

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

Members of the Council:

**SUBJECT: Public Works – Request to set a date for a Public Hearing on a proposed series of annual water rate increases for the Torrance Municipal Water service area over the five year period of 2011 through 2015. Expenditure: Not applicable.**

### **RECOMMENDATION**

Recommendation of the Water Commission and the Public Works Director that City Council set a date of February 15, 2010 for a Public Hearing on a proposed series of annual increases in Torrance Municipal water rates to cover increases in operating costs, fund system infrastructure replacements and develop new local water resources to increase reliability and lower water costs.

### **Funding**

Not applicable.

### **BACKGROUND**

Torrance Municipal Water (TMW) provides water service to nearly 80% of the city, with the remainder of the city served by the California Water Service Company. TMW has not received an internal water rate increase since October, 1995. Since that time, TMW has only implemented automatic “pass through” adjustments as a means to compensate for rising wholesale water costs levied by the Metropolitan Water District of Southern California (MWD) and groundwater pumping assessments by the Water Replenishment District of Southern California (WRD).

More than 85% of TMW revenue is received from the volumetric sales of water to residential, business, and institutional customers. Over the past five years water usage has declined significantly due to water conservation and restrictions on imported water from MWD. Additional conservation is required for all of Southern California because of uncertainties in the Sacramento Delta and reduced flows on the Colorado River.

TMW is proposing a tiered water rate structure in alignment with standard water industry practices to further promote water conservation and reduce our reliance on higher cost imported water. The tiered rate structure puts most of the proposed increases on the upper tiers, and therefore will have a modest impact on low water users. The proposal will increase water rates on an annual basis over the next five years, and will also revise the

current pass through method to offset for higher wholesale water costs using a more accurate water model.

## **ANALYSIS**

Torrance Municipal Water requires funds to implement a capital improvement program that will replace and maintain existing infrastructure and develop new local ground water wells that will reduce our reliance on increasingly expensive and vulnerable MWD imported water supplies. The new wells will not only enhance water reliability in the City of Torrance but will also help stabilize long term water rates by lowering water supply costs by reducing imported water purchases. In addition, the rate proposal will provide funding for needed system infrastructure replacements/improvements and allow TMW to create a modest reserve for future emergencies and still maintain our position as having rates that are among the lowest in the region.

The vast a majority of the TMW infrastructure is more than 40 years old, including nearly 320 miles of water pipelines. In order to maintain the integrity and reliability of the water system, it is necessary that the water system infrastructure be replaced or refurbished through implementation of an ongoing capital improvement program. In the early 1990's, TMW experienced on average more than 160 water main failures per year. Over the past 15 years, the implementation of a systematic replacement program has decreased the incidence of main breaks by 70%, and substantially reduced corresponding water outages and damage to roadways. It is necessary to invest approximately \$4 million per year into infrastructure replacement, rehabilitation and improvement projects to maintain the efficacy of the municipal water system.

To assess TMW revenue and rate needs, the City retained the services of Raftelis Financial Consultants (RFC) to perform a comprehensive multi-year water rate study. The RFC study focused on a number of interrelated areas including: development of an interactive rate model; determination of revenue requirements (amount of revenue required to meet needs); a cost of service analysis to determine appropriate allocation of costs to customer classes (required under Proposition 218); development of a new method for calculating pass through rate adjustments to offset higher wholesale water costs; an economic analysis of development of new local groundwater wells to reduce dependence on high cost imported water supplies; and rate projection/recommendations to meet all operating and capital needs over the next five year period of 2011 through 2015.

The rate study was completed by RFC in mid October. As a result of the study, staff analysis, and consideration by the Water Commission, the recommendations regarding TMW rates are as follows:

- Current municipal rates are proposed to be adjusted for the 5 year period of 2011 through 2015. These overall system rate increases are proposed at:
  - 6.5% + pass through (4%) in March 2011
  - 6.5% + pass through in January 2012
  - Consumer Price Index (CPI) + pass through in January 2013
  - CPI + pass through in January 2014
  - CPI + pass through in January 2015

- A conservation based rate structure will include 4 tiers for single family residential customers and 2 tiers for other standard customers. The tiered rate structure is designed to promote conservation, to reduce reliance on vulnerable imported water supplies and to meet both regional and statewide urban reduction targets. Please visit our website at [www.TorranceCA.Gov/PublicWorks](http://www.TorranceCA.Gov/PublicWorks) to determine your actual increase based on your individual usage.
- The current pass through mechanism to offset for higher water costs will be revised according to the water rate model.
- Fixed charges for the customer readiness to serve (meter) charge and for private fire protection meter service will be adjusted to align to a cost of service allocation that is in compliance with Proposition 218.

The Water Commission considered this matter at their regular meetings on October 21, 2010 and November 16, 2010. After careful deliberation, the Commission took a position supporting the rate findings and recommendations as noted.

### **Procedure for Increasing Water Rates:**

Although voter approval requirement of Proposition 218 does not cover water, sewer or refuse fees/rates, the 2006 Supreme Court ruling in the Bighorn-Desert View Water Agency v. Verjil Kelly requires that fees and charges for these services follow public notice, public hearing and majority protest procedures. These procedures include the following:

- Provide written notice by mail to each billing party of record. The notice must include the amount of the fee/rate and the date, time and location of the public hearing on the proposed fee/rate.
- Conduct a public hearing not less than 45 days after the mailing of the notice.
- At the hearing, consider all protests against the fee/rate.
- If written protests against the proposed fee/rate are presented by a majority of the billing party of record, the City may not impose the fee/rate. If written protests by a majority of the billing party of record are not presented, the City may impose the fee/rate.

Attached is a copy of the Public Hearing Notice. If approved by Council this evening, the notice of the February 15, 2011 hearing will be mailed to all billing parties of record within the Torrance Municipal Water service area receiving municipal water service, to comply with the 45-day minimum notification period required under Proposition 218. The amount of the proposed increase must be included in the notice.

During the 45-day notice period residents will be able to submit written protests. Only one written protest per customer account may be completed by the billing party of record. If by the end of the public hearing the number of protest letters is clearly below the 50% requirement, the City Clerk may declare that verification is not needed and Council may vote on the proposal that evening. If the increase is approved it will take effect on March 1, 2010. If verification is needed, staff will return to Council with direction based on the responses received.

During the interim period staff will be implementing an outreach program to the community to inform them of the rate proposal. This will include posting information on the

website, a question and answer (Q&A) segment, mailers to homeowner associations and making staff available by invitation to speak to interested community groups. Staff will present other rate options and discuss the impacts of the rate proposal at the public hearing in February.

It is therefore the recommendation of the Water Commission and the Public Works Director that City Council set a date of February 15, 2011 for a Public Hearing on a proposed series of annual increases over the in municipal water rates over the next five years.

Respectfully Submitted,

WATER COMMISSION

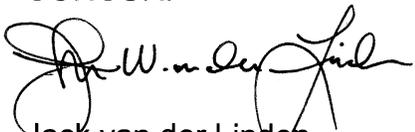


Charles Deemer, Chair

ROBERT J. BESTE  
Public Works Director

By   
Charles J. Schaich  
Senior Administrative Analyst

CONCUR:



Jack van der Linden  
Deputy Public Works Director



Robert J. Beste  
Public Works Director

NOTED:



LeRoy J. Jackson  
City Manager

- Attachments: A. Public Hearing Notice  
B. Resolution setting Proposition 218 requirements

# PUBLIC NOTICE

**PUBLIC HEARING FEBRUARY 15, 2011**

The City of Torrance Public Works Department is proposing annual increases to the Torrance Municipal Water rates over the next 5 years as a means to offset operating cost increases, to fund needed water system infrastructure replacements, to implement new regulatory mandates, to stabilize long-term water rates, and to develop new local water resources to replace high cost imported water supplies. The proposed increase water rates will also help improve the reliability of the community's water supply.

The rate proposal applies only to the area within the city served by Torrance Municipal Water. To meet new State mandated water usage reduction targets for urban areas, the current rate structure will be converted to a conservation-based tiered schedule to encourage consumer conservation. Please visit [www.TorranceCA.Gov/PublicWorks](http://www.TorranceCA.Gov/PublicWorks) to determine your actual increase based on your individual usage.

The last internal increase to Torrance Municipal water rates was in 1995. Since then, the only increases have been automatic pass through adjustments to compensate for the higher water costs charged by our wholesale water suppliers. Even with the proposed adjustments, Torrance Municipal Water rates are expected to remain among the lowest in the area.

This proposed series of annual increases to internal Torrance Municipal Water (TMW) service area rates over the 5 year period of 2011 through 2015 as follows:

Overall system average internal increase of 6.5% in 2011 and 6.5% in 2012, with subsequent annual overall increases in 2013, 2014 and 2015 by the change in the Consumer Price Index (CPI) for the Los Angeles/Long Beach area. Rates will also continue to be adjusted during this period by a pass through mechanism to recover higher wholesale water costs. The pass through method will be revised according to the water rate model.

Please submit any comments about this increase in writing before the completion of the Public Hearing. For more information on submitting comments, contact the City's Clerk's Office at 310-618-2870.

Questions or comments may be directed to the Public Works Department at (310) 781-6900 or [publicworkinfo@TorranceCA.gov](mailto:publicworkinfo@TorranceCA.gov). Please visit [www.TorranceCA.Gov/PublicWorks](http://www.TorranceCA.Gov/PublicWorks) for additional information.

## City Council

Frank Scotto, Mayor	
Gene Barnett	Cliff Numark
Tom Brewer	Susan M. Rhilinger
Pat Furey	Bill Sutherland

CITY CLERK  
Sue Herbers  
CITY TREASURER  
Dana Cortez



City of Torrance  
**Public Works Department**  
20500 Madrona Avenue  
Torrance, California 90503-2970  
Robert J. Beste  
Public Works Director

**Proposed Torrance Municipal Water Rate and Service Charge Schedule  
Effective March 1, 2011**

**Quantity Usage (Commodity) Conservation Tiered Rate Schedule**

		Monthly usage block (ccf)	Internal rates \$/ccf	Pass through adjustment \$/ccf	Total proposed commodity rate \$/ccf
Single family residential (SFR)	Tier 1	First 8 ccf	\$2.33	\$0.12	\$2.45
	Tier 2	9-14 ccf	\$2.92	\$0.12	\$3.04
	Tier 3	15-24 ccf	\$3.64	\$0.12	\$3.76
	Tier 4	25 ccf and over	\$4.52	\$0.12	\$4.64
Other standard customers	Tier 1	First 10 ccf	\$2.33	\$0.12	\$2.45
	Tier 2	11 ccf and over	\$2.97	\$0.12	\$3.09
Low income senior and disabled	Tier 1	First 8 ccf	\$1.97	\$0.12	\$2.09
	Tier 2	9-14 ccf	\$2.56	\$0.12	\$2.68
	Tier 3	15-24 ccf	\$3.28	\$0.12	\$3.40
	Tier 4	25 ccf and over	\$4.16	\$0.12	\$4.28

<b>Monthly Meter Service Charge (Readiness to Serve) Rate Schedule</b>	
Meter Size	Proposed charge per month
3/4"	\$5.25
1"	\$7.10
1 1/2"	\$11.73
2"	\$17.29
3"	\$34.89
4"	\$60.82
6"	\$132.12
8"	\$224.73
10"	\$354.38
12"	\$465.51
14"	\$697.02

<b>Monthly Private Fire Protection (Fireline Service Charge)</b>	
Fire meter size	Proposed charge per month
2"	\$5.06
3"	\$10.01
4"	\$18.53
6"	\$49.14
8"	\$101.92
10"	\$181.31
12"	\$291.35

**Rates 2012 through 2015:** Overall system average internal increase of 6.5% in 2011 and 6.5% in 2012, with subsequent annual overall increases in 2013, 2014 and 2015 by the change in the Consumer Price Index (CPI) for the Los Angeles/Long Beach area. Rates will also continue to be adjusted during this period by a pass through mechanism to recover higher wholesale water costs. The pass through method will be revised according to the water rate model.

Note: Customers are billed for water consumption in 100 cubic feet (ccf). Each ccf (known as a billing unit) equals approximately 748 gallons. Most customers, except for the largest customers, are billed every two months.



## **Notice of Public Hearing Regarding the Proposed Increases to Internal Torrance Municipal Water Rates**

During the regularly scheduled meeting of the City Council on **February 15, 2011 at 7:00 p.m.**, the City Council will hold a Public Hearing in the City Council Chambers located at 3031 Torrance Blvd., Torrance, to discuss the proposed increases to internal Torrance Municipal Water (TMW) Rates over the five year period of 2011 through 2015. In addition, rates will also be adjusted during this period by a revised pass through mechanism to more accurately recover higher wholesale water costs levied by water suppliers to the municipal service area. Torrance Municipal Water provides water service to approximately 80% of the City.

The City Council is considering increases to Torrance Municipal water rates for the next five year period of 2011 through 2015. This is your opportunity to file a protest to this potential action. If protests, by 50% plus one of properties served by Torrance Municipal Water, are received by the City Clerk by the end of the Public Hearing, the water rate increases cannot be adopted. At the City Council meeting held on December 14, 2010, the City Council approved noticing for the proposed rate increases to be considered for approval at the Public Hearing mentioned above.

Questions or comments may be directed to the Public Works Department at (310) 781-6900 or [publicworkinfo@TorranceCA.gov](mailto:publicworkinfo@TorranceCA.gov). Please visit [www.TorranceCA.Gov/PublicWorks](http://www.TorranceCA.Gov/PublicWorks) for additional information.

### **CITY OF TORRANCE** **GUIDELINES FOR SUBMISSION AND TABULATION OF PROTESTS**

Where notice of a public hearing with respect to the adoption or increase of a utility charge has been given by the City pursuant to Article XIID, Section 6 of the California Constitution, the following guidelines apply:

#### **Submission of Protests**

1. Any customer billing party of record provided water service by Torrance Municipal Water (TMW) may submit a written protest to the City Clerk, either by delivery to the City Clerk's office, at 3031 Torrance Blvd., Torrance, CA 90503, by mail to the City Clerk, 3031 Torrance Blvd, Torrance, CA 90509-2970, or by submitting the protest at the public hearing. Protests must be received by the end of the public hearing. No postmarks will be accepted; therefore, any protest not actually received by the close of the hearing, whether or not mailed prior to the hearing, will not be counted. Emailed, faxed and photocopied protests will not be counted.

For purposes of these Guidelines the term "customer billing party of record" means the party liable for payment of water charges and fees as recorded in TMW customer billing records.

2. Each protest must identify the customer billing account number or street address and include the original signature of the customer billing party of record. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed water rates and fees.

3. If a property served by the City has more than one customer billing party of record either may submit a protest, but only one protest will be counted per property served by TMW and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid, a protest must bear the original signature of the customer billing party of record with respect to the property identified on the protest. Protests not bearing the original signature of a customer billing party of record will not be counted.
5. Any person who submits a protest may withdraw it by submitting to the City Clerk a written request that the protest be withdrawn. The withdrawal of a protest must contain sufficient information to identify the affected customer billing party of record and the name of the customer billing party of record who submitted both the protest and the request that it be withdrawn.
6. A fee protest proceeding is not an election.
7. To ensure transparency and accountability in the fee protest tabulation, protests will constitute disclosable public records from and after the time they are opened during tabulation.

### **Tabulation of Protests**

1. The City Clerk, or the Clerk's designee, will determine the validity of all protests. The Clerk will not accept as valid any protest if the Clerk determines that any of the following conditions exist:
  - a. The protest does not identify a water account served by the City.
  - b. The protest does not bear an original signature of a customer billing party of record identified on the protest.
  - c. The protest does not state its opposition to the proposed rates/fees.
  - d. The protest was not received by the City Clerk before the close of the public hearing on the proposed rates/ fees.
  - e. A request to withdraw the protest is received prior to the close of the public hearing on the proposed rates/ fees.
2. The City Clerk's decision that a protest is not valid constitutes a final action of the City and is not subject to any internal appeal.
3. A majority protest exists if written protests are timely submitted and not withdrawn by the property owners of a majority (50% plus one) of the properties provided water service by the City subject to the proposed rate/fee.

At the conclusion of the public hearing, the City Clerk will complete the tabulation of all protests received, including those received during the public hearing and will report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the properties provided water service by the City with respect to the fee that is the subject of the protest, then the City Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

4. If at the conclusion of the public hearing, the City Clerk determines that additional time will be required to tabulate the protests, the Clerk will so advise the City Council, which may adjourn the meeting to allow the tabulation to be completed on another day or days. If so, the City Council will declare the time and place of tabulation, which will be conducted in a place where interested members of the public may observe the tabulation, and the Council will declare the time at which the meeting will be resumed to receive and act on the tabulation report of the City Clerk.

**To Water Customer Billing Parties of Record**

***For your written protest to be valid you need to ensure that the following information is included:***

- ✓ The protest must include the Street Address or Customer Account Number.
- ✓ The protest must have the original signature of the Customer Billing Party of Record.
- ✓ The protest must state its opposition to the proposed rate/fee increase.
- ✓ The protest must be received by the City Clerk before the close of the Public Hearing on the proposed rate/fee.
- ✓ A ballot is enclosed should you wish to file a protest against the proposed rate increase.

**Deliver to the City Clerk**

City of Torrance  
3031 Torrance, Blvd.,  
Torrance, CA 90503

Date \_\_\_\_\_

Street Address **OR** Customer Billing Account Number

\_\_\_\_\_

\_\_\_\_\_

**RE: Proposed Torrance Municipal Water Rate Increase**

**CHECK ONE:**

Protest Torrance Municipal water rate increase

Withdraw previously submitted protest

\_\_\_\_\_

Original Signature

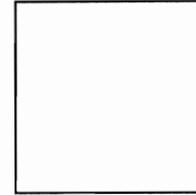
\_\_\_\_\_

Print Name

**SAMPLE**



City of Torrance  
Public Works Department  
20500 Madrona Avenue  
Torrance, CA 90503



Mr. John Smith or Current Occupant  
1000 Main Street  
Torrance, CA 90503

APN 909-225-9874

**City of Torrance Public Notice  
Public Hearing on Proposed  
Torrance Municipal Water Rate Increase**

*Dated Material – Please open immediately*



**City of Torrance Public Notice  
Public Hearing on Proposed  
Torrance Municipal Water Increase  
*Dated Material – Please open immediately***

## RESOLUTION NO. 2010-\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE  
ADOPTING GUIDELINES FOR THE SUBMISSION AND TABULATION OF  
PROTESTS IN CONNECTION WITH RATE HEARINGS CONDUCTED PURSUANT  
TO ARTICLE XIID, SECTION 6 OF THE CALIFORNIA CONSTITUTION**

**WHEREAS**, Article XIID, Section 6 of the California Constitution requires the City Council of the City of Torrance to consider written protests to certain proposed increases to utility charges; and

**WHEREAS**, this constitutional provision does not offer specific guidance as to who is allowed to submit protests, how written protests are to be submitted, or how the City is to tabulate the protests.

**NOW, THEREFORE, BE IT RESOLVED** THAT THE CITY COUNCIL OF THE CITY OF TORRANCE HEREBY adopts guidelines for the submission and tabulation of protests in the form attached as Exhibit "A," which is incorporated by this reference.

**INTRODUCED, APPROVED AND ADOPTED** this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

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

APPROVED AS TO FORM:

ATTEST:

JOHN L. FELLOWS III, City Attorney

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

By: \_\_\_\_\_  
John L. Fellows III



**Exhibit "A"****CITY OF TORRANCE**  
**GUIDELINES FOR SUBMISSION AND TABULATION OF PROTESTS**

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For purposes of these Guidelines the term "customer billing party of record" means the party liable for payment of water charges and fees as recorded in TMW customer billing records.

2. Each protest must identify the customer billing account number or street address and include the original signature of the customer billing party of record. Although oral comments at the public hearing will not qualify as a formal protest unless accompanied by a written protest, the City Council welcomes input from the community during the public hearing on the proposed water rates and fees.
3. If a property served by the City has more than one customer billing party of record either may submit a protest, but only one protest will be counted per property served by TMW and any one protest submitted in accordance with these rules will be sufficient to count as a protest for that property.
4. In order to be valid, a protest must bear the original signature of the customer billing party of record with respect to the property identified on the protest. Protests not bearing the original signature of a customer billing party of record will not be counted.
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7. To ensure transparency and accountability in the fee protest tabulation, protests will constitute disclosable public records from and after the time they are opened during tabulation.

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  - c. The protest does not state its opposition to the proposed rates/fees.
  - d. The protest was not received by the City Clerk before the close of the public hearing on the proposed rates/ fees.
  - e. A request to withdraw the protest is received prior to the close of the public hearing on the proposed rates/ fees.
2. The City Clerk's decision that a protest is not valid constitutes a final action of the City and is not subject to any internal appeal.
3. A majority protest exists if written protests are timely submitted and not withdrawn by the property owners of a majority (50% plus one) of the properties provided water service by the City subject to the proposed rate/fee.

At the conclusion of the public hearing, the City Clerk will complete the tabulation of all protests received, including those received during the public hearing and will report the results of the tabulation to the City Council upon completion. If review of the protests received demonstrates that the number received is manifestly less than one-half of the properties provided water service by the City with respect to the fee that is the subject of the protest, then the City Clerk may advise the City Council of the absence of a majority protest without determining the validity of all protests.

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- ✓ The protest must have the original signature of the Customer Billing Party of Record.
- ✓ The protest must state its opposition to the proposed rate/fee increase.
- ✓ The protest must be received by the City Clerk before the close of the Public Hearing on the proposed rate/fee.
- ✓ A ballot was enclosed in the Public Notice for filing a protest against the proposed rate increase.