Water Department Proposed Budget and Rates for Fiscal Year 2021-2022

June 24, 2021
Presentation Summary

• Revisit Sewer and Water Projections
• Review Rate Scenarios and Recommendations
• FY 22 Rate Comparisons
• FY 22 Budget and Rates Adoption
• Next Steps
## FY 22 Board Reductions

<table>
<thead>
<tr>
<th></th>
<th>FY 21 vs FY 20</th>
<th>FY 22 vs FY 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSULB Advertising</td>
<td>(50,000)</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Movie Theater Advertising</td>
<td>(40,000)</td>
<td>(40,000)</td>
</tr>
<tr>
<td>Outdoor Advertising</td>
<td>(12,000)</td>
<td>(12,000)</td>
</tr>
<tr>
<td>Board Travel</td>
<td>(10,000)</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Board Sponsorships</td>
<td>(50,000)</td>
<td>(50,000)</td>
</tr>
</tbody>
</table>
Sewer Fund
FY 22 Sewer Fund Projected Ending Reserves

- Budgeted Deficit
  - $5,600,000
- Projected Savings
  - Not budgeted
  - Non-Personal (-$100k)
  - CIP (-$750k)
- Projected Deficit
  - $4,800,000
5-Yr Sewer Fund Projected Ending Reserves (With no FY 22 Sewer rate increase)

- FY 21: $9.2 (End FB), 0%
- FY 22: $4.4 (End FB), 0%
- FY 23: $3.4, 25%
- FY 24: $3.7, 8%
- FY 25: $5.6, 4%

End FB, Minimum Reserves, Maximum Reserves
Structural Deficit Rate Options

• Projected Structural Deficit - $4,800,000
• 1% Sewer Rate Increase = $170,000 in revenue
• Scenario 1 – Increase Sewer Rates by 8%
• Scenario 2 – Increase Sewer Rates by 9% - NEW
• Scenario 3 – Increase Sewer Rates by 10%
Sewer Rate Scenario #2 – 8% Increase

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>End FB</th>
<th>Minimum Reserves</th>
<th>Maximum Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>$9.2</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>FY 22</td>
<td>$5.7</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>FY 23</td>
<td>$3.7</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>FY 24</td>
<td>$3.3</td>
<td>10%</td>
<td>4%</td>
</tr>
<tr>
<td>FY 25</td>
<td>$4.4</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>
Sewer Rate Scenario #2 – 9% Increase

- **FY 21**: $9.2M (End FB)
- **FY 22**: $5.9M (9%)
- **FY 23**: $3.8M (9%)
- **FY 24**: $3.3M (9%)
- **FY 25**: $4.2M (4%)
Sewer Rate Scenario #3 – 10% Increase

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>End FB</th>
<th>Minimum Reserves</th>
<th>Maximum Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>$9.2M</td>
<td>0%</td>
<td>10%</td>
</tr>
<tr>
<td>FY 22</td>
<td>$6.1M</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>FY 23</td>
<td>$4.0M</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>FY 24</td>
<td>$3.3M</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>FY 25</td>
<td>$4.0M</td>
<td>4%</td>
<td></td>
</tr>
</tbody>
</table>
## Sewer Rate Scenarios

### Effects on Typical Monthly Sewer Bill

<table>
<thead>
<tr>
<th>Rate Scenarios</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewer Rate Scenario 1 - 8%</td>
<td>$0.83</td>
</tr>
<tr>
<td>Sewer Rate Scenario 2 - 9%</td>
<td>$0.92</td>
</tr>
<tr>
<td>Sewer Rate Scenario 3 - 10%</td>
<td>$1.05</td>
</tr>
</tbody>
</table>
Water Fund
FY 22 Water Fund Projected Ending Reserves

- **Budgeted Deficit**
  - $8,300,000
- **Projected Savings**
  - Not budgeted
  - Non-Personal (-$500k)
  - CIP (-$1.0 M)
- **Projected Deficit**
  - $6,800,000
5-Yr Water Fund Projected Ending Reserves (With no FY 22 Water rate increase)

End FB
Minimum Reserves
Maximum Reserves
Structural Deficit Rate Options

• Projected Structural Deficit - $6,800,000
• 1% Water Rate Increase = $1,100,000 in revenue
• Scenario 1 – Increase Water Rates by 4%
• Scenario 2 – Increase Water Rates by 6%
• Scenario 3 – Increase Water Rates by 8%
Water Rate Scenario #1 – 4% Increase

- **FY 21**: End FB $10.4, Minimum Reserves 6%, Maximum Reserves 6%
- **FY 22**: End FB $8.1, Minimum Reserves 4%, Maximum Reserves 6%
- **FY 23**: End FB $12.2, Minimum Reserves 8%, Maximum Reserves 6%
- **FY 24**: End FB $19.0, Minimum Reserves 6%, Maximum Reserves 6%
- **FY 25**: End FB $28.7, Minimum Reserves 6%, Maximum Reserves 6%
Water Rate Scenario #2 – 6% Increase

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>End FB (Millions)</th>
<th>Minimum Reserves</th>
<th>Maximum Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 21</td>
<td>$10.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 22</td>
<td>$10.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 23</td>
<td>$14.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY 24</td>
<td></td>
<td>$21.3</td>
<td></td>
</tr>
<tr>
<td>FY 25</td>
<td></td>
<td></td>
<td>$31.1</td>
</tr>
</tbody>
</table>

- End FB
- Minimum Reserves
- Maximum Reserves
Water Rate Scenario #3 – 8% Increase

FY 21: $10.4 (6% End FB)
FY 22: $12.6 (8% End FB)
FY 23: $19.1 (6% End FB)
FY 24: $25.9 (4% End FB)
FY 25: $33.0 (4% End FB)

End FB: Green
Minimum Reserves: Purple
Maximum Reserves: Red
### Water Rate Scenarios Effects on Typical Monthly Water Bill

<table>
<thead>
<tr>
<th>Rate Scenarios</th>
<th>FY 22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Rate Scenario 1 - 4%</td>
<td>$2.17</td>
</tr>
<tr>
<td>Water Rate Scenario 2 - 6%</td>
<td>$3.25</td>
</tr>
<tr>
<td>Water Rate Scenario 3 - 8%</td>
<td>$4.34</td>
</tr>
</tbody>
</table>
FY 22 Rate Comparisons
City Benchmarking Analysis

• Cities
  • Long Beach
  • Anaheim
  • Bakersfield
  • Burbank
  • Cerritos
  • Downey
  • Fresno
  • Fullerton
  • Glendale
  • Golden State
  • Lakewood
  • Los Angeles
  • Oakland
  • Pasadena
  • Pomona
  • Sacramento
  • San Diego
  • San Francisco
  • San Jose
  • Santa Ana
  • Santa Monica
Water Bill and Imported Water %

Source: Consultant Rate Model
FY 22 Combined Bill Comparison (Water & Sewer)

* Includes LACSD sanitation charges
** Combined Golden State Water and LB Sewer Rates

<table>
<thead>
<tr>
<th>City</th>
<th>Per Month</th>
<th>City</th>
<th>Per Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downey</td>
<td>$45</td>
<td>Cerritos</td>
<td>$48</td>
</tr>
<tr>
<td>Fresno</td>
<td>$58</td>
<td>Bakerfield</td>
<td>$58</td>
</tr>
<tr>
<td>Lakewood</td>
<td>$60</td>
<td>Pasadena</td>
<td>$69</td>
</tr>
<tr>
<td>Glendale</td>
<td>$75</td>
<td>Burbank</td>
<td>$76</td>
</tr>
<tr>
<td>Anaheim</td>
<td>$78</td>
<td>Pomona</td>
<td>$78</td>
</tr>
<tr>
<td>Santa Ana</td>
<td>$78</td>
<td>Long Beach*</td>
<td>$80</td>
</tr>
</tbody>
</table>

* Source: Consultant Rate Model
Rates for FY 22

- 8% Water rate increase
- 10% Sewer rate increase

Continue investments in new well development to maximize access to (cheaper) ground water

Build up minimum reserves
Replace, rehabilitate and repair aging pipelines, valves, and meters
Rehabilitate existing wells
Drill and equip new wells
Rehabilitate existing storage tanks
Improve and upgrade ground water treatment plant
Rehabilitate pump stations
Resolution WD-1441 – Adopt Rates

• Option A:
  • 8% Water rate increase
  • 10% Sewer rate increase

• Option B:
  • 8% Water rate increase
  • 9% Sewer rate increase

• Rates and Charges for FY 22
  • For potable water, reclaimed water and sewer service
  • Daily service charges
Staff Recommendation

• Adopt Resolution WD-1441A or WD-1441B, a Resolution of the Board of Water Commissioners Fixing Rates and Charges for Water and Sewer Services to All Customers, Subject to the Approval of the City Council by Ordinance.
Resolution WD-1440 – Adopt Budget

• Outlines budget components
  • Water and Sewer Funds
  • Reserve Balance
  • Revenues
  • Expenditures
Resolution WD-1440

• Some City charges will not become available until after Board adoption of budget
  • Salary, Skill Pay, & Fringe benefit rates
  • City support service charges
• Administrative amendment
  • Language in Resolution to grant General Manager authority to adjust budget
  • Adjustment not to exceed 5% of total salary, skill pay, fringe and City charges
  • Adjustment beyond 5% would require Board approval
Staff Recommendation

• Adopt Resolution WD-1440A or WD-1440B, A Resolution of the Board of Water Commissioners Adopting the Annual Budget for the Long Beach Water Department for Fiscal Year 2021-2022, and authorize staff to transmit the Resolution and the Budget to the City Manager, Mayor and City Council.
Next Steps

• Today - Adopt FY 22 budget and rates
• July – August
  • Mail out Prop 218 notice
  • Budget briefings with Mayor and City Council
  • Prop 218 Public Hearing (TBD)
• September
  • City Council Adoption
• October
  • Budget and rates effective October 1, 2021