

LONG BEACH GAS & OIL

To safely provide price competitive natural gas services to residents and businesses, provide refuse disposal for electric power generation and manage the City and State's onshore and offshore production of oil and natural gas.

Chapter Overview

This budget chapter reflects key elements of the Long Beach Gas & Oil Department's Strategic Business Plan, which was developed as part of the City's commitment to performance management.

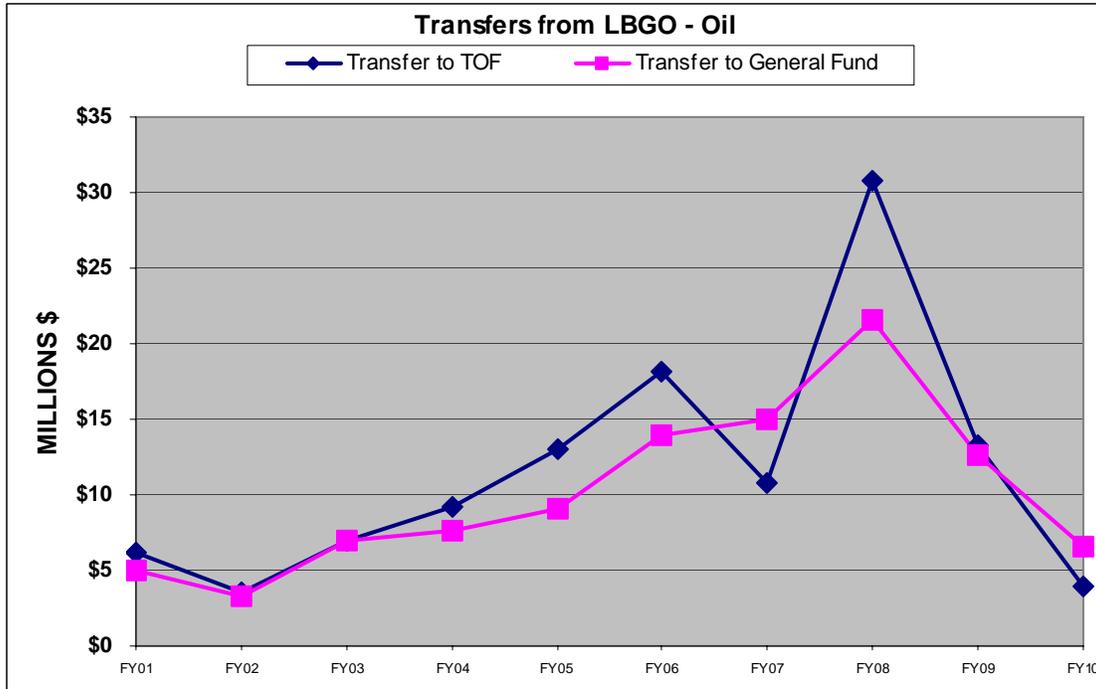
As part of this strategic planning process, the Department identified, with input from community stakeholders and employees, significant issues to be addressed over the next two to five years. Strategic objectives have also been developed as part of this effort to help guide the Department to focus on these issues. The Gas & Oil Department has also developed its program structure and performance measures, including outcome, efficiency, demand, and output measures, which serve as the basis for the City's performance-based program budget and add clarity to the City's budget by aligning department program information (purpose statement and listing of services), budget allocations, and performance information, all at the program level.

Please note that while the Department has completed its Strategic Business Plan, a number of the key performance measures may be new to the Department and will take time to fully develop and collect the performance information. Therefore, some performance measures are presented at this time without the corresponding performance information. As the Department is able to work toward full implementation, existing measures may be changed and/or new ones may be added.

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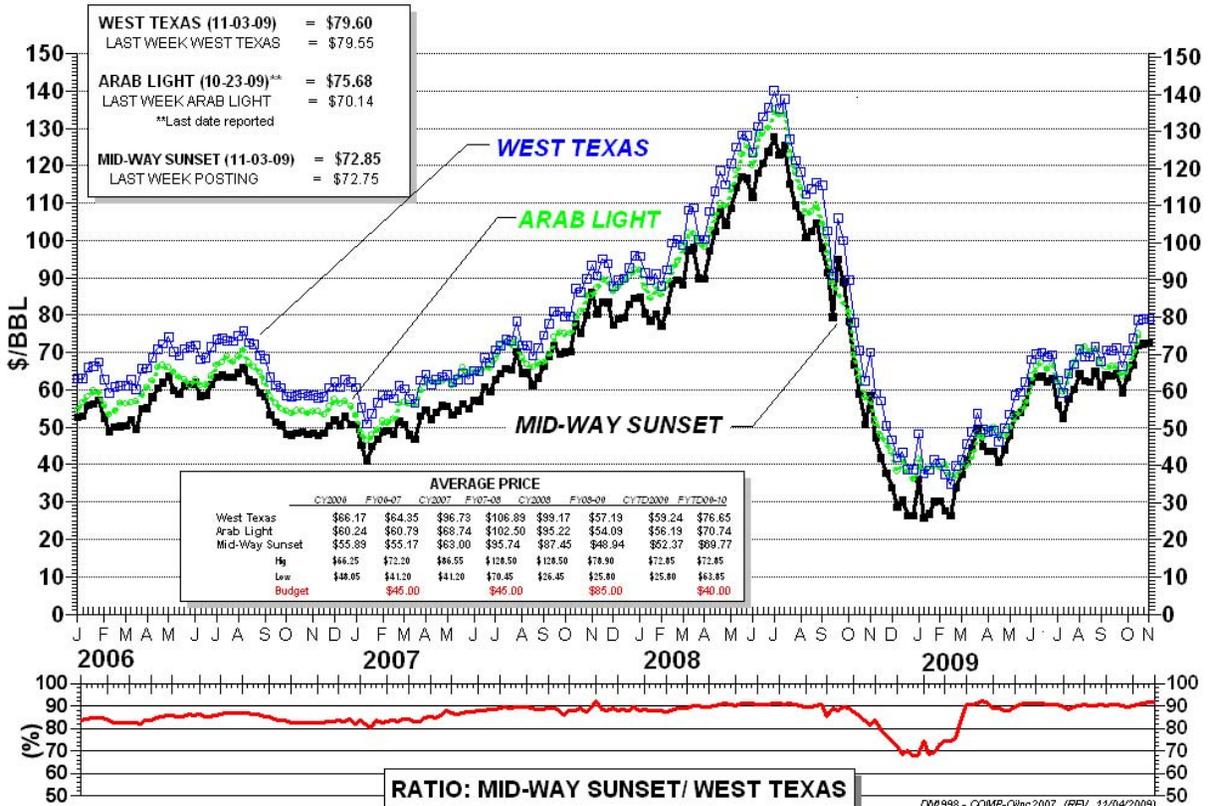
Service Delivery Environment



The chart above demonstrates the annual contributions made to the Tidelands Operating Fund and General Fund as a result of oil operations. In the last ten fiscal years, oil operations in the Wilmington Oil Field and the City's proprietary interests had generated \$115.8 million revenues to the Tidelands Operating Fund (TOF) and \$101.6 million to the General Fund. The planned transfer for FY 10 is based on an oil price of \$40/bbl.

OIL PRICE COMPARISON

LONG BEACH GAS & OIL DEPARTMENT - OIL OPERATIONS BUREAU



Service Delivery Environment

Due to a worldwide recession, oil prices have dropped at times to below \$30 per barrel and rallied up to the range of \$60 per barrel over FY 09. World crude oil production still outpaces consumption but due to the weak economy and fears of inflation, expectations for price corrections continue to mount. Oil has proven to be a volatile commodity. Wilmington (Midway Sunset) crude oil prices are expected to stabilize at or above \$40 per barrel.

Significant Issues

- The volatility of oil and gas prices impacts operations, planning and investment decisions for the Department, directly impacts revenue to the General Fund, Tidelands Operating Fund and other fund recipients (e.g. Port, State, and local land owners/mineral interests), and can negatively impact the local economy and customers' disposable income through higher utility bills.
- Continued proper investment in the City's gas pipelines, oil facilities, and SERRF plant must be made to maintain the value of the City's assets and on-going revenue streams, reduce the cost of maintenance, and reduce the potential risks for safety, environmental or liability losses.
- Responding to regulatory/legislative, safety and environmental requirements increase workforce demands, increase costs and decrease revenues, and can result in reduced Department customer service response time.
- The annual transfer of gas revenues to the General Fund must continue to be formulated, balancing the needs of the gas utility (debt, capital, and operations) with those of the General Fund to ensure a sustainable source of revenue.

Strategic Objectives

1. LBGO will continue to establish gas rates and negotiate gas supply contracts to ensure customer bill stability, such that the Department will continue to ensure that:

- Through FY 10, the average residential monthly gas bill is comparable to other Southern California gas utilities;
- Maintain appropriate price protection for at least 50% of the customers' gas supply.

Focus Area: Business & Economic Assistance

City Manager's Key Outcome: Make LB Most Business Friendly Community in Southern California

2. The Department will continue to optimize investments to maximize the net revenue to the General Fund, Tidelands Operating Fund and other fund recipients over the life of the oil field while ensuring that all operations are performed in an environmentally sound manner and minimizing the risk of subsidence, such that:

- In FY 10, with oil prices hovering between \$30 and \$60 per barrel, oil field decline is expected to be about 12% through investment in the field.

Focus Area: Leadership, Management and Support

City Manager's Key Outcome: Strengthen the City's Fiscal Sustainability

3. From 2005 through 2013, the Department will spend \$60 million for capital pipeline improvements in order to increase safety and lower operating costs, with minimal disruption to neighborhoods, such that:

- The Department will replace 100% of the 1920s and 1930s pipelines; and
- The Department will replace 20% of the 1940s pipelines and associated meters within specified timeframes and within contracted amounts.

Focus Area: Utilities

City Manager's Key Outcome: Invest in the Integrity of Gas Infrastructure

4. The Department will continue to incorporate new regulatory requirements into the Department's goals as necessary, and will ensure that regional, county, state, and federal regulatory audits result in no significant findings or fines/penalties by:

- Through FY 10, continuing to ensure that 100% of federal Department of Transportation audit compliance measures are met related to the gas pipeline; and
- Through FY 10, continuing to ensure that 100% of South Coast Air Quality Management District compliance measures are met related to the SERRF operation.

Focus Area: Environment

City Manager's Key Outcome: Improve Air Quality and Cleanliness of Beaches & Waterways

Strategic Objectives

5. The Department will continue to pursue the development of on-going revenue-generating and/or cost-savings programs to offset increasing operational and capital improvement project costs in order to increase the long-term sustainability of the Gas Fund, as well as work to develop a formal structure to reasonably determine the annual transfer amount from the Gas Revenue Fund to the General Fund, such that:
 - Through FY 10, savings generated by the gas prepay program will be used to provide funding for capital improvement projects; and
 - By the end of FY 10, increase the Gas Fund balance to a prudent operating reserve level of 10% of operational expenses; and
 - The FY 11 Budget will be developed, based on a formal structure, which determines a reasonable annual transfer amount from the Gas Fund to the General Fund.

Focus Area: Leadership, Management & Support

City Manager's Key Outcome: Strengthen the City's Fiscal Sustainability

Budget by Fund and FY 09 Key Accomplishments

FY 10 Budget by Fund

Fund	Expenditures	Revenue	Net Fund Support
Gas	99,421,960	108,068,624	(8,646,664)
SERRF	51,490,752	47,067,000	4,423,752
Tideland Oil Revenue	70,032,255	70,794,000	(761,745)
Upland Oil	14,907,730	15,111,851	(204,121)
Total	235,852,696	241,041,475	(5,188,779)

FY 09 Key Accomplishments

- Allocated net oil profits to the different parties in accordance with the requirements of the Unit Agreements and Unit Operating Agreements of the Wilmington Oil Field, which resulted in a \$139.5 million payment to the State of California, \$68.7 million to Oxy Long Beach Inc., and transfers to the Tidelands Operating Fund and General Fund of \$13.2 million and \$12.6 million, respectively in FY 09.
- Transferred \$11.1 million in net gas revenues to the General Fund in FY 09.
- Effective April 1, 2009, LBGO entered into a 3-year Natural Gas Services Agreement with Shell Energy North America (SENA) to provide the administrative functions related to the delivery of natural gas to the City of Long Beach's natural gas pipeline system at a reduced cost of \$4,500 per month with a 3 percent increase each year beginning April 1, 2010.
- One of the strategic measures for LBGO is to maintain rate comparability and price protection for our customers. Although LBGO did not benefit this winter from price protection under the old contract with Shell Energy, local supplies and favorable index pricing allowed LBGO to maintain rate comparability. Effective June 1, 2009, LBGO entered into an International Swap and Derivatives Association (ISDA) Master Agreement and locked in fixed (swap) pricing for some of its winter supply purchases and a three-way pricing mechanism for some volumes in peak purchasing periods of summer (June – September) and winter (November – February) to better protect LBGO customers against potential price increases.
- Effective October 1, 2008, LBGO entered into an International Swap and Derivatives Association (ISDA) Master Agreement with MLCI which allowed LBGO to swap the current contracted pricing index for a historically lower cost price index which resulted in \$1.7M in million in savings to customers for FY 09.
- LBGO developed and mailed approximately 200,000 calendars to all residents and businesses in the cities of Long Beach and Signal Hill to increase the public's awareness, knowledge and understanding of natural gas, its pipelines and associated hazards and how to prevent and/or respond to a gas emergency as mandated by DOT, Code of Federal Regulations, Title 49, Part 192.616.
- 50,498 feet of new main pipeline (the pipeline that runs along a street) and 1,170 new services (pipeline that connects from the main pipeline to the customer's meter) have been installed in FY 09. Also, 37,000 feet of pre-1950 pipeline has been removed from the system. Majority of the other pipe removed and replaced was to support other major projects, including Public Works Termino Storm Drain, Port of Long Beach projects and Technology Park. In total, approximately 12,000 feet of pipeline installed in the 1920s, and 140,000 feet of pipeline installed in the 1930s has been removed since 2004.

Budget by Fund and FY 09 Key Accomplishments

- The newly implemented GIS system has created more accurate data and improved efficiency including automated map products for underground service alert, work order generation, pipeline retirement from the system, and address list generation for customer notification.
- The City's cathodic protection system is in compliance as work has been performed in all areas. At any time, around 95 percent of the LBGO pipeline infrastructure is under cathodic protection for the prevention of external corrosion. The deviation from 100 percent is due to miscellaneous incidents during the year that prevent the system from working. An example is a resident tying a steel dog chain to a meter and electrically shorting out the protection in that area. This corresponds to a 65 percent increase in performance since February 2004.
- LBGO leak surveyed 100 percent of the business district areas, which includes hospitals, schools and churches, along with 20 percent of the residential districts.
- The Gas Services Bureau completed 90,559 customer service orders for gas turn on and off service, responded to 5,702 emergency calls for service and completed a total of 142,604 gas and water service orders.
- Gas Services replaced 4,261 condemned gas meters in FY 09 as part of the Bureau's Meter Replacement Program.
- SERRF processed 488,999 tons of refuse and sold 226,866 megawatts of electricity to SCE.
- The Department managed the City and State's onshore and offshore oil and natural gas operations in a manner to protect the environment and avoid subsidence. These operations encompass over 1,700 active wells producing about 35,000 barrels of oil per day and 16 million cubic feet of gas per day.
- LBGO, as the lead agency in subsidence control, manages an active subsidence control program coordinating subsidence control measures with oil and gas development and production to inject more water than total fluids produced, while surveying approximately 500 elevation benchmarks throughout the oil field to measure changes in surface elevation.
- The East and West Wilmington Units combined drilled over 38 new wells adding about 4,000 barrels of oil produced per day while investing over \$50 million in the development program to reach new areas of the field. The development program added approximately ten million barrels of oil reserves to the Units.
- Wilmington Oil Field stakeholders invested millions of dollars on pipeline and infrastructure replacement including greener structures and facilities; advanced technology programs in drilling and production to improve oil field performance, including well fracture stimulation, horizontal drilling and computer simulation.
- The City and Oxy Long Beach Inc. continue to negotiate and to determine contract terms for a revenue sharing amendment for the West Wilmington Oil field. The California State Lands Commission staff is also in negotiations for a similar amendment with the City and Oxy for the State's portion of the West Wilmington Oil field.
- Approved the 2009 – 2010 Long Beach Unit Annual Plan and Program Plan through the City Council and the State Lands Commission.

Administration Program

Focus Area: Leadership, Management and Support

Line of Business: Administration

Program Description: To provide central administrative support, coordination and direction for the entire Department.

Key Services Provided: Human Resources, Training, Risk Management, Employee Safety, Workers' Compensation, Budget and Accounting, Procurement, Billing and Collections, Contract Management, Public Information and Communications, Records Management and Executive Leadership

FY 10 Funding Sources: Tideland Oil Revenue Fund 52%, Gas Fund 48%

Administration	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	8,940,772	10,180,280	7,962,540	78%	10,103,730
Revenues	1,243,308	1,620,810	1,301,721	80%	1,620,810
FTEs	36.25	38.25	38.25	100%	37.25

*Unaudited.

** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
June Expenditure ETC as % of Year End Actual	91%	100%	78%	78%	100%
June Revenue ETC as % of Year End Actual	77%	100%	80%	80%	100%
Department Vacancy Rate	9%	10%	14%	140%	13%
Overtime as % of Total Salaries	1%	1%	22%	100%	1%
# of Workers' Comp. Claims Involving Lost Time		(a)	4	0%	(a)
# of Lost Work Hours (Expressed in Full Time Equivalents) from Workers' Comp. During Fiscal Year		(a)	.41	0%	(a)

(a) Tracking system are being developed to capture this data going forward and/or data not available

Results Narrative:

The Administration Program proposes a continuation of the current funding level. The City implemented a 5-day furlough in FY 09 wherein the City observed a 1-day closure every last Friday of the month beginning in May 2009.

In FY 10, there is a reallocation of one position, Superintendent of Operations, to Gas and Water Response Program. Four permanent vacancy positions are being under-filled by part time-temporary (non-career) employees in an effort to meet the budgeted \$1.5 million salary savings in FY 09. The Department also implemented a strict "no overtime" policy as well as some non-core services cost cutting that includes modification of LBGO calendars that are being mailed to all residents and businesses in the cities of Long Beach and Signal Hill as mandated by Department of Transportation.

Natural Gas Purchases and Sales Program

Focus Area: Utilities

Line of Business: Natural Gas Purchases and Sales

Program Purpose Statement: To provide natural gas services to the businesses and residents of Long Beach and Signal Hill so they receive quality gas from secure sources at stable prices equal to or less than other Southern California gas utilities.

Key Services Provided: Natural Gas Purchases, Natural Gas Sales, Compressed Natural Gas Stations/Sales, Natural Gas Pipeline Transmission and Storage Rights (with SoCalGas), Reconciliation Reports and Payments, Transport Customer Gas Contracts (e.g. Meter Software, Monitoring, and Bills), Large/Industrial Customer Gas Bills, Regulatory Reports and Natural Gas Rates

FY 10 Funding Source: Gas Fund 100%

Natural Gas Purchases and Sales	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	100,030,995	105,735,931	55,404,167	52%	66,168,682
Revenues	118,957,599	129,255,994	83,001,541	64%	94,100,924
FTEs	6.00	5.00	5.00	100%	5.00

*Unaudited.

** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Cost of gas per therm purchased	\$0.89	\$0.92	\$0.49	53%	\$0.48
Number of therms of natural gas delivered to non-transport customers	81,125,297	85,185,705	74,435,436	87%	98,124,399
Number of therms of natural gas delivered to transport customers	24,952,596	30,908,220	18,651,420	60%	22,172,911
Average residential monthly gas bill	\$49.01	\$39.87	\$36.32	91%	\$35.55

Results Narrative:

The Natural Gas Purchases and Sales Program proposes a decrease from the current funding level. Due to a marked projected decrease in the market price of natural gas in FY 10, gas purchases expense and gas sales revenue are proposed to decrease by \$39.6 and \$35.2 million, respectively. The proposed natural gas revenue and gas purchases were based on prior two years historical records including an anticipated agreement involving the State of California and THUMS currently underway. Under the terms of this agreement, LBGO will become the primary supplier to an electric power generation facility located in Long Beach. The estimated number of therms of natural gas delivered to non-transport customers is expected to increase approximately 32 percent, or 24 million therms, above the estimated FY 09 levels with the completion of this agreement. The number of therms delivered to transport customers is also expected to increase approximately 19 percent. This increase can be attributed to an anticipated increase in economic activity in FY 10 and the addition of a transport customer during FY 09.

The average cost of gas is expected to decrease by \$0.01 per therm in FY 10 compared to FY 09. Due to the anticipated decrease in the cost per therm, LBGO customers are expected to see a slight decrease in their average residential gas bills. LBGO gas utility rates are continually compared to SoCalGas and other surrounding gas utilities, with LBGO reflecting similar transmission rates charged by SoCalGas. LBGO continues to pursue agreements, which provide the greatest efficiency and effectiveness in buying and selling natural for LBGO customers.

Pipeline Operations and Maintenance Program

Focus Area: Utilities

Line of Business: Natural Gas Distribution

Program Purpose Statement: To provide design, operation, maintenance, metering, and construction services to residents and businesses of the Long Beach area so they can have safe and reliable delivery of natural gas.

Key Services Provided: Gas Meter Repairs, Gas Meter Removals, Gas Monitoring Services (for Quantity, Quality and Pressure), Gas Emergency Responses, Pipeline Infrastructure Engineering Designs, Gas Line Maintenance Responses (inc. inspections, valve maintenance, corrosion control, and surveys), Gas Line Operational Responses, Gas Line Constructions, Operator Certifications and Community Development and Redevelopment Agency Accounting Services

FY 10 Funding Source: Gas Fund 100%

Pipeline Operations and Maintenance	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	11,620,663	11,108,883	10,435,327	94%	11,180,083
Revenues	132,386	80,000	109,143	136%	80,000
FTEs	115.00	114.00	114.00	100%	116.50

*Unaudited.

** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Number of miles of gas pipeline leak surveyed	1,800	1,800	1,800	100%	1,800
% of miles of gas pipeline and meter set assemblies leak surveyed	100%	100%	100%	100%	100%
% of federal audit compliance measures met	100%	100%	100%	100%	100%

Results Narrative:

The Pipeline Operations and Maintenance Program adopted a minimal increase from the current funding. One Mechanical Engineer position was converted to 3.5 FTEs Engineering Aides – Non Career in FY 09. There is no dollar impact in converting these positions. In FY 10, the Program will leak survey 100 percent of the business district area, which includes hospitals, schools and churches along with 20 percent of the residential districts. The Code of Federal Regulations that governs pipeline safety establishes these percentage numbers as the minimum requirements for leak survey. All leaks found in FY 09 were classified and repaired per federal safety standards and procedures. During FY 09, 100 percent of the 1,100 critical valves in the system were maintained, completed approximately 10,000 requests to locate-and-mark buried natural gas pipelines, replaced approximately 1,170 service pipeline, installed about 50,498 feet of main pipeline, and removed about the same corresponding amount of gas main and five older valves and installed one new valve. Four new deep well anode beds were installed during FY 09 to support the cathodic protection corrosion control system. Minor increase in fees was established to keep pace with the cost of service.

Significant projects were completed to support other City projects including the relocation of approximately 2,500 feet of 8 and 10 inch pipeline for the Public Works Termino Storm Drain project and the relocation of approximately 1,300 feet of 12 inch pipe in the Port of Long Beach to support port projects.

Pipeline Replacement Program

Focus Area: Utilities

Line of Business: Natural Gas Distribution

Program Purpose Statement: To provide upgraded infrastructure installation and project management services to the residents and businesses of the Long Beach area so they can receive natural gas from a pipeline infrastructure that maximizes safety and reliability.

Key Services Provided: Main Pipeline Installations (and associated gas services and meter set assemblies), Corrosion Control System Installations, Project Management (i.e. contract administration, inspections/reviews, documentation) and Gas Meter Sets/Re-sets, Change-outs and Upgrades

FY 10 Funding Source: Gas Fund 100%

Pipeline Replacement	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	10,611,790	7,889,301	10,390,627	132%	11,650,895
Revenues	10,555,182	7,880,000	9,799,634	124%	10,156,485
FTEs	-	-	-	-	-

*Unaudited.

** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Percentage of aging pipeline replaced	N/A	8%	8%	100%	11%
Number of feet of aging pipeline installed/replaced*	58,324	36,505	36,505	100%	48,700
Dollar cost/expenditure per foot of pipeline installed/replaced*	\$ 26	\$ 57	\$ 57	100%	\$ 60
Number of aging meters replaced	4,040	4,224	4,261	101%	4,224

*Includes pre and post 1950's pipeline

Results Narrative:

The Pipeline Replacement Program adopted a FY 10 budget with a \$3.8 million increase from the FY 09 budgeted levels. The GIS system implementation along with other factors such as HVAC projects, Termino Storm Drain, relocation of the Huntington Beach pipeline in the vicinity of the Seal Beach Boulevard Bridge, and the furlough has limited production and reduced the proposed scope of pipeline replacement installation for FY 09 by over 32 percent, thereby extending the completion date to FY 13. The pipeline replacement program will resume in FY 10 at an estimated annual level of \$7.5 million through FY 13. During FY 09, about 37,000 feet of pre-1950 pipeline was removed from the system. In FY 10, approximately 49,000 feet of pre 1950 pipeline will be removed.

The Department implemented a four-year Meter Replacement Program in FY 08 to replace approximately 16,500 aged residential meters that have been designated as condemned and could potentially fail to properly measure gas volumes. Subsequent to the four-year period, the Program will continue to remove and replace condemned (aging) meters on an as required basis.

Pipeline Replacement Project will ensure that LBGO customers have a safer and more reliable gas pipeline infrastructure for years to follow.

Gas and Water Service Response Program

Focus Area: Utilities

Line of Business: Customer Services

Program Purpose Statement: Provide emergency and priority response to unsafe gas related conditions, respond to customer service requests for gas service, provide water turn-on and turn-off service, and appliance adjustments.

Key Services Provided: Gas emergency response, response to customer requests for gas service, monitoring of and response to the gas distribution system (pressure and quality control), gas and water turn-on/turn-off service, pilot lighting, appliance adjustment, billing dispute investigative response, carbon monoxide response/investigation

FY 10 Funding Source: Gas Fund 100%

Gas and Water Service Response	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	4,918,456	5,635,298	5,219,130	93%	5,573,057
Revenues	2,096,637	2,181,890	2,431,714	111%	2,110,405
FTEs	51.00	51.00	51.00	100%	52.00

*Unaudited.

** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Percentage of gas and water service requests responded to within three business days	100%	100%	100%	100%	100%
Number of gas and water customer service call responses completed	148,682	131,500	142,604	108%	131,500
Dollar cost/expenditure per customer service call completed	\$ 33.44	\$ 35.00	\$ 35.00	100%	\$ 35.00
Percentage of gas and water service requests responded to as scheduled within the service call window (i.e. 4, 2 and 1 hour)	97%	95%	94%	99%	100%
Percentage of gas emergency service call requests responded to within 30 minutes (during regular business hours)	88%	95%	94%	99%	100%
Number of gas emergency service call responses completed	5,728	5,600	5,702	102%	5,600

* Reduction due to change in methodology of calls counted.

Results Narrative:

The Gas and Water Service Response Program proposes a continuation of the current funding level. There is a net increase of one position to the Gas and Water Service Response Program including the transfer of one Superintendent of Operations from the Administration Program.

The Program will continue to provide LBGO gas customers with a safe reliable supply of gas, and timely and skilled customer service response.

Waste to Energy Program

Focus Area: Utilities

Line of Business: Waste to Energy

Program Purpose Statement: To provide disposal services to the City of Long Beach's refuse collection and other refuse haulers so they can have cost-effective and local disposal capability.

Key Services Provided: Solid Waste Disposals, Electricity, State Recycling Credits and Recycled Waste Products

FY 10 Funding Source: SERRF Fund 100%

Waste to Energy	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	49,964,209	55,117,963	50,566,616	92%	51,490,752
Revenues	49,191,645	47,898,000	48,678,548	102%	47,067,000
FTEs	4.00	4.00	4.00	100%	4.00

*Unaudited.

** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Annual revenue from receipt of refuse (in millions)	\$ 20.79	\$ 21.07	\$ 21.26	101%	\$ 20.88
Number of tons of waste processed	485,207	475,000	488,999	103%	475,000
Number of megawatts of electricity sold	229,638	225,000	226,866	101%	225,000
Annual revenue from energy sales (in millions)	\$ 26.17	\$ 24.55	\$ 24.79	101%	\$ 24.55

Results Narrative:

The Waste to Energy Program includes the operation of the Southeast Resource Recovery Facility (SERRF), which is a mass-burn waste to energy facility that incinerates residential and commercial refuse. A portion of the electricity generated is used to power the SERRF facility (15 percent), while the remainder (85 percent) is sold to Southern California Edison (SCE). SERRF destroys narcotics and drug related paraphernalia as a public service and at the request of law enforcement agencies within California. In FY 09, the Program staff destroyed 588,086 pounds of confiscated narcotics and drug paraphernalia for federal, State and local law enforcement agencies.

The Waste to Energy Program proposes a decrease from current funding level. The net change of \$3.6 million is primarily due to a reduced Net Facility Revenue transfers to the County Sanitation District and the City of Long Beach, a reduced disposal fee adjustment to the City of Lakewood, and a reduced base disposal fee paid to our facility operator, Covanta Energy, Long Beach. The reduced costs are offset slightly by an increase to the Integrated Resources Bureau's annual disposal fee adjustment. The FY 09 transfer to the General Fund was made possible by special approval from the County Sanitation District to reduce the operation's required fund balance. The amount reduced from the fund balance in FY 09 will enable the transfer of \$2 million to the General Fund in FY 10. This transfer will limit the funds available for transfer in FY 11 so that the SERRF fund can be restored to an adequate level.

Planning and Contract Management Program

Focus Area: Utilities

Line of Business: Oil Operations

Program Purpose Statement: To provide oil and gas contractual negotiations and administration, compliance reviews and other services to field operating contractors and government and private stakeholders so that the maximum economic quantity of oil and gas can be produced in a safe and financially, timely, and environmentally sound manner.

Key Services Provided: Letters of Credit Sufficiency/Compliance Checks, Insurance Sufficiency/Compliance Checks, Contractor Budgets and Annual Plans (Long Beach Unit, Fault Block, etc.), 5-Year Program Plans, Monthly Financial and Budget Reviews, Field Life and Short-term Forecasts, Contract Negotiations and Contracts (land use, revenue sharing, new opportunities, etc.), Contract Compliance and Oversight (amendment revisions, interpretations, audit requests, etc.), Working Interest Owner Support Services (voting party meetings, surrenders, etc.), Reserve for Abandonment Calculations and Oil Sales Reports

FY 10 Funding Sources: Tideland Oil Revenue Fund 80%, Upland Oil Fund 20%

Planning and Contract Management	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	540,503,609	382,131,875	171,600,517	45%	75,657,943
Revenues	552,512,246	391,847,349	151,325,393	39%	85,905,851
FTEs	8.00	8.00	8.00	100%	8.00

*Unaudited.

** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Number of contract exceptions	N/A	12	13	108%	12
Percentage of City abandonment liability funded	112%	100%	104%	104%	100%
Dollar amount of City oil abandonment liability	\$ 214,061	\$ 214,300	\$ 222,000	104%	\$ 225,000

Results Narrative:

The Planning and Contract Management Program adopted a decrease from our FY 09 funding level. This decrease is the result of a FY 10 budgeted oil price of \$40 per barrel. The oil price is based on a fiscally prudent plan, which provides for a viable and stable base transfer of funds. In the event that the actual oil price exceeds this base, a midyear budget adjustment for increased expenditures, revenues and transfers will be processed. Subsequently, revenues earned over the \$40 oil price per barrel are proposed to be reserved in a Budget Stabilization Reserve account to offset unanticipated General Fund shortfalls. FY 09 actual oil price averaged at \$49.80 per barrel.

The adopted FY 10 appropriations allow the Department to continue to allocate \$52.6 million to the State and \$3.9 million to the City's Tidelands Operating Fund as their proportionate shares in the profits from the Wilmington Oil Field operations. The FY 10 adopted appropriations also enable the Department to transfer from the Uplands Fund, \$6.6 million to the General Fund from administrative fees earned as Unit Operator and oil profits from its proprietary interests.

Oil Production and Subsidence Management Program

Focus Area: Utilities

Line of Business: Oil Operations

Program Purpose Statement: To provide petroleum engineering, subsidence, and geologic technical services to oil contractors and government and private stakeholders so that the maximum economic quantity of oil and gas can be produced in an operationally safe and environmentally sound manner.

Key Services Provided: Infrastructure and Project Technical/Economic Reviews (oil and injection wells, pipelines, and associated facilities), Facility Maintenance Reviews (tanks and vessels, pipelines, wells, gas plants), Materials, Supplies, and Services RFPs and Contracts Oil Quantity and Quality Sales Measurements, Petroleum Engineering, Subsidence, and Geology Services (field inspections, project management, technical assistance and consultations, waterflood management, petroleum recovery strategies), Oil Spill Prevention Services (pipeline tests and protection), Oil Spill Responses and Clean-up Monitoring/Oversight, Safety Program Services (training classes, inspections, reports), Oil and Gas Reserves, Recoveries, and Property Valuations/Calculations Well Abandonment Identifications and Plans, Semi-annual Elevation Benchmark Surveys, Production and Injection Monitoring Services, Reservoir Temperature/Pressure Monitoring Services and Subsidence Impact Investigations

FY 10 Funding Source: Tideland Oil Revenue Fund 100%

Oil Production and Subsidence Management	Actual FY 08	Target FY 09	Year End* FY 09	Percent of Budget	Adopted** FY 10
Expenditures	3,480,112	3,982,635	3,849,790	97%	4,027,556
Revenues	3,300,228	-	1,611,515	-	-
FTEs	19.00	20.00	20.00	100%	20.00

*Unaudited.

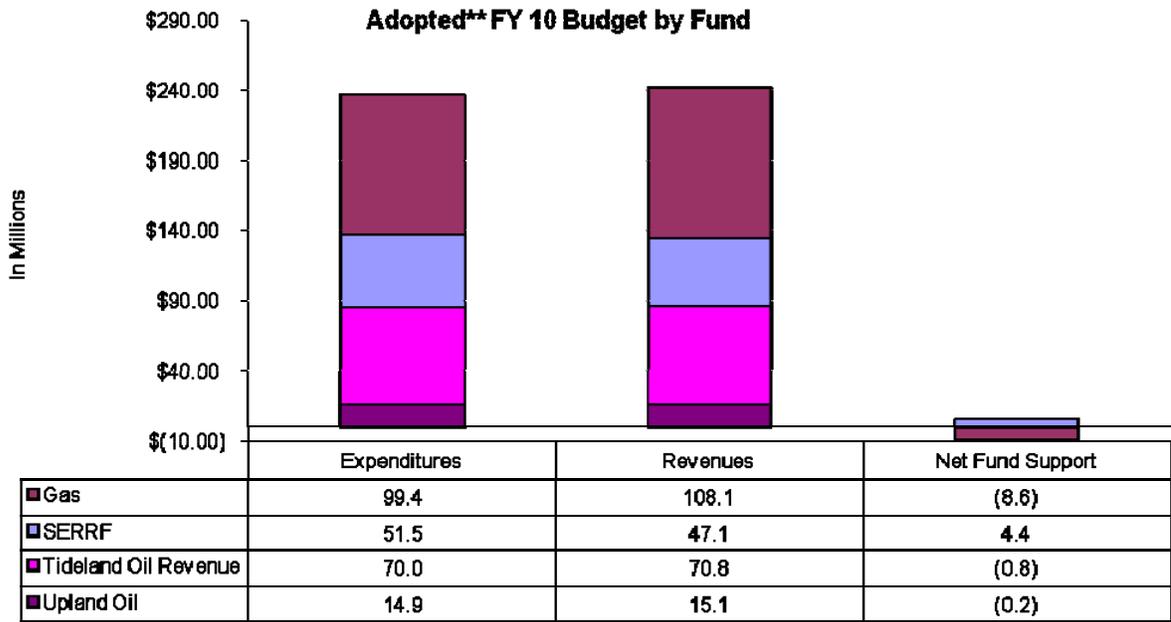
** Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 08	Target FY 09	Year End FY 09	Percent of Budget	Adopted FY 10
Percentage of oil production compared to expected field decline	107%	100%	114%	114%	100%
Number of barrels of oil produced (in millions)*	13.74	11.33	12.89	114%	11.61
Number of new wells expected to be drilled	57	55	36	65%	46
Number of elevation benchmarks surveyed	546	480	499	104%	450

Results Narrative:

The Production and Subsidence Management Program proposes a continuation of the current funding level. These total resources will allow the operation to manage over 5,190 wells in the Wilmington field, direct the drilling of 46 wells, survey 450 benchmarks, ensure the injection of more water into the reservoir than the total fluids produced, and produce a cumulative amount of oil in excess of 11.61 million barrels. The Program will continue to allow LBGO to manage the performance of the City and State's onshore and offshore oil and natural gas operations in a manner to protect the environment and avoid subsidence, while strengthening the oil fields fiscal sustainability.

Summary by Character of Expense



	Actual FY 08	Adopted FY 09	Adjusted FY 09	Year End* FY 09	Adopted** FY 10
Expenditures:					
Salaries, Wages and Benefits	21,660,848	23,157,822	22,871,912	22,073,214	22,774,913
Materials, Supplies and Services	635,676,091	497,173,592	497,287,607	254,227,740	180,633,437
Internal Support	4,571,264	4,965,274	4,965,274	4,552,954	5,132,514
Capital Purchases	311,690	1,274,700	2,025,104	927,211	1,559,700
Debt Service	1,498,209	1,894,238	1,894,238	1,312,179	1,894,238
Transfers to Other Funds	66,350,841	52,738,029	52,738,029	40,705,005	23,857,895
Depreciation/Amortization/Depletion	-	-	-	(1,881)	-
Prior Year Encumbrance	-	-	-	-	-
Total Expenditures	730,068,944	581,203,654	581,782,165	323,796,423	235,852,696
Revenues:					
Property Taxes	-	-	-	-	-
Other Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use of Money & Property	557,601,513	393,688,697	393,688,697	153,743,596	87,097,199
Revenue from Other Agencies	-	-	-	-	-
Charges for Services	176,465,629	178,264,046	178,264,046	140,908,094	145,132,976
Other Revenues	1,564,465	986,300	986,300	3,178,340	986,300
Interfund Services - Charges	353,623	295,000	295,000	429,179	295,000
Intrafund Services - GP Charges	-	-	-	-	-
Harbor P/R Revenue Transfers	-	-	-	-	-
Other Financing Sources	2,004,000	7,530,000	7,530,000	-	7,530,000
Operating Transfers	-	-	-	-	-
Total Revenues	737,989,231	580,764,043	580,764,043	298,259,209	241,041,475
Personnel (Full-time Equivalents)	240.25	240.25	240.25	240.25	242.75

*Unaudited.

** Amounts exclude all-years carryover. See budget ordinance in the front sections of this book.

Personal Services

Classification	FY 08 Adopt FTE	FY 09 Adopt FTE	FY 10 Adopt FTE	FY 09 Adopted Budget	FY 10 Adopted* Budget
Director - Long Beach Gas and Oil	1.00	1.00	1.00	194,645	194,724
Accountant I	1.00	1.00	1.00	46,434	49,957
Accountant II	1.00	2.00	2.00	113,787	119,239
Accountant III	2.00	2.00	2.00	126,631	139,034
Accounting Clerk III	2.00	2.00	2.00	82,140	83,783
Accounting Technician	2.00	1.00	1.00	41,013	41,833
Administrative Aide II	2.00	1.00	1.00	45,293	46,199
Administrative Analyst II	2.00	2.00	2.00	137,975	140,726
Administrative Analyst III	1.00	1.00	1.00	65,715	71,527
Administrative Officer-Oil Properties	1.00	1.00	1.00	101,254	101,295
Assistant Administrative Analyst II	1.00	1.00	1.00	55,824	58,206
Clerk III	1.00	1.00	1.00	30,232	30,837
Clerk Typist II	3.00	2.00	2.00	74,478	73,775
Clerk Typist II - NC	0.25	0.25	0.25	7,826	7,826
Clerk Typist III	3.00	5.00	5.00	200,316	201,371
Construction Inspector I	4.00	4.00	4.00	264,302	262,022
Construction Inspector II	4.00	4.00	4.00	307,433	307,433
Corrosion Control Supervisor	1.00	1.00	1.00	76,940	78,630
Customer Service Representative III	1.00	-	-	-	-
Department Safety Officer	1.00	1.00	1.00	84,239	84,274
Division Engineer-Oil Properties	4.00	4.00	4.00	543,759	543,982
Electrician	1.00	1.00	1.00	58,195	59,359
Engineering Aide III	1.00	1.00	1.00	47,602	48,667
Engineering Aide III-NC	-	-	3.50	-	122,709
Engineering Technician I	2.00	2.00	2.00	95,582	102,683
Engineering Technician II	5.00	5.00	5.00	300,407	307,612
Executive Secretary	2.00	2.00	2.00	116,886	116,935
Financial Services Officer	1.00	1.00	1.00	94,988	86,333
Gas Crew Utility Assistant I	3.00	3.00	3.00	112,683	126,488
Gas Crew Utility Assistant II	29.00	28.00	28.00	1,460,596	1,504,507
Gas Crew Utility Assistant III	10.00	10.00	10.00	585,283	605,885
Gas Distribution Supervisor I	5.00	5.00	5.00	351,776	358,176
Gas Distribution Supervisor II	3.00	3.00	3.00	200,459	235,064
Gas Field Service Representative II	46.00	47.00	47.00	2,386,947	2,461,006
Gas Field Service Representative III	14.00	14.00	14.00	829,876	821,130
Gas Instrument Technician	4.00	-	-	-	-
Gas Instrument Technician II	-	4.00	4.00	257,388	242,613
Gas Maintenance Supervisor I	10.00	9.00	9.00	640,573	655,362
Gas Maintenance Supervisor II	1.00	2.00	2.00	158,321	161,470
Gas Supply and Business Officer	1.00	1.00	1.00	101,734	95,027
General Maintenance Supervisor II	1.00	1.00	1.00	59,675	60,869
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Subtotal Page 1	177.25	176.25	179.75	10,459,204	10,808,568

*Reflects changes in compensation due to prior fiscal year adjustments, new hires or promotions not known prior to the adoption of the FY 10 Budget.

Personal Services

Classification	FY 08 Adopt FTE	FY 09 Adopt FTE	FY 10 Adopt FTE	FY 09 Adopted Budget	FY 10* Adopted Budget
Subtotal Page 1	177.25	176.25	179.75	10,459,204	10,808,568
Geologist I	2.00	2.00	2.00	215,716	192,995
Geologist II	1.00	1.00	1.00	102,357	128,276
Maintenance Assistant I	1.00	1.00	1.00	34,233	34,917
Maintenance Assistant II	1.00	1.00	1.00	34,239	34,924
Manager-Business Operations	1.00	1.00	1.00	106,824	106,868
Manager-Electric Generation	1.00	1.00	1.00	134,719	134,774
Manager-Engineering & Construction	1.00	1.00	1.00	135,802	135,858
Manager-Fault Blocks/Upland	1.00	1.00	1.00	142,742	142,800
Manager-Gas Services	1.00	1.00	1.00	91,335	101,775
Manager-Oil Operations	1.00	1.00	1.00	143,786	142,800
Mechanical Engineer	3.00	3.00	2.00	243,710	166,040
Oil Field Gauger II	2.00	2.00	2.00	131,994	134,952
Payroll/Personnel Assistant II	1.00	1.00	1.00	43,161	44,024
Payroll/Personnel Assistant III	1.00	1.00	1.00	47,556	48,507
Petroleum Engineer Associate II	2.00	2.00	2.00	179,773	198,427
Petroleum Engineer I	2.00	2.00	2.00	202,747	206,146
Petroleum Engineer II	6.00	6.00	6.00	695,187	722,402
Petroleum Operations Coordinator I	5.00	5.00	5.00	536,887	547,604
Pipeline Welder	7.00	7.00	7.00	438,037	457,028
Principal Construction Inspector	1.00	1.00	1.00	86,923	86,923
Secretary	4.00	4.00	4.00	186,742	191,500
Senior Accountant	2.00	2.00	2.00	160,267	152,800
Senior Civil Engineer	1.00	1.00	1.00	109,576	109,576
Senior Engineering Technician I	1.00	1.00	1.00	71,948	75,591
Senior Equipment Operator	5.00	5.00	5.00	320,747	329,556
Senior Mechanical Engineer	2.00	2.00	2.00	219,152	219,152
Senior Petroleum Engineer Associate	1.00	1.00	1.00	113,338	118,191
SERRF Operations Officer	1.00	1.00	1.00	96,823	96,862
Stock & Receiving Clerk	1.00	1.00	1.00	37,747	38,502
Storekeeper I	1.00	1.00	1.00	35,067	37,584
Storekeeper II	1.00	1.00	1.00	40,936	39,686
Supervisor - Stores & Property	-	1.00	1.00	55,066	54,950
Superintendent-Operations	1.00	1.00	1.00	71,980	86,442
Superintendent-Pipeline Construction & Maint	1.00	1.00	1.00	92,210	92,248
Subtotal Salaries	240.25	240.25	242.75	15,818,531	16,219,248
Overtime	---	---	---	380,800	380,800
Fringe Benefits	---	---	---	8,035,927	8,161,200
Administrative Overhead	---	---	---	422,564	439,374
Attrition/Salary Savings	---	---	---	(1,500,000)	(1,500,000)
Furlough Savings	---	---	---	---	(925,710)
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Total	240.25	240.25	242.75	23,157,822	22,774,913

* Reflects changes in compensation due to prior fiscal year adjustments, new hires or promotions not known prior to the adoption of the FY 10 Budget.

Key Contacts

Christopher J. Garner, Director

Scott Bailey, Manager, Oil Production/Subsidence Bureau

Curtis P. Henderson, Manager, Oil Operations Bureau

Craig Beck, Manager, Business Operations Bureau

Joan Collier, Manager, Gas Services Bureau

Charles R. Tripp, Manager, Electric Generation Bureau (SERRF)

Alan Winter, Manager, Engineering and Construction Bureau

2400 E. Spring Street
Long Beach, CA 90806
Phone: (562) 570-2000
Fax: (562) 570-2008
www.lbgo.org