

# Continued Review of FY 26 Proposed Budgets, Projections, Reserves, and Rates

June 17, 2025

# FY 26 Budget Workshops

- May 1** – Review FY 26 Gas, Water, and Sewer Fund Proposed Budgets, Projections, and Reserves
- May 15** – Review FY 26 Gas, Water, and Sewer Fund Proposed Budgets, Projections, Reserves, and Rates
- June 17** – Continued Review of FY 26 Proposed Budgets, Projections, Reserves, and Rates

Board Adoption FY 26 Budget and Rates

# Utility Industry Highlights

- Competitive wage increases to strengthen recruitment and retention
- Continued investment in critical infrastructure to ensure safe, reliable, and cost competitive delivery of services
- Actions taken to address inflationary pressures and effects of climate initiatives

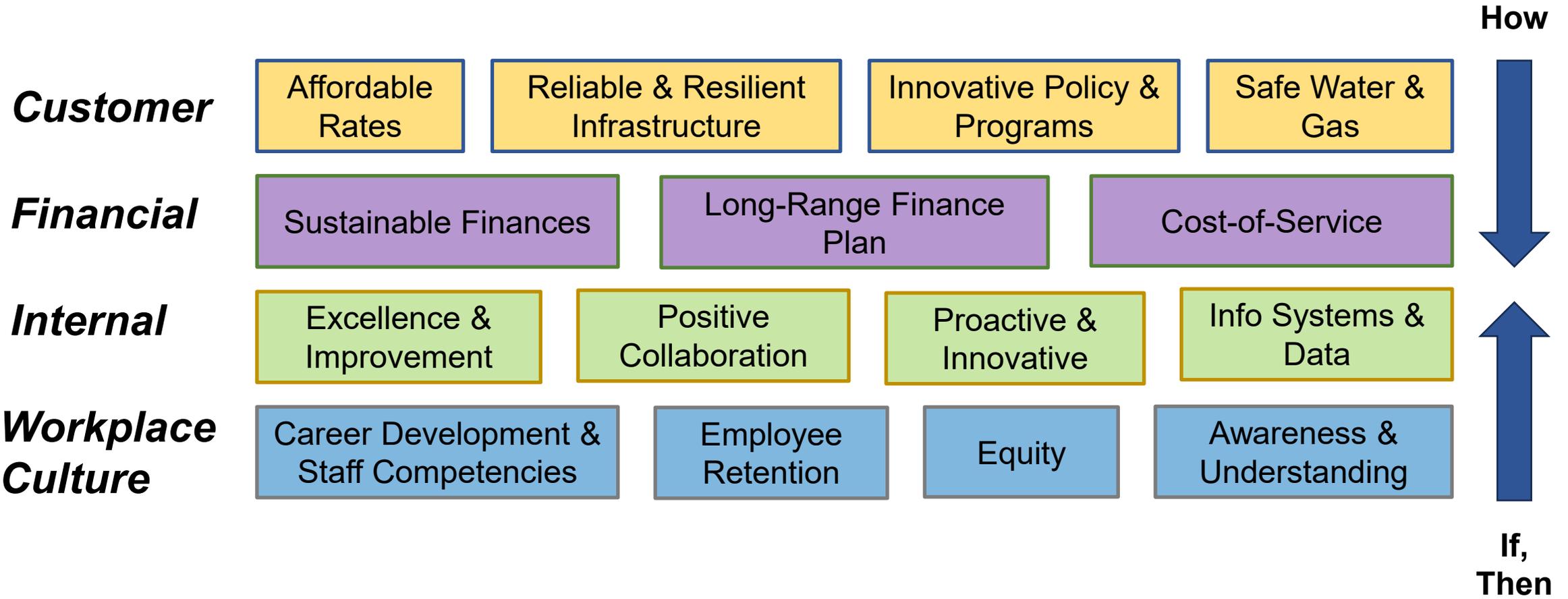


# Known Financial Challenges and Potential Cost Drivers

- Conservation and demand reduction
- Metropolitan Water District (MWD) and SoCal Gas (SCG) increases
- Additional CIP expenditures
  - Higher CIP to maintain current system (Refurbishment & Replacement)
  - Meter Replacement projects
- Funding Zero Emission Vehicles (ZEV)



# Aligning Budget to Business Plan



# Balancing Budget & Affordable Rates



# Cost Reductions

## Gas Fund Budget, FY 25 vs. FY 26

Gas Fund	Total
Gas Commodity	(8,981,135)
Technical Services	(964,099)
Gas Engineering CIP	(500,000)
Heating and AC Contracts	(150,000)
Promotional Materials & Supplies	(48,425)
Pipes Valves Fitting (non Fixed Assets)	(45,000)
Sampling and Lab Testing	(25,000)
Training/Seminars	(23,675)
Legislative Advocates/Consult	(15,000)
<b>FY 26 Cost Reductions</b>	<b>(10,752,333)</b>



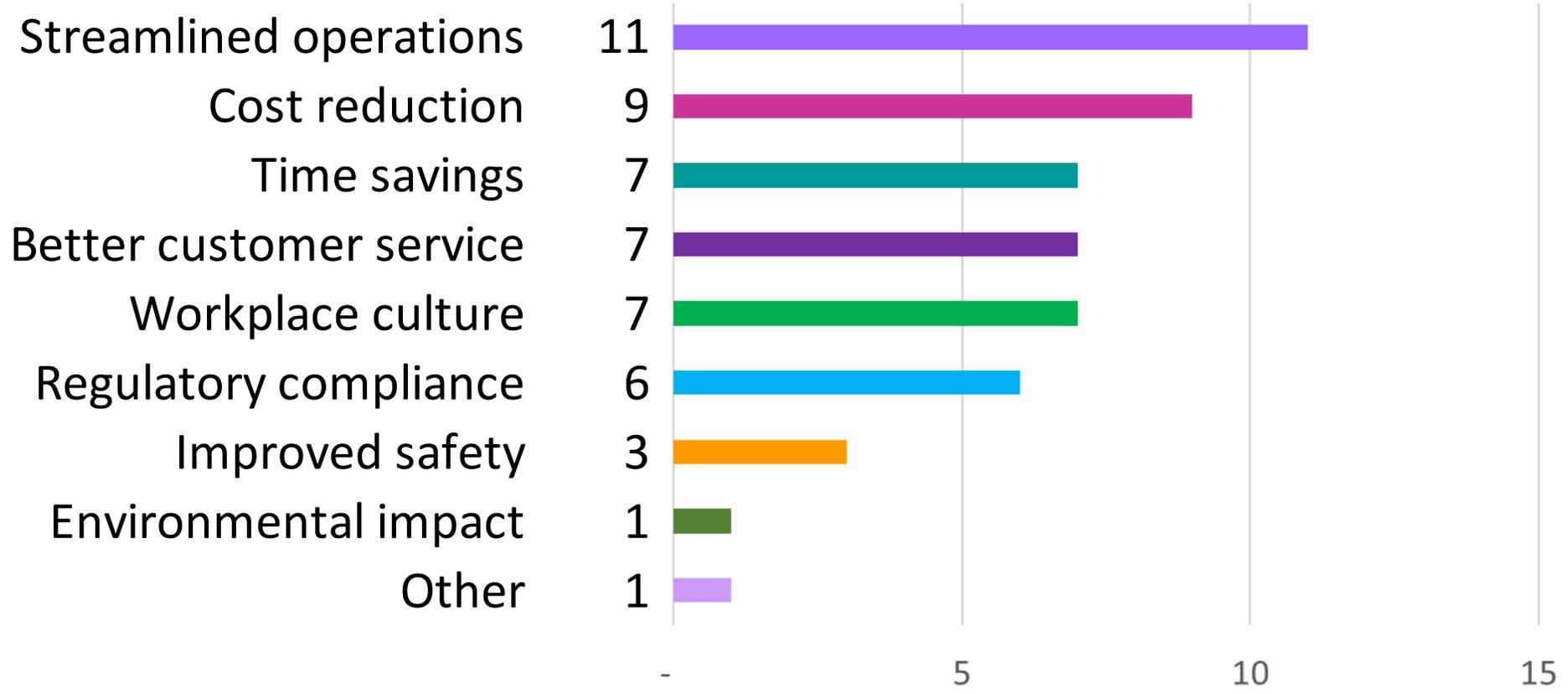
# Cost Reductions

## Water Fund & Sewer Fund Budgets, FY 25 vs. FY 26

Water Fund	Total	Sewer Fund	Total
Water Purchases	(2,481,255)	Other Contractual Services	(144,000)
Other Contractual Services	(276,500)	Small Tools and Equipment	(115,000)
Software Maintenance	(205,250)	Safety Equipment / Supplies	(47,000)
Automotive Machinery and Equipment	(190,369)	Gas/Water Meter Regulator Parts	(30,000)
Promotional Materials & Supplies	(154,000)	Janitorial Supplies	(22,000)
Laboratory Equipment	(100,000)	Machinery and Equipment Parts	(20,000)
Security System Repair & Maintenance	(80,000)	<b>FY 26 Cost Reductions</b>	<b>(378,000)</b>
Telephone-Communications	(75,000)		
Technical Services	(32,400)		
Travel Expense	(12,500)		
<b>FY 26 Cost Reductions</b>	<b>(3,607,274)</b>		



# Efficiency Improvements



# Debt Management

- Debt financing is the borrowing of money to pay for big projects – like CIP, infrastructure improvements, asset replacements – and repayment over time with interest
- Benefits include covering large upfront costs by spreading out over time, so today's ratepayers don't carry the full burden and future ratepayers who benefit from the project also help pay for it

Debt financing helps invest in the Utilities' critical infrastructure without needing cash up front while balancing equity across generations.



# Increase Revenue

- Financial ability to absorb unforeseen events, demand fluctuation, inflationary pressures, and regulatory impacts
- Sustainability to support future ongoing needs, both known and unknown, which ensures credibility with rating agencies and optimizes borrowing capabilities

Long Beach Utilities has used reserves to keep rate increases as low as possible and maintain operations in the current fiscal year. A co-equal goal for increasing rate revenue is the sustainability of reserves consistent with the Board's reserve policy.



# Staff Recommendation

## Option 1

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
<b>Gas</b>	<b>15%/12%</b>	<b>12%/12%</b>	<b>25%</b>
<b>Water</b>	<b>12%</b>	<b>10%</b>	<b>8%</b>
<b>Sewer</b>	<b>12%</b>	<b>15%</b>	<b>10%</b>

*\*The two-step Gas rate increase would go into effect August FY 25 and April FY 26 while all others would be effective October 1<sup>st</sup> FY 26*

# Staff Recommendation

## Option 1

### **Gas: Additional 15% rate increase in August 2025, and 12% rate increase in April 2026**

This rate option would add an additional 15% rate increase effective August 1, 2025, and a 12% rate increase effective April 1, 2026. The 15% rate increase in August 2025 would generate revenues earlier and limit the draws from unrestricted reserves resulting from low gas transactions.

### **Water and Sewer: 12% rate increase in October 2025**

This rate option would increase rates effective October 1, 2025.

# Gas Fund

# FY 26 Gas Fund Proposed Budget (\$000s)

With an Aug 2025 15% increase and April 2026 12% Increase

	<b>FY25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Prop</b>
<b>Total Expenditures</b>	<b>164,747</b>	<b>153,591</b>	<b>159,488</b>
<b>Total Revenue</b>	<b>157,184</b>	<b>140,612</b>	<b>161,142</b>
<b>Fund Balance Gain/(Loss)</b>	<b>(7,562)</b>	<b>(12,979)</b>	<b>1,654</b>

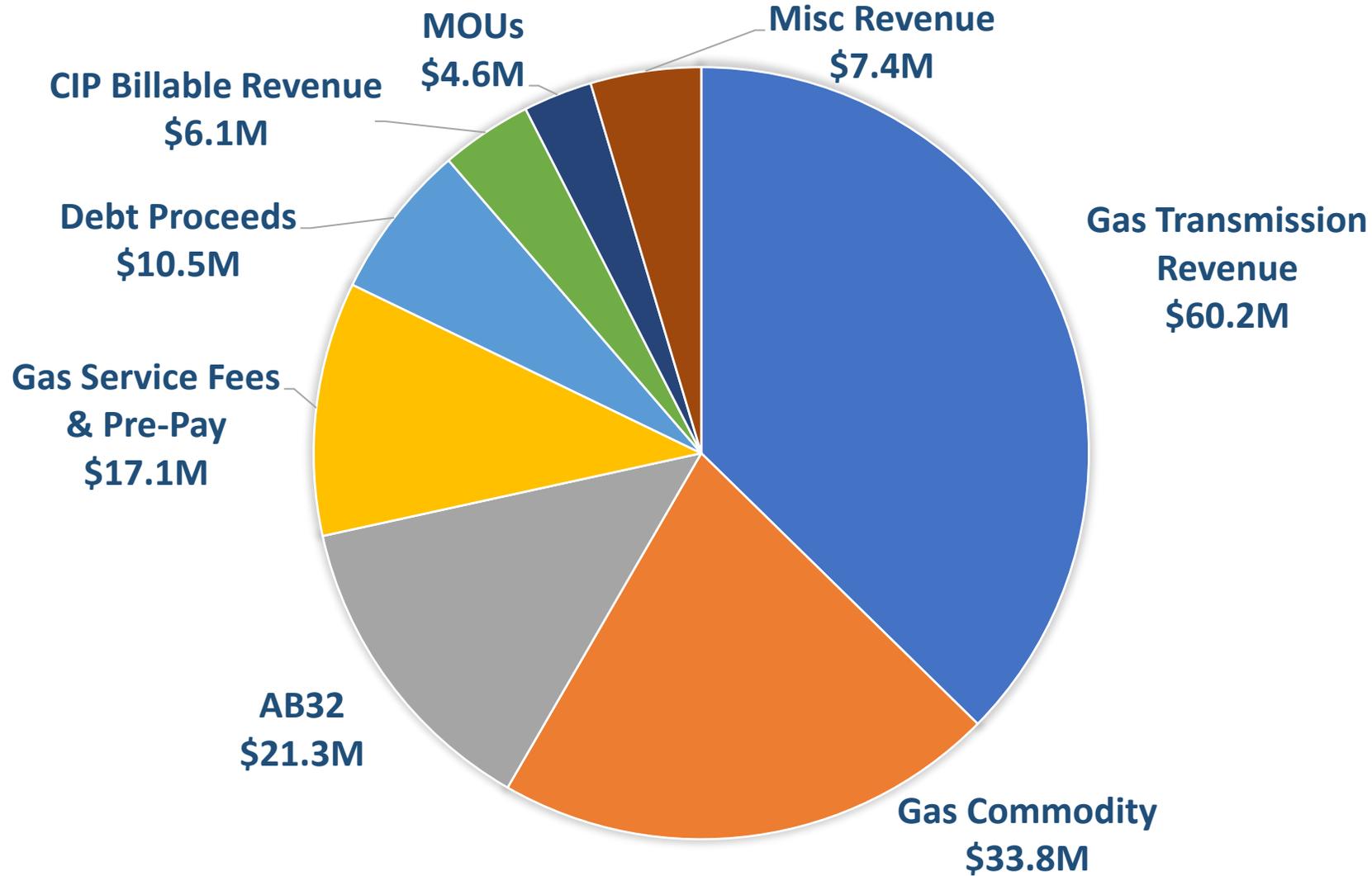
# FY 26 Gas Proposed Revenue (\$000s)

With an Aug 2025 15% increase and April 2026 12% Increase

	<b>FY25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Prop</b>
Gas Transmission Rev	57,007	52,328	60,208
Gas Commodity	44,453	33,715	33,782
Gas Service Fees & Pre-Pay	18,144	17,280	17,123
CIP Billable Revenue	6,100	9,999	6,144
AB32	24,556	20,365	21,322
MOUs	4,458	4,458	4,636
Debt Proceeds			10,500
Misc Revenue	2,468	2,468	7,427
<b>Total Revenue</b>	<b>157,184</b>	<b>140,612</b>	<b>161,142</b>

# FY 26 Gas Proposed Revenue (\$000s)

With an Aug 2025 15% increase and April 2026 12% Increase



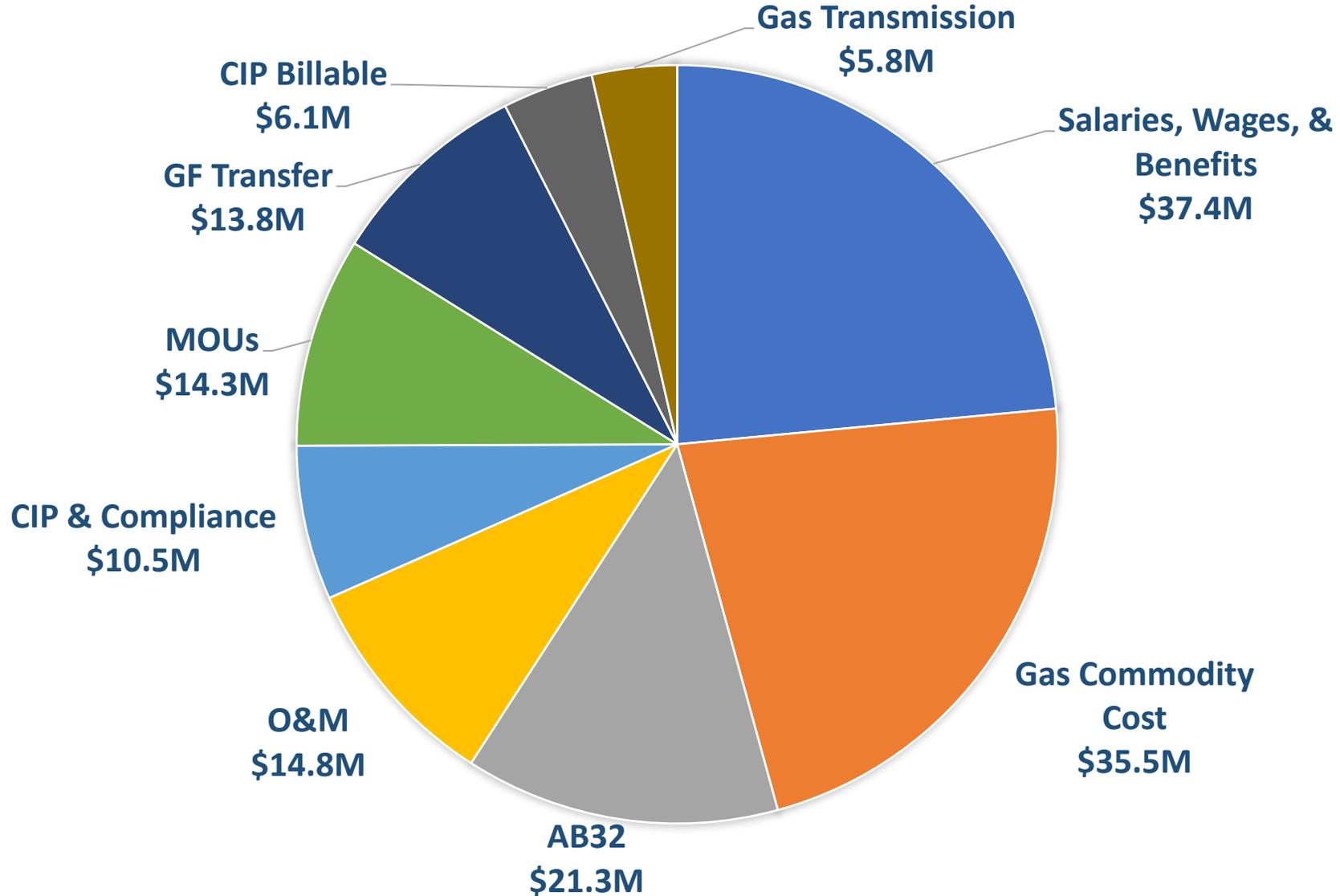
# FY 26 Gas Proposed Expenditures (\$000s)

With an Aug 2025 15% increase and April 2026 12% Increase

	<b>FY 25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Prop</b>
Gas Commodity Cost	44,453	35,401	35,472
Gas Transmission	3,500	6,070	5,756
Salaries, Wages, & Benefits	35,334	33,334	37,478
O&M	10,563	10,563	14,754
CIP & Compliance	12,975	10,735	10,500
CIP Billable	6,100	9,759	6,144
AB32	24,556	19,665	21,322
MOUs	14,266	14,266	14,266
GF Transfer	13,000	13,798	13,798
<b>Total Expenditures</b>	<b>164,747</b>	<b>153,591</b>	<b>159,488</b>

# FY 26 Gas Proposed Expenditures (\$000s)

With an Aug 2025 15% increase and April 2026 12% Increase



# Proposed FY 26 Gas Rates

With an Aug 2025 15% increase and April 2026 12% Increase

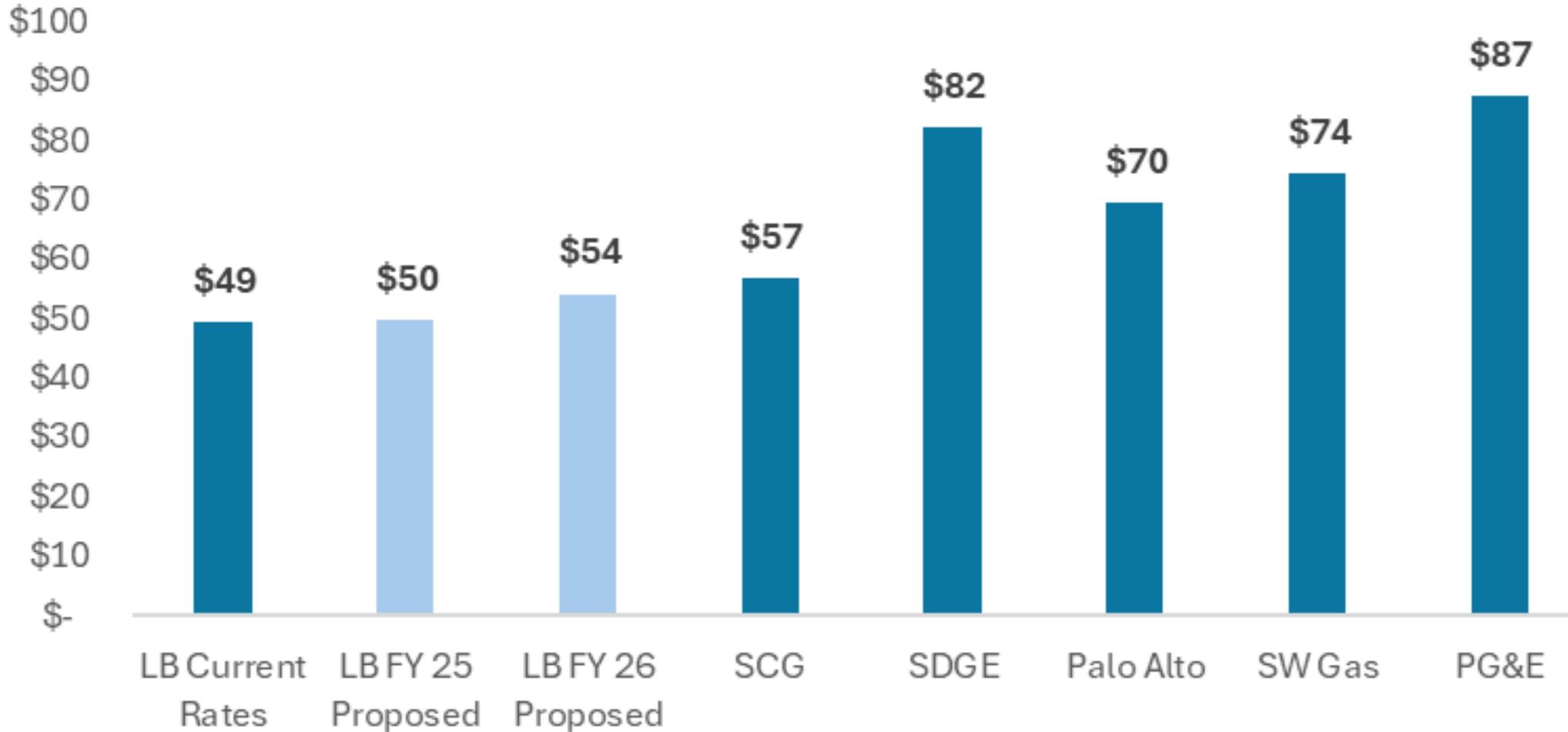
Rate Schedule	Current LB Rates	August 2025	April 2026
<b>Schedule 1 (Residential)</b>			
Baseline	\$ 0.7519	\$ 0.8647	\$ 0.9685
Non-Baseline	\$ 1.1785	\$ 1.3553	\$ 1.5179
<b>Schedule 2 (Small Com and Ind)</b>			
Tier I	\$ 0.9505	\$ 1.0931	\$ 1.2243
Tier II	\$ 0.4851	\$ 0.5579	\$ 0.6248
Tier III	\$ 0.1731	\$ 0.1991	\$ 0.2230
<b>Schedule 3 (Com and Ind)</b>			
Tier I	\$ 0.9505	\$ 1.0931	\$ 1.2243
Tier II	\$ 0.4851	\$ 0.5579	\$ 0.6248
Tier III	\$ 0.1731	\$ 0.1991	\$ 0.2230

# Option #1 Aug 2025: 15% Increase Apr 2026: 12% Increase

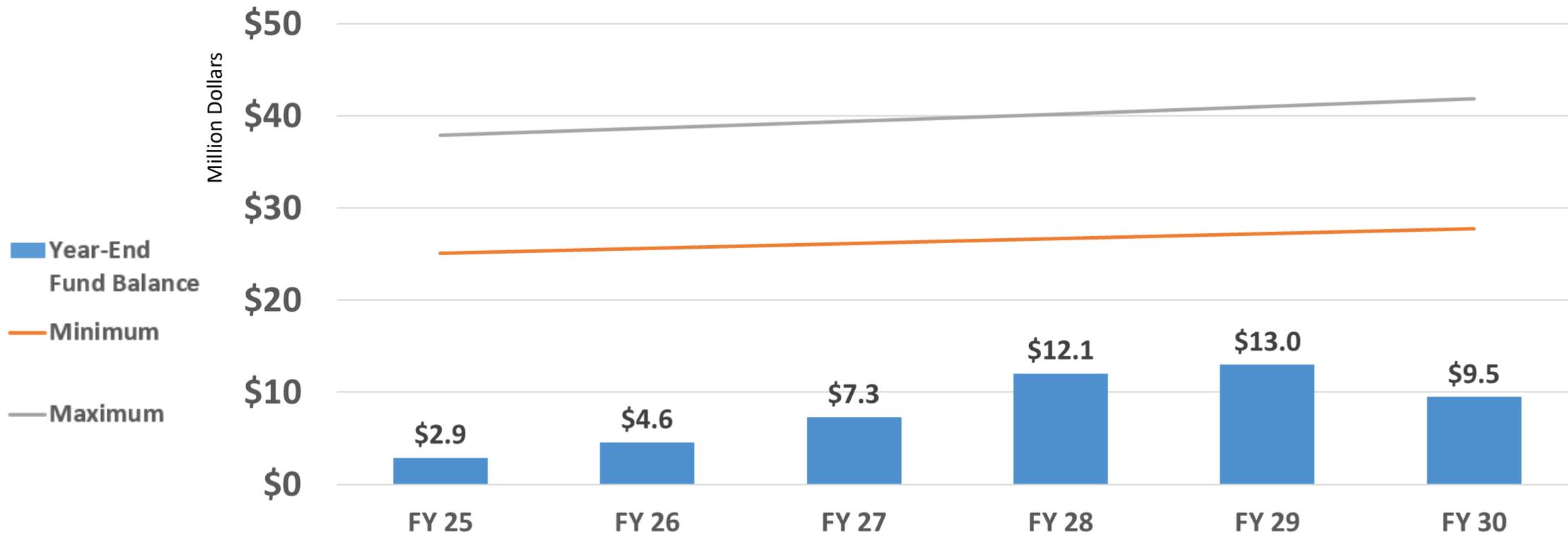


# Residential Bill Comparison

With an Aug 2025 15% increase and April 2026 12% Increase



# 5-Year Gas Fund Balance Option #1



Rev. Inc.	\$0.7	\$7.9	\$3.6	\$3.8	\$4.0	\$4.3
CIP, \$M		10.5	11.4	11.8	12.4	12.9
PAYGO					6.1	12.9

# 2007 Gas Prepay

## Accounting & Budget Appropriation Process

The Gas Debt Fund is not part of operating income, but the Utilities Department is responsible for recording any activity related to the gas prepay transaction, with oversight by the City Controller's Office.

Debt Activity, gas sales, and operating costs are booked in the Gas Debt Fund.

Moving forward, for transparency, the process to budget for the prepay appropriations will be assumed by the Long Beach Utilities Department.

# Gas Fund Proposed Budget (\$000s)

## Option 1 with Prepay Appropriation

	<b>FY 26</b>		<b>Total</b>
	<b>Prop</b>	<b>Prepay</b>	<b>FY 26</b>
<b>Total Expenditures</b>	<b>159,488</b>	<b>13,662</b>	<b>173,150</b>
<b>Total Revenue</b>	<b>161,142</b>	<b>13,662</b>	<b>174,804</b>
<b>Fund Balance Gain/(Loss)</b>	<b>1,654</b>	<b>-</b>	<b>1,654</b>

# Water Fund

# FY 26 Water Fund Proposed Budget (\$000s)

With a 12% Increase

	<b>FY 25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Prop</b>
<b>Total Expenditures</b>	<b>179,775</b>	<b>161,018</b>	<b>187,502</b>
<b>Total Revenues</b>	<b>189,832</b>	<b>176,188</b>	<b>193,740</b>
<b>Fund Balance Gain/(Loss)</b>	<b>10,057</b>	<b>15,170</b>	<b>6,238</b>

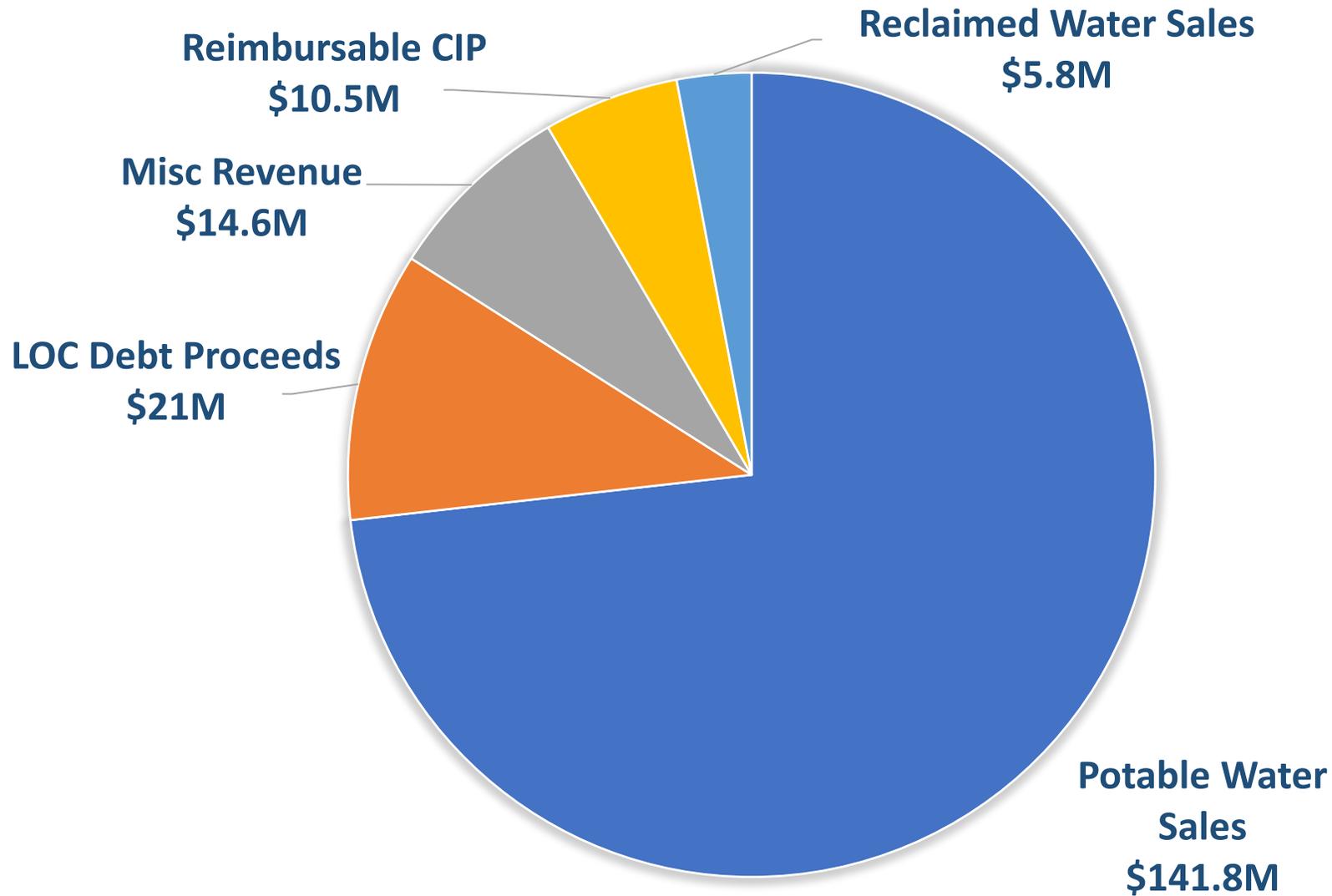
# FY 26 Water Proposed Revenue (\$000s)

With a 12% Increase

	<b>FY 25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Prop</b>
Potable Water Sales	126,681	126,621	141,816
Reclaimed Water Sales	5,151	5,151	5,769
Misc Revenue	13,935	11,350	14,632
LOC Debt Proceeds	34,500	29,500	21,000
Reimb CIP	9,565	3,566	10,523
<b>Total Revenues</b>	<b>189,832</b>	<b>176,188</b>	<b>193,740</b>

# FY 26 Water Proposed Revenue (\$000s)

With a 12% Increase

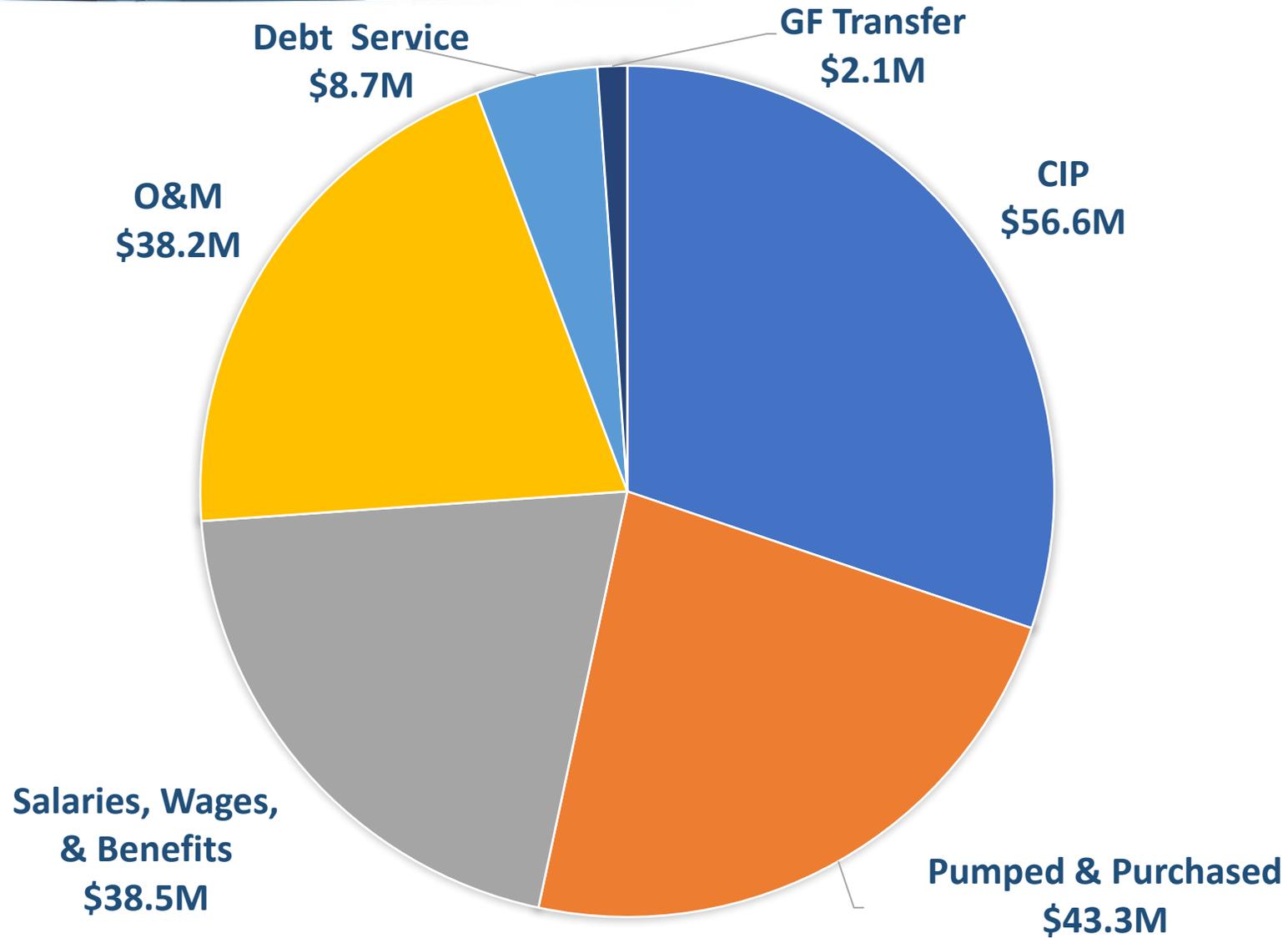


# FY 26 Water Proposed Expenditures (\$000s)

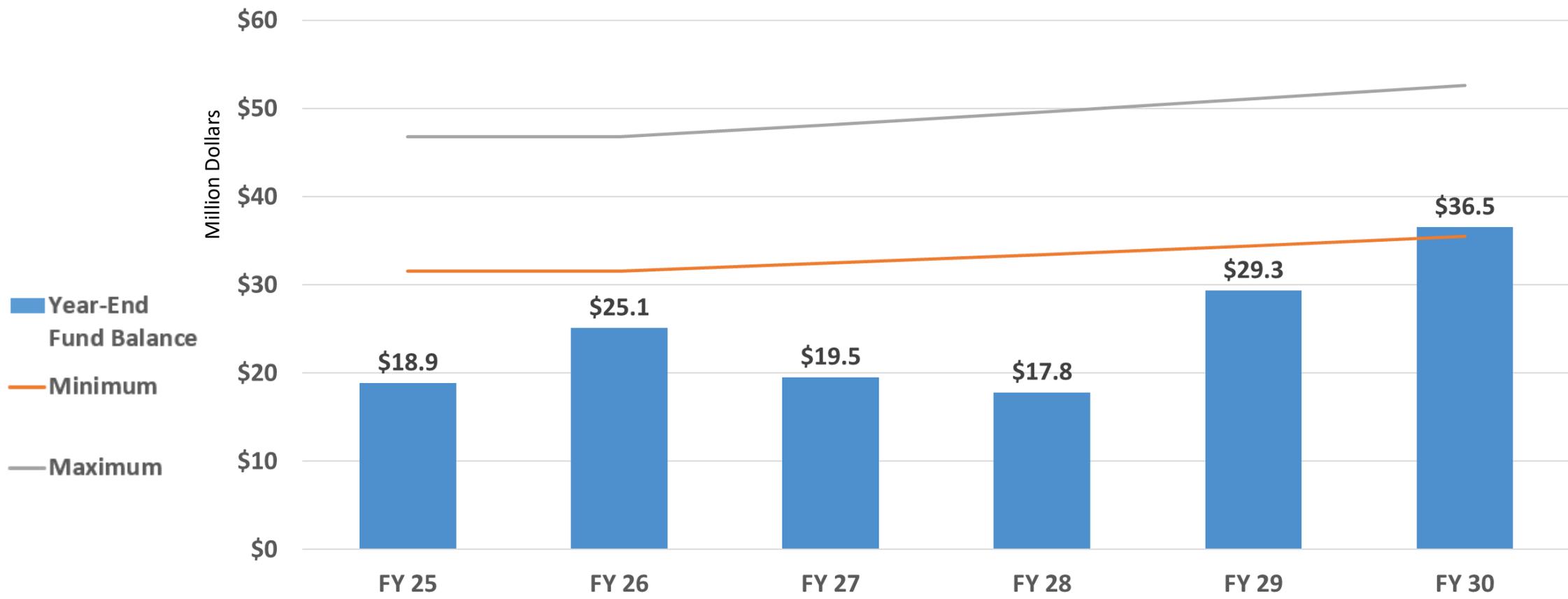
	<b>FY 25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Bud</b>
Salaries, Wages, & Benefits	36,499	34,461	38,531
CIP	50,000	38,484	56,642
O&M	37,385	35,951	38,213
Pumped & Purchased	45,918	42,149	43,366
Debt Service	7,873	7,873	8,650
GF Transfer	2,100	2,100	2,100
<b>Total Expenditures</b>	<b>179,775</b>	<b>161,018</b>	<b>187,502</b>

*\*GF Transfer from 2017 Nexus Study  
for right-of-way maintenance expenses*

# FY 26 Water Proposed Expenditures (\$000s)



# 5-Year Water Fund Balance Option #1



Rate Inc.	12%	6%	6%	4%	4%
CIP, \$M	56.7	49.1	42.1	31.3	39.3
PAYGO	35.7	40.1	42.1	31.3	39.3

# Sewer Fund

# FY 26 Sewer Fund Proposed Budget (\$000s)

With a 12% Increase

	<b>FY 25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Prop</b>
<b>Total Expenditures</b>	<b>32,558</b>	<b>25,180</b>	<b>36,715</b>
<b>Total Revenues</b>	<b>26,050</b>	<b>22,310</b>	<b>34,812</b>
<b>Fund Balance Gain/(Loss)</b>	<b>(6,508)</b>	<b>(2,870)</b>	<b>(1,903)</b>

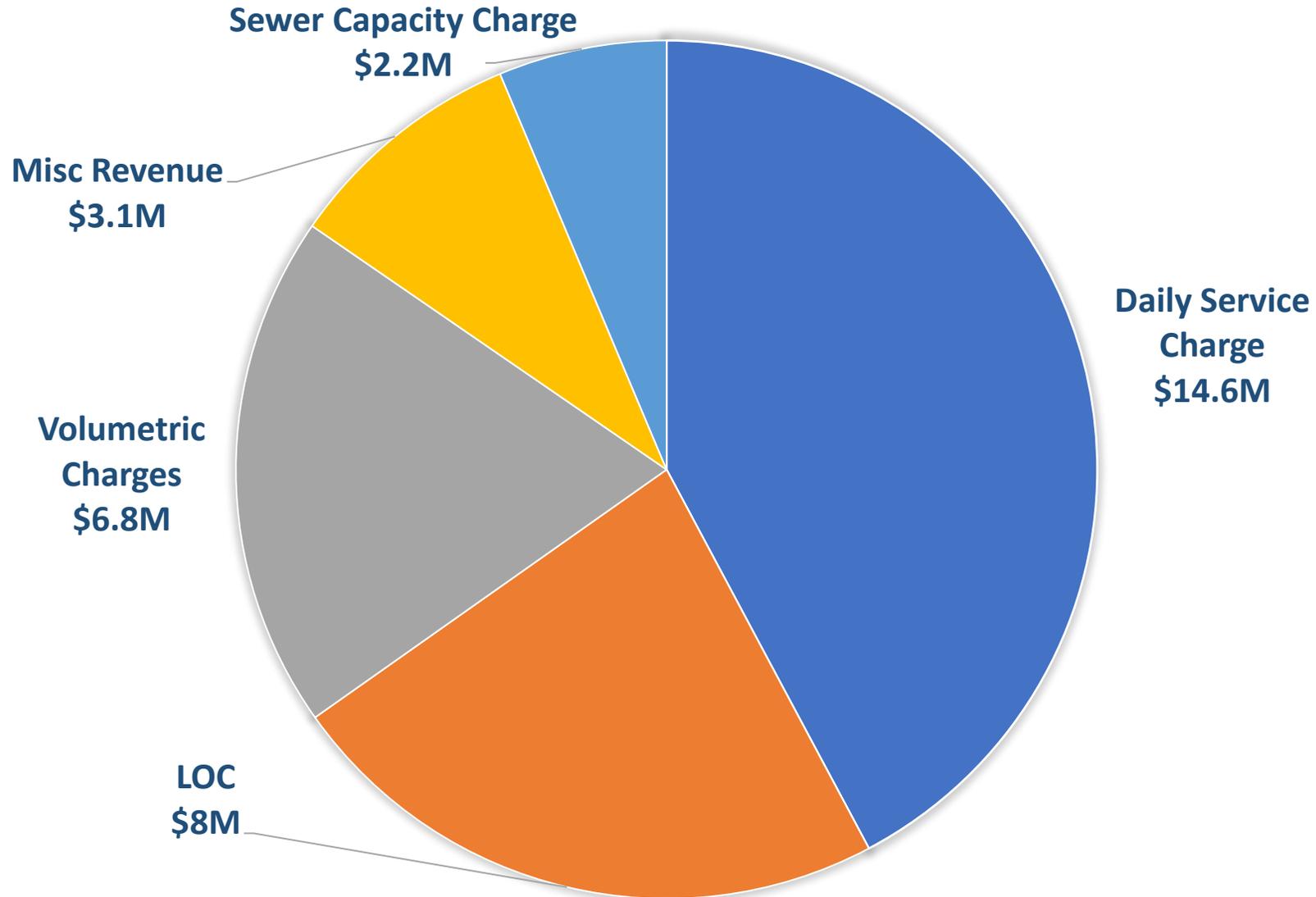
# FY 26 Sewer Proposed Revenue (\$000s)

With a 12% Increase

	<b>FY 25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Prop</b>
Daily Service Charge	13,372	13,123	14,697
Volumetric Charges	6,121	6,035	6,758
Sewer Capacity Charge	2,200	2,200	2,200
LOC			8,000
Misc Revenue	4,357	952	3,157
<b>Total Revenues</b>	<b>26,050</b>	<b>22,310</b>	<b>34,812</b>

# FY 26 Sewer Proposed Revenue (\$000s)

With a 12% Increase

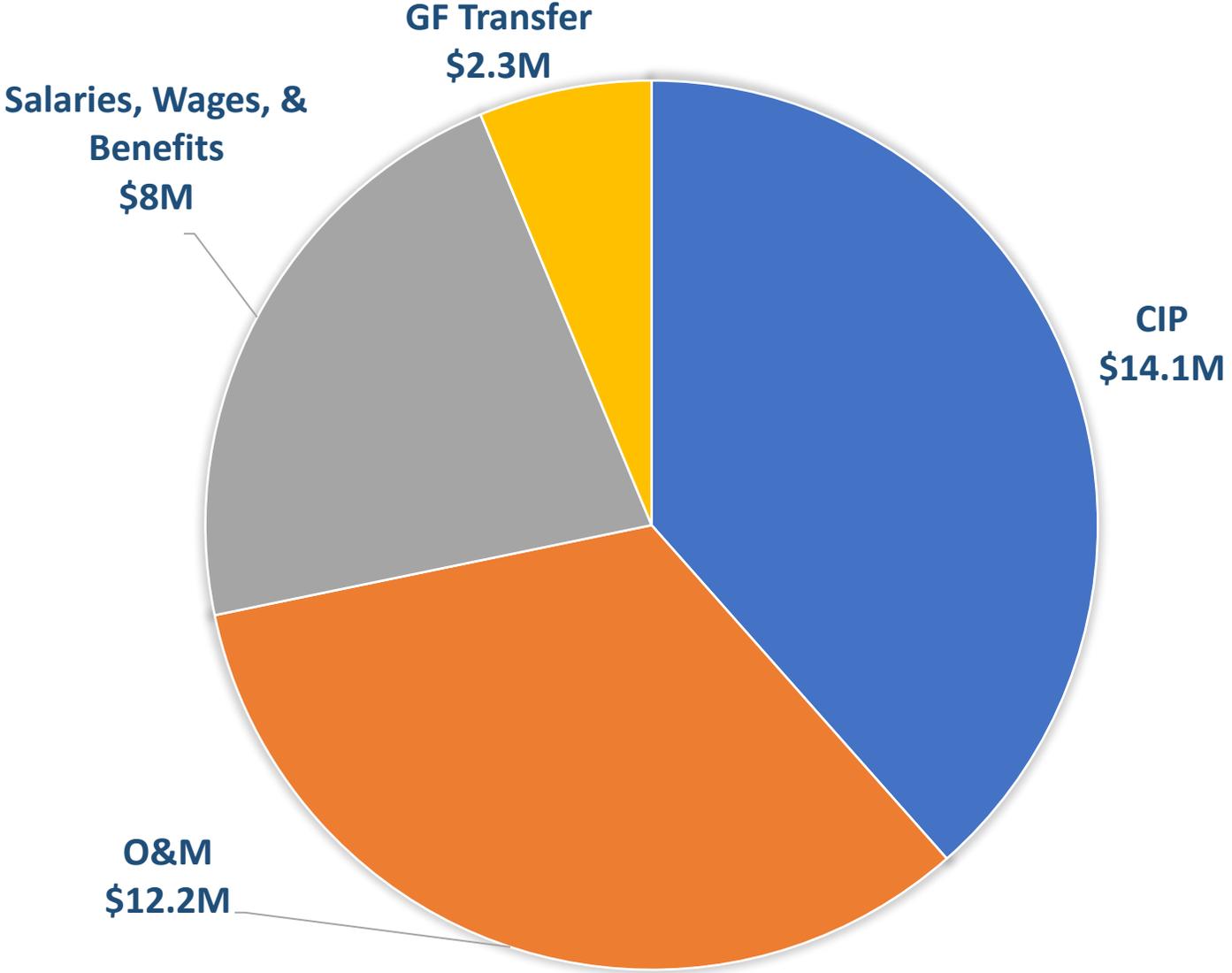


# FY 26 Sewer Proposed Expenditures (\$000s)

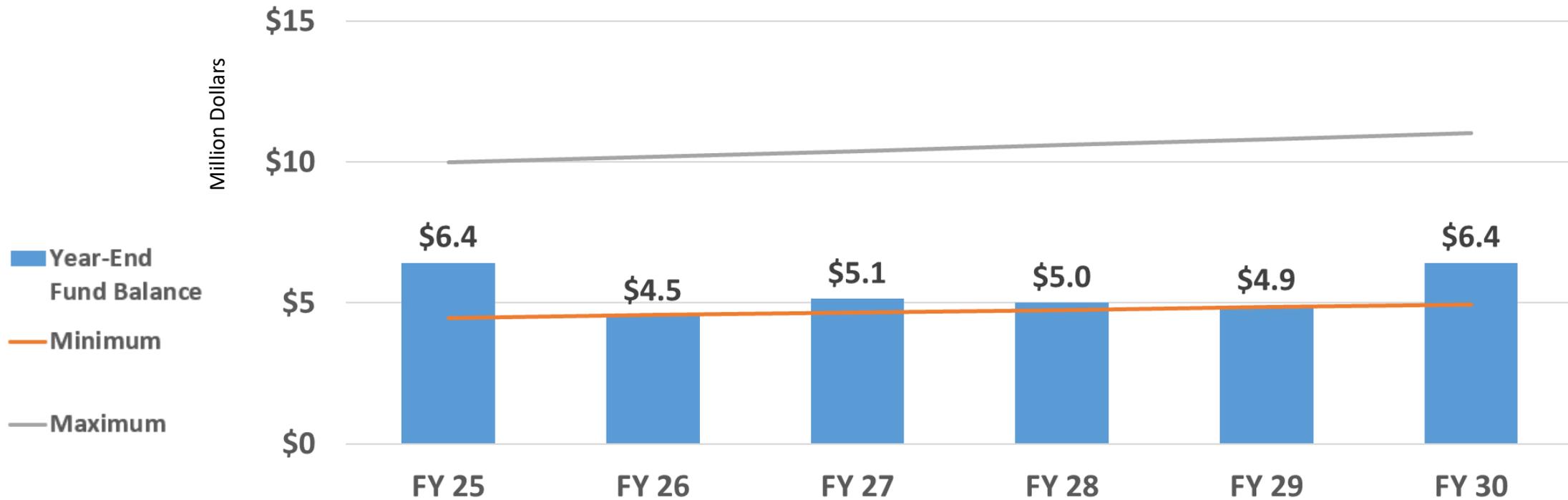
	<b>FY 25 Bud</b>	<b>FY 25 ETC</b>	<b>FY 26 Bud</b>
Salaries, Wages, & Benefits	7,649	7,300	8,071
O&M	10,304	9,824	12,210
CIP	12,444	5,895	14,134
GF Transfer	2,161	2,161	2,300
<b>Total Expenditures</b>	<b>32,558</b>	<b>25,180</b>	<b>36,715</b>

*\*GF Transfer from 2017 Nexus Study  
for right-of-way maintenance expenses*

# FY 26 Sewer Proposed Expenditures (\$000s)

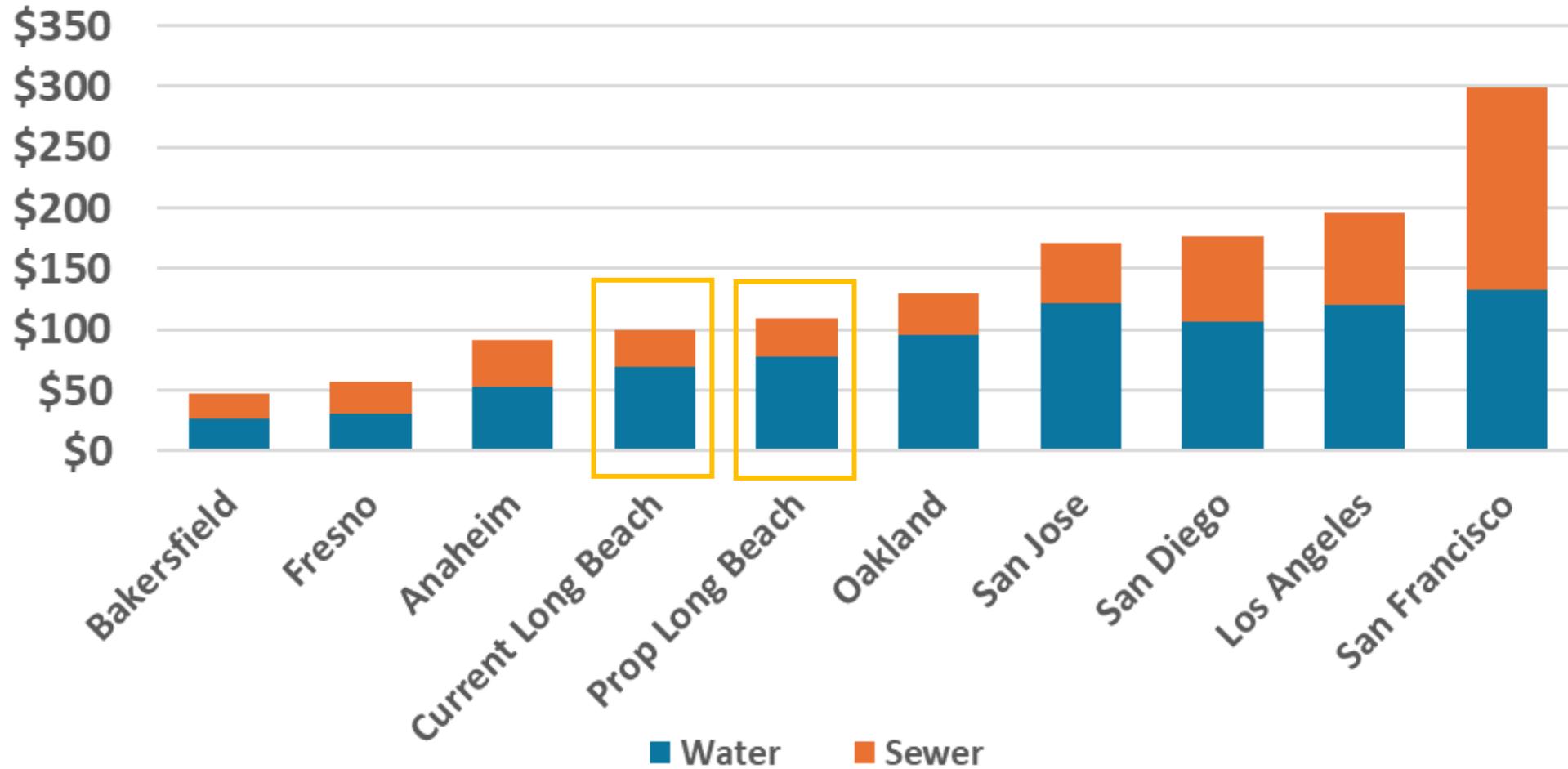


# 5-Year Sewer Fund Balance Option #1



Rate Inc.	12%	11%	10%	10%	6%
CIP, \$M	14.1	30	10.6	6.1	6.1
PAYGO	6.1	14.5	6.6	6.1	6.1

# Residential Bill Comparison



# Utility Assistance Programs & Resources

## Utility Assistance Programs

Income-qualified residential customers struggling to pay utility costs can apply for several Long Beach Utilities assistance programs. More at [lbwater.org/billhelp](http://lbwater.org/billhelp).

*Do you need help paying an outstanding balance on your account?*

*We can help with a flexible payment plan.*

*Questions? Call us at (562) 570-5700*



### Household water Assistance Program

One-time assistance to manage water utility costs.



### Gas Discount Program

A 20 percent discount on a monthly natural gas bill.



### Senior or Disability Discount Program

Exemption from paying the city's 5 percent utility users tax, or UUT.



### Home Energy Assistance Program

Annual assistance to help pay winter natural gas and electric bills.



### Medical Heating Allowance Program

Natural gas cost savings for those suffering from serious medical conditions.



### Leak Repair Program for Income Eligible Homeowners

No-cost water leak repairs through Rebuilding Together Long Beach. Call (562) 490-3802 or [RebuildingTogetherLongBeach.org](http://RebuildingTogetherLongBeach.org) to fill out an application.



Para obtener más información, escanee aquí  
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## Additional Resources:

- Flexible Payment Plan
- Conservation Programs
- Customer Portal Bill Budgeting Tool

*– Coming soon!*



# FY 26 Budget Approval Process

- June 17** - Board Adoption of FY 26 Budget and Rates
- July** - City Council Adoption of Gas Rates
- July - August** - Budget Briefings with Mayor and City Council
- August** - Gas Rate Increase Effective  
Water and Sewer Prop 218 Hearing
- September** - City Council Adoption of FY 26 Budget and Water and Sewer Rates
- October** - FY 26 Budget and Water and Sewer Rates Effective

# Staff Recommendation

## Rate Resolutions

### **Agenda Item #4:**

Adopt Resolution UT-1536, a Resolution of the City of Long Beach Board of Utilities Commissioners fixing rates and charges for the gas services to all customers, subject to the approval of the City Council by Ordinance.

### **Agenda Item #5:**

Adopt Resolution UT-1537, a Resolution of the City of Long Beach Board of Utilities Commissioners fixing rates and charges for water and sewer services to all customers, subject to the approval of the City Council by Ordinance, and subject to a public protest hearing as provided for in the California Constitution Article XIII.



# Staff Recommendation

## Budget Resolution

### **Agenda Item #6:**

Adopt Resolution UT-1538 adopting the annual budget for the Long Beach Public Utilities Department for the fiscal year 2025-2026 and authorize staff to transmit the Resolution and the budget to the City Manager, Mayor, and City Council.





LONG BEACH  
**Utilities**  
Water · Gas · Sewer