

FINAL

MUNICIPAL SERVICE REVIEW

Water Service – South Bay Region

Prepared for:

Local Agency Formation Commission

for

Los Angeles County

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1.0 EXECUTIVE SUMMARY

The South Bay Municipal Service Review study area encompasses the coastal plain area in the southwest portion of Los Angeles County. It includes the Palos Verdes Peninsula in the south; Western and Vermont Avenues generally form the eastern boundary, the Pacific Ocean lies to the west, and the cities of El Segundo and Inglewood form the northern boundary. This area overlies the West Coast Basin, an adjudicated groundwater basin that has historically been overpumped. Land use in the study area is characterized by urban development, with a predominance of residential and commercial/industrial uses. The area is served by six public water agencies and three private water companies. The public water agencies addressed in this review include the following: El Segundo, Inglewood, Lomita, Manhattan Beach, Torrance, and the West Basin Municipal Water District. The private water companies, Southern California Water Company, California Water Service Company and California American Water are not under LAFCo purview. The area relies on a combination of groundwater, imported and recycled water for supply, although there is a wide-spread trend to reduce dependency on imported supply and increase the reliability of local resources.

SUMMARY OF DETERMINATIONS

1. Growth and Population

The South Bay study area has an estimated population of 790,378 per SCAG 2005 projections. Growth through 2030 is expected to be slow to moderate with an average annual growth rate of approximately 0.6%. This would yield 14% growth over the next twenty-five years, which is less than the overall expected growth rate for Los Angeles County.

Most agencies stated that their service areas were built-out and growth would come from infill and redevelopment. Redevelopment that replaces a former manufacturing use is not expected to result in increased water demand as manufacturing processes generally require significantly more water than residential or commercial demand.

There is a predominance of both residential and commercial/industrial land use in the South Bay area. The Palos Verdes Peninsula is characterized by estate lots with large landscapes while other areas include small, single family or multi-family parcels. Torrance and El Segundo have significant commercial/industrial land uses with the Mobil Oil and Chevron refineries. El Segundo's population increases to nearly 80,000 during the daytime due to the large employment centers within its boundaries.

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2. Infrastructure Needs and Deficiencies

The water supply for the region is provided through a combination of imported water, groundwater extracted from the West Coast Basin, and recycled water produced at the West Basin Water Recycling Plant in El Segundo.

The West Coast Basin is adjudicated, and each of the cities holds groundwater rights. Depending on their current infrastructure, they are able to use this resource to meet a percentage of demand. Lomita and El Segundo do not use groundwater at all, but are in the process of planning for new wells. The area historically relied on groundwater, and then moved towards reliance on imported water due to the impacts from overpumping. There is now a migration back towards greater reliance on local resources, including groundwater within managed conditions, as well as recycled water. Each of the municipalities is planning for new wells or the rehabilitation and improvement of existing wells and treatment/storage facilities.

Groundwater quality is of some concern. The historic overpumping caused the groundwater levels to fall below sea level, which allowed for seawater intrusion. The Los Angeles County Department of Public Works (LACDPW) constructed the West Coast Seawater Barrier to protect the groundwater in the basin. However, this trapped a brackish plume which has impacted Torrance's groundwater. The Water Replenishment District, the agency responsible for groundwater management, has constructed a desalter facility in Torrance and is extracting and treating the groundwater.

Imported water is wholesaled by the West Basin Municipal Water District (West Basin MWD) and delivered to the agencies directly from the Metropolitan Water District of Southern California (Metropolitan) system. Torrance is also a Metropolitan member and purchases imported water directly from that agency.

Recycled water is produced at the West Basin Water Recycling Plant in El Segundo. West Basin MWD purchases secondary effluent from the City of Los Angeles and treats it to tertiary or advanced levels for use in industrial processes, groundwater recharge and injection into the seawater barrier. Recycled water has replaced a significant portion of potable demand. Within the City of El Segundo, recycled water accounts for nearly 50% of total supply. West Basin MWD has a goal to decrease dependency on imported water to 55% within its service area. The ability to produce water to customer specifications has been a significant factor in the program's notable success.

Overall, water supply is adequate to meet the future needs of the region provided imported water remains available. The agencies are collaborating on groundwater management and conjunctive use programs that will allow them to effectively maximize local resources while ensuring the sustainability and quality of the groundwater basin.

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3. Financing Constraints and Opportunities

The cities are operating their water utilities as an enterprise activity such that revenues are expected to cover all water utility related expenses. However, escalating costs associated with personnel and benefits as well as cost increases for water purchases represent common financing constraints. Rate stabilization is a priority, and the agencies are not always able to pass on the full incremental cost increase within a given year.

In addition to internal cost increases, the agencies are subject to the pressures of revenue changes implemented by outside agencies. The State budget act of 2004 significantly changed how local revenues are allocated. Each of the cities will be required to contribute to the State's general fund for FY 2004-2005 and 2005-2006, which may impact the water utilities in some way through inter-fund transfers and more stringent cost allocations. Proposition 1A, approved by voters in November 2004, establishes limitations and protects local revenues from State re-allocations in the future. The impact of the revenue changes in 2004 will likely impact the cities for several years as they seek to recover and restore programs to levels that residents have come to expect.

The City of Inglewood noted that it was expecting to use reserves for water operations in FY 2004-2005 while keeping existing service levels. The City of Lomita also noted that it expected to have a net operating loss of \$300,000 in FY 2002-2003 and \$400,000 in FY 2003-2004. It has undertaken a rate study to evaluate a potential rate increase but has not approved a rate change yet. Both of these situations represent a financing constraint.

Some of the agencies are using financing mechanisms, such as bonds or Certificates of Participation, to finance major capital improvements. Others are using a "pay as you go" approach. In addition, some have delayed funding for capital improvements as a result of financial constraints.

4 and 5. Cost-Avoidance Opportunities and Opportunities for Shared Facilities

Most agencies are avoiding future costs through maximizing the use of local resources and reducing dependency on imported supply. The agencies each have planning documents that enable them to efficiently plan for operations and future system improvements.

The Torrance Municipal Water Department has developed a Business Plan in collaboration with the Torrance Water Commission. The Plan includes focus areas with recommendations for cost avoidance that will lead to greater efficiency in the future. The focus areas include rate stabilization, water supply diversification, operational efficiency enhancements, and physical system improvements.

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Agencies are sharing facilities where appropriate, particularly in regards to emergency intertie connections and recycled water.

6. Management Efficiencies

The agencies demonstrated a number of methods for achieving management efficiencies including performance measurements and workload tracking.

7. Opportunities for Rate Restructuring

Rate structures in use include both flat and tiered; several of the cities have increased rates within the past few years or are considering a rate increase. A comparison of rates based on a 5/8" meter and water usage of 20 hundred cubic feet indicate that they are within an acceptable range. The City of Inglewood has the highest rates in the study area. West Basin MWD uses the rate structure established by Metropolitan and includes a surcharge of \$31 per acre foot. Recycled water rates are reviewed annually and are based on an inverted tier structure such that higher volumes are sold at a discounted price.

8. Government Structure Options

Some agencies are providing service to connections outside of their boundaries, including the following:

- Torrance is providing service to the Galleria Shopping Mall in Redondo Beach and a portion of El Camino College.
- A portion of Torrance's incorporated area is not included within its MWD service area. These areas are served by West Basin MWD.
- West Basin MWD is providing recycled water to a portion of LADWP's service area and Torrance.

Out of agency agreements that were in place prior to January 1, 2001 do not require LAFCo approval per Government Code §56133 (e). These areas should be noted for future reference.

9. Local Accountability and Governance

The cities are locally accountable and demonstrating good governance practices. All of the cities have websites used for public notice as well as dissemination of information on water service.

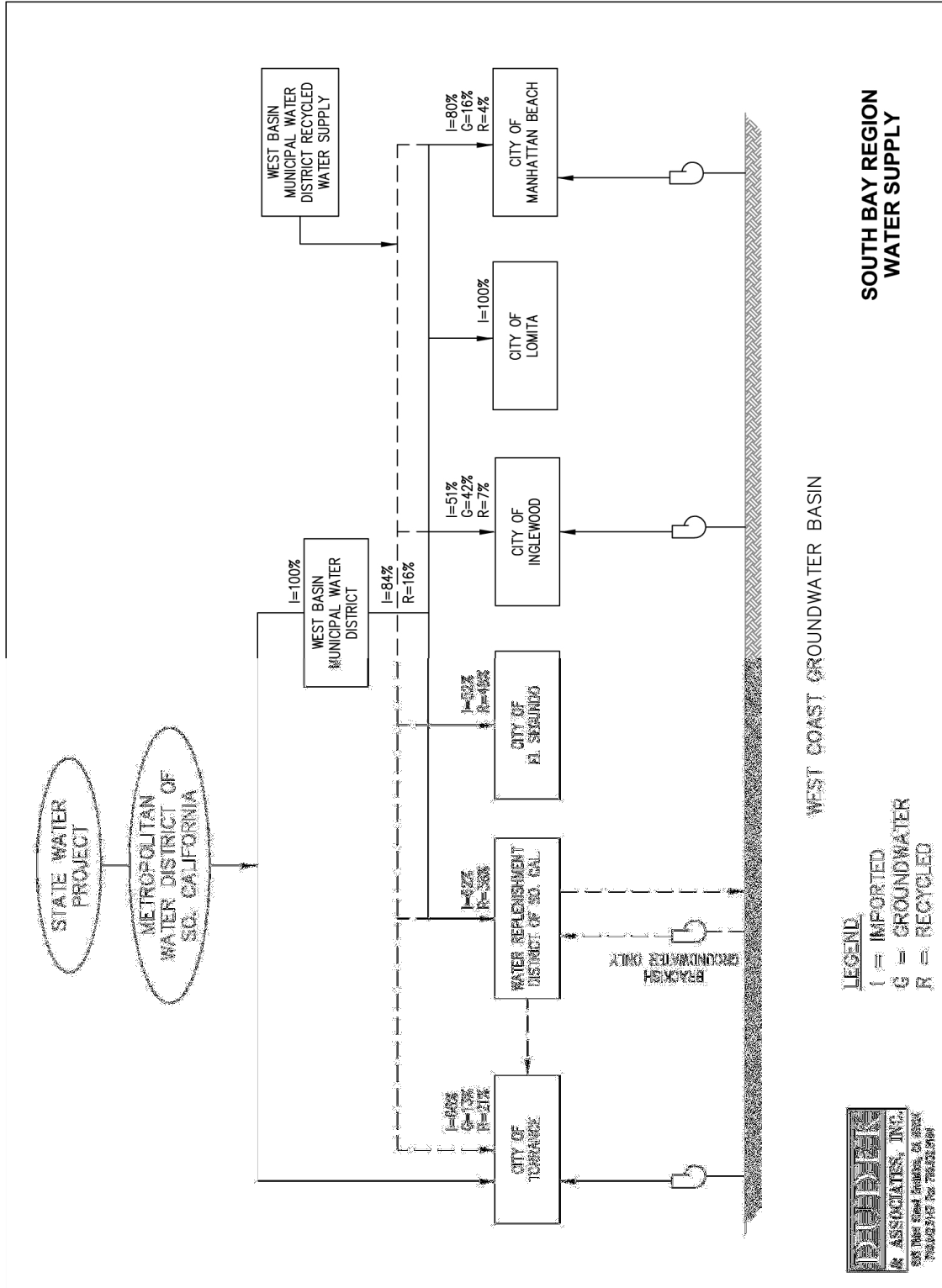
To address the accountability issues that arose from the actions of two former directors, the West Basin MWD has adopted a formal Code of Ethics which establishes policies for ethics and conduct as well as provides a mechanism for oversight. The current Board of Directors has instituted stringent controls to ensure that accountability standards are met.

Following is a map of the South Bay region and a schematic depicting the water supply for the study area.

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INSERT MSR STUDY AREA MAP

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NOTE

In the following service review report, the abbreviations NP (Not Provided) and NA (Not Applicable) have been used in some charts and figures.

During the service review process all agencies were contacted and all agencies were sent a Request for Information (RFI). In instances where complete data was not supplied in response to the RFI, agencies were called. A diligent effort was made to obtain adequate information on each agency, whether directly or through public information sources. The lack of data in these instances does not materially detract from the cumulative conclusions of the report.

In instances where NA has been used, the specific information was not applicable to the agency due to size, service area or services provided.

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2.0 AGENCY PROFILES

The South Bay MSR study area is generally bounded by Western and Vermont Avenues on the east, the Palos Verdes Peninsula to the south and the Pacific Ocean to the west; El Segundo and Inglewood form the northern boundary. The area overlies the West Coast Basin, an adjudicated groundwater basin. Water supply for the area includes groundwater, imported and recycled water. Retail water service is provided by municipal and private water purveyors. The middle and northern portions have greater land use intensities than the southern portion which is characterized by large estate lots and open space. The seven public water agencies providing water service in the region are shown below in *Table 2.1 – South Bay Water Agencies*. Summaries, profiles and service area maps of the individual agencies follow.

Table 2.1 – South Bay Water Agencies

Los Angeles LAFCO Water District Service Review Agencies	Retail Domestic Potable Water	Wholesale Water	Water Treatment	Recycled Water	Groundwater Management
SOUTH BAY REGION					
City of El Segundo	?				
City of Inglewood	?		?		
City of Lomita	?				
City of Manhattan Beach	?		?		
City of Torrance	?	?	?		
West Basin Municipal Water District		?	?	?	?
Water Replenishment District of Southern California*		?	?		?

* Agency is not included in this report; it will be reviewed in the Municipal Service Review for its primary region

- CITIES -

City of El Segundo

The City of El Segundo encompasses 5.46 square miles with a resident population of 16,787 per SCAG 2005 projections. Land use is primarily heavy industrial; the City has a significantly higher daytime population that reaches approximately 80,000 due to the major commercial and industrial entities in the area. The Chevron Refinery, which occupies one-third of the City's area, is located in the southern portion of the City between El Segundo's residential areas and the City of Manhattan Beach. The City

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has some groundwater pumping rights, but currently relies on imported and recycled water to meet demand. A portion of El Segundo adjacent to Aviation Boulevard is served by the Southern California Water Company.

City of Inglewood

The City of Inglewood encompasses a 9.59 square mile area with an estimated population of 119,023 per SCAG 2005 projections. Land use is primarily residential. The City relies on a combination of imported, ground and recycled water for its supply. The City has constructed two new wells within that past few years and improved its water treatment plant in order to increase groundwater use and decrease dependency on imported water. A small area in the northwest corner of the City is served by the California American Water Company and the southern portion of the City is served by the Southern California Water Company; both are investor-owned utilities operating under the purview of the California Public Utilities Commission.

City of Lomita

The City of Lomita provides water service within a 1.97 square mile service area to 20,950 residents per SCAG 2005 projections. Land use is predominantly low density residential. In 1990, the City took over Waterworks District No. 13 from Los Angeles County. The City originally relied on wells but now purchases imported water from the West Basin MWD. It is in the process of bringing City Well #5 back on line so it will be able to use groundwater as a supply source in the future. The Rolling Rancho tract, a small portion of Lomita, is served by the California Water Service Company.

City of Manhattan Beach

The City of Manhattan Beach encompasses 3.94 square miles and has a population of 36,384 per SCAG 2005 projections. The City relies on imported, ground and recycled water for its supply. Approximately 80% of demand is met by imported water. The City is fully developed; 70% of land use is residential with only 14% designated for commercial/industrial use. The City's Water Master Plan and Capital Improvement Plan include the addition of a new well in FY 2006-2007.

City of Torrance

The City of Torrance has an estimated population of 144,683 per SCAG 2005 projections. The City provides retail water service to 16.8 square miles of the City, or approximately 82% of its 20.49 square mile incorporated area. The remaining area is in the western portion of the City and is served by the California Water Service Company, which purchases water from Torrance. Torrance is a member of Metropolitan; however there are a few isolated areas along Torrance's boundaries that are excluded from its Metropolitan service area. The City uses imported, ground and recycled water for its supply.

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Note: The following cities within the South Bay area are served by private water companies and are not included in this review:

Southern California Water Company	California Water Service Company
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Gardena

Hawthorne

Lawndale

Hermosa Beach

Redondo Beach (portion)

Palos Verdes Estates

Rancho Palos Verdes

Redondo Beach (portion)

Rolling Hills

Rolling Hills Estates

– SPECIAL DISTRICTS –

West Basin Municipal Water District

The West Basin MWD wholesales treated imported water to the cities and agencies within the South Bay region. West Basin MWD and Torrance are both members of MWD; therefore the majority of Torrance's incorporated area is excluded from West Basin's service area. West Basin was formed in 1947 under the Municipal Water District Act of 1911 (Water Code §71000 et seq.). The District's service area is 185 square miles and includes 17 cities, and has an estimated population of 851,000. West Basin MWD is also the primary provider of recycled water within water produced at the West Basin Water Recycling Plant in El Segundo. In addition to domestic use, the District's imported and recycled water is also sold to the Water Replenishment District of Southern California for groundwater recharge as well as for use in the West Coast seawater intrusion barriers.

Water Replenishment District of Southern California

The Water Replenishment District of Southern California (WRD) was formed in 1959 pursuant to the Water Replenishment District Act (Water Code §60000 et seq.). The District provides groundwater replenishment, sea water intrusion protection, and groundwater quality monitoring for the West Coast and Central groundwater basins. The District's service area covers 420 square miles and includes 43 cities. Within the South Bay MSR region, the Water Replenishment District purchases imported and advanced treated recycled water from the West Basin Municipal Water District to be used for recharge and in the seawater intrusion barriers. The barriers trapped a plume of brackish groundwater within the West Coast Basin that is affecting Torrance's groundwater. The Water Replenishment District is extracting the brackish groundwater and treating it at a desalter facility in Torrance. The District then sells the high quality product water to Torrance for domestic use. The Water Replenishment District of Southern California will be reviewed in the Municipal Service Review for the Gateway region.

INSERT MAP WITH ALL CITIES

City of El Segundo

Agency Information		Service Area Information	
Address:	350 Main Street El Segundo, California 90245	Service Area	5.46 sq miles
Contact:	Paul Garry, Acting Planning Mgr.	Population Served:	16,787
Phone:	(310) 524-2342; (310) 322-4167 fax	Projected Population:	
Email/Website:	pgarry@elsegundo.org www.elsegundo.org	2010	16,930
		2015	17,594
		2020	18,249
Type:	Retail Water		

System Information	
No. of Employees:	11.5
No. of Connections per Employee	356
Average Daily Demand (MGD)	NP
Maximum Day Demand (MGD)	NP
No. of filed Complaints in past 12 Months	4
Miles of Pipe:	7
No. of Pump Stations:	3
No. of Pressure Zones:	3
Storage Capacity	9.4 mg

Financial Information (FY 2003-2004) (in thousands)							
Revenues:	\$12,073	Expenses:	\$10,509	Reserves:	\$6,129	CIP:	\$2,136

Typical Monthly Residential Water Bill (3/4" meter, 20 ccf)			
Meter Charge	\$1.64	Water Charge:	\$24.92
		Monthly Bill:	\$26.56

Service Connections	Within Boundary	Outside Boundary/Within Sphere	Outside Sphere	Total
Domestic	4,037	0	4	4,041
Agriculture	0	0	0	0
Recycled	51	0	0	51
Other	0	0	0	0
Total	4,088	0	4	4,092

Supply Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Imported	8,320	8,320	8,320	8,320	8,320
Groundwater	0	0	0	0	0
Surface	0	0	0	0	0
Recycled	8,310	8,310	8,310	8,310	8,310
Total	16,630	16,630	16,630	16,630	16,630

Average Annual Demand Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Residential	NP	NP	NP	NP	NP
Comm/Ind.	NP	NP	NP	NP	NP
Landscape/Irr	NP	NP	NP	NP	NP
Other**	NP	NP	NP	NP	NP
Total	16,630	16,630	16,630	16,630	16,630

City of Inglewood

Agency Information		Service Area Information	
Address:	One Manchester Blvd. Inglewood, California 90301	Service Area	9.59 sq miles
Contact:	Jesse Lewis, Director Comm. Devel.	Population Served:	119,023
Phone:	(310) 412-5290; (310) 412-5680 fax	Projected Population:	
Email/Website:	jlewis@cityofinglewood.org www.cityofinglewood.org	2010	122,350
		2015	125,142
		2020	127,899
Type:	Retail Water		

System Information	
No. of Employees:	30
No. of Connections per Employee	608
Average Daily Demand (MGD)	11,100 gpm
Maximum Day Demand (MGD)	12,200 gpm
No. of filed Complaints in past 12 Months	37 (2002: taste/odor/color)
Miles of Pipe:	150
No. of Pump Stations:	3
No. of Pressure Zones:	3
Storage Capacity	20 mg

Financial Information (FY 2004-2005) (in thousands)							
Revenues:	\$15,263	Expenses:	\$15,908	Reserves:	\$3,440	CIP:	\$2,400

Typical Monthly Residential Water Bill (3/4" meter, 20 ccf)			
Meter Charge	\$9.00	Water Charge:	\$53.08
			Monthly Bill: \$62.08

Service Connections	Within Boundary	Outside Boundary/Within Sphere	Outside Sphere	Total
Domestic	14,818	0	0	14,818
Agriculture	0	0	0	0
Recycled	12	0	0	12
Other	0	0	0	0
Total	14,830	0	0	14,830

Supply Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Imported	6,912	5,863	5,921	5,980	6,039
Groundwater*	5,149	6,346	6,409	6,473	6,537
Surface	0	0	0	0	0
Recycled	638	713	720	727	734
Total	12,699	12,922	13,050	13,180	13,310

*Groundwater Source: West Coast Basin

Average Annual Demand Information (AF/Yr)*					
	Existing	2005	2010	2015	2020
Residential	8,762	8,153	8,234	8,316	8,399
Comm/Ind.	3,683	3,414	3,448	3,482	3,516
Landscape/Irr	0	0	0	0	0
Other	254	284	286	288	290
Total	12,699	11,851	11,968	12,086	12,205

*Note: Existing demand as reported by WBMWD for 2003-2004; projections for 2005-2020 are from Inglewood's 2000 UWMP.

City of Lomita

Agency Information		Service Area Information	
Address:	24300 Narbonne Ave. Lomita, CA 90717	Service Area	1.97 sq miles
Contact:	Glen W. C. Kau, Public Works Director/City Engineer	Population Served:	20,950
Phone:	(310) 325-7110; (310) 325-4024 fax	Projected Population:	
Email/Website:	g.kau@lomita.com www.lomita.com/cityhall	2010	21,133
Type:	Retail Water	2015	21,208
		2020	21,282

System Information	
No. of Employees:	4
No. of Connections per Employee	1037.5
Average Daily Demand (MGD)	2.3 MGD
Maximum Day Demand (MGD)	3.529 MGD (7-30-1996)
No. of filed Complaints in past 12 Months	75 (billing related)
Miles of Pipe:	41
No. of Pump Stations:	1
No. of Pressure Zones:	3
Storage Capacity	1.1 MG Total

Financial Information (FY 2001-2002) (in thousands)							
Revenues:	\$3,514.3	Expenses:	\$2,590.2	Reserves:	\$8,149.4	CIP:	\$146.4

Typical Monthly Residential Water Bill (5/8" meter, 20 ccf)			
Meter Charge	\$10.03	Water Charge:	\$24.75
		Monthly Bill:	\$34.78

Service Connections	Within Boundary	Outside Boundary/Within Sphere	Outside Sphere	Total
Domestic	3,849	0	5	3,854
Agriculture	5	0	0	5
Recycled	0	0	0	0
Other	292	0	0	292
Total	4,146	0	5	4,151

Supply Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Imported	2,813.4	2,813.4	2,813.4	2,869.7	2,869.7
Groundwater*	0.1	0	30	30	30
Surface	0				
Recycled	0				
Total	2,813.5	2,813.4	2,843.4	2,899.7	2,899.7

*Groundwater Source: West Coast Basin

Average Annual Demand Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Residential	2,594	2,697.7	2,805.7	3,164.7	3,164.7
Comm/Ind.	0	0	0	0	0
Landscape/Irr	0	0	0	0	0
Other	0	0	0	0	0
Total	2,594.1	2,697.7	3,067.9	3,189.7	3,189.7

City of Manhattan Beach

Agency Information		Service Area Information	
Address:	1400 Highland Avenue Manhattan Beach, CA 90266	Service Area	3.88 sq miles
Contact:	Neil Miller, Director of Public Works (310) 802-5303; (310) 802-5501 fax	Population Served:	36,384
Phone:		Projected Population:	
Email/Website:	nmiller@citymb.info www.ci.manhattan-beach.ca.us	2010	36,541
		2015	37,051
		2020	37,553
Type:	Retail Water		

System Information	
No. of Employees:	11 (meter reading is contracted)
No. of Connections per Employee	1,182
Average Daily Demand (MGD)	6.1 mgd
Maximum Day Demand (MGD)	9.2 mgd
No. of filed Complaints in past 12 Months	110 avg. (mostly billing related)
Miles of Pipe:	112
No. of Pump Stations:	2
No. of Pressure Zones:	2
Storage Capacity	9.48 mg

Financial Information (FY 2003-2004) (in thousands)							
Revenues:	\$7,482	Expenses:	\$6,199	Reserves:	\$3,219	CIP:	\$1,790

Typical Monthly Residential Water Bill (5/8" meter, 20 ccf)			
Meter Charge	\$9.33	Water Charge:	\$31.80
			Monthly Bill: \$41.13

Service Connections	Within Boundary	Outside Boundary/Within Sphere	Outside Sphere	Total
Domestic	11,838	0	0	11,838
Agriculture	0	0	0	0
Recycled	36	0	0	36
Other	1,133	0	0	1,133
Total	13,007	0	0	13,007

Supply Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Imported	5,670	5,793	5,895	5,910	5,926
Groundwater*	1,193	1,500	1,500	1,500	1,500
Surface	0	0	0	0	0
Recycled	301	300	300	300	300
Total	7,165	7,593	7,695	7,710	7,726

*Groundwater Source: West Coast Basin

Average Annual Demand Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Residential	5,589	6,000	6,015	6,030	6,045
Comm/Ind.	430	470	470	470	470
Landscape/Irr	301	341	341	341	341
Other	845	782	869	869	870
Total	7,165	7,593	7,695	7,710	7,726

City of Torrance

Agency Information		Service Area Information	
Address:	3031 Torrance Boulevard Torrance, California 90503	Service Area	16.8 sq miles
Contact:	Olivia Lopez, Mgmt. Associate	Population Served:	144,683
Phone:	(310) 618-5965; (310) 618-5891 fax	Projected Population:	
Email/Website:	olopez@torrnet.com www.torrnet.com	2010	145,129
Type:	Retail Water	2015	148,227
		2020	151,286

System Information	
No. of Employees:	43
No. of Connections per Employee	605
Average Daily Demand (MGD)	27.9
Maximum Day Demand (MGD)	41.0
No. of filed Complaints in past 12 Months	370 (93% billing related)
Miles of Pipe:	310
No. of Pump Stations:	6
No. of Pressure Zones:	3
Storage Capacity	30.6 mg

Financial Information (FY 2003-2004) (in thousands)							
Revenues:	\$22,066	Expenses:	\$20,920	Reserves:	\$3,700	CIP:	\$2,500

Typical Monthly Residential Water Bill (5/8" meter, 20 ccf)			
Meter Charge	\$4.44	Water Charge:	\$35.14
			Monthly Bill: \$39.58

Service Connections	Within Boundary	Outside Boundary/Within Sphere	Outside Sphere	Total
Domestic	25,398	0	7	25,405
Agriculture	34	0	0	34
Recycled	14	0	0	14
Other	558	0	0	558
Total	26,004	0	7	26,011

Supply Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Imported	20,517	21,000	21,400	22,000	22,600
Groundwater*	4,120	3,700	4,000	4,000	4,000
Surface	0	0	0	0	0
Recycled	6,599	7,000	7,200	7,400	7,600
Total	31,236	31,700	32,600	33,400	34,200

*Groundwater Source: West Coast Basin (includes TMWD Well and groundwater Desalter)

Average Annual Demand Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Residential	11,843	11,900	12,300	12,700	13,100
Comm/Ind.	13,154	13,600	13,600	13,600	13,600
Landscape/Irr	1,089	1,100	1,200	1,300	1,400
Other	3,361	3,400	3,700	3,900	4,100
Total*	29,447	30,000	30,800	31,500	32,200

West Basin Municipal Water District

Agency Information		Service Area Information	
Address:	17140 South Avalon Boulevard Carson, California 90746	Service Area	185 sq miles
Contact:	Art Aguilar, General Manager	Population Served:	851,000
Phone:	(310) 660-6205; (310) 516-1327 fax	Projected Population:	
Email/Website:	arta@wcbwater.org www.westbasin.com	2010	866,400
Type:	Wholesale Water	2015	889,700
		2020	917,300

System Information	
No. of Employees:	NP
No. of Connections per Employee	NA
Average Daily Demand (MGD)	NA
Maximum Day Demand (MGD)	NA
No. of filed Complaints in past 12 Months	None
Miles of Pipe:	60 (recycled water only)
No. of Pump Stations:	1 (for secondary effluent)
No. of Pressure Zones:	NA
Storage Capacity	0

Financial Information (FY 2002-2003) (in thousands)							
Revenues:	\$98,010.5	Expenses:	\$98,387.8	Designated Funds:	\$93,503.3	CIP:	\$8,553.2

Wholesale Water Rates per acre-foot (eff. January 1, 2005)		
Non-interruptible & Barrier	Tier 1: \$535 Tier 2: \$616	Seasonal Long-term Storage: \$356
Recycled	Range: <25 AF - \$303; 200+ AF - \$223 in WBMWD Service Area	
	West Coast Barrier - \$430 AF; Industrial R/O - \$283 to \$725 per AF	

Service Connections	Within Boundary	Outside Boundary/Within Sphere	Outside Sphere	Total
Domestic	40	0	0	40
Agriculture	0	0	0	0
Recycled	149	31	0	180
Other	0	0	0	0
Total	189	31	0	220

Supply Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Imported	147,020	150,000	150,000	150,000	150,000
Groundwater	0	0	0	0	0
Surface	0	0	0	0	0
Recycled	27,106	48,000	58,000	63,000	68,000
Total	174,126	198,000	208,000	213,000	218,000

Average Annual Demand Information (AF/Yr)					
	Existing	2005	2010	2015	2020
Non-Interruptible	129,283	132,263	132,263	132,263	132,263
Recycled	27,106	48,000	58,000	63,000	68,000
Seawater Barrier	17,737	17,737	17,737	17,737	17,737
Total	174,126	198,000	208,000	213,000	218,000

INSERT MAP OF WEST BASIN MWD

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3.0 ANALYSIS

3.1 GROWTH AND POPULATION

3.1.1 Growth/Population Projections

The South Bay area includes a broad range of urban land uses. There are major industrial enterprises within the area that generate significant water demand due to operations and manufacturing processes. Residential land use varies from high-density infill to low density single family residences on small lots and large landscaped estate lots on the Palos Verdes Peninsula. The modest growth projected over the next twenty years will primarily be a result of infill and redevelopment as the area is essentially built-out. Overall Los Angeles County experienced a 12% population increase from 1990 to 2000, with the Southern California Association of Governments (SCAG) projecting an overall 19% increase through 2020. Agencies in the South Bay area are predicting annual growth rates around 0.5%, less than the county-wide average.

The growth projections shown below in *Table 3-1 Growth and Population Projections* are derived from two sources: data submitted by the agencies and data based on SCAG 2005 forecasts, where available. To establish district-level projections, the population in 2000 was estimated based on geographic analysis conducted by the County of Los Angeles Urban Research Division (URD) and represents the sum of population in each Census block within the district's boundaries. The projected population is based on SCAG's growth forecasts for each Census tract and represents the SCAG projection of growth in the Census tracts within the District's boundaries. Appropriate adjustment was made for Census tracts that are partially within a district's boundaries.

Typically regional agencies provide population projections for cities only. Los Angeles LAFCO is one of the few LAFCOs in California to provide population and growth projections for special districts. This may help special districts to coordinate the demand for future water service with other agencies.

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Table 3-1: Growth and Population Projections

Agency	Data Source	2000 Population Estimates*	2005 Population Estimates*	2010 Population Estimates*	2015 Population Estimates*	2020 Population Estimates*	Annual Growth Rate
Wholesale							
West Basin MWD	Agency	831,300	848,800	866,400	889,700	917,300	0.5%
	SCAG	850,971	890,144	897,021	905,987	918,795	0.4%
Retail - Cities							
El Segundo	Agency	NP	NP	NP	NP	NP	NP
	SCAG	16,111	16,787	16,930	17,594	18,249	0.7%
Inglewood	Agency	91,200	92,112	93,033	93,963	94,902	0.2%
	SCAG	113,009	119,023	122,350	125,142	127,899	0.7%
Lomita	Agency	20,046	NP	NP	NP	NP	NP
	SCAG	20,126	20,950	21,133	21,208	21,282	0.3%
Manhattan Beach	Agency	36,124	35,252	37,187	38,185	39,481	0.5%
	SCAG	34,097	36,384	36,541	37,051	37,553	0.5%
Torrance	Agency	NP	NP	NP	NP	NP	NP
	SCAG	138,604	144,683	145,129	148,227	151,286	0.5%

(*) Data sources include data reported in the LAFCO Request for Information, Parts I, II and III. Additional information was obtained from Urban Water Management Plans provided by the agencies.

NP – data not provided

City of El Segundo

The City of El Segundo has two equally significant land uses within its boundaries: residential and commercial/industrial. The Chevron Refinery in the southern portion of the City occupies one-third of El Segundo's land area. (Chevron is the largest user of recycled water in El Segundo.) The annual growth rate overall is expected to be slow to moderate at approximately 0.7% per year. The City is characterized as mature, with more opportunities for redevelopment than new development. Redevelopment is replacing previous industrial uses that had high water demands, so growth is not expected to increase overall water demand significantly. The commercial/industrial sector increases El Segundo's daytime population to approximately 80,000, nearly a 500% increase over its resident population. The City has factored this in to its planning efforts for water service. The City noted that it received requests for less than ten new domestic connections in 2003.

City of Inglewood

The City of Inglewood estimated its population at 91,200 in its 2000 Urban Water Management Plan; SCAG estimated the City's population at 113,009 which is significantly higher. Inglewood is considered built-out and growth will primarily come from infill and redevelopment. In November 2004, the City broke ground on a major revitalization project known as the Village at Century. Phase I will be a large retail center, and Phase II will involve revitalizing the residential component of the Village Specific Plan. This may increase water demand in the future. The City is projecting little to no growth through 2020; SCAG projects a modest annual growth rate of 0.7%. In the LAFCO questionnaire, the City noted that it

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is expecting an annual increase in water demand of 1% over the next 10 years, which is slightly higher than population growth projections. The 2005 update of Inglewood's Urban Water Management Plan will serve as an important planning tool that will give the City accurate population and water demand projections based on recent growth and redevelopment activity.

City of Lomita

The population within the City of Lomita was estimated at 20,126 per the 2000 Census. The City is almost completely built-out with only scattered vacant parcels of developable land remaining. Per SCAG, the projected annual growth rate through 2025 is approximately 0.3%. The City noted that it is projecting an annual increase in water demand of approximately 1% per year, which is slightly higher than expected for the projected population growth.

City of Manhattan Beach

The City of Manhattan Beach is projecting little to moderate growth through 2020. The City is essentially built-out and there are few new development opportunities. The projected annual growth rate is 0.5% with an estimated population of 39,500 in 2020. This is slightly higher than the SCAG estimate of 37,553.

City of Torrance

The City of Torrance has an estimated population of 138,604 per the 2000 US Census. The City's Municipal Water Department provides service to 16.8 square miles of the City or approximately 82% of the incorporated area. Torrance is essentially built-out; in 2003, there were only 81 vacant parcels remaining. SCAG is projecting an annual growth rate of 0.5%. The City noted in the LAFCO questionnaire that it expects minimal impact from growth with only a 0.5% to 1% increase in water demand per year.

West Basin Municipal Water District

The West Basin MWD service area is considered developed, primarily with urban land uses; growth will likely be generated by infill, redevelopment and increasing densities rather than any significant new development. The District is projecting a modest annual growth rate of 0.5%, similar to SCAG's projection of 0.4%. Retail water demand is expected to increase at a rate that matches population growth. It should be noted that water used in the seawater intrusion barriers represents a significant non-consumptive demand that does not correlate to population and growth within West Basin's service area.

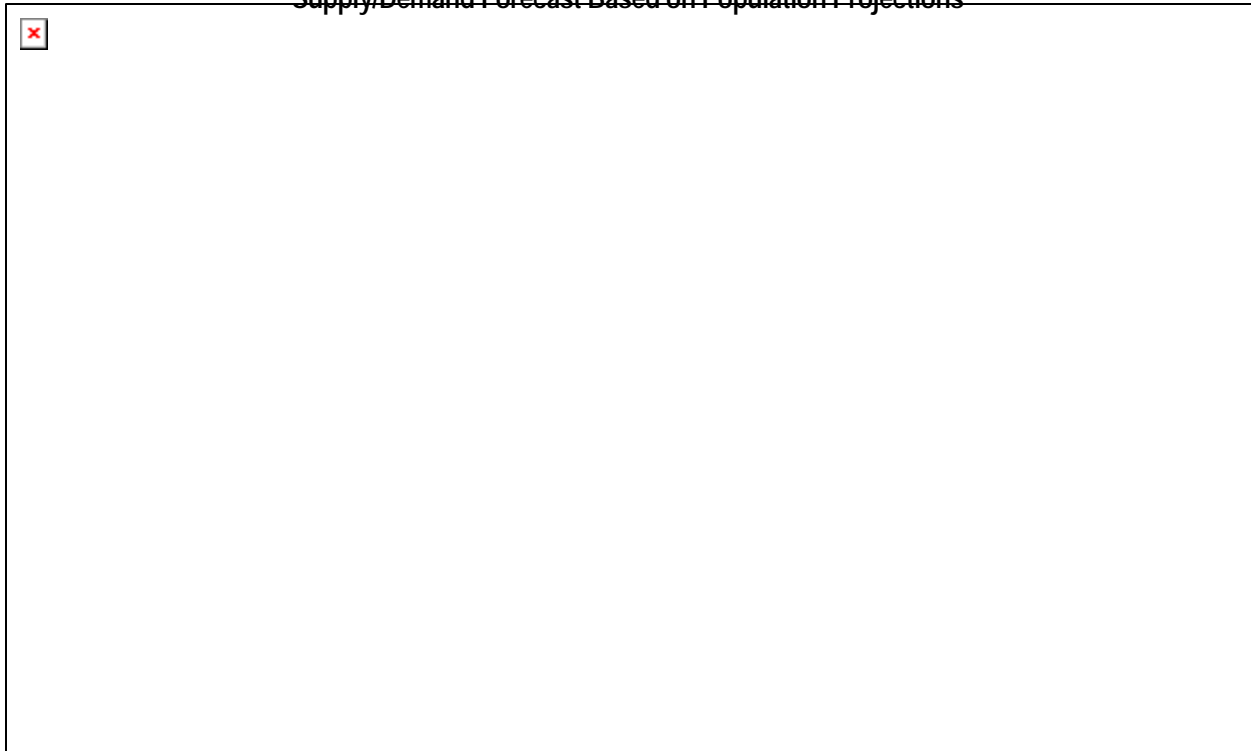
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3.2 INFRASTRUCTURE NEEDS AND DEFICIENCIES

The evaluation of infrastructure needs and deficiencies includes an analysis of both water supply and water system capacity. The following figure, *Figure 3.1 Supply/Demand Forecast - Based on Population Projections*, shows the estimated supply and demand based on data reported by the water agencies in the South Bay MSR study area as well as SCAG population projections. The questionnaire submitted to the agencies by LA LAFCO did not request projections for supply and demand; therefore the data has been obtained from the agencies' 2000 Urban Water Management Plans and other supporting documentation.

It is recommended that the agency profiles in Section 2.0 be updated following the completion of the 2005 Urban Water Management Plans in order to maintain accurate agency projections on future supply and demand.

**Figure 3.1 – South Bay Region
Supply/Demand Forecast Based on Population Projections**



3.2.1 Water Supply/Demand

The South Bay area currently relies on a combination of groundwater, imported, and recycled water to meet demand. Historically the area relied on groundwater in the West Coast Basin for supply. However, with no oversight or management and years of overpumping, the groundwater resources diminished and

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imported water became the main source of supply. The area is now migrating back towards greater reliance on groundwater, but with management controls and programs in place to ensure sustainable use and water quality. Imported water is supplied by the Metropolitan Water District of Southern California through the West Basin Municipal Water District and the City of Torrance. Recycled water has become increasingly important in the area's water sources. The West Basin MWD purchases secondary effluent from the City of Los Angeles and treats it to a tertiary level as well as advanced levels for use throughout the area. One of West Basin MWD's goals is to reduce dependence on imported water to 55% of total demand within its service area. The offset will be an increase in local supply primarily through recycled water. The groundwater in the West Coast Basin has been impacted by seawater in the past; however the West Coast intrusion barrier effectively protects the Basin from further impacts.

Groundwater Supply

The South Bay area overlies the West Coast Basin, and extensive overpumping over a long period led to critical water supply shortages in the late 1940's. As a result, the Basin was adjudicated with the State Department of Water Resources serving as the Watermaster. In 1961, an agreement was reached among the water rights holders to limit annual extraction to 64,468 acre feet. The judgment allows for a carryover of up to 20% of annual water rights as well as emergency overpumping. In FY 2003-2004, the West Basin Municipal Water District recorded groundwater production within its service area of 42,420 acre-feet, excluding Torrance, Mobil Oil Corporation, Dominguez Water Service and the Water Replenishment District.¹

The cost of imported water is increasing, and there is a renewed focus on developing local supplies to reduce dependency on imported supply. The agencies within the South Bay area are collaborating on groundwater management programs to increase reliability and maximize existing groundwater rights. The Water Replenishment District is responsible for recharging the groundwater basin and protecting groundwater quality. Natural recharge opportunities are limited, so recharge water is provided by West Basin MWD, including both imported and advance treated recycled water. The primary recharge facilities are injection wells at the West Coast Seawater Barrier, which serve the dual purpose of maintaining the integrity of the barrier.

It is estimated that the West Coast Basin has excess storage capacity and could hold significantly more water than it currently does. The agencies in the South Bay are working on conjunctive use strategies in order to capitalize on this available capacity. Metropolitan offers imported water used for long-term seasonal storage at a reduced rate and the recycled water treatment plant is increasing capacity so that

¹ West Basin Municipal Water District does not hold any groundwater rights or purchase any groundwater. As part of its local resource management efforts, the District records groundwater use reported by its retailers.

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more recycled water will be available in the future. When treated to an advanced level, it can be used for recharge purposes as well.

In 1959, the Water Replenishment District of Southern California (WRD) was formed to provide a funding mechanism for replenishment water. Within the South Bay area, the Water Replenishment District assesses a groundwater pumping charge on all water extracted from the West Coast Basin. The funds are used to purchase water from West Basin MWD for recharge and injection into the seawater barrier. The Water Replenishment District also offers an in-lieu program to encourage groundwater replenishment. Under this program, pumpers are provided a financial incentive to purchase surplus imported water instead of pumping groundwater.

Although the West Coast Basin has not experienced the critical groundwater contamination issues seen in other areas, it is not without risk. Some contamination has been identified, and the Water Replenishment District provides treatment facilities at the wellheads to restore water quality to drinking water quality standards. Also, due to groundwater overpumping, groundwater levels are now below sea level and the natural barrier to prevent seawater intrusion has been eliminated. The West Coast Basin and Dominguez Gap Barriers serve as the primary facilities for protecting the West Coast Basin from further seawater intrusion. The barriers are the facilities of the Los Angeles County Department of Public Works. The West Coast Barrier is maintained through injection wells supplied with water from West Basin MWD. Both imported and advance treated recycled water are used in the wells. The original construction of the barrier caused a brackish plume to be trapped in the Basin. This water is being extracted and treated by both the Water Replenishment District and West Basin MWD. In Torrance, the Water Replenishment District sells the high quality product water generated by the treatment process to the City of Torrance for use as domestic supply.

Imported Water Supply

The Metropolitan Water District provides imported water from both the State Water Project (SWP) and the Colorado River to the South Bay area through its member agencies, West Basin MWD and the City of Torrance. Although SWP Contractors have an assigned allotment each year, the actual amount delivered varies depending on water availability in the Bay-Delta and other northern California sources. For 2004, the southern California contractors received 65% of their prescribed allotment. The southern California SWP contractors actively manage the procurement process to ensure reliability and cost control. Opportunities to use water transfers, banking and off-season deliveries are exercised if they are beneficial to the region and member agencies. Both West Basin MWD and Torrance rely on MWD for demand projections and ensuring the reliability of imported supply.

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Recycled Water Supply

Recycled water has played an increasingly important role in the South Bay area as it effectively serves to offset potable demand for use in the landscape, industrial processes and other innovative applications. Recycled water is produced at the West Basin Water Recycling Plant in El Segundo and is available to most areas within the South Bay area. West Basin MWD also provides recycled water to Torrance and portions of the Los Angeles Department of Water and Power service area since they do not have a readily available supply. The recycled water program has received funding from Metropolitan as well as federal and State grants to finance infrastructure investment and program development. West Basin MWD purchases secondary effluent from the City of Los Angeles Hyperion Treatment Plant; currently it is only purchasing 10 million gallons per day of the 350 million gallons per day that are available. Production started in FY 1994-1995 at 259 acre-feet; in FY 2003-2004, 24,553 acre-feet were produced. The treatment plant is being expanded to reach production levels of approximately 16,600 acre-feet per year.

The largest recycled water users are the Water Replenishment District, the Mobil Oil Corporation in Torrance, the City of El Segundo, and California Water Service Company – Dominguez service area. The treatment plant produces five types of recycled water that are tailored to meet specific water quality needs of customers. Two of the five qualities are more costly than imported water yet this has not diminished demand.

Balancing Supply and Demand

The South Bay area is steadily reducing its reliance on imported water through groundwater management and progressive recycled water programs. West Basin MWD has established a goal of reducing demand for imported water to 55% of total demand by 2020. The extensive treatment processes in use at the West Basin Water Recycling Plant enable some recycled water to be treated to advanced levels, meeting the specific water quality needs of a given customer. Because of this, recycled water has become a viable alternative water source, one for which public and private entities are willing to enter into a firm delivery contract. Even with the significant use of recycled water, imported water will continue to be necessary within the South Bay area in order to meet demand and to provide adequate recharge of the groundwater basin.

Most of the agencies are using demand management measures to reduce demand, and conservation plays a critical role. Individually and through the wholesaling agencies, the retailers are engaged in conservation programs and activities including public outreach, rebates, education and incentives.

The California Water Code Division 6, Sections 10610 et seq., Urban Water Management Planning Act, as amended January 1, 2002 requires all Urban Water Management Plans to be updated in 2005. This

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will provide an opportunity for the agencies to re-evaluate and updated projected population, water supply and demand within their respective service areas.

Water supply and demand for each of the public water districts in the South Bay MSR study area is summarized below in *Table 3.3 – Supply and Demand Summary*.

Table 3.3 – Supply and Demand Summary

Agency	Existing Supply	Existing Demand	Difference	Projected Supply 2020	Projected Demand 2020	Difference
WHOLESALE AGENCIES						
West Basin MWD	174,126	174,126	0	218,000	218,000	0
RETAIL - CITIES						
El Segundo	16,630	16,630	0	16,630	16,630	0
Inglewood	12,699	12,699	0	13,310	12,205	1,105
Lomita	2,814	2,594	220	2,900	3,190	(290)
Manhattan Beach	7,165	7,165	0	7,726	7,726	0
Torrance	31,236	29,447	1,789	34,200	32,200	2,000
TOTAL			2,009			2,815

3.2.2 Water System Infrastructure

In addition to supply and demand, the review of infrastructure includes an evaluation of capacity to serve. Infrastructure for each of the public water agencies in the South Bay MSR study area is summarized below in *Table 3.4 – Infrastructure Summary*.

Table 3.4 - Infrastructure Summary

Agency	# of Service Connections	Miles of Pipe	Pump Stations	Tanks/Reservoirs	Total Storage Capacity	Treatment Plant Capacity	# of Interties
WHOLESALE AGENCIES							
West Basin MWD*	220	60	1	0	0	NA	0
RETAIL - CITIES							
El Segundo	4,092	7	3	2	9.4 mg	NA	3
Inglewood	14,830	150	3	3	20 mg	8 mgd	NP
Lomita	4,146	41	1	1	1.1 mg	NA	2
Manhattan Beach	13,007	112	2	2	9.48 mg	NP	2
Torrance	26,011	310	6	2	30.6 mg	NP	4

NP – data not provided by agency; NA – not applicable

* West Basin MWD infrastructure is for recycled water system only; the District does not own infrastructure for imported water.

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City of El Segundo

The City of El Segundo relies on imported water and recycled water provided by the West Basin MWD for its supply. It has groundwater pumping rights to 953 acre feet per year in the West Coast Basin, but it has not used this source for over ten years. The City has a purchase agreement with West Basin MWD for the purchase of 13,500 acre feet per year of imported water at Tier 1 rates.

Recycled water has significantly reduced potable demand and comprises nearly 50% of the City's supply. El Segundo has 24 recycled water accounts with Chevron purchasing nearly 98% of the water. The second highest demand is from the Southern California Edison El Segundo Generating Station. The primary municipal use is for schools and parks.

El Segundo receives its imported water through two turnout connections from the Metropolitan system. One is shared with the Los Angeles County Department of Public Works. The City maintains emergency intertie connections with LADWP, Manhattan Beach and the California Water Service Company.

The City is in the process of renovating its water system infrastructure. In FY 2003-2004, the City completed its vulnerability assessment for security. It also replaced 50 meters as part of the Meter Replacement Program. The Capital Improvements Program includes funding for replacement of water mains. Over a three year period, nearly 15,000 feet of water main are scheduled to be replaced. The CIP also includes funding for a new water well, which will allow the City to use groundwater and decrease dependency on imported water. It should be noted that the City does not currently have any water treatment facilities, which will be required before the groundwater can be used for domestic supply.

Goals and objectives for FY 2004-2005 include continuing the Fire Hydrant Maintenance Program and water meter box vault door maintenance program; continued upgrades to the distribution system through main and service line replacement and large meter replacement; continuing the valve repair/replacement program; and continuing the meter replacement program as needed.

The City has connections to provide backup emergency supply to the TRW facility in Hawthorne. The City does not have any water distribution infrastructure east of Aviation Boulevard. This area is served by the Southern California Water Company, which provides two fire services on the west side of Aviation Boulevard.

City of Inglewood

The City of Inglewood has pumping rights to 4,449 acre-feet per year from the West Coast Groundwater Basin. To augment this supply, the City leased water rights for 1,500 acre-feet from Western Water in FY 2002-2003. The City has a purchase agreement with West Basin MWD for the purchase of 7,650 acre feet per year of imported water at Tier 1 pricing and takes delivery through a direct connection to the

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Metropolitan system. Inglewood also purchases recycled water from West Basin MWD for use at 12 locations. The two largest recycled users are Centinela Park and Inglewood Park Cemetery.

Inglewood completed a 25-year Water Master Plan in early 2004. The Plan provides a framework for the City to plan for capital improvements and capacity expansion as needed for aging infrastructure and any increased demand. Due to impending financial constraints, all work on capital projects was halted in early 2004. Work start-up was re-authorized with the adoption of the FY 2004-2005 budget.

In 2003, the City had three operating wells, all rated in poor condition. A new well was brought online in 2004 and has an operating capacity of 4.5 million gallons per day. In January 2004, the City approved a contract for the final construction phase of an additional well. There is currently one water treatment facility with a capacity of 8 MGD. The Capital Improvement Program includes funding for improvements to the treatment plant.

Inglewood has an ongoing water main rehabilitation program. In FY 2000-2001, the City recorded an unaccounted for water loss of 7%, within the 10% benchmark suggested by the American Water Works Association. The City is participating in an inter-governmental assistance program through the US Army Corps of Engineers for planning and design of the rehabilitation program.

In the LAFCO questionnaire, the City noted deficiencies in the production of groundwater, which it is addressing with the new wells. It also noted that it needs additional storage of 4 million gallons for fire suppression as well as the replacement of undersized mains to ensure adequate volume and pressure. The City does have excess pumping capacity.

Inglewood has three water storage facilities: one at the water treatment plant and two reservoirs. Total capacity is 20 million gallons, or 1.6 times Maximum Day Demand. These facilities were all rated in fair condition.

Portions of Inglewood are served by private water companies. The northwest corner is served by the California American Water Company and the southern portion is served by the Southern California Water Company.

City of Lomita

Lomita currently relies on imported water for 100% of its supply. The City has a purchase agreement with the West Basin MWD for 2,855 acre-feet of imported water per year at Tier 1 rates. The City is in the process of bringing one of its wells back on line in conjunction with the construction of a new 5 MG reservoir and treatment plant, which will allow the use of groundwater as an additional source. The City holds groundwater pumping rights to 1,352 acre-feet per year; it has leased a portion of these rights to

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Manhattan Beach in the past. The reservoir will replace an existing facility that is in poor condition. The City noted that the constraints on the project are primarily related to design in order to maximize storage capacity, water system effectiveness and safety.

Lomita has intertie connections with the Los Angeles Department of Water and Power and City of Torrance to provide water in emergencies. The City is providing service to 211 connections outside city boundaries; there are no unserved areas within the City. The City does not provide water conservation services.

The City noted in its recent State of the City message that it is engaged in a long range planning effort that includes the development of its first Water System Master Plan. The City is also establishing an infrastructure/asset inventory in compliance with GASB 34. The City is in the process of finalizing its first Urban Water Management Plan (UWMP). In accordance with State law, updated UWMPs are due in 2005 and are to be written according to the recently published guidelines. It is assumed that the City of Lomita's Plan will be in full compliance with these updated regulations.

The City also noted in the State of the City message that the water system infrastructure is aging and will require considerable maintenance in the near future. In the past year, completed work included the replacement of 15 existing hydrants with new upgraded hydrants, and all dead end water mains have been flushed to ensure continued water quality. The City plans to replace 800 to 1,000 feet of water mains annually. Existing storage capacity is only half of average daily demand; the new reservoir will increase capacity substantially to serve the long-term needs of the City. The City had budgeted \$1.5 million for this project in its FY 2002-2003 CIP budget. No other water system projects were identified in the Capital Improvements Program.

City of Manhattan Beach

Manhattan Beach relies on groundwater, imported and recycled water to meet demand. The City's primary source of water is imported; the City has a purchase agreement with West Basin MWD for the purchase of 5,254 acre feet annually at Tier 1 pricing. Recycled water is increasingly important as an alternative supply. Manhattan Beach has 27 recycled accounts or connections with no one single large user as in El Segundo or Torrance. The majority of the accounts are schools, parks, and medians.

The City holds groundwater pumping rights to 1,131 acre-feet per year. To supplement this, the City leases water rights from Chevron USA (700 acre-feet) and the City of Lomita (530 acre feet). The City currently has two active groundwater wells and another well is planned for construction in FY 2005-2006. The City also has two treatment facilities. The wells were rated in good condition. The City maintains emergency intertie connections with the City of El Segundo and the Southern California Water Company.

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Recent achievements include the conversion to sodium hypochlorite for treatment, the upgrade of all pumps, the development of a new well, and improvements to the reservoirs.

The City uses a five-year planning timeframe for its Capital Improvements Program (CIP). Projects related to water service include \$500,000 annually for water line replacement, \$1.1 million for water blending lines, and \$1.4 million for the addition of a new well. The City has established a goal to acquire an additional 1,200 acre-feet of groundwater pumping rights and has allocated \$1 million in FY 2004-2005 for the purchase of additional water rights as they become available. With the addition of a new well, water reliability will be improved and the City will be less dependent on imported water. Overall, the CIP budget included \$6.19 million in funding for water projects for the five year period ending in 2008.

Manhattan Beach has an average unaccounted for water loss of 6% , which is within the benchmark of 10% set by the American Water Works Association.

City of Torrance

The City of Torrance relies on groundwater, imported and recycled water for its supply. The Torrance Municipal Water Department serves approximately 82% of the City with the remaining portion receiving service from the California Water Service Company (CWSC), a private purveyor. Because CWSC has inadequate supply capacity, Torrance wholesales water to CWSC within its Torrance service area. By agreement with the property owners and water service providers, Torrance also serves the Galleria Shopping Mall in Redondo Beach and a portion of El Camino College due to inadequate mainline capacity of the water utilities serving those areas.

Torrance has been recognized for its innovative use of recycled water. The City retails recycled water produced at the West Basin Water Recycling Plant in El Segundo. There are currently nine recycled water accounts within Torrance. The largest user is the Mobil Oil Corporation facility, where recycled water is used for the boilers, cooling towers, and irrigation. Mobil Oil uses approximately 97% of the recycled water distributed in Torrance. The City is projecting a 5% annual increase in recycled water sales.

The City has groundwater pumping rights to 5,640 acre-feet per year in the West Coast Basin. However, groundwater quality has become an increasing concern and the City has not been able to fully utilize this resource. The issue is primarily related to chloride levels from earlier seawater intrusion. The barriers that were constructed trapped a brackish plume that has impacted the groundwater underlying Torrance. The plume has moved eastward and approximately 50% to 60% of the City has been impacted. The Water Replenishment District has constructed a desalter in the City's maintenance yard to extract and treat the groundwater. The District provides the high-quality product water to Torrance for domestic use. The

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City is participating in a conjunctive use agreement to store surplus imported water in the West Coast Basin.

Torrance has ongoing issues with groundwater wells and has had to abandon two of them due to their deteriorating condition and poor water quality. One well is currently in operation; however it is about 40 years old and has reached its useful life. Water production from the well has decreased 50% and there are ongoing problems with sand production and water quality. Two wells were drilled in 1998; one has been kept in standby position and the other was capped due to poor water quality. A water treatment plant is being considered for the standby well so it could be brought back into production. The City is also evaluating the option of abandoning the standby well and drilling new wells in the City yard near the Water Replenishment District's desalter facility. This option may garner more funding support from MWD and State grants as it further enhances existing local resource projects and groundwater cleanup efforts.

In a report to the Water Commission in June 2004, the City noted that water main breaks had decreased 30% due to operational procedures that regulate pressure as well as the implementation of a maintenance program for hydrants. It was also noted that the City's 15-year meter replacement project is behind by three years due to staffing vacancies imposed by budgetary constraints. The City has targeted larger meters as a priority to identify and replace those that chronically under-register water use. The City expected to have its Supervisory Control and Data Acquisition (SCADA) system and flow control facilities completed in mid-2004.

With the City's current groundwater production capabilities constrained by water quality and infrastructure issues, storage facilities are more critical. Adequate storage must be available in the event of an emergency interruption in service for imported water. The City's storage facilities are in fair to good condition; the City is looking for elevated sites that might be suitable for an additional storage facility. They are also evaluating the option of shared storage with the California Water Service Company. The City maintains four emergency interties with CWSC.

Capital improvements are primarily related to rehabilitation and improvements to aging infrastructure. The City uses a five-year time frame for its CIP planning. Recent accomplishments include water main replacements, pump station upgrades, and improvements for one well. Future projects include additional water main replacements and a water master plan update.

West Basin Municipal Water District

The West Basin Municipal Water District is a member of the Metropolitan Water District of Southern California and serves as a wholesale provider for imported water in the South Bay area. The District is closely related to, and shares administrative facilities with the Central Basin Municipal Water District.

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West Basin MWD's service area overlies the adjudicated West Coast Basin. Although the District does not have groundwater rights, it is actively involved in the management of the Basin, including replenishment and conjunctive use. Groundwater is intended to be the primary water source in the area, with imported water used as a supplement. Groundwater and recycled water effectively meet a significant portion of the area's water demands.

West Basin MWD provides imported water to 17 cities as well as numerous mutual water companies, investor-owned utilities, water districts and private companies within its service area. Each of these entities has its own connection to the Metropolitan system; West Basin does not store, treat or physically deliver any of the imported water. West Basin MWD relies on Metropolitan for planning, forecasting future demand, and maintaining a reliable supply.

In the early 1990's the West Basin MWD expanded its services to include aggressive programs for water conservation and water recycling. West Basin's water recycling program is now recognized as one of the largest in the nation. In 1995, the West Basin Water Recycling Plant (WBWRP) was completed. This facility provides high quality recycled water to over 200 customers in the West Basin service area; the District also provides recycled water to the City of Torrance and portions of the City of Los Angeles. Secondary effluent is purchased from the City of Los Angeles Hyperion Treatment Plant and treated to a tertiary level. The WBWRP is able to produce five different qualities of custom-made recycled water through advanced treatment processes. Demand for recycled water is growing for use in a variety of applications such as landscape irrigation, cooling towers, refineries, street sweeping, and toilet flushing. The District has established a goal to reduce reliance on imported water to 55% of total demand by 2020.

The West Coast Seawater Barrier is a critical facility in the overall water system of the South Bay area. West Basin MWD supplies both imported water and advance treated recycled water for injection into the barrier, which also provides for groundwater replenishment. West Basin MWD has entered into an agreement with the Los Angeles County Department of Public Works to design, pilot and construct the West Basin Barrier Well Automation Project. Existing barrier monitoring wells will be retrofitted with telemetry technology that will provide automated data gathering capability. The modifications will enable both the County and West Basin to remotely monitor the barrier. The project budget is \$2.9 million.

West Basin MWD's infrastructure is primarily related to its water recycling treatment plant and delivery system. The imported water treatment and delivery system is under the purview of Metropolitan. The District is moving forward on a \$52-million Phase IV expansion of the WBWRP which will be financed through a Revenue Bond. The expansion will increase production of recycled water for use in the West Coast Barrier by 5 million gallons per day and tertiary-level recycled water by 10 million gallons per day.

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The barrier water production system will be upgraded which will improve efficiency of the treatment process and increase the quality of the barrier product water.

West Basin MWD has a five-year CIP that includes approximately \$295 million in projects related to water recycling and an ocean water desalination facility that could produce 20 million gallons per day of potable water. It is currently operating a pilot plant at the El Segundo Power Plant site that is producing 40 gallons per minute. The cost for imported water serves as the baseline for determining the cost effectiveness of alternative water sources. West Basin MWD uses Federal, State and MWD grants and incentives to actively pursue the development of local water resources.

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3.3 FINANCING CONSTRAINTS AND OPPORTUNITIES

3.3.1 Revenue Source and Funding

The water agencies included in this service review receive the majority of their revenue from water sales and user fees and charges. Most are operating as an enterprise activity such that revenues are expected to cover all water utility related expenses. However, escalating costs associated with personnel and benefits as well as cost increases for water purchases represent common financing constraints. Rate stabilization is a priority, and the agencies are not always able to pass on the full incremental cost increase within a given year.

In addition to internal cost increases, the agencies are subject to the pressures of revenue changes implemented by outside agencies. The State budget act of 2004 significantly changed how local revenues are allocated. Each of the cities will be required to contribute to the State's general fund for FY 2004-2005 and FY 2005-2006, which may impact the water utilities in some way through inter-fund transfers and more stringent cost allocations. Proposition 1A, approved by voters in November 2004, establishes limitations and protects local revenues from State re-allocations in the future. The impact of the revenue changes in 2004 will likely impact the cities for several years as they seek to recover and restore programs to levels that residents have come to expect.

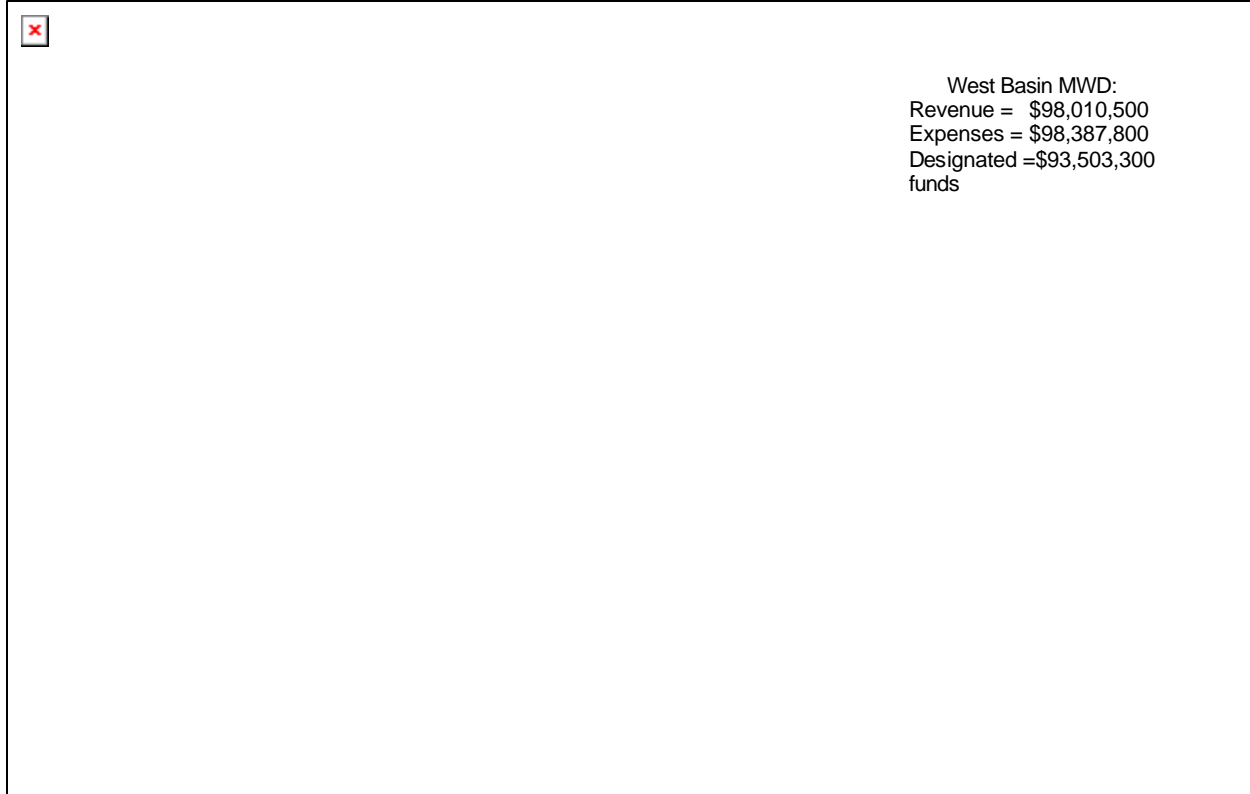
3.3.2 Revenues and Expenses Comparison

Each of the cities accounts for its water utility service through a proprietary or enterprise fund. This enables them to track direct and related revenue and expenses as well as cost allocations from other municipal departments providing related services.

The following *Figure 3.2 – 2002-2003 Financial Information*, compares the revenues, expenses, reserves and capital improvement program costs of each public water agency reviewed. In cases where FY 2003 was not provided, FY 2002 was used. This does not create a material discrepancy for data evaluation as it provides some measure of past financial condition.

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Figure 3.2 – 2003-2004 Financial Information



City of El Segundo

El Segundo's fiscal year ends on September 30th and at September 30, 2002, the City had no outstanding long-term debt related to its water utility. The City commissioned a rate study in FY 2003-2004 to determine whether a rate increase was warranted given increasing costs. El Segundo maintains reserves for operations, maintenance and capital improvements for its water utility. The estimated Waterworks fund balance at September 30, 2002 was \$5,028,052.

City of Inglewood

The City of Inglewood's fiscal year ends on September 30th. In the introduction to the FY 2004-2005 budget, the City noted that the current budget maintained the status quo, but at some risk. The City's General Fund and special funds, including Water, remain "structurally unbalanced". At the end of FY 2004-2005, the Water Fund is projected to have reserves of \$3.44 million, a \$645,000 reduction from the prior year end balance. The City plans to use reserves for water utility operations during the year. Water rates were increased in October 2003, but that has not alleviated the situation.

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City of Lomita

The City of Lomita uses two funds to account for its water utility: Water Operations and Water Capital. In the introduction to the FY 2003-2004 budget, the City noted that it expected to have a net operating loss for its water utility of \$300,000 for FY 2002-2003 and \$400,000 in FY 2003-2004. This was attributed to rising costs and no rate increases since 1997. The City has subsequently initiated a rate study and is currently considering an increase.

City of Manhattan Beach

The City of Manhattan Beach maintains reserves for operations, maintenance and capital improvements and finances infrastructure projects through bonds. In 1996, the City issued \$4,615,000 in Certificates of Participation through the Manhattan Beach Capital Improvements Corporation to finance the upgrade of the City's water and wastewater system. Annual debt service related to water infrastructure is \$217,437. The certificates bear interest at 5.3% to 5.8% and mature through 2026.

City of Torrance

The Torrance Municipal Water Department uses the proprietary Water Fund to account for the water utility. The majority of revenue is generated by metered water sales and recycled water sales. In 1994, the City issued \$8,065,000 in Water Revenue Refunding Bonds to finance the redemption of the 1984 Water Revenue Bonds as well as provide funding for the construction of various water projects and related facilities for the City's water system. This debt restructuring resulted in an economic gain of approximately \$1,291,000 for the City. Annual debt service is approximately \$700,000.

The City uses a five year planning horizon for both the operating and capital improvements budgets which allows for long-range planning. The Capital Budget contains two separate action plans: the Facilities, Equipment, Action Plan (FEAP) and the Infrastructure Action Plan.

West Basin Municipal Water District

The primary sources of revenue for the West Basin Municipal Water District are water sales (imported and recycled) and standby charges. The District's financial books and records include a general fund, investment in utility plant fund, bond interest, redemption and reserve fund, the West Basin Financing Corporation and interest in the West and Central Basin Financing Authority. The District finances its capital projects through revenue bonds and Certificates of Participation. Per the audited financial statements for June 30, 2002, West Basin had \$275.8 million in outstanding debt. The District is issuing a \$50 million revenue bond to finance the Phase IV expansion of the recycled water treatment plant. Some of the debt instruments require the District to maintain a specified level of reserves, which the District has set aside and restricted.

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The West and Central Basin Financing Authority was created on August 1, 1992 through a joint powers agreement between the two districts. The Authority operates the headquarters and administrative building for both West Basin and Central Basin Municipal Water District. At June 30, 2002 West Basin's share of the Authority's total liabilities and net assets was \$100,278,584 or approximately 71%.

West Basin has a formal investment policy that is included in its annual budget. The three fundamental criteria are 1) safety of principal, 2) liquidity, and 3) return on investment. The District also has a Designated Funds policy which outlines both unrestricted and restricted funds and their use. As of June 30, 2003, the District had \$534,765 designated for capital projects, \$13,893,630 designated for debt service and \$79,074,903 undesignated.

West Basin's designated fund levels are appropriate given the scale of operations and the projected expansion of its water recycling system. The District actively seeks financial opportunities and has restructured debt in the past to reduce risk and interest expense. The District uses a five year horizon for budgeting to allow for long-term planning.

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3.4 COST AVOIDANCE AND SHARED FACILITIES OPPORTUNITIES

City of El Segundo

The City of El Segundo is avoiding costs related to its water utility through planning, infrastructure rehabilitation, and the extensive use of recycled water; recycled water currently supplies nearly 50% of demand. The City is in the process of designing and constructing a new well that will further decrease dependency on imported water.

El Segundo shares facilities with the LACDPW through their MWD turnout. The City also shares emergency interties with the Los Angeles Department of Public Works, Manhattan Beach and the California Water Service Company. The City is a retailer for recycled water produced at the West Basin Water Recycling Plant.

El Segundo participates in the water conservation programs made available by West Basin MWD. The City offers conservation rebates, toilet and shower head exchange, and recycled water education and promotion.

City of Inglewood

The City of Inglewood avoids cost associated with its water utility through the use of planning efforts and infrastructure improvements. The City is expanding its capacity to extract and treat groundwater so that it can reduce its reliance on imported water. In addition, it provides recycled water produced at the West Basin Water Recycling Plant for a variety of uses, including parks, the Water Treatment Plant, Caltrans, street medians, the Inglewood Park Cemetery and Hollywood Park.

The City completed its 25-year Water Master Plan in 2004 which will serve as a significant cost-avoidance measure. The Plan will provide the framework for the City to plan and implement infrastructure improvements in concert with system conditions and increased demand. The City is rehabilitating its water mains to reduce unaccounted for water loss. The City has also approved funding for the replacement of old, deteriorated water meters with new, efficient, radio-ready meters. It is implementing a Supervisory Control and Data Acquisition (SCADA) system at the water treatment plant to automate the chemical process.

City of Lomita

The City of Lomita is avoiding costs through its participation in the California Joint Powers Insurance Association. The Water Master Plan that is being developed will also serve as a cost-avoidance tool as it will enable the City to plan for future infrastructure improvements in conjunction with increased demand and infrastructure condition.

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City of Manhattan Beach

The City of Manhattan Beach is avoiding costs through its planning efforts and investment in infrastructure. The City is replacing or rehabilitating aging infrastructure to the degree that funding will allow in order to avoid more costly emergency repairs later on.

Manhattan Beach has a Water Master Plan that serves as a significant cost avoidance tool. It provides the framework and analysis for system improvements and upgrades based on infrastructure condition and projected increases in demand.

The City noted that meter reading is currently completed by contract. There may be cost and efficiency savings if this was completed in house and the meters were converted to a radio read system.

The City is sharing facilities with a number of agencies in the South Bay area. It receives its imported water through a turn out on the Metropolitan water system. The City has emergency interties with El Segundo and the Southern California Water Company. The City is also a retailer for the recycled water produced at the West Basin Water Recycling Plant.

City of Torrance

The City of Torrance uses a variety of cost avoidance measures to promote rate stability and strengthen the financial position of the Water Department. The Department has developed a business plan in collaboration with the City's Water Commission. The Plan includes focus areas with recommendations for cost avoidance that will lead to greater efficiency in the future. These primary focus areas include rate stabilization, diversification of water supply, operational efficiency enhancements and physical system improvements. Specific measures identified for cost reduction include the following:

- Purchase groundwater from the WRD Desalter at a discount rate
- Recover indirect administrative costs from the Desalter project
- Capitalize on value of surplus groundwater rights
- Defer appropriation of new CIP funds for one year
- Reduce operating budget
- Reduce unaccounted for water by 20%
- Full recovery of contract water rates
- Refinance existing Water Revenue Bond

In 2002, the City commissioned an energy conservation study to determine the potential for reducing electric power usage and pumping costs.

Torrance shares facilities with other water providers, including the Water Replenishment District through the Desalter project, West Basin Municipal Water District and its recycled water program, and interties

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with the California Water Service Company. The City also participates in Metropolitan's Local Water Resource Program as well as its conservation and water reuse programs.

West Basin Municipal Water District

The West Basin MWD is avoiding costs through its proactive programs for water conservation and water recycling. The District has established a goal to reduce reliance on imported water to 55% of total supply within its service area. The District has developed an extensive water recycling program and related infrastructure that cost-effectively provides recycled water for use in a wide range of applications, effectively reducing potable demand.

West Basin MWD shares facilities with a number of other agencies. It shares administrative offices and staff with the Central Basin MWD; both agencies are managed by co-general managers. The District purchases excess secondary effluent from the City of Los Angeles at its Hyperion Treatment Plant for further treatment into recycled water. The District actively participates in groundwater management and conjunctive use programs. It provides the primary source of water supply used for groundwater replenishment and in the seawater intrusion barrier.

West Basin MWD has developed programs and protocols that allow the District to capitalize on the programs and infrastructure of other agencies, allowing the District to avoid costs and provide enhanced services to the South Bay area.

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3.5 MANAGEMENT EFFICIENCIES

City of El Segundo

El Segundo is achieving management efficiencies through staff development, planning and citizen advisory committees. All Water Division staff members hold Water Distribution Operator Certification that meets or exceeds the level required by the California Department of Health Services. The Water Division took over responsibility for utility billing in FY 2003-2004 without increasing staff levels. One of the goals for FY 2004-2005 is to complete the reorganization of the Water/Wastewater Division and to produce an emergency response plan.

City of Inglewood

Inglewood utilizes long-range planning efforts and has adopted an Urban Water Management Plan as well as a Water Master Plan and Capital Improvement Program. These plans serve as tools for efficient management of the City's water operations.

City of Lomita

The City of Lomita is instituting the use of long-range planning documents such as the Urban Water Management Plan and Water Master Plan that are currently being developed. The City also uses performance evaluations, department goals and objectives, the budget process and management accountability to increase management efficiency.

The City's Administrative Services Department provides water utility financial management, accounting, water bill generation and revenue collection. The staff utilizes a utility billing software package with the most current upgrades.

City of Manhattan Beach

The City of Manhattan Beach is achieving management efficiencies through the use of a Water Master Plan and an Urban Water Management Plan. The City's budget includes goals and initiatives related to each component of water service. In addition, there are service indicators with established benchmarks to track progress and efficiency; recent history is included to identify year-over-year results.

City of Torrance

The Torrance Municipal Water Department consists of two divisions: Water Resources and Water Operations. The Department has developed a short- and long-range business plan in collaboration with the City's Water Commission. The Plan, completed in 2002, sets forth the direction, major priorities, and improvement opportunities for the Department over the next several years. The Plan delineates specific focus areas that can be translated into prioritized work plans and assesses the benefits of implementing the measures. The Plan is used to assess the Department's performance and evaluate its competitive position.

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It also is used to identify and quantify business and “best practice” productivity opportunities to improve operations, increase service levels, and strengthen the financial condition of the Department.

West Basin Municipal Water District

The West Basin Municipal Water District is achieving management efficiencies through the use of operational and management plans. It shares administrative services with the Central Basin Municipal Water District, and the two agencies are managed by co-managers. The District uses a five-year planning horizon for budgeting which allows for long-range planning.

The District does not have a formal evaluation procedure. Operations are evaluated through the on-going review of operational costs, historic cost comparisons, and projected revenues. The District does perform annual employee evaluations. Each department sets goals for the coming year and regular meetings are held to review progress on goals.

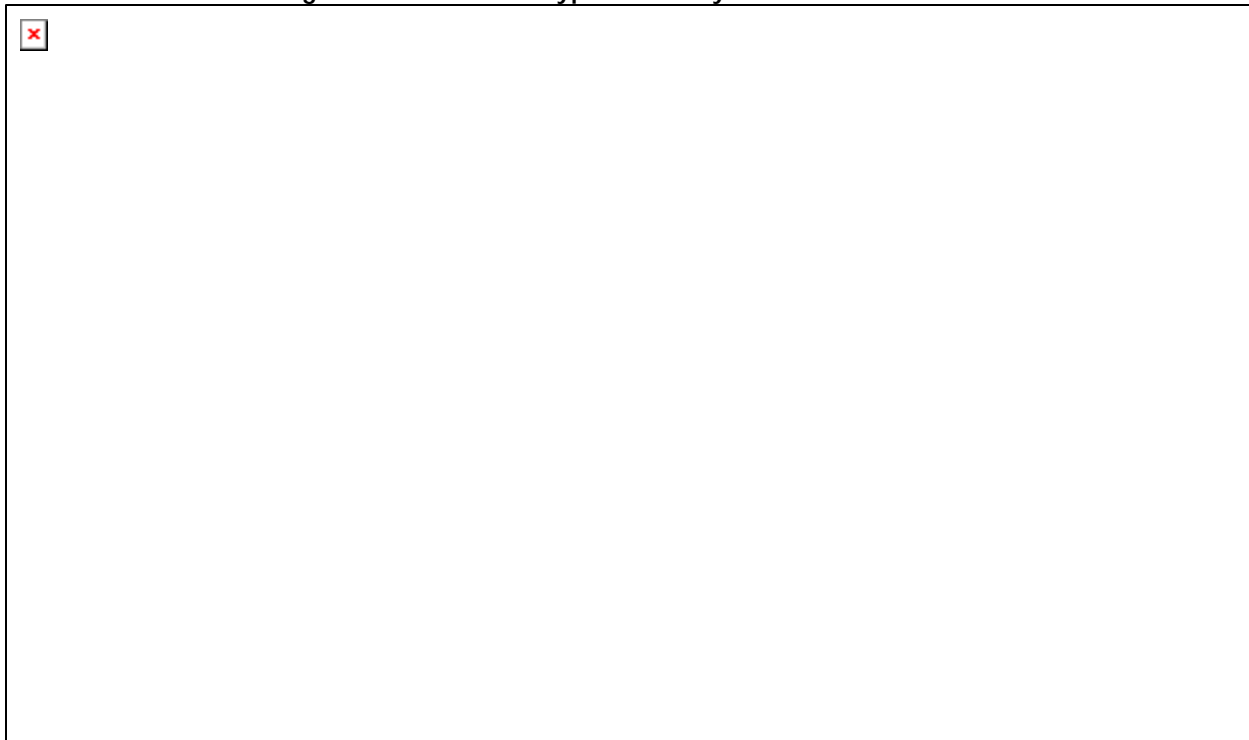
West Basin has received numerous awards for its programs and projects, including the *Outstanding Planned Project* in 2002 from the Water ReUse Association for the Harbor South Bay Recycling Project.

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3.6 RATE RESTRUCTURING

The following *Figure 3.3 - 2004-2005 Typical Monthly Residential Water Bill*, compares retail rates from agencies in the South Bay MSR study area for a 5/8” – 3/4” residential meter and water usage of 20 hundred cubic feet.

Figure 3.3 – 2004-2005 Typical Monthly Residential Water Bill



City of El Segundo

The City of El Segundo uses a tiered rate structure to promote water conservation. Water rates were increased in October 2004. As part of the rate increase, the City provided public notice that in the future, water consumption charges will be increased by the same percentage that West Basin Municipal Water District increases its wholesale rates to the City. Recycled water is sold at the rate charged by West Basin plus a surcharge of \$0.3056 per hundred cubic feet.

City of Inglewood

The City of Inglewood increased rates and adopted a tiered rate structure in October 2003 in order to encourage water conservation. The change represented a 6.9% increase over the previous rates. Prior to this change, rates had not been increased since FY 1999-2000. Connection fees are set at a level to cover the cost of installation and inspection; existing customers do not subsidize new connections.

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City of Lomita

The City uses a flat rate structure that does not differentiate between customer types. Rates have not been increased since 1997. In response to a budget shortfall in the Water Fund for two consecutive years, the City of Lomita conducted a water rate study in December 2004. The City may be considering a rate increase in the near future.

City of Manhattan Beach

The City of Manhattan Beach last increased water rates in 1998. The City uses a flat rate structure. Recycled water is billed at 125% of the rate charged by West Basin MWD.

City of Torrance

The City of Torrance approved a 4.6% rate increase in 2004 which will be implemented in two phases. The first increase became effective mid-September 2004, and the second phase will go into effect in March 2005. Rates had not been changed previously since January 1996. The current rate increase was due to price increases imposed by Metropolitan and the Water Replenishment District. Resolution No. 95-96 adopted by the City Council contains an automatic escalator provision which permits the “pass-through” of an adjustment in Municipal retail water rates to recover higher water supply costs. The City had not used this provision for other rate increases that occurred in the late 1990’s.

Torrance has a flat rate structure, and there is no price differentiation between account types. The City does offer a discounted rate for low income senior citizens and the disabled. In addition to the commodity charge, there is also a readiness-to-serve charge, similar to a meter charge. For connections within the higher pressure zone, there is an additional pumping charge.

West Basin Municipal Water District

The West Basin Municipal Water District sets rates annually based on changes in the cost of water from Metropolitan or production costs for recycled water. For imported water, West Basin uses Metropolitan’s rate structure for Tier 1, Tier 2 and seasonal long term storage and adds a surcharge of \$31 per acre foot at each level. Metropolitan imposes a Readiness-to-Serve charge which West Basin passes through to retailers by including it in the commodity rate. The District also charges a capacity reservation charge and monthly water service charge of \$20 per cfs (cubic feet per second) as determined by meter capacity.

Imported rates for 2005 are as follows:

Tier 1: Non-interruptible and Barrier	\$535/AF
Tier 2: Non-interruptible and Barrier	\$616/AF
Seasonal Long Term Storage	\$356/AF

Imported rates increased approximately 2.8% from the prior year.

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Recycled water is generally more costly to produce and the price often exceeds that of imported water; however West Basin has received financial incentives from Metropolitan in the past that make recycled water more cost-effective. The District reviews recycled water rates annually and has a rate structure that is based on volume, delivery location and type of water. As discussed earlier, the treatment facility is able to produce five types of recycled water, with successive degrees of advanced processing involved. The recycled water rates for 2005 range from \$303/AF to \$223/AF for tertiary treated water delivered within the West Basin service area. The rate structure is an inverse tier such that larger volumes are sold at a lower rate. Rates are higher for the Palos Verdes zone, due to costs associated with new delivery infrastructure. Water delivered to Torrance or LADWP is priced at \$40 more per acre foot as these are out-of-agency service areas.

With the exception of nitrified water, the price for the higher quality, advance treated recycled water is significantly higher than the tertiary level price. This has not necessarily impacted demand; the District has substantial contracts for recycled water delivery and is expanding plant capacity due to increased demand.

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3.7 GOVERNMENT STRUCTURE OPTIONS

The cities within the South Bay area participate in the South Bay Cities Association and work cooperatively on regional issues. Some of the agencies are providing service outside their current boundaries; per Government Code §56133 (e), out of agency agreements that were in place prior to January 1, 2001 do not require LAFCo approval. No alternative government structure options were noted, except as discussed below.

The City of Inglewood noted in the LAFCO questionnaire that it desires or plans to serve the area bounded by La Cienega Boulevard, Century Boulevard, Irwin Avenue and I-405. This area is outside the City's current boundaries and sphere of influence. It is adjacent to the current Southern California Water Company service area.

The City of Torrance is providing service to the Galleria Shopping Mall in Redondo Beach and a portion of El Camino College because the service providers in these areas have inadequate mainline capacity. In addition, Torrance's MWD service boundaries are not coterminous with the City's municipal boundaries. There are areas within the City that are excluded from Torrance's MWD service area. These areas include the following: Northeast Torrance, Knolls Area, Howard Industrial Area, Henry Area, Lomita Flight Strip, El Nido Area, and the Victor Precinct Area. These areas are within West Basin MWD's service area.

The West Basin Municipal Water District noted that it is providing recycled water to a portion of the service areas for the Los Angeles Department of Water and Power and the City of Torrance. West Basin serves those areas because the other agencies do not have the facilities to provide recycled water. This includes 31 connections that are within West Basin's sphere of influence but outside its boundaries. West Basin should ensure that LAFCO has a current map of all out-of-agency service areas as well as copies of the agreements.

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3.8 LOCAL ACCOUNTABILITY AND GOVERNANCE

The water utilities are addressed by each City Council during their regular meetings. Local accountability and governance of the cities meets the required standards for public agencies, with appropriate elections and public notice of council meetings and actions. Water utility and water conservation information is available on the city websites.

**Table 3.8
City Governance and Local Accountability**

City	# of Council Members	Council Meetings	Website
El Segundo	5	1 st & 3 rd Tuesday 7 pm	www.elsegundo.org
Inglewood	5	Every Tuesday 7 pm	www.cityofinglewood.org
Lomita	5	1 st & 3 rd Monday 7:00 pm	www.lomita.com
Manhattan Beach	5	1 st & 3 rd Tuesday 6:30 pm	www.ci.manhattan-beach.ca.us
Torrance	7	Every Tuesday 7 pm	www.torrcnet.com

Torrance and El Segundo have an additional measure for local accountability. Torrance has a Water Commission which advises the City Council on all matters related to water policy and the maintenance and management of the City’s water system. The Commission has seven members appointed by the City Council; meetings are held monthly on the third Thursday at 7 p.m. in the City’s offices.

El Segundo has a Capital Improvement Project Advisory Committee for public works. The Committee has five members composed of three residents and two business representatives. The Committee assists in the development of the five-year CIP and generally meets at 7 p.m. on a weekly basis from February through May in order to bring final recommendations to the City Council in June. Both of these entities are advisory in nature and do not have any direct authority over the provision of water service.

West Basin Municipal Water District

The West Basin Municipal Water District has an extensive public and governmental affairs program that includes education as well as community outreach. Educational tours and field trips are offered at the District’s facilities.

As an independent special district, West Basin MWD is governed by a Board of Directors elected by division. In the November 2004 election two incumbents were re-elected to their positions. To address the accountability issues that arose from the actions of two former directors, West Basin MWD has adopted a formal Code of Ethics which establishes policies for ethics and conduct as well as a mechanism

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for oversight. The current Board of Directors has instituted stringent controls to ensure that accountability standards are met.

The following summarizes the governance of West Basin:

Date formed: December 17, 1947
Statutory Authorization: Water Code § 71000 et seq. – Municipal Water District Act of 1911
Board Meetings: 4th Monday of each month, 11:00 a.m.

Board of Directors:	Title	Length of Term	Compensation
William Baker	Director – Division I	Dec. 2006	\$187.65 per mtg
Jose Fernandez	Director – Division II	Dec. 2006	\$187.65 per mtg
Carol Kwan	Director – Division III	Dec. 2008	\$187.65 per mtg
Edward Little	Director – Division IV	Dec. 2006	\$187.65 per mtg
Donald Dear	Director – Division V	Dec. 2008	\$187.65 per mtg

** Directors may be compensated for up to 10 meetings per month.*

Meeting notices, agendas and supporting documentation are posted in the lobby of the District's headquarters and on the District's website (www.westbasin.org).

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4.0 DETERMINATIONS

In approving a Municipal Service Review, LAFCO must adopt written determinations for nine factors specified in LAFCO's governing statutes. Determinations for each agency are provided below:

City of El Segundo

DETERMINATIONS	
1) Population and Growth	<p>El Segundo currently has an estimated population of 16,787 per SCAG 2005 projections and a projected annual growth rate of 0.7%.</p> <p>The daytime population within the City increases to approximately 80,000 due to the large employment centers.</p>
2) Infrastructure Needs and Deficiencies	<p>El Segundo currently relies on imported and recycled water for its supply. Recycled water meets or exceeds 50% of demand.</p> <p>The City has adjudicated water rights to the West Coast Basin and is in the process of designing and constructing a new well so that it can use this resource.</p> <p>The City is in the process of rehabilitating aging infrastructure including replacing water mains and large meters.</p>
3) Financing Constraints and Opportunities	<p>El Segundo accounts for its water utility through an enterprise fund.</p> <p>There was no outstanding debt related to the water utility at September 30, 2002.</p>
4, 5) Cost Avoidance Opportunities and Shared Facilities	<p>El Segundo is avoiding costs for imported water purchases by reducing dependency on imported water to nearly 50% of total demand and increasing recycled water use.</p> <p>The City shares transmission facilities with the LA County Department of Public Works, LADWP, Manhattan Beach and the Southern California Water Company. The City retails recycled water produced at the West Basin Water Recycling Plant.</p>
6) Management Efficiencies	<p>El Segundo is achieving management efficiencies through staff development and a change in operations. The Water Division is now responsible for the utility billing, and all water division staff have certifications that meet or exceed the level required by the California Department of Health Services.</p>
7) Rate Restructuring	<p>El Segundo increased its water rates in October 2004. The City uses a tiered rate structure to promote water conservation.</p>

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8) Government Structure Options	No government structure options were noted.
9) Local Accountability and Governance	<p>The water utility is addressed during City Council meetings. The City of El Segundo has an established process for ensuring that local accountability and governance standards are met</p> <p>El Segundo has a Capital Improvement Project Advisory Committee that provides guidance on the five-year CIP, including water system infrastructure.</p>

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City of Inglewood

DETERMINATIONS	
1) Population and Growth	<p>Inglewood’s estimated population is 119,023 per SCAG 2005 projections; the City is considered built-out.</p> <p>The City’s population projections vary significantly from those of SCAG, although future growth is moderate under both projections. The City is projecting an annual growth rate of 0.2% through 2020 and SCAG is projecting 0.7%.</p>
2) Infrastructure Needs and Deficiencies	<p>Inglewood has groundwater entitlements to the West Coast Basin. It is expanding its system infrastructure to rely more on groundwater and reduce dependency on imported water.</p> <p>Recycled water is used to offset potable demand in 12 locations.</p> <p>The City noted deficiencies in groundwater production capabilities and storage and capacity for fire suppression. These issues are being addressed through the Capital Improvements Program.</p>
3) Financing Constraints and Opportunities	<p>Inglewood operates its water utility as an enterprise activity. The FY 2004-2005 adopted budget indicates that reserves will be used to fund water operations and capital improvements.</p>
4, 5) Cost Avoidance Opportunities and Shared Facilities	<p>Inglewood is avoiding costs associated with imported water by expanding its groundwater wells and treatment infrastructure.</p> <p>The City retails recycled water that is produced at the West Basin Water Recycling Plant.</p>
6) Management Efficiencies	<p>Inglewood uses planning documents including an Urban Water Management Plan, Water Master Plan and Capital Improvement Program as tools to achieve management efficiencies.</p>
7) Rate Restructuring	<p>Inglewood instituted a tiered rate structure in FY 2003-2004 to encourage water conservation. The City has the highest typical monthly charge for retail service in the South Bay area.</p>
8) Government Structure Options	<p>No government structure options were noted.</p>
9) Local Accountability and Governance	<p>The water utility is addressed during City Council meetings. The City of Inglewood has a process for ensuring that standards of local accountability and governance are met.</p>

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City of Lomita

DETERMINATIONS	
1) Population and Growth	<p>The City of Lomita has an estimated population of 20,950 per SCAG 2005 projections; the projected annual growth rate is 0.3%.</p> <p>Lomita is fully developed; the primary land use is low density residential with commercial and industrial/manufacturing concentrated along major arterials.</p>
2) Infrastructure Needs and Deficiencies	<p>The City of Lomita currently relies on imported water purchased from the West Basin Municipal Water District as its only source of supply.</p> <p>The City is projecting an annual increase in water demand of approximately 1%, slightly higher than projected population growth. The City does not provide water conservation services.</p> <p>The City is in the process of completing its Urban Water Management Plan that was originally due in 2000. The current Plan should be in full compliance with the State requirements for the 2005 Urban Water Management Plan updates.</p> <p>Lomita has an aging infrastructure, and the City is developing a Water Master Plan to address infrastructure needs.</p> <p>Lomita is in the process of building a new 5 MG reservoir as well as bringing one of its wells back on line.</p>
3) Financing Constraints and Opportunities	<p>Lomita operates its water utility as an enterprise activity. Water expenditures exceeded revenue in FY 2001-2002 and 2002-2003. This was financed through the use of reserves.</p> <p>The City had approximately \$8 million in reserves for Water Capital projects as of June 20, 2002. This will be used to fund the new reservoir and related improvements to the well.</p>

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<p>4, 5) Cost Avoidance Opportunities and Shared Facilities</p>	<p>The City of Lomita is controlling insurance costs through its participation in the California Joint Powers Insurance Authority.</p> <p>The City’s Water Master Plan will provide a means to implement water system improvements in conjunction with increased demand to maximize cost efficiency.</p>
<p>6) Management Efficiencies</p>	<p>Lomita uses performance evaluations, goals and objectives, budgets and management accountability to achieve management efficiencies.</p>
<p>7) Rate Restructuring</p>	<p>The City has a flat rate structure and does not differentiate between customer types. Rates were last increased in 1997. A water rate study was conducted in December 2004 that identified the City’s water operating fund to be operating at a deficit. The City may be considering a rate increase in the near future.</p>
<p>8) Government Structure Options</p>	<p>No government structure options were noted.</p>
<p>9) Local Accountability and Governance</p>	<p>The water utility is addressed during City Council meetings. The City of Lomita has a process for ensuring local accountability and governance.</p>

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City of Manhattan Beach

DETERMINATIONS	
1) Population and Growth	The City of Manhattan Beach has an estimated population of 36,384 per SCAG 2005 projections and is essentially built-out. The City is projecting an annual growth rate of 0.5% through 2020.
2) Infrastructure Needs and Deficiencies	<p>Manhattan Beach relies on imported, ground and recycled water for its supply.</p> <p>The City has groundwater pumping rights in the West Coast Basin and has included funding in its Capital Improvement Program to acquire additional water rights as they become available.</p>
3) Financing Constraints and Opportunities	Manhattan Beach financed a major infrastructure improvement program for water and wastewater in 1996 through the sale of Certificates of Participation. The annual debt service for the water system portion is \$217,437.
4, 5) Cost Avoidance Opportunities and Shared Facilities	<p>Manhattan Beach is avoiding costs associated with imported water through its active retailing of recycled water and its infrastructure planning for future groundwater rights and a new well.</p> <p>The City shares facilities with El Segundo, Metropolitan, the Southern California Water Company, and the West Basin Municipal Water District.</p>
6) Management Efficiencies	The City uses goals, initiatives and performance measurements in the budgeting process to promote management efficiency.
7) Rate Restructuring	<p>The City of Manhattan Beach uses a flat rate structure. The last water rate increase was in 1998. Rates were increased annually in the two prior years.</p> <p>Recycled water is sold at 125% of the rate charged by West Basin MWD.</p>
8) Government Structure Options	No government structure options were noted.
9) Local Accountability and Governance	The water utility is addressed during City Council meetings. The City of Manhattan Beach has established a process for ensuring that local accountability and governance standards are met.

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City of Torrance

DETERMINATIONS	
1) Population and Growth	<p>Torrance has a current population of approximately 144,683, per SCAG 2005 projections. The projected annual growth rate is 0.5%, primarily due to infill.</p> <p>The City provides water service to 82% of the city.</p>
2) Infrastructure Needs and Deficiencies	<p>Torrance is a member agency of the Metropolitan Water District of Southern California and purchases imported water directly from Metropolitan.</p> <p>The City retails recycled water produced at the West Basin Water Recycling Plant. Mobil Oil Corporation is the largest account, using nearly 97% of the City's recycled supply.</p> <p>Torrance has ongoing issues with groundwater quality. The groundwater under the City has been impacted by the brackish plume within the West Coast Basin. The City currently has one well in operation and is considering options for additional wells.</p> <p>The City is in the process of rehabilitating and improving water system infrastructure, such as water main replacements, pump station upgrades, and well improvements. The Water Master Plan will be updated in the near future.</p>
3) Financing Constraints and Opportunities	<p>Torrance finances infrastructure improvements through bonds and past debt restructuring has resulted in an economic gain of nearly \$1.3 million for the City.</p> <p>The City uses a five-year planning horizon for its operating and capital improvement budgets.</p>
4, 5) Cost Avoidance Opportunities and Shared Facilities	<p>The Torrance Municipal Water Department is avoiding costs through the use of its Business Plan adopted in 2002. The Department is actively seeking ways to maximize water resources through infrastructure improvements and agreements with other agencies.</p> <p>Torrance shares facilities with several water agencies including the Water Replenishment District, West Basin MWD and the California Water Service Company.</p>

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6) Management Efficiencies	The Torrance Municipal Water Department’s 2002 Business Plan provides guidance and a framework for the future operations of the utility. The Plan includes focus areas and priorities, as well as performance evaluations and the identification and quantification of business and best practice productivity opportunities.
7) Rate Restructuring	<p>Torrance has implemented a two-phase price increase of 4.6%. The first phase went into effect in September 2004 and the second phase will go into effect in March 2005.</p> <p>The City uses a flat rate structure and pricing is not differentiated between account types.</p>
8) Government Structure Options	No government structure options were noted.
9) Local Accountability and Governance	<p>The water utility is addressed during City Council meetings. The City of Torrance has a process established for ensuring that local accountability and governance standards are met.</p> <p>The Torrance Water Commission advises the City Council on all matters related to water policy and the maintenance and management of the City’s water system. Commissioners are appointed by the City Council.</p>

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West Basin Municipal Water District

DETERMINATIONS	
1) Population and Growth	<p>The West Basin Municipal Water District’s service area is essentially built-out. Current population is estimated at 851,000. The projected annual growth rate is 0.5% which is in keeping with the projected growth rates reported by the retail agencies in the area.</p>
2) Infrastructure Needs and Deficiencies	<p>The West Basin MWD relies on the Metropolitan Water District of Southern California for planning and demand projections for imported water. All imported water is delivered via Metropolitan’s infrastructure; each of the agencies has a connection to the Metropolitan system.</p> <p>The West Basin MWD owns and operates the West Basin Water Recycling Plant in El Segundo. Recycled water is delivered throughout the District’s service area.</p> <p>The West Basin MWD has entered into an agreement to design, pilot and construct the West Coast Basin Barrier Well Automation Project, which will allow both West Basin MWD and LA County Department of Public Works to remotely monitor the Barrier.</p>
3) Financing Constraints and Opportunities	<p>The West Basin MWD has adopted a Designated Funds policy and has restricted and unrestricted funds to meet the future needs of the District.</p> <p>The District finances capital improvements through bonds and Certificates of Participation.</p> <p>The District has restructured debt in the past to lower risk and interest expense.</p>
4, 5) Cost Avoidance Opportunities and Shared Facilities	<p>The West Basin MWD is avoiding costs through its participation in groundwater management and conjunctive use programs. The District aggressively pursues alternative water supplies and has developed an extensive recycled water treatment and delivery system.</p> <p>West Basin shares facilities with a number of agencies, including the Central Basin MWD, the City of Los Angeles and Torrance.</p>
6) Management Efficiencies	<p>The West Basin MWD is achieving management efficiencies through shared administrative services with Central Basin MWD, long-range planning and operational documents.</p>

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7) Rate Restructuring	West Basin reviews rates annually and makes adjustments as necessary based on projected costs for imported water and production of recycled water.
8) Government Structure Options	No government structure options were noted.
9) Local Accountability and Governance	<p>West Basin Municipal Water District maintains a website and provides public notice of meetings. The District has an extensive public education and outreach program for policy and legislative positions as well as water conservation, seawater barrier and recycled water programs.</p> <p>The District has adopted a formal Code of Ethics which establishes policies for ethics and conduct as well as provides a mechanism for oversight.</p>