

**MINUTES OF A REGULAR MEETING OF
THE TORRANCE WATER COMMISSION**

1. CALL TO ORDER

The Torrance Water Commission convened in a regular session at 7:00 p.m. on Thursday, August 20, 2009 in the West Annex meeting room at Torrance City Hall.

2. ROLL CALL:

Present: Commissioners Deemer, Haddon, McGee, and Chairperson See.

Absent: Commissioners Freeman and Lew.

Also Present: Public Works Director Beste,
Senior Administrative Analyst Schaich,
Senior Analyst Lewis, and
Engineering Manager Ringland.

MOTION: Commissioner McGee moved to grant excused absences to Commissioners Freeman and Lew for the August 20, 2009 Water Commission meeting. Commissioner Haddon seconded the motion; a voice vote reflected unanimous approval.

3. FLAG SALUTE

Senior Analyst Lewis led the Pledge of Allegiance.

4. AFFIDAVIT OF POSTING

MOTION: Commissioner Haddon moved to accept and file the report of the City Clerk on the posting of the agenda for this meeting. Commissioner McGee seconded the motion; a voice vote reflected unanimous approval.

5. APPROVAL OF MINUTES

5A. MINUTES OF JULY 16, 2009

MOTION: Commissioner McGee moved for the approval of the July 16, 2009 meeting minutes as submitted. Commissioner Deemer seconded the motion; a voice vote reflected unanimous approval (absent Commissioners Freeman and Lew).

6. ORAL COMMUNICATIONS FROM PUBLIC

None.

7. UNFINISHED BUSINESS

None.

8. NEW BUSINESS

8A. REVIEW AND CONSIDERATION OF FIRST DRAFT OF COMPREHENSIVE WATER RATE AND CAPITAL FUNDING STUDY

Senior Administrative Analyst Schaich introduced the item and welcomed Sudhir Pardiwala and Rebecca Sou from Raffelis Financial Consultants (RFC), Inc. He requested that Commissioners provide input regarding the preliminary findings of the rate study prior to public notification and City Council approval.

Mr. Pardiwala provided a power point presentation on the preliminary results of the comprehensive water rate and capital funding study prepared by RFC for Torrance Municipal Water (TMW). He reviewed key assumptions that consultants used to prepare forecasts that include a 15% decrease in potable water consumption from 2008 to 2019, inflation rates, an increase in groundwater production, and an increase in imported water costs. He discussed the existing water rate structure and explained how charges are uniform but vary by meter size. He pointed out that the ¾ inch meter has a disproportionately lower charge than the other meters and has been corrected in cost of service calculations. He reviewed potable water usage characteristics in the City: single-family residences - 36%, multi-family residences - 18%, and noted the significant industrial usage.

He reported that consultants looked at capital expenditures to design a revenue program, noting that development of wells will be significant in years 2011, 2012, and 2013. He stated that the total Capital Improvement Program (CIP) is estimated at \$60 million over the next ten years, with a proposed bond of \$32 million in 2011 to cover capital expenses for the first three years. He presented proposed revenue adjustments: a 7.5% increase effective January 1, 2010 and subsequent increases of 2.5% that match inflation adjustments, and noted that these adjustments do not include MWD automatic pass-throughs. He explained charts showing the Operating Financial Plan, Capital Reserves, and Operating Reserves.

In response to Commissioner Deemer's inquiry, he stated that long-term debt is typically 20 years, adding that the first three years will be interest only, and two years will be capitalized interest.

Mr. Pardiwala provided proposed rate design recommendations that include an increased service charge for ¾ inch meters to correct an inequity and a decrease in service charges for larger meters to comply with cost of service principles. He recommended a four-tiered rate system for single-family residences that will provide an incentive to conserve water, noting that the proposed rates are based on current usage patterns and cumulative monthly usage. He discussed Proposition 218 requirements and advised that there would continue to be a \$0.36 differential between each corresponding rate. He reviewed single-family residence impacts that will begin September 1, 2009 with MWD pass-through increases and in January 2010 with the 7.5% proposed rate increase.

Public Works Director Beste noted that customers who use less than 14 units of water would actually see a reduction in water rates. He explained that it makes sense to bond early for facilities that have a 40+ year life span and that it will allow TMW to have more control over costs of water in the future.

Responding to Chairperson See's inquiry, Mr. Pardiwala stated that multi-family residences will have a uniform rate of \$2.91 and explained the difficulties of setting up a tiered rate structure for them.

MOTION: Commissioner Haddon moved to concur with staff recommendation to approve the first draft of the comprehensive water rate and capital funding study and 1) that the rate proposal strategy adheres as much as possible to cost of service; 2) that rate increases are in the order of overall 7.5% beginning January 1, 2010 and followed by successive annual CPI adjustment; and 3) that there will be a four-tiered rate structure for single-family residences. Commissioner Deemer seconded the motion; a voice vote reflected unanimous approval (absent Commissioners Freeman and Lew).

8D. CONSIDERATION OF IMPLEMENTATION OF CAPITAL PROJECT FOR PREDESIGN OF THE NORTH TORRANCE GROUNDWATER WELL FIELD

This item was taken out of order.

Engineering Manager Ringland discussed TMW's development of additional wells in North Torrance to meet challenges that include MWD water rate increases, uncertainties regarding future availability of imported water, low local water production, and unused water rights. He reported that Well #9 has been drilled and will replace Well #6 at McMaster Park, noting that the new well will produce more water than expected. Additionally, the City has purchased a parcel behind Yukon Elementary School for the development of a new well, new storage facilities, and central pumping and treatment plant for the planned new groundwater wells in the North Torrance well field. He stated that the reservoir at McMaster Park is deteriorating and will be turned back to Park property. He added that transmission mains will need to be built to carry water from Well #9 to the Yukon property and that they may look for a third well site so that the two wells do not have to run all the time.

He presented staff's recommendation that the City retain an outside engineering firm to prepare pre-design of the North Torrance well field site. He stated that pre-design would include alternative site layouts, size transmission mains, treatment options, water system improvements, preliminary plans, and cost estimates needed to proceed with the entire project. He noted that the 30% pre-design project would expedite the project and provide cost savings and reliability benefits sooner. He estimated the cost of the pre-design and modeling of the system to be \$250,000 and added that there would be \$100 million in savings over the life of the wells.

In response to Commissioner McGee's inquiry, staff explained reasons why the well development cannot be done without revenue bonds.

MOTION: Commissioner Deemer moved to concur with staff recommendation to proceed with retention of an outside engineering firm to prepare pre-design of the North Torrance well field site. Commissioner Haddon seconded the motion; a voice vote reflected unanimous approval (absent Commissioners Freeman and Lew).

8B. CONSIDERATION OF WATER COMMISSION ANNUAL REPORT FOR FISCAL YEAR 2008-09

Senior Administrative Analyst Schaich briefly reviewed the 2008-09 Water Commission Annual Report for the 12-month period from July 1, 2008 through June 30, 2009. He recommended that the Commission review the Report and provide any comments.

Chairperson See suggested one addition.

MOTION: Commissioner McGee moved to recommend that the Water Commission Annual Report for fiscal year 2008-09 be submitted as amended to City Council for acceptance. Commissioner Haddon seconded the motion; a voice vote reflected unanimous approval (absent Commissioners Freeman and Lew).

8C. CONSIDERATION OF ENVIRONMENTAL IMPACT REPORT (EIR) ON SECTIONS OF CITY'S DRAFT GENERAL PLAN PERTAINING TO WATER

Senior Administrative Analyst Schaich reviewed the draft EIR and noted that sections pertaining to water utility operations, infrastructure, resources, and conservation are included in agenda attachments. He stated that staff submitted comments a few weeks ago and that changes in the draft correspond to the input provided. He briefly discussed inundation as a "worst case scenario," sections that came from the Urban Water Management Plan, and existing State legislation listed on page 5.16.1.5. He requested that Commissioners provide comments for consideration.

Commissioner Deemer related his observation that the number of residential units listed on page 5.16-7 are inconsistent with census data and staff offered to verify the numbers with Community Development Department.

Commissioner McGee suggested that the Conservation Ordinance and Conservation Plan be included in the EIR.

MOTION: Commissioner McGee moved to accept as amended the Environmental Impact Report (EIR) on sections of the City's draft General Plan pertaining to water. Commissioner Haddon seconded the motion; a voice vote reflected unanimous approval (absent Commissioners Freeman and Lew).

9. METROPOLITAN WATER DISTRICT DIRECTOR'S REPORT

No report.

10. WEST BASIN WATER ASSOCIATION REPORT

Public Works Director Beste reported that at the August 4, 2009 West Basin Water Association meeting West Basin Municipal Water District stated that the State legislature will make water its highest priority after the budget crisis has ended and that there was a presentation on long-range financial planning. He reported that MWD is updating its Integrated Resource Plan and that Water Replenishment District discussed upcoming meetings with Central Basin regarding conjunctive use talks as well as its Optimization Study. He stated that the Association is still moving forward with conjunctive use.

11. MONTHLY DEPARTMENT REPORT Commissioner Deemer noted that in the 1990s there were even more service disconnects than there are now.

MOTION: Commissioner Deemer moved to accept and file the Monthly Department Report as presented. Commissioner Haddon seconded the motion; a voice vote reflected unanimous approval (absent Commissioners Freeman and Lew).

12. ORALS

12A. At Commissioner Deemer's request, staff provided a brief update on the Cadiz lawsuit.

12B. In response to Commissioner McGee's inquiry, Public Works Director Beste advised that there is a monitoring well at Madrona Marsh Preserve to track movement of the saline plume.

12C. Senior Administrative Analyst Schaich distributed water conservation brochures mailed to customers and violation door hangars.

12D. Chairperson See discussed the water shortage in southern Australia.

13. ADJOURNMENT

MOTION: At 9:22 p.m., Commissioner Deemer moved to adjourn the meeting to September 17, 2009 at 7:00 p.m. in the West Annex Commission meeting room. The motion was seconded by Commissioner Haddon and, hearing no objection, Chairperson See so ordered.

Approved as Amended September 17, 2009 s/ Sue Herbers, City Clerk
