

COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF LONG BEACH WATER DEPARTMENT

A DEPARTMENT OF THE CITY OF LONG BEACH, CALIFORNIA

For The Fiscal Year Ended
September 30, 2020



Long Beach Water
Exceptional Water • Exceptional Service



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Long Beach Water Department

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Long Beach, CA 90807
<http://www.lbwater.org>

*Photos by: Liezl Estipona & Adam Klempke
Front cover design created by: Jesse Hiemstra, Graphic Design Intern*

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
LONG BEACH WATER DEPARTMENT
(A Department of the City of Long Beach, California)**

**For the Fiscal Year Ended
SEPTEMBER 30, 2020**

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General Manager**

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**Prepared by the Finance Division
of the
Business Bureau**

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INTRODUCTORY SECTION

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Comprehensive Annual Financial Report
of the
Long Beach Water Department
(A Department of the City of Long Beach, California)
For the Fiscal Year Ended September 30, 2020

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DATE March 29, 2021
TO Board of Water Commissioners
FROM B. Anatole Falagan, Assistant General Manager
SUBJECT Approval of Comprehensive Annual Financial Report for the fiscal years ended September 30, 2020

Management is pleased to present the Comprehensive Annual Financial Report of the Long Beach Water Department (Department), for the fiscal year ended September 30, 2020. The Department's financial statements are also included in the City of Long Beach (the City) Financial Statements as enterprise funds (Water Fund and Sewer Fund).

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The accompanying financial statements have been audited by KPMG LLP, an independent certified public accounting firm. KPMG LLP has issued an unmodified ("clean") opinion on the Department's financial statements for the fiscal year ended September 30, 2020. The independent auditors' report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report, and provides a narrative introduction, overview, and analysis of the financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE REPORTING ENTITY

During the early years of the 20th Century, Long Beach began establishing itself as an up-and-coming area that seemed destined to someday become a large city. In order to sustain the expected growth that would occur in future years, it was critical that the City identify and secure a reliable source of water. In recognizing the importance of this, on June 27, 1911, Long Beach voters approved an \$850,000 bond issuance to purchase two private water companies that had been providing water supplies to the Long Beach population. Three days later, on June 30, 1911, the Long Beach city council approved an emergency ordinance creating the Long Beach Water Department, thereby giving the City its own municipal water agency that would regulate and control the use, sale and distribution of water owned or controlled by the City.

Twenty years later, in 1931, two additional significant milestones came to pass for the Department. The first was the creation of the Long Beach Board of Water Commissioners (Board), which governs the Department and is comprised of five members appointed by the Mayor, subject to confirmation by the City Council. Members of the Board serve overlapping five-year terms to provide continuity of operations. That same year, the City also became one of the original 13 founding members of the Metropolitan Water District of Southern California (MWD). Joining MWD would allow the Department to eventually acquire imported water as a supplement to the City's groundwater supplies.

In February 1988, the Department assumed the responsibility of the various functions of the City's sanitary sewer system, including operations and maintenance. In April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy for the Department in administering the City's sanitary sewer operations.

The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in State, with an area of approximately 50 square miles and a population of 462,628 with some customers outside the City limits. The Department is not subject to regulation by the California Public Utilities Commission.

LOCAL ECONOMY

Long Beach has drawn from the strength and adaptability of the local economy to maximize opportunities in today's global world economy. The blending of local, national, and international businesses keep Long Beach growing and adapting to meet the constantly changing needs of today's modern life.

The Coronavirus Disease 2019 (COVID-19) pandemic has been a big challenge, and the City has been state and national leader in addressing it and minimizing the impact on the city of Long Beach and its residents and businesses.

On March 11, 2020, the World Health Organization (WHO) declared a global pandemic due to the outbreak of the COVID-19. The City took many actions including issuing health orders (the City is one of the few in California with its own health department) to restrict

social gatherings, require face coverings when in a business or within six feet of another person, deferring payment of business taxes and fees for those businesses impacted by the COVID-19 pandemic, deferring most lease payments to the city if a tenant was impacted, a series of grants and other actions (often supported by federal grants) to assist businesses, a moratorium on evictions to provide relief to residential tenants facing hardships and different forms of parking relief. In 2020, the unemployment rate in Long Beach began at 3.6% but grew to an alarming 18.0% in May 2020 due to the COVID-19 pandemic. Thanks to the resilience of the Long Beach economy and the committed response of the community, it fell to 9.6% by the end of December 2020.

The City found opportunities in the television and film industry which selected Long Beach for the filming of many television shows like LA, 911, Lodge 49, and Seal Team. In 2020, 370 film permits were issued bringing 540 production days to the City. In addition to the improvements that can be easily seen, but equally important to the safety of the citizens and visitors, were the 86 lane-miles of streets and 13 lane-miles of alleys rehabilitated and the 1.25 million square feet of graffiti abated by City staff and contractors. Further information on the local economy is provided in the City of Long Beach CAFR.

As an older, established and geographically built-out City, the Department's customer base is relatively stable and is comprised of ninety percent (90%) residential accounts, with the remaining ten percent (10%) comprised of commercial, industrial, irrigation and other accounts. The residential accounts comprise approximately seventy-one percent (71%) of the Department's total potable water sales.

The Department recognizes the potential effect on revenue streams of the COVID-19 pandemic and has been monitoring the accounts receivables in unpaid bills as a portion of these receivables are expected to ultimately become uncollectable and be written off as lost revenue. As of January 2021, the Water Fund has approximately \$695,000 and the Sewer Fund has approximately \$90,000 in unpaid bills which are over 120 days past due. The Department is monitoring Federal and State legislation which is intended to provide economic relief to customers in the form of assistance in paying past due utility bills. The Department is also engaging in customer outreach with flexible payment options for customers with past due bills. The economic impact on revenues is not expected to be permanent and the time frame to return to a normal standard of operations cannot yet be determined.

WATER SUPPLY

The Department meets the needs of its customers through an increasingly diverse portfolio of water resources. Local groundwater, combined with imported supplies, water recycling and water conservation are used in combination to meet the water demands within the service area.

Drought Related Developments

Long Beach water demand peaked in 1990, but water demand has been declining ever since. The reduced water demand can be attributed to a combination of a steady commitment to water conservation efforts by the Department and statewide droughts in 1990-1991, 2007-2009, and 2015-2016, each of which triggered a sharp decrease in water demand. Conservation efforts have included aggressive public outreach and incentive programs for water saving measures. The Water Department will continue these efforts to incorporate the conservation success into a sustained change in consumption behavior.

Reduced water usage due to conservation does result in reduced revenues. At the same time, those reductions are also offset by a reduction in operating expenses as a result of less imported water purchases from Metropolitan Water District (MWD).

Additionally, the Department managed discretionary budget expenses to minimize initial budget and rate impacts from reduced consumption. The Water Department's budget and rate structure is based annually on cost recovery and on State law governing water utility rate setting (Proposition 218).

The following subsections provide an overview of the Department's water resources.

Groundwater

Ownership of water rights allows approximately sixty percent (60%) of Long Beach's water supply needs to be produced from groundwater wells located within the City. Before it reaches our customers' taps, local groundwater must journey many miles from its source high up in the mountains. Rain and snow-melt from the San Gabriel Mountains watershed travel through washes and creeks into the San Gabriel River and the Whittier Narrows Basin. From there it percolates underground through sand and water beds where it begins a lengthy subsurface journey to Long Beach. High-powered pumps then extract it from 24 active groundwater wells and pump it to our groundwater treatment plant.

During the 1940's and 1950's the population grew and the increased water demand in the San Gabriel Valley significantly reduced the flows southward to the Central Basin, contributing to falling water tables. In 1959, to protect this vital source of local water supply, the Board initiated a lawsuit against major water producers in the San Gabriel Valley to guarantee water supplies to Central Basin producers.

Parties to the lawsuit negotiated a settlement which provided the basis of a stipulated judgment (the "Long Beach Judgment") rendered by the Superior Court on October 8, 1965. By separate action, a committee of Central Basin producers reached an agreement for voluntary reduction of pumpage within the basin to restore and protect the water table and to expedite the above judgment to permanently prevent excessive pumping. The reduction in pumping began October 1, 1962. The two events were of major importance in securing local water supplies for the City. The Department is the largest producer of water in the Central Basin.

Imported Supplies

Another portion of the City's potable (drinking) water supply is treated water purchased from MWD. This water originates from two sources: the Colorado River Aqueduct and the State Water Project (SWP).

Through its 242-mile long system, the Colorado River Aqueduct provides up to a billion gallons of water a day to residents and businesses in Southern California's coastal plain. Water is taken in at Lake Havasu and carried to the reservoir facilities at Lake Mathews. The State Water Project delivers water originating from the Oroville Dam and Reservoir and the Sacramento River Delta. The SWP is an intricate network of dams, pumping plants, reservoirs, hydroelectric plants, the Sacramento and San Joaquin Rivers and 440 miles of aqueducts that carry water to several Southern California reservoirs.

Water Recycling

Effective water recycling helps stretch the potable water supply; that is the primary reason the Department launched a reclaimed water system in 1978. In FY2020, the Department served approximately 1.8 billion gallons of reclaimed water to a variety of users throughout the City.

Water that would otherwise flow to the ocean and be wasted is reclaimed and used to irrigate park land, golf courses, freeway landscaping and school grounds, which reduces our dependence on imported water. Since 2005, recycled water treated at the Leo J. Vander Lans Advanced Water Treatment Facility (LVLAWTF) has partially replaced the use of imported water at the Alamitos Barrier, an engineered freshwater pressure ridge and seawater trough constructed to prevent seawater intrusion into the Central Basin and neighboring Orange County Groundwater Basin. In 2015, LVLAWTF was expanded, providing the operational flexibility to meet the needs of the Alamitos Barrier almost entirely with recycled water, minimizing the need of imported water.

Conservation

The Department has an aggressive water conservation program that offers a variety of opportunities to conserve water across different sectors of the community and for both indoor and outdoor water uses.

Single-family and multi-family customers together are responsible for approximately two-thirds of the City's demand for water. Several of the Department's programs provide rebates to residential customers towards the purchase of water-efficient toilets and washing machines.

Close to half of single-family residential water use is estimated to be for landscape irrigation. The Department provides, at no cost to the customers, very well attended and well received classroom instruction on the design, installation, and maintenance of water-efficient California-friendly landscapes. The Department has also developed and implemented an award-winning Lawn-to-Garden program whereby customers can apply for an incentive to replace up to 1,500 square feet of turf with a California-friendly landscape. Incentives are also offered for customers to change traditional spray

irrigation systems to water-efficient drip irrigation.

In addition to promoting conservation to residential and landscape accounts, we work closely with commercial, industrial and institutional (CII) customers to help them conserve water. The Department has encouraged conservation through targeted direct marketing, through rebates for water conserving devices, and offers a Certified Blue program to promote water efficiency in restaurants which will be expanded to include other CII sectors.

Long Beach Water Department promotes water use efficiency with many community partners, including schools, organizations and businesses. The Department takes pride in its award-winning outreach efforts, including supporting community functions, making presentations at local and regional events, and marketing through print, digital and social media strategies.

WATER QUALITY

A primary objective of the Department is to deliver to our customers water that meets or exceeds all Federal and State standards. The Department continues to be recognized as a leader in water quality. Our extensive testing and Quality Assurance/Quality Control program ensures that water delivered to our customers is of the highest possible quality.

The Long Beach Groundwater Treatment Plant is a state of the art water treatment facility, including four advanced water quality laboratories. This combination helps explain why the City's high quality drinking water consistently meets or exceeds all Federal and state drinking water regulations.

The Department conducts extensive sampling and testing of groundwater wells, water storage reservoirs, the water distribution system and, when appropriate, selected homes, businesses, schools and public facilities. This year, our Water Quality laboratories collected 13,273 samples and performed 65,771 tests while maintaining certification with the California Department of Health Services and Environmental Protection Agency (EPA).

During fiscal year 2020, the Groundwater Treatment Plant processed approximately 7.4 billion gallons of drinking water. Overall, 16.2 billion gallons of high-quality water were delivered to the Long Beach community.

MAJOR INITIATIVES

Automated Metering Infrastructure

The Department has undertaken a comprehensive overhaul of its metering infrastructure, by installing Automated Metering Infrastructure (AMI) on all of its approximately 90,000 metered connections. Completion is anticipated in early 2021. Once completed, the installed automated meters will capture and store real-time flow measurements, and then routinely upload them electronically into the existing Meter Data Management System (MDMS) and interface with the Customer Information System (CIS), used for all utility billing in the City.

AMI is expected in the near future to provide enhanced customer benefits, ultimately allowing for more self-monitoring of water use by customers via an interactive web portal, allowing for more timely responses to customer leaks through high use alerts, and provide additional data to help with Department operations.

Seawater Desalination Research

During the 1990's and early 200's, through an innovative public sector partnership, the Long Beach Water Department along with the Los Angeles Department of Water & Power and the United States Bureau of Reclamation operated a 300,000 gallon-per-day prototype desalination facility, one of the largest seawater desalination research and development facilities in the United States. The Seawater Desalination study was completed in March 2010 and research gathered from the operation of the prototype plant was published as a report to the U.S. Bureau of Reclamation. Additionally, the Department continues to operate an ongoing research project for an under-ocean intake and discharge system.

Conjunctive Use

The Department has also partnered with MWD and the California Department of Water Resources (DWR) on an innovative groundwater storage program. The \$4.5 million project, which was funded by State of California Proposition 13, stored surplus water in the Central Groundwater Basin, and has previously, delivered the stored water during previous drought conditions in 2008 and 2009. A second \$2.7 million joint conjunctive use project with the City of Lakewood was completed in 2009 and water stored under this project may also be called upon in a drought.

Water Distribution System

The City has an aging infrastructure, which needs to be maintained, and in certain parts, replaced. At September 30, 2020, the water distribution system totaled 917 miles of water mains with approximately 90,000 service connections.

During fiscal year 2020, the Department and contractors replaced 5,802 feet of deteriorated cast iron water mains with new ductile iron pipe. This critical replacement program addresses upgrading old pipelines, many of which were installed more than 50 years ago.

The Department maintains 642 large control valves 20 inches or more in diameter and 22,914 smaller control valves. The Department has a maintenance and replacement program to ensure that control valves are operational and that they can be turned off or on promptly during emergencies. The Department responds immediately, 24-hours a day, 365 days a year to water emergencies. With 24 active water wells across Long Beach supplying just over half of the City's water, well maintenance is another ongoing project for the Department. Rehabilitation of water wells and storage tanks at Alamitos and J. Will Johnson Reservoirs continues to ensure a reliable supply of water in the future.

Sanitary Sewer Collection System

The Department has made considerable progress since 1988 in addressing the substantial challenges posed by an aging sanitary sewer infrastructure, much of which is between 60 and 100 years old. At September 30, 2020, the sanitary sewer collection system totaled 715 miles of sewer pipelines. The Department developed the first City-wide Sewer Master Plan in 1991, which provided an initial prioritization of sewer deficiencies to be addressed. The Department has since developed a comprehensive program of maintenance, monitoring and repair of sewer lines including:

- an aggressive annual pipeline cleaning program;
- a Fats, Oil and Grease (FOG) program, working collaboratively with the City's Department of Health and Human Services, to address impacts to lines;
- a video monitoring program to assess conditions of pipelines;
- a comprehensive annual sewer infrastructure rehabilitation and replacement program

In fiscal year 2009, the Department completed a comprehensive Sewer Master Plan Update, providing the Department with an updated evaluation and prioritization of current deficiencies. The plan included the use of dynamic hydraulic modeling software to assess existing collection system performance, as well as to evaluate the system for future conditions. Based on the plan, the Department developed and began implementation of a multi-year Capital Improvement Program to address aging infrastructure identified by the Master Plan analysis. The plan was again updated in 2013, and is slated for another update in 2021. Additionally, the Department completed a sewer focused study of the city of Long Beach Downtown area in 2018.

RELEVANT FINANCIAL POLICIES

The Department's financial statements are presented on the accrual basis of accounting. As an enterprise fund, the cost of providing water is recovered through user charges assessed by meter size, volumetric charges and other miscellaneous charges. The cost of providing sewer service is also recovered through user and volumetric charges for all water customers who are connected to the City's sewers. Certain services, such as payroll, civil service, public service, general service, customer billing, data processing, legal, etc., are provided to the Department by other City departments; these costs are reimbursed to the City by transfer of funds from the Water Fund or the Sewer Fund.

Internal Control Structure

In the development and enhancement of the Department's accounting system, careful consideration is given to the adequacy of the internal controls designed to provide reasonable assurance regarding the safeguarding of assets against possible loss, unauthorized use or disposition; to ensure the reliability of financial records for preparing financial statements and maintaining accountability for assets, and to promote operational efficiency and compliance with managerial policies. The concept of reasonable assurance recognizes that: (1) the cost of a specific control feature should not exceed the benefits likely to be derived, and; (2) the evaluation of costs and benefits requires continued estimates and judgment by management.

Budgetary Control

The budget is a management control device for the forthcoming fiscal year. Prior to July 1 each year, the Board adopts an operating budget, which covers anticipated revenues and expenditures of the Department. The Department's budget is also subject to the approval of the City Council. By September 30 each year, the City Council shall approve the budget as adopted by the Board of Water Commissioners, or shall amend the budget and approve it as amended.

Budgets are prepared on a cash basis for revenues and for several categories of expenses. These budgets are not designed to be pro-forma statements of income and expense in the same format as the Water Department's financial statements. Instead, they are utilized primarily for controlling costs along organizational and programmatic lines. Each Bureau within the Department is responsible for outlays initiated by Divisions. Revenues are monitored only at the departmental level, except in certain areas where they are controlled by individual projects.

AWARDS AND ACKNOWLEDGEMENTS

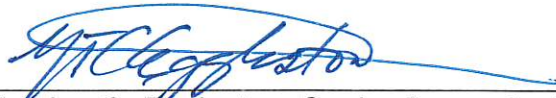
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Department for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2019. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government agency and its management. In order to be awarded a Certificate of Achievement, the Department must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents not only conform to the high program standards of the GFOA, but also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

It is recommended that the Board of Water Commissioners receive and file the Comprehensive Annual Financial Report for the fiscal years ended September 30, 2020.

Prepared
by:

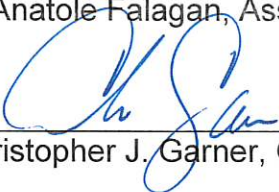

Sokhalay Hong, Senior Accountant


Yumina C. Eggleston, Senior Accountant

Submitted and
Recommended by:


B. Anatole Falagan, Assistant General Manager

Approved by:


Christopher J. Garner, General Manager



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**Long Beach Water Department
California**

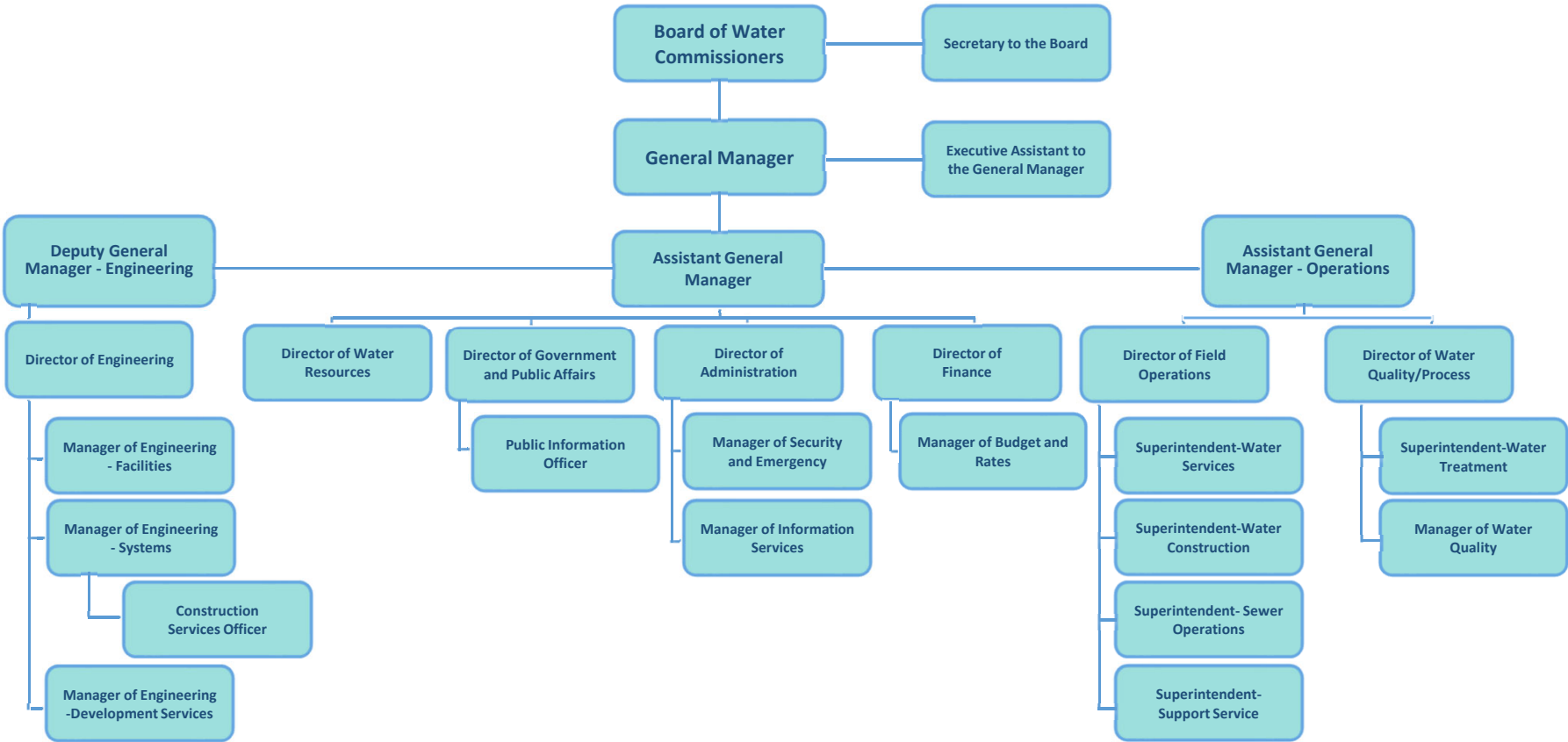
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO

Long Beach Water Department Organizational Chart



LONG BEACH WATER DEPARTMENT

BOARD OF WATER COMMISSIONERS

FRANK MARTINEZ	PRESIDENT
ARTHUR LEVINE	VICE PRESIDENT
ROBERT SHANNON	SECRETARY
GLORIA CORDERO	MEMBER
NAOMI RAINEY	MEMBER

STAFF

CHRISTOPHER J. GARNER
General Manager

B. ANATOLE FALAGAN
Assistant General Manager

FINANCIAL SECTION

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KPMG LLP
Suite 1500
550 South Hope Street
Los Angeles, CA 90071-2629

Independent Auditors' Report

The Honorable Mayor and City Council
The Honorable Members of the Board of Water Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Long Beach Water Department (the Department) of the City of Long Beach, California (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, and each major fund of the Long Beach Water Department of the City of Long Beach, California, as of September 30, 2020, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note 1, the financial statements of the Department are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City as of September 30, 2020, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedules listed under the Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

KPMG LLP

Los Angeles, California
March 29, 2021

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2020

As the management of the Long Beach Water Department, a department of the City of Long Beach (the City), we offer readers of the Long Beach Water Department's financial statements this narrative overview and analysis of the financial activities of the Long Beach Water Department (the Department) for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements. The Department comprises the City's Water Enterprise Fund (Water Fund) and Sewer Enterprise Fund (Sewer Fund) operations. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The Department's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of fiscal year 2020 (FY2020) by \$368,502 (*net position*). The Department's net position is further broken down between the Water Fund and Sewer Fund below.

Water Fund. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of FY2020 by \$293,741. This amount includes a total of net investment in capital assets of \$321,467, and \$2,377 in resources that are subject to restrictions on how they may be used. The Water Fund showed a deficit in unrestricted net position of \$30,103 in FY2020. Total Water Fund net position decreased by \$2,349 (-0.8%) from the prior fiscal year. The decrease is mostly due to net increases on expenditures during the year.

Sewer Fund. Total Sewer Fund net position totaled \$74,761 as of September 30, 2020, an increase of \$602 (+0.8%) from the prior fiscal year. The increase reflects income in excess of expenses during the year and contributed capital received during the year. In FY2020, the net investment in capital assets and the unrestricted portion of net position totaled \$71,906 and \$2,551, respectively.

Significant Department Events

On March 11, 2020, the World Health Organization declared a global pandemic due to an outbreak caused by a respiratory disease called Coronavirus Disease 2019 (COVID-19). Since then, the virus and its impact on economic activity has spread across the globe. On March 17, 2020, the City issued a notice to modify all city operations in accordance to the mandate issued by the City of Long Beach Health and Human Services Department. On March 19, 2020, the Safer-At-Home Order went into effect whereas residents of Long Beach were informed to stay at home as much as possible, requiring face coverings indoors and outdoors, employers offering telework, closing of local schools for in-person learning, limiting commercial businesses capacity, and implementing restrictions on community gathering and non-essential travels. The Department responded in full support of the City's mandate by closing its facilities to the public, encouraging employees whose

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positions enabled them to work remotely, purchasing and providing personal protective equipment (PPE) for employees at work, implementing changes in work environments and continued communication updates about COVID-19. As changes in the pandemic continue, the Department, being part of the critical infrastructure sector, remains diligent in providing the city of Long Beach with clean water as its top priority.

On April 16, 2020, the Board of Water Commissioners (the Board) approved Resolution WD-1427 authorizing the issuance of up to \$60,000 of Second Lien Water Revenue Short-Term Obligations pursuant to the Master Subordinate Trust Indenture, the Fourth Supplemental Subordinate Trust Indenture, and a Credit Agreement with JPMorgan Chase Bank, National Association, the provider of the Revolving Line of Credit (LOC). The term of the Water LOC was for three years, ending on May 19, 2023, with the option to extend for an additional two years after such date. Obligations under the Water LOC are secured and payable solely from the Water Fund revenues. The Water LOC would accrue interest at a variable rate per annum equal to a percentage of the One Month London Interbank Offered Rate (LIBOR) plus a spread. This rate will be deemed no less than three-fourths of one percent in any one-month interest period. The purpose of establishing the Water LOC is to facilitate increased investment in the Department's water system infrastructure.

Effects of these significant events on the Water Fund and Sewer Fund operations are further discussed in the Financial Analysis section of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. Because the Department is a business-type activity of the City, enterprise funds are used to account for its water and sewer operations. These financial statements include only the activities of the Department and provide comparative information for the last fiscal year. Information on Citywide financial operating results is available in the City of Long Beach Comprehensive Annual Financial Report as of September 30, 2020.

The Department's financial statements comprise two components: 1) financial statements and 2) notes to financial statements. Included as part of the financial statements are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Fund Net Position, and Statements of Cash Flows.

The *Statements of Net Position* present the Department's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

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The *Statements of Revenues, Expenses, and Changes in Fund Net Position* present information showing how the Department's net position have changed during the most recent fiscal year. Results of operations are recorded under the accrual basis of accounting, whereby transactions are reported as underlying events occur, regardless of the timing of cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (i.e., accounts payable and accounts receivable). The Department's use of the accrual basis of accounting is more fully described in the accompanying *Notes to Financial Statements*.

The *Statements of Cash Flows* present flows of cash and cash equivalents during the last fiscal year, including certain restricted amounts.

The *Notes to Financial Statements* provide additional information that is essential to the full understanding of the data provided in the financial statements and can be found on pages 26-48 of this report.

FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the Department's financial position. As of September 30, 2020, Water Fund assets exceeded liabilities by \$293,741, and Sewer Fund assets exceeded liabilities by \$74,761, representing a 0.8% decrease in net position over the prior fiscal year for the Water Fund and a 0.8% increase in Sewer Fund net position. Net positions are further categorized by net investment in capital assets, restricted and unrestricted net positions.

As of September 30, 2020, investment in capital assets, such as production, transmission, and distribution facilities, less any related debt used to acquire those assets that remains outstanding, amounted to \$321,467 and \$71,906 of Water Fund and Sewer Fund, respectively. The Department uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Resources needed to repay the outstanding debt on the Statements of Net Position must come from other sources such as operations.

The restricted portion of the Department's net position amounted to \$2,377 and \$304 for Water Fund and Sewer Fund, respectively. This represents resources that are subject to external restrictions on how they may be used. These restrictions are for items such as debt repayment and other legally restricted purposes.

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The unrestricted portion of the net position for Water Fund reflects a deficit of \$30,103 as of September 30, 2020, representing an 81.3% increase on the deficit over FY2019. The Sewer Fund's unrestricted portion amounted to \$2,551, representing a 60.8% decrease over FY2019. The unrestricted portion of the Department's net position may be used to meet the Department's ongoing obligations to creditors and customers.

The Department's Condensed Schedules of Net Position as of September 30, 2020 and 2019 are as follows (in thousands):

Long Beach Water Department Condensed Schedules of Net Position September 30, 2020 and 2019 (in thousands)				
	2020	2019	Variance 2020/2019	
			Amount	%
Assets:				
Current and other assets	\$ 59,778	\$ 92,627	\$ (32,849)	-35.5%
Capital assets	437,885	411,559	26,326	6.4%
Total assets	<u>497,663</u>	<u>504,186</u>	<u>(6,523)</u>	<u>-1.3%</u>
Deferred outflows of resources	<u>7,194</u>	<u>7,523</u>	<u>(329)</u>	<u>-4.4%</u>
Liabilities:				
Current liabilities	28,674	31,122	(2,448)	-7.9%
Noncurrent liabilities	105,546	106,085	(539)	-0.5%
Total liabilities	<u>134,220</u>	<u>137,207</u>	<u>(2,987)</u>	<u>-2.2%</u>
Deferred inflows of resources	<u>2,135</u>	<u>4,253</u>	<u>(2,118)</u>	<u>-49.8%</u>
Net Position:				
Net investment in capital assets	393,373	376,773	16,600	4.4%
Restricted	2,681	3,571	(890)	-24.9%
Unrestricted	<u>(27,552)</u>	<u>(10,095)</u>	<u>(17,457)</u>	<u>172.9%</u>
Total net position	<u>\$ 368,502</u>	<u>\$ 370,249</u>	<u>\$ (1,747)</u>	<u>-0.5%</u>

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The Department's financial position is further broken down as follows between the Department's Water Fund and the Sewer Fund as of September 30, 2020 and 2019:

Water Fund Condensed Schedules of Net Position September 30, 2020 and 2019 (in thousands)

	2020	2019	Variance 2020/2019	
			Amount	%
Assets:				
Current and other assets	\$ 44,829	\$ 74,902	\$ (30,073)	-40.1%
Capital assets	356,447	334,184	22,263	6.7%
Total assets	<u>401,276</u>	<u>409,086</u>	<u>(7,810)</u>	<u>-1.9%</u>
Deferred outflows of resources	<u>5,808</u>	<u>6,128</u>	<u>(320)</u>	<u>-5.2%</u>
Liabilities:				
Current liabilities	25,252	28,144	(2,892)	-10.3%
Noncurrent liabilities	86,327	87,457	(1,130)	-1.3%
Total liabilities	<u>111,579</u>	<u>115,601</u>	<u>(4,022)</u>	<u>-3.5%</u>
Deferred inflows of resources	<u>1,764</u>	<u>3,523</u>	<u>(1,759)</u>	<u>-49.9%</u>
Net Position:				
Net investment in capital assets	321,467	309,416	12,051	3.9%
Restricted	2,377	3,277	(900)	-27.5%
Unrestricted	(30,103)	(16,603)	(13,500)	81.3%
Total net position	<u>\$ 293,741</u>	<u>\$ 296,090</u>	<u>\$ (2,349)</u>	<u>-0.8%</u>

Sewer Fund Condensed Schedules of Net Position September 30, 2020 and 2019 (in thousands)

	2020	2019	Variance 2020/2019	
			Amount	%
Assets:				
Current and other assets	\$ 14,949	\$ 17,725	\$ (2,776)	-15.7%
Capital assets	81,438	77,375	4,063	5.3%
Total assets	<u>96,387</u>	<u>95,100</u>	<u>1,287</u>	<u>1.4%</u>
Deferred outflows of resources	<u>1,386</u>	<u>1,395</u>	<u>(9)</u>	<u>-0.6%</u>
Liabilities:				
Current liabilities	3,422	2,978	444	14.9%
Noncurrent liabilities	19,219	18,628	591	3.2%
Total liabilities	<u>22,641</u>	<u>21,606</u>	<u>1,035</u>	<u>4.8%</u>
Deferred inflows of resources	<u>371</u>	<u>730</u>	<u>(359)</u>	<u>-49.2%</u>
Net Position:				
Net investment in capital assets	71,906	67,357	4,549	6.8%
Restricted	304	294	10	3.4%
Unrestricted	2,551	6,508	(3,957)	-60.8%
Total net position	<u>\$ 74,761</u>	<u>\$ 74,159</u>	<u>\$ 602</u>	<u>0.8%</u>

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Fiscal Year Ended September 30, 2020 Compared to 2019

Water Fund. Net position decreased by \$2,349 (-0.8%) over FY2019. This net decrease is mostly attributable to a loss from operations of \$6,258 in FY2020. This decrease was offset by the contributed capital from various Developers for water distribution system improvements in the amount of \$3,909.

Current and other assets decreased by \$30,073 (-40.1%) from FY2019, which reflects a decrease in non-pooled cash and cash equivalents and inventory by \$25,210 (-70.3%). The decrease is mainly a result of inventory material and supplies used for the Automated Metering Infrastructure (AMI) project and for the ongoing activities in water capital improvement projects in FY2020.

Capital assets increased by \$22,263 (+6.7%) over the prior year, mainly due to the ongoing capital improvement program such the AMI project, cast iron water main replacement, water service installations, machinery and equipment purchases, and facility improvements.

Deferred outflows of resources decreased by \$320 (-5.2%) over FY2019. This net decrease reflects a decrease of \$61 (-1.3%) on deferred pension costs, a decrease of \$198 (-21.8%) on debt refunding and a decrease of \$61 (-13.2%) in changes in actuarial assumptions on OPEB costs. The majority of the net decrease in FY2020 is the result of a decrease on pension contributions after the measurement date in the amount of \$1,886 (-59.2%), which was offset by increases on difference between actual and expected investment returns in FY2020 in the amount of \$1,091 (+100.0%). Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 42.

Current liabilities decreased by \$2,892 (-10.3%) compared to FY2019, mainly due to a decrease in of \$3,074 (-74.1%) in the amount due to the City Utility Revenue Transfer Charter Amendment (Measure M) and City street right-of-way (ROW Study). This decrease in the amount due to the City was the result of timing of payments.

Noncurrent liabilities decreased by \$1,130 (-1.3%) from FY2019, primarily due to annual principal payments on debt and bonds premium amortization in FY2020. This decrease was offset by an increase in net pension liability in the amount of \$4,683 (+12.3%). Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 38 and on Note 6 - Leasing Arrangements on page 47.

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Deferred inflows of resources decreased by \$1,759 (-49.9%) over FY2019. This net decrease reflects changes in actuarial assumptions, differences between actual and projected experience and proportionate share of deferred pension and OPEB costs. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 42.

Sewer Fund. Net position increased \$602 (+0.8%) over FY2019. This increase is primarily due to revenues in excess of expenses.

Current assets and other assets decreased by \$2,776 (-15.7%) over FY2019, reflecting a decrease in pooled cash and cash equivalents due primarily to the funding of major sewer capital improvement projects and other sewer operations in FY2020.

Capital assets increased by \$4,063 (+5.3%) over FY2019, due to machinery and equipment purchases and to continued expenditures on sewer main pipe relining and replacement, and sewer pump station rehabilitation projects across the City of Long Beach.

Deferred outflows of resources decreased by \$9 (-0.6%) over FY2019. This net decrease reflects a decrease of \$14 (-14.1%) in changes in actuarial assumptions on OPEB costs. The decrease was offset by an increase of \$5 (+0.4%) on deferred pension costs. The actuarial determined deferred pension costs decreased \$43 (-45.3%) due to changes in actuarial assumptions and experience. The decrease was offset by an increase of \$194 (+34.9%) in the funds proportion of the City wide pension liability compared to FY2018. The pension contributions after measurement date decreased by \$374 (-58.0%) compared to FY2019. Additional information on deferred outflows related to pensions is provided on Note 5 - Retirement Program of the Notes to Financial Statements on page 42.

Current liabilities increased by \$444 (+14.9%) compared to FY2019, which reflects an increase in accounts payable as a result of increases in expenditures relating to sewer collection system maintenance and capital improvements.

Noncurrent liabilities increased by \$591 (+3.2%) from FY2019, primarily due to an increase in the net pension liabilities by \$1,203 (+15.5%). In addition, long-term bonds payable decreased by \$501 (-5.2%) due to annual principal payments on Series 2016A Bonds. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 38 and on Note 5 - Retirement Program on page 42.

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Deferred Inflows of resources decreased by \$359 (-49.2%) over FY2019. This decrease reflects a decrease in actuarial assumptions, differences between actual and projected experience and proportionate share of deferred pension, which was offset by a \$55 (+19.8%) increase in OPEB costs. Additional information on deferred outflows related to pensions is provided on the Note 5 - Retirement Program of the Notes to Financial Statements in page 42.

The Water Department's Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position provide further insight as to the nature and source of changes in net position and are summarized as follows for the years ended September 30, 2020 and 2019 (in thousands):

Long Beach Water Department Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2020 and 2019 (in thousands)				
	2020	2019	Variance 2020/2019	
			Amount	%
Operating Revenues:				
Metered water sales	\$ 73,511	\$ 66,047	\$ 7,464	11.3%
Reclaimed water sales	3,154	2,644	510	19.3%
Service charges	43,954	40,203	3,751	9.3%
Other services	10,397	9,525	872	9.2%
Total operating revenues	<u>131,016</u>	<u>118,419</u>	<u>12,597</u>	<u>10.6%</u>
Operating Expenses:				
Cost of water	36,163	28,659	7,504	26.2%
Personal services	38,857	28,638	10,219	35.7%
Commercial Services	4,291	4,206	85	2.0%
Maintenance and other	29,377	28,535	842	3.0%
Street Impact charges	3,903	4,200	(297)	-7.1%
Depreciation and amortization	15,636	14,145	1,491	10.5%
Total operating expenses	<u>128,227</u>	<u>108,383</u>	<u>19,844</u>	<u>18.3%</u>
Operating income	2,789	10,036	(7,247)	-72.2%
Nonoperating Income (Expenses):				
Interest income	1,060	2,086	(1,026)	-49.2%
Interest expense	(1,774)	(527)	(1,247)	236.6%
Rental income	1,043	942	101	10.7%
Payments to the City	(10,450)	(9,722)	(728)	7.5%
Other	1,638	1,624	14	0.9%
Total non-operating income (expense)	<u>(8,483)</u>	<u>(5,597)</u>	<u>(2,886)</u>	<u>51.6%</u>
Income (loss) before contributed capital	(5,694)	4,439	(10,133)	-228.3%
Contributed capital	3,947	1,723	2,224	129.1%
Changes in net position	(1,747)	6,162	(7,909)	-128.4%
Net position - October 1	370,249	364,087	6,162	1.7%
Net position - September 30	<u>\$ 368,502</u>	<u>\$ 370,249</u>	<u>\$ (1,747)</u>	<u>-0.5%</u>

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The Department's operations are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2020 and 2019:

Water Fund				
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position				
Fiscal Years Ended September 30, 2020 and 2019				
(in thousands)				
	2020	2019	Variance 2020/2019	
			Amount	%
Operating Revenues:				
Metered water sales	\$ 67,987	\$ 60,299	\$ 7,688	12.7%
Reclaimed water sales	3,154	2,644	510	19.3%
Service charges	32,807	29,121	3,686	12.7%
Other services	9,143	7,225	1,918	26.5%
Total operating revenues	<u>113,091</u>	<u>99,289</u>	<u>13,802</u>	<u>13.9%</u>
Operating Expenses:				
Cost of water	36,163	28,659	7,504	26.2%
Personal services	31,617	23,532	8,085	34.4%
Commercial Services	2,405	2,263	142	6.3%
Maintenance and other	25,774	25,137	637	2.5%
Street Impact charges	1,753	2,169	(416)	-19.2%
Depreciation and amortization	13,025	11,720	1,305	11.1%
Total operating expenses	<u>110,737</u>	<u>93,480</u>	<u>17,257</u>	<u>18.5%</u>
Operating income	2,354	5,809	(3,455)	-59.5%
Nonoperating Income (Expenses):				
Interest income	697	1,518	(821)	-54.1%
Interest expense	(1,538)	(527)	(1,011)	191.8%
Rental income	1,043	942	101	10.7%
Payments to the City	(10,450)	(9,722)	(728)	7.5%
Other	1,636	1,283	353	27.5%
Total non-operating income (expense)	<u>(8,612)</u>	<u>(6,506)</u>	<u>(2,106)</u>	<u>32.4%</u>
Income (loss) before contributed capital	(6,258)	(697)	(5,561)	797.8%
Contributed capital	3,909	1,627	2,282	140.3%
Changes in net position	(2,349)	930	(3,279)	-352.6%
Net position - October 1	296,090	295,160	930	0.3%
Net position - September 30	<u>\$ 293,741</u>	<u>\$ 296,090</u>	<u>\$ (2,349)</u>	<u>-0.8%</u>

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Sewer Fund Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2020 and 2019 (in thousands)

	2020	2019	Variance 2020/2019	
			Amount	%
Operating Revenues:				
Metered water sales	\$ 5,524	\$ 5,748	\$ (224)	-3.9%
Service charges	11,147	11,082	65	0.6%
Other services	1,254	2,300	(1,046)	-45.5%
Total operating revenues	17,925	19,130	(1,205)	-6.3%
Operating Expenses:				
Personal services	7,240	5,106	2,134	41.8%
Commercial Services	1,886	1,943	(57)	-2.9%
Maintenance and other	3,603	3,398	205	6.0%
Street Impact charges	2,150	2,031	119	5.9%
Depreciation	2,611	2,425	186	7.7%
Total operating expenses	17,490	14,903	2,587	17.4%
Operating income	435	4,227	(3,792)	-89.7%
Nonoperating Income (Expenses):				
Interest income	363	568	(205)	-36.1%
Interest expense	(236)	-	(236)	-100.0%
Other	2	341	(339)	-99.4%
Total non-operating income (expense)	129	909	(780)	-85.8%
Income before contributed capital	564	5,136	(4,572)	-89.0%
Contributed capital	38	96	(58)	-60.4%
Changes in net position	602	5,232	(4,630)	-88.5%
Net position - October 1	74,159	68,927	5,232	7.6%
Net position - September 30	\$ 74,761	\$ 74,159	\$ 602	0.8%

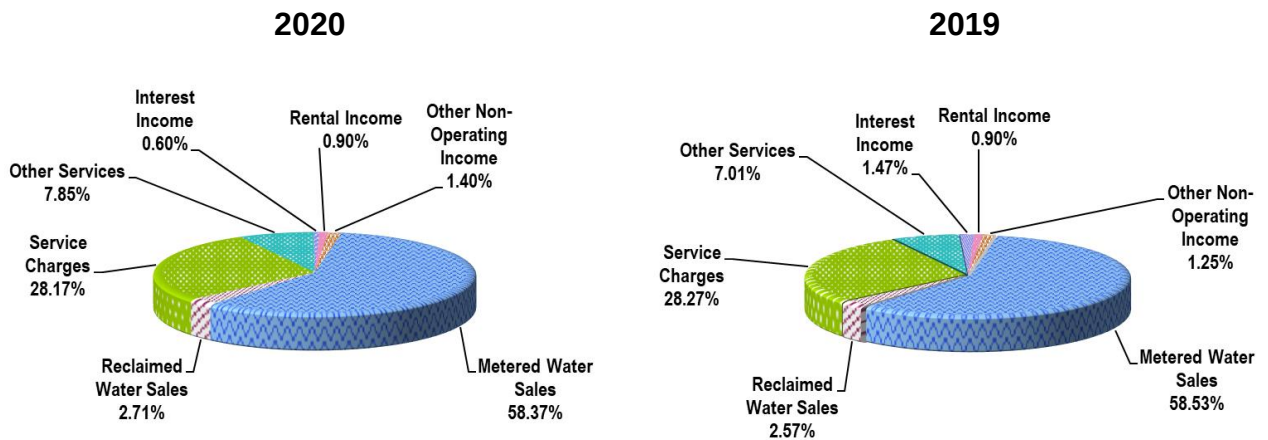
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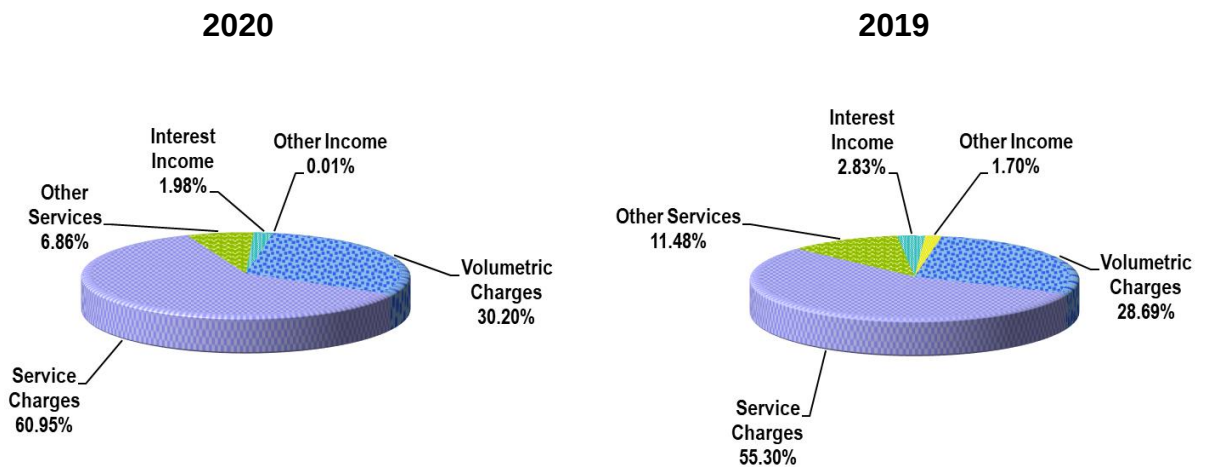
Sources of Revenues

Sources of revenue for fiscal years 2020 and 2019 are shown on the following charts.

Water Fund



Sewer Fund



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Management Review of the Department's Revenues

Water Fund

Fiscal Year Ended September 30, 2020 Compared to 2019

Total operating revenues were \$113,091, an increase of \$13,802 (+13.9%) over FY2019. The major elements of this net increase are as follows:

- Metered potable water sales revenue increased by \$7,688 (+12.7%) primarily due to a 12% water rates increase and a 359 AF (+0.74%) increase in consumption in FY2020. Customer potable water consumption shows a decrease of 587 AF (-4.0%) for non-residential and an increase of 946 AF (+2.8%) for residential compared to FY2019. This shows a shift on consumption between customer accounts due to the COVID-19 mandate in FY2020.
- Service charges increased by \$3,686 (+12.7%) over FY2019 which reflects the 12% rate increase effective October 1, 2019.
- Revenue from other services totaled \$9,143, a net increase of \$1,918 from the prior year. The major factors of this net increase are as follows:
 - Revenue from an In-Lieu Groundwater Replenishment Agreement with the Water Replenishment District of Southern California (WRD) increased by \$2,532 (+100.0%) over FY2019, whereas the Department agreed to retire unused Current Allocated Pumping Rights (CAPR) of 5,000 AF and increased purchases of imported water in-lieu of the groundwater pumping in FY2020.
 - Reimbursements received for Conservation Incentive programs increased by \$623 (+100.0%) over FY2019. This is due to the Department's active promotion of water conservation programs across different sectors of the community during FY2020.
 - Revenue received from sales of potable water and readiness-to-serve charges to WRD and Orange County Water District (OCWD) decreased by \$937 (-17.4%) and \$171 (-26.7%), respectively. This is mainly due to the decrease in demand by 1,006 AF (-19.5%) in relation to the Alamitos Seawater Intrusion Barrier.

Contributed capital increased by \$2,282 (+140.3%) compared to FY2019 primarily due to an increase in water distribution system development agreements with the Department and contributions received in relation to the Automated Metering Infrastructure (AMI).

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Sewer Fund

Fiscal Year Ended September 30, 2020 Compared to 2019

Total operating revenues decreased \$1,205 (-6.3%) over FY2019. The key elements of this decrease are as follows:

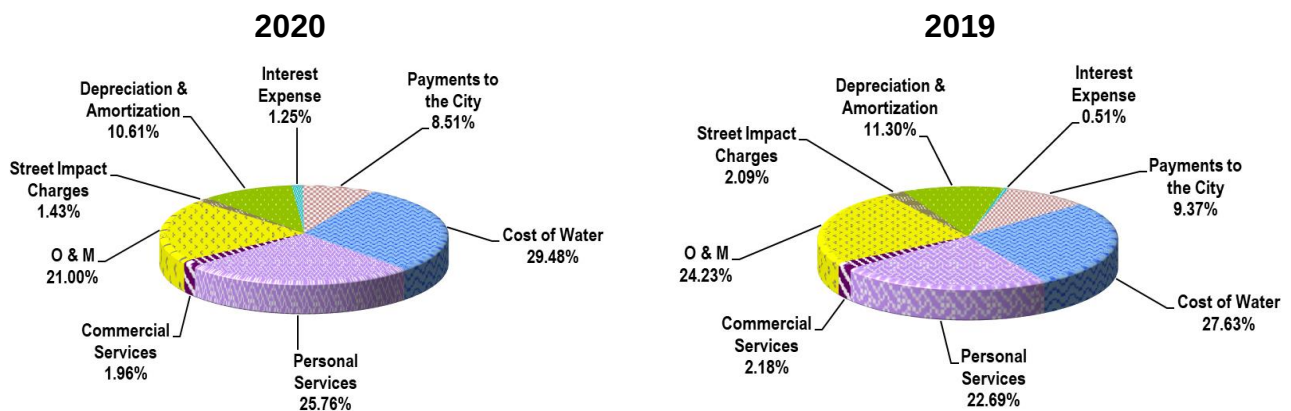
- Metered water sales revenue decreased by \$224 (-3.9%) as a result of a 1,126 AF (-3.0%) decrease in demand, which was slightly offset by an increase in service charges in the amount of \$65 (+0.6%) over FY2019. There was no sewer rate increase in FY2020.
- Other services revenue decreased by \$1,046 (-45.5%) over FY2019, due to a decrease in sewer capacity charges revenue. This reflects a decline in residential and commercial sewer collection system developments in the city of Long Beach, primarily due to construction delays brought by COVID-19 pandemic restrictions.

Contributed capital decreased by \$58 (-60.4%) compared to FY2019, primarily due to a decrease in proceeds received from sewer collection system development agreements with the Department.

Functional Expenses

Functional expenses for the 2020 and 2019 fiscal years are shown on the following charts.

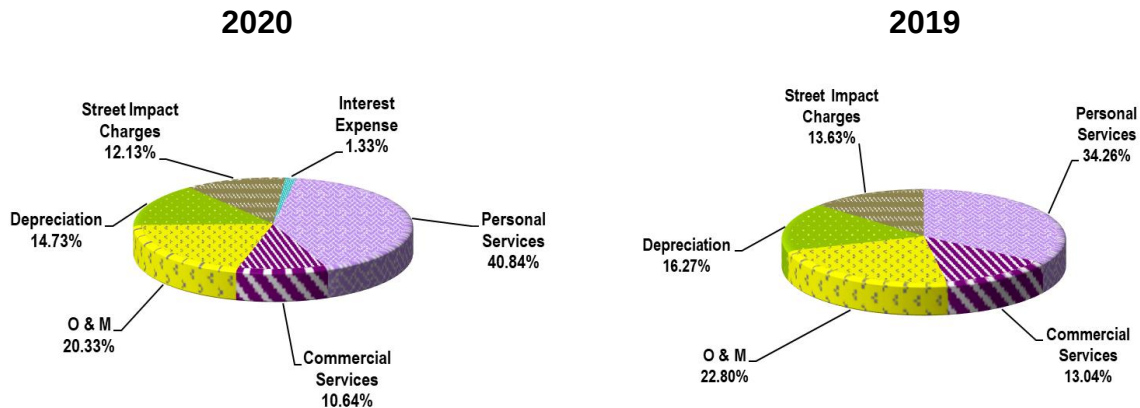
Water Fund



LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2020

Sewer Fund



Management Review of the Department's Expenses.

Water Fund

Fiscal Year Ended September 30, 2020 Compared to 2019

Operating expenses totaled \$110,737, an increase of \$17,257 (+18.5%) over FY2019. The major elements attributable to the net increase are as follows:

- In FY2020, purchased water costs and volume increased by \$7,504 (+26.2%) and 8,844 AF (32.7%) respectively. This net increase is due to changes on potable water demand and rates as follows:
 - Purchased potable water from Metropolitan Water District (MWD) increased by 11,560 AF (+61.5%), primarily due to an agreement with WRD to help replenish the Central Groundwater Basin by purchasing 5,000 AF of imported water in-lieu of pumping groundwater, and an extended shutdown of the Groundwater Treatment Plant due to COVID-19 related staff safety issues, challenges and maintenance contractor delays.
 - Purchased potable water through an agreement with the City of Lakewood via a distribution pipeline inter-tie connection decreased by 1,710 AF (-55.7%) in FY2020. This decrease was offset by an increase in purchased water rates of 4.1% compared to FY2019.

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Management's Discussion and Analysis September 30, 2020

- Personal services costs increased by \$8,085 (+34.4%) in FY2020, primarily as a result of increases in staffing previously budgeted vacant positions, negotiated salary range and Cost of Living Allowance (COLA), overtime, fringe benefits, and pension costs.
- Depreciation expense increased by \$1,305 (+11.1%) compared to FY2019, mainly due to the completion of water well, water reservoir, and pipeline distribution system improvement projects in FY2020.

FY2020 net nonoperating expense totaled \$8,612, a net increase of \$2,106 (+32.4%) over FY2019. There was no interest expense capitalized in FY2020 as a result of Governmental Accounting Standards Board Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period (GASB 89) implementation. In addition, interest income received in relation to mark-to-market pooled cash investments in FY2020 decreased by \$821 (-54.1%).

Sewer Fund

Fiscal Year Ended September 30, 2020 Compared to 2019

Total operating expenses amounted to \$17,490, an increase of \$2,587 (+17.4%) over FY2019. This increase is mostly attributable to the following elements:

- Personal services costs increased by \$2,134 (+41.8%) in FY2020, primarily because of increases in staffing previously budgeted vacant positions, negotiated salary range and Cost of Living Allowance (COLA), overtime, fringe benefits, and pension costs.
- Maintenance and other expenses increased by \$205 (+6.0%) compared to FY2019. This net increase is mostly attributable to the increase of \$411 (+241.3%) in other contractual services relating to meter reading and sewer manholes pest abatement services in FY2020. This increase was offset by a decrease in sewer pipeline repair and other services in the amount of \$199 (-88.8%) over FY2019.

FY2020 net nonoperating income decreased by \$780 (-85.8%) over FY2019. This is mainly due to an increase of \$352 (+40.4%) in the share of costs for the AMI project. In addition, interest income received in relation to mark-to-market pooled cash investments in FY2020 decreased by \$205 (-36.1%). The remaining decrease was due to an increase in interest expense as no interest expense was capitalized in FY2020 as a result of Governmental Accounting Standards Board Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period (GASB 89) implementation.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2020

Capital Assets and Debt Administration

Capital assets. The Department's capital assets (net of accumulated depreciation and amortization) as of September 30, 2020 amounted to \$356,447 for the Water Fund and \$81,438 for the Sewer Fund. Capital assets include investments in production, transmission, patent, improvements on buildings and structures, and distribution related facilities, as well as general items such as office equipment and furniture. For FY2019, net capital assets increased \$22,263 (+6.7%) and \$4,063 (+5.3%) for Water Fund and Sewer Fund, respectively. The net increase is due primarily to machinery and equipment purchases and capitalization of major potable water and reclaimed water distribution systems, and sewer collection systems.

The Department's capital assets are summarized as follows for the years ended September 30, 2020 and 2019 (in thousands):

Long Beach Water Department
Condensed schedules of Capital Assets
September 30, 2020 and 2019
(in thousands)

	2020	2019	Variance	
			2020/2019	
			Amount	%
Land	\$ 11,214	\$ 11,214	\$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	159,452	149,889	9,563	6.4%
Distribution/collection systems	583,169	573,386	9,783	1.7%
Machinery and equipment	27,548	26,627	921	3.5%
Construction in progress	69,048	48,684	20,364	41.8%
Total capital assets	851,286	810,655	40,631	5.0%
Less: accumulated depreciation and amortization	(413,401)	(399,096)	(14,305)	3.6%
Total capital assets, net	\$ 437,885	\$ 411,559	\$ 26,326	6.4%

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2020

The Department's capital assets are further broken down as follows between the Department's Water Fund and the Sewer Fund for the years ended September 30, 2020 and 2019:

Water Fund Capital Assets September 30, 2020 and 2019 (in thousands)				
	2020	2019	Variance 2020/2019	
			Amount	%
Land	\$ 11,214	\$ 11,214	\$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	147,022	140,267	6,755	4.8%
Distribution/collection systems	371,322	364,834	6,488	1.8%
Machinery and equipment	20,853	20,338	515	2.5%
Construction in progress	60,496	40,297	20,199	50.1%
Total capital assets	611,762	577,805	33,957	5.9%
Less: accumulated depreciation and amortization	(255,315)	(243,621)	(11,694)	4.8%
Total capital assets, net	\$ 356,447	\$ 334,184	\$ 22,263	6.7%

Sewer Fund Capital Assets September 30, 2020 and 2019 (in thousands)				
	2020	2019	Variance 2020/2019	
			Amount	%
Buildings, structures, and facilities	\$ 12,430	\$ 9,622	\$ 2,808	29.2%
Distribution/collection systems	211,847	208,552	3,295	1.6%
Machinery and equipment	6,695	6,289	406	6.5%
Construction in progress	8,552	8,387	165	2.0%
Total capital assets	239,524	232,850	6,674	2.9%
Less: accumulated depreciation	(158,086)	(155,475)	(2,611)	1.7%
Net capital assets	\$ 81,438	\$ 77,375	\$ 4,063	5.3%

Additional information regarding capital assets can be found in notes 1 and 3 to the Department's financial statements.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2020

Long-term obligations. As of September 30, 2020, the Department had total outstanding long-term obligations in the amount of \$37,162 for the Water Fund and \$9,157 for the Sewer Fund. All debt is supported by Water Fund revenues and Sewer Fund revenues. Total Department outstanding debt as of September 30, 2020 and 2019 is summarized as follows:

Water Fund Long-Term Obligations September 30, 2020 and 2019 (in thousands)				
	2020	2019	Variance	
			2020/2019	
			Amount	%
Capital Lease:				
AMI Capital Lease	\$ 24,860	\$ 26,326	\$ (1,466)	-5.6%
Total capital lease outstanding	<u>24,860</u>	<u>26,326</u>	<u>(1,466)</u>	<u>-5.6%</u>
Long-term debt:				
Revenue refunding bonds	16,115	19,165	(3,050)	-15.9%
Long-term debt outstanding, net	<u>16,115</u>	<u>19,165</u>	<u>(3,050)</u>	<u>-15.9%</u>
Add: Unamortized bond premium	873	1,190	(317)	-26.6%
Total long-term debt outstanding	<u>16,988</u>	<u>20,355</u>	<u>(3,367)</u>	<u>-16.5%</u>
Total long-term obligations	<u>\$ 41,848</u>	<u>\$ 46,681</u>	<u>\$ (4,833)</u>	<u>-10.4%</u>

Sewer Fund Long-Term Obligations September 30, 2020 and 2019 (in thousands)				
	2020	2019	Variance	
			2020/2019	
			Amount	%
Long-term debt:				
Revenue refunding bonds	\$ 8,335	\$ 8,695	\$ (360)	-4.1%
Long-term debt outstanding, net	<u>8,335</u>	<u>8,695</u>	<u>(360)</u>	<u>-4.1%</u>
Add: Unamortized bond premium	1,197	1,323	(126)	-9.5%
Total long-term debt outstanding	<u>\$ 9,532</u>	<u>\$ 10,018</u>	<u>\$ (486)</u>	<u>-4.9%</u>

The Department maintains AA+ credit ratings from Standard & Poor's for the Water and Sewer Funds. Additional information on the Department's long-term obligations can be found in Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 38 and on Note 6- Leasing Arrangements on page 47.

LONG BEACH WATER DEPARTMENT

Management's Discussion and Analysis September 30, 2020

Economic Factors and Next Year's Budget and Rates

The Board of Water Commissioners (Board) approved the budget for the fiscal year-end September 30, 2021, with budgeted expenditures totaling approximately \$136,195, an increase of \$1,338 (+1.0%) compared to FY2020. In addition, Sewer Fund's budgeted expenditures amounted to \$23,552, which increased by \$2,156 (+1.0%) in FY2021.

In fiscal year 2021 (FY2021), there were 6.0% rate increases for potable water and reclaimed water. There were no rate increases for sewer collection services in FY2021.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Long Beach Water Department, 1800 E. Wardlow Road, Long Beach, California 90807.

LONG BEACH WATER DEPARTMENT

Statements of Net Position Business Type Activity - Enterprise September 30, 2020

	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets:			
Pooled cash and cash equivalents	\$ 14,976	13,451	28,427
Non-pooled cash equivalents	4,131	-	4,131
Interest receivable	11	-	11
Due from other government	1,892	-	1,892
Due from employee benefit fund	896	57	953
Customer accounts receivable	8,914	1,030	9,944
Allowance for doubtful accounts	(507)	(78)	(585)
Material and supplies inventory	6,512	185	6,697
Prepaid expense	2,552	-	2,552
Restricted assets:			
Pooled cash and cash equivalents:			
Funds held in trust	986	-	986
Bond service funds	1,623	304	1,927
Sub-total pooled cash and cash equivalents	2,609	304	2,913
Non-pooled investments	2,843	-	2,843
Total restricted assets	5,452	304	5,756
Total current assets	44,829	14,949	59,778
Noncurrent Assets:			
Capital assets:			
Land	11,214	-	11,214
Water rights	40	-	40
Patent	815	-	815
Buildings, structures and facilities	147,022	12,430	159,452
Distribution/collection systems	371,322	211,847	583,169
Machinery and equipment	20,853	6,695	27,548
Construction in progress	60,496	8,552	69,048
Total capital assets	611,762	239,524	851,286
Less: Accumulated depreciation and amortization	(255,315)	(158,086)	(413,401)
Total capital assets, net	356,447	81,438	437,885
Total assets	401,276	96,387	497,663
DEFERRED OUTFLOWS OF RESOURCES			
Economics loss from the refunding of debt	709	-	709
Pension contributions after measurement date	1,298	271	1,569
Difference between actual and expected			
CalPERS investment returns	1,091	228	1,319
Pension changes in proportions	2,062	750	2,812
Pension changes in experience	248	52	300
OPEB contributions after measurement date	119	26	145
OPEB liability change in proportions	86	18	104
OPEB change in assumptions	195	41	236
Total deferred outflows of resources	\$ 5,808	1,386	7,194

(Continued)

LONG BEACH WATER DEPARTMENT

**Statements of Net Position
Business Type Activity - Enterprise
September 30, 2020**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 13,956	1,707	15,663
Accrued wages payable	1,105	308	1,413
Accrued compensated absences	2,182	438	2,620
Due to other funds	1,075	180	1,255
Advances from developers	939	267	1,206
Accrued interest payable	302	147	449
Capital lease due with in one year	1,516	-	1,516
Long-term debt due within one year	3,170	375	3,545
Customer deposits	1,007	-	1,007
Total current liabilities	25,252	3,422	28,674
Noncurrent Liabilities:			
Capital lease, net of current portion	23,344	-	23,344
Long-term debt, net of current portion	13,818	9,157	22,975
Compensated absences	4,940	1,046	5,986
Total OPEB liability	326	69	395
Net pension liability	42,899	8,947	51,846
Accrued site restoration cost	1,000	-	1,000
Total noncurrent liabilities	86,327	19,219	105,546
Total Liabilities	111,579	22,641	134,220
DEFERRED INFLOWS OF RESOURCES			
Pension changes in experience	181	38	219
OPEB change in assumptions	1,257	265	1,522
OPEB change in experience	326	68	394
Total deferred inflows of resources	1,764	371	2,135
NET POSITION			
Net investment in capital assets	321,467	71,906	393,373
Restricted for:			
Bond Service	1,623	304	1,927
Bond Reserve	754	-	754
Unrestricted	(30,103)	2,551	(27,552)
Total Net Position	\$ 293,741	74,761	368,502

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

Statements of Revenues, Expenses, and Changes in Fund Net Position Business Type Activity - Enterprise Year Ended September 30, 2020

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Metered water sales	\$ 67,987	5,524	73,511
Reclaimed water sales	3,154	-	3,154
Service charges	32,807	11,147	43,954
Other services	9,143	1,254	10,397
Total operating revenues	<u>113,091</u>	<u>17,925</u>	<u>131,016</u>
Operating Expenses:			
Cost of water	36,163	-	36,163
Personal services	31,617	7,240	38,857
Commercial services	2,405	1,886	4,291
Maintenance and other	25,774	3,603	29,377
Street Impact charges	1,753	2,150	3,903
Depreciation and amortization	13,025	2,611	15,636
Total operating expenses	<u>110,737</u>	<u>17,490</u>	<u>128,227</u>
Operating income	<u>2,354</u>	<u>435</u>	<u>2,789</u>
Non-operating Income (Expense):			
Interest income	697	363	1,060
Interest expense	(1,538)	(236)	(1,774)
Rental income	1,043	-	1,043
Payments to the City	(10,450)	-	(10,450)
Other	1,636	2	1,638
Total non-operating income (expense)	<u>(8,612)</u>	<u>129</u>	<u>(8,483)</u>
Income (loss) before contributed capital	<u>(6,258)</u>	<u>564</u>	<u>(5,694)</u>
Contributed capital	<u>3,909</u>	<u>38</u>	<u>3,947</u>
Changes in net position	<u>(2,349)</u>	<u>602</u>	<u>(1,747)</u>
Net position - October 1	<u>296,090</u>	<u>74,159</u>	<u>370,249</u>
Net Position - September 30	<u>\$ 293,741</u>	<u>74,761</u>	<u>368,502</u>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

**Statements of Cash Flows
Business Type Activity - Enterprise
Year ended September 30, 2020**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 116,902	18,627	135,529
Cash paid to employees	(28,744)	(6,013)	(34,757)
Cash paid for water	(32,641)	-	(32,641)
Cash paid for goods and services	(24,574)	(5,602)	(30,176)
Cash paid to the City	(1,753)	(2,150)	(3,903)
Other income	228	1,274	1,502
Other expense	(284)	(1,281)	(1,565)
Net cash provided by operating activities	<u>29,134</u>	<u>4,855</u>	<u>33,989</u>
Cash flows from non-capital financing activities:			
Payments to the City	(10,450)	-	(10,450)
Cash received from rental income	1,043	-	1,043
Payments received from the City	1,710	-	1,710
Net cash (used for)/provided by non-capital financing activities	<u>(7,697)</u>	<u>-</u>	<u>(7,697)</u>
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	348	9	357
Contributions in aid of construction	2,332	38	2,370
Payments for capital acquisitions	(35,843)	(6,671)	(42,514)
Principal repayments-bonds	(3,050)	(360)	(3,410)
Principal repayments-capital lease	(1,466)	-	(1,466)
Interest payments	(1,708)	(368)	(2,076)
Net cash used for capital and related financing activities	<u>(39,387)</u>	<u>(7,352)</u>	<u>(46,739)</u>
Cash flows from investing activities:			
Interest income received	643	363	1,006
Net cash provided by investing activities	<u>643</u>	<u>363</u>	<u>1,006</u>
Net increase (decrease) in cash and cash equivalents	<u>(17,307)</u>	<u>(2,134)</u>	<u>(19,441)</u>
Cash and cash equivalents, October 1	<u>39,023</u>	<u>15,889</u>	<u>54,912</u>
Cash and cash equivalents, September 30	<u>21,716</u>	<u>13,755</u>	<u>35,471</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	2,354	435	2,789
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense and amortization	13,025	2,611	15,636
Other income	228	1,274	
Other expense	(284)	(1,281)	
Increase in pension, OPEB and compensated absences	2,472	1,112	3,584
Increase in customer accounts receivable	(782)	(74)	(856)
Decrease in due from City of Long Beach	4,691	776	5,467
(Increase) decrease in material and supplies inventory	10,484	(60)	10,424
Increase (decrease) in accounts and retainage payable	(281)	549	268
Increase in accrued wages payable	401	115	516
Decrease in due to City of Long Beach	(3,074)	(602)	(3,676)
Decrease in customer deposits	(100)	-	(100)
Total adjustments	<u>26,780</u>	<u>4,420</u>	<u>31,200</u>
Net cash provided by operating activities	<u>\$ 29,134</u>	<u>4,855</u>	<u>33,989</u>

See accompanying notes to financial statements

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2020
(in thousands of dollars)

Note 1 - Description of the Department and Summary of Significant Accounting Policies

Description of the Department

The Long Beach Water Department (the Department) was established in 1911 through adoption of the City Charter of the City of Long Beach, California (the City) to regulate and control the use, sale, and distribution of water owned or controlled by the City. In February 1988, the City Council of the City of Long Beach voted to transfer administrative, operational, and maintenance responsibility of the City's sewer system to the Department. In addition, in April 1990, the citizens of Long Beach passed a City Charter amendment that allowed greater autonomy of the Department in administering sewer operations. For accounting purposes, the transfer was effective July 1, 1988.

The Department services the City's sewer system that consists of 715 miles of sewer mains, 15,126 manholes, and 28 sewage pumping stations. This system is capable of transporting for treatment approximately 40 to 60 million gallons of raw sewage daily.

The Department obtains potable water for distribution from two sources. Historically, approximately half of the City's water is purchased from the Metropolitan Water District of Southern California; the other half is pumped from the Department's own groundwater wells. Potable water is stored in two reservoirs with a combined capacity of 108.9 million gallons. As of September 30, 2020, the Department delivered over 1.8 billion gallons of reclaimed water to various users in the City.

Reporting Entity

The Department's financial activities are considered to be enterprise operations of the City of Long Beach; accordingly, such activities are included in the City's Comprehensive Annual Financial Report in the Water Utility Fund and Sewer Utility Fund. Control and management of the Department is vested in the five-member Board of Water Commissioners (the Board). Each Commissioner is appointed by the Mayor, confirmed by the City Council, and may serve two five-year terms.

The accompanying Department financial statements include the Water and Sewer Fund operations of the City of Long Beach. The statements of the Department are intended to present the financial position, and changes in financial position, and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the City, as of September 30, 2020, and the changes in its financial position, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2020
(in thousands of dollars)

The City's Comprehensive Annual Financial Report may be obtained by contacting:

City of Long Beach, California – Department of Financial Management
411 W. Ocean Blvd.
Long Beach, CA 90802

Basis of Accounting

The Department's accounts are maintained on a flow of economic resources measurement focus utilizing the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, regardless of when they are received, and expenses are recognized in the period incurred. The Department's operations are not subject to regulation by the Public Utilities Commission.

The Department applies all Governmental Accounting Standards Board (GASB) Statements and Interpretations.

Implementation of New Accounting Pronouncements

Application of the following Statements was effective for the Department's fiscal year ended September 30, 2020.

In June of 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing and (b) to simplify accounting for certain interest costs. In financial statements prepared using the economic resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Department has chosen to implement the provisions of this statement for fiscal year 2020.

In May of 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objectives of this Statement are to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. The requirements of this Statement were effective immediately upon issuance. Application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2020.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2020
(in thousands of dollars)

The Department is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June of 2017, the GASB issued Statement No. 87, *Leases*. This Statement is effective for the Department's fiscal year ending September 30, 2022.

In August of 2018, GASB issued Statement No. 90, *Majority Equity Interests Interests – an Amendment of GASB Statements No. 14 and No. 61*. This Statement is effective for the Department's fiscal year ending September 30, 2021.

In May of 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In January of 2020, GASB issued Statement No. 92, *Omnibus 2020*. This Statement is effective for the Department's fiscal year ending September 30, 2022.

In March of 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement is effective for the Department's fiscal year ending September 30, 2022.

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In May of 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

In June of 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. This Statement is effective for the Department's fiscal year ending September 30, 2023.

City of Long Beach Investment Pool

In order to maximize investment return and in accordance with City Charter requirements, the Department pools its available cash with other City funds into the City of Long Beach Investment Pool (the Pool). The Pool is an internal investment pool that is used as a demand deposit account by participating units. Investment decisions are made by the City Treasurer and approved by a general investment committee whose membership includes a member of the Department's management. Interest income and realized and unrealized gains and losses arising from the Pool are apportioned to each participating unit based on their average daily cash balances compared to aggregate pooled cash and investments.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements September 30, 2020 (in thousands of dollars)

At September 30, 2020, the Water Fund and Sewer Fund had equity in the Pool of \$17,585 and \$13,755, respectively, which represents approximately 0.95% and 0.74%, respectively, for a total departmental equity of \$31,340 or 1.69% of the Pool.

The Department's share of the Pool is stated at fair value.

For a complete description of the Pool and its underlying investments, refer to the City of Long Beach's separately issued financial statements.

Cash Equivalents

The Department classifies its investment in the Pool as cash and cash equivalents, regardless of the underlying maturity of the Pool's investments as the Department can withdraw amounts from the pool without penalty or notice.

The Department classifies all other investments with maturities of three months or less at the time of purchase as cash equivalents. These cash equivalents are reported at amortized cost in the accompanying financial statements.

Fair Value

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction.

The Department categorizes investments reported at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

Material and Supplies Inventory

Material and supplies inventory are reported at cost determined on a first-in, first-out basis.

Capital Assets

Capital assets, which include property, plant, equipment, and transmission and distribution infrastructure, are composed of assets with an initial, individual cost of more than five thousand dollars and an estimated useful life in excess of one year. The cost of additions to capital assets and replacement of retired property is capitalized. The costs of replacement expenditures are expensed as incurred. Upon retirement or sale of capital assets, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded in the Department's financial statements (see note 3).

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2020
(in thousands of dollars)

Depreciation of capital assets is provided by the straight-line method based on the estimated service lives of the properties, as follows:

Buildings, structures, and facilities	10 to 50 years
Distribution/collection systems	20 to 75 years
Patents	20 years
Other machinery and equipment	5 to 10 years

Contributed Capital

Advances received from developers for construction of plant assets are recorded as advances from developers when received. As construction progresses, advanced amounts equivalent to capitalized expenditures are recorded as contributed capital in the accompanying financial statements. Donated assets, donated works of art and similar items, capital assets received in service concession arrangement and assets constructed by developers and contributed to the Department are capitalized at fair value at the date of acquisition which equates to the acquisition cost.

Revenue Recognition

Operating revenues include revenues derived from the sale of water, from providing sewer service, and from other activities closely related to providing water and sewer service. Principal revenues are derived from volumetric usage and service charges for water and sewer services. Nonoperating revenues and expenses are those not directly associated with the Department's normal business operations of supplying water and sewer service and include interest income and expense, rents received for Department property, and gains and losses on disposition of property. Revenues for water and sewer charges are recorded when delivered to customers. Billings to customers are based on monthly meter readings.

Operating Expenses

The cost of water includes all purchases of water from the Metropolitan Water District of Southern California. Personal services include labor costs for operations, maintenance, and general and administrative functions. Commercial services cost is the Department's share of the City's utility billing system. Maintenance and other costs include the operating costs of the Department and include costs of pumping and treating groundwater as well as general and administrative costs. Permit fees are transfers made to the City.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2020
(in thousands of dollars)

Employee Benefits, Compensated Absences and Termination Benefits

At September 30, 2020, the Department has recorded compensated absences of \$8,606 (\$7,122 for Water and \$1,484 for Sewer). The balance includes accrued but unused vacation and holiday benefits of \$2,620 (\$2,182 for Water and \$438 for Sewer) and accumulated sick and termination benefits of \$5,986 (\$4,940 for Water and \$1,046 for Sewer)

Vacation, holiday and sick benefits are recognized when earned and recorded as personal services in the accompanying financial statements. Amounts that are earned but unused at year end, are reported as compensated absences and classified as current or non-current in the accompanying financial statements based on historical usage of the benefits. The City's policy is to pay all accumulated vacation and holiday pay when an employee retires or terminates. Accumulated sick leave vests when an employee meets the City's minimum requirements for retirement and is forfeited if the employee terminates prior to vesting.

Upon retirement, management employees may convert 75 percent of their outstanding vacation leave to sick leave. The retiree's accumulated sick leave and any covered sick leave may be used to either purchase additional pension benefits from CalPERS or to participate in the City's Retired Employee Health Insurance Program (REHIP) until the sick leave is exhausted. The REHIP allows retirees to convert their accumulated vested unused sick leave to the cash value at the date of retirement and use those amounts for health, dental, and long-term care insurance premiums for the retiree, their spouse, and eligible dependents in accordance with the City's Personnel Ordinance.

The sick and termination benefits are determined based on an actuarial study of current and future retiree accumulated sick leave in accordance with GASB Statement No. 16, *Accounting for Compensated Absences (GASB 16)*. The liability considers an estimate of future usage, additional leave accumulation and wage increases for both current retirees and active employees. The Department's share of the liability is based on the its share of accrued sick leave at September 30, 2020. The liability is being funded over time through burden rates, applied as a percentage of current productive salaries.

Pension Plan and Postretirement Benefits

All full-time Department employees are members of the City's Miscellaneous Plan. The Department's policy is to fund. The costs to be funded are determined annually as of July 1 and are incorporated into the payroll burden rate to reimburse the Employee Benefits Internal Service Fund for contributions made on behalf of Department employees (see note 5).

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about

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the fiduciary net position of the Miscellaneous Plan and additions to/deductions from Miscellaneous Plan's fiduciary net position have been determined on the same basis as they are reported by the Miscellaneous Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Restricted Assets

Amounts restricted for bond indenture requirements and funds held in trust are recorded as restricted assets. Related liabilities of these funds are identified as amounts payable from restricted assets when such obligations are incurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the Statement of Financial Position reports a separate section for deferred inflows of resources. The separate financial element, Deferred Inflows of Resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Risk Management

The Department, as an entity of the City, participates in the City's self-insured program for workers' compensation, property, and tort liability. The City and the Department's management believe that sufficient funds are being accumulated in the City's Insurance Internal Service Fund (Insurance Fund) to meet losses as they arise. The Department contributes to the Insurance Fund through payroll burden charges applied as a percent of current productive salaries. In addition, various risk control techniques, including safety training for all employees and the inclusion of appropriate legal provisions in third-party contracts, have been implemented to minimize risk losses.

Estimates

The preparation of the Department's financial statements in conformity with the U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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Net Position

The Department has adopted a policy of generally utilizing restricted funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

The Department's net position are classified into the following net position categories:

Net Investment in Capital Assets - Capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets and unexpended bond proceeds and economic losses of refunding of debt.

Restricted - Amounts restricted for bond indenture requirements.

Unrestricted - All other categories of net position.

Reclassifications

Certain reclassifications have been made to the 2019 financial data to conform to the 2020 presentation.

Current Environment – Coronavirus Disease 2019 (COVID-19)

On March 11, 2020, the World Health Organization declared a global pandemic due to an outbreak caused by a respiratory disease called Coronavirus Disease 2019 (COVID-19). Since then, the virus and its impact on economic activity has spread across the globe. On March 17, 2020, the City issued a notice to modify all city operations in accordance to the mandate issued by the City of Long Beach Health and Human Services Department. On March 19, 2020, the Safer-At-Home Order went into effect whereas residents of Long Beach were informed to stay at home as much as possible, requiring face coverings indoors and outdoors, employers offering telework, closing of local schools for in-person learning, limiting commercial businesses capacity, and implementing restrictions on community gathering and non-essential travels. The Department responded in full support of the City's mandate by closing its facilities to the public, encouraging employees whose positions enabled them to work remotely, purchasing and providing personal protective equipment (PPE) for employees at work, implementing changes in work environments and continued communication updates about COVID-19. As changes in the pandemic continue, the Department, being part of the critical infrastructure sector, remains diligent in providing the city of Long Beach with clean water as its top priority.

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Note 2 - Cash Equivalents and Investments

The Department's unrestricted and restricted cash equivalents and investments are as follows:

Water Fund			Total Investments & Cash Equivalent
	Unrestricted	Restricted	
Equity in the City of Long Beach's investment pool	\$ 14,976	2,609	17,585
Non-pooled cash equivalents	4,131	-	4,131
Investments - U.S. Treasury Notes	-	2,843	2,843
Total cash and investments	<u>\$ 19,107</u>	<u>5,452</u>	<u>24,559</u>

Sewer Fund			Total Investments & Cash Equivalent
Sewer Fund	Unrestricted	Restricted	
Equity in the City of Long Beach's investment pool	\$ 13,451	304	13,755
Total cash and investments	<u>\$ 13,451</u>	<u>304</u>	<u>13,755</u>

The Departments investment policy allows funds to be invested with the City or to be held outside of the Pool based on the requirements of bond indentures or by actions of the Board. The City's investment policy limits the permitted investments in the Investment Pool to the following: Obligations of the U.S. government, federal agencies, local agency bonds, medium-term corporate notes, certificates of deposit; bankers' acceptances, commercial paper, Local Agency Investment Fund, repurchase agreements, reverse repurchase agreements, securities lending, asset-backed securities, mortgage-backed securities and money market mutual funds. Cash equivalents held outside of the Pool are governed by the provisions of the debt agreement.

As of September 30, 2020, the City's Investment Pool has weighted average maturity of less than 3 years and is not rated. The Department's investment in the Pool is not categorized nor leveled in the fair value hierarchy.

The Water Funds' investments in U.S. Treasury notes have a weighted average maturity of 1.59 years and are not rated. These investments are reported at fair value using observable inputs and are accordingly reported as a level 2 investment in the fair value hierarchy.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements September 30, 2020 (in thousands of dollars)

Note 3 – Capital Assets

Capital assets at September 30, 2020 were as follows:

Water Fund	Balance September 30, 2019	Additions	Deletions, Retirements and Transfers	Balance September 30, 2020
Capital assets, not being depreciated:				
Land	\$ 11,214	-	-	11,214
Construction in progress	40,297	35,306	(15,107)	60,496
Water Rights	40	-	-	40
Total capital assets, not being depreciated	51,551	35,306	(15,107)	71,750
Capital assets, being depreciated:	-	-	-	-
Buildings, structures and facilities	140,267	6,755	-	147,022
Patents	815	-	-	815
Distribution/collection systems	364,834	8,013	(1,525)	371,322
Machinery and equipment	20,338	687	(172)	20,853
Total capital assets, being depreciated	526,254	15,455	(1,697)	540,012
Less accumulated depreciation for:				
Buildings, structures and facilities	(69,910)	(3,974)	-	(73,884)
Patents	(531)	(41)	-	(572)
Distribution/collection systems	(156,414)	(7,561)	1,159	(162,816)
Machinery and equipment	(16,766)	(1,449)	172	(18,043)
Total accumulated depreciation	(243,621)	(13,025)	1,331	(255,315)
Total capital assets, being depreciated, net	282,633	2,430	(366)	284,697
Total Water Fund capital assets, net	\$ 334,184	37,736	(15,473)	356,447

Sewer Fund	Balance September 30, 2019	Additions	Deletions, Retirements and Transfers	Balance September 30, 2020
Capital assets, not being depreciated:				
Construction in progress	\$ 8,387	6,324	(6,159)	8,552
Total capital assets, not being depreciated	8,387	6,324	(6,159)	8,552
Capital assets, being depreciated:				
Buildings, structures and facilities	9,622	2,808	-	12,430
Distribution/collection systems	208,552	3,295	-	211,847
Machinery and equipment	6,289	406	-	6,695
Total capital assets, being depreciated	224,463	6,509	-	230,972
Less accumulated depreciation for:				
Buildings, structures and facilities	(2,438)	(297)	-	(2,735)
Distribution/collection systems	(149,334)	(1,828)	-	(151,162)
Machinery and equipment	(3,703)	(486)	-	(4,189)
Total accumulated depreciation	(155,475)	(2,611)	-	(158,086)
Total capital assets, being depreciated, net	68,988	3,898	-	72,886
Total Sewer Fund capital assets, net	\$ 77,375	10,222	(6,159)	81,438

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Notes to Financial Statements September 30, 2020 (in thousands of dollars)

Combined Total	Balance September 30, 2019	Additions	Deletions, Retirements and Transfers	Balance September 30, 2020
Capital assets, not being depreciated:				
Land	\$ 11,214	-	-	11,214
Construction in progress	48,684	41,630	(21,266)	69,048
Water Rights	40	-	-	40
Total capital assets, not being depreciated	59,938	41,630	(21,266)	80,302
Capital assets, being depreciated:				
Buildings, structures and facilities	149,889	9,563	-	159,452
Patents	815	-	-	815
Distribution/collection systems	573,386	11,308	(1,525)	583,169
Machinery and equipment	26,627	1,093	(172)	27,548
Total capital assets, being depreciated	750,717	21,964	(1,697)	770,984
Less accumulated depreciation for:				
Buildings, structures and facilities	(72,348)	(4,271)	-	(76,619)
Patents	(531)	(41)	-	(572)
Distribution/collection systems	(305,748)	(9,389)	1,159	(313,978)
Machinery and equipment	(20,469)	(1,935)	172	(22,232)
Total accumulated depreciation	(399,096)	(15,636)	1,331	(413,401)
Total capital assets, being depreciated, net	351,621	6,328	(366)	357,583
Total Department capital assets, net	\$ 411,559	47,958	(21,632)	437,885

In FY2020, the Department capitalized enhancements to several facilities and structures, which amounted to \$6,755 for Water Fund and \$2,808 for Sewer Fund. These improvements included water reservoir fall protection system installation, well rehabilitations, and sewer lift station rehabilitation. In addition, the Department completed numerous projects as part of ongoing improvements to its current water distribution system and sewer collection system, which totaled \$8,013 for the Water Fund and \$3,295 for the Sewer Fund. The Department also purchased machinery and equipment which totaled \$504 for the Water Fund and \$406 for the Sewer Fund. These machinery and equipment purchases included utility vehicles, surveillance camera system, mobile water transfer pump system, sewer collection pumps, and sewer cleaning trucks.

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Construction in Progress

Construction in progress at September 30, 2020 includes the following projects:

<u>Project</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Water Main Replacement Program	\$ 10,730	\$ -	\$ 10,730
Water Reservoir Improvements	3,538	-	3,538
Water Well Development and Rehabilitation	5,932	-	5,932
Water System Facility Improvements	33,324	-	33,324
Reclaimed Water System	307	-	307
Sewer Main Replacement Program	-	4,848	4,848
Sewer Lift Stations Rehabilitation	-	2,414	2,414
Other Projects	6,665	1,290	7,955
Total Combined Construction in Progress	<u>\$ 60,496</u>	<u>\$ 8,552</u>	<u>\$ 69,048</u>

It is the Department's policy to transfer the costs of projects after their completion to other capital asset classifications or to expense. For the fiscal year ended September 30, 2020, completed projects were transferred from Construction in progress as follows:

	<u>Total</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
Transfers to Capital Assets	\$ 14,951	6,103
Transfers to Expense	156	56
Total	<u>\$ 15,107</u>	<u>6,159</u>

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements September 30, 2020 (in thousands of dollars)

Note 4 – Long-term Liabilities:

Water Fund					
September 30, 2020	Beginning of year	Additions	Reductions	End of year	Due within one year
2010 Water Revenue Refunding Bonds	\$ 13,135	-	(2,395)	10,740	2,490
2012 Water Revenue Refunding Bonds	6,030	-	(655)	5,375	680
	19,165	-	(3,050)	16,115	3,170
Add 2010 unamortized bond premium	698	-	(217)	481	-
Add 2012 unamortized bond premium	492	-	(100)	392	-
Total long-term debt	20,355	-	(3,367)	16,988	3,170
Compensated Absences	7,183	2,293	(2,354)	7,122	2,182
Net Pension Liability	38,216	4,683	-	42,899	-
Total OPEB Liability	839	-	(513)	326	-
Capital Lease	26,326	-	(1,466)	24,860	1,516
Accrued site restoration cost	1,000	-	-	1,000	-
Total	\$ 93,919	6,976	(7,700)	93,195	6,868

Sewer Fund					
September 30, 2020	Beginning of year	Additions	Reductions	End of year	Due within one year
2016 Sewer Revenue Refunding Bonds	\$ 8,695	-	(360)	8,335	375
	8,695	-	(360)	8,335	375
Add 2016 unamortized bond premium	1,323	-	(126)	1,197	-
Total long-term debt	10,018	-	(486)	9,532	375
Compensated Absences	1,114	789	(419)	1,484	438
Net Pension Liability	7,744	1,203	-	8,947	-
Total OPEB Liability	180	-	(111)	69	-
Total	\$ 19,056	1,992	(1,016)	20,032	813

The bonds are payable from and secured by net revenues of the Department.

Second Lien Water Revenue Bonds - Series 2012A

On August 30, 2012, the Water Fund issued \$9,850 in Second Lien Water Revenue Bonds, Series 2012A (the Series 2012A Bonds) at a premium of \$1,342 to provide funds to (a) refund, on a current basis, \$11,000 aggregate principal outstanding in Subordinate Water Revenue Commercial Paper Notes, and (b) pay the cost of issuing the Series 2012A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to take advantage of historically low fixed bond rates and provide the Department with certainty in its future debt service payment requirements. The Commercial Paper program, as authorized by the Board under Resolution WD-1170, expired on October 1, 2012.

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The Bonds bear interest ranging from 2.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2012. Principal payments are due every May 1, commencing on May 1, 2013, with bond terms maturing through the year 2027. The initial issuance premium of \$1,342 on the Series 2012 Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

Under Board Resolution WD-1300 adopted July 24, 2012 authorizing the issuance and sale of the Series 2012A Bonds, the Board also approved closure of the Senior Lien trust indentures pursuant to which the Department previously issued the Series 1997A City of Long Beach Water Revenue Refunding Bonds and Series 2010A City of Long Beach Water Revenue Refunding Bonds. The Board also irrevocably covenanted that the Department would not issue any additional Parity Obligations in the future that would have a lien on Net Revenues senior to its Subordinate Obligations, including the 2012A Bonds.

The Board, on behalf of the City, has covenanted under the Master Subordinate Indenture, to set rates and charges for the supply of water to its customers sufficient to yield net revenues each year equal to at least equal to 1.10 times the aggregate annual amount of principal and interest due on the Senior Lien Bonds and any Subordinate Obligations, including the Series 2012A Bonds.

Water Revenue Refunding Bonds - Series 2010A

On September 29, 2010, the Water Fund issued \$22,740 in Water Revenue Refunding Bonds, Series 2010A (the Series 2010A Bonds) at a premium of \$3,021 to (a) advance refund 82.4% or \$24,290 of the outstanding Series 1997A Water Revenue Refunding Bonds at a redemption premium of 2% over par value, (b) fund a reserve fund for the Series 2010A Bonds, and (c) pay the cost of issuing the 2010 Bonds. The Series 2010A Bonds bear interest ranging from 3.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2010. Principal payments are due May 1, commencing on May 1, 2012.

The remaining Series 1997A Bonds maturing on May 1, 2015 were not subject to redemption prior to maturity and the \$1,825 outstanding was paid off on May 1, 2015.

The initial issuance premium of \$3,021 on the Series 2010A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

In addition, the refunding resulted in a difference between the reacquisition price and the net carrying amount of the Series 1997A Bonds of \$2,697. This difference is considered to be a deferred outflow on the refunding and is reported in the Statement of Net Position as a separate category under Deferred Outflows of Resources. The deferred outflow from the

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refunding is being amortized using the straight-line method over the life of the Series 2010A bonds, which have the same maturity as the old debt. The Refunded Series 1997A Bonds were refunded in order to take advantage of lower interest rates to achieve debt service savings. The Department reduced its aggregate debt service payments by \$3,286, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012. The economic gain from the refunding (difference between the present value of the old and new debt service payments) was \$3,349.

The Series 2010A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the entire water system (the Water Enterprise Fund) of the City of Long Beach. Net revenues are defined as all gross revenues derived by the ownership and operation of the Water Enterprise Fund less operation and maintenance costs. The Board has covenanted, on behalf of the City, to set rates and charges for the supply of water to its customers sufficient to provide net revenues each year equal to at least 1.10 times the aggregate annual amount of principal and interest due on the Bonds and any parity obligations.

Second Lien Water Revenue Short-Term Obligation Revolving Line of Credit

On April 16, 2020, the Board approved Resolution WD-1427 authorizing the issuance of up to \$60,000 of Second Lien Water Revenue Short-Term Obligations pursuant to the Master Subordinate Trust Indenture, the Fourth Supplemental Subordinate Trust Indenture, and a Credit Agreement with JPMorgan Chase Bank, National Association, the provider of the Revolving Line of Credit (LOC). The term of the Water LOC was for three years, with a Commitment Termination Date of May 19, 2023, with the option to extend for an additional two years after such date. Obligations under the Water LOC are secured and payable solely from the Water Fund revenues.

The Water LOC would accrue interest at a variable rate per annum equal to a percentage of the One Month London Interbank Offered Rate (LIBOR) plus a spread. This rate will be deemed no less than three-fourths of one percent in any one-month interest period. The purpose of establishing the Water LOC is to facilitate increased investment in the Department's water system infrastructure. As of September 30, 2020, and for the year then ended, there were no draws on the Water LOC.

Senior Sewer Revenue Refunding Bonds - Series 2016A

On September 7, 2016, the Sewer Fund issued \$9,830 in Senior Sewer Revenue Refunding Bonds, Series 2016A (the Series 2016A Bonds) at a premium of \$1,727 to provide funds to (a) refund, on a current basis, \$11,250 aggregate principal outstanding in Subordinate Sewer Revenue Obligations pursuant to the terms of a credit agreement with Wells Fargo Bank, National Association, and (b) pay the cost of issuing the Series 2016A Bonds. There is no bond reserve requirement. The objective of this debt refinancing was to

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take advantage of low fixed bond yield rates, and provide the Department with certainty in its future debt service payment requirements.

The Series 2016A Bonds bear interest ranging from 4.0% to 5.0% per annum payable on May 1 and November 1 of each year, commencing on November 1, 2016. Principal payments are due every May 1, commencing on May 1, 2017, with bond terms maturing through the year 2036. The initial issuance premium of \$1,727 on the Series 2016A Bonds is reported as an addition to long-term debt and is amortized using the effective-interest-rate method over the life of the Bonds.

The Series 2016A Bonds and any Parity Obligations are secured by a first lien upon and pledge of all of the net revenues of the Sewer Enterprise. Net revenues are defined as all gross revenues derived by ownership and operation of the Sewer Enterprise less operation and maintenance costs. The Board, on behalf of the City, has covenanted under the Senior Indenture to set rates and charges for sewer service to its customers sufficient to yield net revenues each year which are at least equal to 1.25 times the aggregate annual amount of debt service on the Senior Bonds (including the Series 2016A Bonds) for such fiscal year.

Total Annual Debt Service Requirements to Maturity

Annual debt service requirements to maturity are as follows:

Water Fund							
Fiscal Year	Series 2010 Bonds		Series 2012 Bonds		Total		Total Debt
Ending Sept 30	Principal	Interest	Principal	Interest	Principal	Interest	Service
2021	\$ 2,490	502	680	223	3,170	725	3,895
2022	2,590	396	710	196	3,300	592	3,892
2023	2,715	276	735	168	3,450	444	3,894
2024	2,945	147	775	131	3,720	278	3,998
2025	-	-	795	108	795	108	903
2026-2027	-	-	1,680	127	1,680	127	1,807
Total	<u>\$ 10,740</u>	<u>1,321</u>	<u>5,375</u>	<u>953</u>	<u>16,115</u>	<u>2,274</u>	<u>18,389</u>

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Fiscal Year Ending Sept 30	Sewer Fund Series 2016 Bonds		Total Debt
	Principal	Interest	Service
2021	\$ 375	354	729
2022	390	339	729
2023	405	323	728
2024	420	307	727
2025	435	290	725
2026-2030	2,495	1,144	3,639
2031-2035	3,115	524	3,639
2036	700	28	728
Total	<u>\$ 8,335</u>	<u>3,309</u>	<u>11,644</u>

Note 5 - Retirement Program

Plan Description – Public Employees’ Retirement System (CalPERS)

The Department contributes to the California Public Employees’ Retirement System (CalPERS) agent multiple-employer defined benefit pension plan. The City is considered the employer and the Department is a department of the City. The plan functions as a cost sharing plan for the Department. The Department’s employees are enrolled in the City Miscellaneous Plan. CalPERS provides retirement benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and City resolution. All City departments are considered collectively to be a single employer, and the actuarial present value of vested and non-vested accumulated plan benefits attributable to the Department’s employees is determined as the Department’s percentage of the City as a single employer. Similarly, the net assets available for benefits of Department employees is determined as the Department’s percentage of the City’s net assets. CalPERS issues publicly available reports that include a full description of the pension plans, including benefit provisions, assumptions and membership information. All qualified permanent employees of the Department are eligible to participate in the Miscellaneous Plan. The reports can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service equal to one year of full-time employment, age at retirement and final compensation. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. The cost of living adjustments for the plan is applied as specified by the Public Employees’ Retirement Law.

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Contributions - California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

The Plans' provisions and benefits in effect at September 30, 2020, are summarized in the following table:

Hire date	Miscellaneous		
	Prior to October 1, 2006	On or after October 1, 2006 and prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.5% @ 55	2.0% @ 62
Benefit vesting schedule		5 years of service	
Benefit payments		Monthly for life	
Retirement age	50 - 55	50 - 55	52 - 62
Required Contribution Rates			
Employee	8.0%	8.0%	6.5%
Employer	28.446%	28.446%	28.446%
Percentage of Eligible Compensation			
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

Allocation Methodology

The City used a calculated percentage based on the Department's share of the pension plan contributions to the City's pension plan contributions amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's calculated percentage was 7.9% (6.5% for Water and 1.4% for Sewer) for the Plan.

Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows Related to Pensions

The City's net pension liability for the Plan was measured as the total pension liability, less the plan's fiduciary net position. Net pension liability is measured as of June 30, 2020 (measurement date), using the actuarial valuation report as of June 30, 2019. The Department's net pension liability for the Plan was \$51,846 (\$42,899 for Water and \$8,947 for Sewer) at September 30, 2020.

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For the measurement period ended June 30, 2020 (the measurement date), the Department incurred a pension expense of \$5,000 (\$4,100 for Water and \$900 for Sewer).

As of September 30, 2020, the Department had deferred outflows and deferred inflows related to pensions as follows:

Deferred outflows and inflows at September 30

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contributions after measurement date	\$ 1,298	271	1,569
Difference between actual and expected CalPERS investment returns	1,091	228	1,319
CalPERS differences between actual and expected experience	248	52	300
CalPERS change in proportion	2,062	750	2,812
Total deferred outflows of resources	<u>\$ 4,699</u>	<u>1,301</u>	<u>6,000</u>
Deferred inflows of resources:			
CalPERS differences between actual and expected experience	\$ 181	38	219
Total deferred inflows of resources	<u>\$ 181</u>	<u>38</u>	<u>219</u>

Exclusive of deferred outflows related to payments after the measurement date, the net amount of deferred outflows (inflows) of resources related to pensions that will be recognized in future pension expense is as follows:

<u>Measurement Period ended June 30</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
2021	\$ 898	429	1,327
2022	1,035	294	1,329
2023	714	149	863
2024	573	120	693
	<u>\$ 3,220</u>	<u>992</u>	<u>4,212</u>

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements September 30, 2020 (in thousands of dollars)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

A summary of principal assumptions and methods used to determine the net pension liability is as follows:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.15% ¹
Mortality	¹

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2019 Actuarial Valuation Report were based on the results of an actuarial experience study for the period from 1997 to 2015. Further details of the experience study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB Statement No. 68 section.

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.15% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2020
(in thousands of dollars)

7.30%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference to the Plans.

The long-term expected rate of return on pension plan investments of 7.15% was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The following table reflects the long-term expected real rate of return by asset class for Miscellaneous Plan. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<i>Asset Class</i>	<i>New Strategic Allocation</i>	<i>Real Return Years 1 - 10^a</i>	<i>Real Return Years 11+^b</i>
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00	1.00	2.62
Inflation Assets	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

^a An expected inflation of 2.00% used for this period

^b An expected inflation of 2.92% used for this period

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements
September 30, 2020
(in thousands of dollars)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the net pension liability of the City for each plan as of the measurement date, calculated using the discount rate of 7.15%, compared to a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%):

Net Pension Liability	Water	Sewer	Total
1% Decrease (6.15%)	\$ 66,246	13,817	80,063
Current Discount Rate (7.15%)	42,899	8,947	51,846
1% Increase (8.15%)	23,549	4,912	28,461

Note 6 – Leasing Arrangements

The Department owns approximately 820 acres of land, approximately 80 acres of which is leased for commercial purposes. Minimum future rental income due to the Water Fund under noncancelable operating leases which have an initial term in excess of one year is as follows:

Year ending September 30:

2021	\$ 982
2022	990
2023	1,017
2024	1,046
2025	1,076
2026-2030	4,785
2031-2035	2,999
2036-2040	1,273
2041-2045	122
Total minimum future rentals	<u>\$ 14,290</u>

Capital Lease-Automated Metering Infrastructure (AMI)

On November 1, 2018, the Board of Water Commissioners authorized the Long Beach Water Department to proceed with execution of a lease-purchase agreement and related financing documents with Banc of America Public Capital Corp, for the financing of the Advanced Metering Infrastructure (AMI) Project, in an amount not to exceed \$36,000, including cost of issuance, principal and interest, payable over a fifteen-year period.

LONG BEACH WATER DEPARTMENT

Notes to Financial Statements September 30, 2020 (in thousands of dollars)

The AMI Project is an integrated network of smart meters, communication collectors, and data management systems that allow water meters to be read automatically and uploaded electronically. AMI Project costs to be financed total approximately \$27,400.

On December 11, 2018, City Council approved the execution of the 15-year lease-purchase agreement through the City's Master Lease Agreement with Banc of America Public Capital Corporation to finance the AMI Project. The lease-purchase agreement was executed and funded on December 20, 2018. The total purchase price was \$27,400, at an interest rate of 3.35%. In FY2020, the Department paid a total of \$2,326, (\$1,466 principal and \$860 interest) in rental payments.

Water Fund - Capital Lease

Fiscal Year Ending Sept 30	Principal	Interest	Total Debt Service
2021	\$ 1,516	810	2,326
2022	1,568	758	2,326
2023	1,621	705	2,326
2024	1,676	650	2,326
2025	1,733	593	2,326
2026-2030	9,592	2,038	11,630
2031-2034	7,154	406	7,560
Total	<u>\$ 24,860</u>	<u>5,960</u>	<u>30,820</u>

Note 7 - Commitments and Contingencies

Litigation

The Department is subject to claims and lawsuits arising from the normal course of business. Such claims are routinely evaluated by representatives of the City Attorney's office. Department management may make provision for probable losses if deemed appropriate on advice of legal counsel. To the extent that such provision for damages is considered necessary, appropriate amounts are reflected in the accompanying basic financial statements. Based upon information obtained from the City Attorney with respect to remaining cases, it is the opinion of management that any liability for unreserved claims and lawsuits will not have a material impact on the basic financial statements of the Department.

Commitments

Contract commitments and purchase orders for which materials or services were not received as of September 30, 2020 amount to \$6,608 and \$1,180 for the Water Fund and Sewer Fund, respectively.

**REQUIRED SUPPLEMENTARY
INFORMATION SECTION**
(Unaudited)

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LONG BEACH WATER DEPARTMENT
Schedule of the Department Proportionate Share of the
Net Pension Liability and Contributions
September 30, 2020 (in thousands of dollars)
Last 10 years¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability

	2020	2019
Department's proportion of the collective net pension liability	7.9%	7.3%
Department's proportionate share of the collective net pension liability ²	\$ 51,846	45,960
Department's covered payroll	\$ 22,915	20,246
Department's proportionate share of the collective net pension liability as a percent of covered payroll	226.3%	227.0%
Pension plan's fiduciary net position as a percentage of total pension liability	76.5%	77.2%

Schedule of the Water Fund's proportionate share of the net pension liability

	2020	2019
Water's proportion of the collective net pension liability	6.50%	6.1%
Water's proportionate share of the collective net pension liability ²	42,899	38,216
Water's covered payroll	\$ 18,854	16,918
Water's proportionate share of the collective net pension liability as a percent of covered payroll	\$ 227.5%	225.9%
Pension plan's fiduciary net position as a percentage of total pension liability	76.5%	77.2%

Schedule of the Sewer's Fund's proportionate share of the net pension liability

	2020	2019
Sewer's proportion of the collective net pension liability	1.40%	1.2%
Sewer's proportionate share of the collective net pension liability ²	\$ 8,947	7,744
Sewer's covered payroll	\$ 4,061	3,328
Sewer's proportionate share of the collective net pension liability as a percent of covered payroll	220.3%	232.7%
Pension plan's fiduciary net position as a percentage of total pension liability	76.5%	77.2%

Schedule of the Department's Contributions

	2020	2019
Contractually required contribution ³	\$ 5,654	4,562
Contributions in relation to the contractually required contributions ⁴	5,654	4,562
Contribution deficiency (excess)	\$ —	—
Department's covered payroll	\$ 22,915	20,246
Department's contributions as a percentage of covered payroll	24.7%	22.5%

Schedule of the Water Fund's Contributions

	2020	2019
Contractually required contribution ³	\$ 4,652	3,812
Contributions in relation to the contractually required contributions ⁴	4,652	3,812
Contribution deficiency (excess)	\$ —	—
Water's covered payroll	\$ 18,854	16,918
Water's contributions as a percentage of covered payroll	24.7%	22.5%

Schedule of the Sewer Fund's Contributions

	2020	2019
Contractually required contribution ³	\$ 1,002	750
Contributions in relation to the contractually required contributions ⁴	1,002	750
Contribution deficiency (excess)	\$ —	—
Sewer's covered payroll	\$ 4,061	3,328
Sewer's contributions as a percentage of covered payroll	24.7%	22.5%

Notes to Required Supplementary Information

¹ The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

² The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

³ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁴ Amount represents actual contributions recorded by CalPERS.

LONG BEACH WATER DEPARTMENT
Schedule of the Department Proportionate Share of the
Net Pension Liability and Contributions
September 30, 2020 (in thousands of dollars)
Last 10 years¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability

	2018	2017
Department's proportion of the collective net pension liability	7.0%	6.9%
Department's proportionate share of the collective net pension liability ²	\$ 41,860	46,689
Department's covered payroll	\$ 18,709	17,696
Department's proportionate share of the collective net pension liability as a percent of covered payroll	223.7%	263.8%
Pension plan's fiduciary net position as a percentage of total pension liability	77.4%	74.1%

Schedule of the Water Fund's proportionate share of the net pension liability

	2018	2017
Water's proportion of the collective net pension liability	5.9%	5.8%
Water's proportionate share of the collective net pension liability ²	35,183	39,341
Water's covered payroll	\$ 15,769	14,875
Water's proportionate share of the collective net pension liability as a percent of covered payroll	\$ 223.1%	264.5%
Pension plan's fiduciary net position as a percentage of total pension liability	77.4%	74.1%

Schedule of the Sewer's Fund's proportionate share of the net pension liability

	2018	2017
Sewer's proportion of the collective net pension liability	1.1%	1.1%
Sewer's proportionate share of the collective net pension liability ²	\$ 6,677	7,348
Sewer's covered payroll	\$ 2,940	2,821
Sewer's proportionate share of the collective net pension liability as a percent of covered payroll	227.1%	260.5%
Pension plan's fiduciary net position as a percentage of total pension liability	77.4%	74.1%

Schedule of the Department's Contributions

	2018	2017
Contractually required contribution ³	\$ 3,729	3,165
Contributions in relation to the contractually required contributions ⁴	3,729	3,165
Contribution deficiency (excess)	\$ —	—
Department's covered payroll	\$ 18,709	17,696
Department's contributions as a percentage of covered payroll	19.9%	17.9%

Schedule of the Water Fund's Contributions

	2018	2017
Contractually required contribution ³	\$ 3,143	2,660
Contributions in relation to the contractually required contributions ⁴	3,143	2,660
Contribution deficiency (excess)	\$ —	—
Water's covered payroll	\$ 15,769	14,875
Water's contributions as a percentage of covered payroll	19.9%	17.9%

Schedule of the Sewer Fund's Contributions

	2018	2017
Contractually required contribution ³	\$ 586	505
Contributions in relation to the contractually required contributions ⁴	586	505
Contribution deficiency (excess)	\$ —	—
Sewer's covered payroll	\$ 2,940	2,821
Sewer's contributions as a percentage of covered payroll	19.9%	17.9%

Notes to Required Supplementary Information

¹ The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

² The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

³ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁴ Amount represents actual contributions recorded by CalPERS.

LONG BEACH WATER DEPARTMENT
Schedule of the Department Proportionate Share of the
Net Pension Liability and Contributions
September 30, 2020 (in thousands of dollars)
Last 10 years¹
(Unaudited)

Schedule of the Department's proportionate share of the net pension liability

	2016	2015
Department's proportion of the collective net pension liability	6.9%	7.2%
Department's proportionate share of the collective net pension liability ²	\$ 43,284	37,374
Department's covered payroll	\$ 17,271	17,270
Department's proportionate share of the collective net pension liability as a percent of covered payroll	250.6%	216.4%
Pension plan's fiduciary net position as a percentage of total pension liability	74.2%	78.4%

Schedule of the Water Fund's proportionate share of the net pension liability

	2016	2015
Water's proportion of the collective net pension liability	5.7%	6.0%
Water's proportionate share of the collective net pension liability ²	36,007	31,033
Water's covered payroll	\$ 14,267	14,392
Water's proportionate share of the collective net pension liability as a percent of covered payroll	\$ 252.4%	215.6%
Pension plan's fiduciary net position as a percentage of total pension liability	74.2%	78.4%

Schedule of the Sewer's Fund's proportionate share of the net pension liability

	2016	2015
Sewer's proportion of the collective net pension liability	1.2%	1.2%
Sewer's proportionate share of the collective net pension liability ²	\$ 7,277	6,341
Sewer's covered payroll	\$ 3,004	2,878
Sewer's proportionate share of the collective net pension liability as a percent of covered payroll	242.2%	220.3%
Pension plan's fiduciary net position as a percentage of total pension liability	74.2%	78.4%

Schedule of the Department's Contributions

	2016	2015
Contractually required contribution ³	\$ 2,752	2,530
Contributions in relation to the contractually required contributions ⁴	2,752	2,530
Contribution deficiency (excess)	\$ —	—
Department's covered payroll	\$ 17,271	17,270
Department's contributions as a percentage of covered payroll	15.9%	14.6%

Schedule of the Water Fund's Contributions

	2016	2015
Contractually required contribution ³	\$ 2,273	2,108
Contributions in relation to the contractually required contributions ⁴	2,273	2,108
Contribution deficiency (excess)	\$ —	—
Water's covered payroll	\$ 14,267	14,392
Water's contributions as a percentage of covered payroll	15.9%	14.6%

Schedule of the Sewer Fund's Contributions

	2016	2015
Contractually required contribution ³	\$ 479	422
Contributions in relation to the contractually required contributions ⁴	479	422
Contribution deficiency (excess)	\$ —	—
Sewer's covered payroll	\$ 3,004	2,878
Sewer's contributions as a percentage of covered payroll	15.9%	14.7%

Notes to Required Supplementary Information

¹ The Department implemented GASB Statement No. 68 effective October 1, 2014; therefore, data is not available prior to October 1, 2014.

² The net pension liability includes the impact of changes in assumptions. Amounts reported in 2017 and later reflect a discount rate reduction from 7.65% to 7.15%. For amounts reported from 2015 to 2017, reflect a discount rate increase on 7.5% to 7.65%.

³ Actuarial Determined contribution is based on a CalPERS projection of the payroll for the Miscellaneous plan

⁴ Amount represents actual contributions recorded by CalPERS.

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STATISTICAL SECTION
(Unaudited)

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Financial Trends

These schedules contain trend information to help the reader understand how the Department's financial performance and well-being have changed over time.

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LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

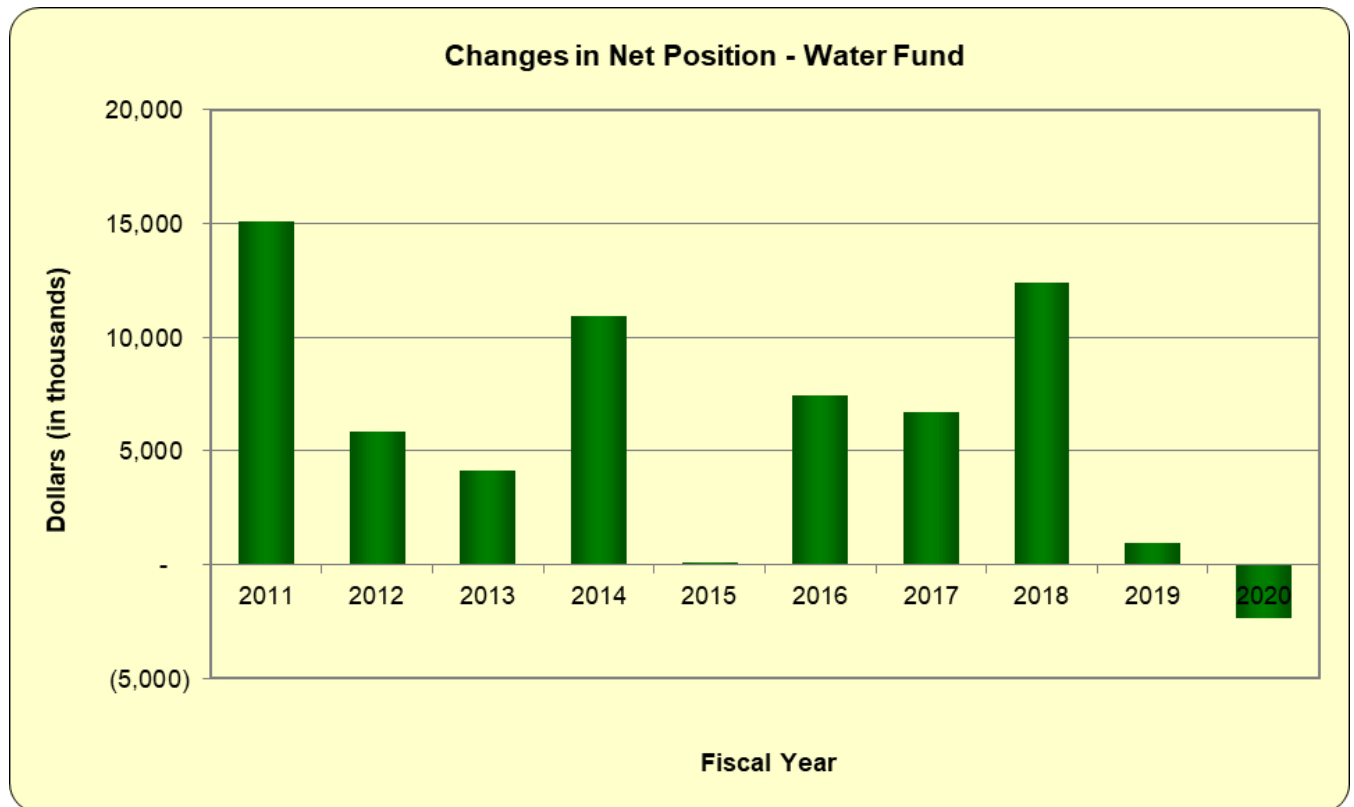
Fiscal Year Ended	Total Operating Revenue ⁽¹⁾	Total Operating Expense	Operating Income (Loss)	Total Non-Operating Income (Expense)	Total Contributed capital	Changes in Net Position
9/30/2011	88,576	80,403	8,173	(1,374)	8,283	15,082
9/30/2012	86,515	79,342	7,173	(1,573)	247	5,847
9/30/2013	91,949	85,783	6,166	(2,152)	131	4,145 ⁽²⁾
9/30/2014	100,187	91,992	8,195	(216)	2,924	10,903
9/30/2015	99,475	102,134	(2,659)	1,051	1,726	118
9/30/2016	97,650	92,253	5,397	(672)	2,710	7,435
9/30/2017	97,383	91,893	5,490	510	734	6,734
9/30/2018	99,173	95,066	4,107	2,167	6,122	12,396
9/30/2019	99,289	93,480	5,809	(6,506)	1,627	930
9/30/2020	113,091	110,737	2,354	(8,612)	3,909	(2,349)

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
CHANGES IN NET POSITION - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

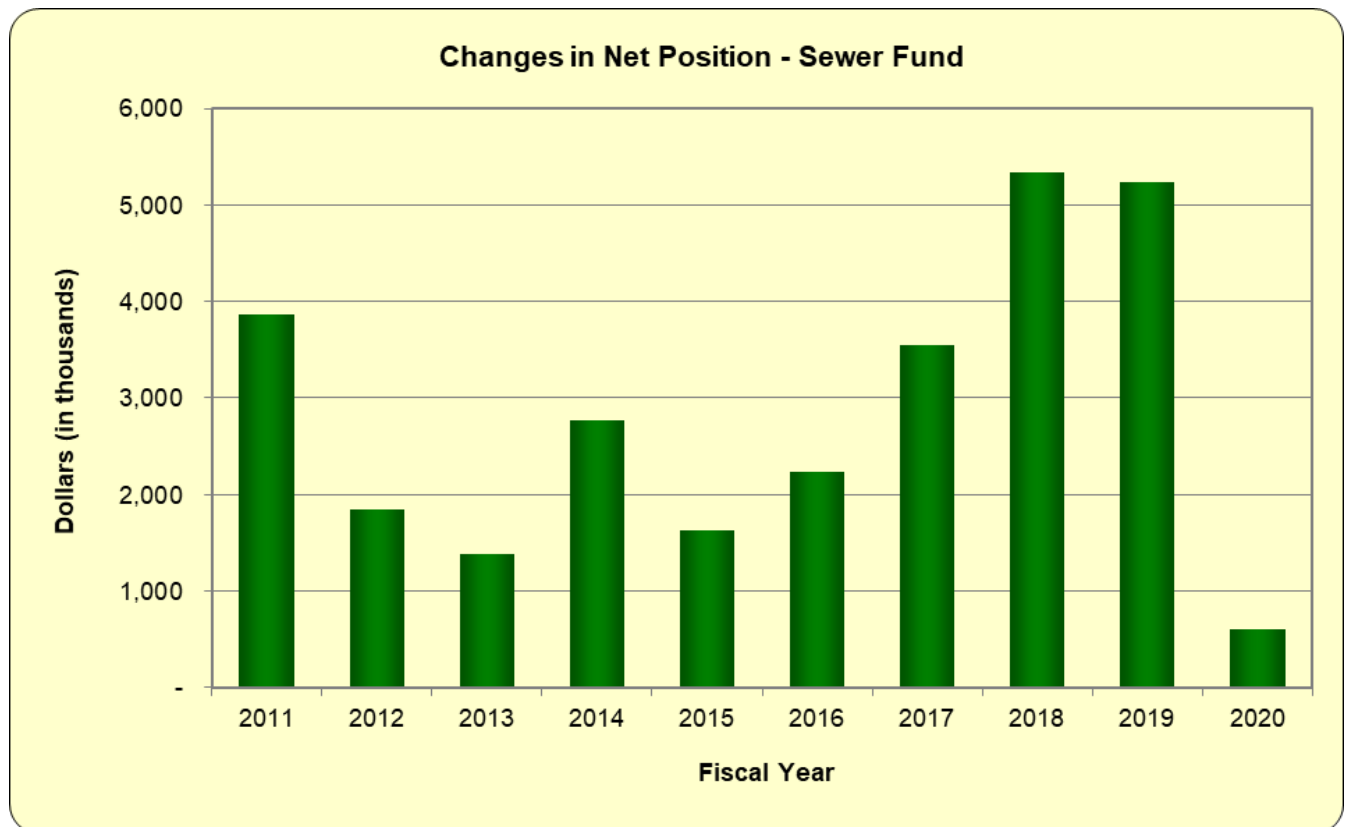
<u>Fiscal Year Ended</u>	<u>Total Operating Revenue ⁽¹⁾</u>	<u>Total Operating Expense</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Total Contributed capital</u>	<u>Changes in Net Position</u>
9/30/2011	16,448	14,795	1,653	(650)	2,868	3,871
9/30/2012	17,325	14,411	2,914	(1,260)	185	1,839
9/30/2013	17,311	15,165	2,146	(761)	-	1,385 ⁽²⁾
9/30/2014	17,953	15,479	2,474	(462)	759	2,771
9/30/2015	17,903	16,024	1,879	(257)	-	1,622
9/30/2016	18,355	15,835	2,520	(280)	-	2,240
9/30/2017	19,949	15,312	4,637	(1,087)	-	3,550
9/30/2018	18,872	14,428	4,444	345	549	5,338
9/30/2019	19,130	14,903	4,227	909	96	5,232
9/30/2020	17,925	17,490	435	129	38	602

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Changes in Net Position amount excludes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
NET POSITION BY COMPONENT - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

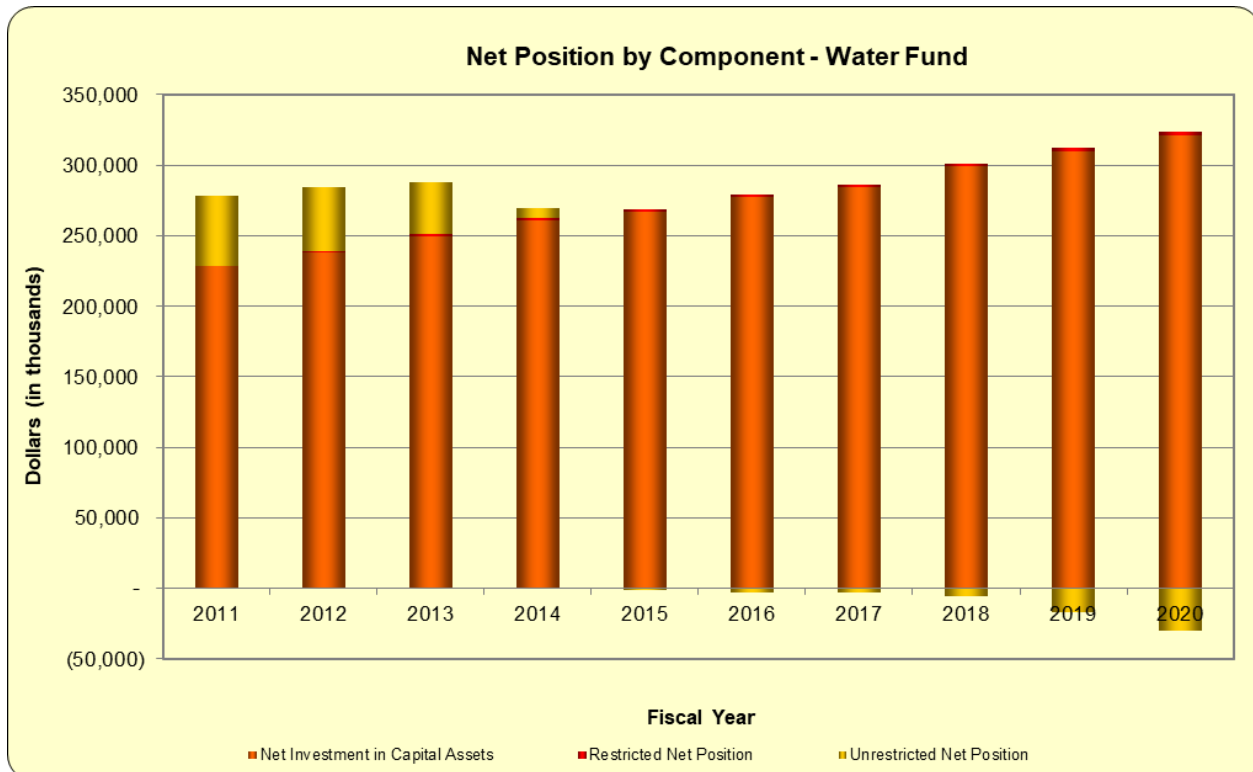
<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position (deficit)</u>	<u>Total Net Position</u>
9/30/2011	228,196	736	49,342	278,274
9/30/2012	237,793	1,350	44,978	284,121
9/30/2013	249,256	1,656	36,814	287,726 ⁽¹⁾
9/30/2014	260,538	1,673	7,725	269,936
9/30/2015 ⁽²⁾	267,041	1,697	(143)	268,595
9/30/2016	277,394	1,716	(3,080)	276,030
9/30/2017	284,413	1,700	(3,349)	282,764
9/30/2018	299,325	1,706	(5,871)	295,160
9/30/2019	309,416	3,277	(16,603)	296,090
9/30/2020	321,467	2,377	(30,103)	293,741

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
NET POSITION BY COMPONENT - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

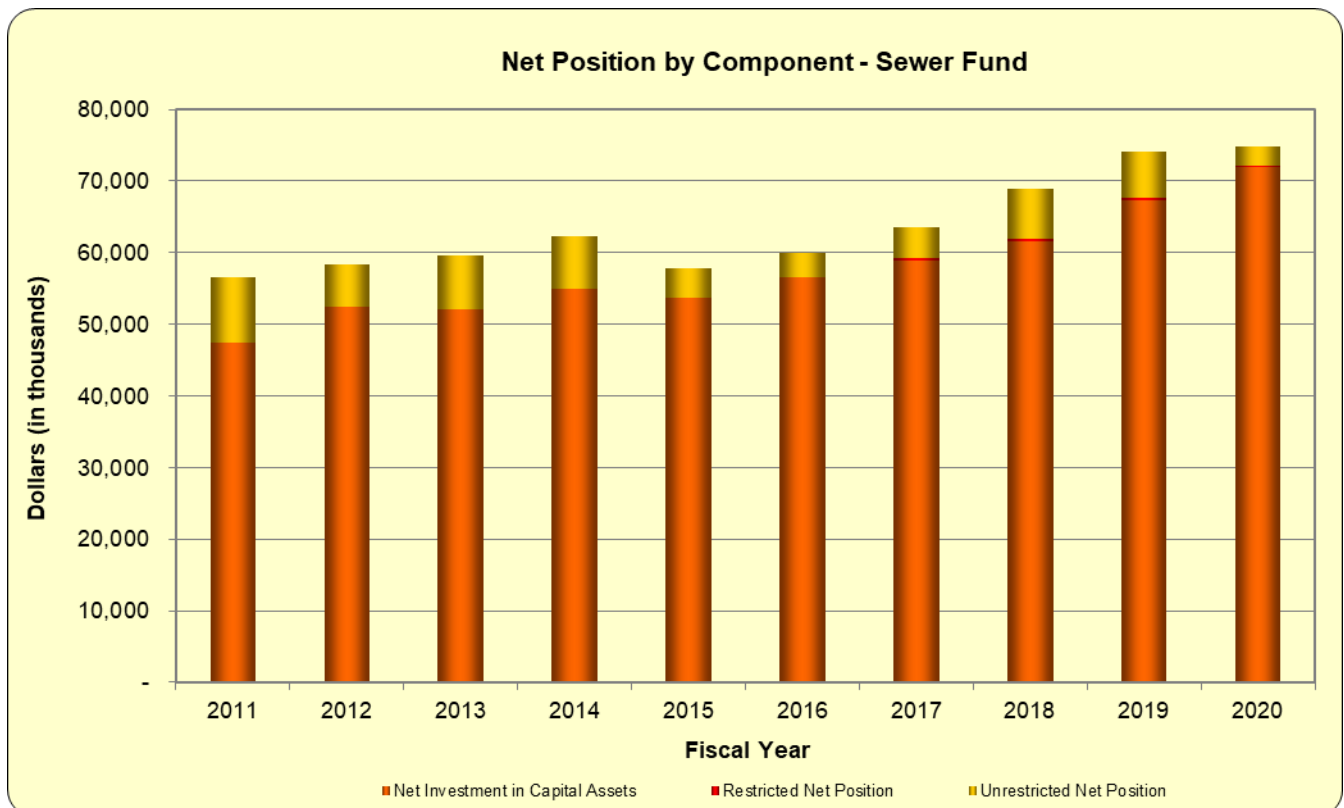
<u>Fiscal Year Ended</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted Net Position</u>	<u>Unrestricted Net Position</u>	<u>Total Net Position</u>
9/30/2011	47,378	-	9,097	56,475
9/30/2012	52,465	-	5,849	58,314
9/30/2013	52,151	-	7,412	59,563 ⁽¹⁾
9/30/2014	55,006	-	7,328	62,334
9/30/2015 ⁽²⁾	53,604	-	4,195	57,799
9/30/2016	56,462	84	3,493	60,039
9/30/2017	58,927	302	4,360	63,589
9/30/2018	61,593	303	7,031	68,927
9/30/2019	67,357	294	6,508	74,159
9/30/2020	71,906	304	2,551	74,761

Notes: (1) Total Net Position amount includes adjustment reflecting the removal of deferred charges relating to the issuance of debt in compliance with GASB Statement No. 65.

(2) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



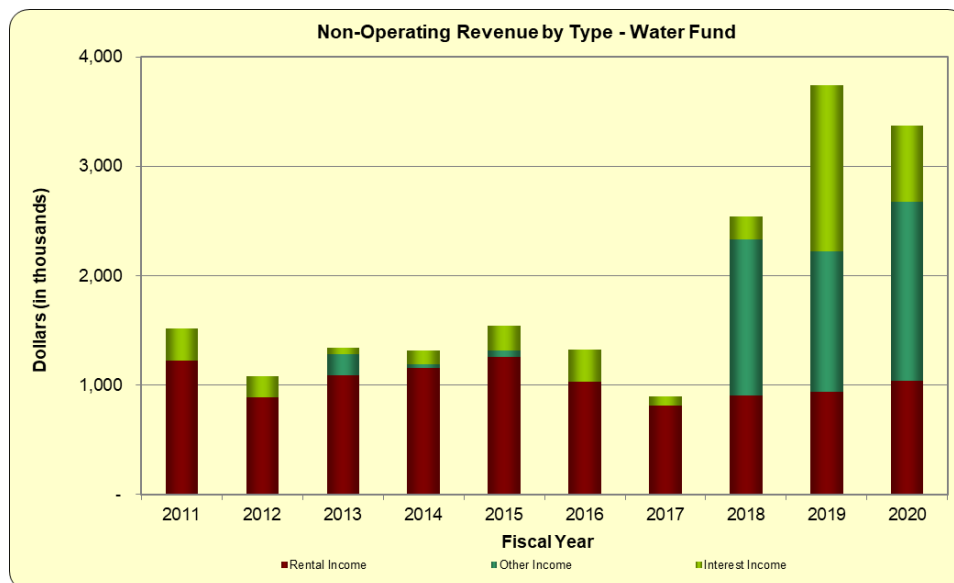
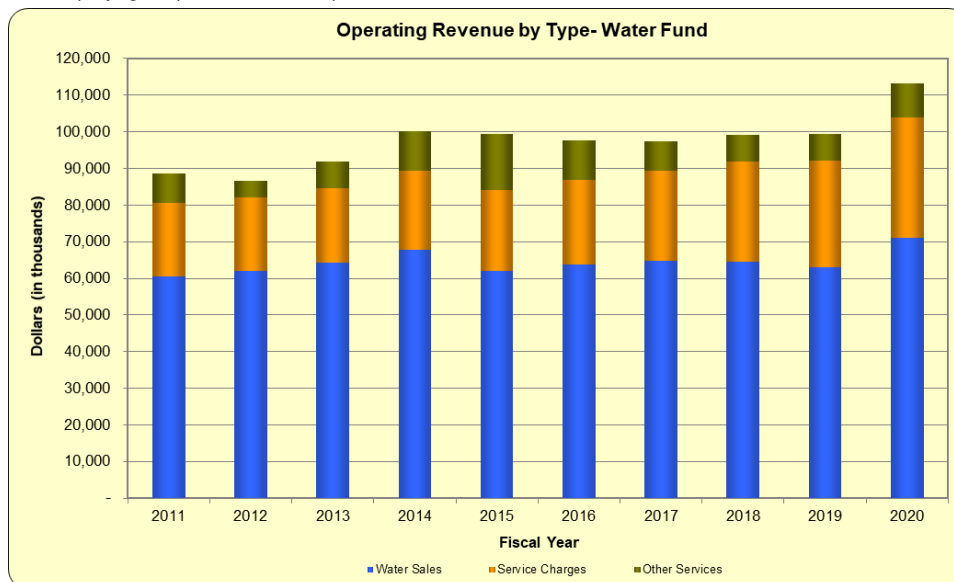
LONG BEACH WATER DEPARTMENT
WATER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING			
	Water Sales ⁽¹⁾	Service Charges	Other Services	Total Operating Revenue	Interest Income	Rental Income	Other Income	Total Non-Operating Income
9/30/2011	60,398	20,251	7,927	88,576	294	1,221	-	1,515
9/30/2012	61,884	20,223	4,408	86,515	193	885	-	1,078
9/30/2013	64,347	20,363	7,239	91,949	58	1,087	196	1,341
9/30/2014	67,818	21,548	10,821	100,187	120	1,158	36	1,314
9/30/2015	61,995	22,061	15,419	99,475	223	1,256	62	1,541
9/30/2016	63,658	23,121	10,871	97,650	299	1,027	-	1,326
9/30/2017	64,721	24,599	8,063	97,383	87	811	-	898
9/30/2018	64,490	27,325	7,358	99,173	210	905	1,429	2,544
9/30/2019	62,943	29,121	7,225	99,289	1,518	942	1,283	3,743
9/30/2020	71,141	32,807	9,143	113,091	697	1,043	1,636	3,376

Notes: (1) Water Sales is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report

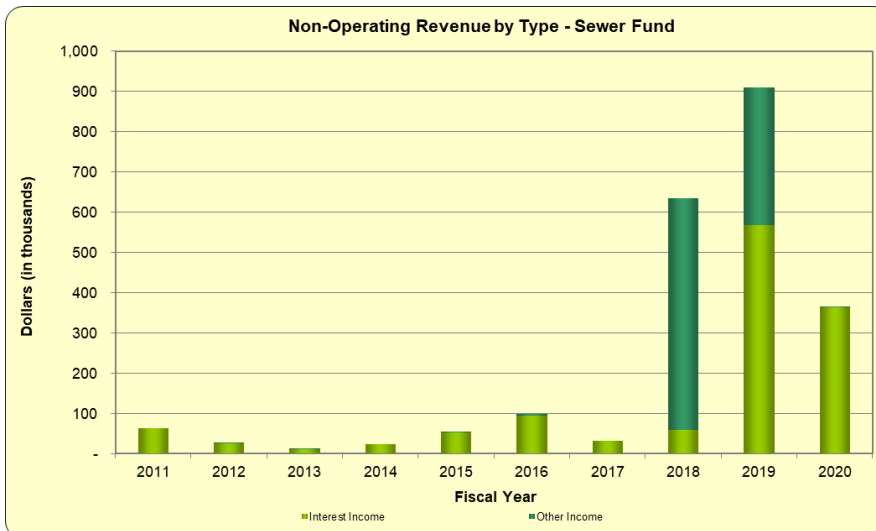
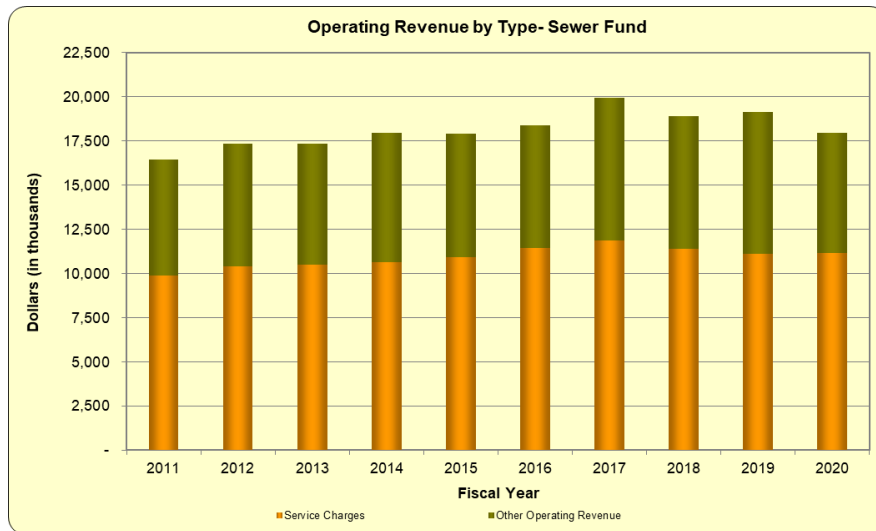


LONG BEACH WATER DEPARTMENT
SEWER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	OPERATING			NON-OPERATING		
	Service Charges	Other Operating Revenue	Total Operating Revenue	Interest Income	Other Income	Total Non-Operating Income
9/30/2011	9,880	6,568	16,448	63	-	63
9/30/2012	10,380	6,945	17,325	25	2	27
9/30/2013	10,477	6,834	17,311	11	2	13
9/30/2014	10,637	7,316	17,953	23	-	23
9/30/2015	10,916	6,987	17,903	52	2	54
9/30/2016	11,428	6,927	18,355	94	5	99
9/30/2017	11,870	8,079	19,949	32	-	32
9/30/2018	11,372	7,500	18,872	58	577	635
9/30/2019	11,082	8,048	19,130	568	341	909
9/30/2020	11,147	6,778	17,925	363	2	365

Source: Department's annual reports

See accompanying independent auditors' report

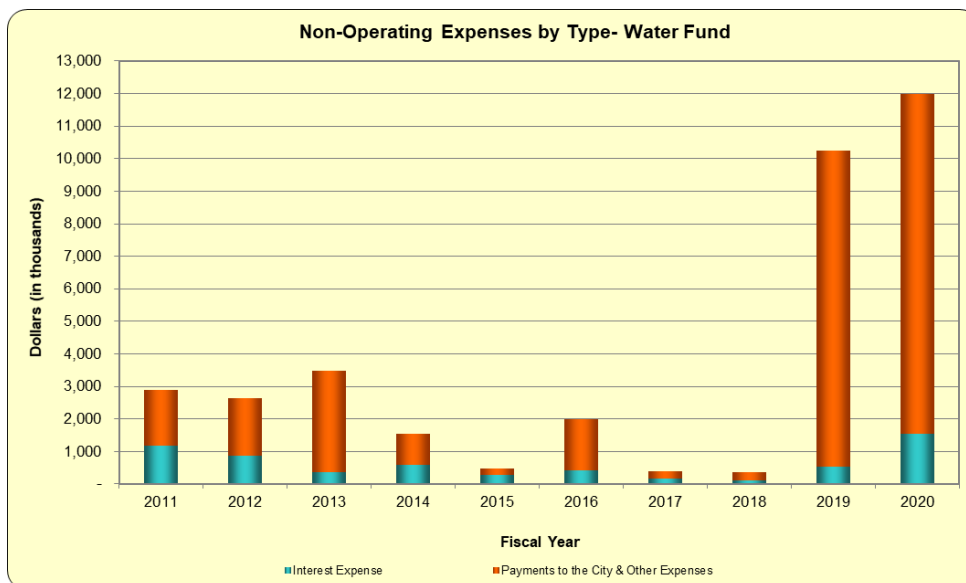
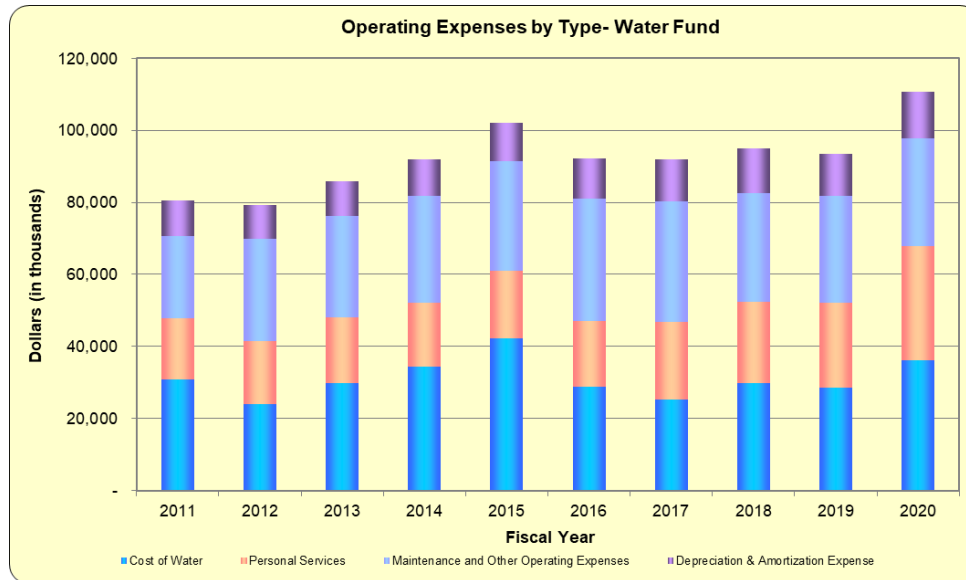


LONG BEACH WATER DEPARTMENT
WATER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	OPERATING					NON-OPERATING		
	Cost of Water	Personal Services	Maintenance and Other Operating Expenses	Depreciation & Amortization Expense	Total Operating Expenses	Interest Expense	Payments to the City & Other Expenses	Total Non-Operating Expenses
9/30/2011	30,825	17,095	22,644	9,839	80,403	1,167	1,722	2,889
9/30/2012	23,887	17,594	28,502	9,359	79,342	872	1,779	2,651
9/30/2013	29,753	18,309	28,155	9,566	85,783	363	3,130	3,493
9/30/2014	34,378	17,822	29,566	10,226	91,992	587	943	1,530
9/30/2015	42,178	18,923	30,294	10,739	102,134	292	198	490
9/30/2016	28,743	18,405	33,936	11,169	92,253	433	1,565	1,998
9/30/2017	25,374	21,389	33,436	11,694	91,893	161	227	388
9/30/2018	29,927	22,500	30,086	12,553	95,066	123	254	377
9/30/2019	28,659	23,532	29,569	11,720	93,480	527	9,722	10,249
9/30/2020	36,163	31,617	29,932	13,025	110,737	1,538	10,450	11,988

Source: Department's annual reports

See accompanying independent auditors' report

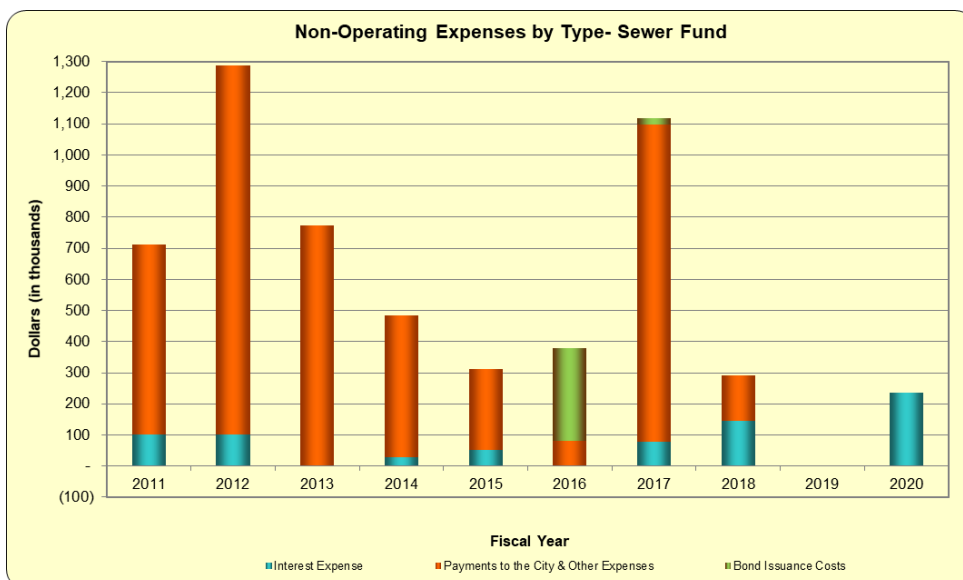
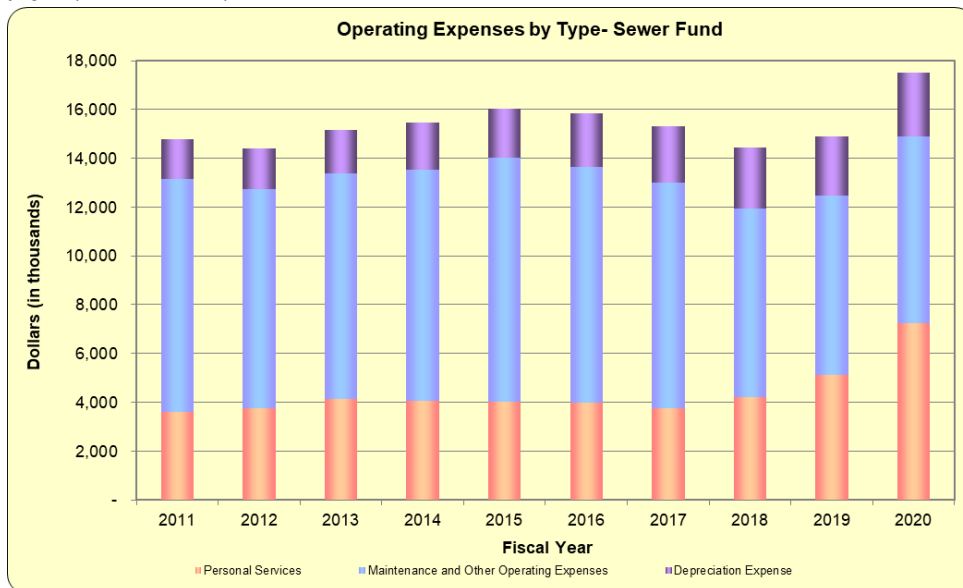


LONG BEACH WATER DEPARTMENT
SEWER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING			
	Personal Services	Maintenance and Other Operating Expenses	Depreciation Expense	Total Operating Expenses	Interest Expense	Payments to the City & Other Expenses	Bond Issuance Costs	Total Non-Operating Expenses
9/30/2011	3,607	9,528	1,660	14,795	102	611	-	713
9/30/2012	3,748	8,988	1,675	14,411	101	1,186	-	1,287
9/30/2013	4,122	9,246	1,797	15,165	2	772	-	774
9/30/2014	4,043	9,475	1,961	15,479	27	458	-	485
9/30/2015	4,021	9,993	2,010	16,024	51	260	-	311
9/30/2016	3,968	9,680	2,187	15,835	-	81	298	379
9/30/2017	3,764	9,225	2,323	15,312	77	1,021	21	1,119
9/30/2018	4,206	7,732	2,490	14,428	146	144	-	290
9/30/2019	5,106	7,372	2,425	14,903	-	-	-	-
9/30/2020	7,240	7,639	2,611	17,490	236	-	-	236

Source: Department's annual reports

See accompanying independent auditors' report



Revenue Capacity

These schedules contain information to help the reader assess the Department's significant revenue sources.

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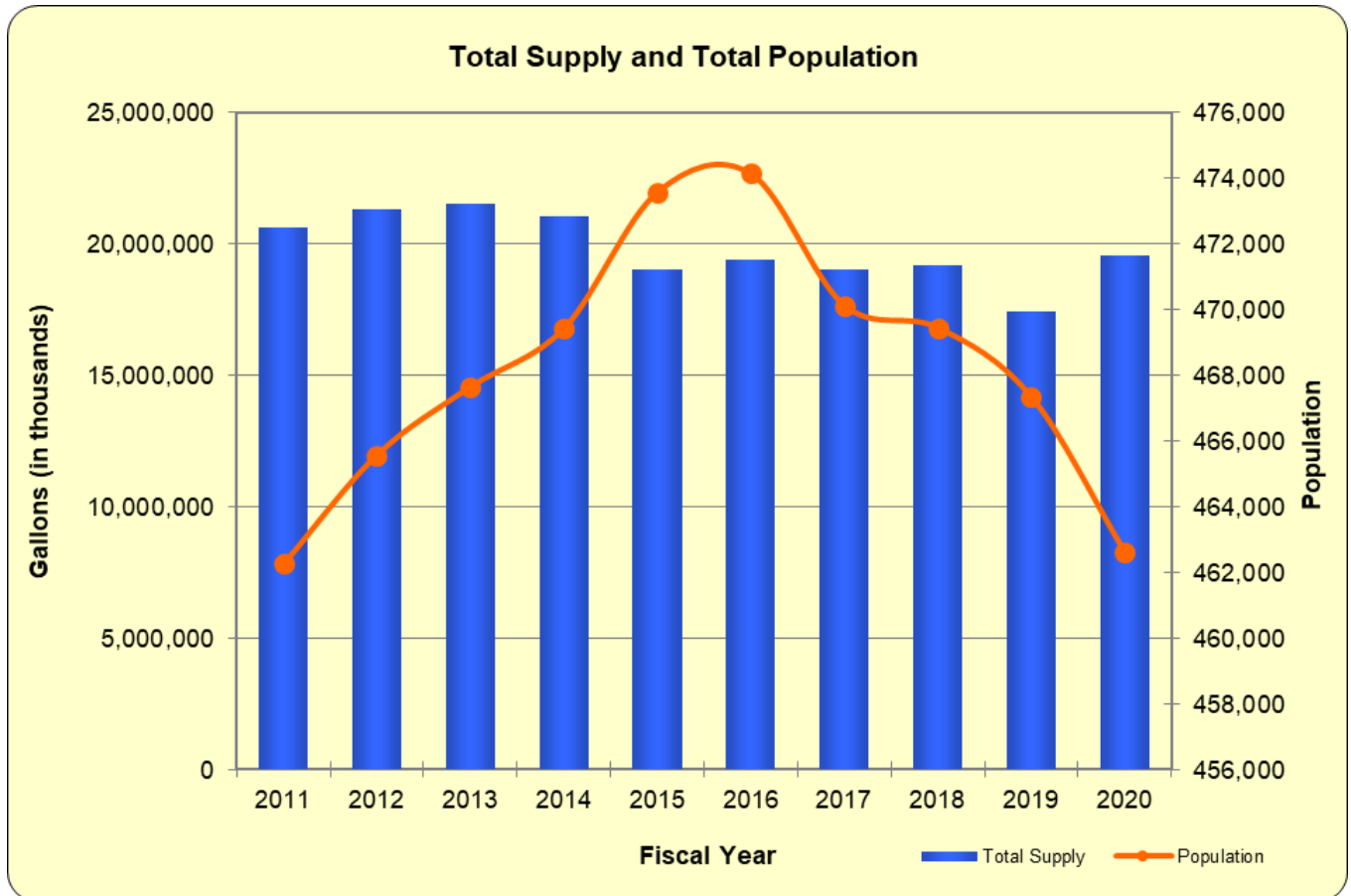
LONG BEACH WATER DEPARTMENT
SOURCE OF WATER (PUMPED, PURCHASED, AND RECLAIMED) AND CONSUMPTION - LAST TEN FISCAL YEARS
(in thousands of gallons, except population)

Fiscal Year Ended	SOURCE OF SUPPLY				CONSUMPTION			
	Potable Water		Reclaimed Water	Total Supply	Average Daily Demand Potable Water ⁽¹⁾	Peak Day Distribution	Average Daily Sales Per Capita	Population
	Pumped	Purchased						
9/30/2011	5,856,585	12,725,394	2,022,264	20,604,243	50,910	72,300	122	462,257
9/30/2012	10,772,406	8,302,455	2,255,671	21,330,532	52,260	74,700	126	465,576
9/30/2013	10,125,461	9,248,531	2,164,954	21,538,946	53,079	68,700	126	467,646
9/30/2014	9,131,485	9,990,526	1,897,724	21,019,735	52,389	72,000	123	469,428
9/30/2015	7,169,276	10,146,544	1,684,650	19,000,470	47,441	68,600	110	473,577
9/30/2016	10,455,223	6,487,074	2,470,635	19,412,932	46,417	63,300	112	474,140
9/30/2017	10,283,141	6,459,051	2,303,734	19,045,926	45,869	60,300	111	470,130
9/30/2018	9,479,592	7,901,528	1,790,910	19,172,030	47,620	64,200	112	469,450
9/30/2019	9,105,157	7,129,392	1,204,117	17,438,666	44,478	63,900	102	467,354
9/30/2020	7,424,678	10,339,252	1,805,475	19,569,405	48,668	58,900	116	462,628

Note: (1) Does not include reclaimed water which is used for irrigation only.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 10

LONG BEACH WATER DEPARTMENT
WATER RATES: VOLUMETRIC RATE CHARGES
LAST TEN FISCAL YEARS

Effective Date	Potable Water ⁽¹⁾			Reclaimed Water		
	TIER I ⁽²⁾	TIER II ⁽³⁾	TIER III ⁽⁴⁾	Peaking Rate Per Cubic Foot ⁽⁵⁾	Non-Peaking Rate Per Cubic Foot ⁽⁶⁾	Interruptible Rate Per Cubic Foot ⁽⁷⁾
10/1/2011	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2012	2.196	2.439	3.659	1.708	1.220	1.220
10/1/2013	2.283	2.537	3.806	1.776	1.269	1.269
10/1/2014	2.374	2.638	3.957	1.847	1.319	1.319
10/1/2015	2.470	2.744	4.116	1.921	1.372	1.372
10/1/2016	2.569	2.854	4.281	1.998	1.427	1.427
7/1/2017 ⁽⁸⁾	1.921	3.678	5.366	1.859	1.578	1.578
10/1/2017	1.998	3.825	5.581	1.933	1.641	1.641
1/1/2018	1.914	3.664	5.347	1.852	1.572	1.572
10/1/2018	2.052	3.928	5.732	1.985	1.685	1.685
10/1/2019	2.298	4.399	6.420	2.223	1.887	1.887

Note: (1) Volumetric rate charges for Single family residence, not granted an exemption (one billing unit equals 100 cubic feet).

(2) From 10/1/2007 to 10/1/2016, Tier I is billed for first five (5) billing units. Starting 7/1/2017, Tier I is billed for first six (6) billing units.

(3) All non-residential customers are charged at the Tier II rate. From 10/1/2007 to 10/1/2016, Tier II is billed for next ten (10) billing units.

Starting 7/1/2017, Tier I is billed for first seven (7) billing units.

(4) From 10/1/2007 to 10/1/2016, Tier III is billed for over fifteen (15) billing units. Starting 7/1/2017, Tier III is billed for over thirteen (13) billing units.

(5) Rate for total average daily demand occurring between the hours of 9:00pm and 6:00am.

(6) Rate for total average daily demand occurring at a continuous, constant level over a 24 hour period.

(7) Rate for reclaimed water service that can be suspended at anytime at the Board of Water Commissioner's discretion, without liability and dependent upon the Department's reclaimed water system needs for such service.

(8) Restructured water rates effective July 1, 2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 11

LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4"	1" ⁽¹⁾	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2011	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2012	0.418	0.630	1.175	1.742	3.608	5.708	10.519	16.511	27.041	33.048	54.696
10/1/2013	0.435	0.655	1.222	1.812	3.752	5.936	10.940	17.171	28.123	34.370	56.884
10/1/2014	0.452	0.681	1.271	1.884	3.902	6.173	11.378	17.858	29.248	35.745	59.159
10/1/2015	0.470	0.708	1.322	1.959	4.058	6.420	11.833	18.572	30.418	37.175	59.159
10/1/2016	0.489	0.736	1.375	2.037	4.220	6.677	12.306	19.315	31.635	38.662	63.986
7/1/2017 ⁽²⁾	0.550	0.815	1.478	2.273	4.790	8.102	18.039	37.251	55.800	70.374	103.497
10/1/2017	0.572	0.848	1.537	2.364	4.982	8.426	18.761	38.741	58.032	73.189	107.637
1/1/2018	0.548	0.812	1.472	2.265	4.773	8.072	17.973	37.114	55.595	70.115	103.116
10/1/2018	0.587	0.870	1.578	2.428	5.117	8.653	19.267	39.786	59.598	75.163	110.540
10/1/2019	0.657	0.974	1.767	2.719	5.731	9.691	21.579	44.560	66.750	84.183	123.805

Note: (1) Normal residential size.

(2) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 12

LONG BEACH WATER DEPARTMENT
WATER RATES: DAILY FIRELINE SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2011	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2012	0.872	1.491	2.203	3.754	5.503	7.444	9.383	13.758
10/1/2013	0.907	1.551	2.291	3.904	5.723	7.742	9.758	14.308
10/1/2014	0.943	1.613	2.383	4.060	5.952	8.052	10.148	14.880
10/1/2015	0.981	1.678	2.478	4.222	6.190	8.374	10.554	15.475
10/1/2016	1.020	1.745	2.577	4.391	6.438	8.709	10.976	16.094
7/1/2017 ⁽¹⁾	0.325	0.654	1.221	3.256	6.767	12.047	19.365	41.095
10/1/2017	0.338	0.680	1.270	3.386	7.038	12.529	20.140	42.739
1/1/2018	0.324	0.651	1.217	3.244	6.742	12.003	19.294	40.944
10/1/2018	0.347	0.698	1.305	3.478	7.227	12.867	20.683	43.892
10/1/2019	0.389	0.782	1.462	3.895	8.094	14.411	23.165	49.159

Note: (1) Restructured water rates effective 7/1/2017.

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 13

LONG BEACH WATER DEPARTMENT
TEN LARGEST POTABLE WATER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2020					Fiscal Year 2011				
Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	\$ 5,653	2,834	5.20 %	Government	1	\$ 3,812	3,369	6.12 %
Education	2	1,324	543	1.00	Education	2	934	666	1.21
Utility	3	951	619	1.15	Utility	3	745	692	1.26
Education	4	657	427	0.68	Education	4	475	410	0.75
Utility	5	651	325	0.77	Utility	5	458	419	0.76
Healthcare	6	474	312	0.55	Utility	6	381	338	0.61
Healthcare	7	473	268	0.48	Healthcare	7	325	274	0.50
Utility	8	451	262	0.50	Government	8	321	243	0.44
Oil Production	9	264	226	0.31	Healthcare	9	274	247	0.45
Education	10	263	78	0.14	Cruise Line	10	267	245	0.45
Total Ten Largest Users		11,161	5,894	10.78	Total Ten Largest Users		7,992	6,903	12.54
Total All Other Users		89,633	48,621	89.22	Total All Other Users		70,187	48,128	87.46
Total City		<u>\$ 100,794</u>	<u>54,515</u>	<u>100.00</u>	Total City		<u>\$ 78,179</u>	<u>55,031</u>	<u>100.00</u>

Source: Department's utility billing records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
TEN LARGEST RECLAIMED WATER USERS IN CITY OF LONG BEACH
 CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2020				Fiscal Year 2011			
Industry	Ranking	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Acre Feet (AF)	AF Percent of Total
Water Resource Management	1	1,729	31.20 %	Water Resource Management	1	2,248	36.22 %
Golf Course	2	1,229	22.18	Golf Course	2	1,140	18.37
Oil Production	3	935	16.87	Oil Production	3	1,139	18.35
Government	4	887	16.01	Government	4	1,003	16.16
Education	5	188	3.39	Education	5	135	2.18
Education	6	121	2.18	Memorial Park	6	108	1.74
Memorial Park	7	95	1.71	Golf Course	7	80	1.29
Memorial Park	8	79	1.43	Memorial Park	8	77	1.24
Education	9	74	1.34	Education	9	68	1.10
Property Management	10	28	0.51	Education	10	54	0.87
Total Ten Largest Users		5,365	96.82	Total Ten Largest Users		6,052	97.52
Total All Other Users		176	3.18	Total All Other Users		154	2.48
Total City		5,541	100.00	Total City		6,206	100.00

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 15

LONG BEACH WATER DEPARTMENT
SEWER RATES: VOLUMETRIC RATE CHARGES & CAPACITY CHARGES
 LAST TEN FISCAL YEARS

Effective Date	Volumetric Rate Charges ⁽¹⁾	Capacity Charges ⁽²⁾
10/1/2010	0.330	90.380
10/1/2011	0.347	91.370
10/1/2012	0.347	93.200
10/1/2013	0.347	93.390
10/1/2014	0.361	97.310
10/1/2015	0.375	99.520
10/1/2016	0.390	101.110
7/1/2017 ⁽³⁾	0.390	101.110
10/1/2017	0.398	108.390
1/1/2018	0.357	108.390
10/1/2018	0.357	108.720
10/1/2019	0.357	109.050

Note: (1) Volumetric rate charges one (1) billing unit equals 100 cubic feet.

(2) A one-time capacity charge per equivalent fixture unit is applied to all new developments in the City.

(3) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
SEWER RATES: DAILY SERVICE CHARGE BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4" ⁽¹⁾	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2010	0.238	0.377	0.687	0.990	2.061	3.265	6.014	9.448	15.456	18.893	30.916
10/1/2011	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2012	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2013	0.250	0.396	0.721	1.046	2.164	3.428	6.315	9.920	16.229	19.838	32.462
10/1/2014	0.260	0.412	0.750	1.088	2.251	3.565	6.568	10.317	16.878	20.632	33.760
10/1/2015	0.270	0.428	0.780	1.132	2.341	3.708	6.831	10.731	17.553	21.457	35.110
10/1/2016	0.281	0.445	0.811	1.177	2.435	3.856	7.104	11.159	18.255	22.315	36.514
7/1/2017 ⁽²⁾	0.246	0.365	0.957	1.649	3.842	5.558	15.482	16.412	25.405	32.042	47.125
10/1/2017	0.251	0.372	0.976	1.682	3.919	5.669	15.792	16.740	25.913	32.683	48.068
1/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2018	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2019	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069

Note: (1) Normal residential size

(2) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
TEN LARGEST SEWER USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2020					Fiscal Year 2011				
Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Sales in thousands	Acre Feet (AF)	AF Percent of Total
Government	1	\$ 411	1,135	3.16 %	Government	1	\$ 321	1,385	3.41 %
Education	2	253	306	0.85	Education	2	165	377	0.93
Education	3	99	366	1.02	Education	3	79	400	0.99
Healthcare	4	77	263	0.73	Healthcare	4	52	270	0.66
Education	5	60	74	0.21	Government	5	46	191	0.47
Healthcare	6	35	124	0.35	Hotel	6	22	55	0.14
Hotel	7	29	43	0.12	Residential Community	7	21	98	0.24
Manufacturing	8	26	52	0.14	Residential Community	8	19	83	0.20
Manufacturing	9	24	114	0.32	Residential Community	9	16	74	0.18
Government	10	23	28	0.08	Manufacturing	10	15	95	0.23
Total Ten Largest Users		1,037	2,505	6.98	Total Ten Largest Users		756	3,028	7.46
Total All Other Users		15,634	33,383	93.02	Total All Other Users		14,898	37,576	92.54
Total City		\$ 16,671	35,888	100.00	Total City		\$ 15,654	40,604	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

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Debt Capacity Information

These schedules contain information to help the reader assess the affordability of the Department's current levels of outstanding debt and ability to issue additional debt in the future.

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LONG BEACH WATER DEPARTMENT
WATER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Operating Income	Net Non-Operating Income/ (Expense) ⁽³⁾	Amount Available for Debt Service	Principal	Interest	Total Debt Service ⁽⁴⁾	Times Coverage
9/30/2011	88,576	70,564	18,012	(152)	17,860	-	861	861 ⁽⁵⁾	20.74
9/30/2012	86,515	69,983	16,532	(331)	16,201	490	1,249	1,739	9.32
9/30/2013	91,949	76,217	15,732	(1,985)	13,747	2,110	1,485	3,595	3.82
9/30/2014	100,187	81,766	18,421	335	18,756	2,385	1,502	3,887	4.83
9/30/2015	99,475	91,395	8,080	1,541	9,621	2,510	1,390	3,900	2.47
9/30/2016	97,650	81,084	16,566	44	16,610	2,630	1,264	3,894	4.27
9/30/2017	97,383	80,199	17,184	764	17,948	2,730	1,165	3,895	4.61
9/30/2018	99,173	82,767	16,406	2,406	18,812	2,815	1,077	3,892	4.83
9/30/2019	99,289	81,760	17,529	(6,085)	11,444	2,930	965	3,895	2.94
9/30/2020	113,091	97,712	15,379	(7,056)	8,323	3,050	848	3,898	2.14

Bond Issues: Water Revenue Refunding Bonds - 1997 Series A, 2010 Series A, & 2012 Series A

Average Coverage, ten years	6.00
Rate Covenant (Series: 1997A, 2010A, & 2012A)	1.10

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

(2) Operating Expenses are exclusive of depreciation expense.

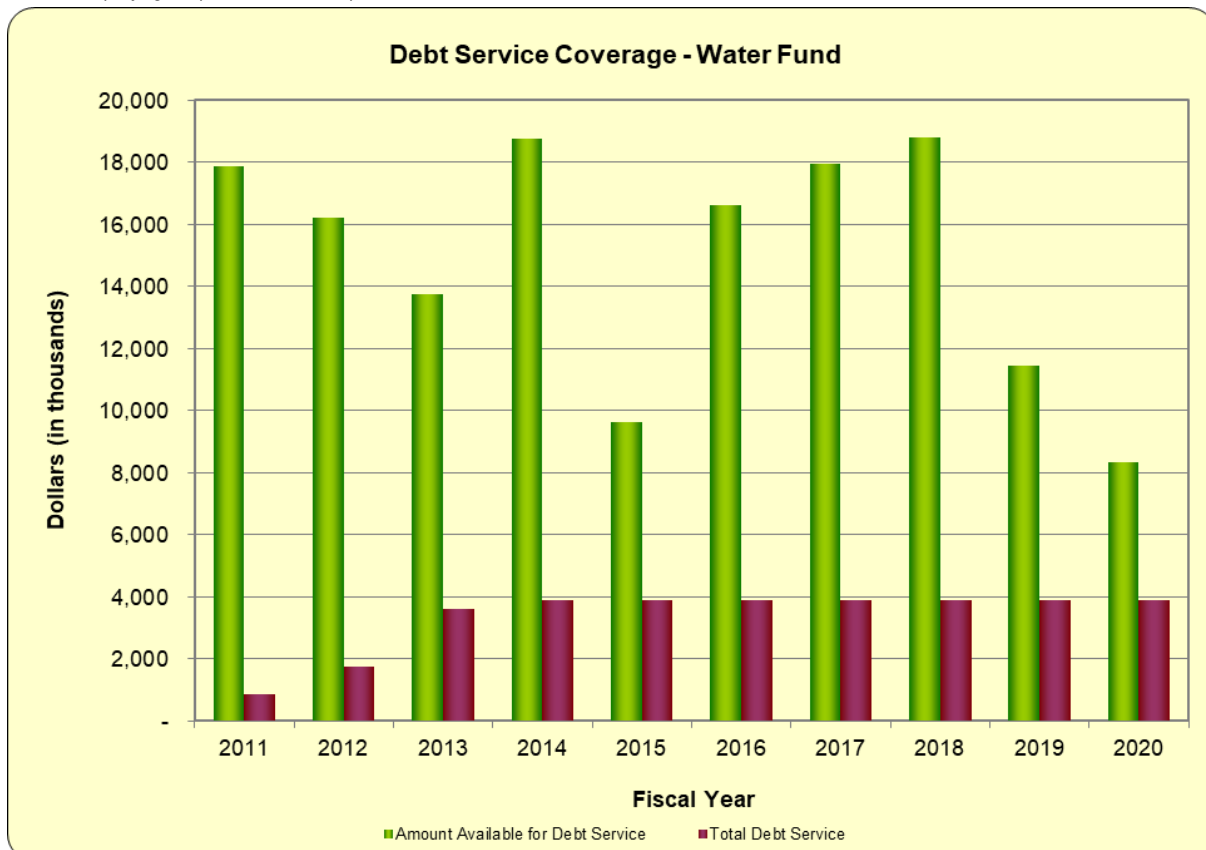
(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, contributed capital and loss on disposition of property.

(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.

(5) Debt Service for FY2010 includes interest only, reflecting the issuance of Water Revenue Refunding Bonds - Series 2010A to advance refund 82.4% of outstanding Series 1997A Water Revenue Refunding Bonds. The refunding reduced the Department's aggregate debt service payments by \$3.3 million, with the refunding structured to achieve such savings upfront over fiscal years 2011 and 2012.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH WATER DEPARTMENT
SEWER FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Total Operating Revenue ⁽¹⁾	Operating Expenses ⁽²⁾	Net Operating Income	Net Non-Operating Income (Expense) ⁽³⁾	Amount Available for Debt Service	Principal	Interest	Total Debt Service ⁽⁴⁾	Times Coverage
9/30/2011	16,448	13,135	3,313	(538)	2,775	-	27	27	102.78
9/30/2012	17,325	12,736	4,589	(1,161)	3,428	-	57	57	60.14
9/30/2013	17,311	13,368	3,943	(761)	3,182	-	54	54	58.93
9/30/2014	17,953	13,518	4,435	(434)	4,001	-	76	76	52.64
9/30/2015	17,903	14,014	3,889	(208)	3,681	-	79	79	46.59
9/30/2016	18,355	13,648	4,707	13	4,720	-	125	125	37.76
9/30/2017	19,949	12,989	6,960	(969)	5,991	460	269	729	8.22
9/30/2018	18,872	11,984	6,888	635	7,523	330	395	725	10.38
9/30/2019	19,130	12,478	6,652	812	7,464	345	382	727	10.27
9/30/2020	17,925	14,879	3,046	356	3,402	360	368	728	4.67

Bond Issues: None

Average Coverage, ten years	39.24
Rate Covenant	1.25

Notes: (1) Total Operating Revenue is net of Provision for doubtful accounts expense.

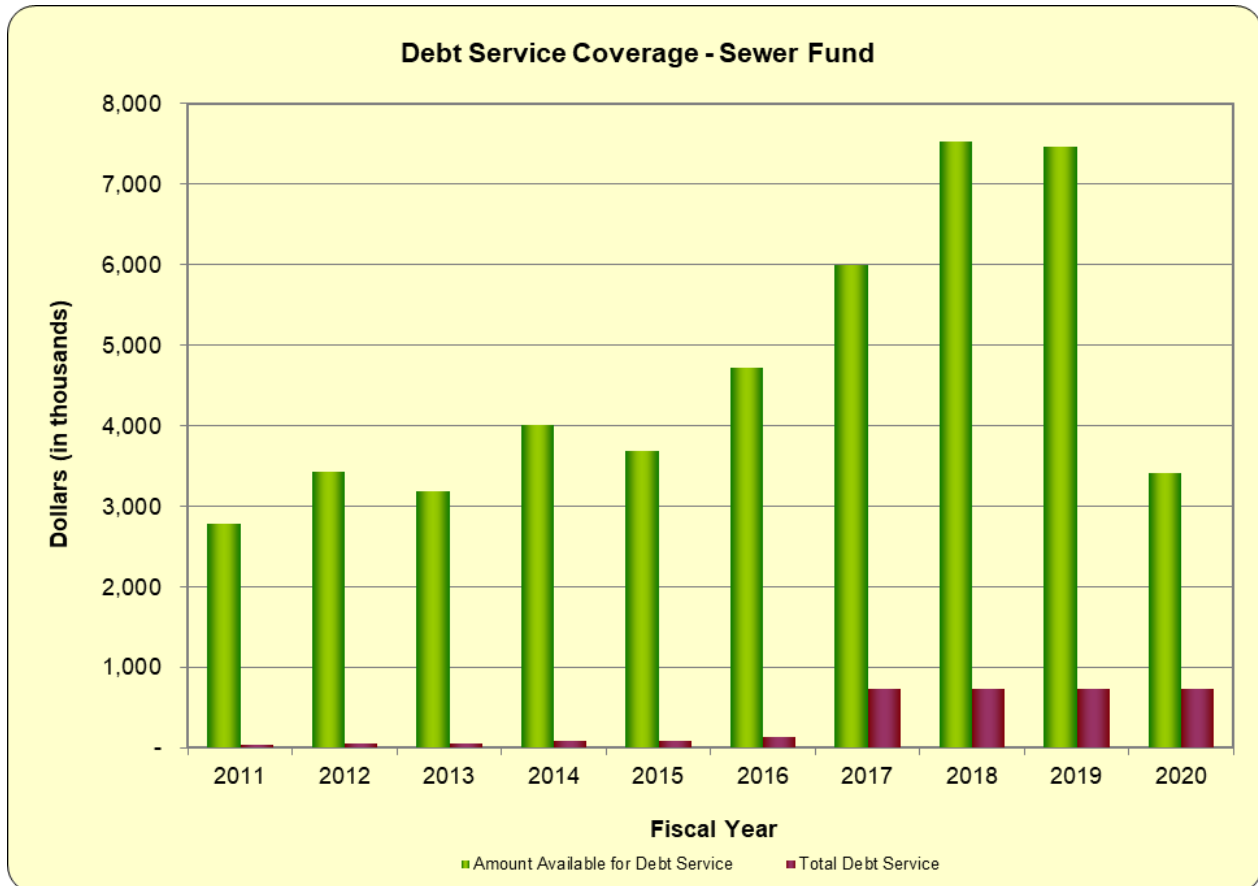
(2) Operating Expenses are exclusive of depreciation expense.

(3) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, contributed capital and loss on disposition of property.

(4) Total Debt Service is the current year's scheduled principal interest payments on November 1st and May 1st.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 20

LONG BEACH WATER DEPARTMENT
WATER FUND RATIOS OF OUTSTANDING DEBT BY TYPE - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds			Subordinate Water Revenue Commercial Paper Notes	Capital Lease	Discounts, premiums, & adjustments	Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
	Series 1997	Series 2010	Series 2012						
9/30/2011	5,175	22,740	-	11,000	-	309	39,224	0.29%	0.085
9/30/2012	5,175	22,250	9,850	-	-	1,584	38,859	0.28%	0.083
9/30/2013	3,545	22,125	9,495	-	-	3,498	38,663	0.26%	0.083
9/30/2014	1,825	21,995	8,960	-	-	3,107	35,887	0.23%	0.076
9/30/2015	-	21,860	8,410	-	-	2,703	32,973	0.20%	0.070
9/30/2016	-	19,795	7,845	-	-	2,303	29,943	0.18%	0.063
9/30/2017	-	17,645	7,265	-	-	1,914	26,824	0.15%	0.057
9/30/2018	-	15,435	6,660	-	-	1,537	23,632	0.13%	0.050
9/30/2019	-	13,135	6,030	-	26,326	1,190	46,681	0.25%	0.100
9/30/2020	-	10,740	5,375	-	24,860	873	41,848	0.21%	0.090

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

(Unaudited)

Exhibit 21

LONG BEACH WATER DEPARTMENT
SEWER FUND RATIOS OF OUTSTANDING DEBT - LAST TEN FISCAL YEARS
(in thousands of dollars)

Fiscal Year Ended	Revenue Refunding Bonds Series 2016A	Sewer Revolving Line of Credit	Premium	Total	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽¹⁾
9/30/2011	-	6,000	-	6,000	0.04%	0.013
9/30/2012	-	6,000	-	6,000	0.04%	0.013
9/30/2013	-	9,750	-	9,750	0.07%	0.021
9/30/2014	-	9,750	-	9,750	0.06%	0.021
9/30/2015	-	11,250	-	11,250	0.07%	0.024
9/30/2016	9,830	-	1,719	11,549	0.07%	0.024
9/30/2017	9,370	-	1,584	10,954	0.06%	0.023
9/30/2018	9,040	-	1,453	10,493	0.06%	0.022
9/30/2019	8,695	-	1,323	10,018	0.05%	0.021
9/30/2020	8,335	-	1,197	9,532	0.05%	0.021

Notes: (1) See Exhibit 22-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

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Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Department's financial activities take place.

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**LONG BEACH WATER DEPARTMENT
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Estimated Population ^{(1) (4)}	Personal Income (in millions) ^{(2) (4)}	Per Capita Personal Income ^{(2) (4)}	Unemployment Rate ⁽³⁾
9/30/2011	462,257	13,486	29,173	13.4%
9/30/2012	465,576	14,058	30,196	12.2%
9/30/2013	467,646	14,757	31,556	10.3%
9/30/2014	469,428	15,525	33,072	8.6%
9/30/2015	473,577	16,242	34,296	6.8%
9/30/2016	474,140	16,939	35,725	5.7%
9/30/2017	470,130	17,490	37,203	5.3%
9/30/2018	469,450	18,209	38,789	4.7%
9/30/2019	467,354	18,892	40,423	4.7%
9/30/2020	462,628 ⁽⁵⁾	19,467	42,079	15.9%

Source: (1) California Department of Finance Demographic Reports

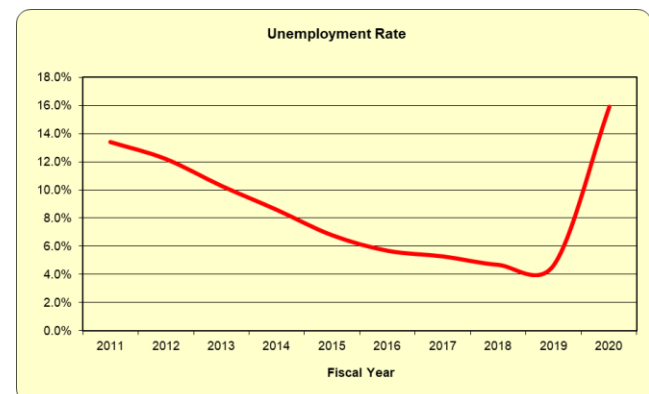
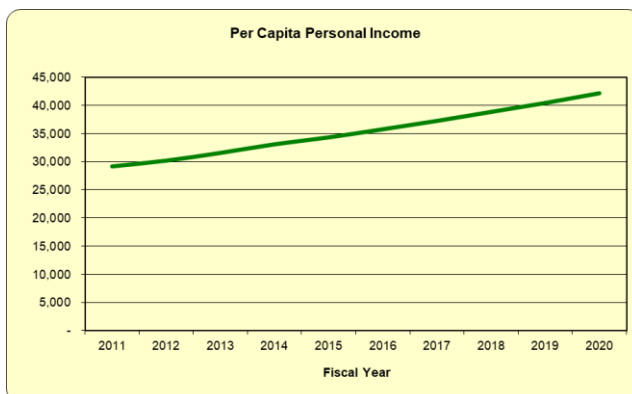
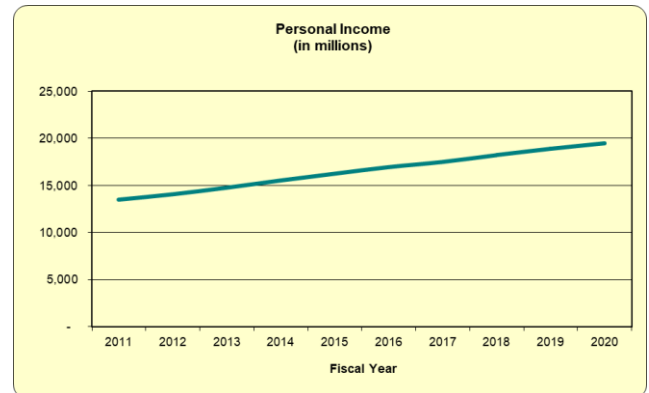
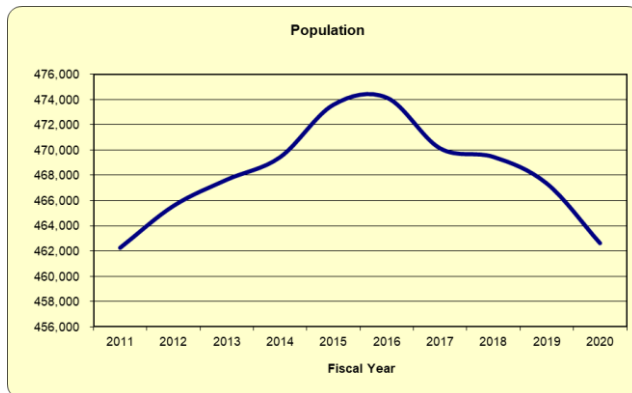
(2) U.S. Department of Commerce, Bureau of Economic Analysis: Personal Income and per capita personal income are based on percent change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistical Area). The BEA's Report does not have personal income available for 2015, so an average of the last five years was used.

(3) Average annual rate reported by California Employment Development Department (EDD) for Long Beach city.

(4) Data from 2008-2014 restated due to the annual revisions.

(5) Data is estimated value from previous year.

See accompanying independent auditors' report



**LONG BEACH WATER DEPARTMENT
MAJOR EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2020			Fiscal Year 2011		
	Ranking	Number of Employees ⁽¹⁾	Percentage of Total City Employment ⁽²⁾	Ranking	Number of Employees ⁽¹⁾	Percentage of Total City Employment ⁽²⁾
Long Beach Unified School District	1	12,625	5.23%	1	8,304	3.51%
City of Long Beach	2	5,476	2.27%	3	5,312	2.24%
Long Beach Memorial Medical Center	3	5,127	2.12%	4	5,805	2.45%
California State University Long Beach	4	3,272	1.36%	5	5,790	2.44%
Veteran Affairs Medical Center	5	3,100	1.28%	6	2,332	0.98%
Long Beach City College	6	2,719	1.13%	7	1,579	0.67%
The Boeing Company	7	1,844	0.76%	2	6,847	2.89%
California State Univ Long Beach Research Foundation	8	1,603	0.66%	10	1,020	0.43%
St. Mary Medical Center	9	1,558	0.65%	8	1,556	0.66%
Molina Healthcare Inc	10	1,227	0.51%			
United States Postal Service				9	1,257	0.53%

Sources: (1) Department of Financial Management Accounting and Business License

(2) State of California Employment Development Department Labor Market Info for 2010 and 2019.

This data was compiled from various sources by the City of Long Beach Departments of Development Services and Financial Management. Employment data is intended for use as a general guide only. The City of Long Beach does not warrant the accuracy of this data. Inquiries should be directed to the respective employer.

See accompanying independent auditors' report

**LONG BEACH WATER DEPARTMENT
NUMBER OF EMPLOYEES BY FUND
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Water Fund	Sewer Fund	Total
9/30/2011	174	43	217
9/30/2012	184	48	232
9/30/2013	179	47	226
9/30/2014	170	49	219
9/30/2015	172	47	219
9/30/2016	180	44	224
9/30/2017	183	47	230
9/30/2018	207	47	254
9/30/2019	214	56	270
9/30/2020	212	49	261

Sources: Department's Personnel records

See accompanying independent auditors' report

Operating Information

These schedules contain information about operations and resources to help the reader understand how the Department's financial information relates to the services the Department provides and the activities it performs.

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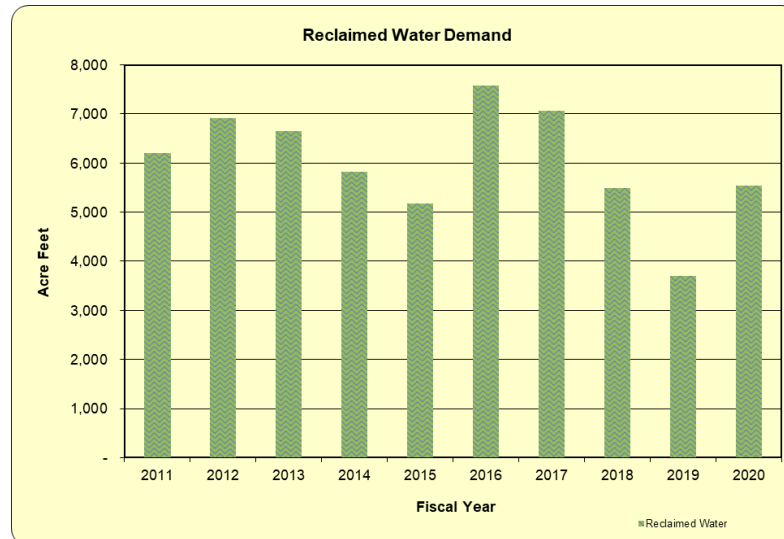
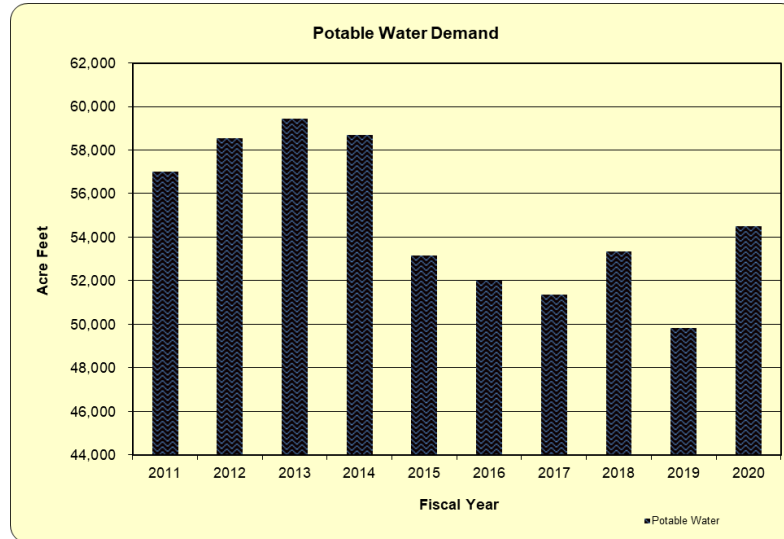
LONG BEACH WATER DEPARTMENT
WATER DEMAND - LAST TEN FISCAL YEARS
(in acre feet)

Fiscal Year Ended	Potable Water		Total Potable Demand	Reclaimed Water	Total Demand
	Pumped	Purchased			
9/30/2011	17,973	39,053	57,026	6,206	63,232
9/30/2012	33,059	25,479	58,538	6,922	65,460
9/30/2013	31,074	28,383	59,457	6,644	66,101
9/30/2014	28,024	30,660	58,683	5,824	64,507
9/30/2015	22,002	31,139	53,141	5,170	58,311
9/30/2016	32,086	19,908	51,994	7,582	59,576
9/30/2017	31,558	19,822	51,380	7,070	58,450
9/30/2018	29,092	24,249	53,341	5,496	58,837
9/30/2019	27,943	21,879	49,822	3,695	53,517
9/30/2020	22,785	31,730	54,515	5,541	60,056

Note: One acre foot equals 43,560 cubic feet or 325,851 gallons.

Source: Department's annual reports

See accompanying independent auditors' report



(Unaudited)

Exhibit 26

LONG BEACH WATER DEPARTMENT
METROPOLITAN WATER DISTRICT'S RATE CHANGES
LAST TEN FISCAL YEARS
(in dollars per acre foot)

<u>Effective Date</u>	<u>Non- Interruptible Treated Water</u>	<u>Percent Change Non- Interruptible Treated Water</u>
1/1/2011	744	6.1
1/1/2012	794	6.7
1/1/2013	847	6.7
1/1/2014	890	5.1
1/1/2015	923	3.7
1/1/2016	942	2.1
1/1/2017	979	3.9
1/1/2018	1,015	3.7
1/1/2019	1,050	3.4
1/1/2020	1,078	2.7

Source: Metropolitan Water District of Southern California

See accompanying independent auditors' report

(Unaudited)

Exhibit 27

LONG BEACH WATER DEPARTMENT
WATER REPLENISHMENT DISTRICT ASSESSMENT (PUMP TAX)
LAST TEN FISCAL YEARS

<u>Effective Date</u>	<u>Rate per Acre- Foot</u>	<u>Percent Change</u>
7/1/2011	244.00	19.0
7/1/2012	244.00	-
7/1/2013	268.00	9.8
7/1/2014	268.00	-
7/1/2015	283.00	5.6
7/1/2016	297.00	4.9
7/1/2017	318.00	7.1
7/1/2018	339.00	6.6
7/1/2019	365.00	7.7
7/1/2020	382.00	4.7

Source: Water Replenishment District of Southern California (WRD)

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - WATER FUND
LAST TEN FISCAL YEARS

Fiscal Year Ended	Water System				Water Quality		Reclaimed System
	Number of Active Groundwater wells	Miles of water mains	Number of active water service	Number of fire hydrants	Number of water samples collected	Number of tests performed	Miles of Pipeline
9/30/2011	31	911	89,851	6,603	15,814	71,472	33
9/30/2012	31	911	89,957	6,594	12,292	57,310	33
9/30/2013	31	912	89,996	6,589	14,388	60,819	34
9/30/2014	31	912	89,895	6,604	13,750	58,968	34
9/30/2015	31	912	89,897	6,631	13,050	57,070	34
9/30/2016	31	912	90,955	6,894	14,635	72,587	34
9/30/2017	31	912	89,147	6,910	15,370	79,442	34
9/30/2018	30	912	89,354	6,953	16,421	82,033	34
9/30/2019	27	916	89,805	7,036	16,316	75,459	34
9/30/2020	24	917	90,192	7,049	13,273	65,771	35

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 29

LONG BEACH WATER DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - SEWER FUND
LAST TEN FISCAL YEARS

Fiscal Year Ended	Number of sewer pump stations	Miles of sewer pipelines	Number of sewer manholes
9/30/2011	28	712	16,147
9/30/2012	28	712	16,148
9/30/2013	28	714	16,158
9/30/2014	28	714	16,170
9/30/2015	28	714	15,129
9/30/2016	28	714	15,127
9/30/2017	28	714	15,112
9/30/2018	28	714	15,122
9/30/2019	28	714	15,125
9/30/2020	28	715	15,126

Source: Department's records

See accompanying independent auditors' report

LONG BEACH WATER DEPARTMENT
INFRASTRUCTURE MAINTENANCE AND IMPROVEMENTS
LAST TEN FISCAL YEARS

Fiscal Year Ended	Cast Iron Water Mains Replaced (in feet)	Fire Hydrants Repaired	Water Meters Repaired	Sewer Mains & Laterals Repaired⁽¹⁾	Sewer Mains Cleaned (in miles)	Sewer Manholes Chemically Treated
9/30/2011	21,294	223	5,428	259	470	5,000
9/30/2012	25,733	269	3,690	261	414	5,000
9/30/2013	24,595	266	3,348	241	535	5,000
9/30/2014	19,475	208	1,835	213	498	5,000
9/30/2015	16,366	544	760	224	492	5,000
9/30/2016	20,427	259	2,037	215	405	7,719
9/30/2017	20,360	156	2,939	169	446	7,734
9/30/2018	22,198	492	1,751	157	439	8,100
9/30/2019	9,216	161	1,409	164	477	8,100
9/30/2020	5,802	182	1,420	237	360	8,100

Note: (1) Repairs are tracked according to the number of jobs.

Source: Department's records

See accompanying independent auditors' report