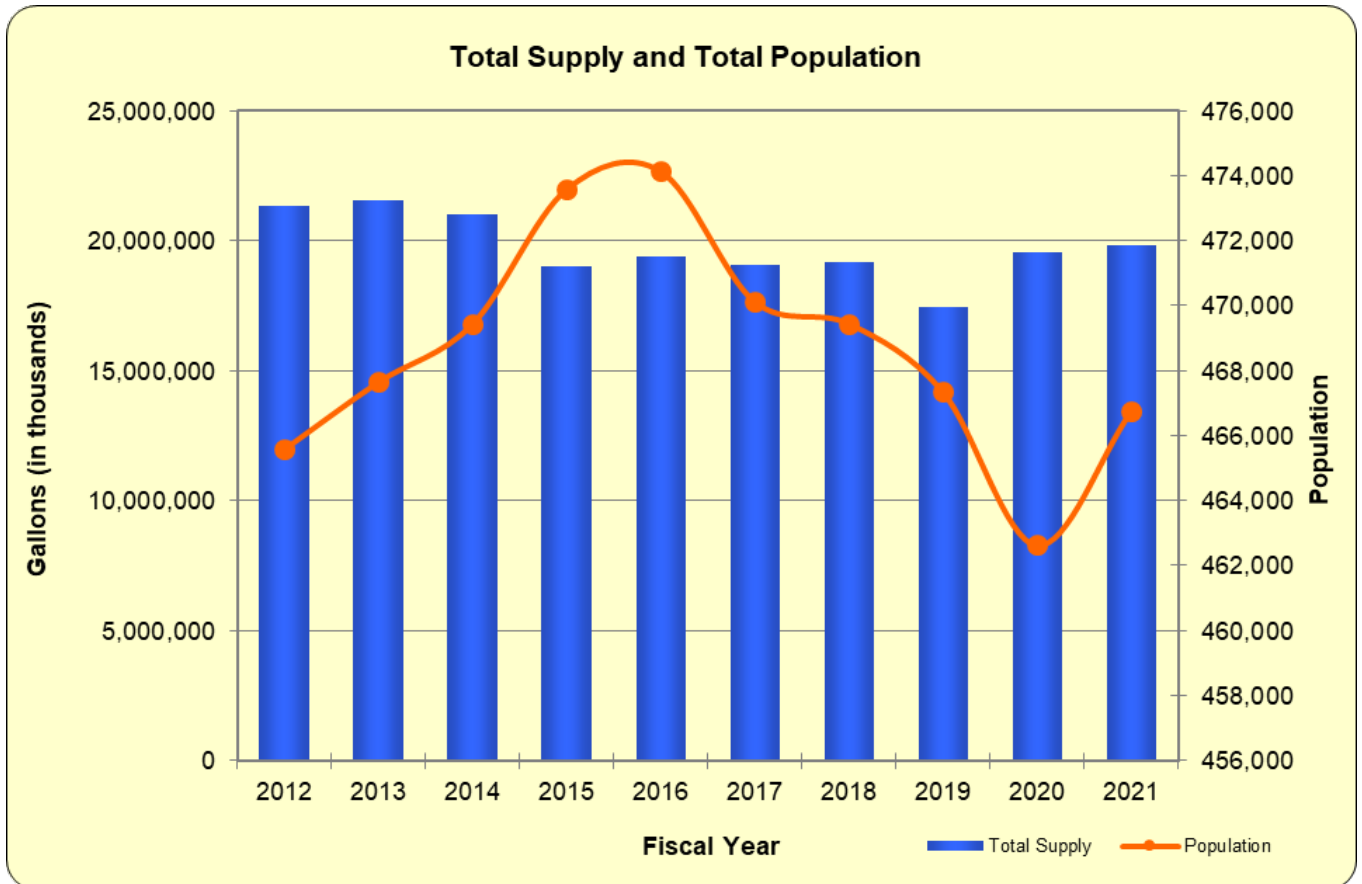
LONG BEACH WATER DEPARTMENT
SOURCE OF WATER (PUMPED, PURCHASED, AND RECLAIMED) AND CONSUMPTION - LAST TEN FISCAL YEARS
 (in thousands of gallons, except population)

Fiscal Year Ended	SOURCE OF SUPPLY				CONSUMPTION			
	Potable Water		Reclaimed Water	Total Supply	Average Daily Demand Potable Water ⁽¹⁾	Peak Day Distribution	Average Daily Sales Per Capita	Population
	Pumped	Purchased						
9/30/2012	10,772,406	8,302,455	2,255,671	21,330,532	52,260	74,700	126	465,576
9/30/2013	10,125,461	9,248,531	2,164,954	21,538,946	53,079	68,700	126	467,646
9/30/2014	9,131,485	9,990,526	1,897,724	21,019,735	52,389	72,000	123	469,428
9/30/2015	7,169,276	10,146,544	1,684,650	19,000,470	47,441	68,600	110	473,577
9/30/2016	10,455,223	6,487,074	2,470,635	19,412,932	46,417	63,300	112	474,140
9/30/2017	10,283,141	6,459,051	2,303,734	19,045,926	45,869	60,300	111	470,130
9/30/2018	9,479,592	7,901,528	1,790,910	19,172,030	47,620	64,200	112	469,450
9/30/2019	9,105,157	7,129,392	1,204,117	17,438,666	44,478	63,900	102	467,354
9/30/2020	7,424,678	10,339,252	1,805,475	19,569,405	48,668	58,900	116	462,628
9/30/2021	9,667,706	6,986,636	3,176,852	19,831,194	45,628	64,500	116	466,742

Note: (1) Does not include reclaimed water which is used for irrigation only.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
WATER RATES: VOLUMETRIC RATE CHARGES
LAST TEN FISCAL YEARS

Effective Date	Potable Water ⁽¹⁾			Reclaimed Water		
	TIER I ⁽²⁾	TIER II ⁽³⁾	TIER III ⁽⁴⁾	Peaking Rate Per Cubic Foot ⁽⁵⁾	Non-Peaking Rate Per Cubic Foot ⁽⁶⁾	Interruptible Rate Per Cubic Foot ⁽⁷⁾
10/1/2012	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2013	2.283	2.537	3.806	1.776	1.269	1.269
10/1/2014	2.374	2.638	3.957	1.847	1.319	1.319
10/1/2015	2.470	2.744	4.116	1.921	1.372	1.372
10/1/2016	2.569	2.854	4.281	1.998	1.427	1.427
7/1/2017 ⁽⁸⁾	1.921	3.678	5.366	1.859	1.578	1.578
10/1/2017	1.998	3.825	5.581	1.933	1.641	1.641
1/1/2018	1.914	3.664	5.347	1.852	1.572	1.572
10/1/2018	2.052	3.928	5.732	1.985	1.685	1.685
10/1/2019	2.298	4.399	6.420	2.223	1.887	1.887
10/1/2020	2.436	4.663	6.805	2.356	2.000	2.000

Note: (1) Volumetric rate charges for Single family residence, not granted an exemption (one billing unit equals 100 cubic feet).

(2) From 10/1/2007 to 10/1/2016, Tier I is billed for first five (5) billing units. Starting 7/1/2017, Tier I is billed for first six (6) billing units.

(3) All non-residential customers are charged at the Tier II rate. From 10/1/2007 to 10/1/2016, Tier II is billed for next ten (10) billing units. Starting 7/1/2017, Tier I is billed for first seven (7) billing units.

(4) From 10/1/2007 to 10/1/2016, Tier III is billed for over fifteen (15) billing units. Starting 7/1/2017, Tier III is billed for over thirteen (13) billing units.

(5) Rate for total average daily demand occurring between the hours of 9:00pm and 6:00am.

(6) Rate for total average daily demand occurring at a continuous, constant level over a 24 hour period.

(7) Rate for reclaimed water service that can be suspended at anytime at the Board of Water Commissioner's discretion, without liability and dependent upon the Department's reclaimed water system needs for such service.

(8) Restructured water rates effective July 1, 2017.

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4"	1" ⁽¹⁾	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2012	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2013	0.435	0.655	1.222	1.812	3.752	5.936	10.940	17.171	28.123	34.370	56.884
10/1/2014	0.452	0.681	1.271	1.884	3.902	6.173	11.378	17.858	29.248	35.745	59.159
10/1/2015	0.470	0.708	1.322	1.959	4.058	6.420	11.833	18.572	30.418	37.175	59.159
10/1/2016	0.489	0.736	1.375	2.037	4.220	6.677	12.306	19.315	31.635	38.662	63.986
7/1/2017 ⁽²⁾	0.550	0.815	1.478	2.273	4.790	8.102	18.039	37.251	55.800	70.374	103.497
10/1/2017	0.572	0.848	1.537	2.364	4.982	8.426	18.761	38.741	58.032	73.189	107.637
1/1/2018	0.548	0.812	1.472	2.265	4.773	8.072	17.973	37.114	55.595	70.115	103.116
10/1/2018	0.587	0.870	1.578	2.428	5.117	8.653	19.267	39.786	59.598	75.163	110.540
10/1/2019	0.657	0.974	1.767	2.719	5.731	9.691	21.579	44.560	66.750	84.183	123.805
10/1/2020	0.696	1.032	1.873	2.882	6.075	10.272	22.874	47.234	70.755	89.234	131.233

Note: (1) Normal residential size.

(2) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY FIRELINE SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2012	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2013	0.907	1.551	2.291	3.904	5.723	7.742	9.758	14.308
10/1/2014	0.943	1.613	2.383	4.060	5.952	8.052	10.148	14.880
10/1/2015	0.981	1.678	2.478	4.222	6.190	8.374	10.554	15.475
10/1/2016	1.020	1.745	2.577	4.391	6.438	8.709	10.976	16.094
7/1/2017 ⁽¹⁾	0.325	0.654	1.221	3.256	6.767	12.047	19.365	41.095
10/1/2017	0.338	0.680	1.270	3.386	7.038	12.529	20.140	42.739
1/1/2018	0.324	0.651	1.217	3.244	6.742	12.003	19.294	40.944
10/1/2018	0.347	0.698	1.305	3.478	7.227	12.867	20.683	43.892
10/1/2019	0.389	0.782	1.462	3.895	8.094	14.411	23.165	49.159
10/1/2020	0.412	0.829	1.550	4.129	8.580	15.276	24.555	52.109

Note: (1) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
TEN LARGEST POTABLE WATER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2021					Fiscal Year 2012				
Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	\$ 6,488	3,147	6.16 %	Government	1	\$ 4,391	4,393	7.84 %
Education	2	1,328	492	0.96	Education	2	950	680	1.21
Utility	3	1,014	628	1.23	Utility	3	765	710	1.27
Utility	4	730	447	0.87	Education	4	500	433	0.77
Education	5	672	355	0.69	Utility	5	489	440	0.79
Healthcare	6	511	266	0.52	Utility	6	474	435	0.78
Healthcare	7	479	283	0.55	Government	7	335	247	0.44
Utility	8	426	238	0.47	Healthcare	8	310	269	0.48
Education	9	265	65	0.13	Healthcare	9	308	279	0.50
Oil Production	10	261	158	0.31	Cruise Line	10	244	224	0.40
Total Ten Largest Users		12,174	6,079	11.89	Total Ten Largest Users		8,766	8,110	14.48
Total All Other Users		96,602	45,031	88.11	Total All Other Users		70,575	47,919	85.52
Total City		\$ 108,776	51,110	100.00	Total City		\$ 79,341	56,029	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
TEN LARGEST RECLAIMED WATER USERS IN CITY OF LONG BEACH
 CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2021				Fiscal Year 2012			
Industry	Ranking	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Acre Feet (AF)	AF Percent of Total
Water Resource Management	1	4,156	42.63 %	Water Resource Management	1	2,277	32.90 %
Oil Production	2	1,928	19.78	Oil Production	2	1,454	21.01
Golf Course	3	1,534	15.73	Golf Course	3	1,328	19.19
Government	4	1,269	13.02	Government	4	1,073	15.50
Education	5	191	1.96	Education	5	180	2.60
Education	6	126	1.29	Memorial Park	6	116	1.68
Memorial Park	7	124	1.27	Golf Course	7	94	1.36
Memorial Park	8	100	1.03	Memorial Park	8	87	1.26
Education	9	76	0.78	Education	9	82	1.18
Property Management	10	33	0.34	Education	10	75	1.08
Total Ten Largest Users		9,537	97.83	Total Ten Largest Users		6,766	97.76
Total All Other Users		212	2.17	Total All Other Users		156	2.24
Total City		9,749	100.00	Total City		6,922	100.00

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 15

LONG BEACH WATER DEPARTMENT
SEWER RATES: VOLUMETRIC RATE CHARGES & CAPACITY CHARGES
 LAST TEN FISCAL YEARS

Effective Date	Volumetric Rate Charges ⁽¹⁾	Capacity Charges ⁽²⁾
10/1/2011	0.347	91.370
10/1/2012	0.347	93.200
10/1/2013	0.347	93.390
10/1/2014	0.361	97.310
10/1/2015	0.375	99.520
10/1/2016	0.390	101.110
7/1/2017 ⁽³⁾	0.390	101.110
10/1/2017	0.398	108.390
1/1/2018	0.357	108.390
10/1/2018	0.357	108.720
10/1/2019	0.357	109.050
10/1/2020	0.357	109.160

Note: (1) Volumetric rate charges one (1) billing unit equals 100 cubic feet.

(2) A one-time capacity charge per equivalent fixture unit is applied to all new developments in the City.

(3) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
SEWER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4" ⁽¹⁾	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2011	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2012	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2013	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2014	0.260	0.412	0.750	1.088	2.251	3.565	6.568	10.317	16.878	20.632	33.760
10/1/2015	0.270	0.428	0.780	1.132	2.341	3.708	6.831	10.731	17.553	21.457	35.110
10/1/2016	0.281	0.445	0.811	1.177	2.435	3.856	7.104	11.159	18.255	22.315	36.514
7/1/2017 ⁽²⁾	0.246	0.365	0.957	1.649	3.842	5.558	15.482	16.412	25.405	32.042	47.125
10/1/2017	0.251	0.372	0.976	1.682	3.919	5.669	15.792	16.740	25.913	32.683	48.068
1/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2019	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2020	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069

Note: (1) Normal residential size

(2) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
TEN LARGEST SEWER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

Industry	Fiscal Year 2021				Industry	Fiscal Year 2012			
	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total		Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	\$ 414	1,209	3.24 %	Government	1	\$ 334	1,412	3.44 %
Education	2	250	289	0.78	Education	2	179	395	0.96
Education	3	96	349	0.94	Education	3	86	416	1.01
Healthcare	4	76	263	0.70	Healthcare	4	55	264	0.64
Education	5	59	64	0.17	Government	5	45	170	0.41
Healthcare	6	35	122	0.33	Residential Community	6	23	104	0.25
Hotel	7	30	44	0.12	Hotel	7	22	53	0.13
Manufacturing	8	26	54	0.14	Residential Community	8	20	82	0.20
Manufacturing	9	25	131	0.35	Manufacturing	9	17	75	0.18
Government	10	24	30	0.08	Residential Community	10	17	71	0.17
Total Ten Largest Users		1,035	2,555	6.85	Total Ten Largest Users		798	3,042	7.39
Total All Other Users		15,842	34,717	93.15	Total All Other Users		15,744	38,051	92.61
Total City		\$ 16,877	37,272	100.00	Total City		\$ 16,542	41,093	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

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Debt Capacity Information

These schedules contain information to help the reader assess the affordability of the Department's current levels of outstanding debt and ability to issue additional debt in the future.

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LONG BEACH WATER DEPARTMENT
WATER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Operating Income	Net Non-Operating Income/ (Expense) ⁽³⁾	Amount Available for Debt Service	Principal	Interest	Total Debt Service ⁽⁴⁾	Times Coverage
9/30/2012	86,515	69,983	16,532	(331)	16,201	490	1,249	1,739	9.32
9/30/2013	91,949	76,217	15,732	(1,985)	13,747	2,110	1,485	3,595	3.82
9/30/2014	100,187	81,766	18,421	335	18,756	2,385	1,502	3,887	4.83
9/30/2015	99,475	91,395	8,080	1,541	9,621	2,510	1,390	3,900	2.47
9/30/2016	97,650	81,084	16,566	44	16,610	2,630	1,264	3,894	4.27
9/30/2017	97,383	80,199	17,184	764	17,948	2,730	1,165	3,895	4.61
9/30/2018	99,173	82,767	16,406	2,406	18,812	2,815	1,077	3,892	4.83
9/30/2019	99,289	81,760	17,529	(6,085)	11,444	2,930	965	3,895	2.94
9/30/2020	113,091	97,712	15,379	(7,056)	8,323	3,050	848	3,898	2.14
9/30/2021	118,968	76,723	42,245	(6,196)	36,049	3,170	725	3,895	9.26

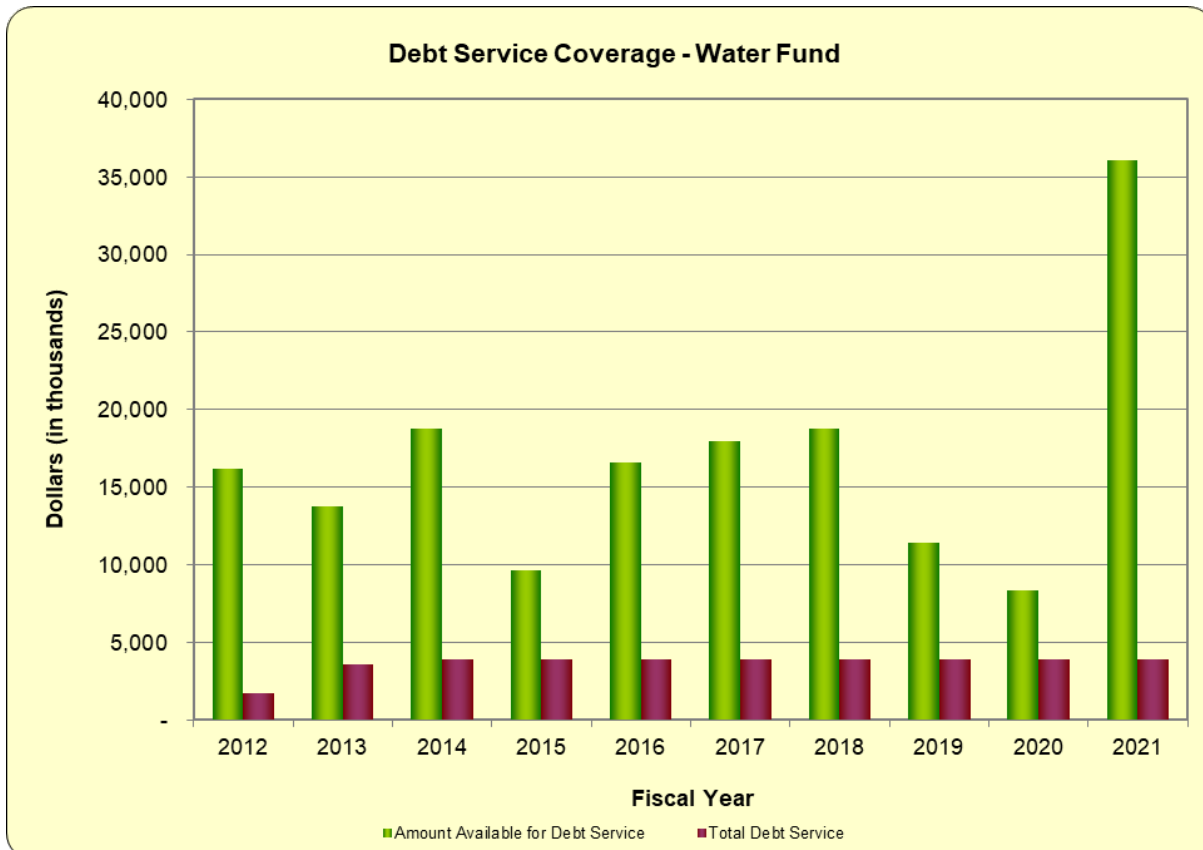
Bond Issues: Water Revenue Refunding Bonds - 1997 Series A, 2010 Series A, & 2012 Series A

Average Coverage, ten years	4.85
Rate Covenant (Series: 1997A, 2010A, & 2012A)	1.10

- Notes:(1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Operating Expenses are exclusive of depreciation expense.
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, capital grants and contributions and loss on disposition of property.
(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.
(5) Debt Service for FY2010 includes interest only, reflecting the issuance of Water Revenue Refunding Bonds - Series 2010A to advance refund 82.4% of outstanding Series 1997A Water Revenue Refunding Bonds. The refunding reduced the Department's aggregate debt service payments by \$3.3 million, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
SEWER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Operating Income	Net Non-Operating Income (Expense) ⁽³⁾	Amount Available for Debt Service	Principal	Interest	Total Debt Service ⁽⁴⁾	Times Coverage
9/30/2012	17,325	12,736	4,589	(1,161)	3,428	-	57	57	60.14
9/30/2013	17,311	13,368	3,943	(761)	3,182	-	54	54	58.93
9/30/2014	17,953	13,518	4,435	(434)	4,001	-	76	76	52.64
9/30/2015	17,903	14,014	3,889	(208)	3,681	-	79	79	46.59
9/30/2016	18,355	13,648	4,707	13	4,720	-	125	125	37.76
9/30/2017	19,949	12,989	6,960	(969)	5,991	460	269	729	8.22
9/30/2018	18,872	11,984	6,888	635	7,523	330	395	725	10.38
9/30/2019	19,130	12,478	6,652	812	7,464	345	382	727	10.27
9/30/2020	17,925	14,879	3,046	356	3,402	360	368	728	4.67
9/30/2021	18,320	10,401	7,919	(114)	7,805	375	354	729	10.71

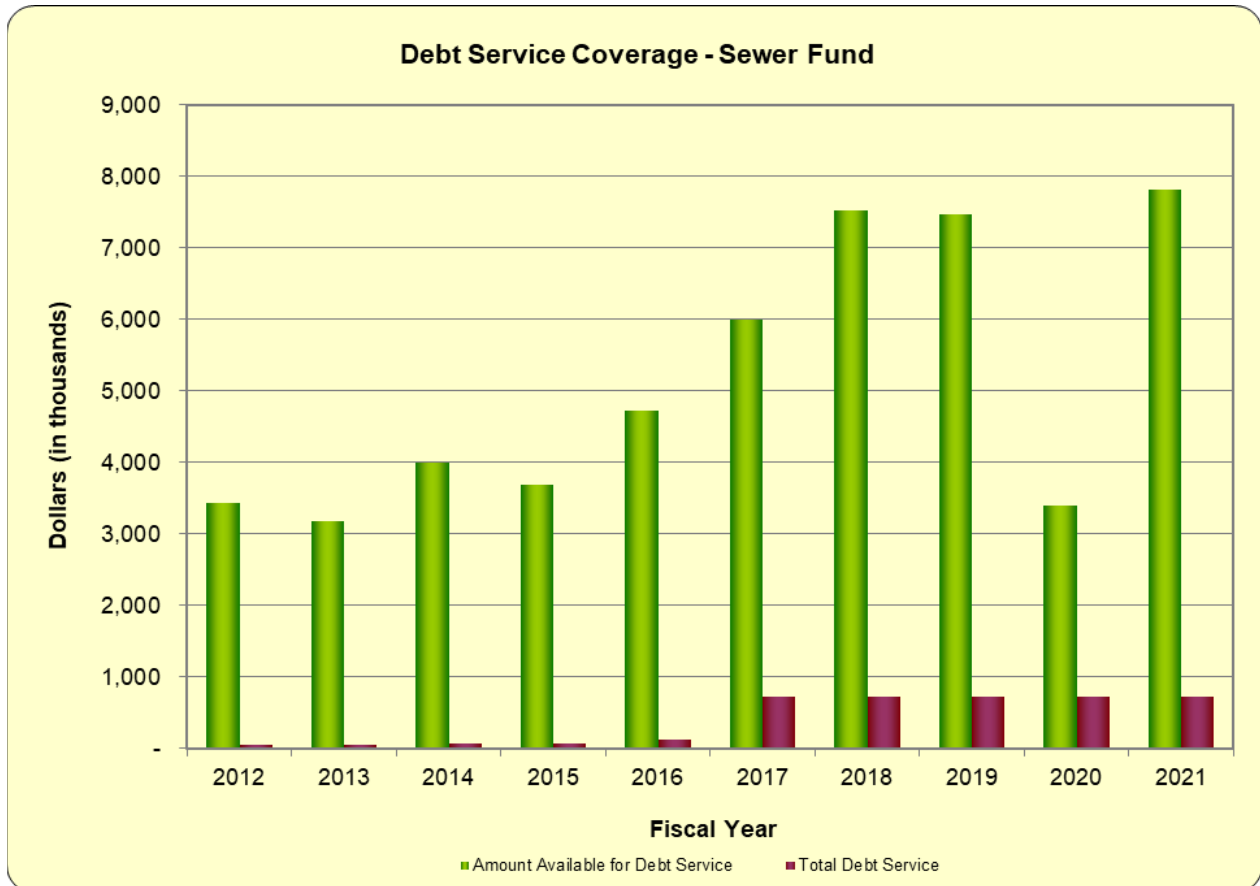
Average Coverage, ten years	30.03
Rate Covenant	1.25

Bond Issues: None

- Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.
(2) Operating Expenses are exclusive of depreciation expense.
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, capital grants and contributions and loss on disposition of property.
(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 20

LONG BEACH WATER DEPARTMENT
WATER FUND RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds			Capital Lease	Discounts, premiums, & adjustments	Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	Series 1997	Series 2010	Series 2012					
9/30/2012	5,175	22,250	9,850	-	1,584	38,859	0.28%	0.083
9/30/2013	3,545	22,125	9,495	-	3,498	38,663	0.26%	0.083
9/30/2014	1,825	21,995	8,960	-	3,107	35,887	0.23%	0.076
9/30/2015	-	21,860	8,410	-	2,703	32,973	0.20%	0.070
9/30/2016	-	19,795	7,845	-	2,303	29,943	0.18%	0.063
9/30/2017	-	17,645	7,265	-	1,914	26,824	0.15%	0.057
9/30/2018	-	15,435	6,660	-	1,537	23,632	0.13%	0.050
9/30/2019	-	13,135	6,030	26,326	1,190	46,681	0.25%	0.100
9/30/2020	-	10,740	5,375	24,860	873	41,848	0.21%	0.090
9/30/2021	-	8,250	4,695	21,226	594	34,765	0.17%	0.074

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

(Unaudited)

Exhibit 21

LONG BEACH WATER DEPARTMENT
SEWER FUND RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds	Sewer Revolving Line of Credit	Premium	Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	Series 2016A					
9/30/2012	-	6,000	-	6,000	0.04%	0.013
9/30/2013	-	9,750	-	9,750	0.07%	0.021
9/30/2014	-	9,750	-	9,750	0.06%	0.021
9/30/2015	-	11,250	-	11,250	0.07%	0.024
9/30/2016	9,830	-	1,719	11,549	0.07%	0.024
9/30/2017	9,370	-	1,584	10,954	0.06%	0.023
9/30/2018	9,040	-	1,453	10,493	0.06%	0.022
9/30/2019	8,695	-	1,323	10,018	0.05%	0.021
9/30/2020	8,335	-	1,197	9,532	0.05%	0.021
9/30/2021	7,960	-	1,074	9,034	0.04%	0.019

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

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**LONG BEACH WATER DEPARTMENT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended</u>	<u>Estimated Population ^{(1) (4)}</u>	<u>Personal Income (in millions) ^{(2) (4)}</u>	<u>Per Capita Personal Income ^{(2) (4)}</u>	<u>Unemployment Rate ⁽³⁾</u>
9/30/2012	465,576	14,058	30,196	12.2%
9/30/2013	467,646	14,757	31,556	10.3%
9/30/2014	469,428	15,525	33,072	8.6%
9/30/2015	473,577	16,242	34,296	6.8%
9/30/2016	474,140	16,939	35,725	5.7%
9/30/2017	470,130	17,490	37,203	5.3%
9/30/2018	469,450	18,209	38,789	4.7%
9/30/2019	467,354	18,892	40,423	4.7%
9/30/2020	462,628	19,467	42,079	15.9%
9/30/2021	466,742 ⁽⁶⁾	20,460	43,836	8.9%

Source: (1) California Department of Finance Demographic Reports

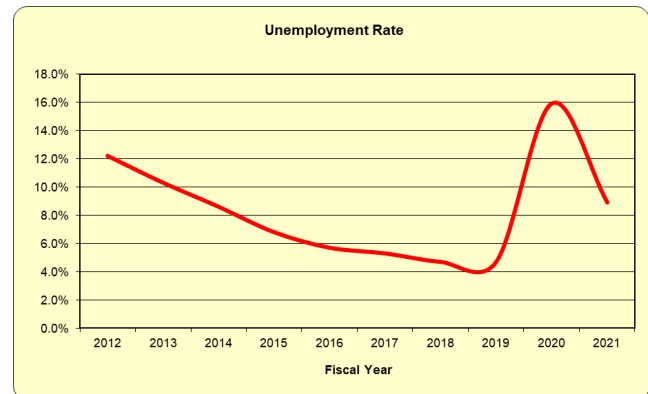
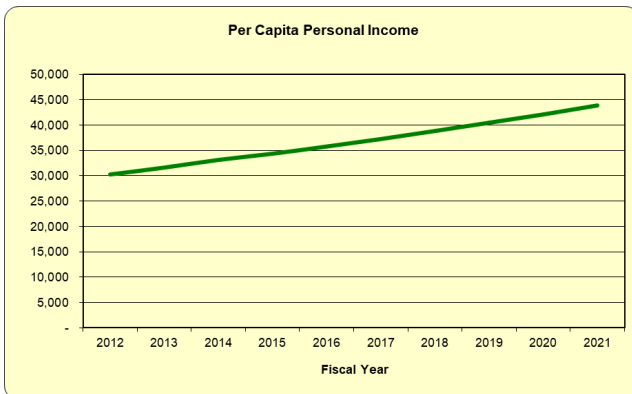
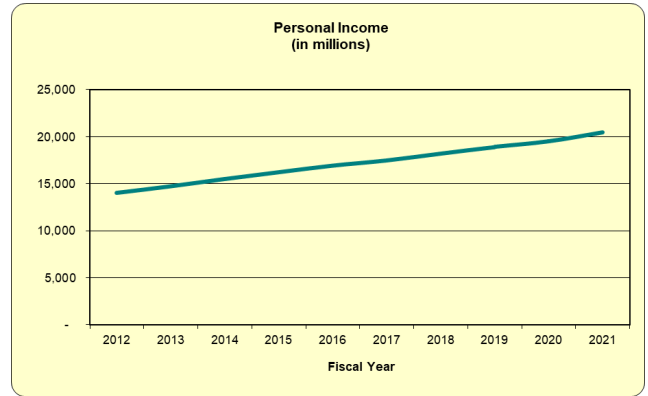
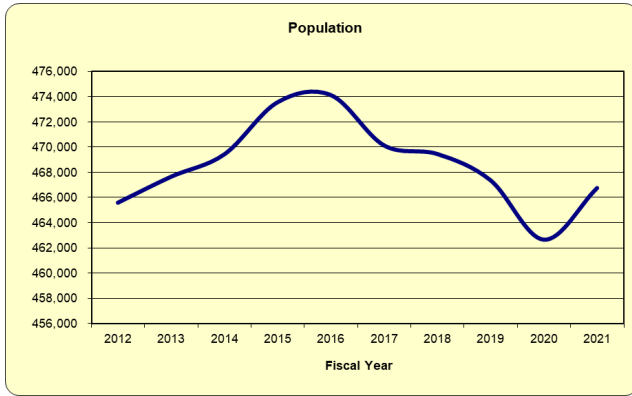
(2) U.S. Department of Commerce, Bureau of Economic Analysis: Personal Income and per capita personal income are based on percent change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistical Area). The BEA's Report does not have personal income available for 2015, so an average of the last five years was used.

(3) Average annual rate reported by California Employment Development Department (EDD) for Long Beach city.

(4) Data from 2008-2014 restated due to the annual revisions.

(5) Data is estimated value from previous year.

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT
MAJOR EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Employer</u>	<u>Fiscal Year 2021</u>			<u>Fiscal Year 2012</u>		
	<u>Ranking</u>	<u>Number of Employees⁽¹⁾</u>	<u>Percentage of Total City Employment⁽²⁾</u>	<u>Ranking</u>	<u>Number of Employees⁽¹⁾</u>	<u>Percentage of Total City Employment⁽²⁾</u>
Long Beach Unified School District	1	11,157	4.72%	1	11,334	4.83%
City of Long Beach	2	5,384	2.28%	2	5,758	2.45%
Long Beach Memorial Medical Center	3	5,114	2.16%	3	5,743	2.45%
Veteran Affairs Medical Center	4	3,300	1.40%	6	2,200	0.94%
California State University Long Beach	5	3,120	1.32%	5	3,527	1.50%
Long Beach City College	6	2,515	1.06%	7	1,785	0.76%
The Boeing Company	7	1,844	0.78%	4	5,186	2.21%
St. Mary Medical Center	8	1,558	0.66%	9	1,432	0.61%
California State Univ Long Beach Research Foundation	9	1,227	0.52%	8	1,500	0.64%
Molina Healthcare Inc	10	1,119	0.47%			
United States Postal Service				10	1,306	0.56%

Sources: (1) Department of Financial Management Accounting and Business License
(2) State of California Employment Development Department Labor Market Info for 2012 and 2021.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT
NUMBER OF EMPLOYEES BY FUND
LAST TEN FISCAL YEARS**

<u>Fiscal Year Ended</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
9/30/2012	184	48	232
9/30/2013	179	47	226
9/30/2014	170	49	219
9/30/2015	172	47	219
9/30/2016	180	44	224
9/30/2017	183	47	230
9/30/2018	207	47	254
9/30/2019	214	56	270
9/30/2020	212	49	261
9/30/2021	220	44	264

Sources: Department's Personnel records

See accompanying independent auditors' report

Operating Information

These schedules contain information about operations and resources to help the reader understand how the Department's financial information relates to the services the Department provides and the activities it performs.

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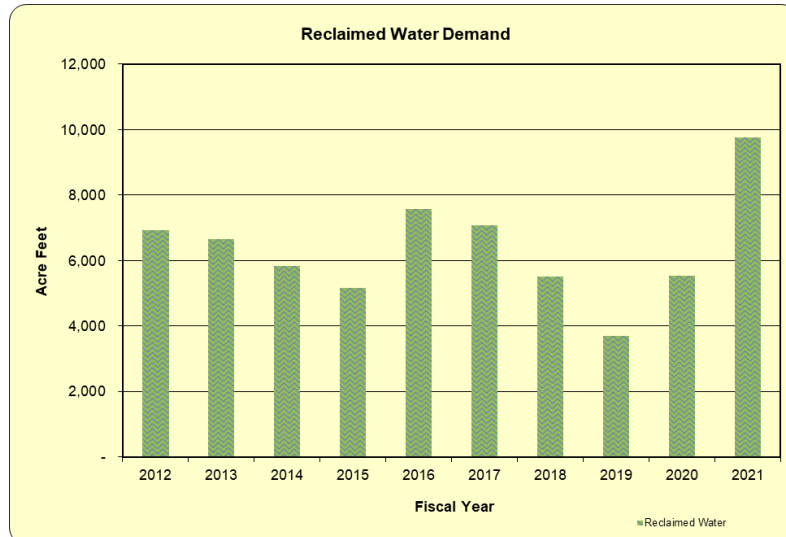
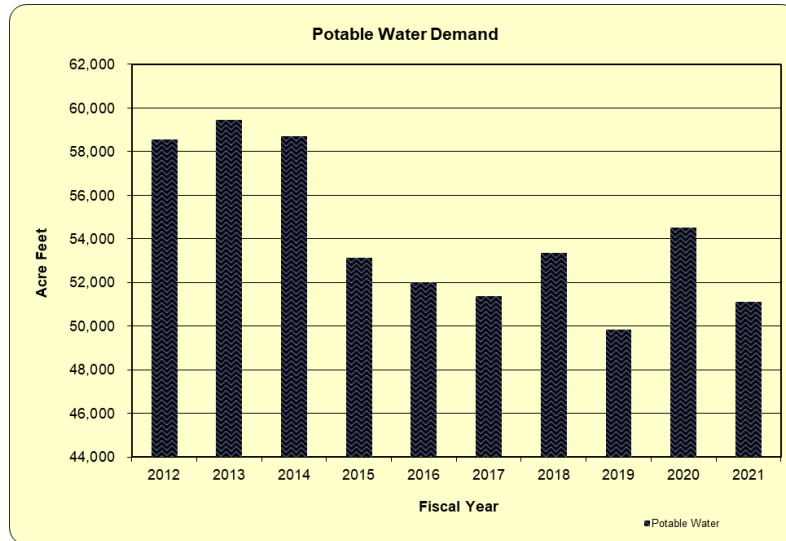
LONG BEACH WATER DEPARTMENT
WATER DEMAND - LAST TEN FISCAL YEARS
(in acre feet)

Fiscal Year Ended	Potable Water		Total Potable Demand	Reclaimed Water	Total Demand
	Pumped	Purchased			
9/30/2012	33,059	25,479	58,538	6,922	65,460
9/30/2013	31,074	28,383	59,457	6,644	66,101
9/30/2014	28,024	30,660	58,683	5,824	64,507
9/30/2015	22,002	31,139	53,141	5,170	58,311
9/30/2016	32,086	19,908	51,994	7,582	59,576
9/30/2017	31,558	19,822	51,380	7,070	58,450
9/30/2018	29,092	24,249	53,341	5,496	58,837
9/30/2019	27,943	21,879	49,822	3,695	53,517
9/30/2020	22,785	31,730	54,515	5,541	60,056
9/30/2021	29,669	21,441	51,110	9,749	60,860

Note: One acre foot equals 43,560 cubic feet or 325,851 gallons.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 26

LONG BEACH WATER DEPARTMENT
METROPOLITAN WATER DISTRICT'S RATE CHANGES
 LAST TEN FISCAL YEARS
 (in dollars per acre foot)

<u>Effective Date</u>	<u>Non-Interruptible Treated Water</u>	<u>Percent Change Non-Interruptible Treated Water</u>
1/1/2012	794	6.7
1/1/2013	847	6.7
1/1/2014	890	5.1
1/1/2015	923	3.7
1/1/2016	942	2.1
1/1/2017	979	3.9
1/1/2018	1,015	3.7
1/1/2019	1,050	3.4
1/1/2020	1,078	2.7
1/1/2021	1,104	2.4

Source: Metropolitan Water District of Southern California

See accompanying independent auditors' report

(Unaudited)

Exhibit 27

LONG BEACH WATER DEPARTMENT
WATER REPLENISHMENT DISTRICT ASSESSMENT (PUMP TAX)
 LAST TEN FISCAL YEARS

<u>Effective Date</u>	<u>Rate per Acre-Foot</u>	<u>Percent Change</u>
7/1/2012	244.00	-
7/1/2013	268.00	9.8
7/1/2014	268.00	-
7/1/2015	283.00	5.6
7/1/2016	297.00	4.9
7/1/2017	318.00	7.1
7/1/2018	339.00	6.6
7/1/2019	365.00	7.7
7/1/2020	382.00	4.7
7/1/2021	394.00	3.1

Source: Water Replenishment District of Southern California (WRD)

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - WATER FUND
LAST TEN FISCAL YEARS

Fiscal Year Ended	Water System			Water Quality		Reclaimed System	
	Number of Active Groundwater wells	Miles of water mains	Number of active water service	Number of fire hydrants	Number of water samples collected	Number of tests performed	Miles of Pipeline
9/30/2012	31	911	89,957	6,594	12,292	57,310	33
9/30/2013	31	912	89,996	6,589	14,388	60,819	34
9/30/2014	31	912	89,895	6,604	13,750	58,968	34
9/30/2015	31	912	89,897	6,631	13,050	57,070	34
9/30/2016	31	912	90,955	6,894	14,635	72,587	34
9/30/2017	31	912	89,147	6,910	15,370	79,442	34
9/30/2018	30	912	89,354	6,953	16,421	82,033	34
9/30/2019	27	916	89,805	7,036	16,316	75,459	34
9/30/2020	24	917	90,192	7,049	13,273	65,771	35
9/30/2021	24	917	90,126	7,054	11,709	63,758	35

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 29

LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - SEWER FUND
LAST TEN FISCAL YEARS

Fiscal Year Ended	Number of sewer pump stations	Miles of sewer pipelines	Number of sewer manholes
9/30/2012	28	712	16,148
9/30/2013	28	714	16,158
9/30/2014	28	714	16,170
9/30/2015	28	714	15,129
9/30/2016	28	714	15,127
9/30/2017	28	714	15,112
9/30/2018	28	714	15,122
9/30/2019	28	714	15,125
9/30/2020	28	715	15,126
9/30/2021	28	715	15,132

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
INFRASTRUCTURE MAINTENANCE AND IMPROVEMENTS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Cast Iron Water Mains Replaced (in feet)	Fire Hydrants Repaired	Water Meters Repaired ⁽²⁾	Sewer Mains & Laterals Repaired⁽¹⁾	Sewer Mains Cleaned (in miles)	Sewer Manholes Chemically Treated
9/30/2012	25,733	269	3,690	261	414	5,000
9/30/2013	24,595	266	3,348	241	535	5,000
9/30/2014	19,475	208	1,835	213	498	5,000
9/30/2015	16,366	544	760	224	492	5,000
9/30/2016	20,427	259	2,037	215	405	7,719
9/30/2017	20,360	156	2,939	169	446	7,734
9/30/2018	22,198	492	2,196	157	439	8,100
9/30/2019	9,216	161	3,096	164	477	8,100
9/30/2020	5,802	182	4,181	237	360	8,100
9/30/2021	5,340	95	3,919	270	294	4,358

Note: (1) Repairs are tracked according to the number of jobs.

(2) Data from 2018 to 2020 updated.

Source: Department's records

See accompanying independent auditors' report