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Satisfying our Community's
Water Needs*

**MINUTES OF THE BOARD OF DIRECTORS
MESA WATER DISTRICT
Thursday, July 28, 2016
1965 Placentia Avenue, Costa Mesa, CA 92627
4:00 p.m. Special Board Meeting**

CALL TO ORDER

The meeting of the Board of Directors was called to order on July 28, 2016 at 4:04 p.m. by President Dewane at the District Office Boardroom, located at 1965 Placentia Avenue, Costa Mesa, California.

PLEDGE OF ALLEGIANCE

Director Fisler led the Pledge of Allegiance.

Directors Present

Shawn Dewane, President
Jim Atkinson, Director
Fred R. Bockmiller, Director
James R. Fisler, Director

Directors Absent

Ethan Temianka, Vice President

Staff Present

Paul E. Shoenberger, P.E., General Manager
Phil Lauri, P. E., Assistant General Manager
Andrew Hamilton, Chief Financial Officer
Stacy Taylor, External Affairs Manager
Stacie Sheek, Customer Services Manager
Cynthia Ragland, Interim Public Affairs Manager
Denise Garcia, Executive Assistant to the General Manager/
Assistant District Secretary
Rob Anslow, Attorney, Bowie, Arneson, Wiles & Giannone

Others Present

Stacy Boisvert, Executive Services Manager, Association of California Cities – Orange County
David Cordero, Senior Account Manager, Communications LAB
Jim Mosher, Member of the Public
A. Patrick Munoz, Partner, Rutan & Tucker LLP
Robert Ooten, Director, Costa Mesa Sanitary District
Tom Pollitt, Member of the Public

PUBLIC COMMENTS

President Dewane asked for public comments on non-agendized items. There were no comments and President Dewane proceeded with the meeting.

ITEMS TO BE WITHDRAWN OR REORDERED ON THE AGENDA

General Manager Shoenberger offered there were no items to be withdrawn or reordered on the agenda.

ACTION ITEMS:

1. PROPOSED ADVISORY MEASURE RELATING TO THE SPECIAL DISTRICTS SHARED EFFICIENCIES PROJECT:

- A. Receive and file the July 26, 2016 Optimal Governance Structure Study prepared by Arcadis U. S., Inc.

President Dewane asked if the District had received any public comments regarding this topic.

General Manager Shoenberger responded that the District had received one written letter from the Costa Mesa Chamber of Commerce. The letter dated July 28, 2016 was read aloud:

“Dear Mesa Water District Board of Directors,

I am writing you on behalf of the Costa Mesa Chamber of Commerce Government Affairs Council. After reviewing the report supplied by Arcadis U.S., Inc. dated July 20, 2016 in which the financial impact of the merger of the Costa Mesa Sanitary District and Mesa Water District is described it clearly appears that there could be a substantial cost savings as well as a reduction in efforts for billing by creating a singular bill to the customers.

As the Costa Mesa Chamber of Commerce represents a very large portion of the Costa Mesa business community it is the chambers belief that the merger would supply a savings of large magnitude, even if the adjusted final numbers are even close to the numbers in the above described report; it would warrant the Chamber's support for this merger.

The Chamber believes this report was written with no bias to one side or the other and finds the report to be factual and trust that the merger would be of great benefit to the city of Costa Mesa.

Please feel free to contact me with any questions you might have regarding this issue.

Sincerely, Kevin A. Coleman (with copies to Board of Director and Chairman-Government Affairs Council and Costa Mesa Chamber of Commerce)”

General Manager Shoenberger introduced the topic. He referred to the Orange County Grand Jury Report addressing Independent Special Districts of Orange County, 2011-2012. The report recommended that special districts should look at being as efficient as possible and should explore consolidating special districts where it makes sense. He offered that most of the water and sewer services in Orange County are managed by one combined service district. Costa Mesa Sanitary District and Mesa Water District are two of only four districts in Orange County that remain as separate special districts providing the same city's sanitary and water services. To explore and improve efficiency and to reduce the size and

cost of government, Mesa Water's Board engaged Arcadis U.S., Inc. to analyze the potential combination of the two Districts.

The Study identified substantial benefits of combining the two agencies, which include significant up-front and annual cost savings. The up-front savings were calculated at \$15.6 million, which equates to \$650 per ratepayer. The annual savings are projected at \$2.7 million, which results in wastewater rate reductions of up to 28%.

Director Atkinson offered that the Little Hoover Commission is conducting a Public Hearing on August 25, 2016 at the State Capitol in Sacramento. This hearing is a follow up to the previous 1999 study and 2000 report on Special Districts. Mesa Water's efficiency efforts are in alignment with recommendations made by the Little Hoover Commission in that study and report.

President Dewane asked for public comments. There were no public comments.

MOTION

Motion by Director Bockmiller, second by Director Atkinson, to receive and file the July 26, 2016 Optimal Governance Structure Study prepared by Arcadis U.S., Inc. Motion passed 4-0-1, with Director Temianka absent.

- B. Adopt Resolution No. 1480 – Calling and giving notice for the holding of a General Municipal Election to be held on November 8, 2016, for the submission to the voters of a Mesa Water District sponsored advisory measure relating to the Special Districts Shared Efficiencies Project, entitled:

RESOLUTION OF THE MESA WATER DISTRICT BOARD OF DIRECTORS ORDERING AND GIVING NOTICE OF THE SUBMISSION TO THE VOTERS OF AN ADVISORY MEASURE RELATING TO THE SPECIAL DISTRICTS SHARED EFFICIENCIES PROJECT AT THE NOVEMBER 8, 2016 CONSOLIDATED REGULAR ELECTION

President Dewane introduced Attorney A. Patrick Muñoz, Partner at Rutan & Tucker LLP, who is serving as special legal counsel for this project.

Attorney Muñoz presented the Board with three resolutions. He stated that Resolution No. 1480 calls for the municipal election, Resolution No. 1481 asks that the municipal election be consolidated with the November 8, 2016 regular election, and Resolution No. 1482 authorizes the Board to set priorities for filing a written argument regarding the advisory measure and to ask for an impartial analysis from legal counsel.

He offered amended text to the Ballot Question:

“Shall the Mesa Water District and the Costa Mesa Sanitary District pursue consolidation if it could result in a one-time savings of up to \$15.6 million, which equates to \$650 per ratepayer, and annual savings of as much as \$2.7 million,

which includes wastewater rate reductions of up to 28%, as identified in the Optimal Governance Structure Study prepared by Arcadis U.S., Inc.?”

Discussion ensued on the content of the recommended text.

RECESS

President Dewane declared a recess at 4:24 p.m. The meeting reconvened at 4:32 p.m.

President Dewane noted that copies of the proposed text of Resolution No. 1480 have been distributed to the Board and meeting attendees.

Director Bockmiller asked staff to provide the Board with the cost of the election.

GM Shoenberger offered the estimated cost of the election per the Orange County Registrar of Voters is \$67,000.

Attorney Muñoz, with the concurrence of Attorney Anslow, recommended adding a Section 14 to the resolution. Recommended language is as follows:

“The Board directs that the Optimal Governance Structure Study prepared by Arcadis U.S., Inc. shall be prominently posted on Mesa Water District’s website no later than August 1, 2016, and shall remain posted to and including November 8, 2016.”

President Dewane asked for public comments.

Director Robert Ooten of the Costa Mesa Sanitary District (CMSD) offered comments. He thanked the Board for updating the report to include information he presented in his public comments at the July 21, 2016 special Board meeting. He questioned the figures listed as the reserves for both Mesa Water District and CMSD. He offered comments on the vulnerability of Mesa Water’s water piping system and Mesa Water’s plan to replace piping.

Member of the Public Jim Mosher offered he is a ratepayer for CMSD, but not Mesa Water. He is doubtful that consolidation is going to be to his advantage. He questioned the District’s decision to spend money on a non-binding vote.

Member of the Public Tom Pollitt offered comments in support of the Special Districts Shared Efficiencies Project.

Director Fidler offered comments on the consolidation process. He noted that the initial non-binding vote of the ratepayers would be taken, but that Orange County Local Agency Formation Commission (OC LAFCO) will make the final decision regarding combining the Districts. Within that process, there will be ample hearings and opportunities at which the public can comment.

Director Bockmiller offered information on Mesa Water’s Asset Replacement Model and the process the District follows to ensure continued service in the most cost effective manner.

MOTION

Motion by Director Bockmiller, second by Director Atkinson, to adopt Resolution No. 1480 Mesa Water District Board of Directors Ordering and Giving Notice of the Submission to the Voters of an Advisory Measure Relating to the Special Districts Shared Efficiencies Project at the November 8, 2016 Consolidated Regular Election, as amended to include the updated Ballot Question language, and to add Section 14, making the Study accessible to the public on the District's website. Motion passed 4-0-1, by the following roll call vote:

AYES: DIRECTORS Atkinson, Bockmiller, Fisler, Dewane
NOES: DIRECTORS None
ABSENT: DIRECTORS Temianka
ABSTAIN: DIRECTORS None

- C. Adopt Resolution No. 1481 – Requesting the Orange County Board of Supervisors to Consolidate a General Municipal Election to be held on November 8, 2016, for the purpose of submitting to the voters located within the Mesa Water District and the Costa Mesa Sanitary District service areas a question relating to an advisory measure referred to as the Advisory Measure Seeking Public Input Regarding the Potential Consolidation of the Mesa Water District and the Costa Mesa Sanitary District.

Attorney Muñoz reiterated that Resolution No. 1481 calls for the consolidation of the General Municipal Election with the Statewide General Election. The resolution should be amended to include the updated Ballot Question language, as just approved with the previous motion.

President Dewane asked for public comments. There were none.

MOTION

Motion by Director Fisler, second by Director Atkinson, to adopt Resolution No. 1481 Mesa Water District Board of Directors Requesting the Orange County Board of Supervisors to Consolidate a General Municipal Election to be held on November 8, 2016, with the Statewide General Election to be held on the Date Pursuant to Section 10403 of the Elections Code, as amended, to include the updated Ballot Question language. Motion passed 4-0-1, by the following roll call vote:

AYES: DIRECTORS Atkinson, Bockmiller, Fisler, Dewane
NOES: DIRECTORS None
ABSENT: DIRECTORS Temianka
ABSTAIN: DIRECTORS None

- D. Adopt Resolution No. 1482 – Authorizing a written argument in support of the proposed advisory measure referred to as Advisory Measure Seeking Public Input Regarding the Potential Consolidation of the Mesa Water District and the Costa Mesa Sanitary District; setting forth priorities for filing a written argument, determining the author(s) of the written argument, and directing District Counsel to prepare an impartial analysis.

Attorney Muñoz stated that Resolution No. 1482 sets priorities for filing a written argument regarding the advisory measure. Those priorities include seeking public input regarding the potential consolidation, filing a written argument, determining the author(s) of the written argument, and directing District Counsel to prepare an impartial analysis. The resolution should be amended to include the updated Ballot Question language as approved by motion earlier tonight. He also recommended the need to add to the motion specific directors authorized to sign the written argument and to designate a Director to work with staff in drafting the argument. Lastly, the Board needs to decide if they would, in fact, like an impartial analysis to be written by Legal Counsel.

Discussion ensued amongst the Board. Director Bockmiller inquired as to potentially being held liable as a signer of the document. He added that, "in adopting this resolution, based on advice of Special Legal Counsel," that the Board "in so signing such a measure...are going to be held to be fully indemnified by the Mesa Water District as to all expenses without limit with regards to defense in any and all matter with regard to such a ballot statement." Attorney Munoz stated, "as a matter of law that is the case already."

President Dewane asked for public comments. There were none.

MOTION

Motion by Director Fisler, second by Director Atkinson, to adopt Resolution No. 1482 Mesa Water District Board of Directors Setting Priorities for Filing a Written Argument Regarding an Advisory Measure and Directing District Counsel to Prepare an Impartial Analysis, as amended to include the updated Ballot Question language, authorization of all five Directors to sign the document, and designation of President Dewane to work with staff and Counsel to draft the argument in favor. Motion passed 4-0-1, by the following roll call vote:

AYES:	DIRECTORS	Atkinson, Bockmiller, Fisler, Dewane
NOES:	DIRECTORS	None
ABSENT:	DIRECTORS	Temianka
ABSTAIN:	DIRECTORS	None

- E. Provide direction to staff on the educational outreach efforts.

Regarding the educational outreach to the public, GM Shoenberger offered that staff is recommending an outreach campaign similar to the one the District conducted for the drought. It would be a smaller campaign with four separate outreach mailings or efforts to educate the public on the nature of the project. President Dewane asked for public comments.

Member of the Public Jim Mosher offered comments.

Discussion ensued amongst the Board, wanting to clarify that the estimated cost for the election per the Orange County Registrar of Voters is \$67,000. The additional and approximate \$88,000 would be for the educational outreach efforts.

MOTION

Motion by Director Atkinson, second by Director Fisler, to approve an educational outreach campaign consisting of, at a minimim, four separate outreach mailings or efforts to educate the public on the nature of the project for an amount not to exceed \$88,000. Motion passed 4-0-1, with Director Temianka absent.

REPORTS:

2. REPORT OF THE GENERAL MANAGER
3. DIRECTORS' REPORTS AND COMMENTS

INFORMATION ITEMS:

4. OTHER (NO ENCLOSURE)

The Special Board Meeting was adjourned at 5:14 p.m.

Approved:



Shawn Dewane, President



Coleen L. Monteleone, District Secretary

Recording Secretary: Sharon D. Brimer