



**Date:** July 6, 2010

**To:** Mayor and Members of the Charter Amendment Committee

**From:** Patrick H. West, City Manager *PWest*

**Subject:** Recommendation to deliberate on the topic of consolidation of the Long Beach Gas and Oil Department and the Long Beach Water Department as one Long Beach public utility, and recommend to the City Council proposed language for a ballot measure for the November 2010 General Election to amend the City Charter

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### **DISCUSSION**

On June 22, 2010, a Special Meeting of the City Council was held to receive and discuss a presentation regarding government reform initiatives and efficiencies. One of the government reform initiatives proposed by the City Manager was the consolidation of all current Water Department functions into the Long Beach Gas and Oil Department, as one Long Beach public utility, as an efficiency measure both in terms of cost savings and streamlined service to our utility customers.

#### **Overview of Long Beach's Unique Structure**

Despite a largely identical customer base and similarities in many of the daily operations and services provided, the two utilities have operated, for the most part, independent of each other for decades. By consolidating the operations of the two utilities, it is probable that operational and financial efficiencies could be achieved that would benefit the "shareholders" of the two utilities, the citizens of Long Beach. Currently, the two Long Beach utilities do have some areas in which they collaborate, such as contracting with a private contractor, Corix, to read both the gas and water meters, and contracting with the City's Financial Management Department to handle the billing and collections for all gas and water customer accounts. In addition, the Water Department (Water) contracts with the Long Beach Gas and Oil Department (LBGO) to handle the majority of water customer turn-ons and turn-offs.

#### **Potential Benefits**

While there are certainly unique aspects of each utility's operation, there are also many areas of operations amongst the two utilities that are very similar in nature but are handled in a completely isolated manner for which benefits could possibly be achieved through consolidation.

These areas include:

- Pipeline installation/replacement
- Pipeline maintenance
- Pipeline welding
- Pipeline system engineering
- Street excavation repair
- GIS
- Meter installation
- Commodity purchasing
- Vehicle purchasing/maintenance (*LBGO through Fleet Services, Water independently*)
- Dispatching
- Emergency response
- Inspection services
- Rate setting
- Regulatory affairs
- Warehouse
- Safety
- Financial accounting
- Administration
- Payroll
- Personnel

#### **Public Utilities in Other Cities**

While Long Beach has always operated its two utilities independently, the norm for municipalities with ownership of more than one utility is that they are combined under one City department to take advantage of the synergies in utility operations. Some examples of California cities with utilities combined under one city department include Los Angeles Department of Water and Power, City of Anaheim Public Utilities (water and electric) City of Pasadena Water and Power Department, City of Glendale Water and Power, City of Burbank Water and Power, and City of Palo Alto Utilities (gas, water, electric). Similarly, nationwide there are many examples of successfully combined municipal utility operations including Colorado Springs (CO) Utilities, Memphis (TN) Light, Gas and Water, Richmond (VA) Public Utilities.

#### **Charter Amendment**

In the City Charter, the provisions for the existence of a city-owned water utility exist in Article XIV – Water Department and for a city-owned gas utility in Article XV – Department of Public Utilities. The City Attorney will provide direction on how best to create a proposed Article to replace these two existing Articles to legally facilitate the utility consolidation.

This matter was reviewed by Principle Deputy City Attorney J. Charles Parkin and Budget and Performance Bureau Manager David Wodynski on July 1, 2010.

### **TIMING CONSIDERATION**

Charter Amendment Committee action is requested on July 6, 2010 to facilitate an expedited review of the issue by the City Council. The deadline for ballot measures for the November 2, 2010 general election is August 6, 2010.

### **FISCAL IMPACT**

Should the proposed consolidation be placed on the November 2, 2010 general election ballot, and approved by the electorate, the annual savings from the operational and financial efficiencies from combining similar operations would be significant. These financial savings would accrue to the Gas Fund and the Water Fund to the benefit of both utilities' customers. Since the election takes place after the start of the new fiscal year, and a period of transition would be required, the full annual savings would not be achieved in FY 11.

It is estimated that the one-time cost of holding a November 2, 2010 consolidated election with the County of Los Angeles is between \$441,000 and \$460,000. Each additional measure would cost \$15,000. The total cost of a City of Long Beach citywide election in April 2012 is estimated at \$1,239,000. The cost of the April 2012 election is expected to be shared among three entities depending on the number of candidates running, with \$532,000 in City of Long Beach cost, up to \$342,000 from Long Beach Community College, and up to \$365,000 from the Long Beach Unified School District.

### **SUGGESTED ACTION:**

Approve recommendation.