

# ***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

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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 confronted over the next two- to five-years. Strategic objectives have also been developed as part of this effort to help guide the Department in addressing these issues. The Gas & Oil Department has also developed its program structure and performance 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.

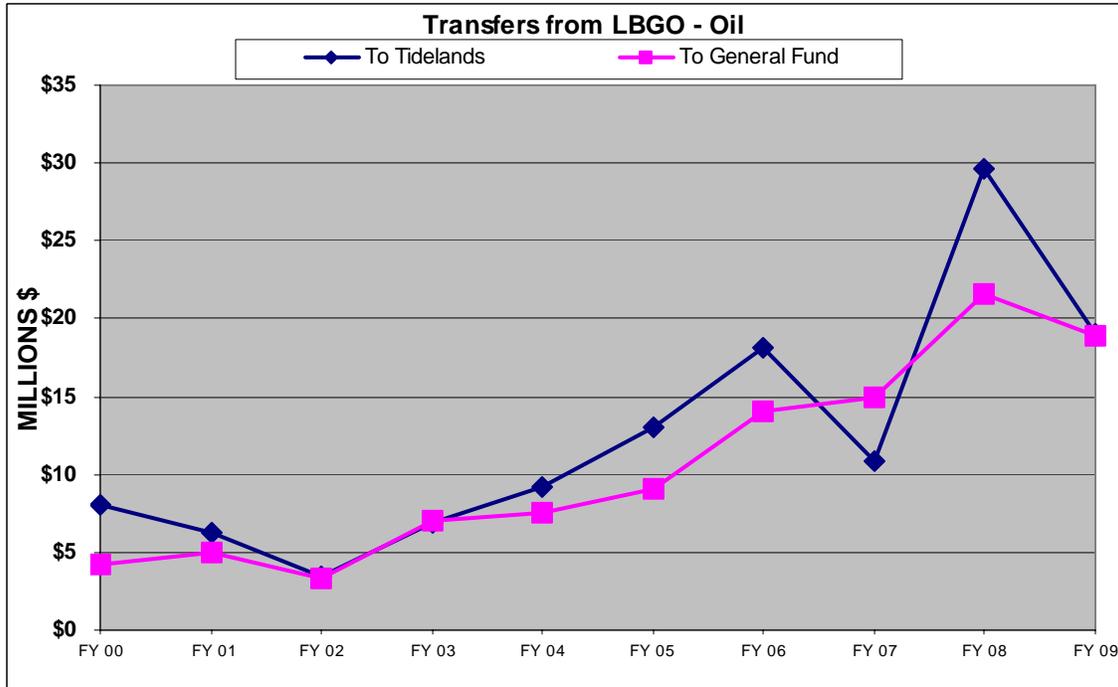
Please note that while the Department has completed its Strategic Business Plan, a number of the key performance measures may be new to the Department and will take time to fully develop and collect the performance information. Therefore, some performance measures are presented at this time without the 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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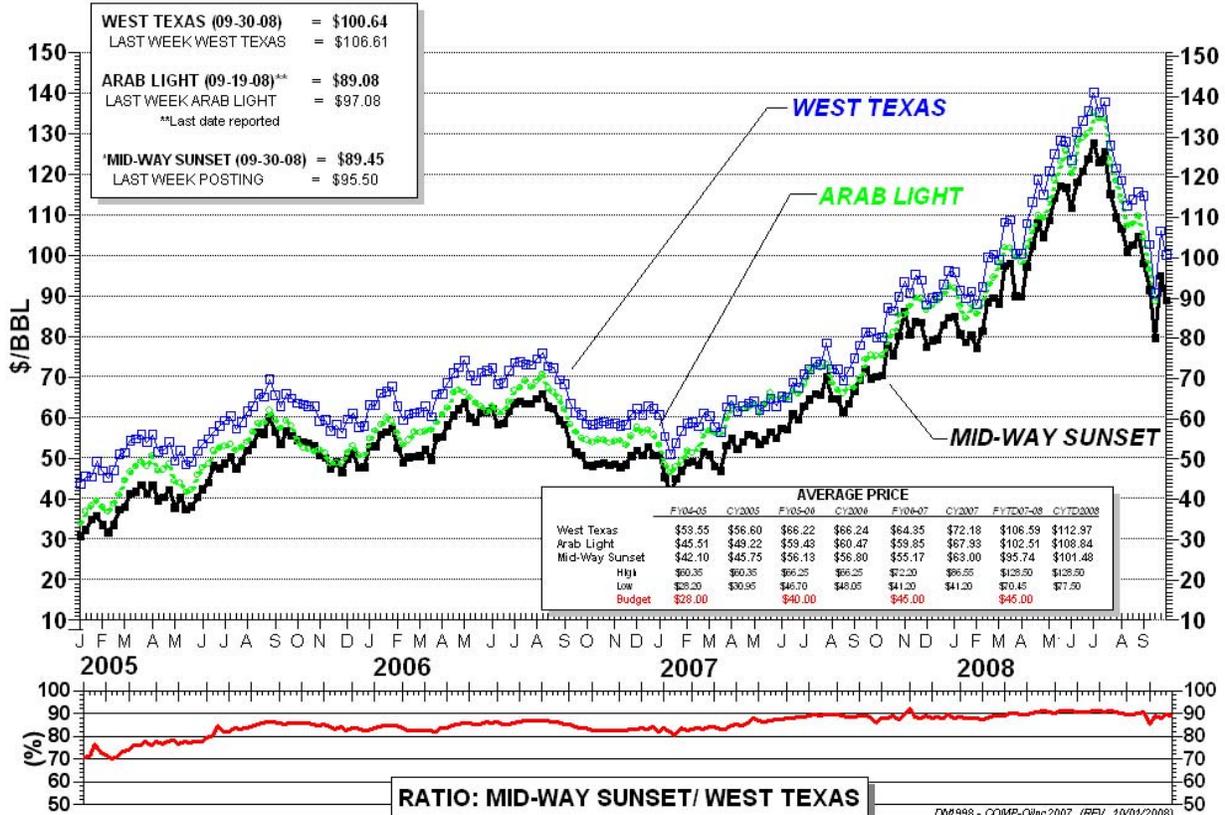
# Service Delivery Environment



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 nine fiscal years, oil operations in the Wilmington Oil Field and the City's proprietary interests had generated \$105.6 million revenues to the Tidelands Operating Fund (TOF) and \$86.8 million to the General Fund.

## OIL PRICE COMPARISON

LONG BEACH GAS & OIL DEPARTMENT - OIL OPERATIONS BUREAU



## Service Delivery Environment

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The uncertainty of future oil supplies due to political tensions in key producing regions, imbalance between rising consumption in developing countries and global supply constraints, and limited refining capacity have contributed to the unprecedented increase in global crude oil prices in FY 08. In tandem with these prices, Wilmington (Mid-way Sunset) crude oil increased from an average posting price per barrel of \$55.17 in FY 07 to \$97.22 in FY 08. The oil price for FY 09 is estimated at a fiscally prudent level of \$85 per barrel. Any revenue generated by oil over \$85/bbl should be used to support one-time needs only.

## Significant Issues

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- 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, increases costs and decreases revenues, and can result in reduced Department customer service response time.
- The annual transfer of gas revenues to the General Fund lacks a formal framework and formula, which creates uncertainty for prudent budget planning and capital reinvestment, which can jeopardize the financial rating on the Department's debt issuances, exacerbate the issue related to the aging of the City's gas pipeline system, as well as lead to unrealistic expectations, demands, and reliance on the transfer to the General Fund.

# Strategic Objectives

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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:

- The average residential monthly gas bill is comparable to other Southern California gas utilities;
- Appropriate price protection contracts are provided for at least 50% of the customers gas supply.

**Focus Area:** Business & Economic Assistance

**City Manager's Key Outcome:** Make Long Beach 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:

- With continuing high oil prices, the expected field decline will continue to be less than 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 2011, 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:

- Continuing to ensure that 100% of federal Department of Transportation audit compliance measures are met related to the gas pipeline; and
- 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

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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 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:
  - Savings generated by the gas prepay program will be used to provide funding for capital improvement projects; and
  - By the end of FY 09, increase the Gas fund balance to a prudent operating reserve level of 10% of operational expenses; and
  - The FY 09 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 08 Key Accomplishments

### FY 09 Budget by Fund

Fund	Expenditures	Revenues	Net Fund Support
Gas	134,796,541	141,018,694	(6,222,153)
SERRF	55,123,223	47,898,000	7,225,223
Tideland Oil Revenue	362,633,181	363,016,117	(382,936)
Upland Oil	28,650,709	28,831,232	(180,523)
<b>Total</b>	<b>581,203,654</b>	<b>580,764,043</b>	<b>439,611</b>

### FY 08 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 \$440.3 million payment to the State of California, \$165.7 million to Oxy Long Beach Inc., and transfers to the Tidelands Operating Fund and General Fund of \$30.7 million and \$21.5 million, respectively in FY 08.
- Assisted the State of California auditors in its audit of City services chargeable to the State covering the two-year period from July 1, 2005 through June 30, 2007.
- Transferred \$11.7 million in net gas revenues to the General Fund in FY 08.
- Successfully reduced the Department's vacancy rate to 8 percent by the end of the FY 08.
- Effective November 1, 2007, LBGO entered into a 30-year Prepaid Natural Gas Purchase and Sale Agreement contract with Merrill Lynch Commodities, Inc. (MLCI). Under the new agreement, MLCI became the primary supplier of natural gas, with LBGO receiving a discount on all contracted volumes. The cost savings provided by this contract will facilitate funding of the City's aging gas utility's infrastructure requirements over the next 30 years.
- 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 current contract with Shell Energy, local supplies and favorable index pricing allowed LBGO to maintain rate comparability. Calculated year-to-date average residential bills from LBGO exceed Southern California Gas Company (SoCalGas) by less than 1 percent.
- 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.
- 70,508 feet of new main pipeline (the pipeline that runs along a street) and 1,456 new services (pipeline that connects from the main pipeline to the customer's meter) have been installed. Approximately 88,113 feet of pre 1950 pipeline has been removed from the system. One hundred percent of the pipeline replaced was installed prior to 1950.

## Budget by Fund and FY 08 Key Accomplishments

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- Eighty-five percent of pipeline that was installed pre-1930 will have been removed along with 75 percent of pipeline installed pre-1940 from the Long Beach natural gas pipeline system. In 2004, there was 13,600 feet of pre-1930 pipeline, which is now reduced to 1,940 feet. In 2004, there was 146,050 feet of pre-1940 pipeline installed, which has been reduced to 35,600 feet.
- 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 achieved an overall customer satisfaction rating of 92 percent via customer "bounce back" cards.
- Completed 76,807 customer service orders for gas turn-on and off service, responded to 5,601 emergency calls for service and completed a total of 148,259 gas and water service orders.
- SERRF processed 485,000 tons of refuse and sold approximately 230,000 megawatts of electricity to SCE.
- The East and West Wilmington Units combined drilled over 64 new wells adding about 6,500 barrels of oil produced per day while investing over \$85 million in the development program. The development program added millions of additional barrels of oil reserves to the Units.
- Surveyed 546 elevation benchmarks throughout the oil field to measure changes in surface elevation. City surface elevations have remained stable. The Department's active subsidence control plan coordinates subsidence control measures with oil and gas development programs and production operations to inject more water than total fluids produced.
- Wilmington Oil Field stakeholders invested millions of dollars on pipeline replacement, greener power generation facilities and 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. are finalizing the amendment to the Belmont Agreement for cost sharing of facilities on the oil islands.
- The City, Oxy Long Beach, Inc., the Harbor Department and the State of California are currently having discussions on the possibility of a revenue sharing amendment to the existing oil contracts for the West Wilmington portion of the oil field.
- Received \$117,000 in new General Fund (through Uplands Oil Fund) revenues from well "Rose 12" oil production.

# 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 09 Funding Sources:** Tideland Oil Revenue Fund 52%, Gas Fund 48%,

Administration	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	10,309,293	9,820,589	10,760,507	110%	9,947,966
Revenues	4,891,726	1,612,810	6,166,677	382%	1,620,810
FTEs	23.25	36.25	36.25	100%	38.25

\* Unaudited

\*\*Amounts exclude all-years carryover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
June Expenditure ETC as % of Year End Actual	92%	100%	100%	100%	100%
June Revenue ETC as % of Year End Actual	89%	100%	100%	100%	100%
Department Vacancy Rate	12%	11%	8%	73%	7%
Overtime as % of Total Salaries	6%	2.5%	3.8%	152%	2.4%
# of Workers' Comp. Claims Involving Lost Time	1	1	4	(a)	(a)
# of Lost Work Hours (Expressed in Full Time Equivalents) from Workers' Comp. During Fiscal Year	0.92	0.84	0.66	(a)	(a)
Average Reporting Lag Time (in Days) for Workers' Comp. Claims During Fiscal Year	8.12 days	1 day	2.82 days	(a)	1 day

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

## Results Narrative:

The Administration Program's FY 09 budget increased from the current funding levels. The net change is due to negotiated employee increases and various position upgrades and transfers between Programs within the department. There is a net increase of two positions to the Administration Program; including the addition of one Superintendent of Operations and one Administrative Aide II. FY 08 actual revenue included \$5 million in Harbor Uplands and Harbor Oil revenue that is associated with the Planning and Contract Management Program.

In FY 09, the Program will aggressively pursue finding modified duty work within the City for injured employees to continuously reduce the number of lost work hours. In FY 06, the numbers of lost work hours (expressed in full time equivalents) were 2.93, which dropped to 2.11 in FY 07, a decrease of 28 percent. In FY 09, the number of lost work hours is projected to decline. FY 08 information is not yet available.

## 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 09 Funding Source:** Gas Fund 100%

Natural Gas Purchases and Sales	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	73,809,670	94,014,835	86,079,855	92%	105,741,635
Revenues	96,391,089	117,627,257	105,006,459	89%	129,255,994
FTEs	5.00	6.00	6.00	100%	5.00

\* Unaudited

\*\*Amounts exclude all-years carover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
Cost of gas per therm purchased	\$0.57	\$0.77	\$0.89	116%	\$0.96
Number of therms of natural gas purchased	81,798,139	87,627,223	80,886,793	92%	80,081,332
Number of therms of natural gas expected to be used	30,053,886	28,714,668	23,937,594	83%	22,549,654
Average residential monthly gas bill	\$45.08	\$48.44	\$49.01	101%	\$56.32

### Results Narrative:

The Natural Gas Purchases and Sales Program budget increased from the current funding levels. Due to a marked projected increase in the market price of natural gas in FY 09, gas purchases expense and gas sales revenue are expected to increase by \$11.9 and \$11.0 million, respectively. The average cost of gas is expected to increase by \$0.23 per therm in FY 09. Gas sales revenue is projected to increase additionally by approximately \$630,000 due to a rate increase implemented in May 1, 2008. LBGO gas utility rates are continually compared to SoCalGas and other surrounding gas utilities. The May rate change was implemented to match SoCalGas' January 2008 rates. Further rate changes may be implemented to account for additional changes made by SoCalGas due to the establishment of Firm Access Receipt Rights and Off-System Delivery (FAR OFF) in SoCalGas transmission system. Future rates will also adapt California Public Utilities Commission (CPUC) approved charges based on 2009 Biennial Cost Allocation Plan (BCAP) currently underway. The expected increase in the average residential gas bill will be approximately \$7.88 (\$7.49 due to projected FY 09 natural gas market price increases and an additional \$0.39 for the May 2008 rate increase). LBGO continues to pursue agreements, which provide the greatest efficiency and effectiveness in buying and selling natural for LBGO customers.

Various positions have been transferred between Programs within the LBGO department. There is a net reduction of one position to the Natural Gas Purchases and Sales Program; including the reduction of one Administrative Aide II.

## 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 09 Funding Source:** Gas Fund 100%

Pipeline Operations and Maintenance	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	12,501,910	12,732,153	11,502,403	90%	11,133,810
Revenues	201,518	80,000	132,386	165%	80,000
FTEs	111.50	115.00	115.00	100%	114.00

\* Unaudited

\*\*Amounts exclude all-years carover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
Number of miles of gas pipeline leak surveyed	360	360	360	100%	360
Dollar cost/expenditure per mile of pipe leak surveyed	\$454	\$494	\$475	96%	\$500
% of reported Class C pipeline/meter leaks repaired within required timeframes	100%	100%	100%	100%	100%
% of federal audit compliance measures met	100%	100%	100%	100%	100%

### Results Narrative:

The Pipeline Operations and Maintenance Program increase from current funding is due to negotiated employee increases. The Geographic Information System (GIS), a major technology project initiated in FY 06 was fully implemented in FY 08, wherein the entire infrastructure has now been mapped to a GIS database. The GIS system also includes a number of business applications that will allow gas flow analysis; automated regulatory code compliance scheduling and computerized map products for underground service alerts (locate and mark buried pipelines).

In FY 09, the Program expects to 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 08 were classified and repaired per federal safety standards and procedures. During FY 08, 100 percent of the 1,100 critical valves in the system were maintained, the Department completed approximately 12,000 requests to locate-and-mark buried natural gas pipelines, replaced approximately 625 service pipeline, installed about 7,500 feet of main pipeline, and removed 9,132 feet of gas main and 16 older valves and installed 8 new valves.

Various positions have been transferred between Programs within the LBGO department. There is a net reduction of one position to the Pipeline Operations and Maintenance Program; including the reduction of one Gas Distribution Supervisor I and two Gas Distribution Supervisor II, and the addition of one Gas Field Service Representative II and one Gas Field Service Representative III.

# 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 09 Funding Source:** Gas Fund 100%

Pipeline Replacement	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	9,274,336	12,402,953	10,611,790	86%	7,350,000
Revenues	8,457,259	11,307,722	10,555,182	93%	7,951,485
FTEs	-	-	-	-	-

\* Unaudited

\*\*Amounts exclude all-years carover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
Percentage of aging pipeline replaced	7%	27%	27%	100%	10%
Number of feet of aging pipeline installed/replaced*	71,000	74,504	74,504	100%	31,000
Dollar cost/expenditure per foot of pipeline installed/replaced*	\$ 90	\$ 111	\$ 111	100%	\$ 147
# of meter installations, replacements, and upgrades completed	5,645	6,016	7,416	123%	6,300

\* Includes pre and post 1950's pipeline

## Results Narrative:

The Pipeline Replacement Program budget decreased from the current funding levels. The net change is due to a proposed reduction in scope of pipeline replacement installation and replacement for FY 09.

Over the past two years, the Department has also been implementing a GIS technology project. The GIS project was made fully operational in FY 08, and will provide a host of work process and cost efficiencies. Unfortunately, the GIS project was extremely draining on staff resources, and a backlog of completed work reconciliation and future project designs has accumulated. As a result, the scope of the FY 09 pipeline replacement plan has been reduced by over 50 percent to provide a catch up period to reduce the backlog that was created. The FY 10 pipeline replacement program should return to previous levels, thereby extending the completion date of the Pipeline Replacement Program. Other capital replacement projects, which will not exacerbate the backlog of reconciliation and design work, will be completed in FY 09.

The Department has developed a Meter Replacement Program to replace approximately 16,500 aged residential meters during a four-year period. These meters have been designated as condemned and could potentially fail to properly measure gas volumes. The Program projects to replace 6,300 meters in FY 09, which includes aged meter replacement and regular meter maintenance work.

A majority of fees have been increased by 6 percent to recover costs for services. The 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:** To provide gas service responses, water turn-ons and turn-offs, appliance, and emergency response services, and customer outreach to the residents and businesses of the Long Beach area so they can receive and use a safe reliable supply of gas.

**Key Services Provided:** Customer Service Calls Responses, Gas Distribution System Monitoring Responses (pressure and quality control checks/responses), Gas and Water Turn-Ons/Turn-Offs, Pilot Lightings and Appliance Adjustments, Gas Emergency Responses, Billing Issue Responses, Carbon Monoxide Responses and Safety and Appliance Training Sessions (for Field Staff)

**FY 09 Funding Source:** Gas Fund 100%

Gas and Water Service Response	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	4,157,001	5,448,547	4,918,456	90%	5,743,062
Revenues	2,278,500	1,899,155	2,096,637	110%	2,110,405
FTEs	54.50	51.00	51.00	100%	51.00

\* Unaudited

\*\*Amounts exclude all-years carover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
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	143,538	147,735	148,259	100%	***132,500
Dollar cost/expenditure per customer service call completed	\$ 31.00	\$ 35.00	\$ 33.75	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)	96%	95%	97%	102%	100%
Percentage of gas emergency service call requests responded to within 30 minutes (during regular business hours) or within 2 hours (after regular business hours)	84%	90%	94%	104%	100%
Number of gas emergency service call responses completed	5,850	5,889	5,601	95%	5,600

\*\*\*Reduction due to change in methodology of calls counted.

## Results Narrative:

The Gas and Water Service Response Program budget increased from the current funding levels. The net change is due to negotiated employee increases and the one-time acquisition of an Automated Vehicle Locator (AVL) system.

The Program recommends the acquisition and implementation of an AVL system in all departmental vehicles to improve customer service and emergency response, as well as employee safety and accountability. It is expected that the AVL system will improve the operations ability to respond 100 percent of the time to gas emergency service call requests within 30 minutes (during regular business hours). The estimated cost for the system, equipment, radios and installation is \$250,000. The enhancement will be funded by reserved El Paso settlement funds, which have been primarily utilized to fund technology enhancement projects geared to improve operations and service delivery for all LBGO customers.

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 09 Funding Source:** SERRF Fund 100%

Waste to Energy	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	45,247,283	53,232,065	49,964,209	94%	55,123,223
Revenues	49,085,442	46,981,000	49,191,645	105%	47,898,000
FTEs	4.00	4.00	4.00	100%	4.00

\* Unaudited

\*\*Amounts exclude all-years carover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
Annual revenue from receipt of refuse (in millions)	\$ 20.48	\$ 20.24	\$ 20.79	103%	\$ 21.07
Number of tons of waste processed	502,558	475,000	485,000	102%	475,000
Dollar cost or expenditure per ton of waste processed	\$ 90.34	\$ 105.00	\$ 104.30	99%	\$ 116.60
Number of megawatts of electricity sold	241,839	225,000	230,000	102%	225,000
Annual dollar savings to the City in waste disposal costs due to utilization of SERRF (in millions)	\$ 3.38	\$ 4.28	\$ 3.76	88%	\$ 5.00
Annual revenue from energy sales (in millions)	\$ 26.03	\$ 24.55	\$ 26.19	107%	\$ 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 08, the Program destroyed approximately 475,000 pounds of confiscated narcotics and drug paraphernalia for federal, State and local law enforcement agencies.

The Waste to Energy Program budget increased from current funding levels. The net change is due to an adjustment to the operations and maintenance contract with Montenay Pacific Power Corporation, based on a contracted CPI adjustment as well as expected productivity increases. The FY 09 proposed transfer to the General Fund has been 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 have to be restored in FY 10, thereby limiting the funds available to transfer in FY 10.

# 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 09 Funding Sources:** Tideland Oil Revenue Fund 93%, Upland Oil Fund 7%,

Planning and Contract Management	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	225,098,706	536,833,989	496,816,315	93%	382,144,474
Revenues	232,043,135	546,273,818	538,576,958	99%	391,847,349
FTEs	8.00	8.00	8.00	100%	8.00

\* Unaudited

\*\*Amounts exclude all-years carover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
Percentage of actual production expenditures within contract budgeted amounts	108%	100%	91%	91%	100%
Number of new and existing contract and operating agreements administered	72	74	75	101%	78
Number of new and existing contracts and operating agreements expected to be administered	72	74	75	101%	78
Dollar cost per contract and operating agreement administered	\$ 8,336	\$ 12,300	\$ 10,280	84%	\$ 12,300
Dollar amount of City oil abandonment liability	\$ 197,792	\$ 188,400	\$ 214,063	114%	\$ 214,300
Dollar amount of State abandonment liability (in millions)	\$ 24	\$ 24	\$ 24	100%	\$ 24

## Results Narrative:

The Planning and Contract Management Program budget decreased from current funding levels. This decrease is the result of a FY 09 budgeted price per barrel of \$85, while the FY 08 average price/bbl was \$97.22. The price per barrel is based on a fiscally prudent plan, which provides for a viable and stable base transfer of funds. Additional transfer amounts are proposed to be reserved in a Budget Stabilization Reserve account to offset unanticipated General Fund shortfalls. FY 08 year-end revenue does not include \$5 million of Harbor Uplands and Harbor Oil revenue that was booked in the Administration Program and \$3.3 million of City's proprietary interests revenue including Upland properties that should be moved from Oil Production and Subsidence Management Program.

The proposed FY 09 appropriations allow the Department to continue to allocate \$329.7 million to the State and \$19.0 million to the City's Tidelands Operating Fund (based on \$85/bbl) as their proportionate shares in the profits from the Wilmington Oil Field operations. The FY 09 appropriations also enable the Department to transfer \$18.9 million to the General Fund from administrative fees earned as Unit Operator and oil profits from its proprietary interests in the Wilmington Oil Field (based on \$85/bbl).

# 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 09 Funding Source:** Tideland Oil Revenue Fund 100%

Oil Production and Subsidence Management	Actual FY 07	Adjusted FY 08	Year End* FY 08	Percent of Budget	Adopted** FY 09
Expenditures	3,156,264	3,806,836	3,480,112	91%	4,019,484
Revenues	1,980,710	-	3,300,228	-	-
FTEs	19.00	20.00	20.00	100%	20.00

\* Unaudited

\*\*Amounts exclude all-years carover.

Key Performance Measures	Actual FY 07	Target FY 08	Year End FY 08	Percent of Budget	Adopted FY 09
Percentage of oil production compared to expected field decline	106%	100%	107%	107%	100%
Number of barrels of oil produced (in millions)**	14.30	13.74	13.73	100%	11.33
Number of new wells expected to be drilled	63	70	64	91%	55
Dollar cost/expenditure per barrel of oil	\$ 0.26	\$ 0.29	\$ 0.30	103%	\$ 0.35
Number of elevation benchmarks surveyed	480	480	510	106%	480

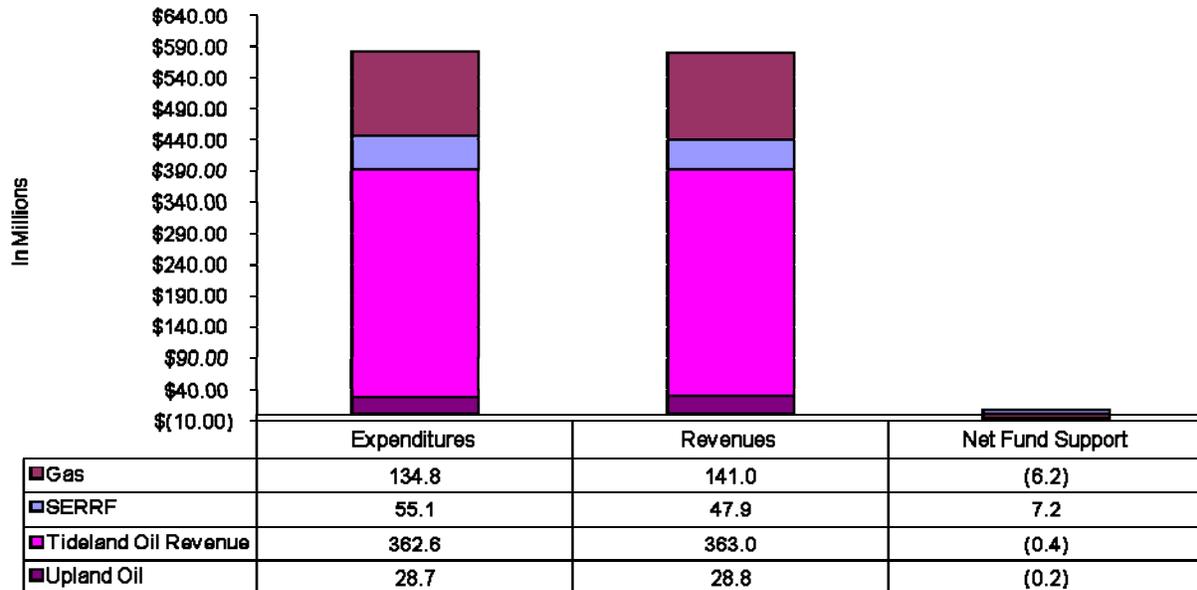
\*\*\* The number of barrels of oil produced does not reflect all the oil produced in Long Beach, it is exclusive to the Wilmington oil field.

## Results Narrative:

The Production and Subsidence Management Program budget is a continuation of the current funding levels. These total resources will allow the operation to manage over 5,213 wells in the Wilmington field, direct the drilling of 55 wells, survey 480 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 11.33 million barrels. Achieving these targets will help maintain stable City surface elevations and guarantee continued profitability of the oil field that is operated in a safe and environmentally sound manner. FY 08 year-end revenue include \$3.3 million of City's proprietary interests revenue including Upland properties that should be moved to Planning and Contract Management Program.

## Summary by Character of Expense

### Adopted\* FY 09 Budget by Fund



	Actual FY 07	Adopted* FY 08	Adjusted FY 08	Year End** FY 08	Adopted* FY 09
<b>Expenditures:</b>					
Salaries, Wages and Benefits	20,541,606	22,048,119	21,774,049	21,660,848	23,157,822
Materials, Supplies and Services	318,211,320	263,061,371	628,563,280	580,714,777	497,173,592
Internal Support	4,613,099	5,224,952	5,224,952	4,571,264	4,965,274
Capital Purchases	310,970	2,309,700	2,856,297	311,690	1,274,700
Debt Service	1,577,158	1,879,238	1,879,238	1,741,677	1,894,238
Transfers to Other Funds	38,180,167	33,164,648	67,994,151	65,251,649	52,738,029
Depreciation/Amortization/Depletion	120,141	-	-	(118,260)	-
Prior Year Encumbrance	-	-	-	-	-
<b>Total Expenditures</b>	<b>383,554,461</b>	<b>327,688,028</b>	<b>728,291,967</b>	<b>674,133,647</b>	<b>581,203,654</b>
<b>Revenues:</b>					
Property Taxes	-	-	-	-	-
Other Taxes	-	-	-	-	-
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use of Money & Property	231,616,334	149,842,610	446,045,347	534,771,629	393,688,697
Revenue from Other Agencies	686,846	-	-	-	-
Charges for Services	146,728,162	165,508,059	165,508,059	173,392,705	178,264,046
Other Revenues	125,085	978,300	978,300	1,009,631	986,300
Interfund Services - Charges	265,165	285,000	285,000	250,000	295,000
Intrafund Services - GP Charges	-	-	-	-	-
Harbor P/R Revenue Transfers	-	-	-	-	-
Other Financing Sources	7,500,000	8,000,000	8,000,000	2,004,000	7,530,000
Operating Transfers	-	-	-	-	-
<b>Total Revenues</b>	<b>386,921,591</b>	<b>324,613,969</b>	<b>620,816,706</b>	<b>711,427,965</b>	<b>580,764,043</b>
<b>Personnel (Full-time Equivalents)</b>	<b>239.25</b>	<b>240.25</b>	<b>240.25</b>	<b>240.25</b>	<b>240.25</b>

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

\*\*Unaudited

## Personal Services

Classification	FY 07 Adopt FTE	FY 08 Adopt FTE	FY 09 Adopt FTE	FY 08 Adopted Budget	FY 09 Adopted Budget
Director - Long Beach Gas and Oil	1.00	1.00	1.00	187,235	194,645
Accountant I	-	1.00	1.00	54,475	46,434
Accountant II	1.00	1.00	2.00	49,588	113,787
Accountant III	2.00	2.00	2.00	137,431	126,631
Accounting Clerk III	2.00	2.00	2.00	77,414	82,140
Accounting Technician	2.00	2.00	1.00	85,746	41,013
Administrative Aide II	2.00	2.00	1.00	97,429	45,293
Administrative Analyst II	2.00	2.00	2.00	129,200	137,975
Administrative Analyst III	1.00	1.00	1.00	64,704	65,715
Administrative Officer-Oil Properties	1.00	1.00	1.00	97,399	101,254
Assistant Administrative Analyst II	1.00	1.00	1.00	49,090	55,824
Clerk III	1.00	1.00	1.00	28,496	30,232
Clerk Supervisor	1.00	-	-	-	-
Clerk Typist II	3.00	3.00	2.00	99,278	74,478
Clerk Typist II - NC	0.25	0.25	0.25	7,376	7,826
Clerk Typist III	3.00	3.00	5.00	117,386	200,316
Construction Inspector I	4.00	4.00	4.00	245,525	264,302
Construction Inspector II	4.00	4.00	4.00	293,945	307,433
Corrosion Control Supervisor	1.00	1.00	1.00	77,462	76,940
Customer Service Representative III	1.00	1.00	-	44,145	-
Department Safety Officer	1.00	1.00	1.00	81,033	84,239
Divison Engineer-Oil Properties	4.00	4.00	4.00	488,417	543,759
Electrician	1.00	1.00	1.00	54,838	58,195
Engineering Aide III	1.00	1.00	1.00	47,602	47,602
Engineering Technician I	2.00	2.00	2.00	92,899	95,582
Engineering Technician II	5.00	5.00	5.00	296,608	300,407
Executive Secretary	2.00	2.00	2.00	112,437	116,886
Financial Services Officer	1.00	1.00	1.00	85,524	94,988
Gas Crew Utility Assistant I	3.00	3.00	3.00	106,719	112,683
Gas Crew Utility Assistant II	29.00	29.00	28.00	1,405,198	1,460,596
Gas Crew Utility Assistant III	10.00	10.00	10.00	526,808	585,283
Gas Distribution Supervisor I	6.00	5.00	5.00	324,890	351,776
Gas Distribution Supervisor II	2.00	3.00	3.00	203,088	200,459
Gas Field Service Representative II	46.00	46.00	47.00	2,230,357	2,386,947
Gas Field Service Representative III	14.00	14.00	14.00	740,092	829,876
Gas Instrument Technician	4.00	4.00	-	225,551	-
Gas Instrument Technician II	-	-	4.00	-	257,388
Gas Maintenance Supervisor I	10.00	10.00	9.00	650,572	640,573
Gas Maintenance Supervisor II	1.00	1.00	2.00	74,623	158,321
Gas Supply and Business Officer	1.00	1.00	1.00	88,302	101,734
General Maintenance Supervisor II	1.00	1.00	1.00	56,235	59,675
<b>Subtotal Page 1</b>	----- 177.25	----- 177.25	----- 176.25	----- 9,835,119	----- 10,459,204

## Personal Services

Classification	FY 07 Adopt FTE	FY 08 Adopt FTE	FY 09 Adopt FTE	FY 08 Adopted Budget	FY 09 Adopted Budget
<b>Subtotal Page 1</b>	177.25	177.25	176.25	9,835,119	10,459,204
Geologist I	1.00	2.00	2.00	206,933	215,716
Geologist II	1.00	1.00	1.00	102,357	102,357
Maintenance Assistant I	1.00	1.00	1.00	32,259	34,233
Maintenance Assistant II	1.00	1.00	1.00	33,876	34,239
Manager-Business Operations	1.00	1.00	1.00	102,757	106,824
Manager-Electric Generation	1.00	1.00	1.00	129,590	134,719
Manager-Engineering & Construction	1.00	1.00	1.00	130,632	135,802
Manager-Fault Blocks/Upland	1.00	1.00	1.00	137,309	142,742
Manager-Gas Services	1.00	1.00	1.00	97,862	91,335
Manager-Oil Operations	1.00	1.00	1.00	134,008	143,786
Mechanical Engineer	3.00	3.00	3.00	237,360	243,710
Oil Field Gauger II	2.00	2.00	2.00	131,994	131,994
Payroll/Personnel Assistant II	1.00	1.00	1.00	40,518	43,161
Payroll/Personnel Assistant III	1.00	1.00	1.00	44,814	47,556
Petroleum Engineer Associate II	3.00	2.00	2.00	176,464	179,773
Petroleum Engineer I	2.00	2.00	2.00	208,307	202,747
Petroleum Engineer II	5.00	6.00	6.00	739,499	695,187
Petroleum Operations Coordinator I	5.00	5.00	5.00	504,949	536,887
Pipeline Welder	7.00	7.00	7.00	424,508	438,037
Principal Construction Inspector	1.00	1.00	1.00	84,652	86,923
Secretary	4.00	4.00	4.00	176,034	186,742
Senior Accountant	2.00	2.00	2.00	147,287	160,267
Senior Civil Engineer	1.00	1.00	1.00	107,178	109,576
Senior Engineering Technician I	1.00	1.00	1.00	68,491	71,948
Senior Equipment Operator	5.00	5.00	5.00	287,601	320,747
Senior Mechanical Engineer	2.00	2.00	2.00	214,355	219,152
Senior Petroleum Engineer Associate	1.00	1.00	1.00	113,338	113,338
SERRF Operations Officer	1.00	1.00	1.00	93,137	96,823
Stock & Receiving Clerk	1.00	1.00	1.00	35,573	37,747
Storekeeper I	1.00	1.00	1.00	40,672	35,067
Storekeeper II	1.00	1.00	1.00	45,975	40,936
Supervisor - Stores & Property			1.00		55,066
Superintendent-Operations	1.00	1.00	1.00	71,980	71,980
Superintendent-Pipeline Construction & Maint	1.00	1.00	1.00	88,700	92,210
<b>Subtotal Salaries</b>	239.25	240.25	240.25	15,026,088	15,818,531
<b>Overtime</b>	---	---	---	380,800	380,800
<b>Fringe Benefits</b>	---	---	---	7,677,575	8,035,927
<b>Administrative Overhead</b>	---	---	---	463,657	422,564
<b>Attrition/Salary Savings</b>	---	---	---	(1,500,000)	(1,500,000)
<b>Total</b>	239.25	240.25	240.25	22,048,120	23,157,822

## Key Enhancements and Reductions

Description	Fund	FTEs	One-Time	Budget Impact
<b><i>Long Beach Gas &amp; Oil</i></b>				
<ul style="list-style-type: none"> <li>• Purchase GPS automated vehicle locator system for all department vehicles</li> </ul>	Gas			265,000
<ul style="list-style-type: none"> <li>• Natural gas purchases (increased cost of gas)</li> </ul>	Gas			11,930,929
<ul style="list-style-type: none"> <li>• Increase in commodity sales of natural gas purchases</li> </ul>	Gas			(11,628,737)

## Key Contacts

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Christopher J. Garner, Director

Scott Bailey, Manager, Oil Technical Bureau

Curtis P. Henderson, Manager, Oil Administration Bureau

Leslie Horikawa–Thiede, Manager, Gas Business Operations Bureau

Joan Collier, Manager, Gas Services Bureau

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

Alan Winter, Manager, Gas Engineering and Construction Bureau

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