

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

The budget chapter provides information on the Department's Service Delivery Environment, Core Mission and Key Accomplishments to give context and meaning to its FY 11 budget request. The chapter is organized by practical service areas, or Programs. Information on each Program includes a purpose statement, listing of specific services provided, multi-year revenue and expenses, relevant performance information and a description of changes to the Program for the next fiscal year.

In contrast to the traditional format that presents budget allocations by organization (departments and bureaus) and characters of expenses and revenue (or line-items), a Program Budget links the community resources to logical and meaningful services, as well as measurable results, creating a useful "performance contract" between the community and staff to encourage greater public accountability. Furthermore, it shifts the dialogue from simple inputs (how much is the City spending and by whom) and focuses discussions on desired outcomes and results (what will the community get for the money being invested).

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Service Delivery Environment

The Long Beach Gas & Oil Department (LBGO) is a significant enterprise operation for the City, generating revenue that supports public safety, parks, libraries, beaches and a number of other services for Long Beach residents. Operations consist of the fifth largest municipally-owned natural gas utility in the United States; the Southeast Resource Recovery Facility (SERRF) creating electricity from trash and recycling about 485,000 tons of solid waste in Fiscal Year 2010; and, the only California city-managed oil production operation, producing about 12 million barrels annually and without one major environmental incident in 75 years of continued operation.

LBGO continues to provide safe and reliable natural gas services to residents and businesses of Long Beach and Signal Hill, serving approximately 142,000 accounts and maintaining 1,800 miles of pipeline. A point of pride for the Department is our high level of customer service, responding to 150,000 service calls in Fiscal Year 2010, of which, 96 percent were responded to within the scheduled time frame provided to the customer. In addition, crews are available for emergency response 24-hours a day, 7-days a week.



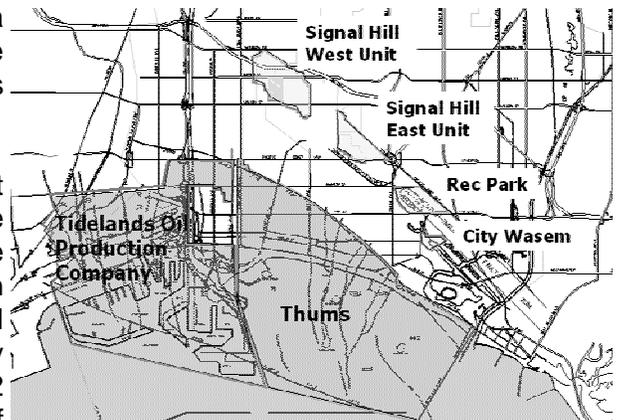
To ensure competitive rates for our customers, LBGO maintains gas supply agreements with both local and national providers. These contracts take advantage of both fixed and market-indexed pricing strategies along with additional price protection hedges to reduce customers' exposure to volatile swings that can occur in the price of natural gas, especially during the peak usage winter months. LBGO customers are protected against price volatility to a greater extent than other gas customers in California.



The Southeast Resource Recovery Facility (SERRF) is a solid waste management facility that uses mass burn technology to reduce the volume of disposable solid waste (residential and commercial refuse). In an environmentally safe and responsible manner the solid waste is combusted in high temperature boilers that generate steam, which in turn is used to run a turbine-generator to produce electricity. Some of the electricity is used to operate the facility, but the bulk of the electricity is sold to Southern California Edison for use on the regional power grid, enough to power 35,000 homes a day.

It is estimated SERRF will process about 485,000 tons of trash in Fiscal Year 2010 and generate about 231,000 megawatts of electricity. By keeping almost 99 percent of the waste from local landfills and adding to the energy grid, the facility is environmentally responsible. To follow a trend common among eastern states, LBGO is working with federal and state legislators to designate the facility as a renewable energy source. This will help California achieve its goal for having 20 percent of the energy usage come from renewable sources by 2017. It also supports the City's sustainable vision.

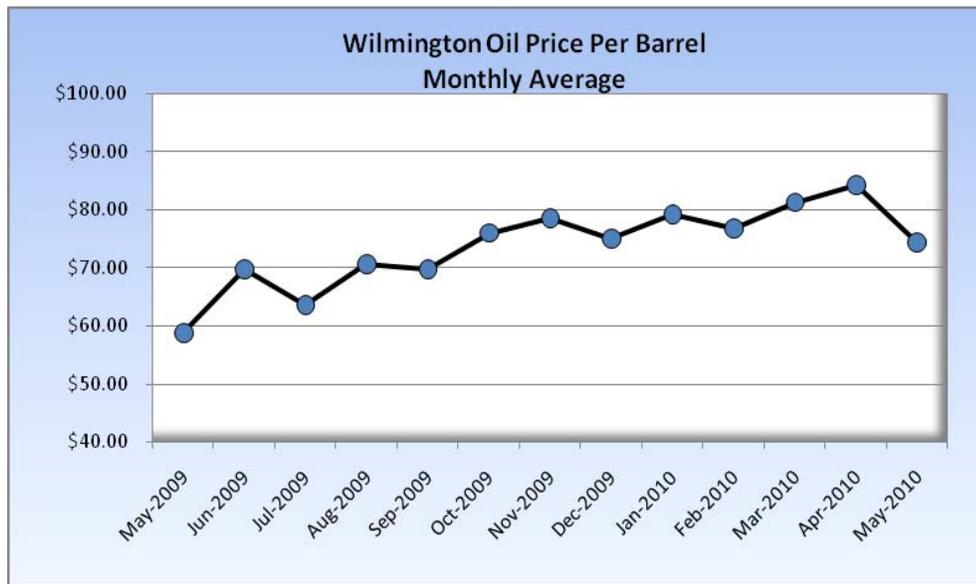
The City of Long Beach is the only municipal government in the State of California that manages oil and subsidence operations. Through LBGO, the City administers the Wilmington Oil Field and has various financial interests in smaller oil fields throughout the City, such as the Signal Hill East and West Units, Recreation Park, and City Wasem. This significant effort is anticipated to produce 12 million barrels of oil annually. While the majority of



Service Delivery Environment

revenue goes to the State, Long Beach is anticipated to receive about \$15 million in the Tidelands Operating Fund and \$13.4 million in the General Fund in Fiscal Year 2010.

One of the difficulties in budgeting for oil operations is the fluctuating market prices for a barrel of oil. As an example, oil prices fell from about \$130 per barrel in July of 2008 to \$30 per barrel in February 2009. For the period of May 2009 – May 2010, oil fluctuated from \$58.70 per barrel to \$84.20 per barrel (see chart below). The differentiating prices have a tremendous impact on revenue. Typically, LBGO is conservative in its approach to budgeting oil revenue, going back to City Council with updates as necessary. For Fiscal Year 2010, LBGO budgeted oil at \$40 per barrel to establish a baseline for recurring (untouched) revenue. Looking forward to Fiscal Year 2011, LBGO is recommending a similar approach. Establishing the budget at \$45 per barrel and if prices trend higher, make the necessary budget adjustments to utilize this one-time resource for one-time needs.



While the volatility of oil and gas prices impacts long-term planning, LBGO's prudent oversight and investment strategies have resulted in a positive net profit and associated revenue transfers to the General and Tidelands Operating funds.

Core Missions

- Oil operations continue with over 75 years with no major oil spill incidents and are controlled so that subsidence no longer impacts Long Beach whereas oil operations in the past caused areas to sink as much as 29 feet
- SERRF is an environmentally favorable alternative to refuse being trucked many miles to area landfills, generates electricity for 35,000 homes/day, and benefits the City's refuse operation which helps keep refuse costs to Long Beach residents lower than what they would be otherwise
- Natural gas utility services are provided at market rates and the profits that would otherwise go to the shareholders of a privately-owned utility are retained by the City to help fund police, fire, libraries, and park services
- All three enterprise functions are operated in a profitable manner to financially benefit the City's General and Tidelands Funds

Budget by Fund and FY 10 Key Accomplishments

FY 11 Budget by Fund

Fund	Expenditures	Revenues	Net Fund Support
Gas	108,487,293	108,068,624	418,669
SERRF	53,803,297	47,067,000	6,736,297
Tidelands Oil Revenue	69,840,549	70,794,000	(953,451)
Upland Oil	14,907,730	15,111,851	(204,121)
Total	247,038,869	241,041,475	5,997,394

FY 10 Key Accomplishments

- Approximately 70,000 feet of new main pipeline (the pipeline that runs under streets) and 1,700 new services (pipeline that connects from the main pipeline to the customer's meter) have been installed during 2010. Of that, approximately 52,000 feet of 1920s, 1930s and 1940s pipeline have been removed from the system. Work was also completed to support in installation of the new Termino Storm drain that comprised relocating around 7,500 feet of pipeline as well as work in the Port for the new Pier F rail project.
- Four new deep well (300 feet) anode beds were built that are used to help protect the pipeline from corrosion as part of the cathodic protection system.
- Successfully met all the standards of the Federal Department of Transportation – Office of Pipeline Safety, during a recent safety audit where no significant findings were identified.
- LBGO crews conducted pipeline surveying to locate and repair any significant gas leakages, surveying 100 percent of the business district areas, which include hospitals, schools and churches, along with 20 percent of the residential districts.
- Working closely with Orange County Transportation Authority, LBGO staff crafted engineering alternatives on work to relocate a major pipeline in the vicinity of the Seal Beach Boulevard Bridge that requires relocation due to widening of the 405/22 Freeway, thus saving millions of dollars in potential construction costs.
- LBGO is the lead agency in managing the City and State's onshore and offshore oil and natural gas operations in a manner to protect the environment and avoid subsidence. Operations consist of over 1,750 active wells producing about 35,000 barrels of oil per day and nearly 14 million cubic feet of gas per day. During FY 10, crews ensured proper injection of water into active well operations to exceed the amount of oil extracted. This protects the City from subsidence and was verified by surveying approximately 550 elevation benchmarks throughout the oil field to measure changes in surface elevation. Measurement ability was improved by the installation of new Global Positioning equipment. No reportable changes were noted.
- In FY 10, the East and West Wilmington Units combined drilled over 60 new wells adding about 4,800 barrels of new oil per day while investing over \$80 million in the development program to reach new areas of the field. The development program added approximately 12 million barrels of oil reserves to the Units. This new production will result in revenue to the General Fund and Tidelands Operating Fund.
- 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, and new programs in pipeline monitoring and oil spill prevention.

Budget by Fund and FY 10 Key Accomplishments

- LBGO, together with representatives from OXY Long Beach Company initiated the implementation of a Strategic Operating Plan to improve the oil field's performance. This will strengthen the oil fields fiscal sustainability by maintaining strong future production rates and development requirements, while reducing costs.
- LBGO, in partnership with oil field contractors, implemented a mechanical integrity program in the oil field to better-manage pipelines and facilities risk, including an active investment program in removal and replacement of high-risk pipelines. Also, implemented a new Oil Spill Response Plan and Coordinator to ensure immediate response to any oil spill, focusing on environmental protection.
- To assist Harbor Department with the Pier expansion projects, LBGO is working to consolidate a number of oil wells and associated infrastructure.
- LBGO completed 143,572 gas and water customer service orders, responding within the scheduled appointment window 96 percent of the time. Also handled 6,272 calls for emergency service after normal business hours.
- Completed the replacement of 3,360 condemned gas meters with new cost-effective, longer-lasting plastic meters.
- LBGO worked closely with Financial Management to transfer the meter reading contract from Southern California Edison to Corix Utilities. Corix currently deploys their staff from the 2400 Spring Street facility and maintains an on-site office for ease of accessibility and communication with City staff.
- SERRF transferred \$3.1 million to the General Fund. This amount was \$1.1 million more than planned and can be attributed to maximizing facility operations and improving efficiencies.
- After 21 years of operation, SERRF achieved the milestone of processing the 10 millionth ton of refuse in FY 10 SERFF operations, resulting in waste being diverted from land-fills and electricity being generated and added to the grid.
- LBGO staff completed the operations transition of SERRF's contract operator from Veolia Environmental Systems to Covanta Energy.
- 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 \$221.8 million payment to the State of California, \$74.3 million to Oxy Long Beach Inc., and transfers to the Tidelands Operating Fund and General Fund of \$15 million and \$13.4 million, respectively in FY 10.
- LBGO executed amendments to documents restructuring the 2007 Gas Purchase Revenue Bonds issued by the Long Beach Bond Finance Authority wherein LBGO received a one-time up-front present value payment of \$22.7 million on the future savings that would have been received over the remainder of the 30-year term of the prepay agreement with Merrill Lynch Commodities, Inc. The bond tender proceeds covered repayment of commercial paper debt, natural gas capital projects and realignment of Public Service, utility call center, and oil operations.
- One of the strategic measures for LBGO is to maintain rate comparability and price protection for our customers. During FY 10, local supplies and favorable index pricing allowed LBGO to maintain average residential gas bills that were lower than all other Southern California gas utilities.

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

Administration	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	7,962,540	10,356,680	19,674,188	190%	11,164,324
Revenues	1,301,721	1,276,304	1,143,256	90%	1,620,810
FTEs	38.25	37.25	37.25	100%	37.25

*Unaudited
exclude all-years carryover.

**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
June Expenditure ETC as % of Year End Actual	103%	100%	100%	100%	100%
June Revenue ETC as % of Year End Actual	106%	100%	100%	100%	100%
Department Vacancy Rate	12%	18%	18%	100%	16%
Overtime as % of Total Salaries	3%	2%	3%	141%	2%
# of Workers' Comp. Claims Involving Lost Time	3.00	2.70	(a)	(a)	(a)
# of Lost Work Hours (Expressed in Full Time Equivalents) from Workers' Comp. During Fiscal Year	0.47	0.42	(a)	(a)	(a)

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

Results Narrative:

During FY 10, there was a significant increase in the price per barrel of oil, necessitating an increase in the budget from \$40 per barrel to \$70 per barrel. This resulted in a \$17 million additional transfer of revenue to the Tideland Operating Fund and General Fund.

LBGO overtime is higher than the budget target due to three unforeseen pipeline incidents. Broken pipes in North Long Beach and Downtown resulted in emergency shutoff, repair and reestablishment services. To serve our customers, crews worked late into the evening hours to restore service. This highlights the need to continue investment in pipeline replacement, especially valves that were damaged during the January storms.

In order to streamline services and consolidate facilities, LBGO is investing in facility upgrades to relocate 128 employees and their associated vehicles. The groups moving to the Spring street facility include employees from Public Works' Traffic, the Utilities Call Center, Corix and the Oil Operations department. The project should be completed in FY 11.

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 11 Funding Source: Gas Fund 100%

Natural Gas Purchases and Sales	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	59,054,413	66,178,147	52,067,287	79%	67,293,399
Revenues	83,001,541	94,100,924	76,912,786	82%	94,100,924
FTEs	5.00	5.00	5.00	100%	7.00

*Unaudited
exclude all-years carryover.

**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
Cost of gas per therm purchased	\$0.89	\$0.92	\$0.45	49%	\$0.54
Number of therms of natural gas delivered to non-transport customers	81,125,297	85,185,705	75,207,103	88%	76,235,871
Number of therms of natural gas delivered to transport customers	24,952,596	30,908,220	14,844,592	48%	17,696,631
Average residential monthly gas bill	\$49.01	\$39.87	\$33.57	84%	\$36.83

Results Narrative:

The Natural Gas Purchases and Sales Program expects to end FY 10 with a significant decrease from the budgeted revenue and expenditure levels. Due to ample gas supplies and the resulting drop in the market price of natural gas during FY 10, gas purchase expenses and gas sales revenue are expected to decrease by \$66.8 and \$62.8 million, respectively. The amount of therms of natural gas delivered to customers in FY 10 is also expected to drop below FY 09 levels most notably because of the impacts to transport customers caused by the economic downturn. The proposed FY 11 natural gas revenue and gas purchases are based on the two year historical records and recent gas index futures, and therefore project a slight increase from FY 10 levels in anticipation of a modest economic recovery.

The average cost of gas in FY 10 is estimated to decrease by \$0.44 per therm in FY 10 compared to FY 09. LBGO customers have benefitted with a significant decrease in their average residential gas bills during FY 10. 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 gas 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 11 Funding Source: Gas Fund 100%

Pipeline Operations and Maintenance	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	10,435,327	11,389,311	10,596,575	93%	10,442,657
Revenues	109,143	80,000	159,982	200%	80,000
FTEs	114.00	116.50	116.50	100%	105.75

*Unaudited
exclude all-years carryover.

**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
Number of miles of gas pipeline leak surveyed	450	450	450	100%	450
% 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%

Federal standards require surveying 450 miles annually of the entire 1,900 miles in the system

Results Narrative:

The Code of Federal Regulations that governs pipeline safety establishes that, at a minimum, 100 percent of the business district areas, which includes hospitals, schools and churches, along with 20 percent of the residential districts will be surveyed for leaks. In FY 10, LBGO met all standards for leak survey, repairing all identified leaks according to federal safety standards and procedures, as they will in FY 11. During FY 10, 100 percent of the 1,100 critical valves in the system were maintained. Also, 10,000 requests to locate-and-mark buried natural gas pipelines were surveyed as preventative measures for construction activity. Two new deep well anode beds were installed to support the cathodic protection corrosion control system. Some minor fee adjustments for construction permits were put in place.

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 11 Funding Source: Gas Fund 100%

Pipeline Replacement	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	10,390,627	23,405,895	9,157,851	39%	16,477,663
Revenues	9,799,634	32,881,812	29,030,575	88%	10,156,485
FTEs	-	-	-	-	-

*Unaudited
exclude all-years carryover.

**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
Percentage of aging pipeline replaced*	N/A	8.3%	8.3%	100%	11%
Number of feet of aging pipeline installed/replaced*	58,324	48,700	70,000	144%	95,000
Dollar cost/expenditure per foot of pipeline installed/replaced*	\$26.00	\$57.00	\$57.00	100%	\$60.00
Number of aging meters replaced	4,040	4,224	3,360	80%	4,200

*Includes pre-and post-1950's pipeline

Results Narrative:

The Pipeline Replacement Program is expected to spend about \$2.5 million more than target. This is primarily due to work requested by the Port of Long Beach in connection with various Pier reconstruction projects. In addition, LBGO will continue to replace and upgrade its pipeline to ensure safe and efficient delivery of service. During FY 10, about 70,000 linear feet pipeline was removed and upgraded, including 52,000 of pre-1950 pipe.

LBGO has also been investing in gas meter replacements. Many of the meters are made of metal and prone to rust and deterioration, causing gas leaks. The older meters are now being replaced with a plastic composite meter. They are more cost effective and last longer than the metal ones, supporting the goal of a safe and efficient delivery system.

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 11 Funding Source: Gas Fund 100%

Gas and Water Service Response	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	5,178,476	5,680,620	5,483,192	97%	6,440,211
Revenues	2,431,714	2,110,405	2,369,755	112%	2,110,405
FTEs	51.00	52.00	52.00	100%	61.75

*Unaudited

**Amounts

exclude all-years carryover.

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
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	143,572	109%	142,000
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%	96%	101%	100%
Percentage of gas emergency service call requests responded to within 30 minutes (during regular business hours)	88%	95%	90%	95%	100%
Number of gas emergency service call responses completed	5,728	5,600	6,272	112%	6,000

Results Narrative:

The Gas and Water Service Response Program exceeded the targeted number of gas and water customer services calls completed by 9 percent of target. This was accomplished through the reallocation of resources (FTEs) from other work groups to meet the enhanced demand for customer requests for service. Additionally, emergency services calls responded to also exceeded the FY 10 target by 12 percent.

As a consequence of the increased number of service calls and shifting of personnel, only 80 percent of the targeted aging meters will be replaced in FY 10. This also impacted the goal of responding to emergency requests within 30 minutes, decreasing from a target of 95 percent to 90 percent. Overall, most customer service needs were met and even exceeded; however, other gas services functions did not achieve targeted results. In FY 11, LBGO intends to fill budgeted vacancies to better address all service demands.

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 11 Funding Source: SERRF Fund 100%

Waste to Energy	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	50,566,616	51,506,990	50,313,683	98%	53,803,297
Revenues	48,678,548	47,411,506	48,225,866	102%	47,067,000
FTEs	4.00	4.00	4.00	100%	4.00

*Unaudited
exclude all-years carryover.

**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
Annual revenue from receipt of refuse (in millions)	\$ 20.79	\$ 21.07	\$ 21.58	102%	\$ 21.88
Number of tons of waste processed	485,207	475,000	485,000	102%	470,000
Number of megawatts of electricity sold	229,638	225,000	231,000	103%	212,000
Annual revenue from energy sales (in millions)	\$ 26.17	\$ 24.55	\$ 25.10	102%	\$ 23.38

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 FY10, the Program staff destroyed 578,000 pounds of confiscated narcotics and drug paraphernalia for federal, State, and local law enforcement agencies.

Utility Customer Support Program

Focus Area: Utilities

Line of Business: Utility Customer Support

Program Purpose Statement: To provide customer service for utility users in Long Beach so they can receive timely and accurate assistance with gas, water, sewer, refuse, and recycling inquiries.

Key Services Provided: Call Center and 24-hour Internet/IVR Automated Customer Service available to Establish, Disconnect, or Transfer Utility Service, Provide Billing Statements and Account Details, High Bill Reviews, Targeted Assistance Programs, Delinquent Bill and Payment Plan Options, Payment Processing and Verifications, Debt Recovery Collections, Scheduling Gas Pilot Orders, Process Requests for New Meter and New Service Line Installation, and Collection of Fees and Charges.

FY 11 Funding Sources: Gas Fund 100%

Utility Customer Support ¹	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	-	-	-	-	1,810,460
Revenues	-	-	-	-	-
FTEs	-	-	-	-	24.97

*Unaudited
exclude all-years carryover.

**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
Number of Customer Inquiry Responses Completed	-	-	-	-	799,000

¹ For prior years data please refer to the Financial Management Chapter.

Results Narrative:

The Utility Customer Support program will handle approximately 766,000 customer contacts in FY10 through various service methods, including calls during regular business hours to the Call Center, or 24/7 by utilizing Customer Self Service over the Internet or automated functions available using the phone.

This program is challenged yearly with five to six percent increases in the number of customer contacts. Analyzing Call Center reports has allowed better utilization of staff by staggering work schedules to accommodate peak periods. Additionally, the customers' preference for automation, which currently accounts for 57% of all contacts, has allowed Utility Customer Support's performance to remain competitive with past years.

FY10 will see the start of a new meter reading vendor, Corix, to read the City's 250,000 gas and water meters, and a return to monthly meter reading. Monthly meter readings will be restored due to customer's concerns that estimated meter readings obscured usage patterns making it harder to gauge their conservation efforts.

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

Planning and Contract Management	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	176,227,196	305,000,934	301,371,142	99%	60,994,255
Revenues	151,325,393	272,762,072	310,441,910	114%	70,794,000
FTEs	8.00	8.00	8.00	100%	9.00

*Unaudited
exclude all-years carryover.

**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
Number of contract exceptions	N/A	12	13	108%	12
Percentage of City abandonment liability funded	112%	100%	128%	128%	100%
Dollar amount of City oil abandonment liability	\$ 214,061	\$ 214,300	\$ 275,000	128%	\$ 262,000

Results Narrative:

LBGO is maintaining a fiscally prudent approach in budgeting oil in FY 11, which provides for a viable and stable base transfer of revenue to the Tideland Operating Fund and General Fund. The FY 11 budget is based on \$45 per barrel. Should the actual oil price exceed this base, a midyear budget adjustment based on increased expected revenue for payments to the State, field operations and transfers will be processed. Subsequently, one-time revenues earned over the \$45 oil price per barrel would be available for appropriate one-time uses or to be set aside for future needs.

The FY 11 budget supports transfers of \$31 million to the State of California and \$3.9 million to the City's Tidelands Operating Fund as their proportionate shares in the profits from the Wilmington Oil Field operations. In addition, it is anticipated the Department will transfer \$6.8 million from the Uplands Oil Fund to the General Fund from administrative fee earns as Unit Operator, oil profits, and other income from the oil operations.

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 11 Funding Source: Tideland Oil Revenue Fund 100%

Oil Production and Subsidence Management	Actual FY 09	Adjusted FY 10	Year End* FY 10	Percent of Budget	Adopted** FY 11
Expenditures	3,849,790	(496,964)	3,255,658	-655%	18,612,602
Revenues	1,611,515	-	2,177,816	0%	15,111,851
FTEs	20.00	18.00	18.00	100%	18.00

*Unaudited
exclude all-years carryover.

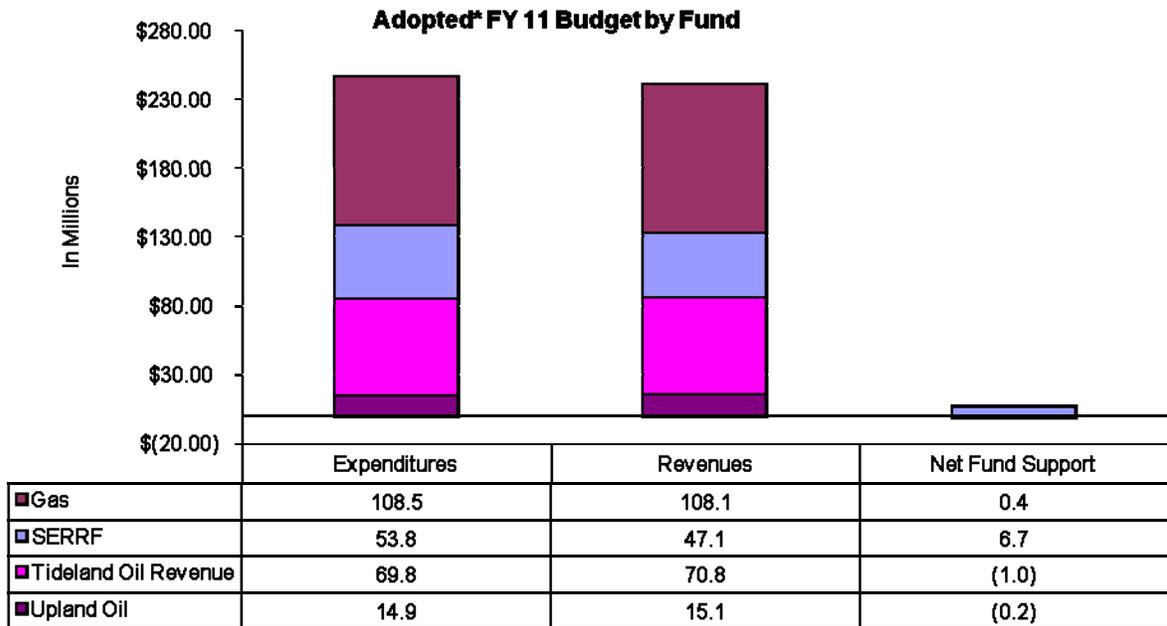
**Amounts

Key Performance Measures	Actual FY 09	Target FY 10	Year End FY 10	Percent of Budget	Adopted FY 11
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	12.08	107%	12.00
Number of new wells expected to be drilled	57	55	60	109%	58
Number of elevation benchmarks surveyed	546	480	113	24%	480

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 09	Adopted* FY 10	Adjusted FY 10	Year-End** FY 10	Adopted* FY 11
Expenditures:					
Salaries, Wages and Benefits	22,073,214	22,774,913	21,424,522	21,803,785	25,469,609
Materials, Supplies and Services	254,227,740	180,633,437	385,260,201	361,356,335	185,713,167
Internal Support	4,552,954	5,132,514	5,140,609	5,596,182	5,657,777
Capital Purchases	927,211	1,559,700	1,559,700	1,219,849	1,559,700
Debt Service	1,312,179	1,894,238	13,649,238	12,935,993	1,894,238
Transfers to Other Funds	40,705,005	23,857,895	45,987,345	49,007,431	26,744,378
Depreciation/Amortization/Depletion	(1,881)	-	-	-	-
Prior Year Encumbrance	-	-	-	-	-
Total Expenditures	323,796,423	235,852,696	473,021,614	451,919,575	247,038,869
Revenues:					
Property Taxes	-	-	-	-	-
Other Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use of Money & Property	153,743,596	87,097,199	273,953,420	313,100,844	87,097,199
Revenue from Other Agencies	-	-	-	-	-
Charges for Services	140,908,094	145,132,976	145,132,976	132,717,278	145,132,976
Other Revenues	3,178,340	986,300	986,300	1,496,617	986,300
Interfund Services - Charges	429,179	295,000	295,000	421,880	295,000
Intrafund Services - GP Charges	-	-	-	-	-
Harbor P/R Revenue Transfers	-	-	-	-	-
Other Financing Sources	-	7,530,000	7,530,000	-	7,530,000
Operating Transfers	-	-	22,725,327	22,725,327	-
Total Revenues	298,259,209	241,041,475	450,623,023	470,461,946	241,041,475
Personnel (Full-time Equivalents)	240.25	242.75	242.75	242.75	267.72

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

**Unaudited

Personal Services

Classification	FY 09 Adopt FTE	FY 10 Actual FTE	FY 11 Adopt FTE	FY 10	FY 11 Adopted Budget
Director - Long Beach Gas and Oil	1.00	1.00	1.00	194,724	194,724
Accountant I	1.00	1.00	1.00	49,957	57,129
Accountant II	2.00	2.00	2.00	119,239	121,795
Accountant III	2.00	2.00	2.00	139,034	141,329
Accounting Clerk III	2.00	2.00	2.00	83,783	83,783
Accounting Technician	1.00	1.00	1.00	41,833	41,833
Administrative Aide II	1.00	1.00	1.00	46,199	44,024
Administrative Analyst II	2.00	2.00	2.00	140,726	140,738
Administrative Analyst III	1.00	1.00	1.00	71,527	73,335
Administrative Officer-Oil Properties	1.00	1.00	1.00	101,295	101,295
Assistant Administrative Analyst II	1.00	1.00	1.00	58,206	56,067
Clerk III	1.00	1.00	1.00	30,837	30,837
Clerk Typist II	2.00	2.00	2.00	73,775	66,440
Clerk Typist II - NC	0.25	0.25	0.25	7,826	7,826
Clerk Typist III	5.00	5.00	5.50	201,371	228,685
Construction Inspector I	4.00	4.00	4.00	262,022	266,521
Construction Inspector II	4.00	4.00	4.00	307,433	307,433
Corrosion Control Supervisor	1.00	1.00	1.00	78,630	78,630
Customer Service Representative III	-	-	18.00	-	816,995
Customer Service Representative II - NC	-	-	3.47	-	111,407
Customer Service Supervisor I	-	-	2.00	-	98,677
Customer Services Officer	-	-	1.00	-	90,037
Department Safety Officer	1.00	1.00	1.00	84,274	84,273
Divison Engineer-Oil Properties	4.00	4.00	4.00	543,982	543,982
Electrician	1.00	1.00	1.00	59,359	59,359
Engineering Aide III	1.00	1.00	3.50	48,667	122,709
Engineering Aide III-NC	-	3.50	1.00	122,709	48,667
Engineering Technician I	2.00	2.00	2.00	102,683	107,940
Engineering Technician II	5.00	5.00	5.00	307,612	302,163
Executive Secretary	2.00	2.00	2.00	116,935	116,935
Financial Services Officer	1.00	1.00	1.00	86,333	86,333
Gas Crew Utility Assistant I	3.00	3.00	3.00	126,488	115,505
Gas Crew Utility Assistant II	28.00	28.00	28.00	1,504,507	1,489,712
Gas Crew Utility Assistant III	10.00	10.00	10.00	605,885	607,034
Gas Distribution Supervisor I	5.00	5.00	5.00	358,176	364,369
Gas Distribution Supervisor II	3.00	3.00	3.00	235,064	235,064
Gas Field Service Representative II	47.00	47.00	47.00	2,461,006	2,453,029
Gas Field Service Representative III	14.00	14.00	14.00	821,130	847,342
Gas Instrument Technician II	4.00	4.00	4.00	242,613	255,040
Gas Maintenance Supervisor I	9.00	9.00	9.00	655,362	639,851
Gas Maintenance Supervisor II	2.00	2.00	2.00	161,470	161,470
Gas Supply and Business Officer	1.00	1.00	1.00	95,027	95,027
General Maintenance Supervisor II	1.00	1.00	1.00	60,869	60,869
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Subtotal Page 1	176.25	179.75	204.72	10,808,568	11,956,210

Personal Services

Classification	FY 09 Adopt FTE	FY 10 Actual FTE	FY 11 Adopt FTE	FY 10	FY 11 Adopted Budget
Subtotal Page 1	176.25	179.75	204.72	10,808,568	11,956,210
Geologist I	2.00	2.00	2.00	192,995	192,995
Geologist II	1.00	1.00	1.00	128,276	128,276
Maintenance Assistant I	1.00	1.00	1.00	34,917	34,917
Maintenance Assistant II	1.00	1.00	1.00	34,924	34,924
Manager-Business Operations	1.00	1.00	1.00	106,868	140,057
Manager-Electric Generation	1.00	1.00	1.00	134,774	134,774
Manager-Engineering & Construction	1.00	1.00	1.00	135,858	135,858
Manager-Fault Blocks/Upland	1.00	1.00	1.00	142,800	142,800
Manager-Gas Services	1.00	1.00	1.00	101,775	101,775
Manager-Oil Operations	1.00	1.00	1.00	142,800	142,800
Mechanical Engineer	3.00	2.00	2.00	166,040	166,040
Oil Field Gauger II	2.00	2.00	2.00	134,952	122,643
Payroll/Personnel Assistant II	1.00	1.00	1.00	44,024	44,024
Payroll/Personnel Assistant III	1.00	1.00	1.00	48,507	48,508
Petroleum Engineer Associate II	2.00	2.00	2.00	198,427	198,427
Petroleum Engineer I	2.00	2.00	2.00	206,146	219,126
Petroleum Engineer II	6.00	6.00	6.00	722,402	722,402
Petroleum Operations Coordinator I	5.00	5.00	5.00	547,604	509,882
Pipeline Welder	7.00	7.00	7.00	457,028	467,583
Principal Construction Inspector	1.00	1.00	1.00	86,923	86,923
Secretary	4.00	4.00	4.00	191,500	191,501
Senior Accountant	2.00	2.00	2.00	152,800	164,843
Senior Civil Engineer	1.00	1.00	1.00	109,576	109,576
Senior Engineering Technician I	1.00	1.00	1.00	75,591	75,588
Senior Equipment Operator	5.00	5.00	5.00	329,556	331,069
Senior Mechanical Engineer	2.00	2.00	2.00	219,152	219,152
Senior Petroleum Engineer Associate	1.00	1.00	1.00	118,191	96,516
SERRF Operations Officer	1.00	1.00	1.00	96,862	96,862
Stock & Receiving Clerk	1.00	1.00	1.00	38,502	38,502
Storekeeper I	1.00	1.00	1.00	37,584	37,314
Storekeeper II	1.00	1.00	1.00	39,686	42,905
Supervisor - Stores & Property	1.00	1.00	1.00	54,950	57,767
Superintendent-Operations	1.00	1.00	1.00	86,442	82,764
Superintendent-Pipeline Construction & Maint	1.00	1.00	1.00	92,248	92,248
Subtotal Salaries	240.25	242.75	267.72	16,219,248	17,367,553
Overtime	---	---	---	380,800	387,186
Fringe Benefits	---	---	---	8,161,200	8,733,531
Administrative Overhead	---	---	---	439,374	481,340
Attrition/Salary Savings	---	---	---	(1,500,000)	(1,500,000)
To Be Negotiated Savings	---	---	---	---	---
Mayoral Veto	---	---	---	---	---
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Total	240.25	242.75	267.72	23,700,623	25,469,609

Key Contacts

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Scott Bailey, Manager, Oil Production/Subsidence Bureau

Curtis P. Henderson, Manager, Oil Operations Bureau

Craig Beck, Manager, Business Operations Bureau

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