



CITY COUNCIL AGENDA REPORT

MEETING DATE: OCTOBER 4, 2016

ITEM NUMBER: NB-3

SUBJECT: MESA WATER DISTRICT, ADVISORY MEASURE SEEKING PUBLIC INPUT REGARDING THE POTENTIAL CONSOLIDATION OF THE MESA WATER DISTRICT AND THE COSTA MESA SANITARY DISTRICT

DATE: SEPTEMBER 26, 2016

FROM: OFFICE OF THE CEO

PRESENTATION BY: DANIEL K. BAKER, ASSISTANT TO THE CEO

FOR FURTHER INFORMATION CONTACT: DAN BAKER AT (714) 754-5156

RECOMMENDATION:

Per Council Policy 000-8, Mayor Pro Tem Righeimer is seeking City Council support in adopting a resolution of support regarding Ballot Measure TT regarding the Mesa Water District, Advisory Measure Seeking Public Input Regarding the Potential Consolidation of the Mesa Water District and the Costa Mesa Sanitary District.

BACKGROUND/ANALYSIS:

Mayor Pro Tem Righeimer is seeking City Council support in adopting a resolution (Attachment 2) of support regarding ballot measure TT regarding the Mesa Water District, Advisory Measure Seeking Public Input Regarding the Potential Consolidation of the Mesa Water District and the Costa Mesa Sanitary District.

On July 28, 2016, the Board of Directors of the Mesa Water District called for an election on an advisory measure, known as the Advisory Measure Seeking Public Input Regarding the Potential Consolidation of the Mesa Water District and The Costa Mesa Sanitary District (the "Measure"), to be held in the Mesa Water and Costa Mesa Sanitary District service areas.

In addition, On August 9, 2016 the Orange County Board of Supervisors adopted a resolution authorizing an election to occur on the Measure in both the Mesa Water District service area, as well as that portion of the Costa Mesa Sanitary District lying outside of the jurisdiction of the Mesa Water District per Elections Code Section 9603.

Measure TT is an advisory measure which seeks to obtain public input as to whether the Mesa Water District and Costa Mesa Sanitary District should pursue consolidation. It has been placed on the ballot by the Mesa Water District, for the express purpose of starting a process to provide water, wastewater, and solid waste services, as set forth in the "Optimal Governance Structure Study" provided by Arcadis U.S., Inc., (Attachment 3) which was commissioned by the Mesa Water District in June 2016.

The Arcadis study concludes that combining the two districts could result in significant cost savings. Specifically, the study determined consolidation could result in: (a) a one-time cost savings of approximately \$15.6 million; which creates the potential to offer customers a one-time rebate of up to \$650, and (b) additional annual cost savings of \$2.7 million; which could include a reduction in wastewater rates by approximately 28%. The study also notes that consolidation could provide the potential for increased flexibility and transparency, increased environmental benefits, and improved customer service, thereby allowing a consolidated single district to more efficiently provide water, wastewater, and solid waste services.

In response to the Arcadis report, the Costa Mesa Sanitary District Board of Directors engaged Sanitary District Treasurer, Marc Davis to respond to the Mesa Water report. Mr. Davis is a Certified Public Accountant (CPA) and has previously served as Acting Finance Director at both the City of Costa Mesa and the City of Buena Park. His analysis rebuts a number of areas in the Arcadis report that he believes to be inaccurate. These areas include: Lack of objectivity, organizational optimization, flawed financial management analysis, and misleading real estate holding information. The complete analysis may be found in Attachment 4.

FISCAL REVIEW:

The fiscal impacts of this ballot measure on the City are unknown at this time.

LEGAL REVIEW:

Legal has prepared and reviewed the documents as to form.

CONCLUSION:

For clarification purposes, a “Yes” vote indicates that proceeding with consolidation of the two districts is preferred and a “No” vote indicates the status quo of two separate districts is preferred.

Since the Measure is advisory only, if approved by the voters it would not automatically result in the consolidation of the two districts. Rather, the consolidation process would require additional actions by the Mesa Water District and the Costa Mesa Sanitary District, as well as the Local Agency Formation Commission (“LAFCO”).

Upon Council direction, staff will move forward with the appropriate action.

DANIEL K. BAKER
Assistant to the CEO

ATTACHMENTS: 1 [City Council Policy 000-8](#)
 2 [Resolution to support Measure TT](#)
 3 [“Optimal Governance Structure Study” provided by Arcadis U.S., Inc.](#)
 4 [Sanitary District Memo in response to Arcadis Report](#)