

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

**2. ROLL CALL:**

Present: Commissioners Chim-Lieu, Craft, Marshall, McGee, Nishinaga, See, and Chairperson Kawai.

Absent: None.

Also Present: Senior Administrative Analyst Schaich, Deputy Public Works Director Knapp, Water Operations Superintendent Berndt, and Metropolitan Water District Director Lefevre.

**3. FLAG SALUTE**

Commissioner Nishinaga led the Pledge of Allegiance.

**4. AFFIDAVIT OF POSTING**

**MOTION:** Commissioner See 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 roll call vote reflected unanimous approval.

**5. APPROVAL OF MINUTES**

**5A. MINUTES OF AUGUST 26, 2015**

**MOTION:** Commissioner McGee moved to approve the August 26, 2015 Water Commission meeting minutes as presented. Commissioner Nishinaga seconded the motion; a roll call vote reflected unanimous approval (Commissioner See abstaining).

**6. ORAL COMMUNICATIONS FROM PUBLIC – None.**

**8A. INITIAL REVIEW OF PRELIMINARY FINDINGS REGARDING TORRANCE MUNICIPAL WATER (TMW) RATE STUDY FOR FY 2017 THROUGH 2021**

Senior Administrative Analyst Schaich requested that this item be taken out of order. He introduced Sudhir D. Pardiwala, Executive Vice President, Raftelis Financial Consultants, Inc.

Mr. Pardiwala provided a PowerPoint presentation on the Water Cost of Service Study, preliminary rate model, and initial projection of alternate rate scenarios for the

five-year period for FY 2017 through 2021. He stated that objectives of the Study are to develop a five-year Financial Plan for TMW, perform a Cost of Service analysis, design water rates based on the Study's goals and objectives, evaluate the impact of drought conditions, and document the Study in a report to serve as the City's administrative record. He described changes and challenges that include the State Water Resources Control Board's mandated 20% reduction in potable water use, reduced water sales revenues, Capital Improvement Programs (CIP) scenarios, and allocation of indirect costs. He noted that customers who conserve water would see a lower bill even though rates are increasing. He discussed key assumptions, stating that to develop the Financial Plan they need to determine how expenses will change from year to year. He noted that the Plan is based on new normal water consumption, approximately 10% lower than FY 2013. He pointed out that drought reductions would be calculated separately to allow TMW to change rates if there is a further reduction in demand from what is being projected.

In response to Commissioner Marshall's inquiry, he stated that there may be potential changes in the rate structure due to a recent San Juan court ruling requiring rates to be proportionate to the cost of providing services. He explained that factors such as the cost of different sources of water, peaking factors, and conservation costs would be used to differentiate the rates of tiers.

Sr. Administrative Analyst Schaich explained to Commissioner Marshall that ExxonMobil is not included in the Study, that there are five years left on their contract, it is unlikely that the City can renegotiate the contract with the new owner, and that their water costs have an automatic escalator.

Commissioner McGee's inquired about cost of living increases, and Mr. Pardiwala advised him that they use a long-term inflation average of 3%.

Commissioner Craft asked if they look at homes and the number of adults in those homes as a part of their assumptions, and Mr. Pardiwala explained that doing so would be a long, complex procedure called a Water Budget Allocation that was not requested and is not included in this Study.

Mr. Pardiwala provided a chart of FY 2015 Accounts and Usage Data and noted that the largest class is single-family residence in terms of accounts (79%) and usage (40%). He showed a chart of fixed vs. variable revenue with the current rate structure, noting that the 10% fixed revenue comes from meter charges and the balance is variable. He provided a chart of 2015 expenses, pointing out that 30% is fixed and 70% is variable. He explained how the gap between revenues and expenses is more pronounced when there is a loss in water sales.

A brief discussion centered on the pros and cons of gradually increasing meter charges so that the gap between fixed revenues and expenses would be closer.

Guest Charles Deemer pointed out that fixed expenses would decrease when the local water supply projects are implemented.

In response to Commissioner Nishinaga's inquiry, Sr. Administrative Analyst Schaich explained that the expected increase in local water supply is taken into account in later years.

Commissioner See inquired about population growth and Sr. Administrative Analyst Schaich indicated that they expect 4% growth per year, and that redevelopment normally accounts for the same water usage or lower.

Mr. Pardiwala described charts of Projected Potable Water Usage--New Normal, Water O&M Expenses, and Reserves Target. He stated that the Water Fund currently has \$1 million for emergency purposes and he proposed increasing the reserve level to provide working capital for O&M expenses, capital, and rate stabilization. He showed two scenarios for Water CIP--Capital Financing Plan based on expenses, reserve targets, and CIP. The first is a 9-1/2% increase for two years, followed by 3% for the next three years. The second option is a 10-1/2% increase for two years, then 5% for three years. He described charts of revenue adjustments, debt coverage, and water fund balances for both scenarios, noting that the difference between the two options is \$4-1/2 million.

Commissioner Marshall stated that he would like to see a more gradual rate structure. In response to his inquiry, Mr. Pardiwala explained that the purpose of the higher increase the first two years is to raise the fund balance that is currently very low.

When Commissioner Marshall asked what the capital expenses consist of, Sr. Administrative Analyst Schaich stated that there is an \$8 million gap for the North Torrance well field as well as water main replacement and rehabilitation costs. He noted that staff is applying for a State revolving fund loan that has a very low interest rate and, if it materializes, would have a favorable impact on cash flow.

Mr. Pardiwala reviewed the Current Rate Structure and Customer Data Analysis for FY 2015. He suggested consolidating four tiers to three tiers, noting that reducing tier widths would encourage conservation. He proposed changing Tier 1 from 0-8 hcf per month to 0-7 hcf per month. He stated that the State standard is now 55 gallons per capita per day for interior use and that the single-family residence average monthly usage in the City is 11.25 ccf for both interior and exterior. He explained that the more tiers there are, the more difficult it is to justify the rates. He stated that all projections are based on normal usage, that it is necessary to be prepared to change rates if the drought continues, and showed three proposed stages if there is further demand reduction.

Commissioner Marshall expressed interest in seeing an analysis between raising rates and adjusting tiers, and raised the possibility of having Tier 1 all local water supply.

Deputy Public Works Director Knapp stated that a 7% increase over a longer period of time would be more acceptable to the public and pointed out that there would be a Proposition 218 hearing next year for refuse. When Commissioner Marshall recommended that the different utilities stagger rate increases, he explained that utilities are required to do a Cost of Service analysis every five years and increases may be closer than he would like because of where they started.

Commissioner See inquired about tiers for multi-family, commercial, and industrial, and Mr. Pardiwala recommended that they maintain the current two tiers or change to a uniform rate.

Following discussion, there was general consensus among Commissioners that they would like to see a more levelized rate adjustment and to increase meter charges incrementally over the five years.

## **7. OLD BUSINESS**

### **7A. UPDATE RE: WATER CONSERVATION IN THE MUNICIPAL SERVICE AREA**

Senior Administrative Analyst Schaich provided an update on Water Conservation and Drought Issues. He provided background on SBx 7-7 2020 targets, the Governor's Executive Order, and the 20% cutback mandated by the State Water Resources Control Board from June 2015 to February 2016, adding that the State Board will probably extend that date even if the drought ends. He stated that TMW is projecting 110 GPCD total usage by 2020 and noted that if TMW meets the 20% target it would automatically meet the Water Supply Allocation Program reduction set by MWD.

He presented reduction targets and was pleased to announce that conservation savings were 28% in June, 25% in July, 19% in August, and 24% in September. He stated that there has been a 34% overall reduction from 1990, with nearly 50% reduction in single-family residence customer usage. He noted that conservation efforts have relied on 100% voluntary compliance without financial penalties.

Sr. Administrative Analyst Schaich discussed conservation efforts that include Citywide team effort, extensive outreach and media coverage, incentive and rebate programs, instructional and educational programs, and partnerships. He distributed fliers for California Friendly Landscape workshops on October 31, November 21, and December 12 as well as a Rain Barrel Distribution Event on November 14, all at West High School. He stated that the focus of the conservation program should be on long-term goals as well as drought mitigation as droughts are endemic in California.

## **9. METROPOLITAN WATER DISTRICT DIRECTOR'S REPORT**

MWD Director Lefevre provided information about potential El Nino impacts when warmer than usual surface temperatures occur in the equatorial waters of the Pacific. He discussed El Nino events in 1982-83 and 1997-98 and the significant impact to the Northern Sierra snowpack. He stated that there is a greater than 80% probability that there will be a significant increase in precipitation in Northern California. He noted that Sierra Nevada precipitation satisfies 1/3 of the State's water needs, that 75% of the State's annual precipitation falls north of Sacramento, and that nearly 3/4 of the State's reservoirs are north of Fresno.

He stated that deliveries to member agencies are the lowest since early 1980s due to demand reduction and that there is 90,000 acre feet (AF) more storage than MWD projected. Referring to the Salton Sea, he stated that the Governor set up a task force to develop mid and long term restoration plans, manage expedited construction of projects, and ensure water supply. He stated that MWD has cut back on how much it is taking from the Colorado Aqueduct and that they are now storing more water in Lake Mead.

MWD Director Lefevre stated that he went to Washington last week where he had the opportunity to speak with Congressman Lieu's assistant Megan Price. He stated

that MWD is working on its IRP and is predicting a shortage of 200,000 AF. He discussed Los Angeles County Sanitation District's secondary water treatment plant in Carson and stated that MWD plans to take water out of the plant, treat it on site to make it potable water, and use it for injection into the aquifers.

#### **10. WEST BASIN WATER ASSOCIATION REPORT**

Senior Administrative Analyst Schaich reported that at the October Association meeting the Water Replenishment District discussed their GRIP (Groundwater Reliability Improvement Program) project that will make all replenishment water 100% local water. He stated that the City of Los Angeles reported on its large recovery project to increase their local water supply. He stated that the Association had their Harvest Festival on October 24 and announced a lecture on subsidence on November 3 in Carson.

#### **11. MONTHLY DEPARTMENT REPORT**

Water Operations Superintendent Berndt distributed a Monthly Department Report for September 2015. He reported that production of potable water for the month was 1,455.4 AF, a decrease of approximately 13% compared to September 2014. He noted that total water production in 2015, including recycled water, is 24% below last year. He stated that there were four main breaks in September and that, on a cumulative basis, 30 main breaks have occurred so far in 2015 compared to 39 in 2014. He reported that the Desalter has been fully operational for the last four months and the drilling of supply wells has been completed in Delthorne Park and the City Yard. He noted that WRD has submitted bids for the Expansion Project, with construction expected to begin early 2016.

#### **12. ORALS**

**12A.** Commissioners expressed their appreciation to MWD Director Lefevre, Barbara Gallo, and staff for arranging the inspection tour to the Central Valley. They discussed information that they learned about senior vs. junior water rights farmers, low storage in the San Luis Reservoir, how farmers minimize water usage and maximize food production, importance of migrant workers, and the solar facility.

**12B.** Commissioner Chim-Lieu stated that she enjoyed the presentations at the West Basin Forum last month.

**12C.** Chairperson Kawai initiated a brief discussion about building an ocean desalination plant in Redondo Beach. He stated that he is impressed with the water research facility at Fresno State and would like to see them bring their technology to Torrance as a pilot program.

MWD Director Lefevre informed him that West Basin has an EIR out for an ocean desalination plant in the South Bay, probably in El Segundo.

**12D.** Senior Administrative Analyst Schaich asked Commissioners to consider adjourning the meeting to November 17 or November 19. He requested concurrence from Commissioners to hold the December meeting on December 15, 2015.

**MOTION:** Commissioner Marshall moved to adjourn tonight's Commission meeting to Thursday, November 19, 2015. Commissioner Craft seconded the motion; a roll call vote reflected unanimous approval.

**MOTION:** Commissioner McGee moved for the Water Commission to hold its December meeting on December 15, 2015. Commissioner Chim-Lieu seconded the motion; a roll call vote reflected unanimous approval.

**12E.** Commissioner Marshall expressed support for the Commission to hold meetings every month, even if it is a short meeting; staff advised him that a few years ago City Council directed Commissions to cancel meetings if there is no substantial business.

**13. ADJOURNMENT**

**MOTION:** At 9:48 p.m., Commissioner Marshall moved to adjourn the meeting to Thursday, November 19, 2015 at 7:00 p.m. in the West Annex Commission meeting room. Commissioner Nishinaga seconded the motion; a roll call vote reflected unanimous approval.

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Approved as submitted November 11, 2015 s/ Rebecca Poirier, City Clerk
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