

New City Department Established As Lakewood Purchases Water System

By HENRY L. GOERLICK

City Administrator

LAKWOOD took a significant step recently with the purchase of a private water utility, The Lakewood Water and Power Co. In June, 1957, the voters of Long Beach approved a bond issue to purchase that portion of the company located within their city. This comprised about 48 percent of the whole system. The remainder was located entirely within the city of Lakewood with the exception of about 1,200 connections comprising a small separate system in Downey. Virtually all production and storage facilities of the company were located within Lakewood.

The Lakewood City Council recognized that their consumers were faced with a substantial rate increase with the forthcoming loss of the Long Beach section of the system. The rates of the company were among the lowest in the area, and even though the company was requesting a substantial rate increase, Lakewood consumers would still enjoy water rates below those of neighboring areas. The opinion in Lakewood was that even with an increase of 27 percent granted prior to the city purchasing the system, the revenues would be sufficient to support all operating and bond costs involved in municipal ownership.

The city council then instructed the city administrator to engage Boyle Engineering of Santa Ana and San Diego to make a preliminary appraisal of the Lakewood portion of the system. Their findings recommended that the city commence negotiations with company officials to determine a price for the system and also authorize a feasibility and bond study. Stone & Youngberg, municipal financing con-

sultants, San Francisco, were engaged to prepare the financing report.

The conclusions of the consultants were: (1) The city should call a revenue bond election to secure voter approval for \$6,250,000 in revenue bonds which would be used to finance acquisition of all water distribution facilities in the city and, in addition, provide for major improvements, particularly in connection with the Metropolitan Water District middle feeder line. (2) The city should negotiate with Long Beach to purchase their approximately 300 connections in Lakewood for integration into the proposed system and also approach the Ideal Petroleum Co. to purchase their 1400 connections, thereby effecting a single integrated system within the city. (3) This was financially feasible and the costs of a city-owned utility would be less as the operation would be on a non-profit basis and there would also be the factor of freedom from taxes.

Choices for City

On November 19, 1957, the Lakewood voters authorized a \$6,250,000 revenue bond issue by a margin of eight to one. There was no organized opposition to the purchase. Negotiations with the company commenced in December, 1957. It was recognized by both parties that the city was limited financially as to what it could afford to pay by the amount of the revenue derived from the system. The owners could rightfully contend their holdings were worth a figure in excess of what the city eventually paid; but they recognized the city's limitations and settled on that basis. The city council authorized an offer of \$4,425,000 for the complete system less the section in Long Beach. This offer was made in October, 1958, and accepted by the company, with the city scheduled to assume ownership in March of 1959.

The next step was to determine a meth-

od of operation. This was a cause of considerable discussion because of Lakewood's "contract" method of municipal operation. Three basic choices were before the city: a city water department; contracting for the operation of the system with Los Angeles County; or contracting with a private individual or agency for the operation of the system at a fixed fee.

Proposals were submitted by interested parties on the basis of specifications drawn up by the city after consideration of the alternatives. It was the council's decision to set up a city water department. Employees of the company were offered the opportunity of accepting employment in the city water department at comparable wages. There are now 22 full-time employees. In addition, the general manager accepted an advisory post of manager-consultant to the city.

The final step was that of securing bids on the first series of \$5,150,000 of Lakewood revenue bonds. The maturity schedule of these bonds was to run through 1994. About \$5,850,000 of the bonds maturing in 1994 were to be term bonds and a sinking account was to be established to assure payment at or before maturity. Interest was to be payable annually the first year and semi-annually thereafter. Serial bonds maturing on or before March 1, 1974, a total principal amount of \$1,300,000, were not callable prior to their stated maturity dates. Bids were received by the council last March with interest rates ranging from a low of 4.12382 percent to a high of 4.1829 percent.

Included in the assets of the Lakewood Water and Power Co. were a large number of spare water meters. In connection with the purchase of the Long Beach system in Lakewood, these were used as part of the purchase price. The Lakewood water system was standardized on Hersey meters, whereas Long Beach used several different types. Therefore, in addition to the \$79,900 cash paid to Long Beach for 292 connections, all meters were returned to Long Beach and replaced with spares.

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Author at Fairbanks-Morse pump in underground installation at wellsite No. 11. Various wellsites are used as pre-school age playgrounds with all pump equipment installed beneath the surface.



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from Lakewood. Negotiations for the purchase of this section had been opened in the latter part of 1958 and possession was taken by Lakewood in May of 1959. The final integration of the whole city into a single system is presently in process, with negotiations being carried on with the other small company.

Recognizing that present ground water supplies will not meet our needs much longer, an additional source is virtually mandatory. Plans provide for improvements and additions which are essential to insure an adequate water supply system based upon both ground water and purchase of water from the Metropolitan Water District. The connection with the Metropolitan Water District and creation of additional storage facilities are the major projects.

WESTERN CITY