

# Long Beach Utilities Proposed Budget and Rates for Fiscal Year 2023-2024

June 22, 2023

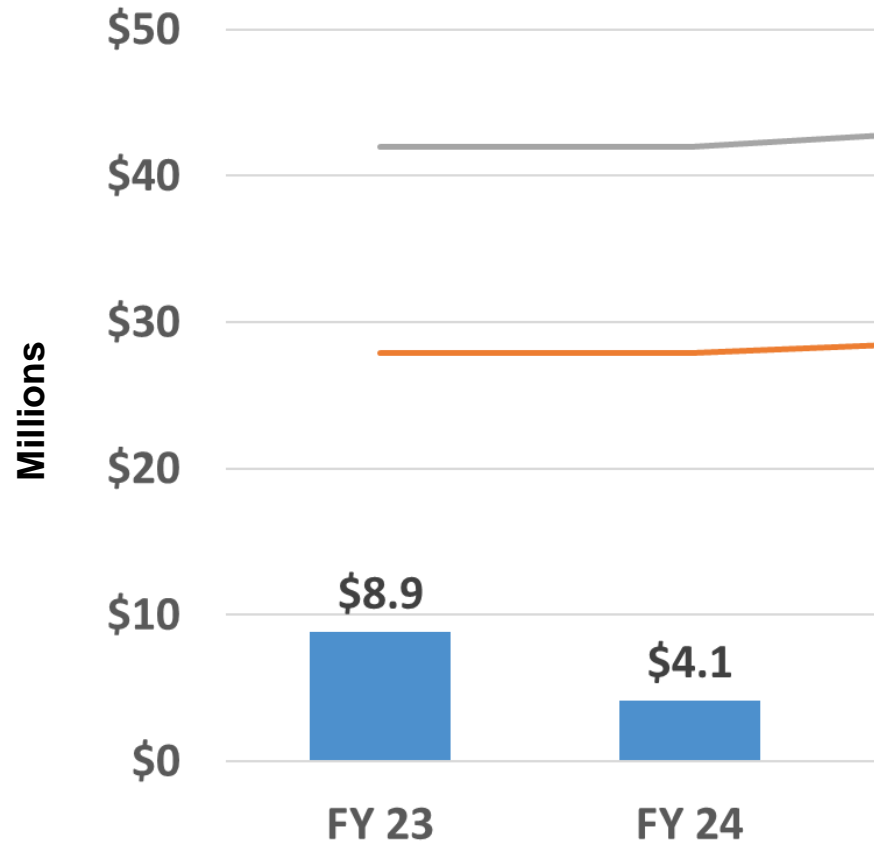


# FY 24 Budget Workshop Schedule

- May 17** – Review Water, Gas, and Sewer Fund Proposed FY 24 Budgets
- May 25** – Review FY 24, rates, reserves, and five-year financial projections
- June 8** – Continue review of FY 24, rates, reserves, and five-year financial projections
- Today** – Board adoption of FY 24 budget and rates

# FY 24 Water Fund

# Current Water Fund Status



- **Budgeted Deficit**  
**\$4,700,000**
- **Cost Increases**
- **Importance of Reserves**

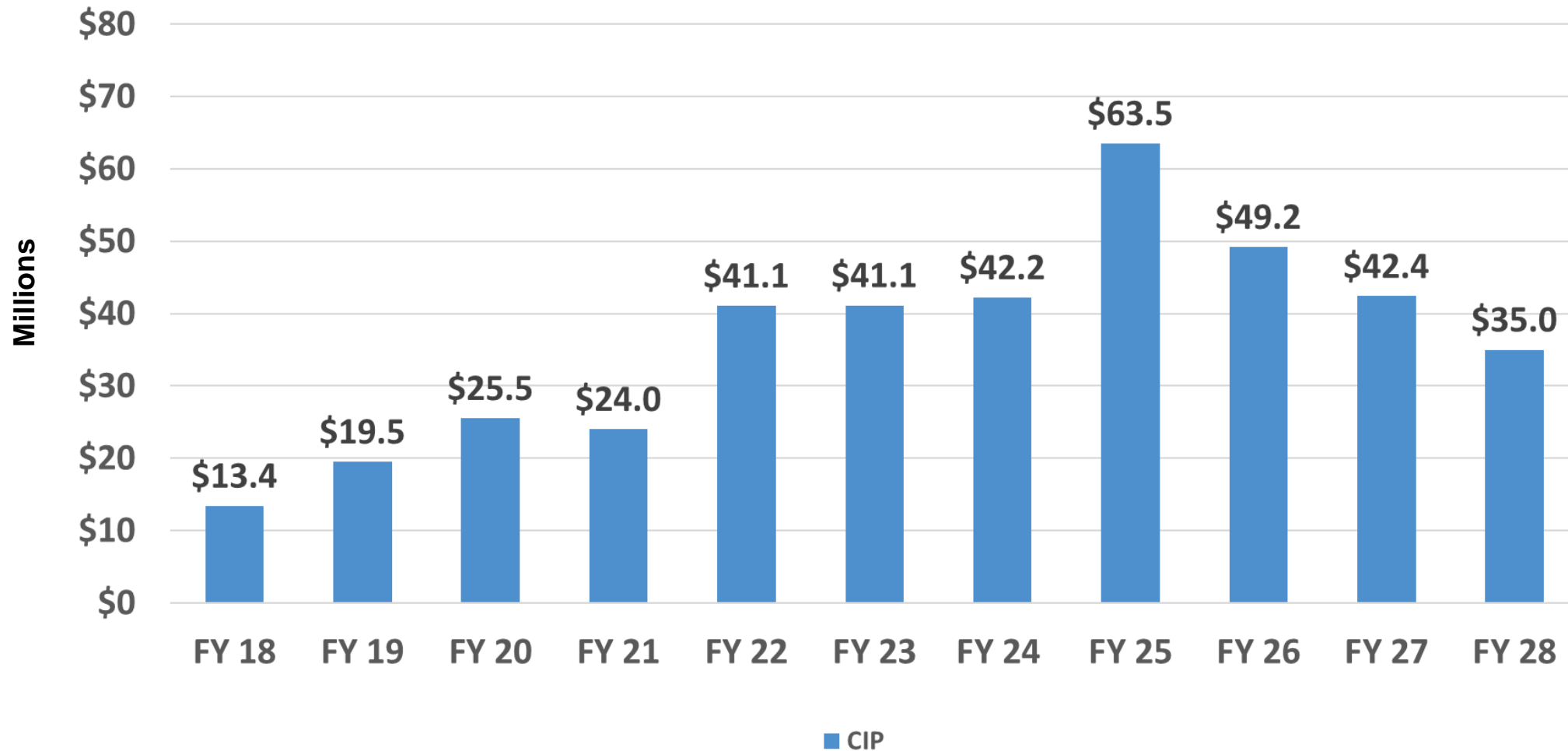
— Minimum — Maximum



# FY 24 Budget Reductions

- Eliminated \$7m Measure M transfer
- Reduced imported water purchases
- Increased vacancy savings
- Travel/Training held flat since COVID
- Deferred vehicle purchases

# FY 18 – FY 28 CIP Budget



# Expense Drivers

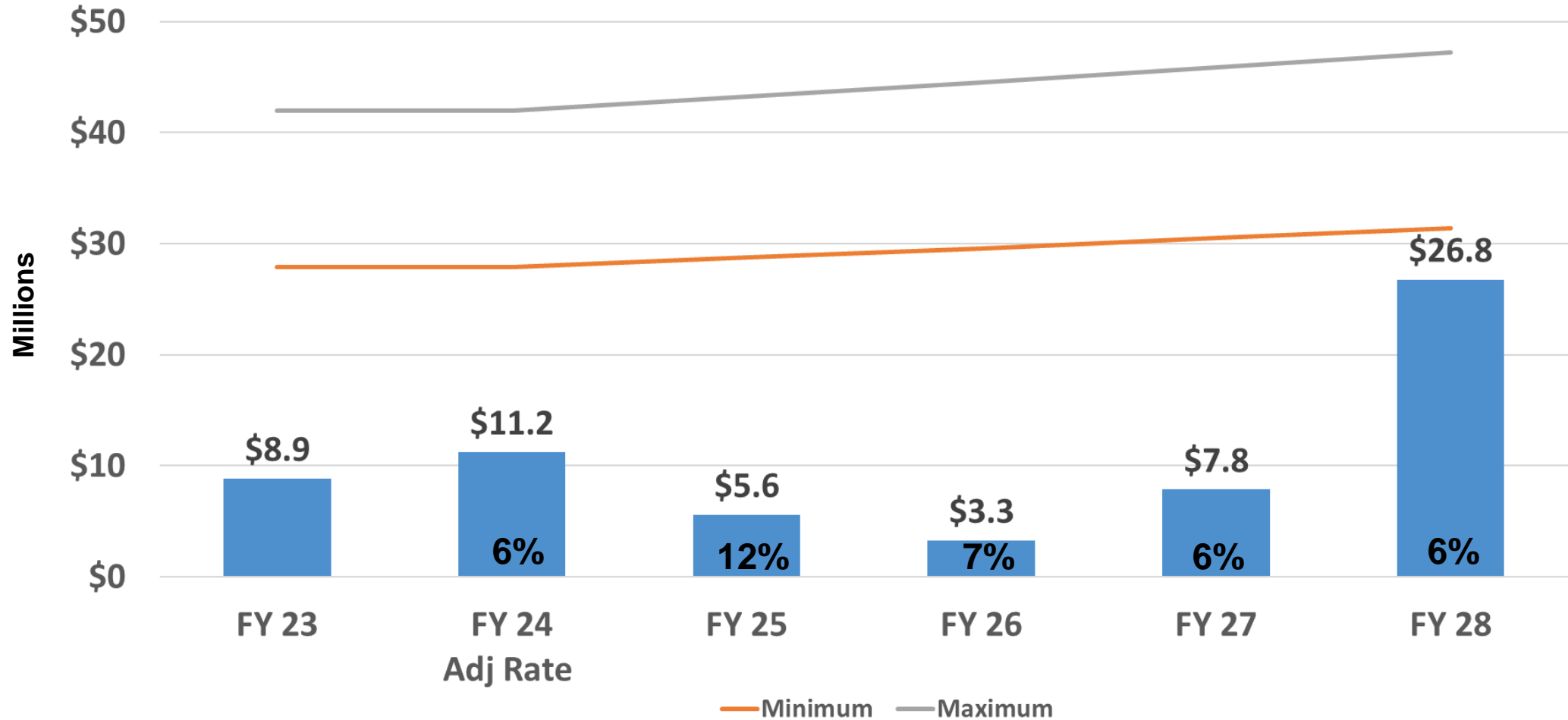
- Imported Water Costs
- Construction Costs
- WRD Pump Tax
- Chemical Treatment and Electrical Costs

# FY 24 Structural Deficit Rate Options

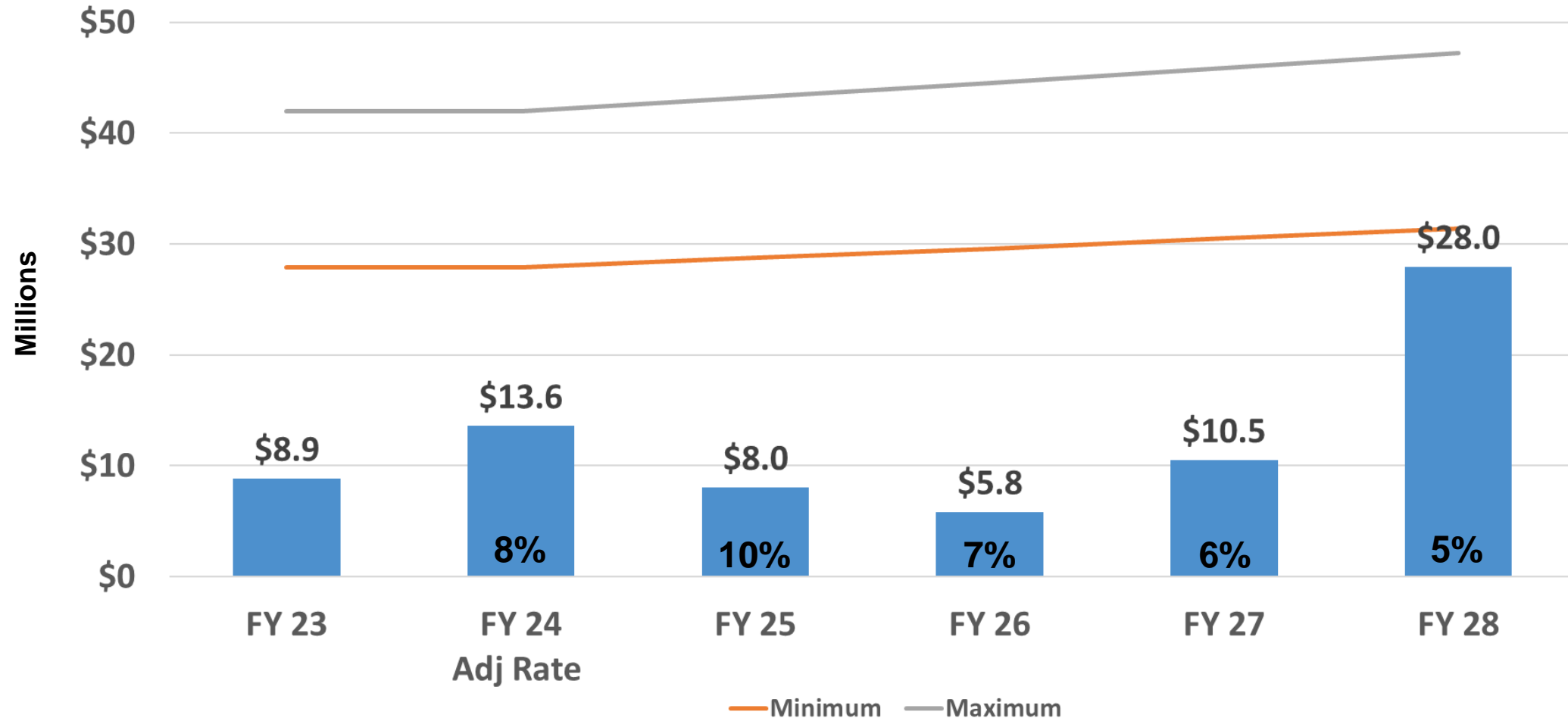
- Projected Structural Deficit – \$4,700,000
- Scenario 1 – Increase Water Rates by 6%
- Scenario 2 – Increase Water Rates by 8%
- Scenario 3 – Increase Water Rates by 10%
- Scenario 4 – Increase Water Rates by 9%
- Scenario 5 – Increase Water Rates by 9.5%



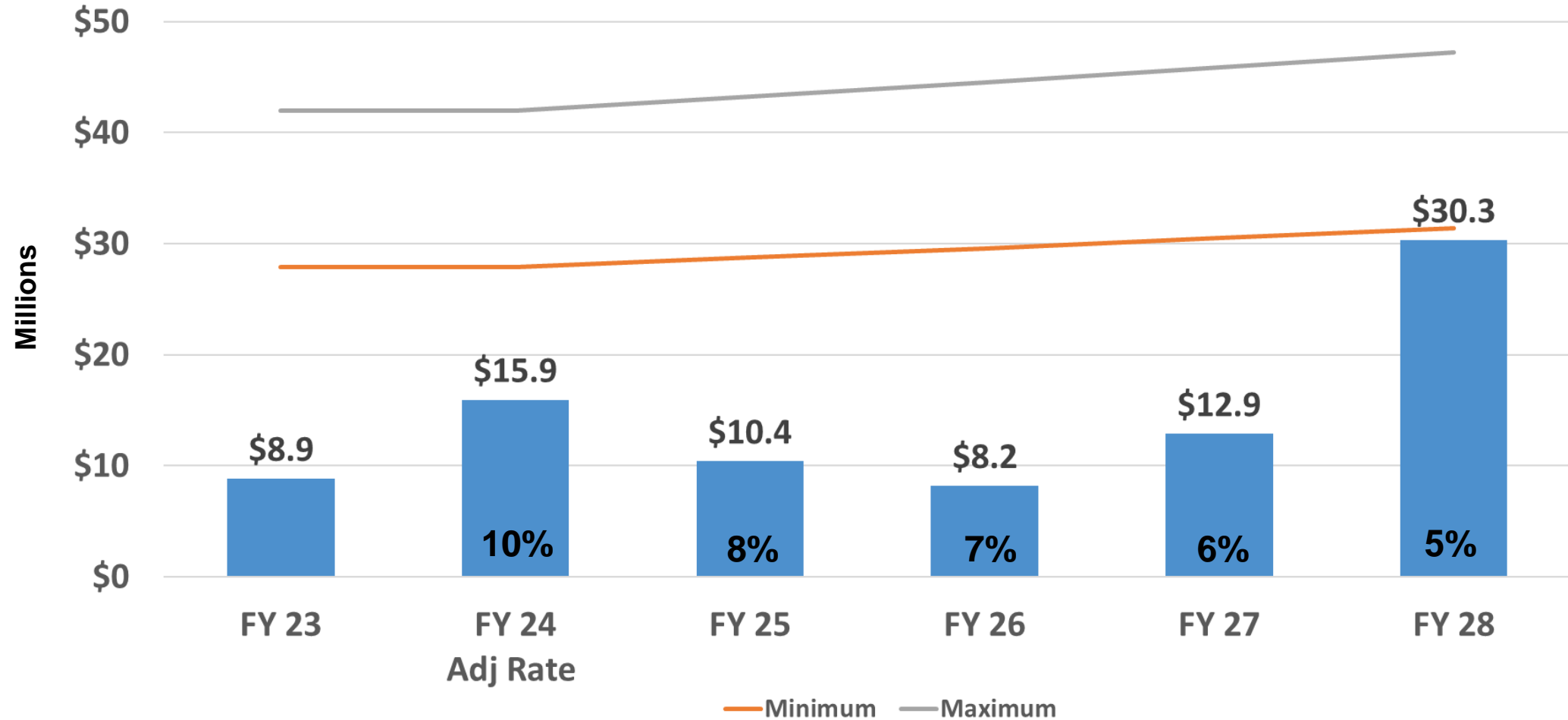
# 5-Year Water Fund Projected Ending Reserves (With a 6% increase)



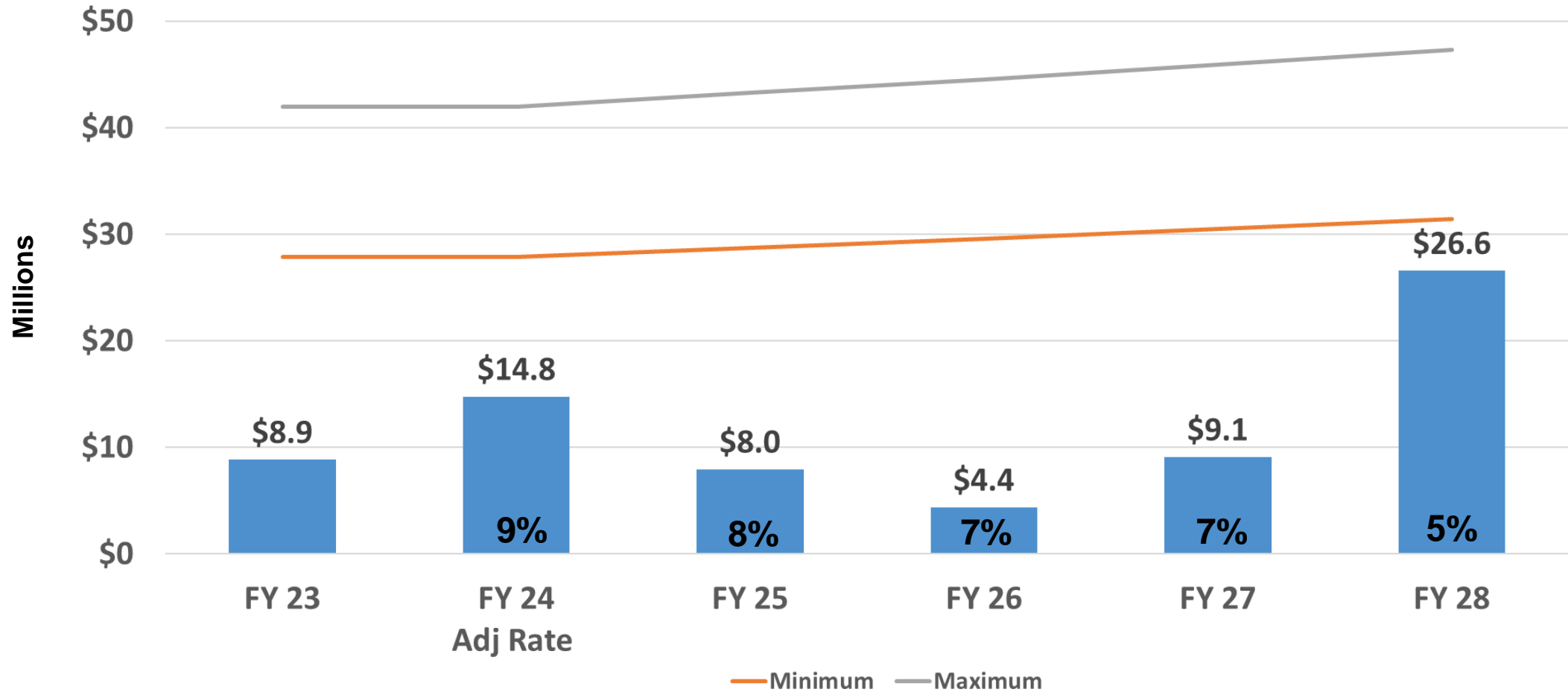
# 5-Year Water Fund Projected Ending Reserves (With an 8% increase)



# 5-Year Water Fund Projected Ending Reserves (With a 10% increase)

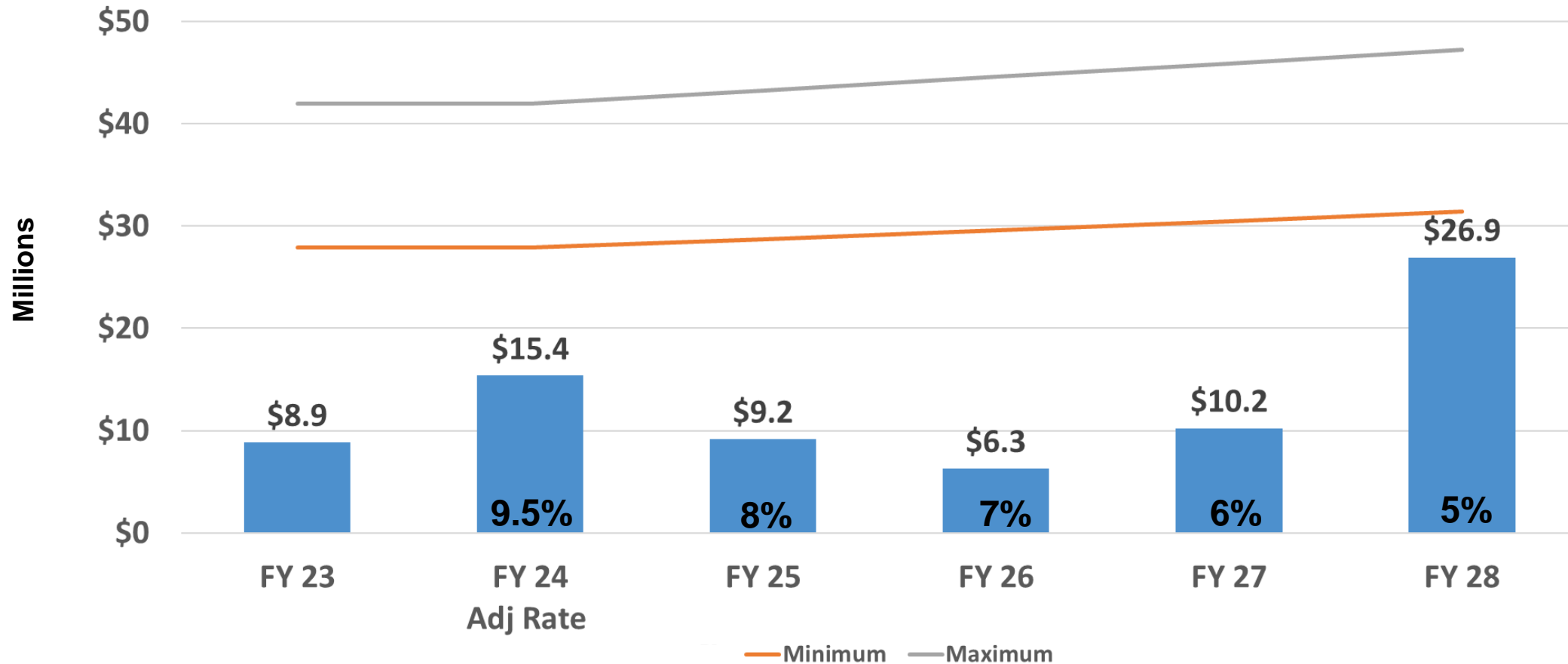


# 5-Year Water Fund Projected Ending Reserves (With a 9% increase)





# 5-Year Water Fund Projected Ending Reserves (With a 9.5% increase)



# Water Rate Scenarios

- Effects on Typical Monthly Water Bill\*

<b>Rate Scenarios</b>	<b>FY 24</b>
<b>Water Rate Scenario 1 - 6%</b>	<b>\$ 3.42</b>
<b>Water Rate Scenario 2 - 8%</b>	<b>\$ 4.57</b>
<b>Water Rate Scenario 3 - 10%</b>	<b>\$ 5.69</b>
<b>Water Rate Scenario 4 - 9%</b>	<b>\$ 5.13</b>
<b>Water Rate Scenario 5 - 9.5%</b>	<b>\$ 5.43</b>

\*Typical Bill – 10 billing units of water

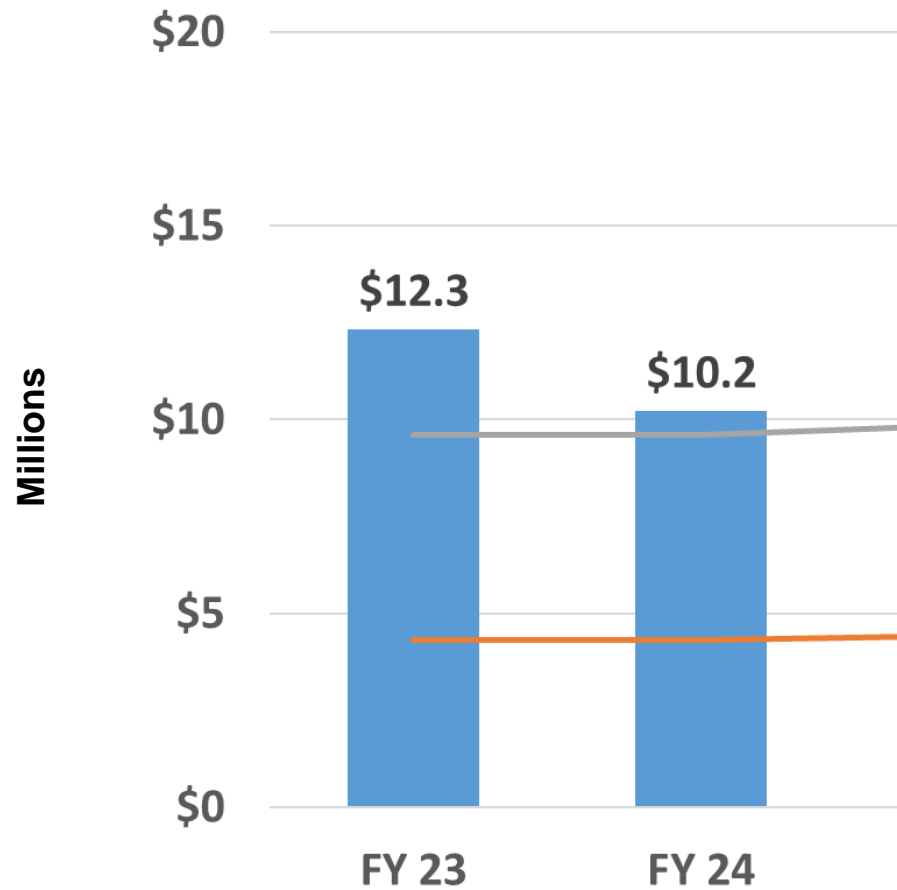
# CA City Benchmarking



# FY 24 Sewer Fund



# FY 24 Sewer Fund Projected Ending Reserves



- **Budgeted Deficit**  
**\$2,107,000**
- **No Proposed Rate Increase for FY 24**
- **Cost Increases**
- **Importance of Reserves**

— Minimum — Maximum

# FY 24 Gas Fund

# 5-Year Gas Fund Projected Ending Reserves



- **Budgeted Deficit**  
**\$1.62m**
- **No Proposed Rate Increase for FY 24**
- **Cost Increases**
- **Importance of Reserves**

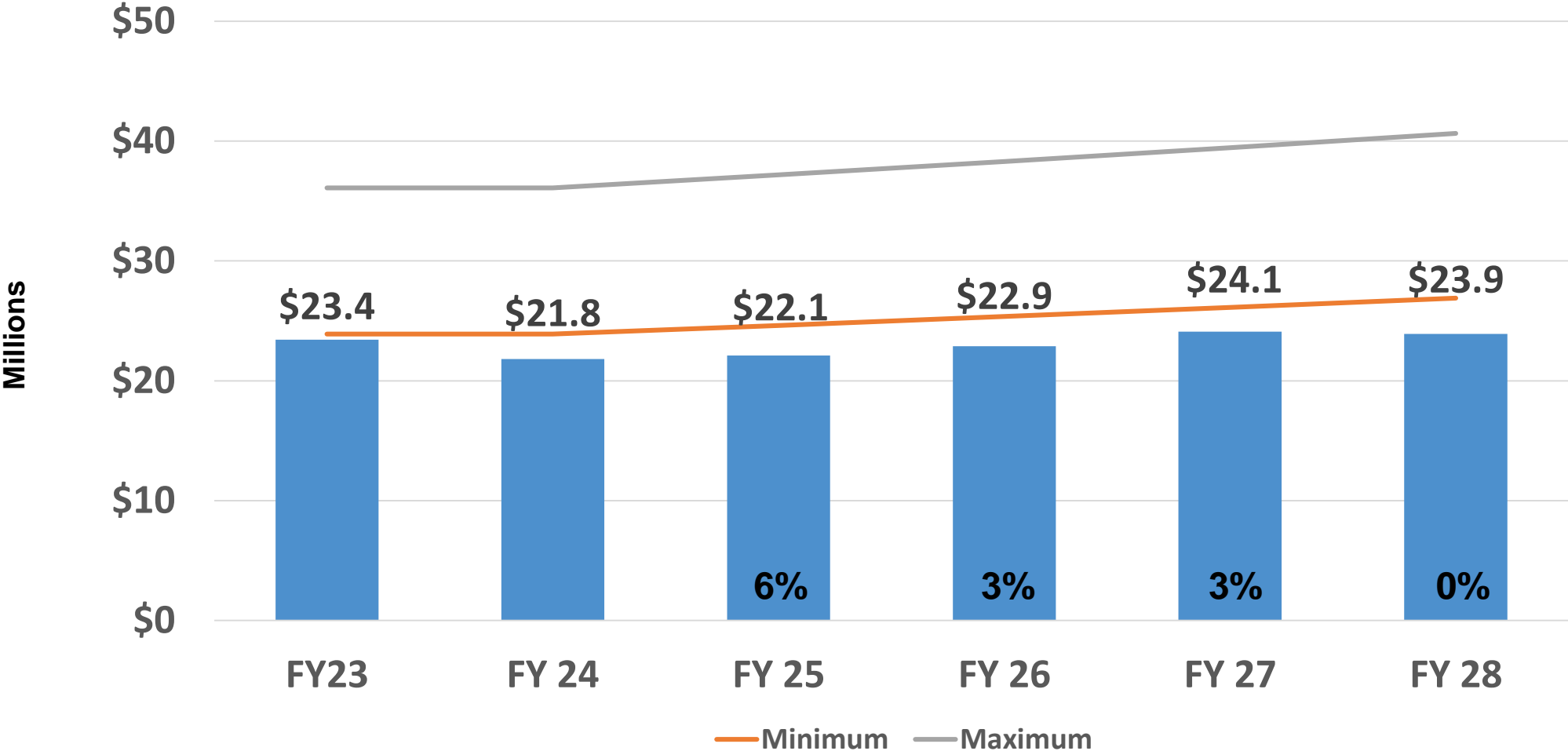
— Minimum — Maximum

# 5-Year Projection Components

- Stable annual CIP investment for pipeline infrastructure
- Annual decrease of General Fund transfer to balance rising operating expenses to stabilize fund reserves
- Economic inflation or recession



# 5-Year Gas Fund Projected Ending Reserves



# Potential Financial Risk Factors

- Additional CIP needs for pipeline infrastructure
- Volatility of gas prices due to market trends
- Inflation and recessionary pressures

# FY 24 Staff Recommendation

- Rates for FY 24
  - 10% water rate increase
  - No sewer rate increase
  - No gas rate increase
- Continued investments in new well development to maximize access to less expensive groundwater
- Build up minimum reserves

# FY 24 Budget Approval Process

## Today

- Adopt FY 23 Rates and Budget

## July-August

- Budget briefings with Mayor and City Council

## August

- Prop 218 hearing

## September

- City Council Adoption

## October

- Budget and Rates effective October 1, 2023

# Staff Rate Recommendation

Adopt Resolution UT-1482, a Resolution of the City of Long Beach Board of Utilities Commissioners Fixing Rates and Charges for Water, Sewer, and Gas Services to All Customers, Subject to the Approval of the City Council by Ordinance, and subject to a public protest hearing as provided for in the California Constitution Article XIII.



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