

**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 Wednesday, January 28, 2015 in the West Annex Meeting Room at Torrance City Hall.

2. ROLL CALL:

Present: Commissioners Kawai, Marshall, McGee, See,
and Chairperson Nishinaga.

Absent: Commissioners Craft and Leone.

Also Present: Senior Administrative Analyst Schaich,
Senior Water Services Supervisor Berndt, and
Metropolitan Water District Director Lefevre.

MOTION: Commissioner See moved to grant Commissioner Craft an excused absence for the January 28, 2015 Water Commission meeting. Commissioner Kawai seconded the motion; a roll call vote reflected unanimous approval.

Senior Administrative Analyst Schaich informed the Commission that Commissioner Leone was up for reappointment; however, he decided not to reapply. He noted that a new Commissioner would be appointed in approximately three weeks.

3. FLAG SALUTE

Commissioner Kawai led the Pledge of Allegiance.

4. AFFIDAVIT OF POSTING

MOTION: Commissioner Kawai moved to accept and file the report of the City Clerk on the posting of the agenda for this meeting. Commissioner See seconded the motion; a roll call vote reflected unanimous approval (absent Commissioner Craft).

5. APPROVAL OF MINUTES

5A. MINUTES OF DECEMBER 18, 2014

Chairperson Nishinaga offered the following correction to the December 18 minutes: Page 3, paragraph 5, line 4: "...changing billing companies or doing it in house. Senior Administrative Analyst Schaich explained that very few companies..."

MOTION: Commissioner McGee moved to approve the Water Commission meeting minutes of December 18, 2014 as amended. Commissioner Kawai seconded the motion; a roll call vote reflected unanimous approval (absent Commissioner Craft).

6. ORAL COMMUNICATIONS FROM PUBLIC

6A. The Commission welcomed former Water Commissioner Charles Deemer.

7. **OLD BUSINESS**

None.

8. **NEW BUSINESS**

8B. **PRESENTATION REGARDING NEW TORRANCE MUNICIPAL WATER RATES FOR 2015**

Senior Administrative Analyst Schaich provided a PowerPoint presentation "New Torrance Municipal Water (TMW) Rates for Calendar 2015." He presented background on the 5 Year Rate Plan approved in February 2011 for Years 2011 through 2015. He reported that benefits of a 5 Year Rate Plan include system infrastructure replacements and high priority improvements, fund local water supply projects to lower water costs and enhance reliability, fund operational and maintenance requirements, stabilize rates in the future, and meet regulatory requirements. He stated that the operational cost of pumping groundwater is \$400 per acre-foot while Metropolitan Water District (MWD) imported water costs \$923 per acre-foot. He discussed the subsidy that MWD gives for local resource development through its Local Resources Program.

In response to Commissioner McGee's inquiry, MWD Director Lefevre explained reasons why MWD does not subsidize the ocean desalination plant in Carlsbad.

Chairperson Nishinaga initiated a brief discussion regarding storm water reuse.

Senior Administrative Analyst Schaich presented TMW's Budget Projection for FY 2014-15: Total Revenues - \$39.1 million and Total Operating Expense - \$37.7 million. He noted that 90% of the revenue comes from the sale of water. He stated that the Operating Expense excludes a non-cash depreciation expense of \$1.3 million and explained that it is a theoretical depreciation of assets for accounting purposes. He discussed the need for TMW to get back to a bigger capital improvement program for water main replacement.

Responding to Chairperson Nishinaga's inquiry, Senior Water Services Supervisor Berndt stated that the cost of replacing water mains varies and that lining pipelines is more expensive than installing new pipelines.

Senior Administrative Analyst Schaich reviewed the Operating Expense for FY 2013-14, noting that Source of Supply is \$24.94 million or two-thirds of the total. He stated that TMW pays rent for all of its facilities because it is an enterprise function. He noted that Financial Obligations includes a \$6 million Certificate of Participation bond that TMW is taking over from the City, noting that it is the only debt that TMW currently has.

He briefly reviewed Revenues for FY 2014-15 totaling \$39.09 million, adding that revenue from standard customer water sales has increased from FY 2013-14 mainly due to rate increases. He explained the chart of Economic Benefit of New Wells, noting that the benefit/cost ratio is 5:1 with a lifecycle savings of \$180 million. He discussed the

importance of acquiring more water rights that would enable TMW to pump more groundwater.

Senior Administrative Analyst Schaich explained internal and pass through increases on the chart of the Torrance Municipal Water Rate Plan: Five Year Revenue Requirements 2011-15. He described the four-tier rate structure for single family and two-tier structure for Other Customers that include multi-family and commercial. He noted that the average single-family customer uses 14 ccf per month, 8 ccf for interior usage and 6 ccf for outdoor use.

Chairperson Nishinaga questioned why Tier 1 for single-family customers is 8 ccf while it is 10 ccf for Other Customers.

Senior Administrative Analyst Schaich explained the different profiles in the Cost of Service analysis and noted that the tier structures would be analyzed again when the new 5 year rate study starts in March. He showed a pie chart of water usage characteristics and a comparison of monthly water charges for 14 ccf in surrounding cities.

In response to Commissioner McGee's inquiry, he stated that the City of Lomita has its own water system.

Responding to Commissioner Marshall's inquiry, Senior Administrative Analyst Schaich stated that TMW has approximately \$2 million in surplus that is being allocated to local resources. He discussed the importance of developing a more robust reserve level and how important it is to have reserves when being rated for revenue bonds.

Senior Administrative Analyst Schaich concluded his presentation with next steps: rate study for 2016-2020 from March to June, consideration of rate options at June-July Commission meetings, City Council approval of proceeding with Proposition 218 process in August, Proposition 218 notification in September-October, and rate hearing in November.

Commissioner Marshall initiated a brief discussion centered on possible ways to bring down expenses in the event of allocation.

9. METROPOLITAN WATER DISTRICT DIRECTOR'S REPORT

MWD Director Lefevre reported that Los Angeles Department of Water and Power is currently at 131 gallons per capita per day and hopes to get down to 104 by 2017. He stated that on January 27 he was appointed Vice-Chairperson of the Bay Delta Conservation Plan committee. He discussed 163 miles of concrete cylinder pipelines that were installed by MWD that are failing, noting that MWD plans to replace them over the next 20 years. He announced a day trip to the Jensen Treatment plant and Edmunston Pumping plant on April 25 and a trip to the State Water Project later in the year.

He provided a PowerPoint presentation on "Drought Update and Water Supply Situation." He reported that there was 1.2 million acre-feet of usable storage at the end of 2014. He noted that snowpack conditions are better this year, with Northern Sierra snowpack at 49% of normal and Upper Colorado Basin snowpack at 102% of normal.

He discussed the 8-Station Index for Precipitation and Delta Exports, noting that storage in the San Luis Reservoir and Oroville Reservoir has increased.

MWD Director Lefevre reported on 2015 key assumptions that considered demand levels, State Water Project allocation scenarios of 10%, 20%, 45% and 55%, transfer and exchange programs, and continued conservation efforts. He stated that currently the State Water Project allocation is 15% but that it is expected to increase. He explained that worst case would be 20% allocation and MWD would need to implement its allocation plan; however, if it increases to 45%, MWD would not have to take any water out of storage. He stated that MWD is predicting demand to be 1.9 million acre-feet and that they are working with member agencies to refine the allocation plan to meet current conditions. He added that MWD would probably not determine allocation until the end of February.

He distributed Water Supply Conditions for Colorado River and State Water Project as of January 25, Department of Water Resources January 15 Press Release, and Civil Engineering's "Becoming the Green-Blue City."

10. WEST BASIN WATER ASSOCIATION REPORT

Senior Administrative Analyst Schaich announced that, after 15 years of negotiations and litigation, the Superior Court judge gave a final and favorable ruling regarding conjunctive use in the West Basin. He noted that West Basin would now be able to carry over two years of allocation and that they have formed a three party panel to serve as Watermaster effective July 1, 2015. He stated that Water Replenishment District provided an update on the Vander Lans Advanced Water Treatment Facility that is providing the Alamitos barrier in Long Beach with 100% recycled water. He noted that they also provided an update on lawsuits filed by Cerritos, Signal Hill, and Downey.

MWD Director Lefevre offered to provide a slide presentation on the history of San Diego County Water Authority's lawsuits with MWD.

11. MONTHLY DEPARTMENT REPORT

Senior Water Services Supervisor Berndt noted that the Monthly Department Report for December 2014 was included in agenda packets. He reported that production of potable water for the month was 1,381.6 acre-feet, a decrease of approximately 11.3% compared to December 2013. He stated that there were two water main breaks in December compared to 11 for the same period last year. He noted that total main break incidents in 2014 were the lowest recorded in over 30 years. He reported that the Goldsworthy Desalter was back in operation at the end of December but that it is still having problems. He announced that the first phase of the expansion project to drill two new saline water source wells would begin February 2.

In response to Commissioner McGee's inquiry, he explained that cast iron pipes are being replaced with ductile iron pipes put in a sleeve to prevent corrosion from the outside.

12. ORALS

12A. Mr. Deemer inquired about the new well fields and Senior Administrative Analyst Schaich stated that the new wells and Goldsworthy expansion project should all be completed within five years. He added that the Yukon well field is currently in Phase 2 and will go to Phase 3, the final design, in a few months.

2B. Commissioner McGee announced that he was reappointed for four more years on the Commission.

12C. Commissioner Marshall received clarification that the water problems in southeast Torrance were resolved by flushing.

12D. Commissioner Kawai asked staff to bring back contingency and response plans in the event of a natural disaster. He stated that the article "Becoming the Green-Blue City" is interesting and discussed conservation efforts in the City of Cerritos.

12E. Senior Administrative Analyst Schaich announced California Friendly Landscaping classes in March - June at West High School.

12F. Chairperson Nishinaga discussed the Hilton Foundation Headquarters in Agoura Hills that he had the opportunity to tour. Leed facility with a number of water sustainability features.

12G. Chairperson Nishinaga stated that Long Beach has replaced their urinals with waterless urinals and suggested that the City consider installing them. Staff advised that they tried to use some a few years ago but they replaced them with low flush urinals due to the expensive cartridges and problems with clogs and odor. Chairperson Nishinaga asked staff to provide a feasibility study that was done on waterless urinals at a future Commission meeting.

13. ADJOURNMENT

MOTION: At 9:33 p.m., Commissioner Marshall moved to adjourn the meeting to Wednesday, February 25, 2015 at 7:00 p.m. in the West Annex Commission meeting room. Commissioner McGee seconded the motion and, hearing no objection, Chairperson Nishinaga so ordered.

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Approved as amended March 25, 2015 s/ Rebecca Poirier, City Clerk
