

R-22

May 17, 2022

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Request the Mayor to convene the Charter Amendment Committee of the City Council within 30 days to discuss placing a City Charter amendment before the voters to combine City Charter Article XV (Department of Public Utilities) with Article XIV (Water Department) to merge the existing water, sewer and gas utilities into a single publicly-owned utility, governed by the existing independent Water/Utility Commission, for the purposes of improving customer service through better coordination of street pipeline and infrastructure repairs. (Citywide)

DISCUSSION

Over the nearly 100 years of their mutual existence, periodic consideration has been given to the concept of consolidating the City's Gas and Water utilities into one department, under one regulatory oversight body with common management.

Both Gas and Water utilities serve the same base of Long Beach residents and businesses, with the Gas utility also providing services to Signal Hill residents and businesses. Gas serves approximately 150,000 metered customers and Water serves approximately 90,000 metered customers; the primary difference in the number of metered accounts is due to Gas having a greater number of individually metered customers than Water. Gas delivers its commodity through 916 miles of gas main pipelines, and another 1,019 of gas service lines. Water similarly delivers its commodity through 946 miles of water main pipelines and 464 miles of water service lines. In addition, Water oversees the maintenance and operation of about 700 miles of sewer pipelines. These combined 4,000 miles of underground gas, water, and sewer pipelines are predominately located together in the same streets. However, because the City Charter currently prescribes Water and Gas be managed separately, oversight of the two utilities is bifurcated, street excavations for pipeline maintenance and repairs are conducted separately, and in some cases duplicative work occurs, causing increased disruptions and impacts to our local streets and roads.

Long Beach is the only large California city with two municipally-run utilities – the Gas and Water departments – separately operated, managed, and regulated. Other cities such as Los Angeles, Glendale, Burbank, Anaheim, Pasadena, and Riverside operate and manage city-owned utilities under one department overseen by an independent board of commissioners.

In April 2020, Bell Burnett and Edwards (BB&E), a management and consulting firm with extensive experience in combined utility management, financial management, and municipal

governance, evaluated the potential consolidation of Gas and Water utilities in Long Beach. BB&E found a consolidation of Gas and Water would benefit customers through improved customer service, improved operation, and management of the utilities, provide for more efficient and better utilization of staffing, and bring more transparency and focused governance to the City's utilities.

If a proposed amendment to the Long Beach City Charter is adopted by voters, the City Charter's Article XV (Department of Public Utilities) will be melded with Article XIV (Water Department), effectively merging regulatory oversight, management, and operations of the City's Gas and Water departments.

Expectations are that a merger of the existing water, sewer, and gas utilities into a single publicly-owned utility will:

- Improve customer service by coordinating street pipeline and infrastructure repairs;
- Reduce impacts to streets through coordinated utility pipeline street repairs;
- Eliminate duplicative costs and operations;
- Achieve costs savings through greater economies of scale; and
- Allow both utilities to maximize usage and flexibility in staffing and equipment.

This matter was reviewed by Deputy City Attorney Richard Anthony on May 2, 2022 and by Budget Operations and Development Officer Rhutu Amin Gharib on May 3, 2022.

TIMING CONSIDERATIONS

City Council action is requested on May 17, 2022.

FISCAL IMPACT

This recommendation is to convene the Charter Amendment Committee of the City Council to discuss placing a City Charter amendment before the voters to combine City Charter Article XV (Department of Public Utilities) with Article XIV (Water Department) to merge the existing water, sewer and gas utilities into a single publicly-owned utility, governed by the existing independent Water/Utility Commission, for the purposes of improving customer service through better coordination of street pipeline and infrastructure repairs. The recommendation to convene the City Charter Amendment Committee has no staffing impact beyond the normal budgeted scope of duties and is consistent with City Council Priorities.

Should the voters pass the charter amendment, the City will rename the Long Beach Board of Water Commissioners, and it shall be known as the Long Beach Board of Public Utilities; and will return to Council to discuss the fiscal impact of implementation. Implementation of the consolidation is not expected to generate new costs and will be absorbed by existing budget.

There is no local job impact associated with this recommendation.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. B. Modica', written in a cursive style.

THOMAS B. MODICA
CITY MANAGER