

Recommended Charter Amendment to Maintain Utility Revenue Transfers to the General Fund

January 10, 2018

Utility revenue transfers have supported City services for more than 60 years

- Utility fund transfers authorized in the City Charter
- Transfers of utility revenues to the General Fund have long been used to help support general City services such as police, fire, library, and parks
- Gas utility revenue transfer mechanism has not materially changed since at least 1940
- Most recent water/sewer utilities revenue transfer mechanism was a pipeline permit fee, but transfers go back to 1956

Legal challenges to utility revenue transfers have recently been filed

- 2015 lawsuit by a resident alleged the gas utility transfer violated the State's Proposition 26
 - Lawsuit dismissed, but is being appealed
- 2016 lawsuit by another resident alleged the water and sewer utility transfers, made through the City's pipeline permit fees, violated the State's Proposition 218
 - Lawsuit recently settled resulting in revenue loss to the General Fund and retroactive payments from the General Fund to the water/sewer utility

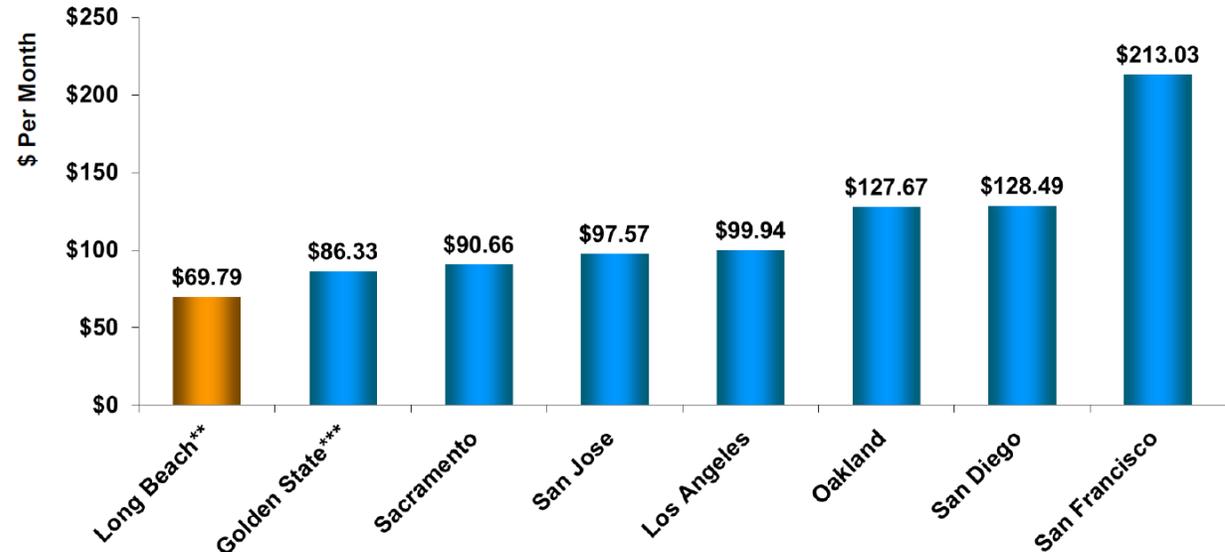
The lawsuits could have a significant adverse impact on services

- Actual water/sewer lawsuit impact:
 - Annual General Fund budget impact of \$8.3 million
 - Utility bill reduction of about \$3 a month to bills that are already lower than many other jurisdictions
- Potential gas lawsuit impact:
 - Could have a General Fund budget impact greater than the water/sewer lawsuit impact

Long Beach's combined water and sewer bills were already lower than many other jurisdictions, before the water/sewer lawsuit was filed

Water and Sewer Residential Bill Comparison*

Source: Raftelis Rate Study, May 2017
Rates effective Oct 1, 2017



* 10 ccf Water and 10 ccf Sewer ** Includes \$13.83 LA County Sanitation Charge
*** Combined Golden State Water and LB Sewer Rates

A City Charter amendment to authorize utility revenue transfers will allow the historical status quo to be maintained

- The Charter amendment applies to water, sewer, and gas utility transfers and rate setting
- Designed to negate the adverse impact of lawsuits
- Requires majority voter approval
- Explicitly authorizes continuation of utility revenue transfers that Long Beach has been making for over 60 years
- Allows transfers for general services including 911 dispatch, police, fire, street maintenance, parks, and libraries

The Charter amendment is designed to protect against high transfers by limiting the amount and also requires an audit

- Transfers limited to not exceed 12 percent of each utility's revenue, or an aggregate amount of about \$26 million annually in today's dollars
- This limit is roughly equivalent to previous levels plus retroactive payments
- Previously, transfers have sometimes exceeded 12 percent
- As a further control, an independent audit is required

Three opportunities to review, discuss, receive community input, and make changes

- **January 10, 2018** – Receive and file report and schedule the next public hearing for February 13, 2018
- **February 13, 2018** – Receive and file report and schedule the next public hearing for March 6, 2018.
- **March 6, 2018** - Receive and file report and consider placing the Charter amendment on the ballot

Questions and Discussion