

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

1. CALL TO ORDER

The Torrance Water Commission convened in a regular session at 7:03 p.m. on Thursday, October 15, 2009 in the West Annex meeting room at Torrance City Hall. Due to the absence of Chairperson See, Vice-Chairperson Deemer led the meeting.

2. ROLL CALL:

Present: Commissioners Deemer, Freeman*, Haddon, McGee, and Lew.

Absent: Chairperson See.

Also Present: Deputy Public Works Director van der Linden,
Senior Administrative Analyst Schaich, and
Metropolitan Water District Director Wright.

MOTION: Commissioner Deemer moved to grant an excused absence to Chairperson See for the October 15, 2009 Water Commission meeting. Commissioner Lew seconded the motion; a voice vote reflected unanimous approval.

*Commissioner Freeman arrived at 7:17 p.m. at the beginning of Item 7.

3. FLAG SALUTE

Commissioner Haddon led the Pledge of Allegiance.

4. AFFIDAVIT OF POSTING

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

5. APPROVAL OF MINUTES

5A. MINUTES OF SEPTEMBER 17, 2009

MOTION: Commissioner McGee moved for the approval of the September 17, 2009 minutes as submitted. Commissioner Lew seconded the motion; a voice vote reflected unanimous approval (absent Commissioner Freeman and Chairperson See).

6. ORAL COMMUNICATIONS FROM PUBLIC

Charles L. Deemer stated that he would like to try his gardener's recommendation to water for five minutes a day for six days per week rather than 15 minutes for three times per week.

Commissioner Haddon stated that he has a moisture detection gauge and that testing twice has demonstrated that watering for five minutes barely covers the surface and that 10 minutes is an absolute minimum.

Senior Administrative Analyst Schaich stated that it depends on soil type and nature of the landscape. He noted that the main goal of the Ordinance is to conserve water and there would not be a problem because he would actually be using less water.

Mr. Deemer (senior) stated that he prefers showerheads with positive shut off valves.

Senior Administrative Analyst Schaich responded that TMW has given out 30,000 showerheads over the years and the next batch will probably have positive shut off valves.

Maggie Lundy, Milne Drive, expressed concern that her water has changed in the last six to eight months and that her neighbors have noticed it also. She stated that there is a milky film on her dishes and that her laundry does not smell fresh. She stated that Fred Molina tested the water and informed her that her water is very hard.

MWD Director Wright explained that cutbacks from Northern California are causing water to exceed the salinity level in some areas right now and may explain the hardness.

Senior Administrative Analyst Schaich stated that white spots are calcium carbonate and assured her that he would have Mr. Molina follow up.

Vice-Chairperson Deemer welcomed guest Dr. Russell Lefevre who discussed the water shortage in Australia.

7. UNFINISHED BUSINESS

7A. REVIEW AND CONSIDERATION OF REVISIONS TO COMPREHENSIVE WATER RATE AND CAPITAL FUNDING STUDY

Senior Administrative Analyst Schaich presented the revised final Water Rate and Capital Funding Study first presented by Raftelis Financial Consultants at the August Commission meeting. He noted that the rate study initially recommended that water rates be adjusted by an overall 7.5% to 8% increase in January 2010 and by the CPI in subsequent years; however, reassessment indicates that the magnitude of the projected first-year rate adjustment was too low and should be approximately overall 11.5% in order to provide for necessary revenue requirements.

He provided a power point presentation on the Preliminary Results of Water Rate and Cost of Service Study and reviewed key assumptions that were used to prepare forecasts: a 15% decrease in potable water consumption, inflation rates, an increase in groundwater production, and an increase in imported water costs. He briefly discussed the current rate structure and water usage characteristics, noting that single and multi-family residences use 55% of the water supply. He presented information about the Capital Improvement Program estimated at \$60 million over the next ten years and a proposed bond of \$32 million in FY 2011. He discussed the proposed revenue adjustments and recommended an overall 11.5% increase for FY 2010 effective January 1, 2010, with adjustment by CPI each January from FY 2011 through FY 2014. He noted that no internal increases are projected from FY 2015 to FY 2019.

Senior Administrative Analyst Schaich reviewed the Operating Financial Plan and recommended Capital and Operating Reserves, noting that TMW would like to maintain \$2.5 million in capital reserves to maintain reliability and 25% of the operating budget in

operating reserves. He presented Rate Design Recommendations that include a revised monthly service charge and a four-tier rate structure. He noted that 75% of billing customers use 14 billing units or less per month and the average customer would be minimally impacted with a 4% increase or approximately \$1.64. He stated that the Fire Service Charge would be decreasing based on the Cost of Service Study. He concluded his presentation with a Comparison of Charges with neighboring cities.

In response to Commissioner McGee's inquiry, he explained that differences in Comparison of Charges are based on water costs, customer base, and capital improvement needs.

Commissioner Freeman initiated discussion on setting the bar at a minimum fixed rate increase of 2.5% from FY 2011 through FY 2014 and placing the funds in reserves in case it is needed in the event of a crisis. He stated that it would take a pragmatic approach ensure funds are there if needed. He suggested that the maximum increase be 3% and that increasing rates for low-income seniors and disabled be reconsidered.

Senior Administrative Analyst Schaich responded that changing the ratio for low-income seniors and disabled could be challengeable under Proposition 218 and Cost of Service and noted that TMW can only set rates for five years.

MWD Director Wright explained reasons why MWD has needed to increase its rates that include the drought on the Colorado River, cutbacks from Northern California, and declining water sales due to conservation.

Deputy Public Works Director van der Linden pointed out that the change in water supplies, reserves, and costs were taken into consideration when determining the proposed rate structure. He stated that TMW wants to make sure that it is not increasing rates beyond its needs, that City Council always has the option to make changes, and that the Finance Director and City Manager are comfortable with the rate adjustment.

MOTION: Commissioner Freeman moved to concur with staff recommendation to approve the revised Comprehensive Water Rate and Capital Funding Study as presented with an amendment that the minimum fixed rate increase of 2.5% or CPI rate be established for fiscal year 2011 through fiscal year 2014. Commissioner Haddon seconded the motion; a roll call vote reflected 4-1, absent Chairperson See and with Commissioner Lew dissenting. There was no vote on the motion.

Commissioner Lew stated that he voted nay because he would prefer setting increases based on CPI for FY 2011 through FY 2014.

MOTION: Commissioner Freeman moved to concur with staff recommendation to approve the revised Comprehensive Water Rate and Capital Funding Study and 1) that rate increases are an overall 11.5% beginning January 1, 2010, 2) that there will be a four-tiered rate structure for single-family residences, and 3) an amendment that escalators for FY 2011 through FY 2014 be a minimum fixed rate increase of the higher of 2.5% or CPI rate. Commissioner Haddon seconded the motion; a roll call vote reflected unanimous approval (absent Chairperson See).

Senior Administrative Analyst Schaich advised that the item would be considered by City Council on November 3, 2009.

8. NEW BUSINESS

8A. STATUS OF TORRANCE MUNICIPAL WATER REQUIRED REDUCTION IN IMPORTED METROPOLITAN WATER DISTRICT DELIVERIES, AS A RESULT OF WATER SUPPLY ALLOCATION

Senior Administrative Analyst Schaich noted that graphs showing 2009-10 Water Supply Allocation Tracking for the Period Ending August 31, 2009 were included in agenda packets. He reported that TMW recently received the first update from MWD and was pleased to announce that TMW was approximately 4% below the Water Supply Allocation Plan target for two months.

In response to Commissioner Haddon's inquiry, he stated that the target was based on 2004-2006 consumption and the only concern is if a well or the Desalter goes down for an extended period of time.

Responding to Vice-Chairperson Deemer's inquiry, Deputy Public Works Director van der Linden stated that Well Number 9 is expected to come on line in June 2010.

9. METROPOLITAN WATER DISTRICT DIRECTOR'S REPORT

MWD Director Wright distributed the October 13, 2009 MWD Board of Directors report regarding the Carlsbad Seawater Desalination Project owned and operated by Poseidon Resources. He provided background and reported that, if approved, MWD would pay \$250 per acre-foot if their cost to produce the water is \$250 more than what MWD charges for Tier 1 water. He explained that the \$250 is water in the system that they do not have to go out and find as well as access to the intellectual property. He stated that unreliable water supply is making MWD focus more on ocean desalination and that they are considering a possible plant in Rosarito Beach in Mexico.

Responding to Vice-Chairperson Deemer's inquiry regarding energy supply, he stated that Southern California Edison is building a substation at the Carlsbad site.

10. WEST BASIN WATER ASSOCIATION REPORT

Deputy Public Works Director van der Linden reported that at the October 6, 2009 West Basin Water Association meeting the Water Master noted a 1,000 acre-feet increase in groundwater pumping in the West Coast Basin this year and reminded agencies to submit lease agreements in a timely manner. He stated that MWD is negotiating with employee unions on a benefits package and is working on Bay Delta issues and the Carlsbad Desalination project. He reported that West Basin Municipal Water District reported a 20% reduction in overall water use, distributed results of a survey, are moving forward with 100% use of recycled water at seawater barriers, and distributed fliers for the Water Harvest Festival on October 24, 2009. He reported that Water Replenishment District (WRD) distributed a saline plume update, announced a 50th anniversary celebration on November 19, 2009, reported that the Board approved the purchase of Tier 1 water from Long Beach, and that groundwater levels have reached a historic low.

He provided an update on conjunctive use negotiations, noting that the two different judgments will be heard in two different courts. He reported that on October 14 the judge for the West Coast Basin sided positively and that Central Basin has not been heard yet.

MOTION: Commissioner Haddon moved to accept and file the West Basin Water Association Report for October 2009. Commissioner Lew seconded the motion; a voice vote reflected unanimous approval (absent Chairperson See).

11. MONTHLY DEPARTMENT REPORT

Deputy Public Works Director van der Linden presented the Monthly Department Report for September 2009. He noted an approximate decrease in overall water production of 9% and potable water by 11% compared to the same period last year. He reported eight water main breaks and stated that bidding is scheduled to open on October 15, 2009 for the final phase of Construction of New Well Number 9.

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

12. ORALS

12A. In response to Vice-Chairperson Deemer's inquiry, Senior Administrative Analyst Schaich advised that the Conservation Committee will meet jointly with the Planning Commission and Community Development in early November 2009 to develop the Landscape Water Conservation Ordinance. He noted that if the City fails to adopt an ordinance by January 1, 2010, any new development will fall under the State ordinance.

12B. Senior Administrative Analyst Schaich announced that the woman recently awarded the Nobel Prize for Economics started her career with Water Replenishment District.

12C. Deputy Public Works Director van der Linden announced the West Basin quarterly dinner meeting on November 18, 2009.

13. ADJOURNMENT

There was a brief discussion about absences and lack of a quorum for the regularly scheduled Commission meeting scheduled for November 19, 2009.

MOTION: At 9:02 p.m., Commissioner Haddon moved to adjourn the meeting to November 16, 2009 at 3:00 p.m. at a location to be arranged. The motion was seconded by Commissioner Lew and, hearing no objection, Vice-Chairperson Deemer so ordered.

Approved as Amended November 16, 2009 s/ Sue Herbers, City Clerk
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