

Council Meeting of  
June 2, 2009

Honorable Mayor and Members  
of the City Council  
City Hall  
Torrance, California

Members of the Council:

**SUBJECT: Public Works – Approve an Agreement to temporarily lease 600 acre-feet of groundwater rights to the Tesoro Refining and Marketing Company, Incorporated, at \$125 per acre-foot. Expenditure: None**

**RECOMMENDATION**

Recommendation of the Public Works Director that the City Council approve an Agreement to temporarily lease 600 acre-feet of water rights to the Tesoro Refining and Marketing Company, Incorporated, a Delaware Corporation, at \$125 per acre-foot during the 2008-2009 fiscal year.

Funding

Not Applicable.

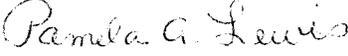
**BACKGROUND AND ANALYSIS**

The Tesoro Refining and Marketing Company, Incorporated is requesting to temporarily lease 600 acre-feet of groundwater out of the City's allowed pumping allocation. Tesoro Refining and Marketing Company, Incorporated will pay \$125 per acre-foot with the City of Torrance receiving \$75,000 in total compensation for the lease agreement. The term of the lease agreement will expire on June 30, 2009.

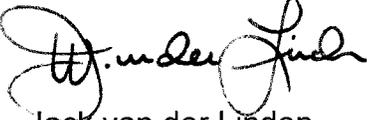
The City of Torrance has an allowed pumping allocation of 5,640 acre-feet of groundwater per fiscal year; and currently has an unused portion of the 08-09 fiscal year water rights available for lease. Unused water rights expire at the end of each fiscal year and retain no value after that date. Therefore, it is prudent to make unused water rights available to the lease market in order to preserve a value to these assets.

Respectfully submitted,

ROBERT J. BESTE  
Public Works Director

  
By: Pamela A. Lewis  
Senior Administrative Analyst

CONCUR:

  
Jack van der Linden  
Deputy Public Works Director

  
Robert J. Beste  
Public Works Director

  
LeRoy J. Jackson  
City Manager

Attachment: A) Agreement

**City Manager's Note:**

This lease is for the current fiscal year. Our hope for the next fiscal year is that our new wells in the North end will expand our use of our own water rights.

## WATER RIGHT LICENSE AND AGREEMENT

### WEST COAST BASIN

For a valuable consideration in the amount of \$125 per acre-foot, the CITY OF TORRANCE, a Municipal Corporation ("LICENSOR") hereby grants to TESORO REFINING AND MARKETING COMPANY, INCORPORATED, a Delaware Corporation, ("LICENSEE") a license to extract 600 acre-feet of licensor's Adjudicated Right allocated to licensor (or predecessors in interest) pursuant to a Judgment dated August 18, 1961, and entered in Los Angeles Superior Court Case No. 506806 entitled "*California Water Service Company, et al. vs. City of Compton, et al.*" During the period commencing July 1, 2008, and continuing to and including June 30, 2009.

Said license is granted, subject to the following conditions:

- (1) Licensee shall exercise said right and extract the same on behalf of the CITY OF TORRANCE during the period above specified and put the same to beneficial use and licensee shall not by the exercise hereunder of said right acquire and right to extract water independent of the rights of Licensor.
- 2) Licensee shall pay assessments levied on the pumping of said ground waters by the Water Replenishment District of Southern California.
- 3) Licensee shall notify the District and the Watermaster that said pumping was done pursuant to the license and provide the Watermaster with a copy of this document.
- 4) Licensee shall note, in any recording of water production for the period of the agreement, that said pumping was done pursuant to this license.
- 5) Licensee's Adjudicated Right shall be increased by the amount hereby leased when computing carry-over or allowable or extraction as provided by Paragraph V (1) in said Judgment.

The CITY OF TORRANCE warrants that it has 600 acre-feet of Adjudicated Right and that it has not pumped and will not pump or permit or license any other person to pump any part of said 600 acre-feet during period of July 1, 2008 through June 30, 2009.

CITY OF TORRANCE  
a Municipal Corporation

TESORO REFINING AND  
MARKETING COMPANY, INCORPORATED  
a Delaware Corporation

\_\_\_\_\_  
Frank Scotto, Mayor

By: \_\_\_\_\_  
Process Engineer

Dated: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Sue Herbers  
City Clerk

Dated: \_\_\_\_\_

APPROVED AS TO FORM:

JOHN L. FELLOWS III  
City Attorney

By: \_\_\_\_\_

Dated: \_\_\_\_\_