



ANNUAL COMPREHENSIVE FINANCIAL REPORT

OF THE LONG BEACH UTILITIES DEPARTMENT
A Department of the City of Long Beach, California

For The Fiscal Year Ended
September 30, 2023



LONG BEACH
Utilities
Water · Gas · Sewer

LONG BEACH UTILITIES DEPARTMENT

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Long Beach Utilities Department

(A Department of the City of Long Beach, California)

Annual Comprehensive Financial Report

For the Fiscal Year Ended September 30, 2023

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INTRODUCTORY SECTION

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Annual Comprehensive Financial Report of the

Long Beach Utilities Department

(A Department of the City of Long Beach, California)

For the Fiscal Year Ended September 30, 2023

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DATE March 29, 2024
TO Board of Utilities Commissioners and Residents of the City of Long Beach
FROM B. Anatole Falagan, Assistant General Manager
SUBJECT Approval of Annual Comprehensive Financial Report for the fiscal years ended September 30, 2023

Management is pleased to present the Annual Comprehensive Financial Report (ACFR) of the Long Beach Utilities Department (Department), for the fiscal year ended September 30, 2023. The Department's financial statements are also included in the City of Long Beach (the City) Financial Statements as enterprise funds (Gas Fund, 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, 2023. 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

A General Municipal Election was held on November 8, 2022, which contained Ballot Measure BB, amending the City Charter to merge the existing water, sewer, and gas utilities into a single publicly-owned utility, governed by the existing independent Water/Utility Commission. The residents of Long Beach passed the Measure by simple majority and the City Council certified the election results at its meeting on December 13, 2022.

In January 2023, the Long Beach Water Department and the Long Beach Energy Resources Department merged operations as single utility department formally known as Public Utilities Department. The Department, also known as Long Beach Utilities Department, is under the exclusive jurisdiction and control of the Board of Public Utilities Commissioners, which is comprised of five members.

The Department has the responsibility of the various functions of natural gas and water distribution system and sanitary sewer collection system, including operations and maintenance. The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in the state of California, with an area of approximately 50 square miles and with a population of 458,222 as of September 30, 2023, with some customers outside the City limits.

The Department continues to deliver natural gas to approximately 1,800 miles of gas main and service pipelines, providing residents the much-needed commodity in their homes and businesses.

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. The Department delivered over 2.8 billion gallons of reclaimed water to various users in the City in FY2023.

The Department also services the City's sewer system that consists of 714 miles of sewer mains, 15,142 manholes, and 28 sewage pumping stations. This system is capable of transporting approximately 40 to 60 million gallons of raw sewage for treatment daily.

LOCAL ECONOMY

Long Beach continues to maximize opportunities in today's global economy by drawing from the strength and adaptability of its local economy. In the current economic environment, the combination of local, national, and international businesses keeps Long Beach growing to meet the constantly changing needs of city.

Long Beach's business community continues to grow, thus, the need for housing infrastructure also grows. New residential projects have been approved for construction to meet this need. In addition to city-wide improvements, there were 14.5 lane-miles of residential streets rehabilitated, 92 new ADA ramps installed and 91 alleys rehabilitated, which are important to the safety of residents and visitors.

In FY2023, the Department's customer base is relatively stable and is comprised of ninety-four percent (94%) residential accounts, with the remaining six percent (6%) comprised of commercial, industrial, irrigation and other accounts. The residential accounts comprise approximately sixty-nine percent (69%) of the Department's total potable water and natural gas.

The City continues to address the need more housing and commercial development, while still committing to protecting the environment and resources by transitioning to low-polluting public transportation system which uses compressed natural gas and electric power. In addition, the City implements innovative changes throughout its organization to maintain and improve its services. Such improvements include natural gas pipeline leaks survey systems, library system remote services, crosswalks updates, traffic signal improvements and airport terminal upgrades and expansions.

The City has bounced back economically from the COVID-19 pandemic, aided by the residual federal financial assistance. The Department benefitted from federal and state arrearage aide that helped to address outstanding accounts receivables due to the pandemic, allowing arrearage relief for customers along with option for flexible payment plans for past due bills. The pandemic's economic impact on revenues is not expected to be permanent and the Department is continuously searching for new opportunities to reduce the economic hardship endured by its residents and businesses.

Further information on the local economy is provided in the City of Long Beach Annual Comprehensive Financial Report.

GAS SUPPLY

The Department safely provides reliable price-competitive natural gas utility services to residents and businesses with its network of nearly 2,000 miles of pipeline and approximately 150,000 service connections. The Department relies on a combination of domestic production and imports via pipelines from other states (through So Cal Gas) for its natural gas supply. The specific sources vary depending on market conditions, contractual agreements, and infrastructure availability.

Natural Gas Market

California has an extensive network of pipelines, storage facilities, and distribution systems to transport natural gas from production areas to end-users. The region also had terminals and facilities for storing gas underground. The Department obtains natural gas from multiple sources, including domestic production and interstate pipelines. Domestic production occurs primarily in the western United States, while interstate pipelines bring gas from producing regions such as the Rocky Mountains, Texas, and the Southwest.

The regional natural gas market includes various participants, including utility companies, independent producers, pipeline operators, marketers, and traders. Competition among these entities can affect pricing and service offerings for consumers.

Natural gas prices can be volatile, influenced by factors such as weather patterns, supply disruptions, geopolitical events, and market speculation. Price fluctuations can affect energy costs for consumers and businesses.

Natural Gas Price Spike

During the winter of 2022-2023, the West Coast faced an unusually cold winter, leading to a surge in natural gas demand. Supply constraints along with pipeline infrastructure issues resulted in a large spike in natural gas prices, specifically in the California region. The Department passes the commodity costs onto customers, which saw a sharp increase in their monthly bills through early 2023.

In order to provide relief to natural gas customers, the Department developed a relief program for those in most need for payment assistance, which included an across the board credit, along with targeted aide or low-income, seniors, and residents with disabilities.

Climate and Environmental Challenges

The Department continues to lead in the effort to lower greenhouse gas emissions by utilizing natural gas as an economically efficient alternative fuel source and delivering Renewable Natural Gas (RNG or Biogas) to local transit and the City's fleet of refuse trucks. anticipates the rapid expansion of Biogas fuel to other Compressed Natural Gas (CNG) powered vehicles throughout the City.

Other efforts include implementing and managing the City's California Global Warming Solutions Act (AB 32) aimed at reducing greenhouse gas emissions, with a focus on the adoption of renewable energy sources and energy efficiency measures.

Regulation and Compliance

Long Beach's natural gas utility is regulated the Pipeline and Hazardous Materials Safety Administration (PHMSA), a federal agency within the United States Department of Transportation. PHMSA is responsible for regulating the transportation of natural gas and other hazardous materials through pipelines to ensure public safety and environmental protection. The Department must comply with pipeline safety standards, inspection requirements, and emergency response procedures to prevent accidents and mitigate risks associated with the transportation of natural gas. The Department's ongoing compliance work involves coordinating with pipeline operators, conducting inspections, implementing safety measures, and responding to incidents or emergencies related to natural gas pipelines within the city's boundaries.

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, 2015-2016, and 2020-2022, each of which triggered a sharp decrease in water demand. Fiscal Year 2023 (FY2023) began as a drought year in the State of California, but cool, wet conditions throughout the year led to a record snowpack with less than 10% of the state in drought condition by the latter half of 2023. Conservation efforts have included aggressive public outreach and incentive programs for water saving measures. The 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 reduced need for 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 Department's Water enterprise 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 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 the fiscal year ended September 30, 2023 (FY2023), the Department served approximately 2.7 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 has also developed and implemented programs whereby customers can apply for an incentive to replace turf with a California-friendly landscape.

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 11,666 samples and performed 61,394 tests while maintaining certification with the California Department of Health Services and Environmental Protection Agency (EPA).

During FY2023, the Groundwater Treatment Plant processed approximately 7.8 billion gallons of drinking water. Overall, 14.2 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 water and 150,000 gas metered connections. 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 and natural 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 2000'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 at the time. 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. The Department continued to operate the under-ocean intake and discharge system to collect data and research the performance of the system until mid-year 2022 in preparation of removing the system required by the California Coastal Commission. In 2023, the Department demolished the desalination facility.

Natural Gas Distribution Integrity Management Plan (DIMP)

Since 2012, the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA), has required all natural gas distribution pipeline operators to implement a Distribution Integrity Management Plan (DIMP). DIMP requires the Department to periodically perform risk assessments on its pipelines by identifying, ranking and mitigating risks. Through the DIMP process, the Department identified five significant risks to the City's gas distribution pipeline system: 1) excavation damage caused by third parties, 2) corrosion damage to older steel pipelines in the system, 3) past pipeline installation practices, 4) susceptibility of major pipeline damage in the event of a localized earthquake, and 5) damage caused by other outside forces (e.g. sewer cross-bores, vehicles hitting meter set assemblies). These risks are being mitigated through the Department's ongoing pipeline replacement, DigAlert, public awareness, cathodic protection, leak survey, sewer inspection, bollard installation, and various other programs.

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.

Distribution Systems

The City has an aging infrastructure, which needs to be maintained, and in certain parts, replaced. On September 30, 2023, the water distribution system totaled 916 miles of water mains with approximately 90,000 service connections. The gas distribution system totaled 1,900 miles of pipeline with approximately 150,000 service connections delivering approximately 9 million dekatherms annually to customers.

During fiscal year 2023, the Department replaced 6,273 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 also replaced approximately 20,000 feet of natural gas pipeline mains and over 500 service pipelines to improve the integrity of the natural gas distribution system, performed 981 cross-bore inspections, and responded to over 16,000 DigAlert requests and marked gas utilities to avoid excavation damage.

The Department maintains 645 large water control valves 20 inches or more in diameter and 23,553 smaller control valves. The Department has a maintenance and replacement program to ensure that water 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 and natural gas 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. Continuing natural gas pipeline maintenance and replacement is necessary to meet federal regulations and guidelines and ensure customer safety.

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. On September 30, 2023, the sanitary sewer collection system totaled 714 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

The Department continues to develop and implement a multi-year Capital Improvement Program to address aging pipeline and lift station infrastructure. In 2021, the Department began another Sewer Master Plan Update Project to renew the comprehensive plan for the Department's sanitary sewer system, studying the existing sewer infrastructure and aiding in the planning of future operations, maintenance, and upgrades of the system. The Project builds on the existing sewer hydraulic system model, originally created in the 2009 Sewer Master Plan Project and updated further in the 2013 Update and expands on the recently-updated downtown sewer hydraulic system model created in the 2018 Downtown Area Sewer Focus Study.

The Department is currently in the process of finalizing the new Sewer Master Plan Update.

RELEVANT FINANCIAL POLICIES

The Department's financial statements are presented on the accrual basis of accounting. As enterprise fund operation, the cost of providing water and natural gas 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 Gas Fund, 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 Utilities 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 Utilities 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


We would like to acknowledge the professional contribution of the Business Unit 1 - Finance Division in the preparation of this report.

This Annual Comprehensive Financial Report (ACFR) is the first one issued under the newly established Long Beach Utilities Department. We believe that our current ACFR will meet the Certificate of Achievement Program requirements by the Government Finance Officers Association (GFOA). 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 ACFR 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. For FY2023, we are submitting this ACFR to determine its eligibility for a certificate.

It is recommended that the Board of Utilities Commissioners receive and file the Annual Comprehensive Financial Report for the fiscal years ended September 30, 2023.

Prepared by: 

Brandon Walker, Senior Director of Finance

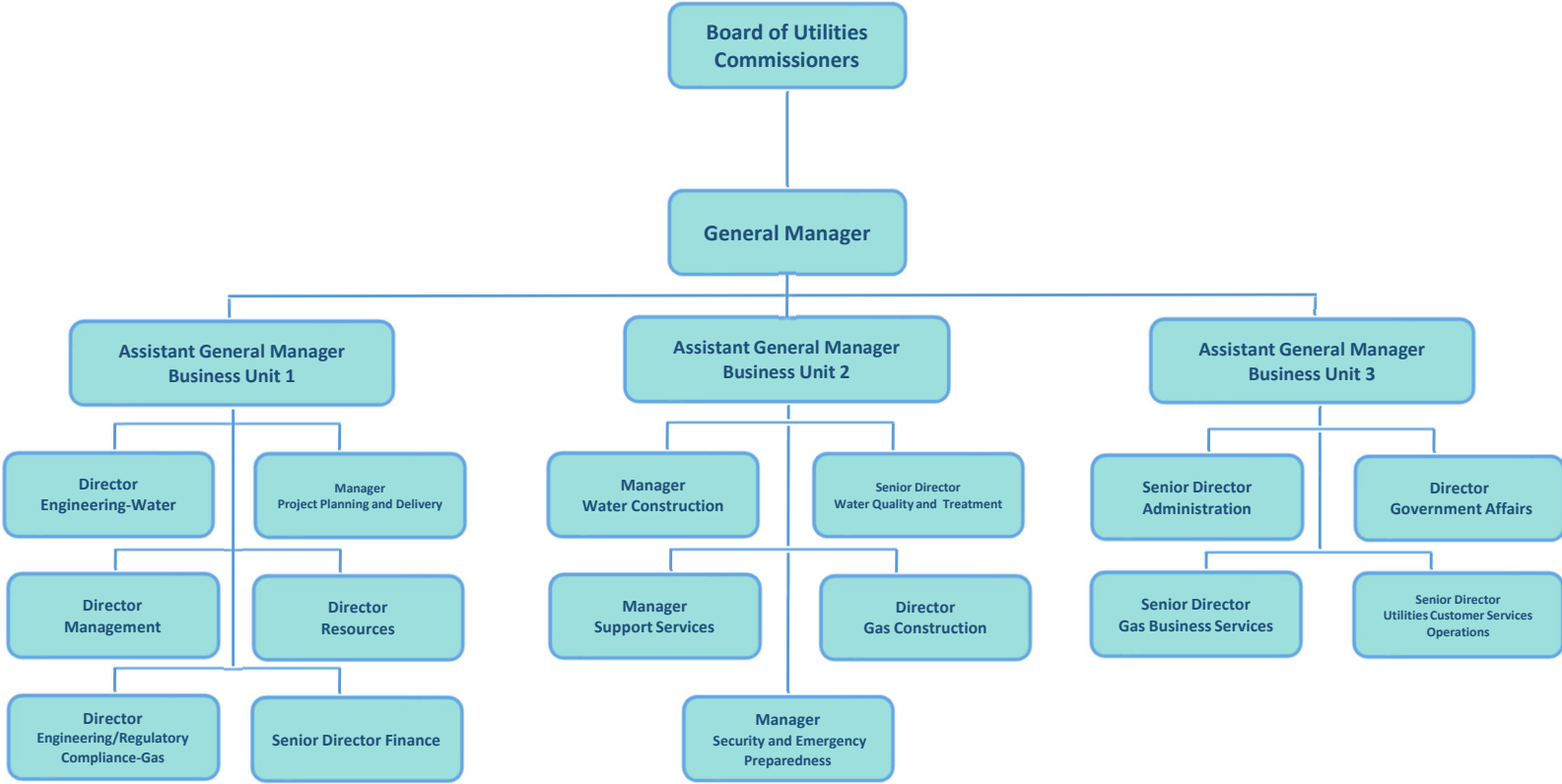
Submitted and Recommended by: 

B. Anatole Falagan, Assistant General Manager

Approved by: 

Christopher J. Garner, General Manager

Long Beach Utilities Department Organizational Chart



LONG BEACH UTILITIES DEPARTMENT

BOARD OF UTILITIES COMMISSIONERS

NAOMI RAINEY	PRESIDENT
GINA RUSHING MAGUIRE	VICE PRESIDENT
KEVIN SCOTT	SECRETARY
GLORIA CORDERO	MEMBER
ROBERT SHANNON	MEMBER

STAFF

CHRISTOPHER J. GARNER
General Manager

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FINANCIAL SECTION

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and each major fund of the Long Beach Utilities Department (the Department) of the City of Long Beach, California (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund for the Department, as of September 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 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, 2023, 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 opinions are not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Department discloses that the gas fund was included in the September 30, 2022 financial statements as determined by the general municipal election. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work



performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Other Legal and Regulatory Requirements

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2024 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

Irvine, California
March 29, 2024

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

As the management of the Long Beach Utilities Department, a department of the City of Long Beach (the City), we offer readers of the Long Beach Utilities Department's financial statements this narrative overview and analysis of the financial activities of the Long Beach Utilities Department (the Department) for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with the accompanying financial statements. Prior to fiscal year 2023 (FY2023), the Gas Enterprise Fund (Gas Fund) was presented in the City of Long Beach's Annual Comprehensive Financial Reports. In addition, the Water Enterprise Fund (Water Fund) and Sewer Enterprise Fund's (Sewer Fund) financial information was presented in the Long Beach Water Department's Annual Comprehensive Financial Reports. In November 2022, the Department began its responsibility in managing the City's Gas Fund, Water Fund, and 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 FY2023 by \$415,541 (*net position*). The Department's net position is further broken down between the Gas Fund, Water Fund and Sewer Fund below.

Gas Fund. Liabilities and deferred inflows exceeded assets and deferred outflows at the close of FY2023 by \$11,017. This amount includes a total of net investment in capital assets of \$179,298, and \$17,921 in resources that are subject to restrictions on how they may be used. The Gas Fund reported a deficit in unrestricted net position of \$208,236 in FY2023. Total Gas Fund net position decreased by \$6,495 (-143.6%) from the prior fiscal year. The decrease is mostly due to net increases in expenditures during the year.

Water Fund. Assets and deferred outflows exceeded liabilities and deferred inflows at the close of FY2023 by \$338,084. This amount includes a total of net investment in capital assets of \$378,510, and \$2,409 in resources that are subject to restrictions on how they may be used. The Water Fund reported a deficit in unrestricted net position of \$42,835 in FY2023. Total Water Fund net position decreased by \$1,490 (-0.4%) from the prior fiscal year. The decrease is mostly due to net increases in expenditures during the year.

Sewer Fund. Total Sewer Fund net position totaled \$88,474 as of September 30, 2023, an increase of \$3,526 (+4.2%) from the prior fiscal year. The increase reflects income in excess of expenses during the year and capital grants and contributions received during the year. In FY2023, the net investment in capital assets and the unrestricted portion of net position totaled \$83,290 and \$4,882, respectively.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

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 gas, 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 Annual Comprehensive Financial Report as of September 30, 2023.

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, deferred outflows, liabilities, and deferred inflows, 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.

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 32-66 of this report.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

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, 2023, Gas Fund liabilities and deferred inflows exceeded assets and deferred outflows by \$11,017, representing a 143.6% decrease in net position compared to FY2022. In addition, Water Fund assets and deferred outflows exceeded liabilities and deferred inflows by \$338,084, and Sewer Fund assets and deferred outflows exceeded liabilities and deferred inflows by \$88,474, representing a 0.4% decrease in net position over the prior fiscal year for the Water Fund and a 4.2% 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, 2023, 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 \$179,298 of Gas Fund, \$378,510 of Water Fund and \$83,290 of Sewer Fund. 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.

In FY2023, the restricted portion of the Department's net position amounted to \$17,921 for Gas Fund, \$2,409 Water Fund, and \$302 for Sewer Fund. 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.

The unrestricted portion of the net positions for Gas Fund and Water Fund reflect deficits of \$208,236 and \$42,835 as of September 30, 2023, representing 3.2% and 821.7% decreases, respectively, compared to FY2022. The Sewer Fund's unrestricted portion amounted to \$4,882, representing a 12.5% decrease over FY2022. The unrestricted portion of the Department's net position may be used to meet the Department's ongoing obligations to creditors and customers.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

The Department's Condensed Schedules of Net Position as of September 30, 2023, and 2022 are as follows:

Long Beach Utilities Department Condensed Schedules of Net Position September 30, 2023 and 2022 (in thousands)				
	2023	2022*	Variance 2023/2022	
			Amount	%
Assets:				
Current and other assets	\$ 188,318	\$ 210,038	\$ (21,720)	-10.3%
Noncurrent assets	1,258,774	1,238,472	20,302	1.6%
Total assets	1,447,092	1,448,510	(1,418)	-0.1%
Deferred outflows of resources	25,392	30,579	(5,187)	-17.0%
Liabilities:				
Current liabilities	115,848	82,488	33,360	40.4%
Noncurrent liabilities	647,138	674,810	(27,672)	-4.1%
Total liabilities	762,986	757,298	5,688	0.8%
Deferred inflows of resources	293,957	301,791	(7,834)	-2.6%
Net Position:				
Net investment in capital assets	641,098	587,835	53,263	9.1%
Restricted	20,632	22,335	(1,703)	-7.6%
Unrestricted	(246,189)	(190,170)	(56,019)	29.5%
Total net position	\$ 415,541	\$ 420,000	\$ (4,459)	-1.1%

*Amounts restated

The Department's financial position is further broken down as follows between the Department's Gas Fund, Water Fund, and the Sewer Fund as of September 30, 2023, and 2022:

Gas Fund Condensed Schedules of Net Position September 30, 2023 and 2022 (in thousands)				
	2023	2022*	Variance 2023/2022	
			Amount	%
Assets:				
Current and other assets	\$ 143,854	\$ 128,155	\$ 15,699	12.3%
Noncurrent assets	741,742	769,715	(27,973)	-3.6%
Total assets	885,596	897,870	(12,274)	-1.4%
Deferred outflows of resources	11,394	13,220	(1,826)	-13.8%
Liabilities:				
Current liabilities	70,155	48,434	21,721	44.8%
Noncurrent liabilities	550,110	569,724	(19,614)	-3.4%
Total liabilities	620,265	618,158	2,107	0.3%
Deferred inflows of resources	287,742	297,454	(9,712)	-3.3%
Net Position:				
Net investment in capital assets	179,298	176,157	3,141	1.8%
Restricted	17,921	21,004	(3,083)	-14.7%
Unrestricted	(208,236)	(201,683)	(6,553)	-3.2%
Total net position	\$ (11,017)	\$ (4,522)	\$ (6,495)	-143.6%

*Amounts restated

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

Water Fund Condensed Schedules of Net Position September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Assets:				
Current and other assets	\$ 30,611	\$ 67,539	\$ (36,928)	-54.7%
Noncurrent assets	424,128	379,767	44,361	11.7%
Total assets	454,739	447,306	7,433	1.7%
Deferred outflows of resources	11,885	14,585	(2,700)	-18.5%
Liabilities:				
Current liabilities	42,586	31,244	11,342	36.3%
Noncurrent liabilities	80,795	87,638	(6,843)	-7.8%
Total liabilities	123,381	118,882	4,499	3.8%
Deferred inflows of resources	5,159	3,435	1,724	50.2%
Net Position:				
Net investment in capital assets	378,510	332,612	45,898	13.8%
Restricted	2,409	1,027	1,382	134.6%
Unrestricted	(42,835)	5,935	(48,770)	-821.7%
Total net position	\$ 338,084	\$ 339,574	\$ (1,490)	-0.4%

Sewer Fund Condensed Schedules of Net Position September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Assets:				
Current and other assets	\$ 13,853	\$ 14,344	\$ (491)	-3.4%
Noncurrent assets	92,904	88,990	3,914	4.4%
Total assets	106,757	103,334	3,423	3.3%
Deferred outflows of resources	2,113	2,774	(661)	-23.8%
Liabilities:				
Current liabilities	3,107	2,810	297	10.6%
Noncurrent liabilities	16,233	17,448	(1,215)	-7.0%
Total liabilities	19,340	20,258	(918)	-4.5%
Deferred inflows of resources	1,056	902	154	17.1%
Net Position:				
Net investment in capital assets	83,290	79,066	4,224	5.3%
Restricted	302	304	(2)	-0.1%
Unrestricted	4,882	5,578	(696)	-12.5%
Total net position	\$ 88,474	\$ 84,948	\$ 3,526	4.2%

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

Fiscal Year Ended September 30, 2023 Compared to 2022

Gas Fund. The deficit on net position increased by \$6,495 (-143.6%) over FY2022. This net decrease is mostly attributable to a loss from operations of \$9,726 in FY2023. This decrease was offset by capital grants and contributions from various developers for gas distribution system improvements in the amount of \$3,231.

Current and other assets increased by \$15,699 (+12.3%) from FY2022, which reflects mainly attributable to an increase in pooled cash of \$9,077 and an increase for a short-term Due From loan from Water Fund of \$7,005.

Noncurrent assets decreased by \$27,973 (-3.6%) over the prior year, mainly due to the decrease in Gas Prepay fair market value of Commodity Swap Derivative.

Deferred outflows of resources decreased by \$1,826 (-13.8%) over FY2022. The majority of the net decrease in FY2023 is a result of the decline in the Gas Prepay.

Current liabilities increased by \$21,721 (+44.8%) compared to FY2022, mainly due to a General Fund Transfer of \$13,798 related to Measure M, \$6,019 payment due to the City for a share of costs on a building acquisition and other accrual expenses of \$1,897.

Noncurrent liabilities decreased by \$19,614 (-3.4%) from FY2022, primarily due to Gas Prepay Bond Series A principal payments. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements on page 47.

Deferred inflows of resources decreased by \$9,712 (-3.3%) over FY2022. This net decrease mainly reflects the mark-to-market adjustment for the Gas Prepay fair value commodity swap.

Water Fund. Net position decreased by \$1,490 (-0.4%) over FY2022. This net decrease is mostly attributable to a loss from operations of \$7,558 in FY2023. This decrease was offset by capital grants and contributions from various developers for water distribution system improvements in the amount of \$6,068.

Current and other assets decreased by \$36,928 (-54.7%) in FY2023, reflecting decreases in pooled cash and cash equivalents due to a decrease in cash received from sales revenue by \$17,186 (-13.80%) compared to FY2022. In addition, cash used for capital expenditures increased by \$23,095 (+69.68%) in FY2023.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

Noncurrent assets increased by \$44,361 (+11.7%) over the prior year, mainly due to the ongoing capital improvement program such the cast iron water main replacement, water service installations, well development and rehabilitation, large valve replacements, machinery and equipment purchases, and facility improvements.

Deferred outflows of resources decreased by \$2,700 (-18.5%) over FY2022. The majority of the net decrease in FY2023 is a result of decreases in the difference between actual and expected investment returns in the amount of \$940 (-12.7%) and pension contributions after the measurement date in the amount of \$2,647 (-+57.2%) compared to FY2022. In addition, changes on actuarial assumptions and proportions decreased by \$1,327 (-51.2%) compared to FY2022. However, these decreases were offset by an increase of \$996 (+343.8%) in changes in actuarial assumptions on Other Postemployment Benefits (OPEB) costs compared to FY2022. Additional information on deferred outflows related to pensions is provided on Note 6 - Retirement Program of the Notes to Financial Statements on page 58.

Current liabilities increased by \$11,342 (+36.3%) compared to FY2022, mainly due to increases in liability due to other funds by \$9,008 (+912.6%). In addition, accounts payable increased by \$2,257 (+27.9%) in FY2022, relating to continued expenditures in operating activities and capital improvement programs.

Noncurrent liabilities decreased by \$6,843 (-7.8%) from FY2022, primarily due to a decrease in annual amount due for bonds principal payments and premium amortization by \$3,617 (-36.1%). Furthermore, long-term obligations on the equipment financing agreement executed by the Department to finance the AMI project decreased by \$1,697 (-8.7%) in FY2023. The accrued site restoration cost decreased by \$1,000 (-100.0%) due to the completion of the study on Seawater Nanofiltration Desalination Processes in FY2023. Additional information is provided on Note 4 – Long-term Liabilities of the Notes to Financial Statements on page 47.

Deferred inflows of resources increased by \$1,724 (+50.2%) over FY2022. This net increase mainly reflects a total of \$2,480 (+208.4%) increases in deferred amount for leases and proportionate share of deferred pension. However, this increase was offset by decreases in changes in actuarial assumptions and proportions on costs by \$756 (-33.7%) in FY2023. Additional information on deferred lease receivable is found on Note 1 – Description of the Department and Summary of Significant Accounting Policies on page 32 and on deferred outflows related to pensions is provided on Note 6 - Retirement Program of the Notes to Financial Statements on page 58.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

Sewer Fund. Net position increased \$3,526 (+4.2%) over FY2022. This increase is primarily due to revenues in excess of expenses.

Current assets and other assets decreased by \$491 (-3.4%) over FY2022, mainly due to decreases in pooled cash and cash equivalents of \$2,483 (-20.1%), which reflect increases on sales revenues in FY2022. This decrease was offset by an increase in receivables from other funds by \$2,000 (+100.0%) in FY2023.

Noncurrent assets increased by \$3,914 (+4.4%) over FY2022, mainly due to the completion of capital improvement projects for sewer lift station rehabilitation and sewer main pipe relining and replacement.

Deferred outflows of resources decreased by \$661 (-23.8%) over FY2022. This net decrease reflects decreases on difference between actual and expected investment returns in FY2023 in the amount of \$277 (-19.2%). In addition, the pension contributions after measurement date decreased by \$533 (-69.11%) compared to FY2022. However, these decreases were offset by increases in changes in actuarial assumptions, experience, and funds proportion on OPEB costs in the amount of \$170 (+309.1%). Additional information on deferred outflows related to pensions is provided on Note 6 - Retirement Program of the Notes to Financial Statements on page 58.

Current liabilities increased by \$297 (+10.6%) over FY2022, which is mainly due to an increase in accounts payable as a result in increases in expenditures relating to sewer collection system maintenance and capital improvements.

Noncurrent liabilities decreased by \$1,215 (-7.0%) from FY2022, primarily due to a decrease in the net pension liabilities of \$680 (-8.0%). In addition, long-term bonds payable decreased by \$537 (-6.6%) due to annual principal payments on Series 2016A Bonds in FY2023. Additional information is provided on Note 4 - Long-term Liabilities of the Notes to Financial Statements in page 47 and on Note 6 - Retirement Program on page 58.

Deferred Inflows of resources increased by \$154 (+17.1%) over FY2022. This net increase reflects a total of \$325 (+69.3%) increase in deferred amount for leases and proportionate share of deferred pension. However, this increase was offset by decreases in changes in actuarial assumptions for pension and changes in actuarial assumptions on costs by \$171 (-39.5%) in FY2023. Additional information on deferred outflows related to pensions is provided on the Note 6 - Retirement Program of the Notes to Financial Statements on page 58.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

The 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, 2023 and 2022:

Long Beach Utilities Department
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Years Ended September 30, 2023 and 2022
(in thousands)

	2023	2022*	Variance	
			2023/2022	
			Amount	%
Operating Revenues:				
Metered sales	\$ 220,112	\$ 194,440	\$ 25,672	13.2%
Reclaimed water sales	3,553	4,584	(1,031)	-22.5%
Service charges	57,139	59,610	(2,471)	-4.1%
Other services	14,965	18,683	(3,718)	-19.9%
Total operating revenues	295,769	277,317	18,452	6.7%
Operating Expenses:				
Cost of gas	83,823	49,514	34,309	69.3%
Cost of water	30,987	32,211	(1,224)	-3.8%
Personal services	60,915	48,859	12,056	24.7%
Commercial Services	4,311	4,233	78	1.8%
Maintenance and other	58,337	54,745	3,592	6.6%
Street Impact charges	2,999	3,531	(532)	-15.1%
Depreciation and amortization	24,476	24,267	209	0.9%
Total operating expenses	265,848	217,360	48,488	22.3%
Operating income	29,921	59,957	(30,036)	-50.1%
Nonoperating Income (Expenses):				
Interest income	3,630	2,080	1,550	74.5%
Investment income/(loss)	2,194	(4,848)	7,042	145.3%
Interest expense	(28,425)	(28,898)	473	1.6%
Rental income	1,671	1,508	163	10.8%
Payments from/(to) the City	(21,168)	(17,441)	(3,727)	-21.4%
Payments from other governments	9,777	13,458	(3,681)	-27.4%
Credit to customers	(5,743)	(25,226)	19,483	77.2%
Other	(5,753)	(2,597)	(3,156)	-121.5%
Total non-operating income (expense)	(43,817)	(61,964)	18,147	29.3%
Loss before capital grants and contributions	(13,896)	(2,007)	(11,889)	-592.4%
Capital grants and contributions	9,437	3,711	5,726	154.3%
Changes in net position	(4,459)	1,704	(6,163)	-361.7%
Net position - October 1, as restated	420,000	418,296	1,704	0.4%
Net position - September 30	\$ 415,541	\$ 420,000	\$ (4,459)	-1.1%

*Amounts restated

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

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, 2023 and 2022:

Gas Fund				
Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position				
Fiscal Years Ended September 30, 2023 and 2022				
(in thousands)				
	2023	2022*	Variance	
			2023/2022	
			Amount	%
Operating Revenues:				
Metered sales	\$ 149,317	\$ 113,986	\$ 35,331	31.0%
Service charges	7,894	9,827	(1,933)	-19.7%
Other services	8,122	9,462	(1,340)	-14.2%
Total operating revenues	<u>165,333</u>	<u>133,275</u>	<u>32,058</u>	<u>24.1%</u>
Operating Expenses:				
Cost of gas	83,823	49,514	34,309	69.3%
Personal services	27,860	19,003	8,857	46.6%
Commercial Services	500	931	(431)	-46.3%
Maintenance and other	18,342	16,842	1,500	8.9%
Depreciation and amortization	7,848	7,695	153	2.0%
Total operating expenses	<u>138,373</u>	<u>93,985</u>	<u>44,388</u>	<u>47.2%</u>
Operating income	26,960	39,290	(12,330)	-31.4%
Nonoperating Income (Expenses):				
Interest income	2,549	1,622	927	57.2%
Investment income/(loss)	250	(2,335)	2,585	110.7%
Interest expense	(26,432)	(27,420)	988	-3.6%
Rental income	360	360	-	-
Payments from/(to) the City	(21,168)	(17,441)	(3,727)	21.4%
Payments from other governments	9,777	12,263	(2,486)	-20.3%
Credit to customers	(1,191)	(1,574)	383	-24.3%
Other	(831)	(435)	(396)	91.0%
Total non-operating income (expense)	<u>(36,686)</u>	<u>(34,960)</u>	<u>(1,726)</u>	<u>4.9%</u>
Income (loss) before capital grants and contributions	(9,726)	4,330	(14,056)	324.6%
Capital grants and contributions	3,231	658	2,573	391.0%
Changes in net position	(6,495)	4,988	(11,483)	-230.2%
Net position - October 1, as restated	(4,522)	(9,510)	4,988	52.5%
Net position - September 30	<u>\$ (11,017)</u>	<u>\$ (4,522)</u>	<u>\$ (6,495)</u>	<u>143.6%</u>

*Amounts restated

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

Water Fund Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Operating Revenues:				
Metered sales	\$ 65,079	\$ 74,204	\$ (9,125)	-12.3%
Reclaimed water sales	3,553	4,584	(1,031)	-22.5%
Service charges	36,951	37,526	(575)	-1.5%
Other services	4,558	6,281	(1,723)	-27.4%
Total operating revenues	<u>110,141</u>	<u>122,595</u>	<u>(12,454)</u>	<u>-10.2%</u>
Operating Expenses:				
Cost of water	30,987	32,211	(1,224)	-3.8%
Personal services	27,501	25,350	2,151	8.5%
Commercial Services	2,095	1,827	268	14.7%
Maintenance and other	35,805	33,963	1,842	5.4%
Street Impact charges	1,285	1,513	(228)	-15.1%
Depreciation and amortization	13,607	13,785	(178)	-1.3%
Total operating expenses	<u>111,280</u>	<u>108,649</u>	<u>2,631</u>	<u>2.4%</u>
Operating income (loss)	<u>(1,139)</u>	<u>13,946</u>	<u>(15,085)</u>	<u>-108.2%</u>
Nonoperating Income (Expenses):				
Interest income	708	337	371	110.1%
Investment income/(loss)	1,816	(1,964)	3,780	192.5%
Interest expense	(1,794)	(1,266)	(528)	41.7%
Rental income	1,311	1,148	163	14.2%
Payments from other governments	-	1,061	(1,061)	-100.0%
Credit to customers	(4,552)	(23,518)	18,966	-80.6%
Other	(3,908)	(1,227)	(2,681)	218.5%
Total non-operating income (expense)	<u>(6,419)</u>	<u>(25,429)</u>	<u>19,010</u>	<u>-74.8%</u>
Loss before capital grants and contributions	<u>(7,558)</u>	<u>(11,483)</u>	<u>3,925</u>	<u>-34.2%</u>
Capital grants and contributions	<u>6,068</u>	<u>2,920</u>	<u>3,148</u>	<u>107.8%</u>
Changes in net position	<u>(1,490)</u>	<u>(8,563)</u>	<u>7,073</u>	<u>-82.6%</u>
Net position - October 1	<u>339,574</u>	<u>348,137</u>	<u>(8,563)</u>	<u>-2.5%</u>
Net position - September 30	<u>\$ 338,084</u>	<u>\$ 339,574</u>	<u>\$ (1,490)</u>	<u>-0.4%</u>

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

Sewer Fund Condensed Schedules of Revenues, Expenses, and Changes in Fund Net Position Fiscal Years Ended September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Operating Revenues:				
Metered sales	\$ 5,716	\$ 6,250	\$ (534)	-8.5%
Service charges	12,294	12,257	37	0.3%
Other services	2,285	2,940	(655)	-22.3%
Total operating revenues	<u>20,295</u>	<u>21,447</u>	<u>(1,152)</u>	<u>-5.4%</u>
Operating Expenses:				
Personal services	5,554	4,506	1,048	23.3%
Commercial Services	1,716	1,475	241	16.3%
Maintenance and other	4,190	3,940	250	6.3%
Street Impact charges	1,714	2,018	(304)	-15.1%
Depreciation	3,021	2,787	234	8.4%
Total operating expenses	<u>16,195</u>	<u>14,726</u>	<u>1,469</u>	<u>10.0%</u>
Operating income	<u>4,100</u>	<u>6,721</u>	<u>(2,621)</u>	<u>-39.0%</u>
Nonoperating Income (Expenses):				
Interest income	373	121	252	208.3%
Investment income/(loss)	128	(549)	677	123.3%
Interest expense	(199)	(212)	13	-6.1%
Payments from other governments	-	134	(134)	-100.0%
Credit to customers	-	(134)	134	-100.0%
Other	(1,014)	(935)	(79)	8.4%
Total non-operating expense	<u>(712)</u>	<u>(1,575)</u>	<u>863</u>	<u>-54.8%</u>
Income before capital grants and contributions	3,388	5,146	(1,758)	-34.2%
Capital grants and contributions	138	133	5	3.8%
Changes in net position	3,526	5,279	(1,753)	-33.2%
Net position - October 1	84,948	79,669	5,279	6.6%
Net position - September 30	<u>\$ 88,474</u>	<u>\$ 84,948</u>	<u>\$ 3,526</u>	<u>4.2%</u>

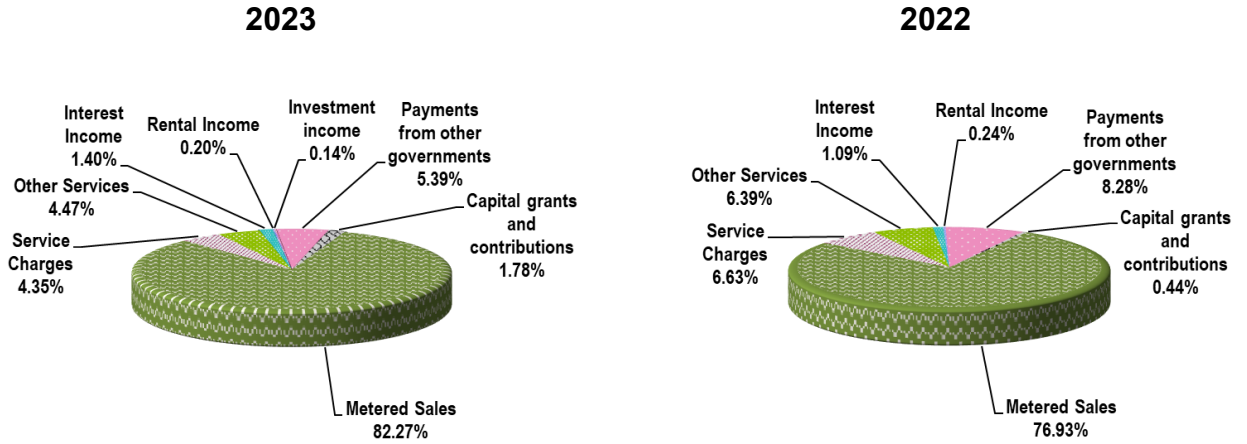
LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

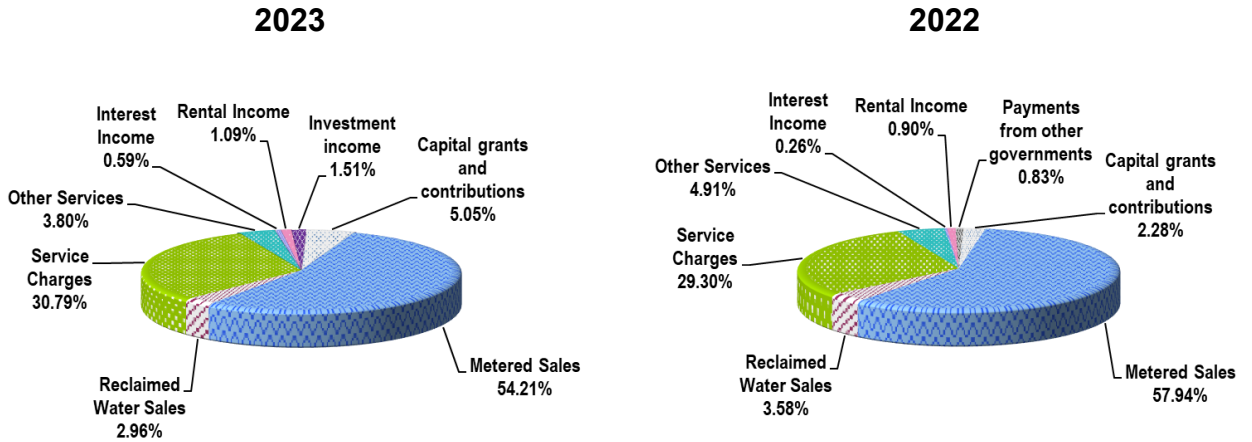
Sources of Revenues

Sources of revenue for fiscal years 2023 and 2022 are shown on the following charts.

Gas Fund



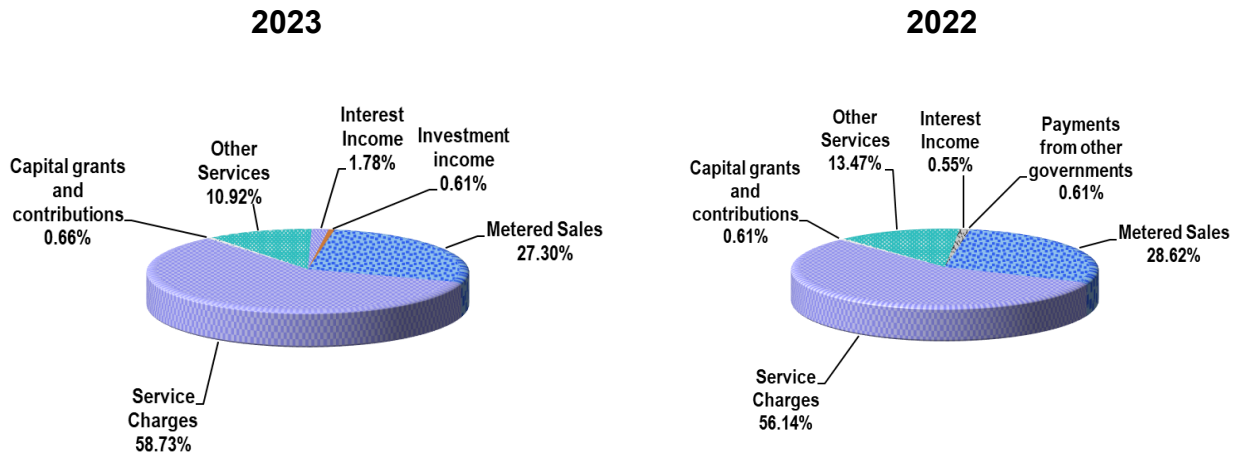
Water Fund



LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

Sewer Fund



Management Review of the Department's Revenues

Gas Fund

Fiscal Year Ended September 30, 2023 Compared to 2022

Total operating revenues were \$165,333, an increase of \$32,058 (+24.1%) over FY2022. The major elements of this net increase are as follows:

- Metered sales revenue increased by \$35,331 (+31.0%), primarily due to the large spike in natural gas commodity prices (72% increase) during the winter of 2022-2023.
- Service charges decreased by \$1,933 (-19.7%) over FY2022 which reflected a larger than usual accrual booking in September 2022 (FY2022) for charges billed in October 2022 (FY2023) due to the spike in natural gas prices in late FY2022.
- Revenue from other services totaled \$8,122, a net decrease of \$1,340 (-14.2%) from the prior year. FY2022 included AB205 California Arrearage Payment Program (CAPP Assistance funding of \$1,191.

Capital grants and contributions increased by \$2,573 (+391.0%) compared to FY2022, primarily due to an increase in reimbursement from Alameda Corridor Transportation Authority of \$2,047 for relocation of a gas meter at the City's Southeast Resource Recovery Facility (SERRF), a waste to energy plant facility.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

Water Fund

Fiscal Year Ended September 30, 2023 Compared to 2022

Total operating revenues were \$110,141, a decrease of \$12,454 (-10.2%) over FY2022. The major elements of this decrease are as follows:

- Metered sales and service charges revenue decreased by \$9,125 (-12.3%) and \$575 (-1.5%) respectively, in FY2023. This is primarily due to a decrease in customer potable water consumption by 4,558 AF (-9.7%) compared to FY2022.
- Reclaimed water sales revenue decreased by \$1,031 (-22.5%) mainly due to a decrease in consumption by 1,187 AF (-24.1%) compared to FY2022.
- Revenue from other services totaled \$4,558, a net decrease of \$1,723 (-27.4%) from the prior year. The major factors of this net decrease are as follows:
 - Revenue received from sales of potable water and readiness-to-serve charges to Water Replenishment District of Southern California (WRD) decreased by \$1,001 (-27.2%) compared to FY2022.
 - Reimbursements received for Conservation Incentive programs relating to conservation programs such as Lawn-to-Garden Conservation Incentives, Direct Install Gardens and Leak Detection Services decreased by \$683 (-65.0%) over FY2022.

Capital grants and contributions increased by \$3,148 (+107.8%) compared to FY2022, primarily due to an increase in the amount of \$305 (+100.0%) on contributions received in relation to the Port Water System project, City of Long Beach Duck Pond water system rehabilitation and potable water wells development.

Sewer Fund

Fiscal Year Ended September 30, 2023 Compared to 2022

Total operating revenues decreased \$1,152 (-5.4%) over FY2022. The key elements of this decrease are as follows:

- Metered sales revenues decreased by \$534 (-8.5%) as a result of a 3,880 AF (-10.4%) decrease in demand, which was slightly offset by an increase in service charges in the amount of \$37 (+0.3%) over FY2022.
- Other services revenue decreased by \$655 (-22.3%) over FY2022, mainly 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.

Capital grants and contributions decreased by \$5 (+3.8%) compared to FY2022, primarily due to a decrease in grant proceeds received for sewer capital improvement projects.

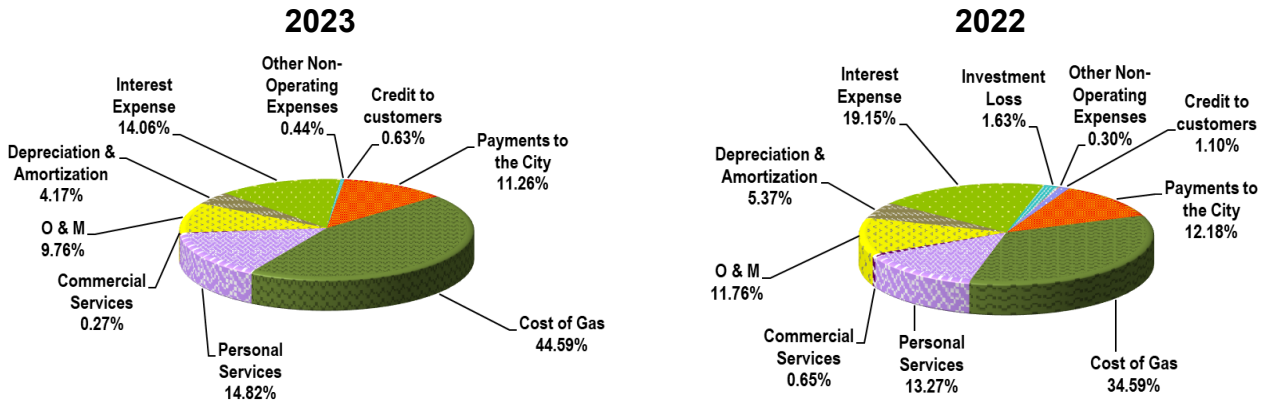
LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

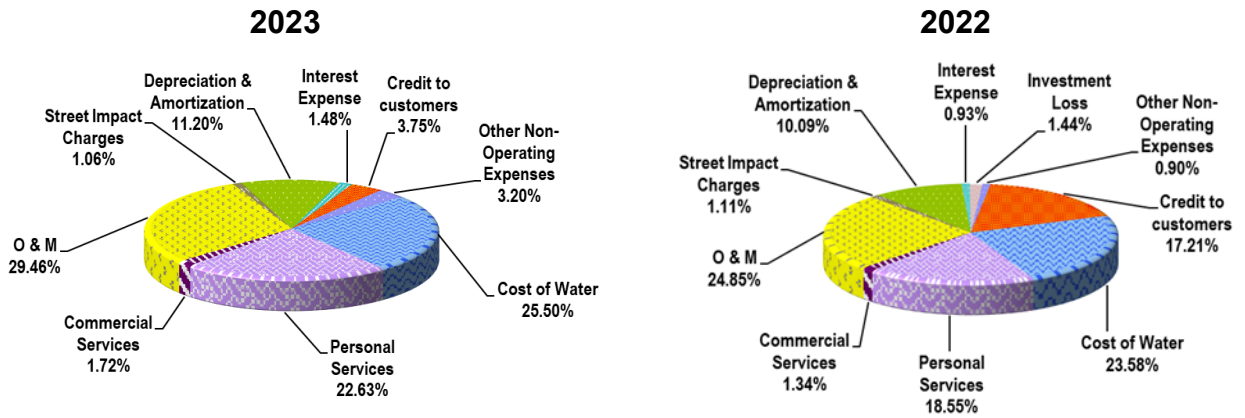
Functional Expenses

Functional expenses for the 2023 and 2022 fiscal years are shown on the following charts.

Gas Fund



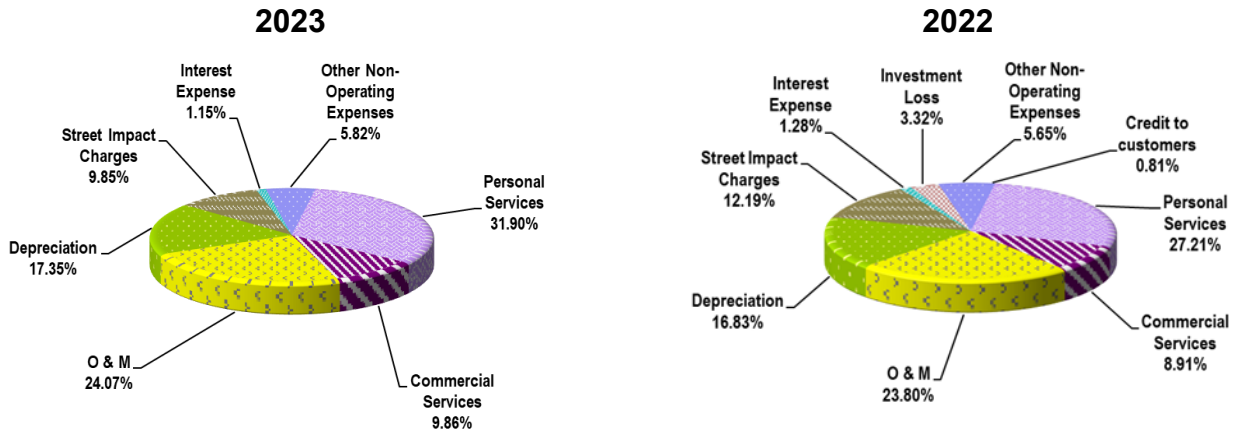
Water Fund



LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

Sewer Fund



Management Review of the Department's Expenses

Gas Fund

Fiscal Year Ended September 30, 2023 Compared to 2022

Operating expenses totaled \$138,373, an increase of \$44,388 (+47.2%) over FY2022. The major elements attributable to the net increase are as follows:

- Purchased gas costs increased by \$34,309 (+69.3%) due to the large spike in the commodity price of natural gas in the winter of 2022-2023.
- Personal services costs increased by \$8,857 (+46.6%) in FY2023, primarily due to increases in personnel accrual expense for vacation and sick leave and increases in GASB 68 pension expense.
- Maintenance and other costs had a net increase of \$1,500 (+8.9%) from FY2022. The net increase is primarily attributable to increases in interdepartmental and City overhead allocation costs, which are mainly service charges based on the cost of labor.

FY2023 net nonoperating expense totaled \$36,686, a net increase of \$1,726 (+4.9%) over FY2022. The net increase is primarily due to the following factors:

- Payments to the City increased by \$3,727 (+21.4%) in FY2023. This is primarily due to an increase in the transfer to the General Fund, which included a share of the City's building acquisition costs in FY2023.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

- Payments from other governments decreased by \$2,486 (-20.3%) over FY2022, mainly due to the return of \$4,233 in FY2022 of AB 32 Consignment Project expenses, offset by the refund of Utility User Tax (UUT) and overhead allocation received in FY2023 from the General Fund of \$2,186.
- Investment and interest income increased by \$2,585 (+110.7%) and \$927 (+57.2%) respectively, mainly due to higher interest rates in FY2023.

Water Fund

Fiscal Year Ended September 30, 2023 Compared to 2022

Operating expenses totaled \$111,280, an increase of \$2,631 (+2.4%) over FY2022. The major elements attributable to the net increase are as follows:

- In FY2023, purchased water costs and volume decreased by \$1,224 (-3.8%) and 4,956 AF (-22.3%) respectively, due to a decrease in potable water purchased from Metropolitan Water District (MWD) in connection with the Long Beach Conjunctive Use Program (CUP). In addition, there was a decrease in customer potable water consumption by 4,558 AF (-9.7%) compared to FY2022.
- Personal services costs increased by \$2,151 (+8.5%) in FY2023, primarily due to increases in pension costs and fringe benefits in the amount of \$3,720 (+47.0%). In addition, employee salaries, compensated absences costs, and overtime costs increased by \$114 (+0.7%) due to increases on negotiated salary range and Cost of Living Allowance (COLA) in FY2023. However, these increases were offset by a decrease in the amount of \$1,874 (-804.6%) on City's Employee Benefit Fund (EBF) for sick leave and Retired Employees Health Insurance Program (REHIP) costs recorded in FY2023.
- Maintenance and other costs had a net increase of \$1,842 (+5.4%) from FY2022. The net increase is primarily attributable to the following factors:
 - Replenishment assessment (pump tax) increased by \$785 (+7.8%) due to increased groundwater pumping of 881 AF (+3.8%) compared to FY2022. In addition, replenishment assessment rate increased by 4.3% for the first three quarters and 2.9% for the last quarter of FY2023.
 - Laboratory and chemical supplies increased by \$430 (+25.0%) compared to FY2022, primarily due to an increase in purchases of chemicals used for treating groundwater.
 - Technology infrastructure services increased by \$511 (+19.4%) due to the allocated costs increases compared to FY2022.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

FY2023 net nonoperating expense totaled \$6,419, a net decrease of \$19,010 (-74.8%) over FY2022. The net decrease is primarily due to the following factors:

- Credit to customers costs decreased by \$18,966 (-80.6%) in FY2023, mainly due to a decrease in one-time utility rebates applied against consumption and daily service charges on all water customers' utility bills.
- Other expenses had a net increase of \$2,681 (+218.5%) in FY2023, primarily due to an increase in water capital improvement projects charged to expense.
- Investment income increased by \$3,780 (+192.5%) mainly due to an increase in income received relating to pooled cash and mark-to-market pooled cash investments.

Sewer Fund

Fiscal Year Ended September 30, 2023 Compared to 2022

Total operating expenses amounted to \$16,195, an increase of \$1,469 (+10.0%) over FY2022. This net increase is mostly attributable to the following elements:

- Personal services costs increased by \$1,048 (+23.3%) in FY2023, primarily due to increases in pension costs and fringe benefits in the amount of \$358 (+21.0%). In addition, an increase in the amount of \$733 (-61.4%) on City's Employee Benefit Fund (EBF) for sick leave and Retired Employees Health Insurance Program (REHIP) costs recorded in FY2023.
- Commercial services costs increased by \$241 (+16.3%) compared to FY2022, due to an increase in allocated costs for utility customer support and billing and collection services charges from the City.
- Maintenance and other costs had a net increase of \$250 (+6.3%) in FY2023, primarily due to an increase in allocated costs for technology infrastructure services in the amount of \$218 (+20.2%) compared to FY2022.

FY2023 net nonoperating expense totaled \$712, a net decrease of \$863 (-54.8%) compared to FY2022. The net increase is primarily due to increases in interest and investment income by \$252 (+208.3%) and \$677 (+123.3%), respectively. This is mainly due to an increase in income received relating to pooled cash and mark-to-market pooled cash investments.

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis
September 30, 2023

Capital Assets and Debt Administration

Capital assets. The Department's capital assets (net of accumulated depreciation and amortization) as of September 30, 2023 amounted to \$708,666. 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 FY2023, net capital assets increased \$5,320 (+2.8%) for Gas Fund, \$42,769 (+11.3%) for Water Fund and \$3,914 (+4.4%) for Sewer Fund. The net increase is due primarily to machinery and equipment purchases and capitalization of major gas, 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, 2023 and 2022 (in thousands):

Long Beach Utilities Department Condensed schedules of Capital Assets September 30, 2023 and 2022 (in thousands)				
	2023	2022*	Variance	
			2023/2022	
			Amount	%
Land	\$ 11,417	\$ 11,417	\$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	188,214	181,266	6,948	3.8%
Distribution/collection systems	923,457	906,055	17,402	1.9%
Machinery and equipment	34,061	33,811	250	0.7%
Construction in progress	156,619	110,906	45,713	41.2%
Total capital assets	1,314,623	1,244,310	70,313	5.7%
Less: accumulated depreciation and amortization	(605,957)	(587,647)	(18,310)	3.1%
Total capital assets, net	\$ 708,666	\$ 656,663	\$ 52,003	7.9%

*Amounts restated

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

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, 2023 and 2022:

Gas Fund Capital Assets September 30, 2023 and 2022 (in thousands)

	2023	2022*	Variance	
			2023/2022	
			Amount	%
Land	\$ 203	\$ 203	\$ -	-
Buildings, structures, and facilities	16,160	16,160	-	-
Distribution/collection systems	296,897	289,946	6,951	2.4%
Machinery and equipment	6,251	6,251	-	-
Construction in progress	24,985	19,140	5,845	30.5%
Total capital assets	344,496	331,700	12,796	3.9%
Less: accumulated depreciation and amortization	(151,270)	(143,794)	(7,476)	5.2%
Total capital assets, net	\$ 193,226	\$ 187,906	\$ 5,320	2.8%

*Amounts restated

Water Fund Capital Assets September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Land	\$ 11,214	\$ 11,214	\$ -	-
Water Rights	40	40	-	-
Patent	815	815	-	-
Buildings, structures, and facilities	156,347	152,676	3,671	2.4%
Distribution/collection systems	400,259	394,618	5,641	1.4%
Machinery and equipment	21,128	20,628	500	2.4%
Construction in progress	121,552	80,256	41,296	51.5%
Total capital assets	711,355	660,247	51,108	7.7%
Less: accumulated depreciation and amortization	(288,819)	(280,480)	(8,339)	3.0%
Total capital assets, net	\$ 422,536	\$ 379,767	\$ 42,769	11.3%

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

Sewer Fund Capital Assets September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Buildings, structures, and facilities	\$ 15,707	\$ 12,430	\$ 3,277	26.4%
Distribution/collection systems	226,301	221,491	4,810	2.2%
Machinery and equipment	6,682	6,932	(250)	-3.6%
Construction in progress	10,082	11,510	(1,428)	-12.4%
Total capital assets	258,772	252,363	6,409	2.5%
Less: accumulated depreciation	(165,868)	(163,373)	(2,495)	1.5%
Net capital assets	\$ 92,904	\$ 88,990	\$ 3,914	4.4%

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

Long-term obligations. As of September 30, 2023, the Department had total long-term obligations in the amount of \$530,059 for the Gas Fund, \$38,281 for Water Fund, and \$8,001 for the Sewer Fund. All debt is supported by the Department's Fund revenues. Total Department outstanding debt as of September 30, 2023 and 2022 is summarized as follows:

Gas Fund Long-Term Obligations September 30, 2023 and 2022 (in thousands)

	2023	2022*	Variance	
			2023/2022	
			Amount	%
Equipment Financing obligation:				
Equipment Financing obligation-AMI	\$ 9,147	\$ 10,333	\$ (1,186)	-11.5%
Total equipment financing obligation outstanding	9,147	10,333	(1,186)	-11.5%
Long-term debt:				
Gas Prepay bonds	511,870	530,515	(18,645)	-3.5%
Gas Prepay Fair Value - Interest Rate Swap	646	2,037	(1,391)	-68.3%
Long-term debt outstanding, net	512,516	532,552	(20,036)	-3.8%
Add: Unamortized bond premium	8,396	9,000	(604)	-6.7%
Total long-term debt outstanding	520,912	541,552	(20,640)	-3.8%
Total long-term obligations	\$ 530,059	\$ 551,885	\$ (21,826)	-4.0%

*Amounts restated

LONG BEACH UTILITIES DEPARTMENT

Management's Discussion and Analysis September 30, 2023

Water Fund Long-Term Obligations September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Equipment Financing obligation:				
Equipment Financing obligation-AMI	\$ 17,890	\$ 19,587	\$ (1,697)	-8.7%
Total equipment financing obligation outstanding	<u>17,890</u>	<u>19,587</u>	<u>(1,697)</u>	<u>-8.7%</u>
Long-term debt:				
Revenue refunding bonds	6,195	9,645	(3,450)	-35.8%
Water Revenue Revolving Line of Credit	14,000	14,000	-	-
Long-term debt outstanding, net	<u>20,195</u>	<u>23,645</u>	<u>(3,450)</u>	<u>-14.6%</u>
Unamortized bond discount	-	-	-	-
Add: Unamortized bond premium	196	363	(167)	-46.0%
Total long-term debt outstanding	<u>20,391</u>	<u>24,008</u>	<u>(3,617)</u>	<u>-15.1%</u>
Total long-term obligations	<u>\$ 38,281</u>	<u>\$ 43,595</u>	<u>\$ (5,314)</u>	<u>-12.2%</u>

Sewer Fund Long-Term Obligations September 30, 2023 and 2022 (in thousands)

	2023	2022	Variance	
			2023/2022	
			Amount	%
Long-term debt:				
Revenue refunding bonds	\$ 7,165	\$ 7,570	\$ (405)	-5.4%
Long-term debt outstanding, net	<u>7,165</u>	<u>7,570</u>	<u>(405)</u>	<u>-5.4%</u>
Add: Unamortized bond premium	836	953	(117)	-12.3%
Total long-term obligations	<u>\$ 8,001</u>	<u>\$ 8,523</u>	<u>\$ (522)</u>	<u>-6.1%</u>

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

LONG BEACH UTILITIES DEPARTMENT

Management’s Discussion and Analysis
September 30, 2023

Economic Factors and Next Year’s Budget and Rates

The Board of Utilities Commissioners (Board) approved the budget for the fiscal year-end September 30, 2024, with budgeted expenditures totaling approximately \$316,665, an increase of \$16,358 (+5.4%) compared to FY2022. Total Department budgeted expenditures for FY2024 and FY2023 are summarized as follows:

Long Beach Utilities Department Annual Budgeted Expenditures (in thousands)				
	2024	2023	Variance	
			2024/2023	
			Amount	%
Gas Fund	\$ 130,733	\$ 121,015	\$ 9,718	8.0%
Water Fund	162,428	156,109	6,319	4.0%
Sewer Fund	23,504	23,183	321	1.4%
Total Budgeted Expenditures	<u>\$ 316,665</u>	<u>\$ 300,307</u>	<u>\$ 16,358</u>	<u>5.4%</u>

In FY2024, there were 9% rate increases for potable water and reclaimed water. There were no rate increases for gas distribution and sewer collection services in FY2024.

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 Senior Director of Finance, Long Beach Utilities Department, 1800 E. Wardlow Road, Long Beach, California 90807.

LONG BEACH UTILITIES DEPARTMENT

**Statements of Net Position
Business Type Activity - Enterprise
September 30, 2023**

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS				
Current Assets:				
Pooled cash and cash equivalents	\$ 45,408	128	9,895	55,431
Non-pooled cash equivalents	150	2,250	-	2,400
Due from other funds	7,000	-	2,000	9,000
Due from other government	-	1,764	-	1,764
Due from the City	15	656	-	671
Customer accounts receivable	20,417	10,856	1,573	32,846
Allowance for doubtful accounts	(7,854)	(859)	(157)	(8,870)
Material and supplies inventory	4,783	7,283	238	12,304
Prepaid expense:				
Prepaid gas expense	24,202	-	-	24,202
Other prepaid expense	322	4,874	-	5,196
Lease receivable-current	-	311	-	311
Restricted assets:				
Pooled cash and cash equivalents:				
Funds held in trust	17,921	939	-	18,860
Bond service funds	-	1,666	304	1,970
Sub-total pooled cash and cash equivalents	17,921	2,605	304	20,830
Non-pooled investments	31,490	743	-	32,233
Total restricted assets	49,411	3,348	304	53,063
Total current assets	143,854	30,611	13,853	188,318
Noncurrent Assets:				
Capital assets:				
Land	203	11,214	-	11,417
Water rights	-	40	-	40
Patent	-	815	-	815
Buildings, structures and facilities	16,160	156,347	15,707	188,214
Distribution/collection systems	296,897	400,259	226,301	923,457
Machinery and equipment	6,251	21,128	6,682	34,061
Construction in progress	24,985	121,552	10,082	156,619
Total capital assets	344,496	711,355	258,772	1,314,623
Less: Accumulated depreciation and amortization	(151,270)	(288,819)	(165,868)	(605,957)
Total capital assets, net	193,226	422,536	92,904	708,666
Other noncurrent assets:				
Fair Value - Commodity Swap	285,831	-	-	285,831
Prepaid gas expense	262,685	-	-	262,685
Lease receivable-noncurrent	-	1,592	-	1,592
Total other noncurrent assets	548,516	1,592	-	550,108
Total noncurrent assets	741,742	424,128	92,904	1,258,774
Total assets	\$ 885,596	454,739	106,757	1,447,092

(Continued)

LONG BEACH UTILITIES DEPARTMENT

**Statements of Net Position
Business Type Activity - Enterprise
September 30, 2023**

	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
DEFERRED OUTFLOWS OF RESOURCES				
Fair value derivative - interest rate swap	\$ 646	-	-	646
Economics loss from the refunding of debt	-	115	-	115
Pension contributions after measurement date	1,078	1,315	237	2,630
Difference between actual and expected				
CalPERS investment returns	5,321	6,489	1,168	12,978
Pension changes in assumptions	1,037	1,264	227	2,528
Pension changes in experience	1,168	1,424	256	2,848
OPEB contributions after measurement date	183	122	22	327
OPEB liability change in proportions	303	44	8	355
OPEB change in assumptions	1,628	1,091	191	2,910
OPEB change in experience	30	21	4	55
Total deferred outflows of resources	<u>11,394</u>	<u>11,885</u>	<u>2,113</u>	<u>25,392</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	8,514	22,314	1,757	32,585
Accrued wages payable	138	160	32	330
Unearned revenue	1,385	60	-	1,445
Accrued compensated absences	2,553	2,163	381	5,097
Due to other funds	21,703	10,008	103	31,814
Advances from developers	1,006	1,333	286	2,625
Accrued interest payable	9,247	116	128	9,491
Equipment financing obligation due with in one year	1,215	1,753	-	2,968
Long-term debt due within one year	21,655	3,720	420	25,795
Customer deposits	2,739	959	-	3,698
Total current liabilities	<u>70,155</u>	<u>42,586</u>	<u>3,107</u>	<u>115,848</u>
Noncurrent Liabilities:				
Equipment financing obligation, net of current portion	7,932	16,137	-	24,069
Long-term debt, net of current portion	498,611	16,671	7,581	522,863
Compensated absences	5,721	3,563	662	9,946
Total OPEB liability	1,712	1,148	200	3,060
Net pension liability	35,488	43,276	7,790	86,554
Fair value - interest rate swap	646	-	-	646
Total noncurrent liabilities	<u>550,110</u>	<u>80,795</u>	<u>16,233</u>	<u>647,138</u>
Total Liabilities	<u>620,265</u>	<u>123,381</u>	<u>19,340</u>	<u>762,986</u>
DEFERRED INFLOWS OF RESOURCES				
Pension changes in experience	275	336	60	671
CalPERS change in proportion	346	1,862	794	3,002
OPEB change in assumptions	932	625	109	1,666
OPEB change in proportion	183	411	72	666
OPEB change in experience	175	117	21	313
Fair value derivative - commodity swap	285,831	-	-	285,831
Deferred amount for leases	-	1,808	-	1,808
Total deferred inflows of resources	<u>287,742</u>	<u>5,159</u>	<u>1,056</u>	<u>293,957</u>
NET POSITION				
Net investment in capital assets	179,298	378,510	83,290	641,098
Restricted for:				
Gas allowances	1,182	-	-	1,182
Capital Projects	16,739	-	-	16,739
Bond Service	-	2,409	302	2,711
Unrestricted	(208,236)	(42,835)	4,882	(246,189)
Total Net Position	<u>\$ (11,017)</u>	<u>338,084</u>	<u>88,474</u>	<u>415,541</u>

See accompanying notes to financial statements

LONG BEACH UTILITIES DEPARTMENT

Statements of Revenues, Expenses,
and Changes in Fund Net Position
Business Type Activity - Enterprise
Year Ended September 30, 2023

	Gas Fund	Water Fund	Sewer Fund	Total
Operating Revenues:				
Metered sales	\$ 149,317	65,079	5,716	220,112
Reclaimed water sales	-	3,553	-	3,553
Service charges	7,894	36,951	12,294	57,139
Other services	8,122	4,558	2,285	14,965
Total operating revenues	<u>165,333</u>	<u>110,141</u>	<u>20,295</u>	<u>295,769</u>
Operating Expenses:				
Cost of gas	83,823	-	-	83,823
Cost of water	-	30,987	-	30,987
Personal services	27,860	27,501	5,554	60,915
Commercial services	500	2,095	1,716	4,311
Maintenance and other	18,342	35,805	4,190	58,337
Street Impact charges	-	1,285	1,714	2,999
Depreciation and amortization	7,848	13,607	3,021	24,476
Total operating expenses	<u>138,373</u>	<u>111,280</u>	<u>16,195</u>	<u>265,848</u>
Operating income (loss)	<u>26,960</u>	<u>(1,139)</u>	<u>4,100</u>	<u>29,921</u>
Non-operating Income (Expense):				
Interest income	2,549	708	373	3,630
Investment income	250	1,816	128	2,194
Interest expense	(26,432)	(1,794)	(199)	(28,425)
Rental income	360	1,311	-	1,671
Payments from/(to) the City	(21,168)	-	-	(21,168)
Payments from other governments	9,777	-	-	9,777
Credit to customers	(1,191)	(4,552)	-	(5,743)
Other	(831)	(3,908)	(1,014)	(5,753)
Total non-operating income (expense)	<u>(36,686)</u>	<u>(6,419)</u>	<u>(712)</u>	<u>(43,817)</u>
Income before capital grants and contributions	<u>(9,726)</u>	<u>(7,558)</u>	<u>3,388</u>	<u>(13,896)</u>
Capital grants and contributions	<u>3,231</u>	<u>6,068</u>	<u>138</u>	<u>9,437</u>
Changes in net position	<u>(6,495)</u>	<u>(1,490)</u>	<u>3,526</u>	<u>(4,459)</u>
Net position - October 1, as restated	<u>(4,522)</u>	<u>339,574</u>	<u>84,948</u>	<u>420,000</u>
Net Position - September 30	<u>\$ (11,017)</u>	<u>338,084</u>	<u>88,474</u>	<u>415,541</u>

See accompanying notes to financial statements

LONG BEACH UTILITIES DEPARTMENT

Statements of Cash Flows
Business Type Activity - Enterprise
Year ended September 30, 2023

	Gas Fund	Water Fund	Sewer Fund	Total
Cash flows from operating activities:				
Cash received from customers	\$ 162,877	107,332	18,298	288,507
Cash paid to employees	(22,173)	(25,111)	(5,473)	(52,757)
Cash paid for gas	(58,752)	-	-	(58,752)
Cash paid for water	-	(31,966)	-	(31,966)
Cash paid for goods and services	(23,280)	(37,135)	(5,626)	(66,041)
Cash paid to the City	-	(1,285)	(1,714)	(2,999)
Other expense	-	(4,023)	(1,191)	(5,214)
Other income	-	166	3	169
Net cash provided by operating activities	58,672	7,978	4,297	70,947
Cash flows from non-capital financing activities:				
Cash received from other funds	-	9,000	-	9,000
Cash received from rental income	360	1,311	-	1,671
Payments from/(to) the City	(640)	-	-	(640)
Payments received from other governments	9,777	-	-	9,777
Payment of interest	(26,811)	-	-	(26,811)
Payment of principal on bonds payable	(18,645)	-	-	(18,645)
Credit to customers	(1,191)	(4,552)	-	(5,743)
Other expense	(704)	-	-	(704)
Net cash used for non-capital financing activities	(37,854)	5,759	-	(32,095)
Cash flows from capital and related financing activities:				
Proceeds from sale of capital assets	-	79	175	254
Contributions in aid of construction	3,231	5,181	138	8,550
Payments for capital acquisitions	(13,294)	(56,240)	(6,867)	(76,401)
Principal repayments-bonds	-	(3,450)	(405)	(3,855)
Principal repayments-equipment financing obligation	(1,186)	(1,695)	-	(2,881)
Interest payments	(574)	(1,841)	(323)	(2,738)
Net cash used for capital and related financing activities	(11,823)	(57,966)	(7,282)	(77,071)
Cash flows from investing activities:				
Payments for investments	(2,353)	-	-	(2,353)
Changes on investments	250	-	-	250
Receipt of Interest	2,540	2,681	502	5,723
Net cash provided by investing activities	437	2,681	502	3,620
Net increase (decrease) in cash and cash equivalents	9,432	(41,548)	(2,483)	(34,599)
Cash and cash equivalents, October 1, as restated	54,047	46,531	12,682	113,260
Cash and cash equivalents, September 30	63,479	4,983	10,199	78,661
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	26,960	(1,139)	4,100	29,921
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense and amortization	7,848	13,607	3,021	24,476
Other expense	-	(4,023)	(1,191)	(5,214)
Other income	-	166	3	169
Increase in pension, OPEB and compensated absences	5,653	2,354	78	8,085
Decrease (Increase) in prepaid expense	23,575	(2,228)	-	21,347
Decrease (increase) in customer accounts receivable	4,802	(1,955)	10	2,857
Increase in due from City of Long Beach	(7,005)	(555)	(2,000)	(9,560)
Increase in material and supplies inventory	(1,104)	(258)	-	(1,362)
Increase (decrease) accounts and retainage payable	(1,838)	2,252	281	695
Increase in accrued wages payable	34	36	3	73
Decrease in unearned revenue	(79)	(177)	(7)	(263)
Increase (decrease) in due to City of Long Beach	-	20	(1)	19
Decrease in customer deposits	(174)	(122)	-	(296)
Total adjustments	31,712	9,117	197	41,026
Net cash provided by operating activities	\$ 58,672	7,978	4,297	70,947

See accompanying notes to financial statements

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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

Description of the Department

A General Municipal Election was held on November 8, 2022, which contained Ballot Measure BB, amending the City Charter to merge the existing water, sewer, and gas utilities into a single publicly-owned utility, governed by the existing independent Water/Utility Commission. The residents of Long Beach passed the Measure by simple majority and the City Council certified the election results at its meeting on December 13, 2022.

In January 2023, the Long Beach Water Department and the Long Beach Energy Resources Department merged operations as single utility department formally known as Public Utilities Department. The Department, also known as Long Beach Utilities Department, is under the exclusive jurisdiction and control of the Board of Public Utilities Commissioners, which is comprised of five members.

The Department has the responsibility of the various functions of natural gas and water distribution system and sanitary sewer collection system, including operations and maintenance. The Department's service area encompasses the boundaries of the City of Long Beach, the seventh largest city in the state of California, with an area of approximately 50 square miles and with a population of 458,222 as of September 30, 2023, with some customers outside the City limits.

The Department continues to deliver natural gas to approximately 1,800 miles of gas main and service pipelines, providing residents the much-needed commodity in their homes and businesses.

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. The Department delivered over 2.8 billion gallons of reclaimed water to various users in the City in FY2023.

The Department also services the City's sewer system that consists of 714 miles of sewer mains, 15,142 manholes, and 28 sewage pumping stations. This system is capable of transporting approximately 40 to 60 million gallons of raw sewage for treatment daily.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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 Annual Comprehensive Financial Report in the Gas Utility Fund, Water Utility Fund and Sewer Utility Fund. Control and management of the Department is vested in the five-member Board of Public Utilities 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 Gas, Water and Sewer Fund operations of the City of Long Beach. Gas Fund's financial statements in fiscal year 2022 (FY2022) were restated to conform with Water and Sewer Funds financial reporting. 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, 2023, 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.

The City's Annual Comprehensive 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.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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, 2023.

In March of 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an InterBank Offered Rate. Application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2023.

In March of 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2023.

In May of 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Application of this Statement did not have a material impact to the Department's financial statements for the fiscal year ended September 30, 2023.

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

In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. This Statement is effective for the Department's fiscal year ending September 30, 2023 for the requirements related to leases, Public-Private Partnerships (PPPs), and Subscription-Based Information Technology Arrangements (SBITAs), and for the Department's fiscal year ending September 30, 2024 for the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. This Statement is effective for the Department's fiscal year ending September 30, 2024.

In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement is effective for the Department's fiscal year ending September 30, 2025.

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.

At September 30, 2023, the Gas Fund, Water Fund, and Sewer Fund had equity in the Pool of \$63,329, \$2,733, and \$10,199, respectively, which represents approximately 2.71%, 0.44%, and 0.12%, respectively, for a total departmental equity of \$76,261 or 3.53% 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.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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).

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

Lease Receivable

The Department is a lessor for noncancellable leases of land and buildings and recognizes a lease receivable and a deferred inflow of resources.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

At the commencement of a lease, the Department measures the lease receivable at the present value of payments expected to be received over the course of the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the lease term. Key estimates and judgments related to leases in which the Department is lessor are as follows:

- The Department recognizes lease receivables with an initial, individual value of \$500 or more.
- The Department uses its estimated implicit rate or incremental borrowing rate as the discount rate for leases, whichever is applicable.
- The lease term includes the noncancellable period of the lease.
- Projected lease revenues included in the measurement of the lease receivable are comprised of fixed payments required per the lease terms.
- Extension options are included in the lease term unless it is reasonably certain that they will not be exercised.
- Leases with rent payments that depend on an index or rate, such as the Consumer Price Index or market rate, are initially measured using the index or rate as of the commencement of the lease term.
- Leases with periodic percentage rent increases or flat rate rent increases that are specified in the lease terms are included in the measurement of the lease receivable.

The Department monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivables and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivables.

Land rentals

The Department owns approximately 820 acres of land, approximately 80 acres of which is rented for commercial purposes. All nine land rental agreements are cancellable, with various terms ranging from 1 to 42 years. Within the various terms, the minimum future rentals for these agreements total to \$11,370. As of September 30, 2023, the Department recorded a total rental income of \$1,671.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Capital grants and contributions

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 capital grants and contributions 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 gas and water, from providing sewer service, and from other activities closely related to providing gas, water and sewer service. Principal revenues are derived from volumetric usage and service charges for gas, water and sewer services. Nonoperating revenues and expenses are those not directly associated with the Department's normal business operations of supplying gas, 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 gas, water and sewer charges are recorded when delivered to customers. Billings to customers are based on monthly meter readings.

Operating Expenses

The cost of natural gas includes purchases from open competitive markets and local producers. 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. Payments from/(to) the City are transfers made to the City.

Employee Benefits, Compensated Absences and Termination Benefits

At September 30, 2023, the Department has recorded compensated absences of \$15,043 (\$8,274 for Gas, \$5,726 for Water, and \$1,043 for Sewer) of which short-term amounts totaled to \$5,097 (\$2,553 for Gas, \$2,163 for Water, and \$381 for Sewer) and long-term balances of \$9,946 (\$5,721 for Gas, \$3,563 for Water, and \$662 for Sewer). Compensated absences include accrued but unused vacation and holiday benefits and accumulated sick and termination benefits.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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 California Public Employees' Retirement System (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, 2023. 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 6).

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

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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 Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represent a consumption of net assets 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 Net Position reports a separate section for deferred inflows of resources. The separate financial element, Deferred Inflows of Resources, represent an acquisition of net assets 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.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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, gas allowances and capital projects programs.

Unrestricted - All other categories of net position.

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). 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.

As part of the 2021-22 State budget approval in late 2021, the State of California initiated the California Water and Wastewater Arrearage Payment Program (CWWAPP) and the California Arrearage Payment Program (CAPP) to offer financial assistance to water, sewer, and natural gas customers to help reduce past due bill balances that accrued during the pandemic. In FY2023, the Department received funds from the CAPP program and applied to eligible customer bills.

Utility Revenue Transfer Charter Amendment (Measure M)

On June 5, 2018, the residents of the City of Long Beach voted to pass the Utility Revenue Transfer Charter Amendment (Measure M). With this amendment, the Department is authorized to make annual transfers of any funds from the Gas, Water and Sewer Funds to the General Fund that are determined by the Board of Utilities Commissioners (Commission) to be unnecessary to meet its obligations; provided that the maximum transfer does not exceed 12% of each funds' audited annual gross revenues. The transfers to the General Fund can be spent for unrestricted general revenue purposes. The Commission is authorized to set, and the City Council to approve, rates in an amount sufficient to recover the cost of Gas, Water and Sewer Fund obligations.

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In October of 2018, a lawsuit was filed against the City of Long Beach (City) alleging that, among other things, the passage of Measure M violated Article XIII of the California Constitution and was unenforceable insofar as it authorized the transfer of funds from the Water and Sewer Funds to the General Fund. On January 2, 2020, a judge in the Superior Court of Los Angeles County issued a tentative ruling in favor of the plaintiffs, finding Measure M unconstitutional, ordering the return of funds previously transferred under the authority granted by Measure M, and prohibiting the future transfer of funds pursuant to Measure M. The tentative ruling became final in February of 2020. On March 23, 2022, the Supreme Court denied the City's petition to review and therefore the appellate court decision stood. In FY2022, the City executed a court-ordered transfer of \$30,832 to the Department within 180 days from the final ruling. In May 2022, the Board of Water Commissioners approved a one-time bill credit of the entire amount of \$30,832 back to the Department's customers. As of September 30, 2023, the customer bill credits used amounted to \$27,009 and the remaining balance of \$3,823 has not been used by customers.

As of September 30, 2023, Measure M still applies to the Gas Fund.

Note 2 - Cash Equivalents and Investments

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

Gas Fund			
	Unrestricted	Restricted	Total Investments & Cash Equivalent
Equity in the City of Long Beach's investment pool	\$ 45,408	17,921	63,329
Non-pooled cash equivalents	150	-	150
Guaranteed Investment Contract (GIC)	-	31,490	31,490
Total cash and investments	\$ 45,558	49,411	94,969
Water Fund			
	Unrestricted	Restricted	Total Investments & Cash Equivalent
Equity in the City of Long Beach's investment pool	\$ 128	2,605	2,733
Non-pooled cash equivalents	2,250	-	2,250
Investments - U.S. Treasury Notes	-	743	743
Total cash and investments	\$ 2,378	3,348	5,726

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Sewer Fund

	Unrestricted	Restricted	Total Investments & Cash Equivalent
Equity in the City of Long Beach's investment pool	\$ 9,895	304	10,199
Total cash and investments	\$ 9,895	304	10,199

The Department's 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, 2023, the City's Investment Pool has weighted average maturity of 1.93 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 1.00 year and are not rated. This investment is reported at fair value using observable inputs and is accordingly reported as a level 2 investment in the fair value hierarchy. The Gas Fund's Guaranteed Investment Contract (GIC) has a weighted average maturity of 14.14 and is not rated. The GIC is not subject to the fair value hierarchy as the investments are reported at contract value.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements September 30, 2023 (in thousands of dollars)

Note 3 – Capital Assets

Capital assets at September 30, 2023 were as follows:

Gas Fund	Balance September 30, 2022*	Additions	Deletions, Retirements and Transfers	Balance September 30, 2023
Capital assets, not being depreciated:				
Land	\$ 203	-	-	203
Construction in progress	19,140	13,295	(7,450)	24,985
Total capital assets, not being depreciated	19,343	13,295	(7,450)	25,188
Capital assets, being depreciated:				
Buildings, structures and facilities	16,160	-	-	16,160
Distribution/collection systems	289,946	7,450	(499)	296,897
Machinery and equipment	6,251	-	-	6,251
Total capital assets, being depreciated	312,357	7,450	(499)	319,308
Less accumulated depreciation for:				
Buildings, structures and facilities	(9,946)	(509)	-	(10,455)
Distribution/collection systems	(128,766)	(7,186)	372	(135,580)
Machinery and equipment	(5,082)	(153)	-	(5,235)
Total accumulated depreciation	(143,794)	(7,848)	372	(151,270)
Total capital assets, being depreciated, net	168,563	(398)	(127)	168,038
Total Gas Fund capital assets, net	\$ 187,906	12,897	(7,577)	193,226
<i>*Amounts restated</i>				
Water Fund	Balance September 30, 2022	Additions	Deletions, Retirements and Transfers	Balance September 30, 2023
Capital assets, not being depreciated:				
Land	\$ 11,214	-	-	11,214
Construction in progress	80,256	60,477	(19,181)	121,552
Water Rights	40	-	-	40
Total capital assets, not being depreciated	91,510	60,477	(19,181)	132,806
Capital assets, being depreciated:				
Buildings, structures and facilities	152,676	8,523	(4,852)	156,347
Patents	815	-	-	815
Distribution/collection systems	394,618	5,658	(17)	400,259
Machinery and equipment	20,628	1,028	(528)	21,128
Total capital assets, being depreciated	568,737	15,209	(5,397)	578,549
Less accumulated depreciation for:				
Buildings, structures and facilities	(82,218)	(4,260)	4,797	(81,681)
Patents	(654)	(41)	-	(695)
Distribution/collection systems	(178,124)	(8,053)	17	(186,160)
Machinery and equipment	(19,484)	(1,253)	454	(20,283)
Total accumulated depreciation	(280,480)	(13,607)	5,268	(288,819)
Total capital assets, being depreciated, net	288,257	1,602	(129)	289,730
Total Water Fund capital assets, net	\$ 379,767	62,079	(19,310)	422,536

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Sewer Fund	Balance September 30, 2022	Additions	Deletions, Retirements and Transfers	Balance September 30, 2023
Capital assets, not being depreciated:				
Construction in progress	\$ 11,510	6,687	(8,115)	10,082
Total capital assets, not being depreciated	11,510	6,687	(8,115)	10,082
Capital assets, being depreciated:				
Buildings, structures and facilities	12,430	3,277	-	15,707
Distribution/collection systems	221,491	4,810	-	226,301
Machinery and equipment	6,932	277	(527)	6,682
Total capital assets, being depreciated	240,853	8,364	(527)	248,690
Less accumulated depreciation for:				
Buildings, structures and facilities	(3,291)	(358)	-	(3,649)
Distribution/collection systems	(155,215)	(2,087)	-	(157,302)
Machinery and equipment	(4,867)	(577)	527	(4,917)
Total accumulated depreciation	(163,373)	(3,022)	527	(165,868)
Total capital assets, being depreciated, net	77,480	5,342	-	82,822
Total Sewer Fund capital assets, net	\$ 88,990	12,029	(8,115)	92,904
Combined Total				
	Balance September 30, 2022*	Additions	Deletions, Retirements and Transfers	Balance September 30, 2023
Capital assets, not being depreciated:				
Land	\$ 11,417	-	-	11,417
Construction in progress	110,906	80,459	(34,746)	156,619
Water Rights	40	-	-	40
Total capital assets, not being depreciated	122,363	80,459	(34,746)	168,076
Capital assets, being depreciated:				
Buildings, structures and facilities	181,266	11,800	(4,852)	188,214
Patents	815	-	-	815
Distribution/collection systems	906,055	17,918	(516)	923,457
Machinery and equipment	33,811	1,305	(1,055)	34,061
Total capital assets, being depreciated	1,121,947	31,023	(6,423)	1,146,547
Less accumulated depreciation for:				
Buildings, structures and facilities	(95,455)	(5,127)	4,797	(95,785)
Patents	(654)	(41)	-	(695)
Distribution/collection systems	(462,105)	(17,326)	389	(479,042)
Machinery and equipment	(29,433)	(1,982)	981	(30,435)
Total accumulated depreciation	(587,647)	(24,477)	6,167	(605,957)
Total capital assets, being depreciated, net	534,300	6,546	(256)	540,590
Total Department capital assets, net	\$ 656,663	87,005	(35,002)	708,666

*Amounts restated

In FY2023, the Department capitalized enhancements to several facilities and structures, which amounted to \$8,523 and \$3,277 for Water Fund and Sewer Fund, respectively. These improvements included sewer lift station and groundwater treatment plant rehabilitations, water reservoir tank interior lining installation, well facilities security enhancements, fuel site, and administration building renovations. In addition, the Department completed numerous

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projects as part of ongoing improvements to its current gas and water distribution system and sewer collection system, which totaled \$7,450 for the Gas Fund, \$5,658 for the Water Fund and \$4,810 for the Sewer Fund. These improvements include ongoing programs for Gas Mainline and Water Cast Iron Main replacements, Gas and Water Services installations, Fireline and Fire Hydrant installations, and Sewer Pipe rehabilitation. The Department also purchased machinery and equipment which totaled \$1,028 for the Water Fund and \$277 for the Sewer Fund. These machinery and equipment purchases included utility vehicles, water distribution and sewer collection pump, laboratory equipment, easement machine and portable generators for operations.

Construction in Progress

Construction in progress at September 30, 2023 includes the following projects:

<u>Project</u>	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Gas Main Pipeline Development and Replacement Program	\$ 21,572	\$ -	\$ -
Gas Delivery Station Projects	3,347	-	-
Water Main Replacement Program	-	18,851	-
Water Reservoir Improvements	-	7,944	-
Water Well Development and Rehabilitation	-	24,617	-
Water System Facility Improvements	-	40,063	-
Reclaimed Water System	-	8,928	-
Sewer Main Replacement Program	-	-	5,487
Sewer Lift Stations Rehabilitation	-	-	3,700
Other Projects	66	21,149	895
Total Combined Construction in Progress	<u>\$ 24,985</u>	<u>\$ 121,552</u>	<u>\$ 10,082</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, 2023, completed projects were transferred from construction in progress as follows:

	<u>Total</u>		
	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Transfers to Capital Assets	\$ 7,450	\$ 14,299	\$ 8,088
Transfers to Expense	-	4,882	27
Total	<u>\$ 7,450</u>	<u>19,181</u>	<u>8,115</u>

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Note 4 – Long-term Liabilities

Gas Fund					
September 30, 2023	Beginning of year	Additions	Reductions	End of year	Due within one year
2007 Gas Prepay Bond - Series A	\$ 461,510	-	(18,645)	442,865	21,655
2007 Gas Prepay Bond - Series B	69,005	-	-	69,005	-
Gas Prepay Fair Value - Interest Rate Swap	2,037	646	(2,037)	646	-
	<u>532,552</u>	<u>646</u>	<u>(20,682)</u>	<u>512,516</u>	<u>21,655</u>
Add 2007 PP Bond A unamortized Premium	9,000	-	(604)	8,396	-
Total Long-term debt	<u>541,552</u>	<u>646</u>	<u>(21,286)</u>	<u>520,912</u>	<u>21,655</u>
Compensated Absences	6,155	10,854	(8,736)	8,273	2,553
Net Pension Liability	33,359	2,129	-	35,488	-
Total OPEB Liability	118	1,594	-	1,712	-
Equipment financing obligation	10,333	-	(1,186)	9,147	1,215
Total	<u>\$ 591,517</u>	<u>\$ 15,223</u>	<u>\$ (31,208)</u>	<u>\$ 575,532</u>	<u>\$ 25,423</u>

Water Fund					
September 30, 2023	Beginning of year	Additions	Reductions	End of year	Due within one year
2010 Water Revenue Refunding Bonds	\$ 5,660	-	(2,715)	2,945	2,945
2012 Water Revenue Refunding Bonds	3,985	-	(735)	3,250	775
	<u>9,645</u>	<u>-</u>	<u>(3,450)</u>	<u>6,195</u>	<u>3,720</u>
Add 2010 unamortized bond premium	142	-	(101)	41	-
Add 2012 unamortized bond premium	221	-	(66)	155	-
Total long-term debt	<u>10,008</u>	<u>-</u>	<u>(3,617)</u>	<u>6,391</u>	<u>3,720</u>
Compensated Absences	6,852	14,786	(15,912)	5,726	2,163
Net Pension Liability	43,559	-	(283)	43,276	-
Total OPEB Liability	129	1,019	-	1,148	-
Equipment financing obligation	19,587	-	(1,697)	17,890	1,753
Water Revenue Revolving Line of Credit	14,000	-	-	14,000	-
Accrued site restoration cost	1,000	-	(1,000)	-	-
Total	<u>\$ 95,135</u>	<u>15,805</u>	<u>(22,509)</u>	<u>88,431</u>	<u>7,636</u>

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Sewer Fund					
September 30, 2023	Beginning of year	Additions	Reductions	End of year	Due within one year
2016 Sewer Revenue Refunding Bonds	\$ 7,570	-	(405)	7,165	420
	7,570	-	(405)	7,165	420
Add 2016 unamortized bond premium	953	-	(117)	836	-
Total long-term debt	8,523	-	(522)	8,001	420
Compensated Absences	1,276	3,839	(4,072)	1,043	381
Net Pension Liability	8,470		(680)	7,790	-
Total OPEB Liability	24	176		200	-
Total	\$ 18,293	4,015	(5,274)	17,034	801

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

Gas Prepay Bond

In 2007, the City of Long Beach issued \$887 million in Revenue Bonds, Series 2007A (fixed rate) \$636 million and Series 2007B (LIBOR Index Rate) \$252 million. The bond proceeds were used to finance and prepay the delivery of natural gas supply for 30 years. The final maturity of the bond is November 2037.

The gas prepay transaction provided an \$0.83 cents discount per MMBtu on gas sales and established a Guaranteed Investment Contract (GIC) that generates additional interest revenue of 4.877% or saving of \$0.11 cents per metric million British thermal unit (MMbtu). The total saving of \$0.94 cents per MMBtu generate approximately \$7 million per year or \$150 million over the life of the bonds.

In 2009, Long Beach Gas & Oil and Merrill Lynch restructured the gas prepay contract by buying back about 30% of the bonds - \$231 million. The remain savings are approximately \$5 million per year.

The gas prepay contract provide substantial savings, mitigates supply and price volatility, and enhances the reliability of gas supply through long-term prepaid contract and supplier diversification.

Under the gas prepay term, the Gas Fund's obligation is generally limited to paying for natural gas delivered by gas prepay schedule. The City or the Gas Fund has no legal obligation for the bond debt and has a savings guarantee under certain defaults related to Merrill Lynch. Rating agencies have provided favorable reviews of the natural gas prepay deals and would exclude natural gas prepay bonds from the calculation of the City's or the Gas Fund's debt calculation.

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Equipment Financing Obligation-Automated Metering Infrastructure (AMI) - Gas

In 2008, the City of Long Beach entered an Equipment Lease-Purchase Agreement with Bank of America, N.A. to finance the Advanced Metering Infrastructure project in the amount of \$18 million with a fixed interest rate of 2.4%. The annual debt service for the AMI lease is \$1.427 million or bi-annual payments of \$713,669. The lease terminates on 05/01/30.

The primary benefits by automating the meter reading process are elimination of \$1.4 million in annual meter reading costs, reduced greenhouse gas emissions by eliminating 160,000 vehicle trips, improved meter reading accuracy, eliminating the need for estimated bills, improve customer privacy and security, increase customer safety and minimizing leakage cost by recognized and addressed quickly to gas leaks.

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.

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.

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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 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.

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Second Lien Water Revenue 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. The department has requested for an extension of two additional years up to May 19, 2025. 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, 2023, and for the year then ended, there was a \$14 million draw on the Water LOC.

Equipment Financing Obligation-Automated Metering Infrastructure (AMI) - Water

On November 1, 2018, the Board of Water Commissioners authorized the Long Beach Water Department to proceed with execution of an equipment financing 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.

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 equipment financing agreement with Banc of America Public Capital Corporation to finance the AMI Project. The equipment financing agreement was executed and funded on December 20, 2018. The total purchase price was \$27,400, at an interest rate of 3.35%. In FY2023, the Department paid a total of \$2,326 (\$1,697 principal and \$629 interest) in rental payments.

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

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bond reserve requirement. The objective of this debt refinancing was to 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:

Gas Fund - Gas Prepay Bonds							
Fiscal Year Ending Sept 30	2007 Prepay Bond - Series A		2007 Prepay Bond - Series B		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 21,655	22,713	-	3,403	21,655	26,116	47,771
2025	25,280	21,513	-	3,403	25,280	24,916	50,196
2026	-	20,881	19,195	2,697	19,195	23,578	42,773
2027	-	20,881	25,175	1,531	25,175	22,412	47,587
2028	4,970	20,744	24,630	305	29,600	21,049	50,649
2029-2034	107,485	100,522	5	1	107,490	100,523	208,013
2035-2038	283,475	31,480	-	-	283,475	31,480	314,955
Total	<u>\$ 442,865</u>	<u>238,734</u>	<u>69,005</u>	<u>11,340</u>	<u>511,870</u>	<u>250,074</u>	<u>761,944</u>

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Gas Fund - Equipment financing obligation

Fiscal Year Ending Sept 30	Principal	Interest	Total Debt Service
2024	\$ 1,215	212	1,427
2025	1,244	183	1,427
2026	1,274	153	1,427
2027	1,305	122	1,427
2028	1,336	91	1,427
2029-2030	2,773	84	2,857
Total	\$ 9,147	845	9,992

Water Fund

Fiscal Year Ending Sept 30	Series 2010 Bonds		Series 2012 Bonds		Total		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 2,945	147	775	131	3,720	278	3,998
2025	-	-	795	108	795	108	903
2026	-	-	820	84	820	84	904
2027	-	-	860	43	860	43	903
Total	\$ 2,945	147	3,250	366	6,195	513	6,708

Water Fund - Equipment Financing Obligation

Fiscal Year Ending Sept 30	Principal	Interest	Total Debt Service
2024	\$ 1,753	573	2,326
2025	1,813	513	2,326
2026	1,875	451	2,326
2027	1,938	388	2,326
2028	2,004	322	2,326
2029-2032	8,507	581	9,088
Total	\$ 17,890	2,828	20,718

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Sewer Fund			
Fiscal Year	Series 2016A Bonds		Total Debt
Ending Sept 30	Principal	Interest	Service
2024	\$ 420	307	727
2025	435	290	725
2026	455	273	728
2027	475	255	730
2028	495	231	726
2029-2033	2,865	775	3,640
2034-2036	2,020	164	2,184
Total	\$ 7,165	2,295	9,460

Note 5 – Derivative Instruments

At September 30, 2023, the department had the following hedging derivative instruments outstanding:

<i>Type</i>	<i>Objective</i>	<i>Notional Amount</i>	<i>Effective Date</i>	<i>Various Maturity Dates to:</i>	<i>Terms</i>
Pay-Fixed Interest Rate Swap	To reduce the risks associated with the change in interest rates related to the 2007 Series B Variable-rate Bonds.	\$69.0 million	8/15/2023	11/15/2033	Receive 67% SOFR plus 1.725%, pay fixed at 5.088%
Commodity Forward Contract	To hedge against a reduction in revenues resulting from changes in monthly commodity prices.	77.0 million MMBtu ¹	11/18/2007	9/30/2037	Pay variable receive fixed for scheduled notional quantities.

¹ MMBtu is one million British Thermal Units.

Interest Rate Swap Objective and Terms: As a means to lower financing costs and to reduce the risks associated with the fluctuation of market interest rates, the Long Beach Bond Finance Authority (LBBFA) entered into a series of interest rate swaps in connection with the 2007 Gas Prepay Bonds, Series B (Prepay Bonds) in the amount of \$251.7 million.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

In July 2009, a tender offer was submitted to bondholders reducing the Prepay Bonds' outstanding notional amounts to \$69.0 million as follows:

<i>Maturity Date</i>	<i>Notional Amounts</i>	<i>Synthetic Fixed Rate</i>	<i>Variable Rate</i>	<i>Spread</i>
11/15/2025	\$ 19,195	4.940%	5.200%	1.585%
11/15/2026	25,175	4.965%	5.220%	1.605%
11/15/2027	24,630	4.992%	5.240%	1.625%
11/15/2033	5	5.088%	5.340%	1.725%
	<u>\$ 69,005</u>	4.968% ²	5.222% ³	1.607% ²

² Percentages are weighted average.

³ The weighted average floating rate is based on the present value of 67% of the forward three-month SOFR rate curve at September 30, 2023, plus the indicative spread. In 2023, LIBOR rate was switched to SOFR Rate.

The objective of the swap was to effectively change the variable interest rate on the Prepay Bonds to a synthetic weighted average fixed rate of 4.9 percent (pay-fixed interest rate swap). The Prepay Bonds and the related swap agreements mature on the dates specified above and the swap's notional amount of \$69.0 million matches the \$69.0 million variable-rate Prepay Bonds. The swap was effective at the same time the Prepay Bonds were issued on October 18, 2007. The effective date was later amended on August 15, 2023, to update the reference index rate to SOFR from LIBOR.

Starting in fiscal year 2008-09, under the swap agreement, LBBFA paid Merrill Lynch Capital Services, Inc. fixed payments based on the above schedule. In October 2007, the Alternative Floating Rate Option was used to calculate interest paid to LBBFA. The Alternate Floating Rate Option means a per annum rate, not to exceed the maximum interest rate payable on the Prepay Bonds, expressed as a decimal, equal to 67 percent of the three-month SOFR, as quoted by the British Bankers Association (BBA), plus a spread as defined above, not to exceed a rate of 15 percent per annum for any calculation period.

Commodity Swap Objective and Terms: The City entered into a natural gas commodity price sale agreement with Royal Bank of Canada Capital Markets (RBC) to hedge against a reduction in its gas sale revenues resulting from changes in monthly market index prices. Under the swap agreement, the City pays a floating natural gas price over a 30-year period and receives specified fixed natural gas prices for notional quantities of natural gas as determined in the Prepaid Gas Agreement. In consideration for the agreement, the City remitted \$892.6 million to the seller. Settlement provisions of the contract permit the City to take delivery of the gas or to pay a settlement price equal to the applicable Index Price (NGI So Cal Border Index) for the month in which the gas delivery occurs, less \$0.83 per one million MMBtu. The swap was effective at the same time the Prepay Bonds were issued on October 18, 2007 and continues through September 30, 2037.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Tender Offer: In July 2009, the City executed a tender offer for a portion of the underlying Prepay Bonds. The results of the tender offer reduced the amount of outstanding variable-rate Prepay Bonds associated with the interest rate swap by \$182.7 million and the City's purchase volume of natural gas over the life of the commodity swap agreement by 60 million MMBtu.

Fair Value: The interest rate swap, with the market price quoted by Bank of America-Merrill Lynch, had a negative fair value of approximately \$2 million on October 1, 2022. During the fiscal year ending September 30, 2023, the fair value increased by \$1.4 million to a negative fair value of \$646 thousand. The fair value for the interest rate swap is described as the exit price, which is based on the Secured Overnight Financing Rate (SOFR) swap rate. In January 2022, the US stopped using London Interbank Offered Rate (LIBOR) to issue new loans and replaced it with Secured Overnight Financing Rate (SOFR). LIBOR was discontinued as of June 30, 2023.

The commodity swap, with the market price quoted by RBC, had a fair value of \$294.9 million on October 1, 2022. During the fiscal year, fair value decreased \$9.1 million to a fair value of \$285.8 million as of September 30, 2023. The fair value for the commodity swap is based on RBC's quoted price. The commodity swap is classified as Level 3 as the valuation relies primarily on unobservable inputs.

Fair values are based on mark-to-market valuations provided by the swap counterparties. The following table provides the details for the changes in fair value for both derivative instruments:

<u>Maturity Date</u>	<u>Fair Value, October 1, 2022</u>	<u>Change in Fair Value</u>	<u>Fair Value, September 2023</u>
<i>Interest Rate Swap</i>			
11/15/2025	\$ (384)	345	(39)
11/15/2026	(724)	502	(222)
11/15/2027	(928)	543	(385)
	(2,036)	1,390	(646)
<i>Commodity Swap</i>			
9/30/2037	294,922	(9,091)	285,831
Total	<u>\$ 292,886</u>	<u>(7,701)</u>	<u>285,185</u>

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Credit Risks: As of September 30, 2023, the interest rate swap counterparty was rated AA- by Fitch Ratings with a Stable outlook. It aligns with the counterparties ratings upgrade of Bank of America Corporation's (BAC) Long-Term Issuer Default Rating (IDR) to AA-. Further, these ratings reflect the credit quality of the BAC and Long Beach Energy Resources (LBER), the City's gas distribution utility.

Merrill Lynch Commodities, Inc., a wholly owned subsidiary of Merrill Lynch and Co. Inc. (Guarantor), entered into a Prepaid Natural Gas Purchase and Sale Agreement with the LBBFA to sell and deliver gas to the LBBFA. On July 12, 2012, the City, the Guarantor, and the Bank of New York Mellon Trust Company, N.A. (Custodian) entered into a Pledge Collateral and Custodial Agreement, pursuant to Section 21.2 of the Prepaid Gas Agreement, for purposes of securing the obligations of the Seller and Guarantor to pay the Purchaser the Unearned Amount in the event an Early Termination Date occurs and the Unearned Amount is owed by the Seller or Guarantor to the Purchaser. The Custodian for benefit of the City holds a perfected interest in the collateral pledged. BNY Mellon remains in its role as Trustee since inception of the bonds while the custodian role migrated first to Wells Fargo and most recently to Principal Custody Solutions.

Credit risk exposure was deemed to be sufficiently mitigated through collateral as stipulated in the investment agreement. The RBC as the commodity swap provider has a strong credit profile. The proceeds of the bond issue are used to prepay the Guarantor for specified quantities of natural gas, deliverable to the LBBFA over a 30-year period. Bond holders rely on the supplier to deliver the gas or make a cash payment to the issuer in lieu of delivery over the life of the bonds. LBBFA delivers the gas to the City, which is obligated to purchase delivered gas as an operating expense of LBER, its gas distribution utility.

In March 2019, Moody's upgraded its long-term rating from A3 to A2 to correspond to BAC's upgrade, the parent of Merrill Lynch Commodities, Inc. and the City's Gas utility.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Interest Rate Swap Payment and Associated Debt: Using rates as of September 30, 2023, debt service requirements of the variable-rate debt and net swap payments, assuming the current interest rate remains the same for their term, were as follows:

<i>Fiscal Year</i>	<i>Variable-Rate Bonds</i>		<i>Net Swap</i>	<i>Total</i>
<i>Ending</i>	<i>Principal</i>	<i>Interest</i>	<i>Payments</i>	<i>Interest</i>
<u><i>September 30</i></u>	<u><i>Principal</i></u>	<u><i>Interest</i></u>	<u><i>Payments</i></u>	<u><i>Interest</i></u>
2024	-	3,403	178	3,581
2025	19,195	2,697	226	2,923
2026	25,175	1,531	176	1,707
2027	24,630	305	99	404
2028 - 2033	5	1	18	19
Total	<u><u>\$ 69,005</u></u>	<u><u>7,937</u></u>	<u><u>697</u></u>	<u><u>8,634</u></u>

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Termination Risks: In accordance with the Trust Indenture and the Prepaid Natural Gas Purchase and Sale Agreement, the issuer has the right to optionally redeem Prepay Bonds either pursuant to the covered indenture at no market risk or a Triggering Event as described in the Prepaid Natural Gas Purchase and Sale Agreement.

Note 6 - Retirement Program

Plan Description – Public Employees’ Retirement System (CalPERS)

The Department contributes to the 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.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

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.

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, 2023, 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	30.58%	30.58%	30.58%
	Percentage of Eligible Compensation		
Monthly benefits	2.0% to 2.7%	2.0% to 2.5%	1.0% to 2.0%

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Allocation Methodology

The City used a calculated percentage based on the Department's share of the pensionable compensation to the City's total pensionable compensation amounts for each plan, to provide the Department's net pension liability and related GASB 68 accounting elements. The Department's calculated percentage was 11.5% (4.7% for Gas, 5.8% for Water, and 1.0% for Sewer) for the Plan.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources 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, 2023 (measurement date), using the actuarial valuation report as of June 30, 2022. At September 30, 2023, the City reported net pension liability of \$748.7 million for the Plan. The Department's net pension liability for the Plan was \$86.6 million (\$35.5 million for Gas, \$43.3 million for Water, and \$7.8 million for Sewer) as of September 30, 2023.

For the year ended June 30, 2023 (the measurement date), the Department reported pension expense of \$14.7 million (\$6.0 million for Gas, \$7.4 million for Water, and \$1.3 million for Sewer).

As of September 30, 2023, the Department had deferred outflows of resources and deferred inflows of resources related to pensions as follows:

Deferred outflows and inflows at September 30

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Deferred outflows of resources:				
Pension contributions after measurement date	\$ 1,078	1,315	237	2,630
Net difference between actual and expected investment returns	5,321	6,489	1,168	12,978
Differences between actual and expected experience	1,168	1,424	256	2,848
CalPERS change in assumptions	1,037	1,264	227	2,528
Total deferred outflows of resources	<u>\$ 8,604</u>	<u>10,492</u>	<u>1,888</u>	<u>20,984</u>
Deferred inflows of resources:				
Differences between actual and expected experience	\$ 275	336	60	671
Change in proportion	346	1,862	794	3,002
Total deferred inflows of resources	<u>\$ 621</u>	<u>2,198</u>	<u>854</u>	<u>3,673</u>

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Exclusive of deferred outflows of resources related to contributions after measurement date of \$2.6 million (\$1.1 million for Gas, \$1.3 million for Water, and \$0.2 million for Sewer), the net amount of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense is as follows:

Measurement Period Ending June 30	Gas	Water	Sewer	Total
2024	\$ 1,899	1,636	2	3,537
2025	1,156	650	(49)	1,757
2026	3,704	4,517	813	9,034
2027	146	176	32	354
	\$ 6,905	6,979	798	14,682

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:

	Miscellaneous
Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return	7.00%
Mortality	1

¹ The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include generational mortality improvement using 80% of Scale MP-2020 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 November 2021 that can be found on the CalPERS website.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

<i>Asset Class</i> ¹	<i>Assumed Asset Allocation</i>	<i>Real Return</i> ²
Global Equity - Cap-Weighted	30.00 %	4.54 %
Global Equity - Non-Cap-Weighted	12.00	3.84
Private Equity	13.00	7.28
Treasury	5.00	0.27
Mortgage-Backed Securities	5.00	0.50
Investment Grade Corporates	10.00	1.56
High Yield	5.00	2.27
Emerging Market Debt	5.00	2.48
Private Debt	5.00	3.57
Real Assets	15.00	3.21
Leverage	(5.00)	(0.59)

¹ An expected inflation of 2.30% used for this period.

² Figures are based on the 2021 Asset Liability Management study.

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from the City will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(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 department as of the measurement date, calculated using the discount rate of 6.90%, compared to a discount rate that is 1 percentage point lower (5.90%) or 1 percentage point higher (7.90%):

<u>Net Pension Liability/(Asset)</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
1% Decrease (5.90%)	\$ 54,886	66,931	12,048	133,865
Current Discount Rate (6.90%)	35,488	43,276	7,790	86,554
1% Increase (7.90%)	19,472	23,746	4,274	47,492

Note 7 - Postemployment Healthcare Benefits

Plan Description

The Department participates in the City of Long Beach Retiree Healthcare plan (the Plan), a single-employer defined-benefit plan administered by the City of Long Beach. The plan covers all eligible full-time employees of the City who retire from the City. City Council has the authority to establish and amend the benefit terms currently permitted by Ordinance No. C-7556.

Benefits Provided

The Plan provides health, dental and long-term care insurance for retirees and their dependents as long as (a) that employee participated in a City provided insurance program of that type (PPO or HMO) during the year immediately preceding retirement, (b) has not attained the eligibility age for Medicare payments, and (c) has attained the minimum retirement age for the employee's retirement plan. Benefits are administered through a third-party provider, and the full cost of the benefits is covered by the plan.

Total OPEB Liability

At September 30, 2023, the Department's total OPEB liability of \$3.1 million (\$1.7 million for Gas, \$1.2 million for Water, and \$200 for Sewer) for its proportionate share of the total OPEB liability. The total OPEB liability was measured as of September 30, 2022 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of September 30, 2022. The Department's proportion of the total OPEB liability was based on the Department's share of sick leave balances. At September 30, 2023, the Department's proportion was 6.5% (3.6% for Gas, 2.4% for Water, and 0.5% for Sewer). For the year ended September 30, 2023, the Department recognized OPEB expense of \$60 (\$25 for Gas, \$30 for Water, and \$5 for Sewer).

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2023, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Gas		Water		Sewer	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Amounts paid subsequent to measurement date	\$ 183	\$ -	\$ 122	\$ -	\$ 22	\$ -
Difference between expected and actual experience	30	175	21	117	4	21
Change in assumptions	1,628	932	1,091	625	191	109
	<u>\$ 1,841</u>	<u>\$ 1,107</u>	<u>\$ 1,234</u>	<u>\$ 742</u>	<u>\$ 217</u>	<u>\$ 130</u>

At September 30, 2023, the Department reported \$327 (\$183 for Gas, \$122 for Water, and \$22 for Sewer) of deferred outflows of resources related to OPEB from contributions made subsequent to the measurement date. These amounts will be recognized as a reduction of the total OPEB liability in the year ended September 30, 2024. Amounts related to both the deferred outflows of resources and deferred inflows of resources will be amortized over the next 10 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (income) over the next 10 years as follows:

	Gas		Water		Sewer			
	Year Ending September 30	Amount to be Recognized	Year Ending September 30	Amount to be Recognized	Year Ending September 30	Amount to be Recognized		
2024	\$	(19)	2024	\$	(13)	2024	\$	(2)
2025		(26)	2025		(17)	2025		(3)
2026		(23)	2026		(15)	2026		(3)
2027		(20)	2027		(13)	2027		(3)
2028		41	2028		27	2028		5
2029-2033		598	2029-2033		401	2029-2033		71
Total	<u>\$</u>	<u>551</u>	Total	<u>\$</u>	<u>370</u>	Total	<u>\$</u>	<u>65</u>

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Actuarial Assumptions

The total OPEB liability in the September 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	September 30, 2022		
Measurement Date	September 30, 2022		
Actuarial Cost Method	Entry Age		
Actuarial Assumptions:			
Inflation	2.50%		
Discount Rate	4.40%	Based on Fidelity Municipal Bond GO AA 20-year Bond Index	
Payroll Increases	Aggregate	2.75%	
	Merit	CalPERS 2000-2019 Experience Study	
Health Care Cost Trend Rates	8.50% for 2024, decreasing to an ultimate rate of 3.45% in 2076		
Mortality, Termination, Disability, Retirement	CalPERS 2000-2019 Experience Study		
Mortality Improvement	Mortality projected fully generational with Scale MP-2021		
Participation Rates:			
Miscellaneous Plan	75%, 100% select City plans		
Safety	90%, 85% select City plans		

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

	1% Decrease (3.40%)	Discount Rate (4.40%)	1% Increase (5.40%)
Total OPEB Liability - Gas	\$ 1,169	1,712	2,052
Total OPEB Liability - Water	784	1,148	1,376
Total OPEB Liability - Sewer	137	200	240

LONG BEACH UTILITIES DEPARTMENT

Notes to Financial Statements
September 30, 2023
(in thousands of dollars)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

	1 Percent Decrease	Healthcare Cost Trend Rate	1 Percent Increase
Total OPEB Liability - Gas	\$ 1,976	1,712	1,247
Total OPEB Liability - Water	1,325	1,148	836
Total OPEB Liability - Sewer	231	200	146

Note 8 - 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, 2023, amounting to \$4, \$10,297, and \$2,689 for the Gas Fund, Water Fund, and Sewer Fund, respectively.

Note 9 – Subsequent Events

On December 7, 2023, Water fund drewdown \$25.5 million of Water LOC. Due to a delay in timing of a planned \$25.5 million drawdown from Revolving Line of Credit (LOC), Water Fund borrowed Short Term loans from Gas (\$7 million) and Sewer Funds (\$2 million) for a total of \$9 million, recorded as Due to other funds as of September 30, 2023. Water Fund had paid back the Gas and Sewer Funds in FY2024, \$7 million and \$2 million, respectively.

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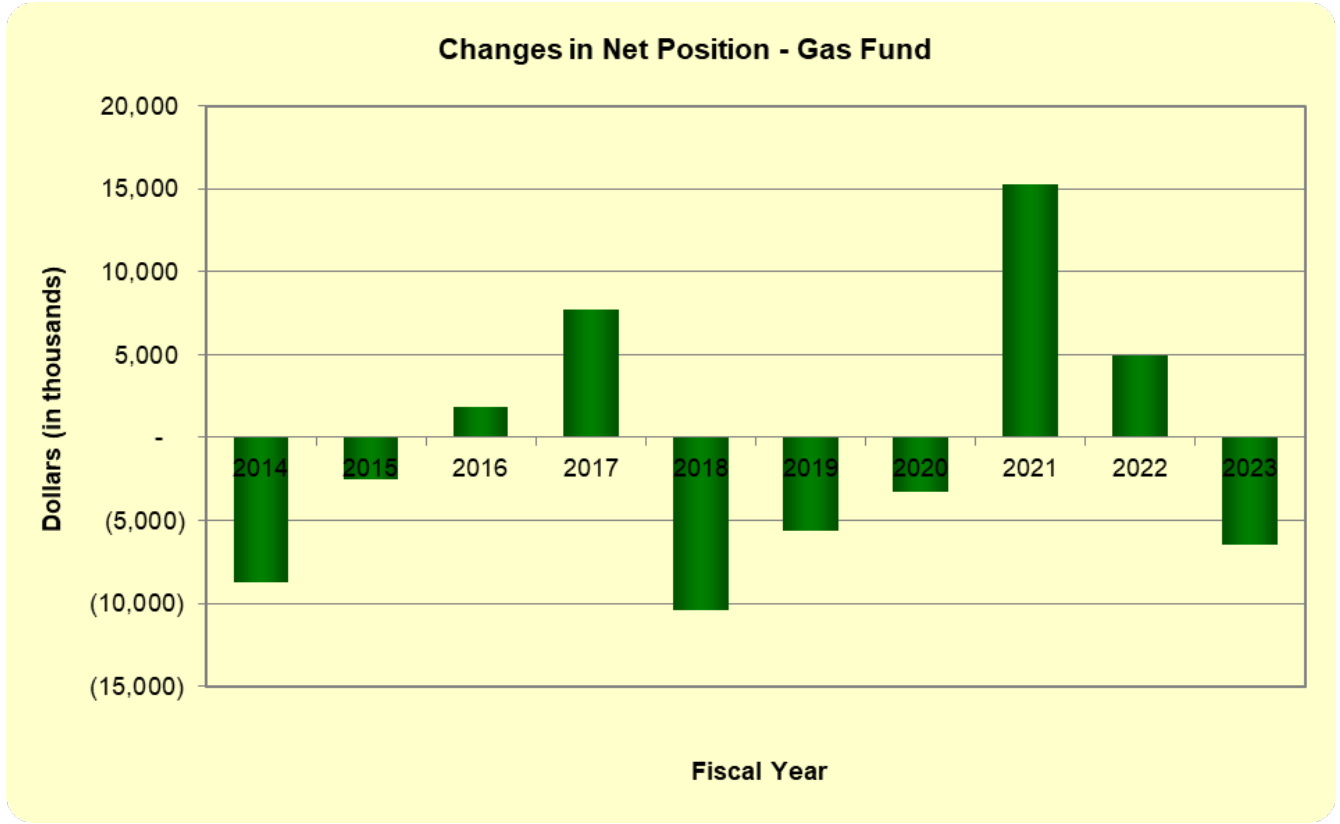
LONG BEACH UTILITIES DEPARTMENT
CHANGES IN NET POSITION - GAS FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

<u>Fiscal Year Ended</u>	<u>Total Operating Revenue</u>	<u>Total Operating Expense</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Capital grants and contributions Transfers In(Out)</u>	<u>Changes in Net Position</u>
9/30/2014 ⁽¹⁾	81,992	48,011	33,981	(32,520)	(10,223)	(8,762)
9/30/2015 ⁽¹⁾	77,098	36,496	40,602	(31,118)	(12,000)	(2,516)
9/30/2016 ⁽¹⁾	79,526	34,437	45,089	(31,788)	(11,475)	1,826
9/30/2017 ⁽¹⁾	96,723	47,659	49,064	(30,497)	(10,860)	7,707
9/30/2018 ⁽¹⁾	91,786	51,776	40,010	(30,218)	(20,177)	(10,385)
9/30/2019 ⁽¹⁾	120,228	79,138	41,090	(27,944)	(18,776)	(5,630)
9/30/2020 ⁽¹⁾	102,486	64,034	38,452	(27,895)	(13,865)	(3,308)
9/30/2021 ⁽¹⁾	111,930	54,067	57,863	(28,267)	(14,343)	15,253
9/30/2022 ⁽²⁾	133,275 ⁽³⁾	93,985	39,290	(34,960)	658	4,988
9/30/2023	165,333 ⁽³⁾	138,373	26,960	(36,686)	3,231	(6,495)

Notes: (1) Amounts presented in the City of Long Beach Annual Comprehensive Financial Reports (ACFR).
(2) Amounts were restated.
(3) Total Operating Revenue is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report



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

<u>Fiscal Year Ended</u>	<u>Total Operating Revenue ⁽²⁾</u>	<u>Total Operating Expense</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Capital grants and contributions</u>	<u>Changes in Net Position</u>
9/30/2014 ⁽¹⁾	100,187	91,992	8,195	(216)	2,924	10,903 ⁽³⁾
9/30/2015 ⁽¹⁾	99,475	102,134	(2,659)	1,051	1,726	118
9/30/2016 ⁽¹⁾	97,650	92,253	5,397	(672)	2,710	7,435
9/30/2017 ⁽¹⁾	97,383	91,893	5,490	510	734	6,734
9/30/2018 ⁽¹⁾	99,173	95,066	4,107	2,167	6,122	12,396
9/30/2019 ⁽¹⁾	99,289	93,480	5,809	(6,506)	1,627	930
9/30/2020 ⁽¹⁾	113,091	110,737	2,354	(8,612)	3,909	(2,349)
9/30/2021 ⁽¹⁾	118,968	90,152	28,816	22,915	2,665	54,396
9/30/2022 ⁽¹⁾	122,595	108,649	13,946	(25,429)	2,920	(8,563)
9/30/2023	110,141	111,280	(1,139)	(6,419)	6,068	(1,490)

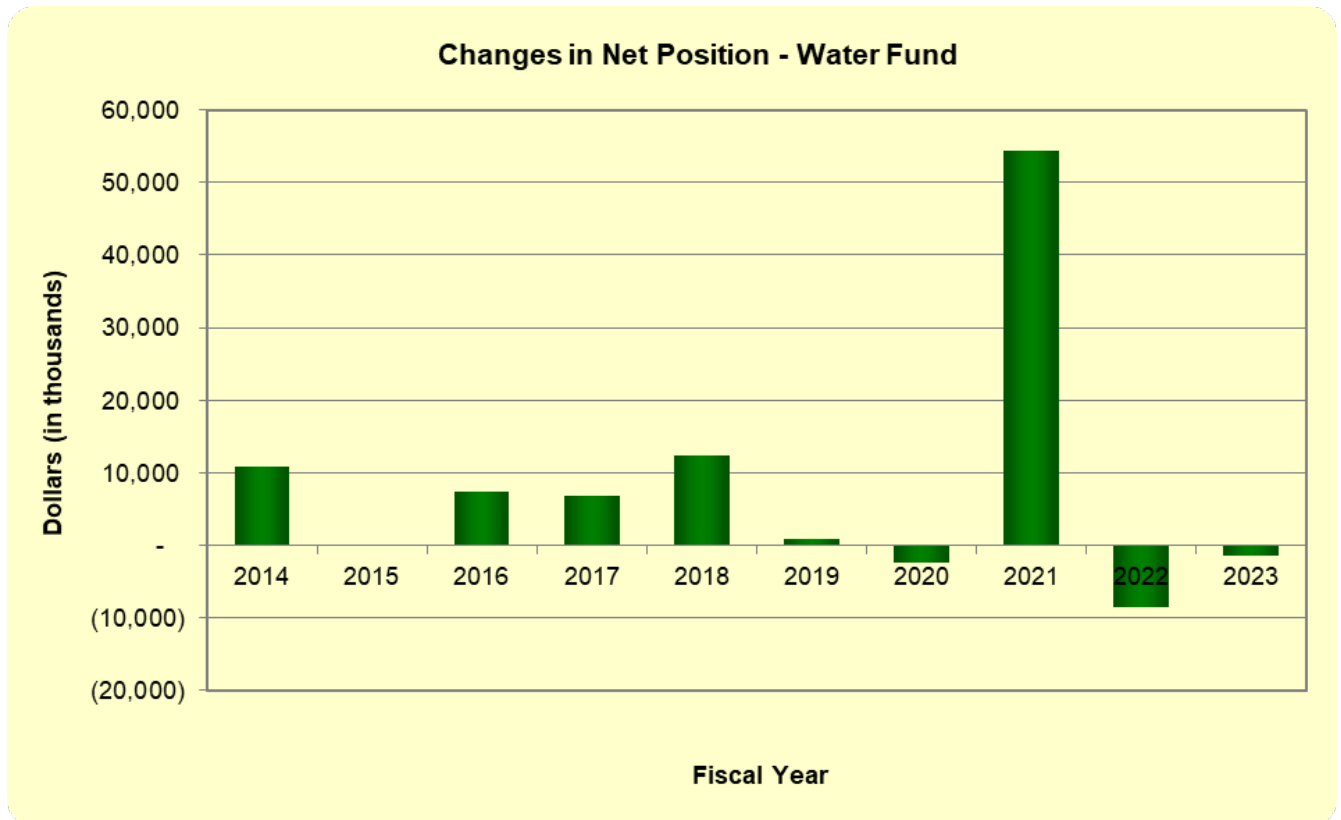
Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

(2) Total Operating Revenue is net of Provision for doubtful accounts expense.

(3) 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 UTILITIES DEPARTMENT
CHANGES IN NET POSITION - SEWER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

<u>Fiscal Year Ended</u>	<u>Total Operating Revenue ⁽²⁾</u>	<u>Total Operating Expense</u>	<u>Operating Income (Loss)</u>	<u>Total Non-Operating Income (Expense)</u>	<u>Capital grants and contributions</u>	<u>Changes in Net Position</u>
9/30/2014 ⁽¹⁾	17,953	15,479	2,474	(462)	759	2,771 ⁽³⁾
9/30/2015 ⁽¹⁾	17,903	16,024	1,879	(257)	-	1,622
9/30/2016 ⁽¹⁾	18,355	15,835	2,520	(280)	-	2,240
9/30/2017 ⁽¹⁾	19,949	15,312	4,637	(1,087)	-	3,550
9/30/2018 ⁽¹⁾⁽³⁾	18,872	14,474	4,398	391	549	5,338
9/30/2019 ⁽¹⁾	19,130	14,903	4,227	909	96	5,232
9/30/2020 ⁽¹⁾	17,925	17,490	435	129	38	602
9/30/2021 ⁽¹⁾	18,320	13,244	5,076	(357)	189	4,908
9/30/2022 ⁽¹⁾	21,447	14,726	6,721	(1,575)	133	5,279
9/30/2023	20,295	16,195	4,100	(712)	138	3,526

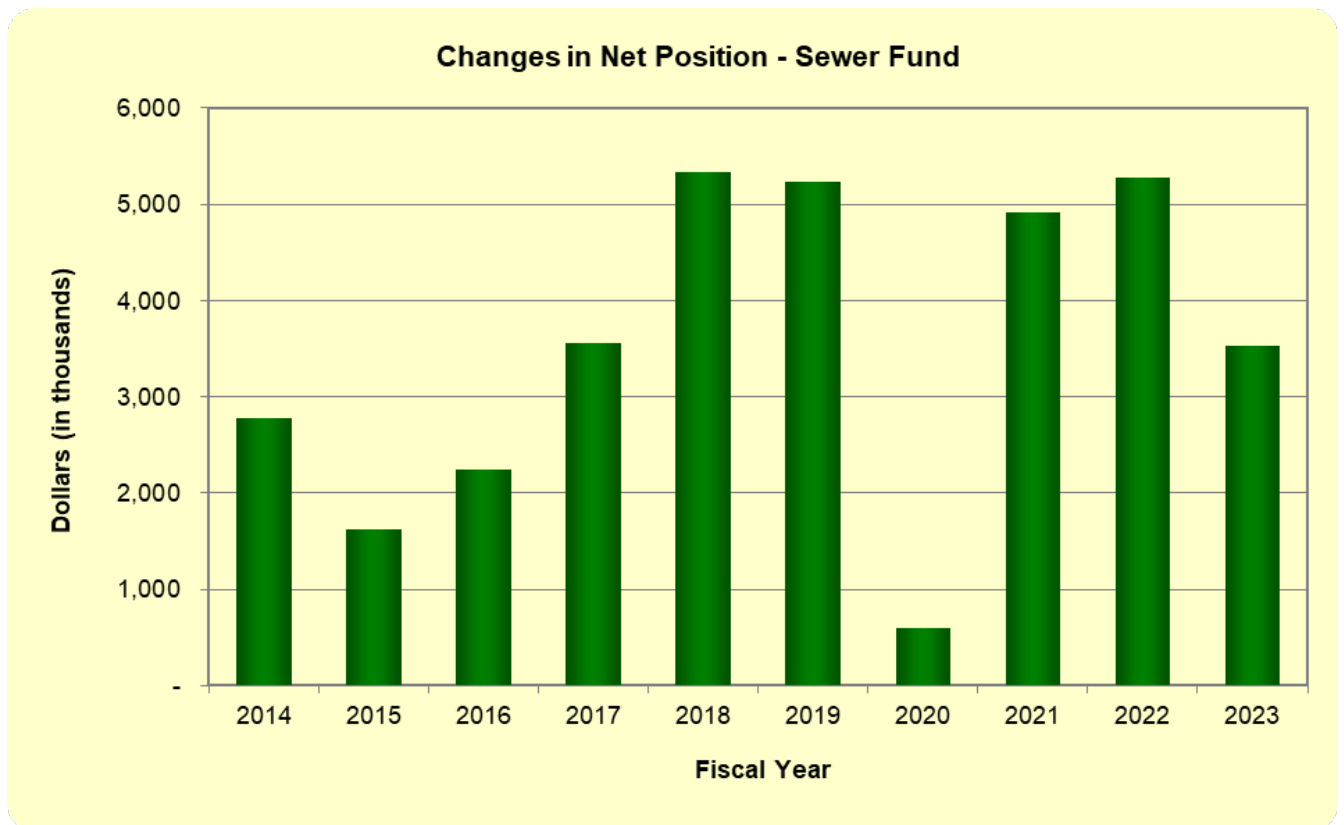
Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

(2) Total Operating Revenue is net of Provision for doubtful accounts expense.

(3) 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



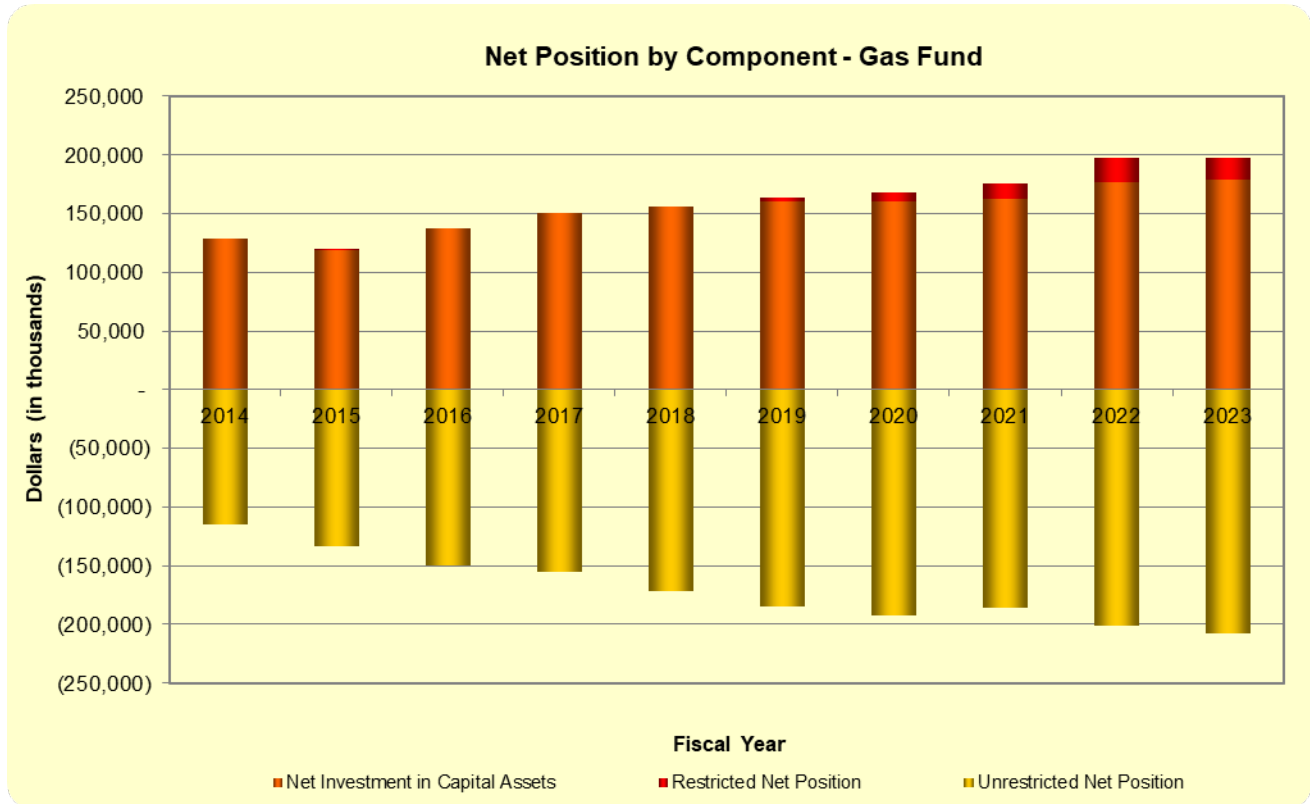
LONG BEACH UTILITIES DEPARTMENT
NET POSITION BY COMPONENT - GAS FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

<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>
9/30/2014 ⁽¹⁾	128,810	-	(114,725)	14,085
9/30/2015 ⁽¹⁾	119,255	873	(133,648)	(13,520)
9/30/2016 ⁽¹⁾	137,107	-	(150,254)	(13,147)
9/30/2017 ⁽¹⁾	150,371	-	(155,811)	(5,440)
9/30/2018 ⁽¹⁾	155,831	-	(171,656)	(15,825)
9/30/2019 ⁽¹⁾	159,765	3,433	(184,653)	(21,455)
9/30/2020 ⁽¹⁾	160,323	7,812	(192,898)	(24,763)
9/30/2021 ⁽¹⁾	162,671	13,249	(185,430)	(9,510)
9/30/2022 ⁽²⁾	176,157	21,004	(201,683)	(4,522)
9/30/2023	179,298	17,921	(208,236)	(11,017)

Notes: (1) Amounts presented in the City of Long Beach Annual Comprehensive Financial Reports (ACFR).
(2) Amounts were restated.

Source: Department's annual reports

See accompanying independent auditors' report



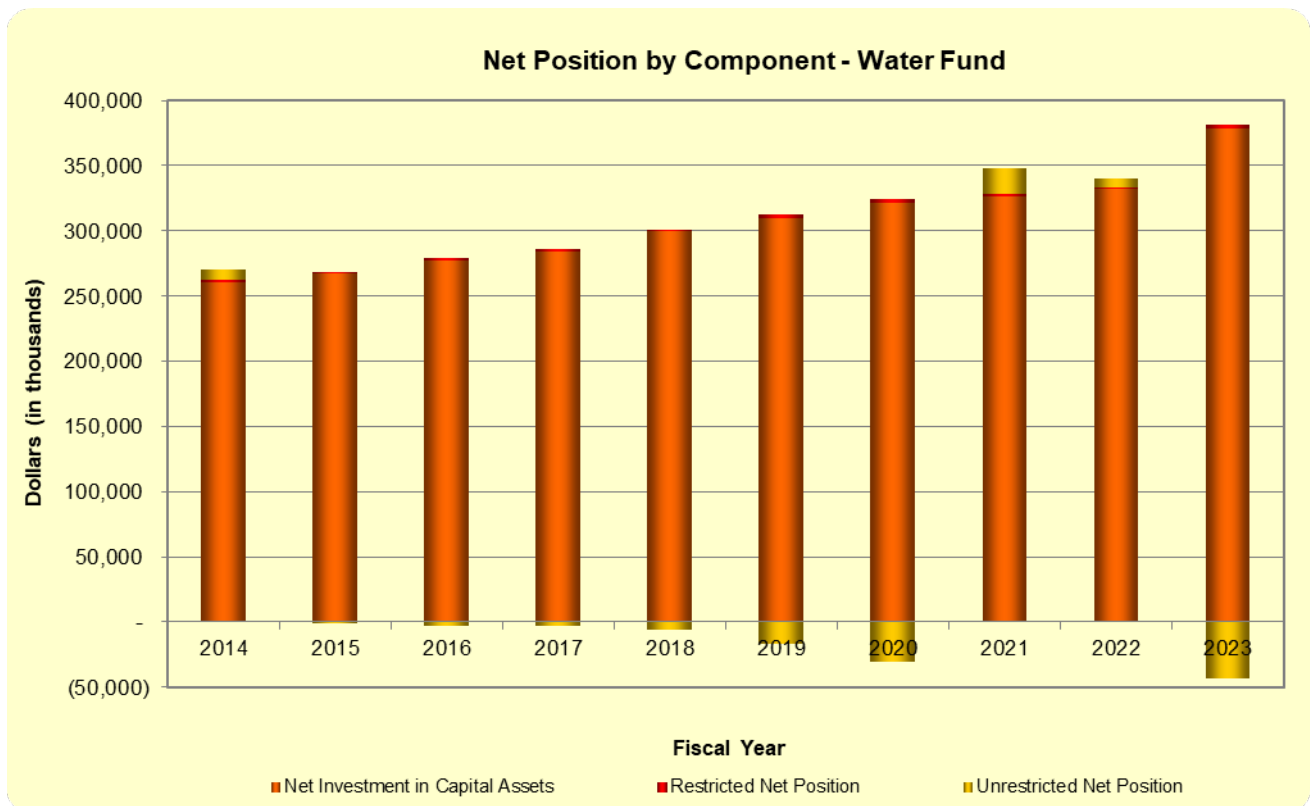
LONG BEACH UTILITIES DEPARTMENT
NET POSITION BY COMPONENT - WATER FUND
LAST TEN FISCAL YEARS
(in thousands of dollars)

<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>
9/30/2014 ⁽¹⁾	260,538	1,673	7,725	269,936 ⁽²⁾
9/30/2015 ^{(3) (1)}	267,041	1,697	(143)	268,595
9/30/2016 ⁽¹⁾	277,394	1,716	(3,080)	276,030
9/30/2017 ⁽¹⁾	284,413	1,700	(3,349)	282,764
9/30/2018 ⁽¹⁾	299,325	1,706	(5,871)	295,160
9/30/2019 ⁽¹⁾	309,416	3,277	(16,603)	296,090
9/30/2020 ⁽¹⁾	321,467	2,377	(30,103)	293,741
9/30/2021 ⁽¹⁾	326,635	1,441	20,061	348,137
9/30/2022 ⁽¹⁾	332,612	1,027	5,935	339,574
9/30/2023	378,510	2,409	(42,835)	338,084

Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).
(2) 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.
(3) Amounts adjusted due to implementation of GASB Statement No. 75.

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH UTILITIES 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>
9/30/2014 ⁽¹⁾	55,006	-	7,328	62,334 ⁽²⁾
9/30/2015 ^{(3) (1)}	53,604	-	4,195	57,799
9/30/2016 ⁽¹⁾	56,462	84	3,493	60,039
9/30/2017 ⁽¹⁾	58,927	302	4,360	63,589
9/30/2018 ⁽¹⁾	61,593	303	7,031	68,927
9/30/2019 ⁽¹⁾	67,357	294	6,508	74,159
9/30/2020 ⁽¹⁾	71,906	304	2,551	74,761
9/30/2021 ⁽¹⁾	74,875	304	4,490	79,669
9/30/2022 ⁽¹⁾	79,066	304	5,578	84,948
9/30/2023	83,290	302	4,882	88,474

Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

(2) 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.

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

Source: Department's annual reports

See accompanying independent auditors' report



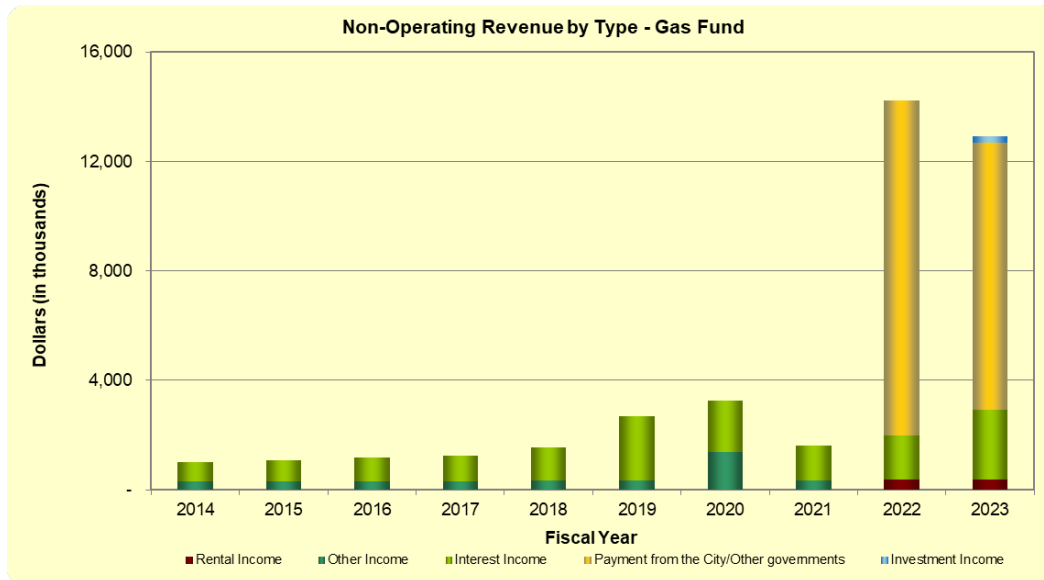
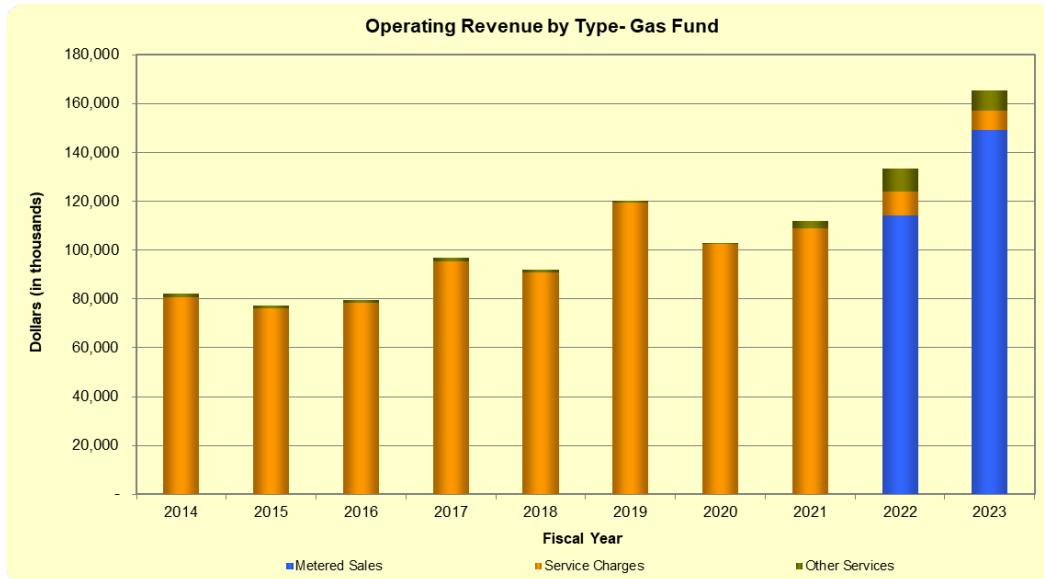
LONG BEACH UTILITIES DEPARTMENT
GAS FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING					
	Metered Sales	Service Charges	Other Services	Total Operating Revenue	Interest Income	Investment Income	Rental Income	Other Income	Payments from the city/ other governments	Total Non-Operating Income
9/30/2014 ⁽¹⁾	-	80,680	1,312	81,992	704	-	-	301	-	1,005
9/30/2015 ⁽¹⁾	-	76,133	965	77,098	785	-	-	300	-	1,085
9/30/2016 ⁽¹⁾	-	78,512	1,014	79,526	865	-	-	300	-	1,165
9/30/2017 ⁽¹⁾	-	95,456	1,267	96,723	938	-	-	310	-	1,248
9/30/2018 ⁽¹⁾	-	90,897	889	91,786	1,230	-	-	323	-	1,553
9/30/2019 ⁽¹⁾	-	119,555	673	120,228	2,342	-	-	334	-	2,676
9/30/2020 ⁽¹⁾	-	102,370	116	102,486	1,869	-	-	1,383	-	3,252
9/30/2021 ⁽¹⁾	-	108,871	3,059	111,930	1,276	-	-	347	-	1,623
9/30/2022 ⁽²⁾	113,986 ⁽³⁾	9,827	9,462	133,275	1,622	-	360	-	12,263	14,245
9/30/2023	149,317 ⁽³⁾	7,894	8,122	165,333	2,549	250	360	-	9,777	12,936

Notes: (1) Amounts presented in the City of Long Beach Annual Comprehensive Financial Reports (ACFR).
 (2) Amounts were restated.
 (3) Total Operating Revenue is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report



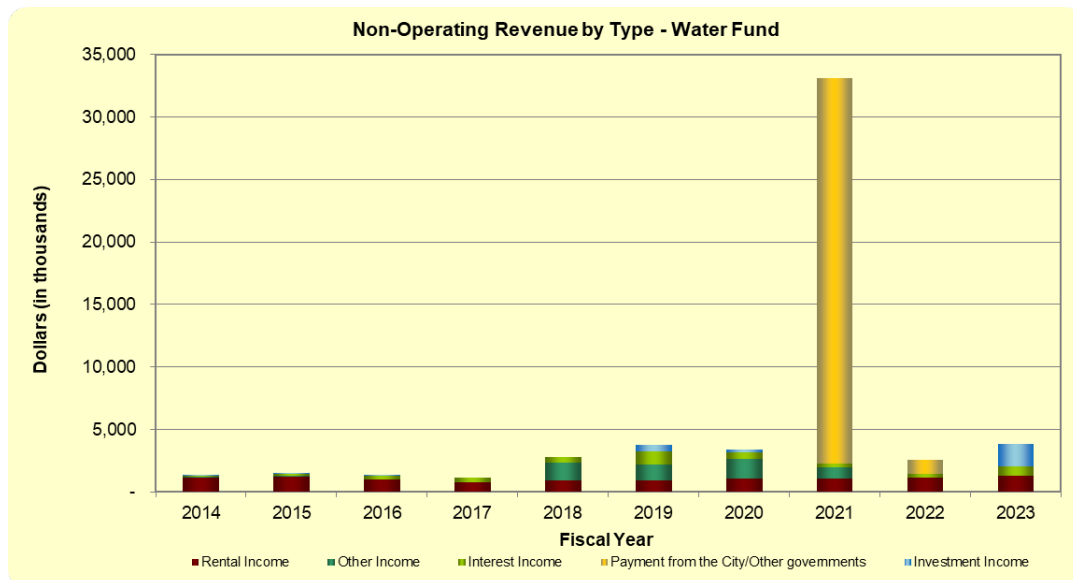
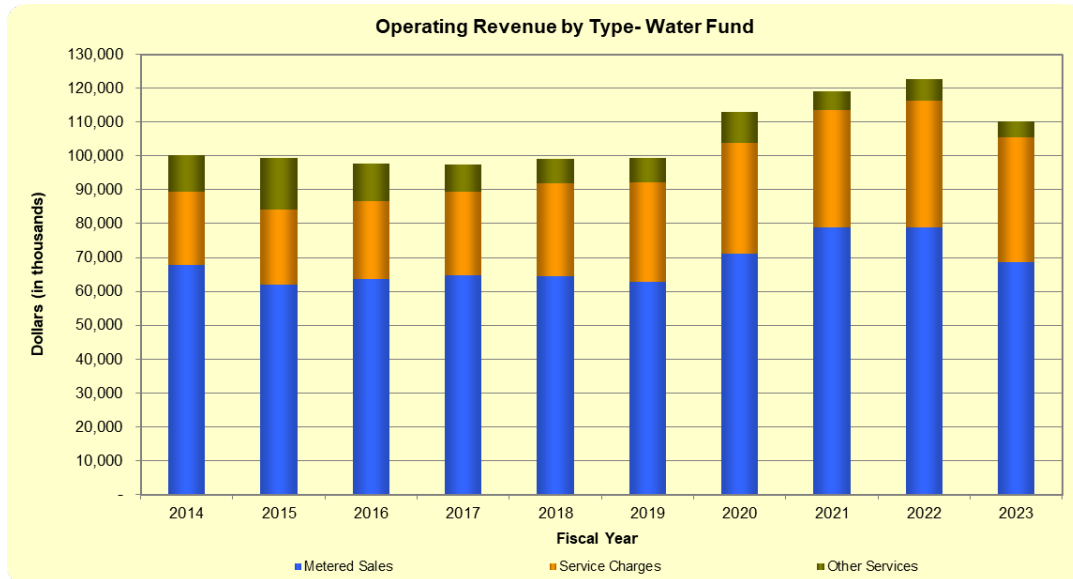
LONG BEACH UTILITIES DEPARTMENT
WATER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING					
	Metered Sales ⁽²⁾	Service Charges	Other Services	Total Operating Revenue	Interest Income	Investment Income	Rental Income	Other Income	Payments from the city/ other governments	Total Non-Operating Income
9/30/2014 ⁽¹⁾	67,818	21,548	10,821	100,187	118	8	1,158	36	-	1,320
9/30/2015 ⁽¹⁾	61,995	22,061	15,419	99,475	140	83	1,256	62	-	1,541
9/30/2016 ⁽¹⁾	63,658	23,121	10,871	97,650	248	51	1,027	-	-	1,326
9/30/2017 ⁽¹⁾	64,721	24,599	8,063	97,383	301	-	811	-	-	1,112
9/30/2018 ⁽¹⁾	64,490	27,325	7,358	99,173	461	-	905	1,429	-	2,795
9/30/2019 ⁽¹⁾	62,943	29,121	7,225	99,289	1,022	496	942	1,283	-	3,743
9/30/2020 ⁽¹⁾	71,141	32,807	9,143	113,091	526	171	1,043	1,636	-	3,376
9/30/2021 ⁽¹⁾	78,764	34,900	5,304	118,968	271	-	1,036	968	30,832	33,107
9/30/2022 ⁽¹⁾	78,788	37,526	6,281	122,595	337	-	1,148	-	1,061	2,546
9/30/2023	68,632	36,951	4,558	110,141	708	1,816	1,311	-	-	3,835

Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).
 (2) Metered Sales is net of Provision for doubtful accounts expense.

Source: Department's annual reports

See accompanying independent auditors' report



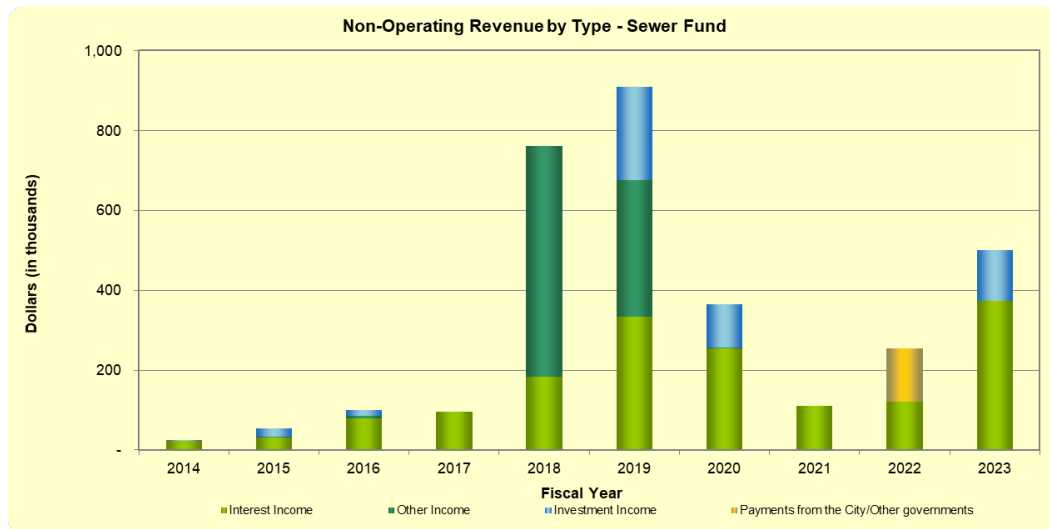
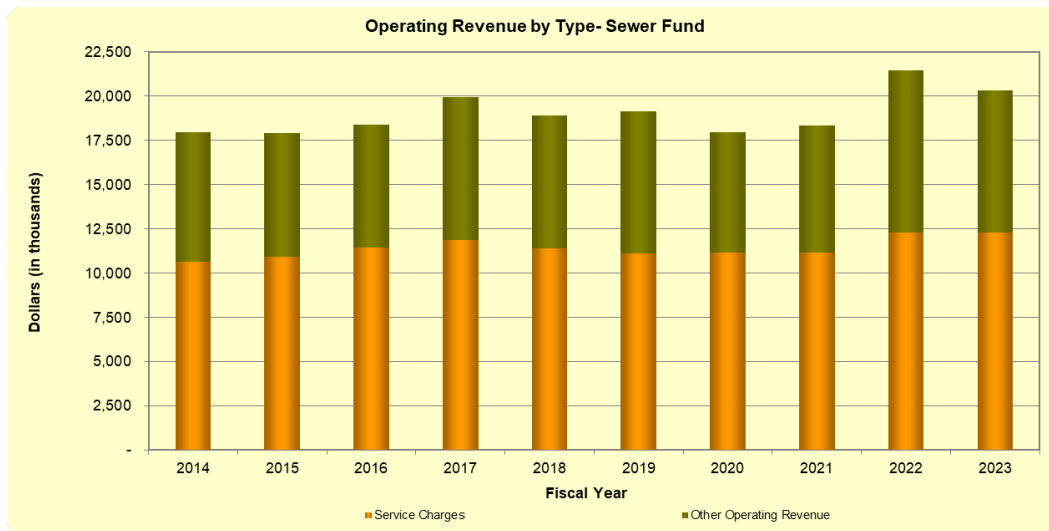
LONG BEACH UTILITIES DEPARTMENT
SEWER FUND REVENUE BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING			NON-OPERATING				
	Service Charges	Other Operating Revenue	Total Operating Revenue	Interest Income	Investment Income	Payments from the city/ other governments	Other Income	Total Non-Operating Income
9/30/2014 ⁽¹⁾	10,637	7,316	17,953	22	1	-	-	23
9/30/2015 ⁽¹⁾	10,916	6,987	17,903	32	20	-	2	54
9/30/2016 ⁽¹⁾	11,428	6,927	18,355	80	14	-	5	99
9/30/2017 ⁽¹⁾	11,870	8,079	19,949	95	-	-	-	95
9/30/2018 ⁽¹⁾	11,372	7,500	18,872	184	-	-	577	761
9/30/2019 ⁽¹⁾	11,082	8,048	19,130	334	234	-	341	909
9/30/2020 ⁽¹⁾	11,147	6,778	17,925	254	109	-	2	365
9/30/2021 ⁽¹⁾	11,162	7,158	18,320	111	-	-	-	111
9/30/2022 ⁽¹⁾	12,257	9,190	21,447	121	-	134	-	255
9/30/2023	12,294	8,001	20,295	373	128	-	-	501

Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

Source: Department's annual reports

See accompanying independent auditors' report



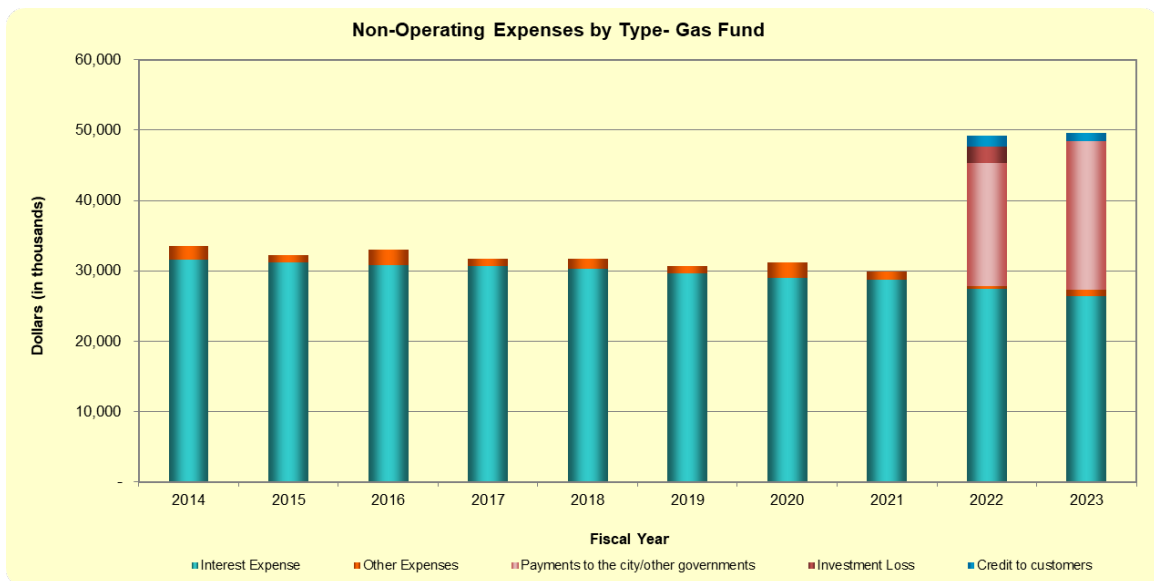
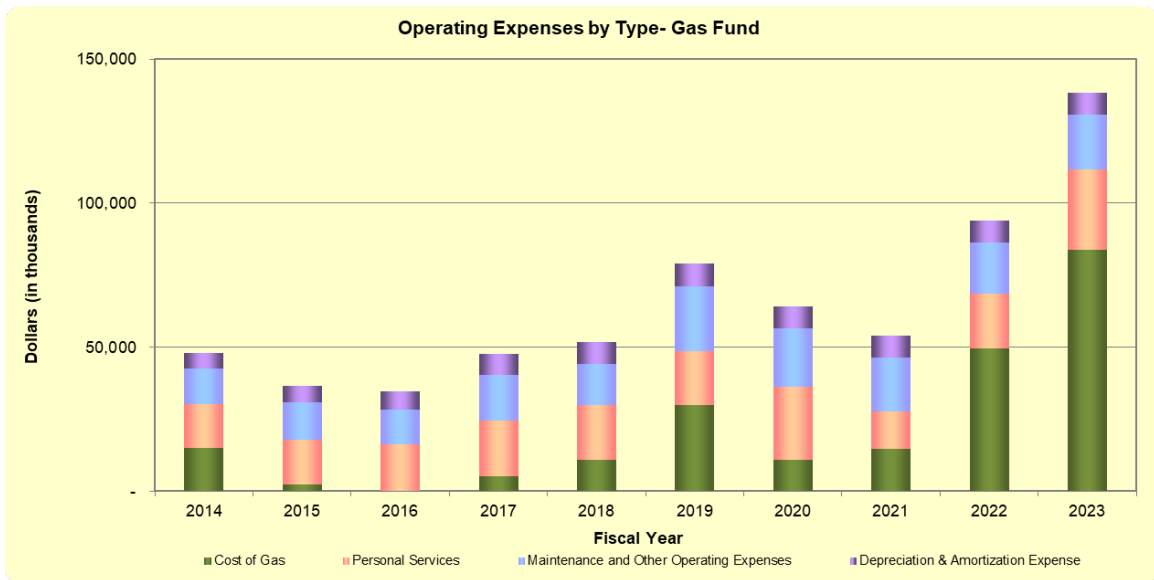
LONG BEACH UTILITIES DEPARTMENT
GAS FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING					NON-OPERATING					
	Cost of Gas	Personal Services	Maintenance and Other Operating Expenses	Depreciation & Amortization Expense	Total Operating Expenses	Interest Expense	Investment Loss	Other Expenses	Credit to Customers	Payments to the city/ other governments	Total Non-Operating Expenses
9/30/2014 ⁽¹⁾	15,059	15,025	12,419	5,508	48,011	31,574	-	1,951	-	-	33,525
9/30/2015 ⁽¹⁾	2,255	15,684	12,906	5,651	36,496	31,201	-	1,002	-	-	32,203
9/30/2016 ⁽¹⁾	(314)	16,324	12,125	6,302	34,437	30,839	-	2,114	-	-	32,953
9/30/2017 ⁽¹⁾	5,152	19,465	15,842	7,200	47,659	30,689	-	1,056	-	-	31,745
9/30/2018 ⁽¹⁾	10,840	19,046	14,393	7,497	51,776	30,277	-	1,494	-	-	31,771
9/30/2019 ⁽¹⁾	29,831	18,668	22,724	7,915	79,138	29,683	-	937	-	-	30,620
9/30/2020 ⁽¹⁾	10,858	25,414	20,166	7,596	64,034	29,033	-	2,114	-	-	31,147
9/30/2021 ⁽¹⁾	14,693	12,924	18,726	7,724	54,067	28,689	-	1,201	-	-	29,890
9/30/2022 ⁽²⁾	49,514	19,003	17,773	7,695	93,985	27,420	2,335	435	1,574	17,441	49,205
9/30/2023	83,823	27,860	18,842	7,848	138,373	26,432	-	831	1,191	21,168	49,622

Notes: (1) Amounts presented in the City of Long Beach Annual Comprehensive Financial Reports (ACFR).
 (2) Amounts were restated.

Source: Department's annual reports

See accompanying independent auditors' report



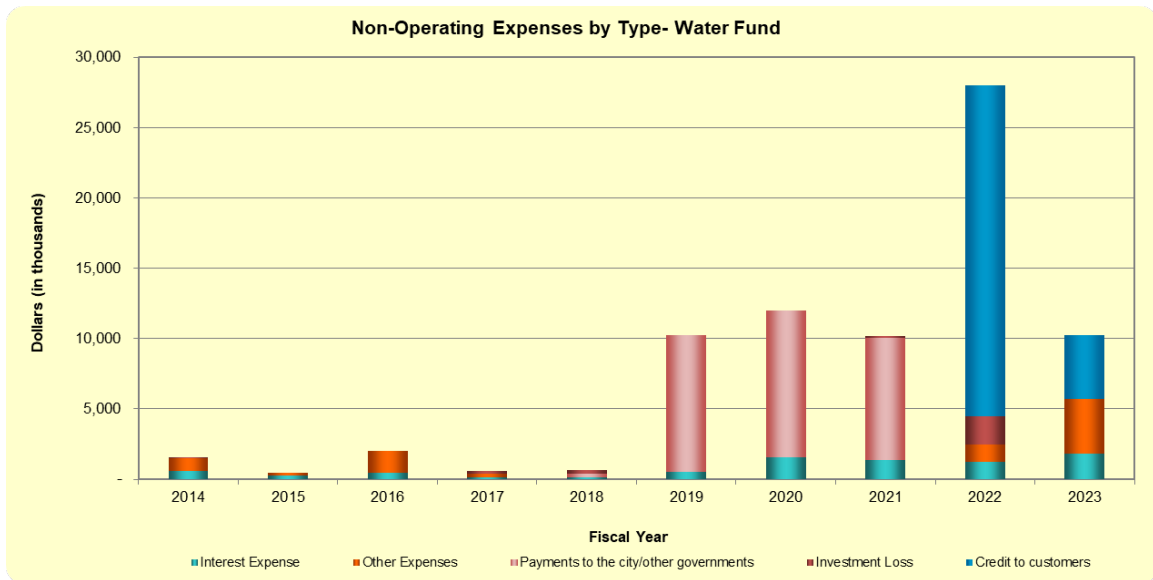
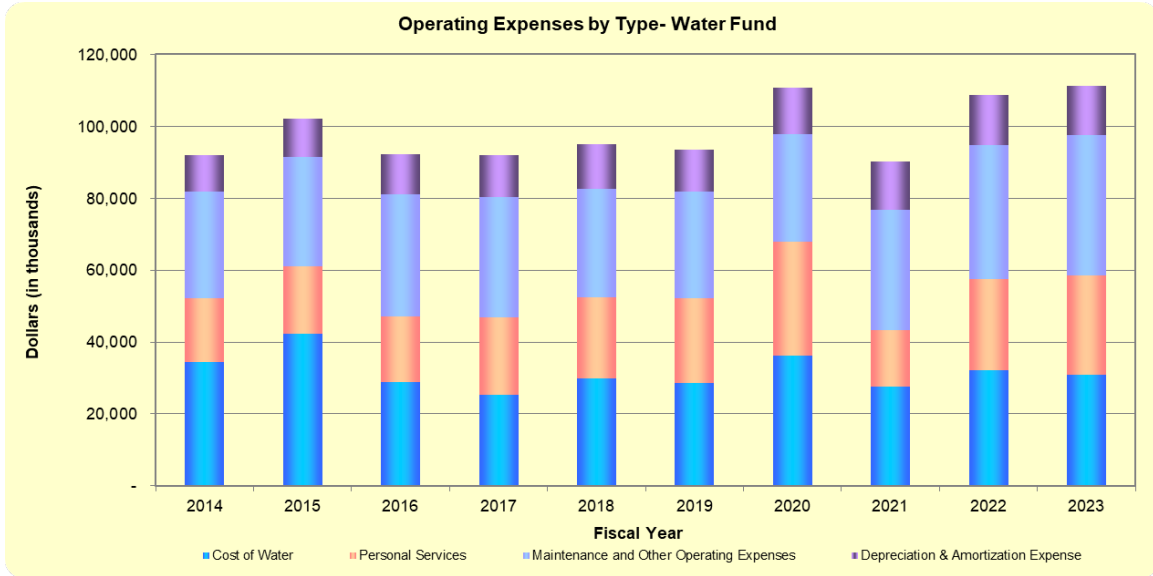
LONG BEACH UTILITIES DEPARTMENT
WATER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING					NON-OPERATING					
	Cost of Water	Personal Services	Maintenance and Other Operating Expenses	Depreciation & Amortization Expense	Total Operating Expenses	Interest Expense	Investment Loss	Other Expenses	Credit to Customers	Payments to the city/ other governments	Total Non-Operating Expenses
9/30/2014 ⁽¹⁾	34,378	17,822	29,566	10,226	91,992	587	6	943	-	-	1,536
9/30/2015 ⁽¹⁾	42,178	18,923	30,294	10,739	102,134	292	-	198	-	-	490
9/30/2016 ⁽¹⁾	28,743	18,405	33,936	11,169	92,253	433	-	1,565	-	-	1,998
9/30/2017 ⁽¹⁾	25,374	21,389	33,436	11,694	91,893	161	214	227	-	-	602
9/30/2018 ⁽¹⁾	29,927	22,500	30,086	12,553	95,066	123	251	-	-	254	628
9/30/2019 ⁽¹⁾	28,659	23,532	29,569	11,720	93,480	527	-	-	-	9,722	10,249
9/30/2020 ⁽¹⁾	36,163	31,617	29,932	13,025	110,737	1,538	-	-	-	10,450	11,988
9/30/2021 ⁽¹⁾	27,672	15,555	33,496	13,429	90,152	1,394	170	-	-	8,628	10,192
9/30/2022 ⁽¹⁾	32,211	25,350	37,303	13,785	108,649	1,266	1,964	1,227	23,518	-	27,975
9/30/2023	30,987	27,501	39,185	13,607	111,280	1,794	-	3,908	4,552	-	10,254

Note: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

Source: Department's annual reports

See accompanying independent auditors' report



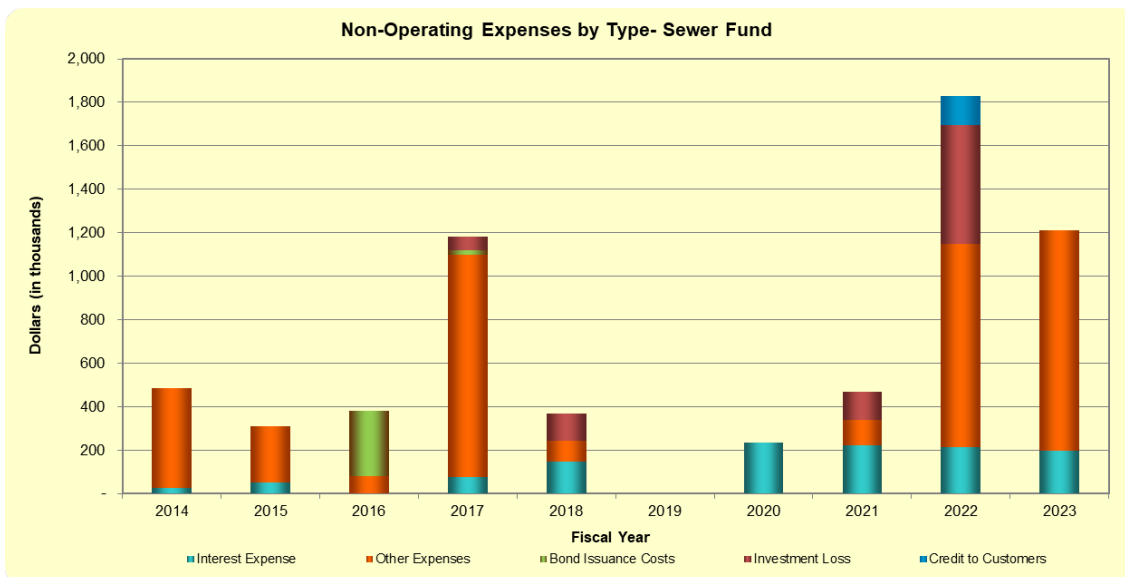
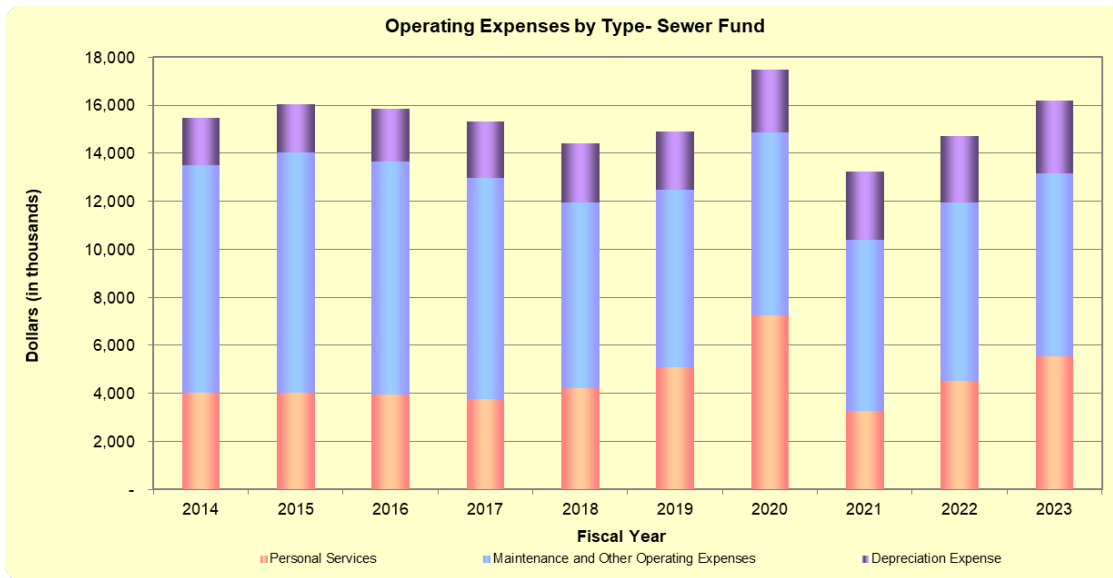
LONG BEACH UTILITIES DEPARTMENT
SEWER FUND EXPENSES BY TYPE - LAST TEN FISCAL YEARS
 (in thousands of dollars)

Fiscal Year Ended	OPERATING				NON-OPERATING					
	Personal Services	Maintenance and Other Operating Expenses	Depreciation Expense	Total Operating Expenses	Interest Expense	Investment Loss	Credit to Customers	Other Expenses	Bond Issuance Costs	Total Non-Operating Expenses
9/30/2014 ⁽¹⁾	4,043	9,475	1,961	15,479	27	-	-	458	-	485
9/30/2015 ⁽¹⁾	4,021	9,993	2,010	16,024	51	-	-	260	-	311
9/30/2016 ⁽¹⁾	3,968	9,680	2,187	15,835	-	-	-	81	298	379
9/30/2017 ⁽¹⁾	3,764	9,225	2,323	15,312	77	63	-	1,021	21	1,182
9/30/2018 ⁽¹⁾	4,206	7,732	2,490	14,428	146	126	-	98	-	370
9/30/2019 ⁽¹⁾	5,106	7,372	2,425	14,903	-	-	-	-	-	-
9/30/2020 ⁽¹⁾	7,240	7,639	2,611	17,490	236	-	-	-	-	236
9/30/2021 ⁽¹⁾	3,255	7,146	2,843	13,244	224	130	-	114	-	468
9/30/2022 ⁽¹⁾	4,506	7,433	2,787	14,726	212	549	134	935	-	1,830
9/30/2023	5,554	7,620	3,021	16,195	199	-	-	1,014	-	1,213

Note: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

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.

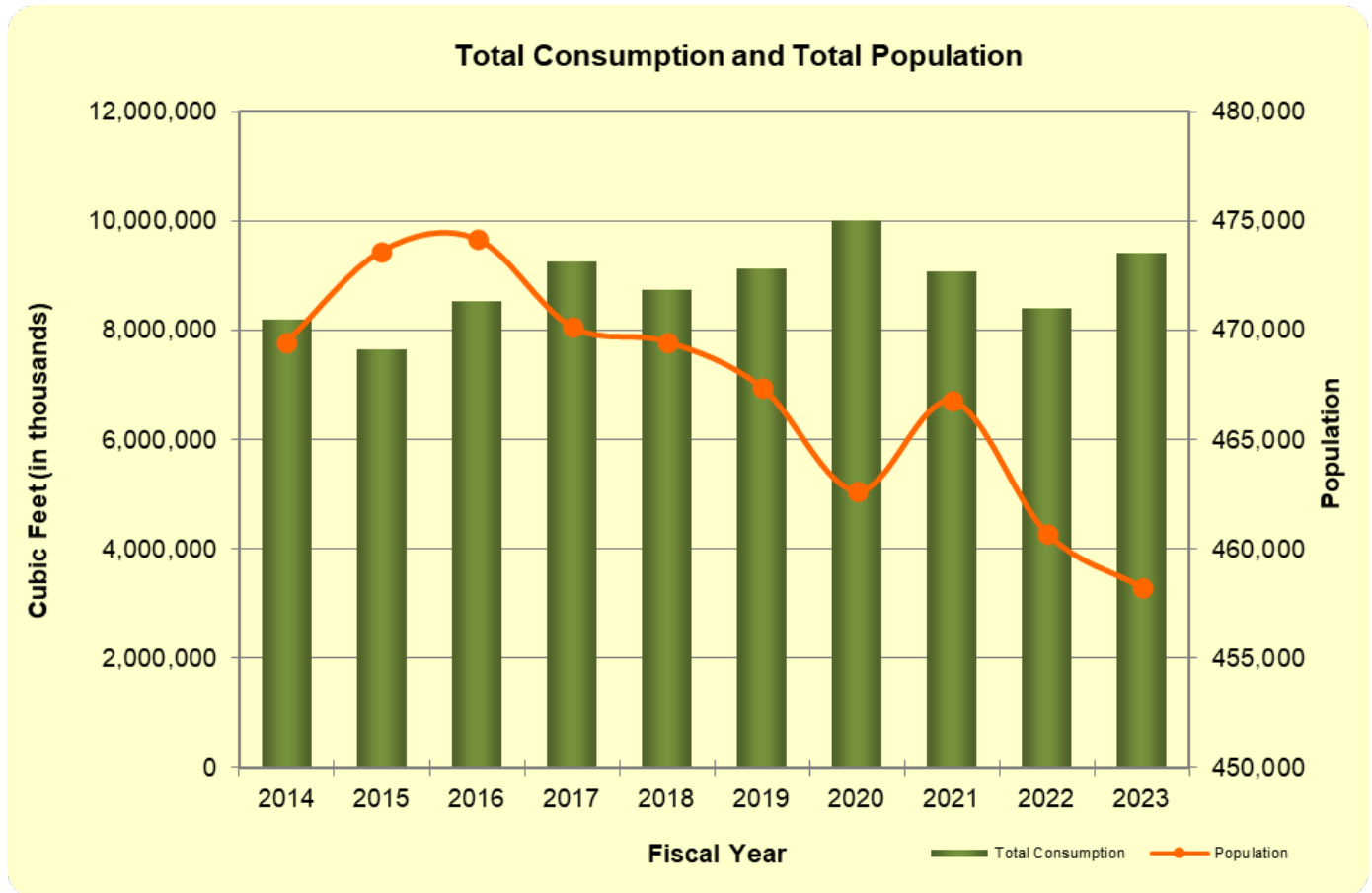
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LONG BEACH UTILITIES DEPARTMENT
GAS PURCHASED & CONSUMPTION - LAST TEN FISCAL YEARS
(in thousands of cubic feet, except population)

Fiscal Year Ended	PURCHASED	CONSUMPTION				Average Daily Demand	Average Daily Sales Per Capita	Population
		Residential	Commercial Industrial	Other	Total			
9/30/2014	8,588,054	4,533,355	3,297,991	352,148	8,183,494	22,421	48	469,428
9/30/2015	8,009,262	4,102,449	3,184,284	362,388	7,649,121	20,956	44	473,577
9/30/2016	8,935,070	4,468,449	3,435,511	623,728	8,527,688	23,364	49	474,140
9/30/2017	9,265,182	4,531,653	3,901,771	805,437	9,238,861	25,312	54	470,130
9/30/2018	9,380,720	4,250,355	3,750,092	723,059	8,723,506	23,900	51	469,450
9/30/2019	9,794,031	4,640,815	3,866,093	609,328	9,116,236	24,976	53	467,354
9/30/2020	9,694,155	4,717,311	4,413,564	872,513	10,003,388	27,407	59	462,628
9/30/2021	9,649,032	4,582,773	3,427,522	1,061,995	9,072,290	24,856	53	466,742
9/30/2022	8,940,467	4,332,081	3,500,220	553,799	8,386,100	22,976	50	460,682
9/30/2023	9,705,952	4,691,629	3,944,168	766,253	9,402,050	25,759	56	458,222

Source: Department's annual reports

See accompanying independent auditors' report



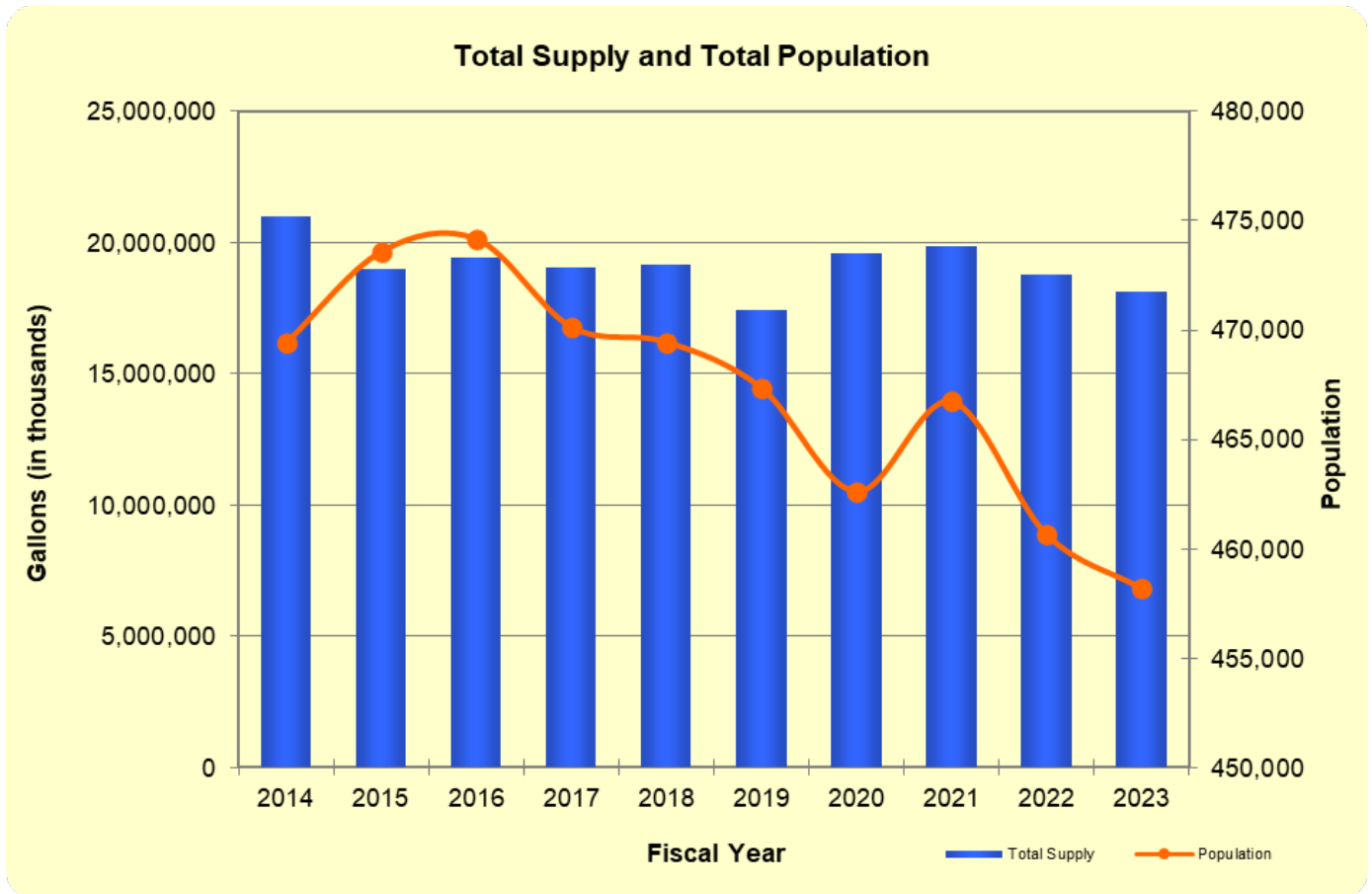
LONG BEACH UTILITIES DEPARTMENT
SOURCE OF WATER (PUMPED, PURCHASED, AND RECLAIMED) AND CONSUMPTION - LAST TEN FISCAL YEARS
 (in thousands of gallons, except population)

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						
9/30/2014	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
9/30/2021	9,667,706	6,986,636	3,176,852	19,831,194	45,628	64,500	116	466,742
9/30/2022	7,511,582	8,097,006	3,173,886	18,782,474	42,763	55,900	112	460,682
9/30/2023	7,798,494	7,539,149	2,773,155	18,110,798	42,021	55,200	108	458,222

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

Source: Department's annual reports

See accompanying independent auditors' report



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

Effective Date	Residential				Small non-residential			Large non-residential			
	Summer (0-15)	Summer (Over 15)	Winter (0-15)	Winter (Over 15)	TIER I ⁽¹⁾	TIER II ⁽²⁾	TIER III ⁽³⁾	TIER I ⁽⁴⁾	TIER II ⁽⁵⁾	TIER III ⁽⁶⁾	TIER IV ⁽⁷⁾
10/1/2013	0.411	0.671	0.411	0.671	0.529	0.272	0.101	0.215	0.150	0.108	0.084
10/1/2014	0.462	0.722	0.462	0.722	0.517	0.268	0.102	0.202	0.143	0.105	0.078
10/1/2015	0.537	0.797	0.537	0.797	0.583	0.334	0.167	0.199	0.142	0.105	0.079
10/1/2016	0.598	0.858	0.598	0.858	0.640	0.380	0.205	0.205	0.145	0.107	0.079
10/1/2017	0.598	0.858	0.598	0.858	0.640	0.380	0.205	0.205	0.145	0.107	0.079
10/1/2018	0.598	0.858	0.598	0.858	0.640	0.380	0.205	0.205	0.145	0.107	0.079
10/1/2019	0.598	0.858	0.598	0.858	0.640	0.380	0.205	0.205	0.145	0.107	0.079
10/1/2020	0.747	1.072	0.747	1.072	0.783	0.427	0.188	0.256	0.181	0.133	0.099
10/1/2021	0.747	1.072	0.747	1.072	0.783	0.427	0.188	0.256	0.181	0.133	0.099
10/1/2022	0.747	1.072	0.747	1.072	0.783	0.427	0.188	0.256	0.181	0.133	0.099

Note: (1) All usage not to exceed 100 therms per summer month or 250 therms per winter month (prorated on a daily basis).

(2) All usage exceeding Tier I volumes, but not exceeding 4,167 therms monthly (prorated on a daily basis).

(3) All usage exceeding 4,167 therms monthly (on a daily basis)

(4) Zero - 20,833 therms

(5) 20,834 - 83,333 therms

(6) 83,334 - 166,667 therms

(7) Over 166,667 therms

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 16

LONG BEACH UTILITIES DEPARTMENT
GAS RATES: DAILY SERVICE CHARGES BY CUSTOMER TYPE
LAST TEN FISCAL YEARS

Effective Date	Residential	Commercial	Industrial	Compressed	Electric	Transportation and
				Natural Gas	Generation	Exchange ⁽¹⁾
10/1/2013	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2014	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2015	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2016	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2017	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2018	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2019	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2020	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2021	0.164	0.493	11.507	0.427	1.644	11.507
10/1/2022	0.164	0.493	11.507	0.427	1.644	11.507

Note: (1) Large Industrial Transport

Source: Department's records

See accompanying independent auditors' report

LONG BEACH UTILITIES 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⁾
10/1/2013	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
10/1/2020	2.436	4.663	6.805	2.356	2.000	2.000
10/1/2021	2.631	5.036	7.349	2.544	2.160	2.160
6/1/2022	2.564	4.908	7.162	2.479	2.105	2.105
10/1/2022	2.564	4.908	7.162	2.479	2.105	2.105

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 II 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

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

Effective Date	3/4"	1" ⁽¹⁾	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2013	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
10/1/2020	0.696	1.032	1.873	2.882	6.075	10.272	22.874	47.234	70.755	89.234	131.233
10/1/2021	0.752	1.115	2.023	3.113	6.561	11.094	24.704	51.013	76.415	96.373	141.732
6/1/2022	0.733	1.087	1.972	3.034	6.394	10.812	24.077	49.717	74.474	93.926	138.133
10/1/2022	0.733	1.087	1.972	3.034	6.394	10.812	24.077	49.717	74.474	93.926	138.133

Note: (1) Normal residential size.

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

Source: Department's records

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

Effective Date	2"	3"	4"	6"	8"	10"	12"	16"
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
10/1/2020	0.412	0.829	1.550	4.129	8.580	15.276	24.555	52.109
10/1/2021	0.445	0.895	1.674	4.459	9.266	16.498	26.519	56.278
6/1/2022	0.434	0.872	1.631	4.346	9.031	16.079	25.846	54.849
10/1/2022	0.434	0.872	1.631	4.346	9.031	16.079	25.846	54.849

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

Source: Department's records

See accompanying independent auditors' report

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

Effective Date	Volumetric Rate Charges ⁽¹⁾	Capacity Charges ⁽²⁾
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
10/1/2020	0.357	109.160
10/1/2021	0.393	121.390
6/1/2022	0.393	121.390
10/1/2022	0.393	121.390

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 UTILITIES DEPARTMENT
SEWER RATES: DAILY SERVICE CHARGES BY SIZE
LAST TEN FISCAL YEARS

Effective Date	3/4" ⁽¹⁾	1"	1-1/2"	2"	3"	4"	6"	8"	10"	12"	16"
10/1/2013	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
10/1/2020	0.225	0.333	0.874	1.507	3.511	5.079	14.150	14.999	23.218	29.284	43.069
10/1/2021	0.248	0.366	0.961	1.658	3.862	5.587	15.565	16.499	25.540	32.212	47.376
6/1/2022	0.248	0.366	0.961	1.658	3.862	5.587	15.565	16.499	25.540	32.212	47.376
10/1/2022	0.248	0.366	0.961	1.658	3.862	5.587	15.565	16.499	25.540	32.212	47.376

Note: (1) Normal residential size

(2) Restructured sewer rates effective July 1, 2017

Source: Department's records

See accompanying independent auditors' report

LONG BEACH UTILITIES DEPARTMENT
TEN LARGEST GAS USERS IN CITY OF LONG BEACH
CURRENT YEAR AND NINE YEARS AGO

Fiscal Year 2023					Fiscal Year 2014				
Industry	Ranking	Sales in thousands	in thousands CF	CF Percent of Total	Industry	Ranking	Sales in thousands	in thousands CF	CF Percent of Total
Manufacturing	1	\$ 423	724,246	7.70 %	Utility	1	\$ 1,113	165,932	2.03 %
Oil production	2	324	602,917	6.41	Healthcare	2	909	133,130	1.63
Utility	3	4,917	280,378	2.98	Transportation Service	3	552	75,505	0.92
Transportation Service	4	2,298	177,817	1.89	Recreation	4	270	33,060	0.40
Healthcare	5	2,477	177,167	1.88	Manufacturing	5	259	424,185	5.18
Healthcare	6	195	137,686	1.46	Recreation	6	258	31,577	0.39
Education	7	189	122,442	1.30	Education	7	151	110,077	1.35
Oil refinery	8	1,367	111,042	1.18	Healthcare	8	127	110,233	1.35
Recreation	9	1,112	91,368	0.97	Manufacturing	9	124	77,940	0.95
Manufacturing	10	156	83,147	0.88	Oil Production	10	119	309,403	3.78
Total Ten Largest Users		13,458	2,508,210	26.65	Total Ten Largest Users		3,882	1,471,042	17.98
Total All Other Users		143,753	6,893,840	73.35	Total All Other Users		76,798	6,712,452	82.02
Total City		\$ 157,211	9,402,050	100.00	Total City		\$ 80,680	8,183,494	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

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

Fiscal Year 2023					Fiscal Year 2014				
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	\$ 4,711	1,804	3.83 %	Government	1	\$ 2,831	3,732	6.00 %
Education	2	1,315	436	0.93	Education	2	706	829	1.33
Utility	3	911	532	1.13	Utility	3	489	717	1.15
Education	4	823	422	0.90	Utility	4	425	620	1.00
Utility	5	627	361	0.77	Education	5	319	438	0.70
Healthcare	6	545	306	0.64	Government	6	256	285	0.46
Healthcare	7	528	258	0.55	Utility	7	236	339	0.54
Utility	8	444	236	0.50	Healthcare	8	212	304	0.49
Education	9	310	84	0.18	Healthcare	9	211	293	0.47
Manufacturing	10	243	135	0.29	Utility	10	206	285	0.46
Total Ten Largest Users		10,457	4,574	9.72	Total Ten Largest Users		5,891	7,842	12.60
Total All Other Users		91,573	42,495	90.28	Total All Other Users		52,377	54,389	87.40
Total City		\$ 102,030	47,069	100.00	Total City		\$ 58,268	62,231	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

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

Fiscal Year 2023				Fiscal Year 2014			
Industry	Ranking	Acre Feet (AF)	AF Percent of Total	Industry	Ranking	Acre Feet (AF)	AF Percent of Total
Water Resource Management	1	4,776	56.12 %	Golf Course	1	1,591	27.32 %
Golf Course	2	1,040	12.22	Government	2	1,524	26.18
Government	3	1,013	11.90	Oil Production	3	1,006	17.27
Oil Production	4	971	11.41	Water Resource Management	4	556	9.54
Education	5	132	1.55	Golf Course	5	217	3.73
Education	6	116	1.36	Education	6	216	3.70
Memorial Park	7	112	1.32	Education	7	167	2.87
Education	8	98	1.15	Memorial Park	8	145	2.48
Memorial Park	9	76	0.89	Education	9	99	1.70
Property Management	10	38	0.45	Memorial Park	10	97	1.67
Total Ten Largest Users		8,372	98.37	Total Ten Largest Users		5,618	96.46
Total All Other Users		138	1.63	Total All Other Users		206	3.54
Total City		8,510	100.00	Total City		5,824	100.00

Source: Department's records

See accompanying independent auditors' report

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

Fiscal Year 2023					Fiscal Year 2014				
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	\$ 360	498	1.49 %	Government	1	\$ 312	1,192	2.79 %
Education	2	279	302	0.90	Education	2	157	321	0.75
Education	3	117	413	1.24	Education	3	85	409	0.96
Healthcare	4	85	257	0.77	Government	4	54	222	0.52
Education	5	65	77	0.23	Healthcare	5	52	236	0.55
Hotel	6	36	61	0.18	Education	6	40	76	0.18
Healthcare	7	35	103	0.31	Manufacturing	7	31	99	0.23
Manufacturing	8	29	135	0.40	Hotel	8	23	61	0.14
Government	9	29	35	0.10	Manufacturing	9	22	71	0.17
Manufacturing	10	28	59	0.18	Property Management	10	21	96	0.22
Total Ten Largest Users		1,063	1,940	5.80	Total Ten Largest Users		797	2,783	6.51
Total All Other Users		16,947	31,452	94.20	Total All Other Users		16,271	39,975	93.49
Total City		\$ 18,010	33,392	100.00	Total City		\$ 17,068	42,758	100.00

Source: Department's utility billing records

See accompanying independent auditors' report

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 UTILITIES DEPARTMENT
GAS FUND DEBT SERVICE COVERAGE - LAST TEN FISCAL YEARS
(in thousands of dollars)

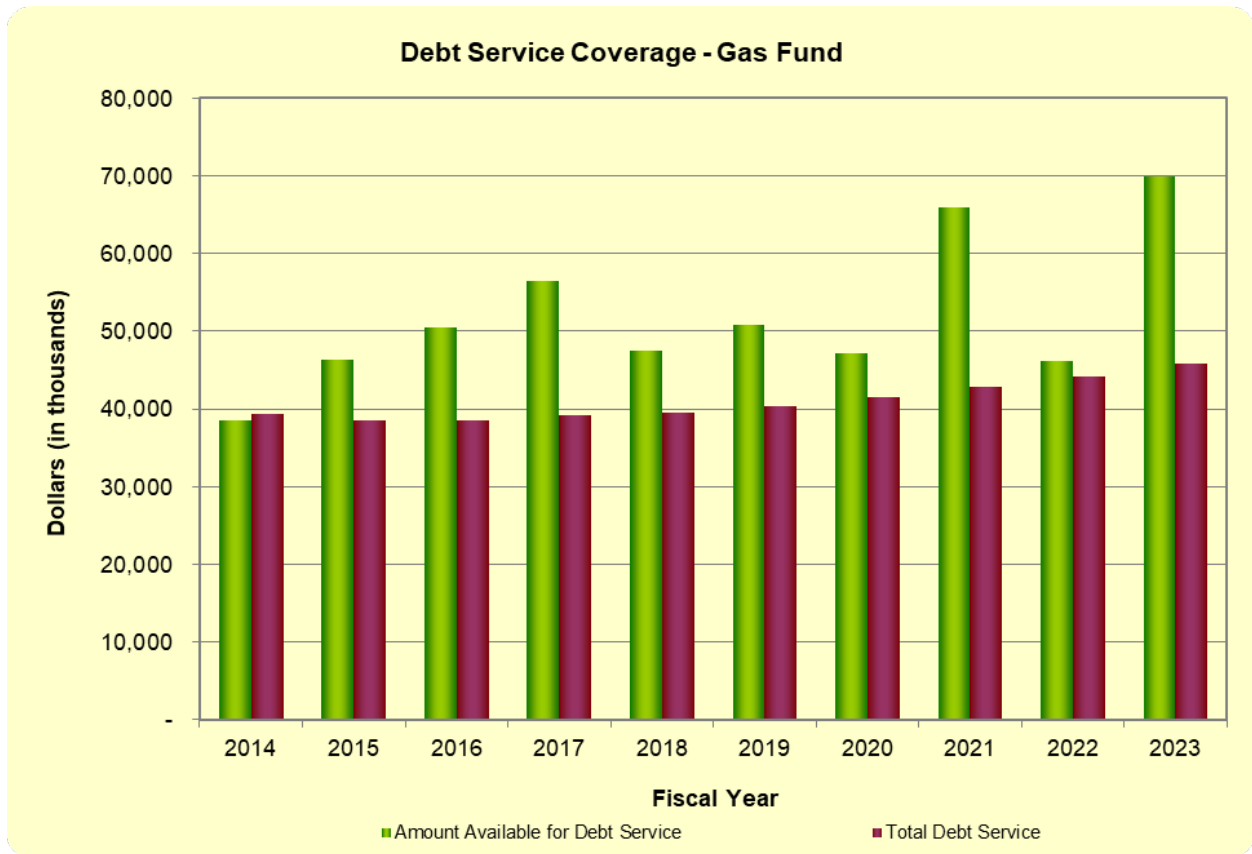
Fiscal Year Ended	Total Operating Revenue	Operating Expenses	Net Operating Income	Net Non-Operating Income/ (Expense) ⁽⁴⁾	Amount Available for Debt Service	Principal	Interest	Total Debt Service ⁽⁵⁾	Times Coverage
9/30/2014 ⁽¹⁾	81,992	42,503	39,489	(946)	38,543	7,305	32,079	39,384	0.98
9/30/2015 ⁽¹⁾	77,098	30,845	46,253	83	46,336	6,840	31,725	38,565	1.20
9/30/2016 ⁽¹⁾	79,526	28,135	51,391	(949)	50,442	7,150	31,375	38,525	1.31
9/30/2017 ⁽¹⁾	96,723	40,459	56,264	192	56,456	8,120	31,024	39,144	1.44
9/30/2018 ⁽¹⁾	91,786	44,279	47,507	59	47,566	8,925	30,628	39,553	1.20
9/30/2019 ⁽¹⁾	120,228	71,223	49,005	1,739	50,744	10,290	30,135	40,425	1.26
9/30/2020 ⁽¹⁾	102,486	56,438	46,048	1,138	47,186	11,905	29,552	41,457	1.14
9/30/2021 ⁽¹⁾	111,930	46,343	65,587	422	66,009	13,990	28,873	42,863	1.54
9/30/2022 ⁽²⁾	133,275 ⁽³⁾	86,290	46,985	(788)	46,197	16,040	28,084	44,124	1.05
9/30/2023	165,333 ⁽³⁾	97,673	67,660	2,328	69,988	18,645	27,174	45,819	1.53

Bond Issues: 2007 Gas Prepay Bond-Series A

Average Coverage, ten years	1.27
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- Notes: (1) Amounts presented in the City of Long Beach Annual Comprehensive Financial Reports (ACFR).
(2) Amounts were restated.
(3) Total Operating Revenue is net of Provision for doubtful accounts expense.
(4) Net Non-Operating Income (Expense) is exclusive of bond interest, amortization of bond issue costs, payments from (to) the city/other governments, credit to customers, capital grants and contributions and loss on disposition of property.
(5) 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



LONG BEACH UTILITIES 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
9/30/2014 ⁽⁶⁾	100,187	81,766	18,421	335	18,756	2,385	1,502	3,887	4.83
9/30/2015 ⁽⁶⁾	99,475	91,395	8,080	1,541	9,621	2,510	1,390	3,900	2.47
9/30/2016 ⁽⁶⁾	97,650	81,084	16,566	44	16,610	2,630	1,264	3,894	4.27
9/30/2017 ⁽⁶⁾	97,383	80,199	17,184	765 ⁽⁵⁾	17,949 ⁽⁵⁾	2,730	1,165	3,895	4.61
9/30/2018 ⁽⁶⁾	99,173	82,767	16,406	2,406	18,812	2,815	1,077	3,892	4.83
9/30/2019 ⁽⁶⁾	99,289	81,760	17,529	3,637 ⁽⁵⁾	21,166 ⁽⁵⁾	2,930	965	3,895	5.43 ⁽⁵⁾
9/30/2020 ⁽⁶⁾	113,091	97,712	15,379	3,394 ⁽⁵⁾	18,773 ⁽⁵⁾	3,050	848	3,898	4.82 ⁽⁵⁾
9/30/2021 ⁽⁶⁾	118,968	76,723	42,245	2,105 ⁽⁵⁾	44,350 ⁽⁵⁾	3,170	725	3,895	11.39 ⁽⁵⁾
9/30/2022 ⁽⁶⁾	122,595	94,864	27,731	(1,703)	26,028	3,300	592	3,892	6.69
9/30/2023	110,141	97,673	12,468	(22)	12,446	3,450	444	3,894	3.20

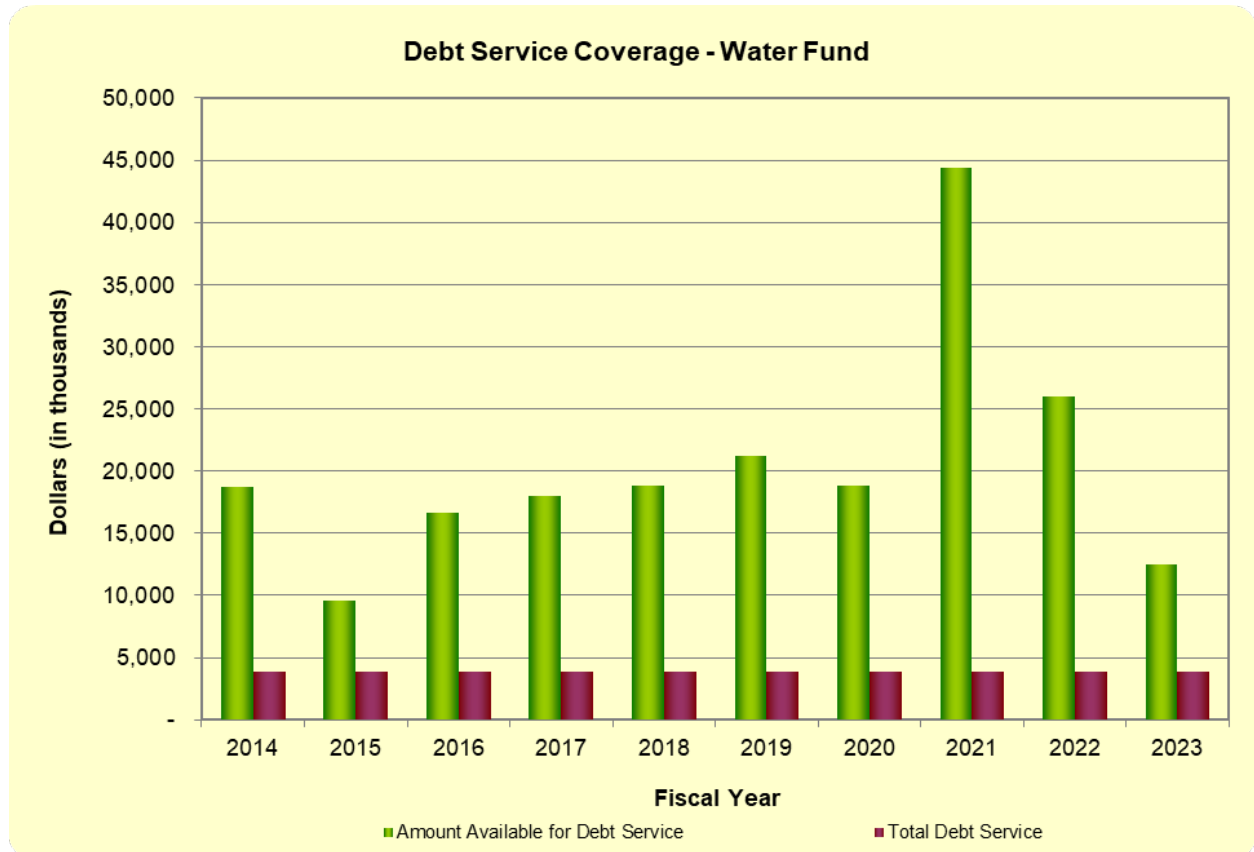
Bond Issues: Water Revenue Refunding Bonds - 1997 Series A, 2010 Series A, & 2012 Series A

Average Coverage, ten years	5.25
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, payments from (to) the city/other governments, credit to customers, capital grants and contributions 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) Net Non-operating Income (Expense), Amount Available for Debt Service & Times coverage data updated.
(6) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

Source: Department's annual reports

See accompanying independent auditors' report



LONG BEACH UTILITIES 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
9/30/2014 ⁽⁶⁾	17,953	13,518	4,435	(434)	4,001	-	76	76	52.64
9/30/2015 ⁽⁶⁾	17,903	14,014	3,889	(208)	3,681	-	79	79	46.59
9/30/2016 ⁽⁶⁾	18,355	13,648	4,707	13	4,720	-	125	125	37.76
9/30/2017 ⁽⁶⁾	19,949	12,989	6,960	(969)	5,991	460	269	729	8.22
9/30/2018 ⁽⁶⁾	18,872	11,984	6,888	635	7,523	330	395	725	10.38
9/30/2019 ⁽⁶⁾	19,130	12,478	6,652	812	7,464	345	382	727	10.27
9/30/2020 ⁽⁶⁾	17,925	14,879	3,046	356	3,402	360	368	728	4.67
9/30/2021 ⁽⁶⁾	18,320	10,401	7,919	(133) ⁽⁵⁾	7,786 ⁽⁵⁾	375	354	729	10.68
9/30/2022 ⁽⁶⁾	21,447	11,939	9,508	(1,363)	8,145	390	339	729	11.17
9/30/2023	20,295	13,174	7,121	(513)	6,608	405	323	728	9.08

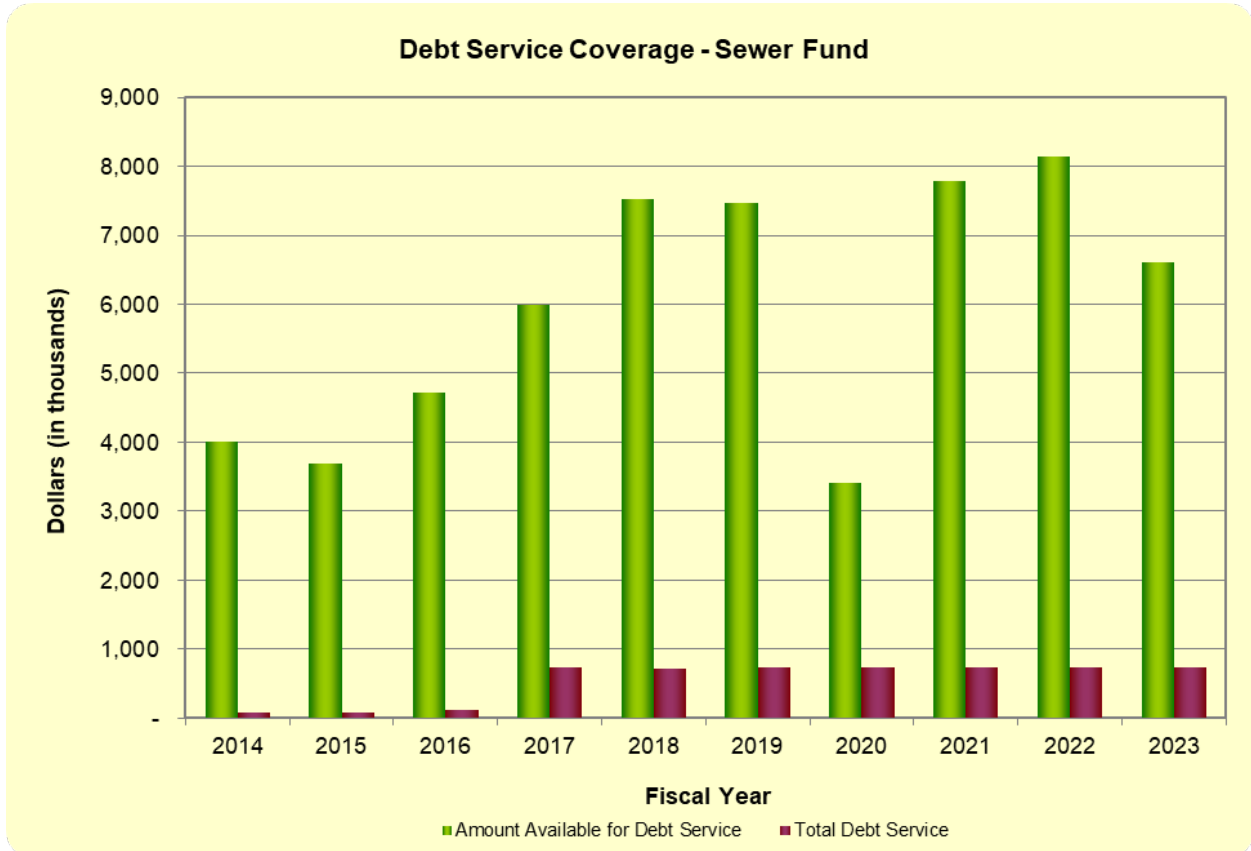
Bond Issues: None

Average Coverage, ten years	20.15
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, payments from/to the city/other governments, credit to customers, capital grants and contributions 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) Net Non-operating Income (Expense), Amount Available for Debt Service & Times coverage data updated.
 (6) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

Source: Department's annual reports

See accompanying independent auditors' report



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

Fiscal Year Ended	Gas Prepay Bond			Equipment Financing Obligation	Discounts, premiums, & adjustments	Total	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
	Series A	Series B	Gas Prepay Fair Value - Interest Rate Swap					
9/30/2014 ⁽¹⁾	544,770	69,005	-	-	13,313	627,088	4.04%	1.336
9/30/2015 ⁽¹⁾	537,930	69,005	-	18,000	12,918	637,853	3.93%	1.347
9/30/2016 ⁽¹⁾	530,780	69,005	(16,919)	16,887	12,492	612,245	3.61%	1.291
9/30/2017 ⁽¹⁾	522,660	69,005	(11,881)	15,859	11,967	607,610	3.47%	1.292
9/30/2018 ⁽¹⁾	513,735	69,005	(7,473)	14,806	11,394	601,467	3.30%	1.281
9/30/2019 ⁽¹⁾	503,445	69,005	(11,923)	13,727	10,806	585,060	3.10%	1.252
9/30/2020 ⁽¹⁾	491,540	69,005	(13,862)	12,623	10,209	569,515	2.93%	1.231
9/30/2021 ⁽¹⁾	477,550	69,005	(10,079)	11,492	9,606	557,574	2.73%	1.195
9/30/2022 ⁽¹⁾	461,510	69,005	(2,037)	10,333	9,000	547,811	2.60%	1.189
9/30/2023	442,865	69,005	(646)	9,147	8,396	528,767	2.43%	1.154

Notes: (1) Amounts presented in the City of Long Beach Annual Comprehensive Financial Reports (ACFR).

(2) See Exhibit 32-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

(Unaudited)

Exhibit 30

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

Fiscal Year Ended	Revenue Refunding Bonds			Water Revenue Revolving Line of Credit	Equipment Financing Obligation	Discounts, premiums, & adjustments	Total	Percentage of Personal Income ⁽²⁾	Per Capita ⁽²⁾
	Series 1997	Series 2010	Series 2012						
9/30/2014 ⁽¹⁾	1,825	21,995	8,960	-	-	3,107	35,887	0.23%	0.076
9/30/2015 ⁽¹⁾	-	21,860	8,410	-	-	2,703	32,973	0.20%	0.070
9/30/2016 ⁽¹⁾	-	19,795	7,845	-	-	2,303	29,943	0.18%	0.063
9/30/2017 ⁽¹⁾	-	17,645	7,265	-	-	1,914	26,824	0.15%	0.057
9/30/2018 ⁽¹⁾	-	15,435	6,660	-	-	1,537	23,632	0.13%	0.050
9/30/2019 ⁽¹⁾	-	13,135	6,030	-	26,326	1,190	46,681	0.25%	0.100
9/30/2020 ⁽¹⁾	-	10,740	5,375	-	24,860	873	41,848	0.21%	0.090
9/30/2021 ⁽¹⁾	-	8,250	4,695	-	21,226	594	34,765	0.17%	0.074
9/30/2022 ⁽¹⁾	-	5,660	3,985	14,000	19,587	363	43,595	0.21%	0.095
9/30/2023	-	2,945	3,250	14,000	17,890	196	38,281	0.18%	0.084

Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

(2) See Exhibit 32-Demographic Statistics for Personal Income and Population Data.

Source: Department's annual reports

See accompanying independent auditors' report

LONG BEACH UTILITIES 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 ⁽²⁾	Per Capita ⁽²⁾
9/30/2014 ⁽¹⁾	-	9,750	-	9,750	0.06%	0.021
9/30/2015 ⁽¹⁾	-	11,250	-	11,250	0.07%	0.024
9/30/2016 ⁽¹⁾	9,830	-	1,719	11,549	0.07%	0.024
9/30/2017 ⁽¹⁾	9,370	-	1,584	10,954	0.06%	0.023
9/30/2018 ⁽¹⁾	9,040	-	1,453	10,493	0.06%	0.022
9/30/2019 ⁽¹⁾	8,695	-	1,323	10,018	0.05%	0.021
9/30/2020 ⁽¹⁾	8,335	-	1,197	9,532	0.05%	0.021
9/30/2021 ⁽¹⁾	7,960	-	1,074	9,034	0.04%	0.019
9/30/2022 ⁽¹⁾	7,570	-	953	8,523	0.04%	0.019
9/30/2023	7,165	-	836	8,001	0.04%	0.017

Notes: (1) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

(2) See Exhibit 32-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 UTILITIES 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⁾
9/30/2014	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	19,467	42,079	15.9%
9/30/2021	466,742	20,460	43,836	8.9%
9/30/2022	460,682 ⁽⁵⁾	21,038	45,667	4.6%
9/30/2023	458,222 ⁽⁵⁾	21,801	47,578	4.7%

Source: (1) California Department of Finance Demographic Reports

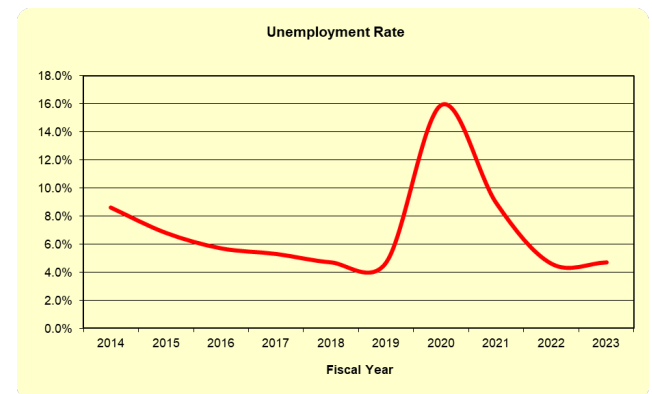
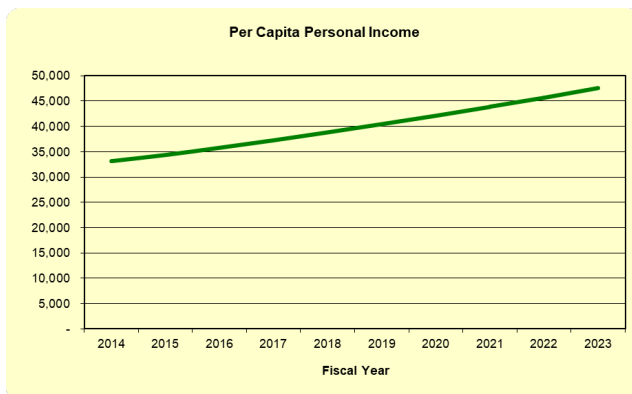
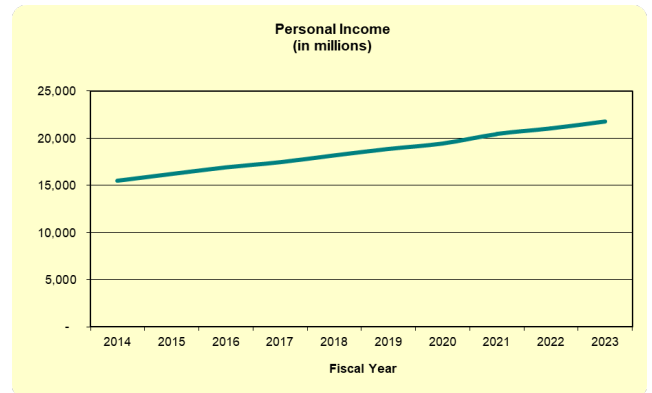
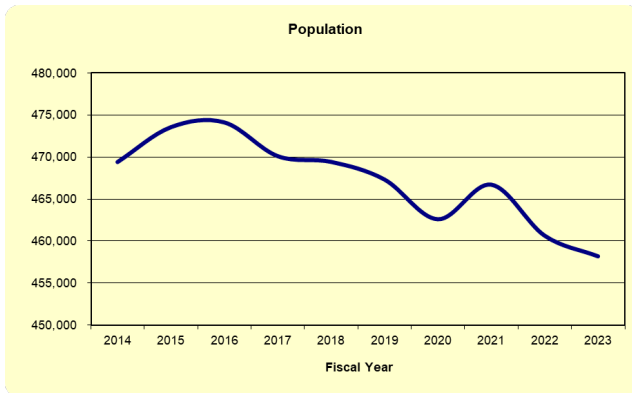
(2) U.S. Department of Commerce, Bureau of Economic Analysis: Personal Income and per capita personal income are based on percent change of per capita personal income for Los Angeles-Long Beach-Anaheim, CA (Metropolitan Statistical Area). The BEA's Report does not have personal income available for 2015, 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 UTILITIES DEPARTMENT
MAJOR EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	Fiscal Year 2023			Fiscal Year 2014		
	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	11,337	4.80%	1	12,143	5.01%
City of Long Beach	2	5,594	2.37%	3	5,074	2.09%
Long Beach Memorial Medical Center	3	5,477	2.32%	2	5,146	2.12%
Veteran Affairs Medical Center	4	3,612	1.53%	6	2,480	1.02%
California State University Long Beach	5	3,585	1.52%	5	2,881	1.19%
Long Beach City College	6	2,179	0.92%	7	2,456	1.01%
St. Mary Medical Center	7	1,609	0.68%	8	1,420	0.59%
California State Univ Long Beach Research Foundation	8	1,526	0.65%	8	1,420	0.59%
The Boeing Company	9	1,328	0.56%	4	4,203	1.73%
Molina Healthcare Inc	10	591	0.25%	9	861	0.35%

Sources: (1) Department of Financial Management Accounting and Business License
(2) State of California Employment Development Department Labor Market Info for 2014 and 2023.

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 UTILITIES DEPARTMENT
NUMBER OF EMPLOYEES BY FUND
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Gas Fund		Water Fund		Sewer Fund		Total
9/30/2014	201	(1)	170	(2)	49	(2)	420
9/30/2015	198	(1)	172	(2)	47	(2)	417
9/30/2016	201	(1)	180	(2)	44	(2)	425
9/30/2017	209	(1)	183	(2)	47	(2)	439
9/30/2018	199	(1)	207	(2)	47	(2)	453
9/30/2019	183	(1)	214	(2)	56	(2)	453
9/30/2020	183	(1)	212	(2)	49	(2)	444
9/30/2021	191	(1)	220	(2)	44	(2)	455
9/30/2022	189	(1)	220	(2)	44	(2)	453
9/30/2023	194		222		44		460

Notes: (1) Amounts presented in the City of Long Beach Annual Comprehensive Financial Reports (ACFR).
(2) Amounts presented in the Long Beach Water Department Annual Comprehensive Financial Reports (ACFR).

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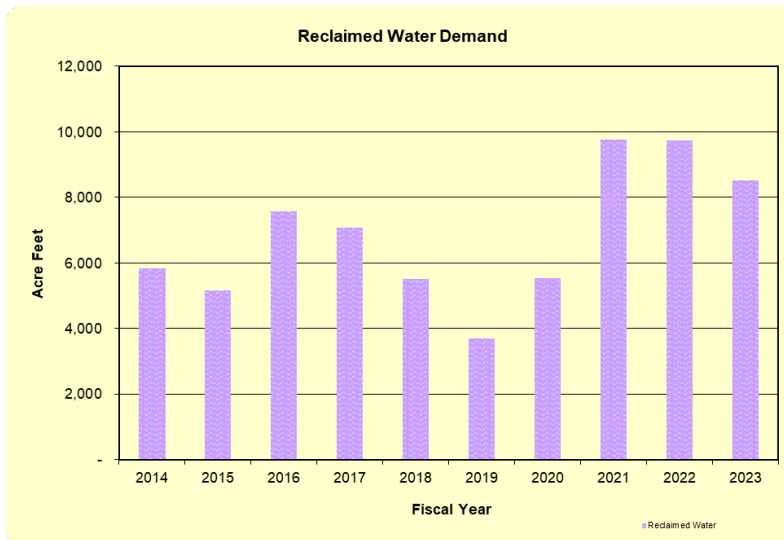
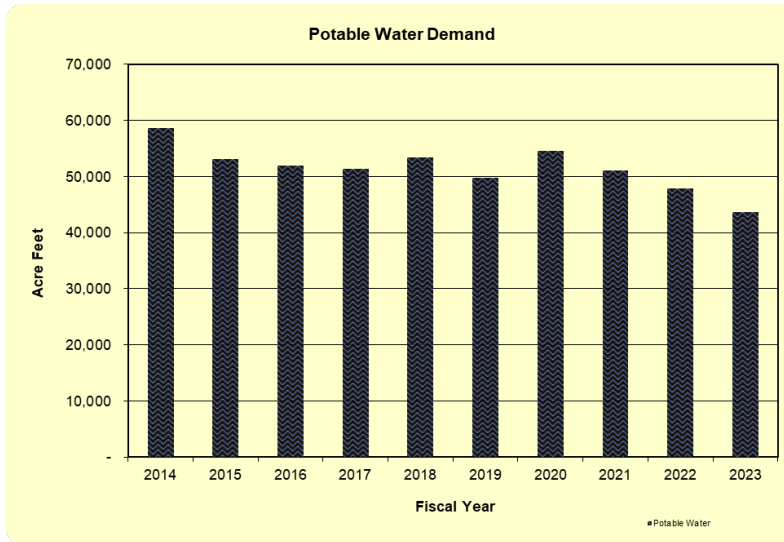
LONG BEACH UTILITIES DEPARTMENT
WATER DEMAND - LAST TEN FISCAL YEARS
(in acre feet)

Fiscal Year Ended	Potable Water		Total Potable Demand	Reclaimed Water	Total Demand
	Pumped	Purchased			
9/30/2014	28,024	30,660	58,684	5,824	64,508
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
9/30/2021	29,669	21,441	51,110	9,749	60,859
9/30/2022	23,052	24,849	47,901	9,740	57,641
9/30/2023	23,933	19,709	43,642	8,510	52,152

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 36

**LONG BEACH UTILITIES 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>
1/1/2014	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
1/1/2021	1,104	2.4
1/1/2022	1,143	3.5
1/1/2023	1,209	5.8

Source: Metropolitan Water District of Southern California

See accompanying independent auditors' report

(Unaudited)

Exhibit 37

**LONG BEACH UTILITIES 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>
7/1/2014	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
7/1/2021	394.00	3.1
7/1/2022	411.00	4.3
7/1/2023	423.00	2.9

Source: Water Replenishment District of Southern California (WRD)

See accompanying independent auditors' report

(Unaudited)

Exhibit 38

**LONG BEACH UTILITIES DEPARTMENT
OPERATING AND CAPITAL ASSETS STATISTICS - GAS FUND
LAST TEN FISCAL YEARS**

Fiscal Year Ended	Miles of gas mains
9/30/2014	928
9/30/2015	929
9/30/2016	929
9/30/2017	931
9/30/2018	916
9/30/2019	917
9/30/2020	917
9/30/2021	917
9/30/2022	917
9/30/2023	917

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 39

**LONG BEACH UTILITIES 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
9/30/2014	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
9/30/2021	24	917	90,126	7,054	11,709	63,758	35
9/30/2022	21	917	89,705	7,070	11,818	62,090	35
9/30/2023	24	916	89,487	7,080	11,666	61,394	35

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 40

LONG BEACH UTILITIES 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
9/30/2014	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
9/30/2021	28	715	15,132
9/30/2022	26	714	15,143
9/30/2023	28	714	15,142

Source: Department's records

See accompanying independent auditors' report

(Unaudited)

Exhibit 41

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

Fiscal Year Ended	Gas Mains Installed/ Replaced (in feet)	Gas Meters Installed/ Removed/ Replaced	Cast Iron Water Mains Replaced (in feet)	Fire Hydrants Repaired	Water Meters Repaired ⁽²⁾	Sewer Mains & Laterals Repaired ⁽¹⁾	Sewer Mains Cleaned (in miles)	Sewer Manholes Chemically Treated
9/30/2014	110,900	3,529	19,475	208	1,835	213	498	5,000
9/30/2015	40,589	4,440	16,366	544	760	224	492	5,000
9/30/2016	22,556	29,873	20,427	259	2,037	215	405	7,719
9/30/2017	40,737	34,465	20,360	156	2,939	169	446	7,734
9/30/2018	17,327	2,944	22,198	492	2,196	157	439	8,100
9/30/2019	32,032	1,279	9,216	161	3,096	164	477	8,100
9/30/2020	22,279	1,983	5,802	182	4,181	237	360	8,100
9/30/2021	24,500	1,459	5,340	95	3,919	270	294	4,358
9/30/2022	30,100	2,698	11,392	76	3,478	191	343	7,630
9/30/2023	22,000	861	6,273	307	398	141	295	5,364

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

(2) Data from 2018 to 2020 updated.

Source: Department's records

See accompanying independent auditors' report