

UTILITIES DEPARTMENT

Mark Vukojevic, Director

Financial Review

Finance Committee

January 23, 2025



Water, Wastewater, Storm Drains, Street Sweeping, Streetlights, Oil & Gas

On Today's Agenda

- Introduction
- Our Team
- Our Different Services
- Our Financials
- Some Financial Deep Dives
- Closing Thoughts



Our Team



Mark Vukojevic
Director



Steffen Catron
Superintendent

- Water



Casey Parks
Superintendent

- Wastewater
- Storm Drains
- Electrical
- Oil



Utilities Department Staff

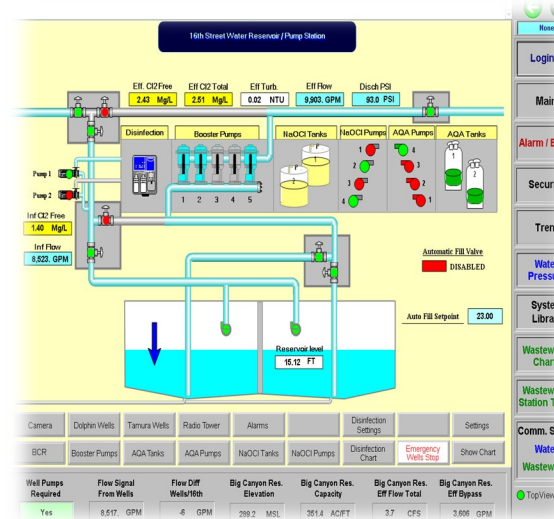
59 total

- 1 Director, 2 Managers
- 4 Admin/Finance
- 28 Water, 10 Wastewater
- 7 Storm Drains/Sweeping
- 2 Street Lights
- 5 Part Time



Water Production Division

- On-call and 24-hour service
- 4 groundwater wells (75-85% of City's water)
- 3 reservoirs (30-day supply)
- 17 pumps and 42 pressure stations
- Transmission system
- Firefighting support
- Chlorine/Disinfection
- Water quality testing & public health
- Computer, monitoring & control system



Water Maintenance & Repair Division



- On-call and 24-hour emergencies
- 300 miles of water pipelines
- 8,000+ valves & 2,000+ fire hydrants
- Water main repairs & replacements
- Service line repairs & replacements
- Meter valve replacements
- Air Vac replacements
- Water main breaks
- Fire hydrant knockdowns



Water Meter Division

- 27,000 water meters & boxes
- NEW AMI digital water meters
- Meter reading/billing preparation
- Field customer service
- Water conservation & use efficiency
- Leak detection
- Permit inspections
- Underground utility marking (protection)
- Requests from residents and plumbers



Water (Enterprise Fund)

	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 5,310,000	\$ 5,458,000	\$ 5,816,000	\$ 6,152,000
Contract Services	\$ 638,000	\$ 706,000	\$ 548,000	\$ 982,000
Electricity, Phones...	\$ 1,755,000	\$ 2,157,000	\$ 2,194,000	\$ 2,074,000
Supplies & Materials	\$ 12,381,000	\$ 11,706,000	\$ 12,824,000	\$ 15,481,000
Maintenance & Repair	\$ 1,387,000	\$ 1,675,000	\$ 1,973,000	\$ 1,865,000
General Expenses	\$ 2,451,000	\$ 1,965,000	\$ 2,197,000	\$ 2,843,000
Insurance/Internal	\$ 1,748,000	\$ 2,388,000	\$ 2,584,000	\$ 2,642,000
Total Operating Budget	\$ 25,670,000	\$ 26,055,000	\$ 28,136,000	\$ 32,039,000
CIP Costs	\$ 6,509,000	\$ 7,833,000	\$ 8,641,000	\$ 8,546,000
TOTAL WATER EXPENSE	\$ 31,769,000	\$ 33,888,000	\$ 36,777,000	\$ 40,585,000
TOTAL WATER REVENUE	\$ 32,154,000	\$ 32,220,000	\$ 34,879,000	\$ 37,274,000



Cost of Water

Groundwater – (OCWD)

Annexation charge	\$130/AF
Basin charges	\$688/AF
Electricity	\$ 55/AF
<u>Treatment/testing</u>	<u>\$ 25/AF</u>
Avg cost	\$ 898/AF

Imported State Water – (MWD, MWDOC)

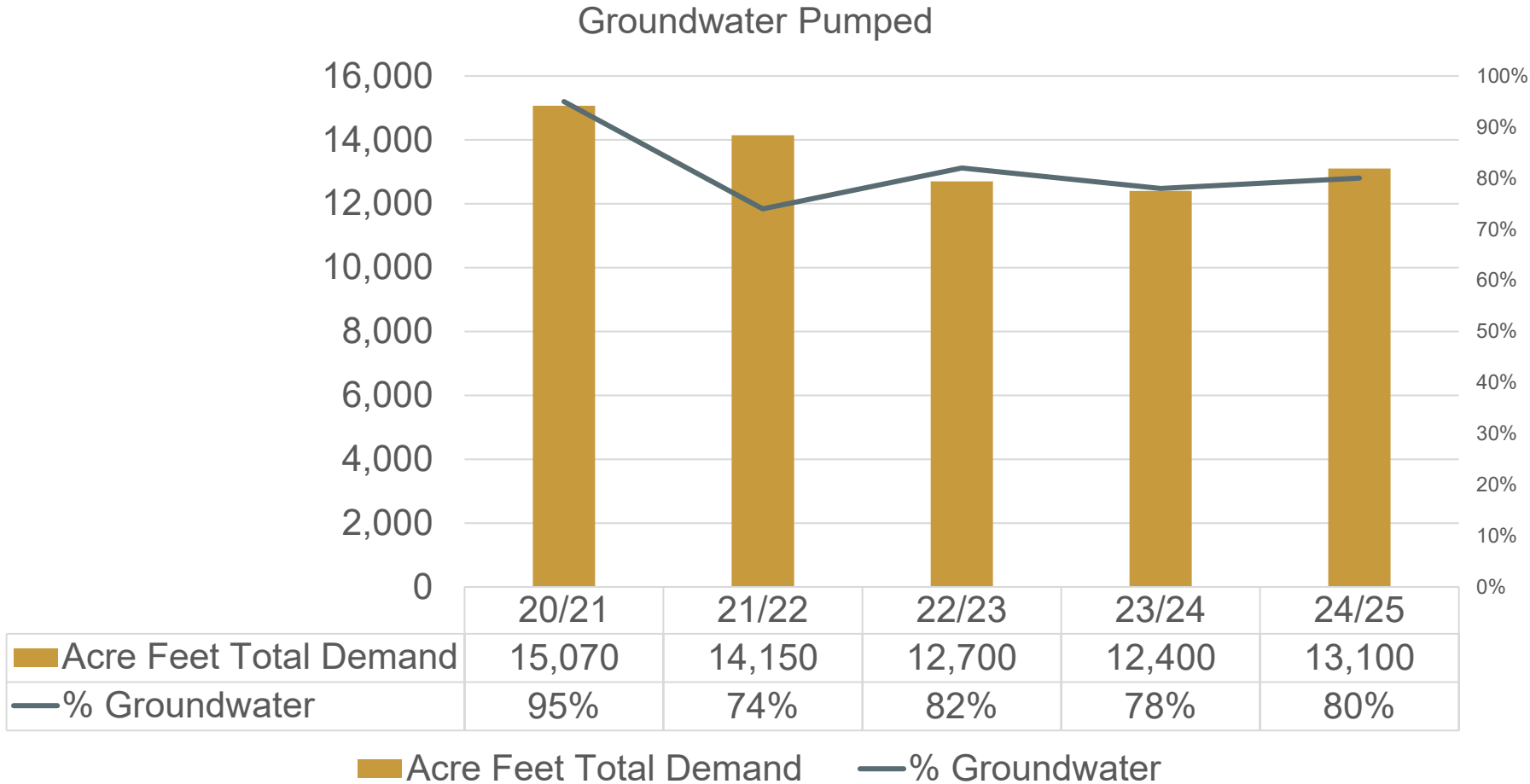
<u>Use Charge</u>	<u>\$1395/AF</u>
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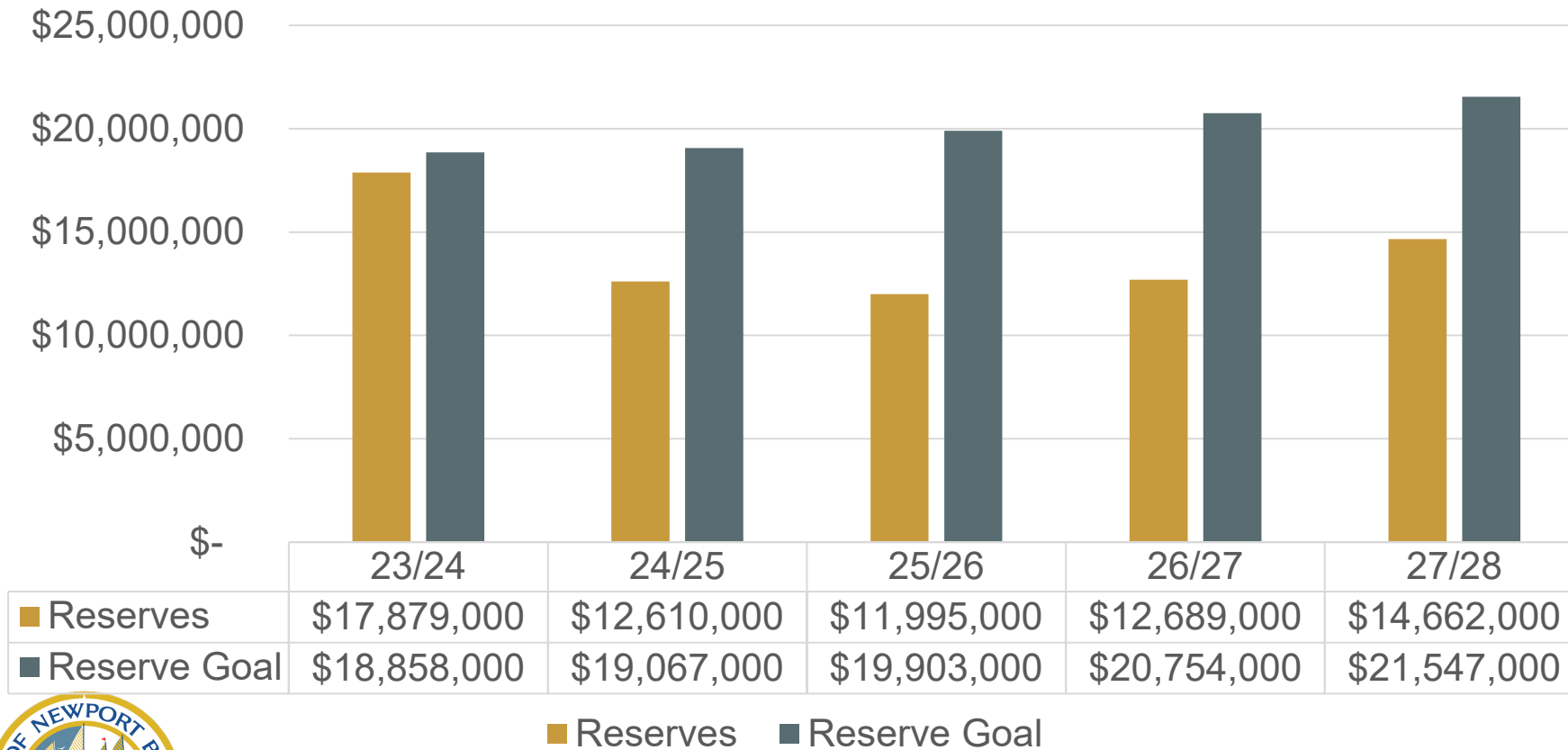
Situational Comparison: 13,000 AF
50% Groundwater & 50% Imported
Groundwater cost: \$5.8 mil
Imported water cost: \$9.1 mil



Performance Measure: % of Groundwater Pumped
 Goal is 85% groundwater,
 (prior to 2023, goal was 77%)



Performance Measure: % of Water Fund Reserves vs. Reserve Goal
 Reserve Goal: 120 days of expenses + 75% annual CIP + 30% water use reduction



New Water Well, Cost:

Land, Engineering, Construction \$30 mil

Funded by:

Newport Beach \$20mil

Laguna Beach \$10 mil

Previously envisioned funding plan:

Pay as you go, known as Pay/go

- Reprioritize CIP (delay certain pipeline projects)
- Plus use of water reserves



New Water Well, Funding Plan:

(Long term, capital producing asset)



Recommended Funding plan:

- Pay/go from CIP, \$3 mil over next 3 years
- Maintain existing reserves
- Finance \$17mil over 20-30 years
 - Bond market placement
 - OCWD loan program option
 - 4 – 4.5% interest rate
 - ~\$1 - 1.3 mil/year payment cycle
 - Invest groundwater savings into prepayments or CIP



Financial Thoughts (Water Fund)

- New AMI digital water meters will save in meter reading costs & enable early leak detections
- Insurance cost increases have been high
- Fire hydrants knockdowns - 2021 (10), 2022 (6), 2023 (13), 2024 (11): Cost recovery goal
- Credit card billing fees, a \$600k+ annual expense, fee changes coming in Spring 2025
- Development Impact Fees aka “buy-in fees” coming
- Monthly billing will begin in March 2025
- Average residential water bill: \$68/month
- Currently on 2nd year of a 5-year rate increase
- 2025 water rate increase is approx. \$5.50/month
- Next Rate study is planned for 2027

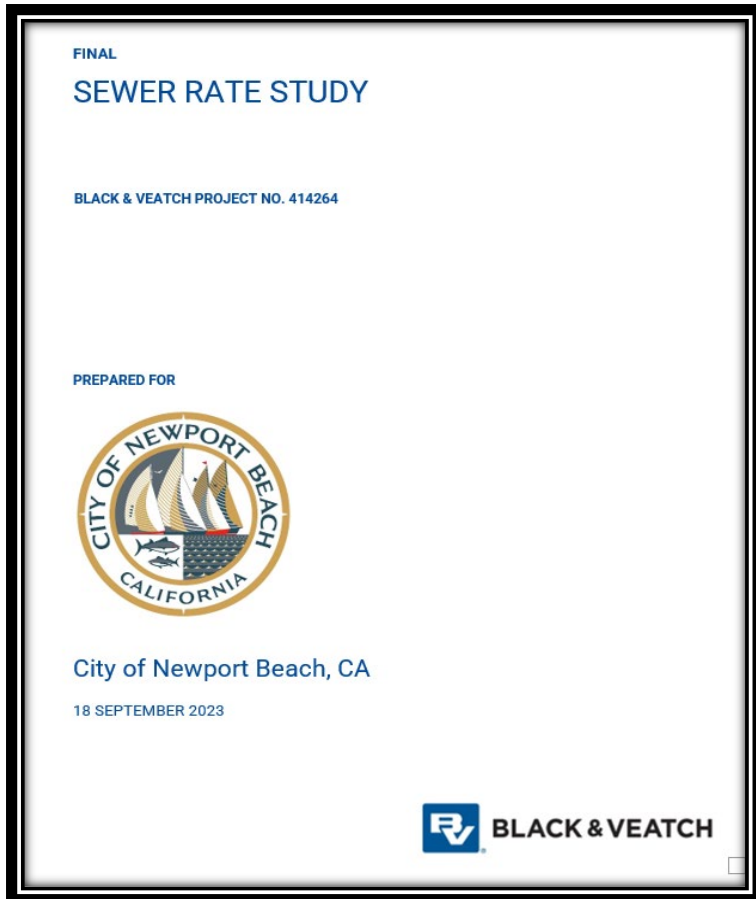


Wastewater (Sewer) Division

- SEWER SPILL PREVENTION
- 200 miles of sewer line cleaning, jetting, and rooting (monthly, quarterly, annually)
- Repairing mainlines and sewer laterals
- Pump station maintenance & repairs - 21 pump stations
- Regulatory compliance
- Emergency response, customer service, and plumber calls



Sewer Rates



- Average residential sewer bill: \$16/month
- Currently on 2nd year of a 5-year rate increase
- 2025 sewer rate increase is approx. \$2.50/month
- Expenses have increased
- CIP costs has increased
- Below reserve targets
- No rate increases were implemented between 2006-2017
- New sewer rate study is planned for 2027



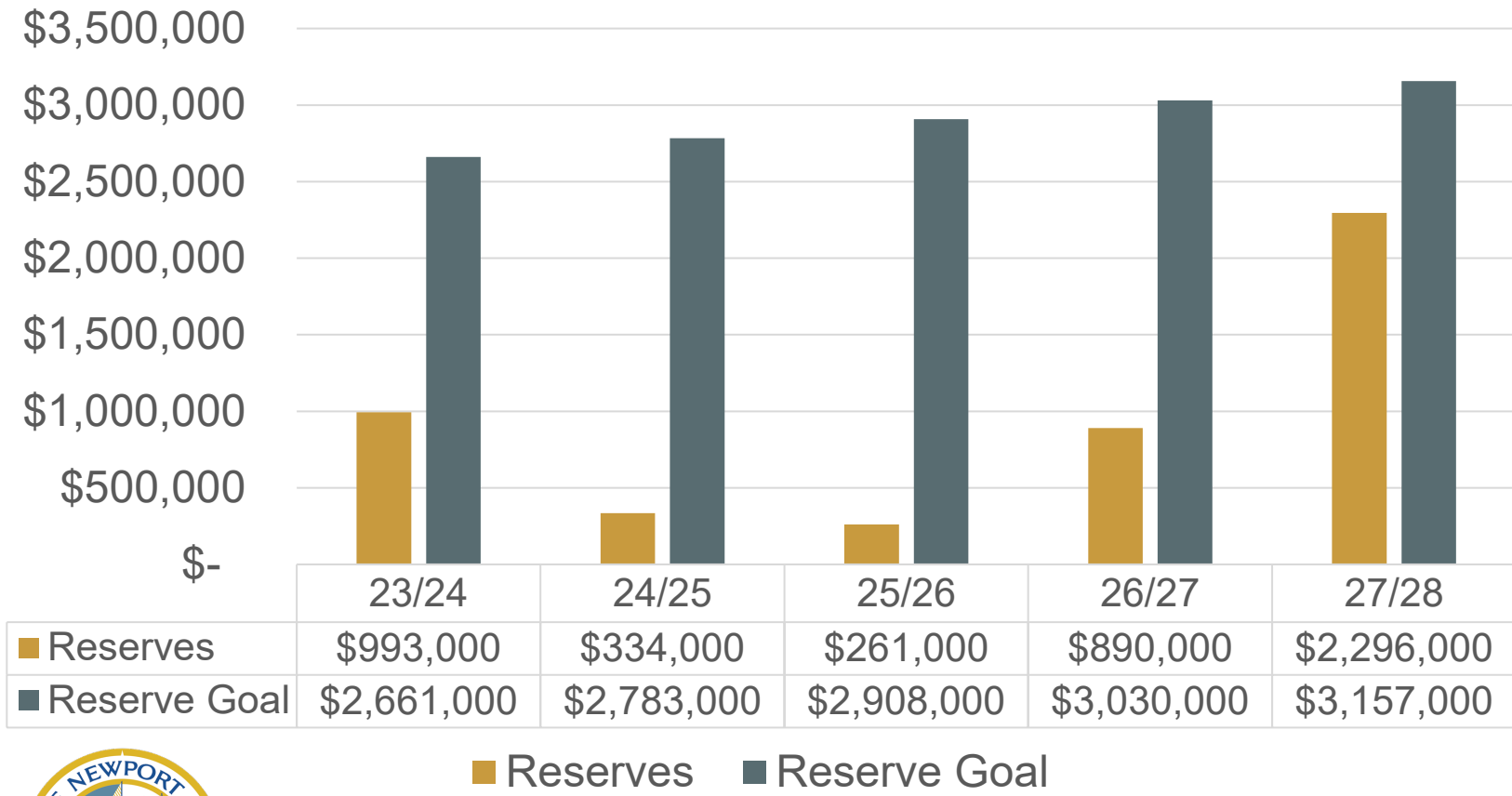
Wastewater/Sewer (Enterprise Fund)

	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 1,617,000	\$ 1,736,000	\$ 1,821,000	\$ 1,952,000
Contract Services	\$ 69,000	\$ 142,000	\$ 132,000	\$ 181,000
Electricity, Phone...	\$ 71,000	\$ 84,000	\$ 97,000	\$ 82,000
Maint. & Repair	\$ 572,000	\$ 673,000	\$ 984,000	\$ 922,000
General Expenses	\$ 343,000	\$ 545,000	\$ 570,000	\$ 704,000
Insurance/Internal	\$ 819,000	\$ 1,360,000	\$ 1,416,000	\$ 1,480,000
Total Operating Budget	\$ 3,491,000	\$ 4,540,000	\$ 5,020,000	\$ 5,321,000
CIP Costs	\$ 337,000	\$ 152,000	\$ 496,000	\$ 2,550,000
Total Sewer Expense	\$ 3,828,000	\$ 4,692,000	\$ 5,516,000	\$ 7,871,000
Total Sewer Revenue	\$ 4,793,000	\$ 4,703,000	\$ 5,371,000	\$ 5,567,000



Performance Measure: % of Wastewater Fund Reserves vs. Reserve Goal

Reserve Goal: 90 days of expenses + 100% annual CIP



Financial Thoughts (Wastewater/Sewer Fund)

- Insurance cost increases have been high but common across the industry
- Internal cost allocations ensure Utilities to pay its fair share
- Continued capital investment is needed
- Frequent cleaning and quick response time are crucial to protecting water quality
- Customer service is intensive, particularly with plumbers and sewer laterals
- Development Impact Fees aka “buy-in fees” are coming Feb 2025
- Monthly billing will begin in March 2025
- Next Rate study is planned for 2027

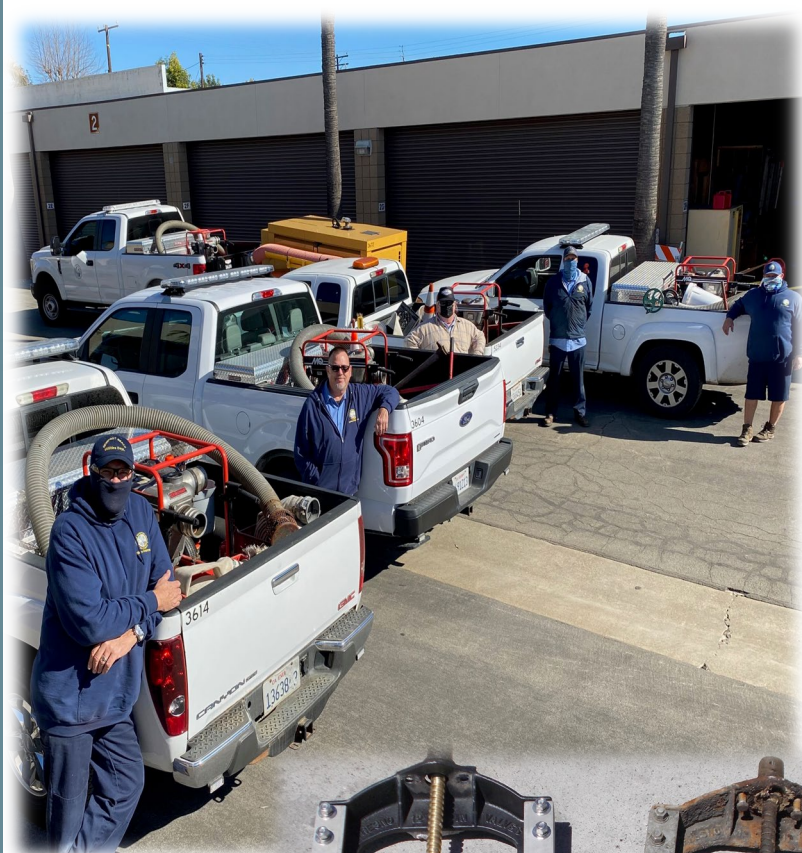


Storm Drains (General Fund)

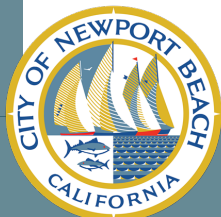
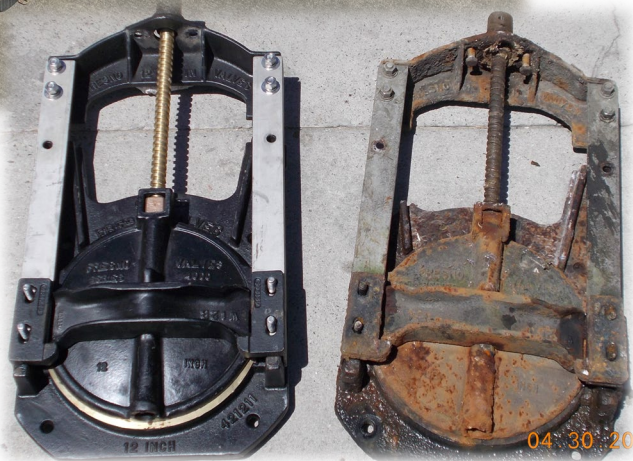
- Protecting harbor water quality
- 87 miles of storm drains, channels, & ditches
- 3,200+ catch basins cleaned annually
- 23 inline large trash capture devices
- 400+ catch basin trash capture devices
- **300 tons of trash removed annually**
- Repairs to storm drain pipes, catch basins & ditches
- Customer Service – i.e. car key recovery from catch basins



Tide Valves (General Fund)

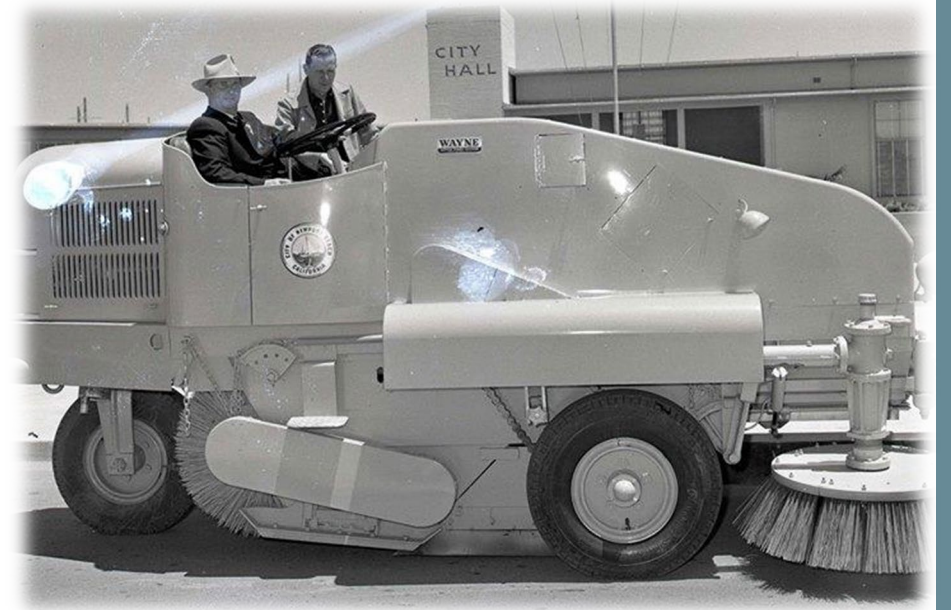


- 90 tide valves requiring daily operation
- 0 permanent pump stations
- 40 mobile storm pumps
- 12 electrically operated valves
 - Lack of space & power outage realities
 - Automation is not foolproof
- Tide valve maintenance during very low tides
- Forecasted Rain + Predicted High Tides
- Force multiply a staff of 7 to make 35 “pumpers”



Street Sweeping (General Fund)

- Residential weekly
- Commercial, parking lots, boardwalk, 2-3/week
- Contracted service - (2020) 10-year street sweeping contract with new street sweepers
 - 5 Street Sweepers every day!**
 - 700 miles a week
 - 3,800 tons a year
- Alleys – every 2 weeks, (2021) 5-year contract
- City sweeper is the backup & for emergencies
- Customer service intensive with questions, requests and special postings/sweepings
- Enforcement through Police Dept., Payments through Finance Dept.





Graffiti Removal (General Fund)

- Contracted Service (prevailing wage)
- 7 days a week, contracted service
 - 2nd crew on Mondays
 - Summer extra crews & special callouts
- Graffiti - 350+ locations removed/month
- Each location is inputted into the County system
- Customer service – phone, website & app
- Graffiti is removed with:
 - chemical removers
 - painted over & color matched
 - pressure washing
- Stickers are growing nuisance



Streetlight (General Fund)

- **7,000 Streetlights**
(street, bollards, parking lots, beaches & facilities)
- 99% of all lights are now LED
- 2 City Staff Electricians
 - Contracted Assistance (as needed & knockdowns)
- Customer Service – phone, website & app
- Annual night-time drive-by inspection of city lights
- 30 City Emergency Generators; + air quality regs
- Street Light knockdowns:
2021 (24), 2022 (18), 2023 (17), 2024 (18)



Storm Drains, Tide Valves, Sweeping, Graffiti (General Fund)



	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 1,325,000	\$ 1,480,000	\$ 1,708,000	\$ 1,406,000
Graffiti Removal	\$ 118,000	\$ 172,000	\$ 227,000	\$ 190,000
Street Sweeping	\$ 938,000	\$ 851,000	\$ 863,000	\$ 938,000
Storm Drain cleaning	\$ 287,000	\$ 351,000	\$ 357,000	\$ 385,000
Maintenance & Repair	\$ 521,000	\$ 543,000	\$ 761,000	\$ 614,000
Internal Services: IT, Fleet, Insurance	\$ 595,000	\$ 695,000	\$ 744,000	\$ 802,000
Emergency storm drain		\$ 234,000	\$ 325,000	
Total Expenses	\$ 3,784,000	\$ 4,326,000	\$ 4,985,000	\$ 4,335,000



Streetlights (General Fund)



	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	\$ 214,000	\$ 212,000	\$ 267,000	\$ 336,000
Contract Services	\$ 195,000	\$ 195,000	\$ 255,000	\$ 211,000
Electricity	\$ 697,000	\$ 746,000	\$ 760,000	\$ 825,000
Maint. & Repair	\$ 285,000	\$ 217,000	\$ 416,000	\$ 316,000
Internal Services: IT, Fleet, Insurance	\$ 58,000	\$ 120,000	\$ 130,000	\$ 132,000
Total Expenses	\$ 1,449,000	\$ 1,490,000	\$ 1,828,000	\$ 1,820,000



Financial Thoughts (General Fund)

- Year 5 of 10 for street sweeping contract
- New catch basin cleaning contract in 2024
- Extra sweeping is added in the summer
- 40% of the City is posted no parking for sweeping
- Extra graffiti services during the summer
- Staff overtime for pumping is \$45-60/hour vs. contractor overtime \$160
- Important goal is to protect water quality

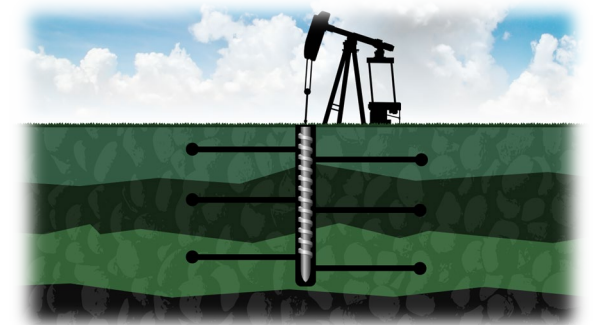


Oil & Gas (Tidelands Fund)

- 16 oil wells producing 18,000 barrels/year
- Crude oil is sold
- Natural gas sent to Hoag Hospital
- Horizontally drilled in the 1950s
- City operated since 1981
- 4 wells are currently offline



Oil Operations (Tidelands Fund)

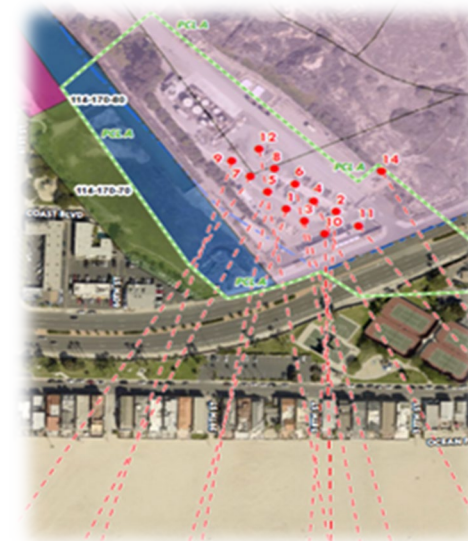


	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	0	0	0	0
Contract Services	\$ 236,000	\$ 288,000	\$ 238,000	\$ 214,000
Utilities	\$ 76,000	\$ 80,000	\$ 124,000	\$ 83,000
Maintenance & Repair	\$ 1,011,000	\$ 894,000	\$ 712,000	\$ 478,000
Royalties & Agency Fees	\$ 156,000	\$ 156,000	\$ 127,000	\$ 168,000
Total Expenses	\$ 1,479,000	\$ 1,418,000	\$ 1,201,000	\$ 943,000
Total Revenue	\$ 1,680,000	\$ 1,288,000	\$ 1,582,662	\$ 1,250,000
Barrels of Oil	20,377	16,860	21,225	19,200



Financial Thoughts (Tidelands Fund)

- Crude oil pricing:
 - Difficult to be profitable when oil is \$50/barrel
 - Oil is currently ~\$60/barrel
- Cost of oil production
 - Royalties cost ~ 10% of gross
 - Expenses have increased, especially regulatory permits costs and repair costs
 - new operator contract coming
- Rehab and redrill efforts:
 - New State law changes prohibit redrill efforts



Financial Thoughts (Tidelands Fund)

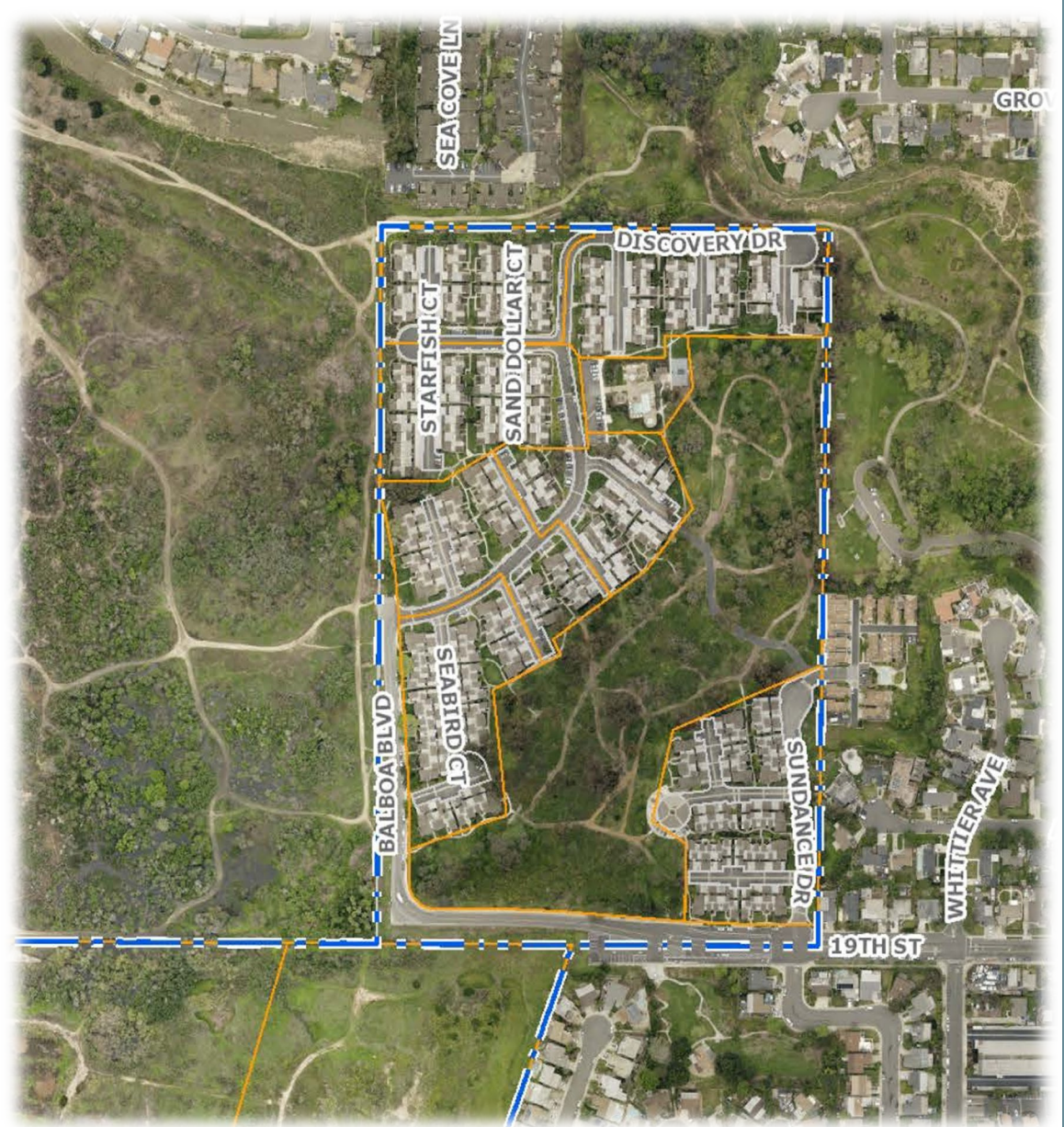
- Narrow margin of profit
- High risk vs. benefit
- System is old and requires frequent repairs
- Not a core City business function
- Future goals:
 - Decommission/abandon the oil wells
 - \$6-\$10mil effort
 - Place all profits in abandonment fund
 - Decommission wells on a stepped annual basis, 1-3 wells per year, using realized profits

Note: oil wells and tank farm are on leased land



Old City Landfill Newport Terrace Community (Environmental Fund)

- 1950s-1960s former City dump
- 1972 sold to developer
- City shares 50/50 responsibility with HOA
- Managed/monitored by City staff
- Contracted resources used
- Landfill gas control system
 - Extraction, pumping, and treatment
 - Alarm system
 - Emergency call outs
- Regulatory compliance – State and County
- System repairs and improvements





Old City Landfill Newport Terrace Community (Environmental Fund)



	Actual FY 21/22	Actual FY 22/23	Actual FY 23/24	Current Budget FY 24/25
Salaries & Benefits	0	0	0	0
Contract Services	\$ 74,000	\$ 109,000	\$ 90,000	\$ 115,000
Utilities	\$ 4,000	\$ 3,000	\$ 4,000	\$ 5,000
Maintenance & Repair	\$ 58,000	\$ 32,000	\$ 54,000	\$ 77,000
Insurance	\$ 130,000	\$ 146,000	\$ 165,000	\$ 162,000
Total Expenses	\$ 266,000	\$ 290,000	\$ 313,000	\$ 359,000
Total Revenue	\$ 67,000	\$ 70,000	\$ 67,000	\$ 68,000



Closing:

Thank you for the opportunity to present!

Your Utilities Department:

- Water
- Wastewater
- Storm Drains & Tide Valves
- Street Sweeping & Graffiti
- Streetlights
- Oil & Gas
- Former Landfill

