CALL TO ORDER

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS

Items Not on the Agenda: Members of the public are invited to address the Board on items which are not on the agenda. Each speaker is limited to three minutes. The Board will set aside 30 minutes for public comments.

Items on the Agenda: Members of the public may comment on agenda items before action is taken, or after the Board has discussed the item. Each speaker is limited to three minutes. The Board will set aside 60 minutes for public comments.

ITEMS TO BE ADDED, REMOVED, OR REORDERED ON THE AGENDA
At the discretion of the Board, all items appearing on this agenda, whether or not expressly listed as an Action Item, may be deliberated and may be subject to action by the Board.

ACTION ITEMS:

1. STRATEGIC PLAN:

   Recommendation: Identify new strategic goals, objectives and outcomes for Mesa Water District, thereby updating the Strategic Plan for 2018 and beyond.

2. POLICY POSITIONS:

   Recommendation: Review and approve the updated Policy Positions for Mesa Water District.

3. LEGISLATIVE UPDATE:

   Recommendation: Discuss active State bills of high priority to Mesa Water District and approve the recommended positions; and, adopt Resolution No. 1510 – Opposing a Tax on Drinking Water.

4. ANNUAL PERFORMANCE MEASURES AND AUDITS:

   Recommendation: Receive the presentation and direct staff to develop District-wide key performance indicators and performance audits.
5. FINANCIAL GOALS AND RESERVES:

   Recommendation: Receive the information and take action as the Board desires.

6. ORANGE COUNTY LOCAL AGENCY FORMATION COMMISSION MUNICIPAL SERVICE REVIEWS:

   Recommendation: Receive the information and take action as the Board desires.

7. ORDINANCE NO. 28 – DIRECTORS’ COMPENSATION AND EXPENSE REIMBURSEMENT:

   Recommendation: Discuss Directors’ fees and, if determined, direct staff to schedule a public hearing for the April 12, 2018 Board meeting.

8. STAFFING PLAN:

   Recommendation: Approve the staffing plan for Fiscal Year 2019, which includes the elimination of three positions and the conversion of one .75 position to a full-time position.

9. COMMUNICATIONS TRAINING:

   Recommendation: Receive the training and take action as the Board desires.

10. COMMUNICATIONS EQUIPMENT AND SERVICE POLICY:

    Recommendation: Discuss and take action as the Board desires.

REPORTS:

11. REPORT OF THE GENERAL MANAGER:

12. DIRECTORS’ REPORTS AND COMMENTS:

INFORMATION ITEMS:

13. OTHER (NO ENCLOSURE)
In compliance with California law and the Americans with Disabilities Act, if you need disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please call the District Secretary at (949) 631-1205. Notification 48 hours prior to the meeting will enable Mesa Water District (Mesa Water) to make reasonable arrangements to accommodate your requests.

Members of the public desiring to make verbal comments using a translator to present their comments into English shall be provided reasonable time accommodations that are consistent with California law.

Agenda materials that are public records, which have been distributed to a majority of the Mesa Water Board of Directors (Board), will be available for public inspection at the District Boardroom, 1965 Placentia Avenue, Costa Mesa, CA and on Mesa Water’s website at [www.MesaWater.org](http://www.MesaWater.org). If materials are distributed to the Board less than 72 hours prior or during the meeting, the materials will be available at the time of the meeting.

ADJOURN TO A REGULAR BOARD MEETING SCHEDULED FOR THURSDAY, APRIL 12, 2018 AT 6:00 P.M.
RECOMMENDATION

Identify new strategic goals, objectives and outcomes for Mesa Water District, thereby updating the Strategic Plan for 2018 and beyond.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION

Each year, Mesa Water District’s Board of Directors (Board) provides staff with direction regarding Mesa Water’s goals, objectives and outcomes for the coming year. Based on this direction, priorities are established, resources are allocated, and staff works to accomplish the goals and objectives, as directed.

DISCUSSION

As a starting point for this discussion, it is instructive to review the current Strategic Plan. This document was last reviewed and updated by the Board in 2017.

This workshop provides a forum to discuss the potential opportunities and long-term strategic initiatives for the District. Staff has prepared an update to the current Strategic Plan. The status of each goal, objective, and outcome is signified using the following three color system:

- Green - completed/on schedule
- Yellow - pending/behind schedule
- Red - not achieved

Staff has also prepared a “strawman” list of potential new goals, objectives and outcomes for the Board to use in considering future opportunities and potential new initiatives for Mesa Water in 2018 and beyond.

The intent of this agenda item is for the Board to discuss additions, modifications and deletions to the Strategic Plan in a “brainstorming” forum. In discussing both reports, the General Manager will act in a facilitator role. Based on input received from the Board, staff will incorporate any revisions to the Strategic Plan and the District’s Mission and Vision Statements and further analyze...
opportunities and constraints associated with the list of proposed initiatives. Staff will discuss the modifications with the Board to determine the feasibility of the proposed initiatives and develop work plans and schedules. Staff will further incorporate this material into a new Strategic Plan document for review and potential adoption at a subsequent Board meeting.

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: 2017 Strategic Plan Status
Attachment B: Strawman 2018 Strategic Plan
Attachment C: 2018 Strategic Plan Redline
2017 Strategic Plan
Mission Statement

“Dedicated to satisfying our community’s water needs”

Vision

To be a top performing public water agency

Strategic Goals

1. Provide a safe, abundant, and reliable water supply.
2. Practice perpetual infrastructure renewal and improvement.
3. Be financially responsible and transparent.
4. Increase public awareness about Mesa Water and about water.
5. Attract and retain skilled employees.
6. Provide outstanding customer service.
7. Actively participate in regional water issues.
Strategic Goal #1

Provide a safe, abundant, and reliable water supply.

Objective A: Continue to meet and surpass water quality standards.
- Meet and surpass primary water quality standards
- Meet and surpass secondary water quality standards
- Perform required water quality tests annually
- Analyze nitrification modeling results and implement recommendations

Objective B: Maintain and protect a high quality water supply.
- Efficiently maintain backflow, cross-connection, and recycled water programs to protect the water system from contamination

Objective C: Continue to ensure a reliable and abundant supply of water.
- Provide a 100 percent local and reliable water supply portfolio
- Report on our ability to supply 100 percent local water with marginal capacity
- Initiate design of a new well to provide 115% of demand

Objective D: Ensure emergency operations.
- Conduct regular testing of all backup power and communications systems
- Evaluate, identify, and implement emergency power plan needs at Operations and Administrative facilities
- Upgrade EOC equipment and facilities as needed
- Participate in Regional Emergency Response exercises

Outcome 1: Meet all water quality standards – in both health and aesthetics.

Outcome 2: Drought-proof local water supply in all conditions.

Outcome 3: Maintain the ability to serve 100 percent imported water supply.
Strategic Goal #2

**Practice perpetual infrastructure renewal and improvement.**

**Objective A: Manage water infrastructure assets to assure reliability.**
- Continue Well Rehabilitation and Automation Construction Project
- Complete and implement an Asset Management Plan
- Continue actively managing Pipeline Integrity Testing Program
- Solicit construction bids for OC-44 Pipeline Rehabilitation Project FY 2019 Construction

**Objective B: Efficiently manage our water system.**
- Develop efficient operational protocols for production distribution and water quality systems
- Fully utilize Mesa Water’s Computerized Maintenance Management System (CMMS)
- Routinely evaluate operational energy and chemical consumption metrics

**Objective C: Manage Mesa Water’s information technology infrastructure assets to assure reliability.**
- Implement Business Process Evaluation
- Implement Information Technology Master Plan

**Outcome 1:** Orderly infrastructure refurbishment and replacement.

**Outcome 2:** Fund and execute the 5-year Capital Improvement and Replacement Plan for each fiscal year.

**Outcome 3:** Train and fully use Mesa Water’s CMMS.

**Outcome 4:** Implement Business Process Evaluation recommendations.

**Outcome 5:** Achieve world-class water loss status.

**Outcome 6:** Develop and monitor operational energy and chemical tracking tool in Mesa Water’s CMMS.

**Outcome 7:** Develop standard operating procedures for operations work.
Strategic Goal #3

Be financially responsible and transparent.

Objective A: Maintain AAA financial goals and meet the appropriate designated fund level goals.
- Report quarterly on AAA goals and designated funds

Objective B: Maintain competitive rates and efficiency in per capita expenditures.
- Evaluate true cost of water to the customer compared to benchmark agencies
- Administer investment portfolio consistent with policies
- Support rates that are fair, understandable, and prudent for the District’s financial stability and sustainability as a perpetual agency

Objective C: Fund the Board’s and District’s priorities.
- Prepare a balanced budget that funds Board and District priorities
- Produce timely and accurate financial reports including Comprehensive Annual Financial Report and State Controller’s Report
- Prepare quarterly financial reports and accurately projected year end results
- Conduct accurate and timely monthly close accounting

- Provide key financial documents on the website
- Provide Board and staff total compensation, salary, and benefits structure on the website
- Provide Board meeting agendas, meeting packets, and meeting minutes on the website
- Prohibit evergreen contracts
- Develop and operate Fraud Hotline

Outcome 1: Meet Board’s annual targets for cash on hand and days cash ratio.

Outcome 2: Maintain debt service ratio.

Outcome 3: Comprehensive organizational transparency.
Strategic Goal #4

*Increase public awareness about Mesa Water and about water.*

**Objective A: Enhance Mesa Water’s visibility and positive recognition.**
- Facilitate accolades/awards for and from Mesa Water
- Improve Mesa Water’s news bureau and social media
- Establish MesaWater.org analytics

**Objective B: Increase awareness of Mesa Water and water among key audiences.**
- Manage Mesa Water’s community relations campaign
- Operate Mesa Water’s water education and ambassador programs
- Update and implement Mesa Water Speaker’s Bureau
- Leverage MWRF for outreach opportunities

**Objective C: Unify Mesa Water messaging and publications.**
- Continue industry relations to promote awareness of District’s name and brand
- Strengthen Mesa Water’s communications by using consistent look and voice
- Provide Mesa Water Board and staff with key messages and information

**Outcome 1:** Create social media benchmark assessment and plan to grow engagement.

**Outcome 2:** Implement new format for Water Issues Study Group/ambassador program.

**Outcome 3:** Finalize Crisis Communication Plan and conduct training.
Strategic Goal #5

Attract and retain skilled employees.

Objective A: Attract and retain a qualified, skilled, and capable workforce.
- Prepare Annual Employee Turnover Report
- Negotiate a new Memorandum of Understanding

Objective B: Build employee skills.
- Fully train a minimum of two employees in key processes to ensure accountability and sustainability
- Develop and implement an operational and institutional knowledge transfer plan
- Provide employee training

Objective C: Enhance employee relations.
- Survey and report on employee events
- Implement Human Resources Information System

Objective D: Provide annual safety program audit.

**Outcome 1:** Fully staffed organization.

**Outcome 2:** Minimize turnover.

**Outcome 3:** Provide quarterly training report.
Strategic Goal #6

Provide outstanding customer service.

Objective A: Provide outstanding internal and external customer service in a timely, courteous, and effective manner.
- Encourage and support colleagues and help others find solutions to problems
- Speak professionally with a positive tone of voice
- Resolve issue on first point of contact

Objective B: Enhance the customer experience.
- Update and implement customer service standards
- Listen carefully to understand the real need of the customer
- Be empathetic to the customer’s situation
- Respond to all requests promptly and, when information isn’t immediately available, provide a timeframe for the resolution

Objective C: Measure success.
- Establish and implement measures of success that ensure continuous improvement
- Survey customer satisfaction for walk-in and telephone service

Objective D: Continuous improvement and reinforcement.
- Implement reinforcement system for customer service skills and behaviors
- Use feedback from customers and the internal organization for continuous process improvement

Outcome 1: Answer telephone calls in less than 10 seconds (average).

Outcome 2: Smile and greet customers and colleagues in a warm and friendly manner.

Outcome 3: Train staff on both universal and function specific standards.

Outcome 4: Implement monthly metrics report.

Outcome 5: All staff participates in annual customer service training.

Outcome 6: Recognize and celebrate the good work of employees.
Strategic Goal #7

Actively participate in regional water issues.

**Objective A: Actively engage in regional water issues.**
- Attend OCWD and MWDOC meetings and engage in regional water issues
- Update the Board’s policy positions and legislative platforms for issues that impact Mesa Water

**Objective B: Facilitate Board and staff participation in water, governance utility, community and environmental organizations.**
- Support current Board and staff participation in organizations such as LAFCO, OCWA, ACWA, WACO, ACWA/JPIA, CalDesal, SAWPA and Groundwater Producers; proactively seek opportunities for additional participation
- Support Board and staff participation in non-governmental associations, as appropriate

**Objective C: Accomplish the Board’s Policy Priorities.**
- Develop the Board’s local and regional water policy priorities
- Work to achieve the Board’s local and regional water policy priorities

**Outcome 1:** External Affairs Plan.

**Outcome 2:** 2017 Legislative Platforms.

**Outcome 3:** Positively influence and be a leader of water issues important to Mesa Water.

**Outcome 4:** Increase awareness of Mesa Water in the water industry and community.
Mission Statement

“Dedicated to satisfying our community’s water needs”

Vision

To be a top performing public water agency

Strategic Goals

1. Provide a safe, abundant, and reliable water supply.

2. Practice perpetual infrastructure renewal and improvement.

3. Be financially responsible and transparent.

4. Increase public awareness about Mesa Water and about water.

5. Attract and retain skilled employees.

6. Provide outstanding customer service.

7. Actively participate in regional water issues.
Strategic Goal #1

*Provide a safe, abundant, and reliable water supply.*

**Objective A: Continue to meet and surpass water quality standards.**
- Meet and surpass primary water quality standards
- Meet and surpass secondary water quality standards
- Perform required water quality tests annually
- Analyze free chlorine conversion study and implement recommendations

**Objective B: Maintain and protect a high quality water supply.**
- Efficiently maintain backflow, cross-connection, and recycled water programs to protect the water system from contamination

**Objective C: Continue to ensure a reliable and abundant supply of water.**
- Provide a 100 percent local and reliable water supply portfolio
- Report on our ability to supply 100 percent local water with marginal capacity
- Complete design of 2 new wells to provide 115% of demand

**Objective D: Ensure emergency operations.**
- Conduct regular testing of all backup power and communications systems, emergency generators, propane system and radios (with WEROC)
- Evaluate, identify, and implement emergency power plan needs at Operations and Administrative facilities
- Upgrade EOC equipment and facilities as needed
- Participate in Regional Emergency Response exercises

**Outcome 1:** Meet all water quality standards – in both health and aesthetics.

**Outcome 2:** Drought-proof local water supply in all conditions.

**Outcome 3:** Maintain the ability to serve 100 percent imported water supply.
Strategic Goal #2

Practice perpetual infrastructure renewal and improvement.

Objective A: Manage water infrastructure assets to assure reliability.
- Complete Well Rehabilitation and Automation Construction Project
- Complete and implement an Asset Management Plan
- Continue actively managing Pipeline Integrity Testing Program
- Solicit construction bids for OC-44 Pipeline Rehabilitation Project in FY 2020 Construction
- Solicit construction bids for new wells and pipeline project in FY 2020

Objective B: Efficiently manage our water system.
- Develop efficient operational protocols for production distribution and water quality systems, ongoing updates to existing and new
- Fully utilize Mesa Water’s Computerized Maintenance Management System (CMMS) and complete asset update and PM’s for new equipment
- Routinely evaluate operational energy and chemical consumption metrics upon completion of Well Automation Project

Objective C: Manage Mesa Water’s information technology infrastructure assets to assure reliability.
- Implement Business Process Evaluation
- Implement Information Technology Master Plan

Outcome 1: Orderly infrastructure refurbishment and replacement.

Outcome 2: Fund and execute the 5-year Capital Improvement and Replacement Plan for each fiscal year.

Outcome 3: Train and fully use Mesa Water’s CMMS.


Outcome 5: Achieve world-class water loss status.

Outcome 6: Develop and monitor operational energy and chemical tracking tool in Mesa Water’s CMMS.

Outcome 7: Develop standard operating procedures for operations work.
Strategic Goal #3

Be financially responsible and transparent.

Objective A: Maintain AAA financial goals and meet the appropriate designated fund level goals.
- Report quarterly on AAA goals and designated funds

Objective B: Maintain competitive rates and efficiency in per capita expenditures.
- Evaluate true cost of water to the customer compared to benchmark agencies
- Administer investment portfolio consistent with policies
- Support rates that are fair, understandable, and prudent for the District’s financial stability and sustainability as a perpetual agency

Objective C: Fund the Board’s and District’s priorities.
- Prepare a balanced budget that funds Board and District priorities
- Produce timely and accurate financial reports including Comprehensive Annual Financial Report and State Controller’s Report
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- Provide Board and staff total compensation, salary, and benefits structure on the website
- Provide Board meeting agendas, meeting packets, and meeting minutes on the website
- Prohibit evergreen contracts
- Develop and operate Fraud Hotline

Outcome 1: Meet Board’s annual targets for cash on hand and days cash ratio.

Outcome 2: Maintain debt service ratio.

Outcome 3: Comprehensive organizational transparency.
Strategic Goal #4

*Increase public awareness about Mesa Water and about water.*

**Objective A: Enhance Mesa Water’s visibility and positive recognition.**
- Facilitate accolades/awards for and from Mesa Water
- Improve Mesa Water’s news bureau and social media
- Establish MesaWater.org analytics

**Objective B: Increase awareness of Mesa Water and water among key audiences.**
- Manage Mesa Water’s community relations campaign
- Operate Mesa Water’s water education and ambassador programs
- Conduct customer survey

**Objective C: Unify Mesa Water messaging and publications.**
- Strengthen Mesa Water’s brand image/identity by using consistent look and voice
- Provide Mesa Water Board and staff with key messages and information

**Outcome 1:** Create social media plan to grow and measure engagement.
**Outcome 2:** Customer survey results.
**Outcome 3:** Finalize style guide.
Strategic Goal #5

Attract and retain skilled employees.

Objective A: Attract and retain a qualified, skilled, and capable workforce.
- Prepare Annual Employee Turnover Report

Objective B: Build employee skills.
- Fully train a minimum of two employees in key processes to ensure accountability and sustainability
- Develop and implement an operational and institutional knowledge transfer plan
- Provide employee training

Objective C: Enhance employee relations.
- Survey and report on employee events
- Implement Human Resource Information System

Objective D: Provide annual safety program audit.

Outcome 1: Fully staffed organization.

Outcome 2: Minimize turnover.

Outcome 3: Provide quarterly training report.
Strategic Goal #6

Provide outstanding customer service.

**Objective A:** Provide outstanding internal and external customer service in a timely, courteous, and effective manner.
- Encourage and support colleagues and help others find solutions to problems
- Speak professionally with a positive tone of voice
- Resolve issue on first point of contact

**Objective B:** Enhance the customer experience.
- Update and implement customer service standards
- Listen carefully to understand the real need of the customer
- Be empathetic to the customer’s situation
- Respond to all requests promptly and, when information isn’t immediately available, provide a timeframe for the resolution

**Objective C:** Measure success.
- Establish and implement measures of success that ensure continuous improvement
- Survey customer satisfaction for walk-in and telephone service

**Objective D:** Continuous improvement and reinforcement.
- Implement reinforcement system for customer service skills and behaviors
- Use feedback from customers and the internal organization for continuous process improvement

**Outcome 1:** Answer telephone calls in less than 10 seconds (average).

**Outcome 2:** Smile and greet customers and colleagues in a warm and friendly manner.

**Outcome 3:** Train staff on both universal and function specific standards.

**Outcome 4:** Implement monthly metrics report.

**Outcome 5:** All staff participates in annual customer service training.

**Outcome 6:** Recognize and celebrate the good work of employees.
Strategic Goal #7

*Actively participate in regional water issues.*

**Objective A: Actively engage in regional water issues.**
- Attend OCWD and MWDOC meetings and engage in regional water issues
- Update the Board’s policy positions and legislative platforms for issues that impact Mesa Water

**Objective B: Facilitate Board and staff participation in water, governance utility, community and environmental organizations.**
- Support current Board and staff participation in organizations such as LAFCO, OCWA, ACWA, WACO, ACWA/JPIA, CalDesal, SAWPA, ACC-OC, AWWA, CSDA, ISDOC, OCBC, SCWC, SWMOA, UWI and Groundwater Producers; proactively seek opportunities for additional participation
- Support Board and staff participation in non-governmental associations, as appropriate

**Objective C: Accomplish the Board’s Policy Priorities.**
- Develop the Board’s local and regional water policy priorities
- Work to achieve the Board’s local and regional water policy priorities

**Outcome 1:** 2018 Policy Positions

**Outcome 2:** 2018 Legislative Platforms.

**Outcome 3:** Positively influence and be a leader of water issues important to Mesa Water.

**Outcome 4:** Increase awareness of Mesa Water in the water industry and community.
Mesa Water District

2018 Strategic Plan
Mission Statement

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5. Attract and retain skilled employees.

6. Provide outstanding customer service.

7. Actively participate in regional water issues.
Strategic Goal #1

Provide a safe, abundant, and reliable water supply.

Objective A: Continue to meet and surpass water quality standards.
- Meet and surpass primary water quality standards
- Meet and surpass secondary water quality standards
- Perform required water quality tests annually
- Analyze free chlorine conversion study and implement recommendations

Objective B: Maintain and protect a high quality water supply.
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Objective D: Ensure emergency operations.
- Conduct regular testing of all backup power and communications systems, emergency generators, propane system and radios (with WEROC)
- Evaluate, identify, and implement emergency power plan needs at Operations and Administrative facilities
- Upgrade EOC equipment and facilities as needed
- Participate in Regional Emergency Response exercises

Outcome 1: Meet all water quality standards – in both health and aesthetics.

Outcome 2: Drought-proof local water supply in all conditions.

Outcome 3: Maintain the ability to serve 100 percent imported water supply.
Strategic Goal #2
Practice perpetual infrastructure renewal and improvement.

Objective A: Manage water infrastructure assets to assure reliability.
- Complete and continue Well Rehabilitation and Automation Construction Project
- Complete and implement an Asset Management Plan
- Continue actively managing Pipeline Integrity Testing Program
- Solicit construction bids for OC-44 Pipeline Rehabilitation Project in FY 2019 Construction
- Solicit construction bids for new wells and pipeline project in FY 2020

Objective B: Efficiently manage our water system.
- Develop efficient operational protocols for production distribution and water quality systems, ongoing updates to existing and new
- Fully utilize Mesa Water’s Computerized Maintenance Management System (CMMS) and complete asset update and PM’s for new equipment
- Routinely evaluate operational energy and chemical consumption metrics upon completion of Well Automation Project

Objective C: Manage Mesa Water’s information technology infrastructure assets to assure reliability.
- Implement Business Process Evaluation
- Implement Information Technology Master Plan

Outcome 1: Orderly infrastructure refurbishment and replacement.

Outcome 2: Fund and execute the 5-year Capital Improvement and Replacement Plan for each fiscal year.

Outcome 3: Train and fully use Mesa Water’s CMMS.


Outcome 5: Achieve world-class water loss status.

Outcome 6: Develop and monitor operational energy and chemical tracking tool in Mesa Water’s CMMS.

Outcome 7: Develop standard operating procedures for operations work.
Strategic Goal #3

Be financially responsible and transparent.

Objective A: Maintain AAA financial goals and meet the appropriate designated fund level goals.
- Report quarterly on AAA goals and designated funds

Objective B: Maintain competitive rates and efficiency in per capita expenditures.
- Evaluate true cost of water to the customer compared to benchmark agencies
- Administer investment portfolio consistent with policies
- Support rates that are fair, understandable, and prudent for the District’s financial stability and sustainability as a perpetual agency

Objective C: Fund the Board’s and District’s priorities.
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- Provide Board and staff total compensation, salary, and benefits structure on the website
- Provide Board meeting agendas, meeting packets, and meeting minutes on the website
- Prohibit evergreen contracts
- Develop and operate Fraud Hotline

Outcome 1: Meet Board’s annual targets for cash on hand and days cash ratio.

Outcome 2: Maintain debt service ratio.

Outcome 3: Comprehensive organizational transparency.
Strategic Goal #4

*Increase public awareness about Mesa Water and about water.*

**Objective A: Enhance Mesa Water’s visibility and positive recognition.**
- Facilitate accolades/awards for and from Mesa Water
- Improve Mesa Water’s news bureau and social media
- Establish MesaWater.org analytics

**Objective B: Increase awareness of Mesa Water and water among key audiences.**
- Manage Mesa Water’s community relations campaign
- Operate Mesa Water’s water education and ambassador programs
- Update and implement Mesa Water Speaker’s Bureau
- Leverage MWRF for outreach opportunities
- Conduct customer survey

**Objective C: Unify Mesa Water messaging and publications.**
- Continue industry relations to promote awareness of District’s name and brand
- Strengthen Mesa Water’s brand image/identitycommunications by using consistent look and voice
- Provide Mesa Water Board and staff with key messages and information

**Outcome 1:** Create social media benchmark assessment and plan to grow and measure engagement.

**Outcome 2:** Implement new format for Water Issues Study Group/ambassador program.

**Outcome 2:** Customer survey results.

**Outcome 3:** Finalize style guide Crisis Communication Plan and conduct training.
Strategic Goal #5

**Attract and retain skilled employees.**

**Objective A: Attract and retain a qualified, skilled, and capable workforce.**
- Prepare Annual Employee Turnover Report
- Negotiate a new Memorandum of Understanding

**Objective B: Build employee skills.**
- Fully train a minimum of two employees in key processes to ensure accountability and sustainability
- Develop and implement an operational and institutional knowledge transfer plan
- Provide employee training

**Objective C: Enhance employee relations.**
- Survey and report on employee events
- Implement Human Resource Information System

**Objective D: Provide annual safety program audit.**

**Outcome 1:** Fully staffed organization.

**Outcome 2:** Minimize turnover.

**Outcome 3:** Provide quarterly training report.
Strategic Goal #6

*Provide outstanding customer service.*

**Objective A:** Provide outstanding internal and external customer service in a timely, courteous, and effective manner.
- Encourage and support colleagues and help others find solutions to problems
- Speak professionally with a positive tone of voice
- Resolve issue on first point of contact

**Objective B:** Enhance the customer experience.
- Update and implement customer service standards
- Listen carefully to understand the real need of the customer
- Be empathetic to the customer’s situation
- Respond to all requests promptly and, when information isn’t immediately available, provide a timeframe for the resolution

**Objective C:** Measure success.
- Establish and implement measures of success that ensure continuous improvement
- Survey customer satisfaction for walk-in and telephone service

**Objective D:** Continuous improvement and reinforcement.
- Implement reinforcement system for customer service skills and behaviors
- Use feedback from customers and the internal organization for continuous process improvement

**Outcome 1:** Answer telephone calls in less than 10 seconds (average).

**Outcome 2:** Smile and greet customers and colleagues in a warm and friendly manner.

**Outcome 3:** Train staff on both universal and function specific standards.

**Outcome 4:** Implement monthly metrics report.

**Outcome 5:** All staff participates in annual customer service training.

**Outcome 6:** Recognize and celebrate the good work of employees.
Strategic Goal #7

Actively participate in regional water issues.

Objective A: Actively engage in regional water issues.
- Attend OCWD and MWDOC meetings and engage in regional water issues
- Update the Board’s policy positions and legislative platforms for issues that impact Mesa Water

Objective B: Facilitate Board and staff participation in water, governance utility, community and environmental organizations.
- Support current Board and staff participation in organizations such as LAFCO, OCWA, ACWA, WACO, ACWA/JPIA, CalDesal, SAWPA, ACC-OC, AWWA, CSDA, ISDOC, OCBC, SCWC, SWMOA, UWI and Groundwater Producers; proactively seek opportunities for additional participation
- Support Board and staff participation in non-governmental associations, as appropriate

Objective C: Accomplish the Board’s Policy Priorities.
- Develop the Board’s local and regional water policy priorities
- Work to achieve the Board’s local and regional water policy priorities


Outcome 2: 2018 Legislative Platforms.

Outcome 3: Positively influence and be a leader of water issues important to Mesa Water.

Outcome 4: Increase awareness of Mesa Water in the water industry and community.
TO:    Board of Directors  
FROM: Stacy Taylor, External Affairs Manager  
DATE: March 26, 2018  
SUBJECT: Policy Positions  

RECOMMENDATION  

Review and approve the updated Policy Positions for Mesa Water District.  

STRATEGIC PLAN  

Goal #1: Provide a safe, abundant, and reliable water supply.  
Goal #2: Practice perpetual infrastructure renewal and improvement.  
Goal #3: Be financially responsible and transparent.  
Goal #4: Increase public awareness about Mesa Water and about water.  
Goal #5: Attract and retain skilled employees.  
Goal #6: Provide outstanding customer service.  
Goal #7: Actively participate in regional water issues.  

PRIOR BOARD ACTION/DISCUSSION  

At its April 18, 2016 workshop, the Board of Directors (Board) reviewed and approved the updated Policy Positions for Mesa Water District.  

DISCUSSION  

The purpose of a Policy Positions document for Mesa Water District (Mesa Water®) is to establish positions, agreed upon by the Board, on public policies in order to guide our staff and legislative advocates in monitoring, identifying, evaluating, and prioritizing legislation, regulation, and water/government industry issues that may impact Mesa Water® and our constituents’ interests. To be updated on an as-needed basis, our Policy Positions contribute to all of Mesa Water’s vision, mission and strategic plan goals.  

Additionally, because we are increasingly engaged with State legislation and industry groups -- such as the Association of California Water Agencies, California Special Districts Association, and others -- as well as with regional and local industry associations (i.e., Association of California Cities-Orange County, Orange County Business Council, etc.), an updated Policy Positions document is important for Mesa Water to be actively involved with, and influence, governance and water/utility public policy decisions that can impact our operations, customers, and community.  

Our updated Policy Positions (Attachment A) establishes parameters that provide for timely response to certain types of issues, legislation, and/or regulation affecting Mesa Water (i.e., development/treatment of new local water supplies including desalination, infrastructure funding and fiscal policies, local control, water pricing and conservation, water quality mandates, water resources public policy, transparency issues, etc.). Any issues with complex implications requiring added clarification will be presented to the Board for further direction.
Also for the Board's consideration is a Proposed Policy Position regarding Basin Storage and Exchange Programs (Attachment C).

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: Proposed Amended Policy Positions
Attachment B: Redline Proposed Amended Policy Positions
Attachment C: Proposed Policy Position re. Basin Storage and Exchange Programs
Policy Positions
Updated: March 26, 2018

Mesa Water District (Mesa Water) supports:

1. Groundwater Quality Protection
   a. Support Orange County Water District’s (OCWD) current groundwater quality protection programs
      i. Basin Equity Assessment (BEA) Exemption Program for Impaired Groundwater (including the Mesa Water Reliability Facility)
      ii. The MTBE, North Basin, and South Basin groundwater protection projects
      iii. The Tustin and Irvine desalters
   b. Encourage OCWD to protect the basin from chlorides caused by seawater intrusion
      i. Encourage OCWD to set a goal of maintaining protective elevations along the coast
      ii. Encourage OCWD to hold semi-annual barrier meetings with Coastal Agencies (Huntington Beach, Mesa Water, and Seal Beach)
      iii. Encourage semi-annual reporting on the barrier

2. Policies that raise and stabilize the Basin Pumping Percentage (BPP)
   a. Support OCWD setting a target BPP that they intend to consistently meet
   b. Support new water supply projects that help achieve this goal
   c. Support OCWD adopting a water supply policy that sets a goal of developing water supply and recharge capabilities, including purchasing replenishment water, or other actions that result in a reliable and predictable source of groundwater at a BPP of 80 percent. A goal of this policy is to accomplish this with a cost-neutral, or better, impact on producers when the avoided cost of purchasing imported water is considered.

3. Policies that keep the basin full
   a. Support OCWD adhering to the BPP-setting formula
   b. Support maximum production at the Groundwater Replenishment System (GWRS) to ensure a cost-effective, high-quality, environmentally-friendly and sustainable local water supply that benefits all OCWD producers and that increases the region’s current and future water reliability
   c. Support maximum wastewater flows treatable by the GWRS to the Orange County Sanitation District (OCSD) -- and support OCSD/OCWD’s permanent acquisition of such wastewater flows -- to ensure source reliability for the GWRS

4. Annexations
   a. Support financially neutral annexations into OCWD

5. A financially strong OCWD
   a. Support policies and practices that maintain OCWD’s current AAA credit rating from two of the three credit rating agencies

6. The potential merger of the Municipal Water District of Orange County (MWDOC) and the Orange County Water District (OCWD) if the merger:
   a. is mutually agreed upon by both MWDOC and OCWD;
   b. results in efficiencies and economic savings for the members of both agencies;
   c. improves or, at a minimum, preserves the quality, reliability and sustainability of wholesale water services to the members of both agencies;
d. preserves the interests of groundwater producers currently existing within Orange County’s groundwater basin and protects those interests from diminished groundwater resources or supplies;

e. preserves the existing boundaries of the Orange County groundwater basin for pumping and storage purposes;

f. allows the Orange County groundwater basin to remain unadjudicated;

g. respects the one person one vote principle if the new Board of Directors is a wholly elected board;

h. is facilitated openly and transparently; and,

i. increases the effectiveness of Orange County’s representation at Metropolitan Water District of Southern California, with a coordinated and unified voice representing Orange County.

7. A strong independent Municipal Water District of Orange County (MWDOC)

a. Support MWDOC’s current mission and geographic boundaries, and oppose any efforts to break up the agency

b. Encourage MWDOC and OCWD exploring mutual areas of efficiency

c. Support any governance change agreed to by the MWDOC board

8. Increased influence at Metropolitan Water District of Southern California (MWD)

a. Support increased allocations of MWDOC resources for engagement at MWD

b. Support coordination of the entire Orange County MWD delegation

9. MWDOC’s priority initiatives at MWD

a. Protect Mesa Water’s service area from any cost shifts as a result of the San Diego County Water Authority lawsuit

b. Encourage continued efforts in improving the Delta

c. Seek opportunities for MWD to provide assistance (or partnership) with MWDOC on developing desalination in Orange County

d. Continue to support MWD’s discounted replenishment water program

10. Close working relationships with MWDOC on local issues and programs for which the organization is advocating at MWD

11. The current Mesa Water Strategic Plan, including the District’s goals to:

a. Provide a safe, abundant, and reliable water supply.

b. Practice perpetual infrastructure renewal and improvement.

c. Be financially responsible and transparent.

d. Increase public awareness about Mesa Water and about water.

e. Attract and retain skilled employees.

f. Provide outstanding customer service.

g. Actively participate in regional water issues.

12. The development of cost-effective and environmentally sensitive sources of water, including recycling, groundwater clean-up, conservation, and desalination

13. The potential Huntington Beach Ocean Desalter project because it can possibly provide a new, reliable, quality water supply that is appropriately priced

14. The co-equal goals of improved water supply reliability and Delta ecosystem health

15. The efficient use of water, water rates based on true costs, and tax-free revenue

16. Theft prevention of municipal metal infrastructure, such as fire hydrants, manhole covers, and backflow devices
Mesa Water opposes:
1. The encroachment of Mesa Water easements, rights-of-way, and property without negotiation, agreed upon compensation, and advance approval at the sole discretion of the District
Mesa Water District (Mesa Water) supports:

1. Groundwater Quality Protection
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14. The co-equal goals of improved water supply reliability and Delta ecosystem health

15. The efficient use of water, water rates based on true costs, and tax-free revenue

16. Theft prevention of municipal metal infrastructure, such as fire hydrants, manhole covers, and backflow devices
Mesa Water opposes:

1. The inclusion of Delta economic development goals in the Fifth Draft Delta Plan
2.1. The encroachment of Mesa Water easements, rights-of-way, and property without negotiation, agreed upon compensation, and advance approval at the sole discretion of the District
3.2. The H.R. 4345, The Domestic Fuels Protection Act of 2012
Mesa Water District
Policy Position
Basin Storage and Exchange Programs

Mesa Water District will consider basin storage and exchange programs where the primary benefits accrue to OCWD, its Groundwater Producers and the ratepayers they serve.

Mesa Water supports:
- Deferring entering into any agreements until the IRWD vs. OCWD lawsuit is resolved.
- Deferring entering into any agreements until the MWD Conjunctive Use Program has been terminated.
- Maximizing the beneficial use of the Basin while maximizing Basin Pumping Percentage (BPP) for the Groundwater Producers overlying the Basin.

Mesa Water supports programs that apply the “Beneficiaries Pay” principle and address the following cost related issues:
- Full cost recovery of a proportional share of the historic and future capital investments as well as operations and maintenance costs incurred by OCWD to manage the Basin.
- Full cost recovery of the proportional value that entry into the Basin affords, including the value of reliability (and thus loss of reliability to the Groundwater Producers through the loss of available storage capacity) and the value of treatment.
- Accounting for water loss in a current or future year (both lost out of the Basin and lost due to inability to spread or extract).
- Addressing the cost-related bullet points above is merely a “break even” deal. Any program should bring significant benefits in excess of the above to OCWD and its Groundwater Producers.
MEMORANDUM

TO: Board of Directors  
FROM: Stacy Tayor, External Affairs Manager  
DATE: March 26, 2018  
SUBJECT: Legislative Update

RECOMMENDATION

Discuss active State bills of high priority to Mesa Water District and approve the recommended positions; and, adopt Resolution No. 1510 - Opposing a Tax on Drinking Water.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.  
Goal #2: Practice perpetual infrastructure renewal and improvement.  
Goal #3: Be financially responsible and transparent.  
Goal #4: Increase public awareness about Mesa Water® and about water.  
Goal #5: Attract and retain skilled employees.  
Goal #6: Provide outstanding customer service.  
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

None.

DISCUSSION

The first three months of the 2018 legislative session has been quite active in Sacramento with Mesa Water District (Mesa Water®) consultants and staff engaged in advocacy related to several high-priority bill proposals, including 2-year bills from 2017, newly introduced legislation, and a new Budget Trailer Bill (BTB). Listed below is information about key bill proposals that would greatly impact Mesa Water® and, thus, are high priority for our state legislative affairs.

Conservation Legislation: AB 1668 (Friedman, D-Burbank) / SB 606 (Hertzberg, D-Van Nuys & Skinner, D-Oakland) – Throughout the 2017 legislative session, Mesa Water staff and consultants have actively participated with a statewide coalition of water providers to develop legislation related to urban water use and drought planning to implement Governor Brown’s Executive Order “Making Water Conservation a California Way of Life.” Meanwhile, on the regulatory side, the State Water Resources Control Board (SWRCB) is considering making permanent the water use restrictions implemented under its emergency authority during the recent statewide drought.

On the legislative side, the authors of AB 1668 and SB 606 proposed amendments earlier this month that bring the bills closer to the coalition’s requested amendments (Attachment A). While progress has been made with the bill proposals moving closer to the coalition’s policy principles, more work is needed on remaining issues including, but not limited to, the following:

• Credit for Potable Reuse – the bills now use the term “bonus” incentive (instead of “credit”), with the incentive amount remaining at 10% while many coalition members are seeking an incentive of up to 30% for potable reuse water.
• Drought Resilient Water Supplies – the bills would provide no protection during a drought of these locally-developed supplies (i.e., GWR, MWRF, etc.) that water providers and their ratepayers have invested in to “drought-proof” their community.

• Performance Measures for CII – the bills would obligate water suppliers to implement SWRCB-adopted measures without consideration of costs/feasibility.

Given the importance of the above issues to Mesa Water and the coalition, the continued position of Oppose Unless Amended is recommended on AB 1668 / SB 606.

Water Shutoffs Legislation: SB 998 (Dodd, D-Napa) – As introduced earlier this year, this bill would, under the State Attorney General’s authority: 1) delay and/or prohibit shutoffs by a water agency under certain circumstances and impair a water agency’s ability to collect revenue for water service; 2) require a local health department assessment/determination as to whether a water shutoff would pose grave threat to the resident’s health and safety; 3) stipulate a water agency’s service re-connection process and fees; 4) mandate that a water agency list shutoff data on its website; and, 5) require a water agency to include specified elements in its shutoff policy.

In addition to this bill’s contradictory and undefined text, as proposed, SB 998 would create an unfunded government subsidy, on pain of penalty to water agencies, for a select group of water consumers by protecting those who are delinquent in making payments to their water agency for their water service costs. With no provision for how such subsidies would be accounted or paid for by either water agencies or the State, the unintended consequence of this omission would result in de facto rate tier structures whereby a select group of water consumers pay less per unit of water consumed than other rate-paying customers, irrespective of the actual cost of service.

This effective cost-shifting and subsidization would violate California Constitution’s Article XIII D. Furthermore, any efforts by water agencies to increase rates upon customers to offset the revenue losses would trigger Constitutional challenges based on Propositions 26 and 218. Mesa Water staff and consultants are actively engaged with a coalition made up of the Association of California Water Agencies (ACWA), California Municipal Utilities Association (CMUA), the California Water Association, and others, to put forth improved language for this bill. The coalition currently has an Oppose Unless Amended position on SB 998. Given Mesa Water’s support of Prop. 218 of the California constitution, per our legislative platforms, the position of Oppose Unless Amended is recommended on SB 998.

Water Tax Legislation: SB 623 (Monning, D-Carmel) / “Safe and Affordable Drinking Water Act” Budget Trailer Bill – ACWA and its member agencies, including Mesa Water, were actively engaged in 2017 on SB 623 which continues as a 2-year bill in 2018 and proposes a tax on tap water. Very similar to SB 623 is the Budget Trailer Bill (BTB) introduced by Governor Brown’s Administration (Attachment B) to accompany the proposed State Budget. Unlike legislative bills, BTBs do not go through policy committees and, instead, surface with very little time/opportunity available before action is taken as part of the budget process.

These bills propose to establish a Safe and Affordable Drinking Water Fund in the State Treasury that would continuously appropriate moneys to the SWRCB, which would prioritize funding to assist disadvantaged communities (DACs) and low-income households, with the purpose of securing access to safe drinking water for all Californians. In addition to agricultural fees (e.g., fertilizer and
dairy fees), these bills propose a tap water tax on each customer -- including residential, business, industry, and governmental -- that purchases water from a community water system as follows:

- No water meter or water meters =/< 1 inch: $0.95/month
- Water meters > 1 inch and =/< 2 inches: $4/month
- Water meter > 2 inches and =/< 4 inches: $6/month
- Water meter > 4 inches: $10/month
- For customers with multiple meters serving a single address: $10/month cap

Mesa Water staff and consultants are part of a broad statewide coalition of ACWA member agencies that are actively advocating for an alternate funding package to address this issue (Attachment C). ACWA, with the support of a number of its members (including Mesa Water), is also conducting a statewide outreach campaign to educate and inform the public on this topic. For these reasons, the continued position of **Oppose Unless Amended** is recommended on SB 623 and the Safe and Affordable Drinking Water Act BTB.

Additionally, as part of the ACWA coalition outreach effort, a draft resolution opposing a tax on drinking water (Attachment D) is provided for the Board’s consideration. Staff recommends that the Board adopt this resolution in addition to continuing its "Oppose Unless Amended" position. These actions by the Board will allow Mesa Water staff to amplify its engagement in the ACWA coalition outreach effort.

**Small System Water Authority Act of 2018: AB 2050** (Caballero, D-Salinas) – Sponsored by Eastern Municipal Water District (Eastern) and CMUA, this bill’s intent is to address California’s small public water systems that are “chronically serving contaminated water.” As introduced earlier this month, AB 2050 identifies that a key factor in small water systems' continued noncompliance is the lack of financial, managerial, and technical resources. This bill seeks to address this issue by mandating consolidation of these systems into larger and more financially viable “small system water authorities”. This bill could also provide an alternate route to SB 623 (and its companion BTB) in addressing safe and affordable drinking water access for some DACS (Attachment E).

Under current law, the SWRCB can already mandate consolidations and can determine the timeline, impacted water systems, and many of the other consolidation terms. Conversely, AB 2050 is locally driven with the Local Agency Formation Commission (LAFCO) process determining which water systems should be consolidated to create a “small system water authority.” The bill states that the efficiencies gained from consolidation would allow the new system to leverage resources and better serve the community.

Additionally, unlike mandated SWRCB consolidations, AB 2050 would have no mandates for compliant water systems. Furthermore, mandated SWRCB consolidations could violate Prop. 218 with the compliant system subsidizing the noncompliant system. Under AB 2050, the Prop. 218 concerns would be addressed via the LAFCO process.

AB 2050’s consolidation process would provide substantial benefits to small noncompliant systems and their customers in DACs, and focus on the governance structure and long-term sustainability of these systems to better position them to use additional funding to deliver safe drinking water. This bill identifies that these new “small system water authorities” would be able to provide technical,
managerial, and financial capabilities that a small system would not have on its own. For these reasons, a Support position is recommended on AB 2050.

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: Conservation Legislation Summary of Requested and Proposed Amendments
Attachment B: Safe and Affordable Drinking Water Act Budget Trailer Bill
Attachment C: Alternate Funding Package Proposed by ACWA Coalition for BTB/SB 623
Attachment D: Resolution No. 1510 - Opposing a Tax on Drinking Water
Attachment E: AB 2050 Small System Water Authority Act of 2018 Fact Sheet
### Summary of Requested Amendments (Sept. 2017) & Authors’ Proposed Amendments (Mar. 2018)

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<td><strong>Indoor Water Use Standard</strong></td>
<td>That the legislation require the evaluation of and report on the impacts of reducing the indoor water use standard below 55 GPCD on water, wastewater and recycling/reuse systems, infrastructure, operations and supplies.</td>
<td>As proposed to be amended, the bill would require state agencies to study the impacts of reducing the indoor standards and authorize them to recommend standards for indoor use to the Legislature by 1/1/2021 that are higher than the bill’s 2025 standard of 52.5 GPCD and the 2030 standard of 50 GPCD. (§10609.4, pp. 17-18.)</td>
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<td><strong>Outdoor Water Use Standard</strong></td>
<td>That the language in the legislation be clarified so that there is no confusion as to what the “principles” of MWELO mean and what factors the SWRCB shall consider when setting the standards for both outdoor residential and outdoor CII water use. Factors that should be considered in setting the standards include, but are not limited to, the amount of water different plant types need to remain healthy; levels of irrigation system efficiency; the composition of existing urban landscapes, including swimming pools, spas and other water features; evapotranspiration; the unique water needs of special landscapes, including landscapes irrigated with recycled water; and the impacts of soil and water quality on water needs, etc.</td>
<td>As proposed to be amended, the bill would define “principles of the model water efficient landscape ordinance” as “those provisions of the model water efficient landscape ordinance applicable to the establishment or determination of the amount of water necessary to efficiently irrigate a landscape. Such provisions include, but are not limited to, all of the following: (a) Evapotranspiration adjustment factors, as applicable. (b) Landscape area. (c) Maximum applied water allowance. (d) Reference evapotranspiration. (e) Special landscape areas, including the type water used for irrigating the landscape.” (AB 1668, §10609.9, p. 19, emphasis added.) The proposed amendments do not specify values for the technical components of the outdoor standard, such as the existing MWELO standard for areas irrigated with recycled water, nor do they identify a reference landscape for the outdoor standard; e.g., “existing landscapes.”</td>
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<td><strong>Water Loss</strong></td>
<td>That the legislation exclude water loss from the urban retail water use objective as existing law already addresses this issue. Under SB 555, the SWRCB is required to adopt rules requiring urban retail water suppliers to meet performance standards for the volume of water losses. Also, that water use and loss cause by a disaster (e.g. fire or earthquake) be expressly excluded from the compliance calculation.</td>
<td>No change. (§10609.12, p. 20.) The proposed amendments would authorize the SWRCB to waive the requirements for a period of up to five years for any urban retail water supplier whose water deliveries are significantly affected by changes in water use as a result damage from a disaster, such as an earthquake or fire. (§10609.38, p. 27.)</td>
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| Variances                   | That the legislation include language requiring the SWRCB to adopt variances/processes for calculating variances for a variety of anomalous situations, including irrigation with recycled water in areas having high levels of total dissolved solids, seasonal populations, environmental uses, etc. Whether a specific variance is applicable to an urban retail water supplier will be a factual determination.                                                                 | As proposed to be amended, the bill would require the adoption of variances.  
(§10609.2(e), p. 17.)  
The bill would require state agencies to adopt a threshold of significance for each variance, require water suppliers to request and receive SWRCB approval for adoption of a variance, and require the SWRCB to post variance information on its website.  
(§10609.14(c), (d), pp. 20-21.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Data                        | To make retail-level water budgets effective and implementable, that the legislation require DWR to provide the data urban retail water suppliers need to calculate an urban water use objective at regular intervals, and that the data provided be reasonably accurate.                                                                                                                | As proposed to be amended, the bill would require the SWRCB, in adopting the required guidelines and methodologies for the calculation of annual objectives, to “determin[e] acceptable levels of accuracy for the supporting data and data, the urban water use objective. objective, and compliance with the urban water use objective.”  
(§10609.16(f), p. 21.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
<p>| Reporting Compliance        | To ease the annual reporting burden on urban retail water suppliers, as has been done in other bills (e.g. SB 555), that the legislation allow suppliers to report water use on either a fiscal or calendar year basis. To allow for this and, if water losses remain a factor in the compliance calculation, to allow for data from water loss audits to be used in the compliance calculation, that the annual reporting deadline be moved to November 1 of each year.                                                                 | See conforming changes throughout.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |</p>
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<th>Providing for Unique Situations Affecting Calculation of Urban Water Use Objectives</th>
<th>That the legislation grant DWR or the SWRCB the authority to develop alternative methods for calculating an urban water use objective where unique conditions make it technically, economically, or administratively infeasible to calculate the objective using the standard method developed.</th>
<th>No change.</th>
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| CII Performance Measures    | That feasibility and cost-benefit be listed in the legislation as the key factors DWR and the SWRCB must consider in the development of performance measures that urban water suppliers will be asked to implement for the CII sector.                                                                                                                                                                                                                                                                                                                                                                        | As proposed to be amended, the bill specifies that the performance measures adopted by the SWRCB may, but are not required, to include as CII water use best management practices “water audits and water management plans for those CII customers that exceed a recommended size, volume of water use, or other threshold.”  
  (§10609.10(b)(3), p. 19.)  
  **Water suppliers remain obligated to implement performance measures adopted by the SWRCB:** “Each urban retail water supplier shall implement the performance measures adopted by the board…”  
  (§10609.10(d)(2), p. 20.) |
| Separation of Mixed CII Meters | That recommendations related to separating mixed CII meters only be applicable where feasible and cost-effective.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | No change.  
  (§10609.10(b)(2), p. 19.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Recycled Water Irrigation Sites | That the legislation include a recognition that the outdoor irrigation standard for sites irrigated with recycled water should be set at no less than the standard contained in MWELO.                                                                                                                                                                                                                                                                                                                                                           | No change.  
  (§10609.6-.9, pp. 18-19.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Drought Planning            | That the planning horizons for urban water management plans, water shortage contingency plans, drought risk assessments, and water supply and demand assessments be clearly defined and that vague language, such as “or more,” which leaves the planning horizon opened, be removed from the legislation.                                                                                                                                                                                                                                                                                                                                                       | See conforming changes throughout.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Enforcement                 | That the legislation be modified to ensure a “glide path” approach is taken to enforcement and that the enforcement guide path incorporate remedial actions plans, which would be utilized before conservation orders and fines. Conservation orders and fines should result only if a supplier does not take the actions detailed in a SWRCB-approved remedial action plan.                                                                                                                                                                                                                                                             | No change.  
  (§10609.26, pp. 24-25.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
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<td>Potable Reuse Credit</td>
<td>That the legislation include a potable reuse credit cap higher than 10%.</td>
<td>The amount of the credit/bonus incentive remains 10%. ($10609.20(d)(2), p. 22.)</td>
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<td>As proposed to be amended, the term “credit” is replaced with “bonus incentive. ($10609.20, p. 22.)</td>
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<td>Drought Resilient Water Supplies</td>
<td>That the legislation, in a manner that does not limit the Governor’s power and authority to respond to emergencies, expressly provide that upon proclamation of a drought emergency:</td>
<td>No change.</td>
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<td>• The SWRCB shall defer to locally adopted water shortage contingency plans to the extent practicable and allow suppliers to implement their plans based on the level of shortage being experienced locally; and</td>
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<td>• Recycled water (including potable reuse), emergency, desalination, and other drought resilient supplies identified in an urban water supplier’s water shortage contingency plan not be restricted during a declared drought emergency, but instead used efficiently for beneficial uses.</td>
<td></td>
</tr>
</tbody>
</table>
ISSUE 12: SAFE AND AFFORDABLE DRINKING WATER

The Governor's budget proposes trailer bill language to establish the Safe and Affordable Drinking Water Program and the Safe and Affordable Drinking Water Fund (SADWF). The Governor's budget also requests a one-time loan of $4.7 million from the Underground Storage Tank Cleanup Fund to begin implementation of this new program. Specifically, this budget proposal and trailer bill:

1) Establishes the Safe and Affordable Drinking Water Program and Fund to be administered by the State Water Resources Control Board.
2) Provides the Department of Food and Agriculture (CDFA) the authority to impose and collect fees from certain agricultural entities.
3) Exempts an agricultural operation from enforcement for causing or contributing to nitrate in groundwater if they demonstrate certain mitigation requirements are followed.
4) $3.3 million and 23 positions for the State Water Resources Control Board to: 1) develop and adopt a fund implementation plan, 2) process charges that would be deposited into SADWF, 3) map areas at high risk for drinking water contamination and process drinking water data provided by local agencies, 4) develop an assessment of the total amount of annual funding needed to assist water systems in the state to provide safe drinking water, and 5) perform accounting and other administrative tasks.
5) $1.4 million and 7 positions for the CDFA to collect charges from agricultural entities.

BACKGROUND

Federal, State, and Local Entities Regulate Drinking Water. The federal Safe and Affordable Drinking Water Act (SDWA) was enacted in 1974 to protect public health by regulating drinking water. California has enacted its own safe drinking water act to implement the federal law and establish state standards. The U.S. Environmental Protection Agency (EPA) enforces the federal SDWA at the national level. However, most states, including California, have been granted “primacy” by the U.S. EPA, giving them authority to implement and enforce the federal SDWA at the state level.

Maximum contaminant levels (MCLs) are health-based drinking water standards that public water systems are required to meet. MCLs take into account the health risk, detectability, treatability, and costs of treatment associated with a pollutant. Agencies responsible for regulating water quality enforce these standards.

The SWRCB’s Division of Drinking Water (DDW) regulates public water systems that provide water for human consumption and have 15 or more service connections, or
regularly serve at least 25 individuals daily at least 60 days out of the year. (A “service connection” is usually the point of access between a water system’s service pipe and a user’s piping.) DDW does not regulate water systems with less than 15 connections; county health officers oversee them. At the local level, 30 of the 58 county environmental health departments in California have been delegated primacy—known as Local Primacy Agencies (LPAs)—by the SWRCB to regulate systems with between 15 and 200 connections within their jurisdiction. For investor-owned water utilities under the jurisdiction of CPUC, the DDW or LPAs share water quality regulatory authority with CPUC.

The DDW regulates approximately 7,500 water systems. About one-third of these systems have between 15 and 200 service connections. The number of smaller systems—specifically, those with 14 or fewer connections—is unknown but estimated to be in the thousands.

Multiple Causes of Unsafe Drinking Water. The causes of unsafe drinking water can be separated into two categories: 1) contamination caused by human action and 2) naturally occurring contaminants. In some areas, there are both human caused and natural contaminants in the drinking water.

Three of the most commonly detected pollutants in contaminated water are arsenic, perchlorate, and nitrates. While arsenic is naturally occurring, perchlorate contamination is generally a result of military and industrial uses. High concentrations of nitrate in groundwater are primarily caused by human activities, including fertilizer application (synthetic and manure), animal operations, industrial sources (wastewater treatment and food processing facilities), and septic systems. Agricultural fertilizers and animal wastes applied to cropland are by far the largest regional sources of nitrate in groundwater, although other sources can be important in certain areas.

Unsafe Drinking Water a Statewide Problem. SWRCB has identified a total of 331 water systems that it or LPAs regulate that are in violation of water quality standards. These water systems serve an estimated 500,000 people throughout the state. The number of water systems with 14 or fewer connections that are currently in violation of water quality standards is unknown, but estimated to be in the thousands by SWRCB. Of the 331 systems identified by SWRCB, 68 have violations associated with nitrates (and in some cases, additional contaminants). In some of these water systems, unsafe contamination levels persist over time because the local agency cannot generate sufficient revenue from its customer base to implement, operate, or maintain the improvements necessary to address the problem. The challenge in these systems is often a product of a combination of factors, including the high costs of the investments required, low income of the customers, and the small number of customers across whom the costs would need to be spread.

Safe and Affordable Drinking Water a Human Right. In response to concerns about the prevalence of unsafe drinking water in California, Chapter 524 of 2012 (AB 685, Eng) was enacted. This law declares the state’s policy that every human being has the
right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes. Under Chapter 524, state agencies are required to consider this policy when revising, adopting, or establishing policies, regulations, and grant criteria. Chapter 524 clarifies that it does not expand the state’s obligations to provide water or require the state to fund water infrastructure.

**SWRCB Administers Programs to Provide Safe Drinking Water.** The SWRCB administers the Drinking Water State Revolving Fund (DWSRF), which provides continuously appropriated funding for low- and zero-interest loans, debt refinancing, principal forgiveness, and grants to public water systems for infrastructure improvements to correct system deficiencies and improve drinking water quality. Eligible projects include the planning, design, and construction of drinking water projects such as water treatment systems, distribution systems, and consolidation with another water system that has safe drinking water. The program is funded by annual capitalization grants from the U.S. EPA and a federally required 20 percent state match (usually from bond funds). The federal and state funds are then used to provide financial assistance for eligible projects. In 2016-17, SWRCB estimates the DWSRF disbursed about $330 million and provided technical assistance to water systems.

SWRCB also administers temporary programs to provide safe and affordable drinking water. For example, SWRCB administers the Clean Drinking Water Program for Disadvantaged Households, which provided one-time funding of $8 million General Fund in 2017-18 to disadvantaged households and small water systems, to ensure they have adequate access to clean drinking water and adequate sanitation. Eligible projects include capital costs for replacement and repair of existing domestic wells. The board has also administered funds approved by the voters through various bond measures for capital investments, and some operations and maintenance costs aimed at providing safe drinking water. For example, Proposition 1 (2014) authorized $520 million for grants and loans for projects that improve water quality, including to help provide clean, safe, and reliable drinking water to all Californians. Some of this funding supports the DWSRF.

**LAO COMMENTS**

The LAO identified three issues for the Legislature to consider as it deliberates on the proposal: 1) consistency with the state’s human right to water policy, 2) uncertainty about the estimated revenues that would be generated by the proposal and the amount of funding needed to address the problem, and 3) consistency with the polluter pays principle.

**Proposal Is Consistent With Human Right to Water Policy.** The Governor's proposal is consistent with the state’s statutory policy that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption. The proposal would make safe and affordable drinking water more widely available throughout the state largely by providing funding for operations and maintenance activities for water treatment systems. While the administration has not conducted its
own estimate of the number of people this proposal would help, based on the information available, it would appear that this funding could address a large share of the problem. In particular, the proposal would prioritize additional funding to disadvantaged communities and low-income households served by water systems with less than 14 connections.

Uncertain to the Extent Proposed Revenues Will Fully Address Problems. A private consulting firm estimated the total annual cost to address contaminated drinking water at $140 million ($30 million for nitrate treatment and $110 million for other contaminants). However, this estimate is highly uncertain given the lack of data about the number of smaller water systems and domestic wells that fail to provide safe drinking water. It is possible that actual costs could be significantly higher. We note that under the proposal, SWRCB would be required to prepare an annual needs assessment, which could provide the Legislature with greater certainty in the future.

There is also uncertainty about the amount of revenue that will be generated under this proposal, particularly from the agricultural entities. The budget trailer legislation allows SWRCB to adjust ratepayer charges downward if the funding provided exceeds future demand for the funds. However, if the demand exceeds funding in the future, any increase in charges would require approval by the Legislature.

Might Not Fully Implement the Polluter Pays Principle. The “polluter pays” principle is the concept that those entities that cause an environmental harm should be responsible for the costs associated with cleaning up that contamination and addressing the harm done. The vast majority of nitrate contamination is caused by agricultural activities. As such, the administration’s proposal to have agricultural entities pay charges to address the effects of that contamination appears consistent with the polluter pays principle. However, in at least two ways, the proposal might not be entirely consistent with the principle. First, it is worth noting that some of the current nitrate contaminants in groundwater are not entirely from current agricultural operations. Instead, some of these nitrates are legacy contamination that could be from as much as decades ago. Therefore, it might not be entirely consistent with the polluter pays principle to have current operators pay for contamination caused by previous operators. Second, based on the information available, it appears that the funds raised by charges on agricultural entities might not be sufficient to address the costs related to nitrate contamination. The assessment performed by the private consulting firm estimated annual total costs of $30 million to address drinking water systems exceeding the nitrate MCL. However, CDFA estimates the charges on dairies and fertilizer combined would total about $19 million per year when fully implemented. (At the time this analysis was prepared, the administration had not completed a revenue estimate for the charge on confined animals.) Consequently, the proposal could result in nitrate-related contamination in drinking water being addressed from revenues generated by the charge on water system customers rather than from agricultural entities. To the extent that occurs, it would be inconsistent with the polluter pays principal.
A significant number of California communities, especially disadvantaged communities, rely on a contaminated groundwater source for their drinking water supply. Contaminants include nitrate, arsenic, and disinfectant byproducts. Water treatment systems are the key to providing safe drinking water to these communities, but the installation, operation and maintenance of such systems are often very costly. There are funds such as Proposition 1 and the Safe Drinking Water Revolving Fund that provides financial assistance for the construction cost of the treatment systems. However, there are no funding sources available to provide funding for long-term operations and maintenance costs.

This proposal seeks to address this funding gap by imposing a fee on water users and fees on various agricultural operations. The funds would provide necessary upgrades to water infrastructure and provide financial assistance for operations and maintenance of drinking water systems in disadvantaged areas in order to clean up contaminated groundwater and improve inadequate water systems and wells.

The goal of this proposal is very much needed and principled. However, there are additional policy considerations needed. For example, by indemnifying various agricultural operations as long as they meet certain mitigation requirements assumes that nitrate contamination is mostly a legacy problem. Further, the fees imposed on the various agricultural operations only cover a portion of the funding needed to address nitrate contamination. Lastly, this proposal does not include a requirement for agricultural operation to pay the fertilizer fee/dairy fee in a timely fashion to enjoy the enforcement immunity. As we deliberate this proposal, there should be thoughtful consideration on how to deal with ongoing issues with contamination.

**Staff Recommendation:** Hold Open
## Safe Drinking Water Funding Package

**Association of California Water Agencies**
**Recommended**

### Funding Table

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Funding Type</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safe Drinking Water State Revolving Funding (Federal)</td>
<td>Capital</td>
<td>Part of $81 million&lt;sup&gt;1&lt;/sup&gt;</td>
</tr>
<tr>
<td>General Obligation Bonds</td>
<td>Capital</td>
<td>SB 5 (De León): $250 million&lt;sup&gt;2&lt;/sup&gt; and/or Water Supply/Quality Bond: $500 million&lt;sup&gt;3&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

### BUDGET TRAILER BILL / SB 623 (Monning)

<table>
<thead>
<tr>
<th>Nitrate Assessment</th>
<th>Nitrate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Replacement Water</td>
<td>Approximately $30 million per year</td>
</tr>
<tr>
<td>Point of Use Treatment</td>
<td></td>
</tr>
<tr>
<td>Point of Entry Treatment</td>
<td></td>
</tr>
</tbody>
</table>

| General Fund | Operation and Maintenance for Public Water Systems | Approximately $34.44 million per year<sup>4</sup> |

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<sup>1</sup> $81 million is estimated SDW SRF Total for California for 2018. Part of this would go to capital costs for disadvantaged communities

<sup>2</sup> For both safe drinking water and clean water

<sup>3</sup> For safe drinking water

<sup>4</sup> State Water Board’s estimate for annual non-nitrate O&M costs for public water systems
RESOLUTION NO. 1510

RESOLUTION OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
OPPOSING A TAX ON DRINKING WATER

WHEREAS, the Mesa Water District (Mesa Water®) is a county water district organized and operating pursuant to the provisions of the laws of the State of California (State or California); and

WHEREAS, a proposed tax on drinking water is being advanced through SB 623 by Sen. William Monning (D-Carmel), a two-year bill introduced in 2017, and a 2018 Brown Administration budget trailer bill related to safe drinking water; and

WHEREAS, the water community agrees with the intent of the proposed legislation which is intended to fill gaps in funding to assist disadvantaged communities that lack access to safe drinking water; and

WHEREAS, drinking water is essential to life; and

WHEREAS, adding a tax on drinking water works against the common goal of keeping water bills affordable for Mesa Water District customers; and

WHEREAS, the legislation would set a dangerous precedent and open the door to additional taxes on water in the future; and

WHEREAS, the new law would turn Mesa Water District into a tax collector for the state of California, requiring additional staff to manage and therefore adding costs to our customers; and

WHEREAS, there are more appropriate funding sources that could be used to address this serious issue, including ongoing federal safe drinking water funds, voter-approved general obligation bond funds, the assessments related to nitrates in groundwater proposed in the budget trailer bill and SB 623 and state general fund dollars; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE MESA WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

Section 1. The Board of Directors of Mesa Water® District formally opposes-unless-amended SB 623 and the budget trailer bill proposing a tax on drinking water.
ADOPTED, SIGNED, and APPROVED this 26th day of March 2018 by a roll call vote.

AYES:        DIRECTORS:
NOES:        DIRECTORS:
ABSENT:      DIRECTORS:
ABSTAIN:     DIRECTORS:

__________________________________________
Jim Atkinson
President, Board of Directors

__________________________________________
Denise Garcia
District Secretary
AB 2050 (Caballero)
The Small System Water Authority Act of 2018
A Solution to Providing Safe Drinking Water to Communities Served by Chronically Non-Compliant Systems

Background
In 2012, Governor Jerry Brown signed into law Assembly Bill 685 (Eng), establishing the Human Right to Water and declaring that it is the policy of the state that every Californian has a human right to safe, clean, affordable, and accessible drinking water.

Water Accessibility and Safety Concerns in California
Nearly 800,000 people in California lack access to safe and reliable drinking water on a daily basis. The State Water Resources Control Board (State Board) has identified 329 (as of November 2017) systems statewide that chronically serve contaminated drinking water or cannot provide reliable water service due to unsound infrastructure or because they lack the local financial, managerial, and technical resources to do so. The vast majority of these systems are small, rural systems that typically serve less than 10,000 people. A sustainable solution is necessary to address this drastic health and safety crisis.

To date, laws have been passed that address various elements of the water accessibility issue including voluntary and forced consolidations, supplying resources and technical support, and limiting the development of new unsustainable water systems. While these efforts have created a portfolio of options to address this critical issue of water accessibility in California, immediate and lasting changes to the governance structure of chronically non-compliant small systems are still needed to protect public health and safety.
The Small System Water Authority Act of 2018

AB 2050 would create the Small System Water Authority Act of 2018, providing yet another valuable tool to prevent chronically non-compliant water systems from serving contaminated water to Californians. AB 2050 proposes to merge non-compliant water systems into a larger and more robust public water system that can take advantage of improved economies of scale, streamlined managerial functions and enhanced financial capacity.

This bill authorizes the State Board to notify chronically non-compliant systems that they are in violation of public health and safety. Each system is then provided with an opportunity to develop a compliance plan within a given time period. If a system is unable to develop an approved plan, the State Board will then notify the county local agency formation commission (LAFCO) that it has determined the chronically non-compliant system needs to be dissolved and consolidated into an authority. Private and mutual water companies will be dissolved through the Department of Business Oversight and will receive compensation through a distressed business valuation process, if there is remaining value on the system. At this time any existing water systems also will have an opportunity to voluntarily consolidate with a new authority.

The State Board will appoint an Administrator by county in regions that have five or more chronically non-compliant systems. In regions that have less than five systems, existing consolidation recommendations may be a more appropriate course of action. The LAFCO will then form the new Small System Water Authority (Authority), which will have the unique powers to absorb, improve, and consolidate currently non-compliant public water systems.
with either contiguous or noncontiguous boundaries. Each Authority will be required to submit a conceptual formation plan to the State Board. The Administrator will identify and hire critical staff and will ultimately complete a Final Plan for Service that will be approved, through a local public hearing process, at the LAFCO.

The new system will be formed as an independent special district, provided with new internal and external financing opportunities, increased transparency including an elected Board of Directors, and the system will be scaled to a size to develop, coordinate, or contract through regional agreements, the necessary infrastructure to treat contamination issues. This in turn will lead to more sustainable water systems that can effectively deliver safe and affordable drinking water to its residents.

**SAMPLE Grouping of Non-Compliant Systems**

*For demonstration purposes only.*

Larger stars denote proportionately larger populations of small systems noted as “Out of Compliance” in State Water Board Database.

For more information regarding the Small System Water Authority Act of 2018

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**OFFICE OF ASSEMBLY**  
**MEMBER ANNA M. CABALLERO**

Peter Ansel, Legislative Assistant  
916.319.2030  
peter.ansel@asm.ca.gov

**RON DAVIS ADVOCACY**

Ron Davis  
916.802.3891  
ravis1228@gmail.com

**CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION**

Danielle Blacet  
916.326.5802  
dblacet@cmua.org
MEMORANDUM

TO: Board of Directors
FROM: Kurt Lind, Business Administrator
DATE: March 26, 2018
SUBJECT: Annual Performance Measures and Audits

RECOMMENDATION

Receive the presentation and direct staff to develop District-wide key performance indicators and performance audits.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

At its April 11, 2013 meeting, the Board of Directors (Board) approved the Business Process Evaluation project. The purpose of this evaluation was to investigate and document current organizational operations and identify opportunities to improve various business processes, including organizational structure, labor usage, technology utilization and needs, work management, effectiveness, and efficiency.

At its May 22, 2014 meeting, the Board approved the Business Improvement Process Implementation. The purpose of this implementation was to institutionalize and optimize Mesa Water’s business processes, as well as establish new systems and upgrade existing automated tools in order to increase accountability to allow for process improvement.

DISCUSSION

Mesa Water’s Board has established its Strategic Plan that encompasses seven high level goals. These overarching goals provide the vision for the District and guidance with goals to achieve for staff. The Strategic Plan is the foundation of Mesa Water’s business strategy. Moreover, the Strategic Plan establishes a fundamental business management process that embraces our Perpetual Agency philosophy. The steps of this business management process include the following:

- Strategic Plan
- Goals
- Key Performance Indicators
Staff is recommending adding a fourth step to the business management process:

- Performance Audit

This sound business approach encompasses the important components of communication, agreement, and feedback of the goals and Key Performance Indicator’s (KPI) at every level within the organization. Communication links all of these pieces together and enables Mesa Water to perform and achieve at a high level. The Strategic Plan establishes the vision that the Board has created. Management and staff work together to develop the plans and measures detailing how to reach that vision. It all starts with the leadership of the organization providing their plan.

**Strategic Plan**
The Board of Directors provides the General Manager with direction regarding the District's high level goals and objectives for the upcoming year. Based on this direction, priorities are established, resources are allocated, and staff works to accomplish the goals and objectives.

**Department Goals**
Mesa Water’s goals for each department help determine our KPI's. For example, Water Operations staff has a goal to maintain main line valves by exercising them every two years. Administrative Services staff produces 4 – 6 Committee and Board Packets every month. Customer Services staff reads the water meters, processes billing, and provides our ratepayers excellent customer service. Financial Services staff produces the payroll, pays our vendors, and closes the books every month. By understanding the major activities of what the District does as an agency provides insight with developing goals.

**Key Performance Indicators**
Mesa Water is in a strong business position in the areas of transparency, accountability, and efficiency. Through the Business Improvement Process Implementation, staff developed:

- Work activities and plans
- Balanced and streamlined labor resources
- Determined how and when we do our work, and
- Established expectations and measurable results

This process has been in place for ten years in Water Operations and nearly two years for the rest of the departments at Mesa Water.

Key Performance Indicator’s are the heartbeat of our performance management process. They tell us whether we are making progress towards our goals which are linked to the Strategic Plan. There are four areas that make up the foundation of the KPI’s:

- Measure
- Target
- Source
- Frequency

Measure – We can measure progress, which is the percent complete of what we are measuring and we can measure change, which is what we are expecting out of what we are measuring. An example of measuring progress is the percent of valves exercised to date. An example of
measuring change would be if the Board wanted to increase the District’s day’s cash position in comparison to last year.

Target – This represents the quantifiable piece of the KPI. Examples include the number of valves exercised, the number of Board Packets produced, and the number of checks written to pay vendors for the year.

Source – This represents the information source that is used to glean the KPI. Examples include the Computerized Maintenance Management System, Financial System, and Customer Information System.

Frequency – This is how often the results of each KPI are communicated; they can vary from monthly to quarterly depending on the audience.

Understanding what needs to be monitored and how often is the basis for sound decision making. This will be a critical component of Mesa Water’s business strategy.

**Performance Audits**
The performance audits will focus on our system and processes to ensure they are functioning as designed. Components of an audit would vary depending on the department but would embrace the following concepts:

- Reviewing the quality of the information staff uses to measure
- Ensuring that our business systems and related processes are set up and operating appropriately
- Ensuring that critical activities of the business are completed on time and with quality
- Ensuring critical programs and processes are in place and operating properly

Examples of audits currently in place at the District include the Environmental, Health and Safety Audit, the Information Technology Audit, and the Water Operations Audit.

**Forward Progression**
Simply put, what gets measured gets done. With the Board’s approval, staff will develop Key Performance Indicators and Performance Audits that are simple to produce, meaningful, and impactful. The KPI’s will become our compass. They will guide our direction and keep the District on the path of a top performing public water agency.

**FINANCIAL IMPACT**
None.

**ATTACHMENTS**
None.
MEMORANDUM

TO: Board of Directors
FROM: Marwan Khalifa, CPA, MBA, Chief Financial Officer
DATE: March 26, 2018
SUBJECT: Financial Goals and Reserves

RECOMMENDATION

Receive the information and take action as the Board desires.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.

PRIOR BOARD ACTION/DISCUSSION

At its May 18, 2017 meeting, the Board of Directors (Board) approved the Fiscal Year (FY) 2018 Budget.

DISCUSSION

Through the first two quarters of FY 2018, Cash on Hand totaled $38,200,000. Projected Cash on Hand at year-end is $29,500,000.
There are several significant cash expenditures in the final two quarters of FY 2018 that will bring the year-end cash balance to approximately the budgeted $29,500,000 including:

- PARS Pension Rate Stabilization payments to the trust account totaling approximately $6,000,000
- Forecasted Capital Expenditures totaling approximately $8,000,000
- Final 2009 COPs payment and the first 2017 COPs payment totaling approximately $3,000,000

Additionally, 543 Days Cash exceeds the budgeted Days Cash estimate of 408 days at year end by 135 days. Staff expects that Days Cash as of June 30, 2018 will be approximately 408 days due to the expenditures mentioned above.

The current Debt Coverage ratio is projected to be 250%, which exceeds both the requirement for the 2017 Revenue Certificates of Participation (COPs) and the Designated Funds Policy. The Debt Coverage ratio goal of the Board is 130% and was established in the Designated Funds Policy.

The current Designated Funds Policy lists three types of funds including restricted funds, capital funds and liquidity funds. Restricted funds include monies to cover customer and development deposits and bond proceeds. Capital funds include the capital replacement fund. Finally, liquidity funds include the administrative & general fund, catastrophe fund, rate stabilization fund and operating fund.

The following are the minimum cash reserves target for each fund:
The current Cash on Hand at the end of the second quarter of FY 2018 is $38,200,000, exceeding the minimum target of the Designated Funds Policy of $35,375,000. The current forecasted cash balance at the end of FY 2018 is $29,500,000 and is reflected in the chart below:

<table>
<thead>
<tr>
<th>Type of Fund</th>
<th>Daily Cash</th>
<th>Cash Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative &amp; General</td>
<td>20</td>
<td>$1,450,000</td>
</tr>
<tr>
<td>Catastrophe</td>
<td>150</td>
<td>$10,875,000</td>
</tr>
<tr>
<td>Operating</td>
<td>120</td>
<td>$8,700,000</td>
</tr>
<tr>
<td>Rate Stabilization</td>
<td>60</td>
<td>$4,350,000</td>
</tr>
<tr>
<td>Capital Replacement</td>
<td>N/A</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$35,375,000</td>
</tr>
</tbody>
</table>

The Designated Fund Balances graph below reflects that, although the District’s cash balance as of December 31, 2017 exceeds the target cash balance of the Designated Funds Policy, this will not be the case as of fiscal year-end.
Water production is up year-to-date 6.1% and corresponds with a similar increase in water revenue through the first six months of FY 2018.

The mix of water production between clear and amber has varied due to the use of in-lieu water (ended January 31, 2018) and the work being completed on various well automation projects. This mix is shown in the table below:

<table>
<thead>
<tr>
<th>Acre Feet</th>
<th>Budgeted</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Water</td>
<td>5,376</td>
<td>2,061</td>
<td>3,315</td>
</tr>
<tr>
<td>Amber Water</td>
<td>2,030</td>
<td>2,126</td>
<td>(96)</td>
</tr>
<tr>
<td>Basin Managed (CPTP) Water</td>
<td>1,100</td>
<td>1,100</td>
<td></td>
</tr>
<tr>
<td>In-Lieu Water</td>
<td></td>
<td>4,887</td>
<td>(4,887)</td>
</tr>
<tr>
<td>Total</td>
<td>8,506</td>
<td>9,074</td>
<td>(568)</td>
</tr>
</tbody>
</table>

Clear and amber water costs have a combined favorable variance of $1,700,000 due to the use of in-lieu water during the first six months of the fiscal year.

Operating revenues year-to-date have a favorable balance of $338,000 or approximately 2%. This is predominantly a result of higher than expected water consumption sales. Additionally, operating expenses through two quarters have a favorable balance of $295,000 or 2.25%. This is predominantly a result of lower than budgeted general and administrative expenses year-to-date. As a result, the operating income through December 31, 2017 has a favorable balance of $633,000 or 41%.

In addition, non-operating expenses through two quarters have a favorable balance of $1,464,000 or 93% due to higher than expected investment earnings, a lower than expected interest expense, and the as yet non-negotiated termination of the AAA lease. The interest expense incurred by the District is lower than that budgeted because of the premium Mesa Water was able to get on the 2017 COPs. Capital contributions such as capacity and installation charges and developer charges have an unfavorable balance year-to-date of $1,056,000 or 88%. There are approximately $200,000 of capital contributions to be recognized in the third quarter of FY 2018 that will reduce the unfavorable variance.

Overall, the change in Net Position has a favorable balance of $1,041,000 or 90% through December 31, 2017.

**FINANCIAL IMPACT**

None.

**ATTACHMENTS**

None.
MEMORANDUM

TO: Board of Directors
FROM: Stacy Taylor, External Affairs Manager
DATE: March 26, 2018
SUBJECT: Orange County Local Agency Formation Commission Municipal Service Reviews

RECOMMENDATION

Receive the information and take action as the Board desires.

STRATEGIC PLAN

Goal #4: Increase public awareness about Mesa Water® and about water.

PRIOR BOARD ACTION/DISCUSSION

None.

DISCUSSION

The Orange County Local Agency Formation Commission (OC LAFCO) must conduct Municipal Service Reviews (MSRs) for all Orange County cities and special districts to look at future growth and how local agencies are planning for that growth within our municipal services and infrastructure systems (Government Code §56430). OC LAFCO has completed three cycles of MSRs:

- the first cycle of MSRs (2005-2008) involved a collaborative, stakeholder-driven process involving County, city, special district, and LAFCO staff, and resulted in detailed MSRs for each Orange County agency (Attachment A);
- the second cycle of MSRs (2008-2013) resulted in OC LAFCO’s Reconfirmation of MSR determinations for most Orange County agencies (Attachment B); and,
- the third cycle of MSRs (2013-2018) involves OC LAFCO’s new approach to use technology, where possible, to develop ongoing monitoring tools for Orange County’s local agencies.

Mesa Water District (Mesa Water®) staff and consultants continue to monitor OC LAFCO meetings and materials, and Mesa Water’s General Manager participated in OC LAFCO’s stakeholder process for the third cycle of MSRs. Mesa Water staff will provide a verbal update for discussion.

FINANCIAL IMPACT

None.

ATTACHMENTS
Attachment A: OC LAFCO MSRs, June 20, 2007
Attachment B: OC LAFCO Reconfirmation of MSRs, November 12, 2008
June 20, 2007

TO: Local Agency Formation Commission

FROM: Executive Officer

SUBJECT: Proposed Municipal Service Review & Sphere of Influence Review for the Mesa Consolidated Water District (MSR 06-46 & SOI 06-47)

INTRODUCTION
The attached report includes the municipal service review (MSR) and sphere of influence (SOI) review for the Mesa Consolidated Water District (Mesa).

Mesa Consolidated Water District (Mesa) was formed on January 1, 1960 through the consolidation of five predecessor agencies: Newport Heights Irrigation District, Fairview County Water District, Newport Mesa County Water District, Newport Mesa Irrigation District, and the City of Costa Mesa Water Department.

Mesa provides retail water service to an 18-square mile area which includes most of the city of Costa Mesa, a portion of the City of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services. Mesa’s sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa’s service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD).

MUNICIPAL SERVICE REVIEW (MSR)
LAFCOs are required by statute (Government Code Section 56430) to conduct MSRs as a way to assist agencies and residents by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the next 15 to 20 years.
For eight of the MSR determinations, staff did not identify any significant issues for the Mesa Consolidated Water District. Mesa actively manages its water supply sources and water system. The District's infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process. However, water supplies are less than projected demand. This is a significant infrastructure issue for the District, for the region, and for California. Mesa should consider the benefits of a tiered rate structure. No additional significant issues were identified.

Three governance structure options were identified. They included: (1) maintaining the status quo, (2) reorganization of the Mesa Consolidated Water District and the Costa Mesa Sanitary District, and (3) reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Costa Mesa Sanitary District. Detailed discussions of these options are provided in the attached MSR report. It is important to note that neither LAFCO nor the affected agencies are required to adopt or implement any of the potential governance structure options discussed in the MSR report.

Staff recommends that the Commission receive and file the MSR-SOI report (Attachment A) and adopt the MSR determinations (Attachment B).

**SPHERE OF INFLUENCE REVIEW (SOI)**
In accordance with Government Code Sections 56425 and 56430, LAFCO is required to complete sphere of influence (SOI) reviews in conjunction with municipal service reviews for each city and special district once every five years. An SOI is a long-range planning tool that guides future LAFCO decisions on individual jurisdictional boundary changes, incorporation proposals, district formation, and proposals for consolidation, merger, or formation of subsidiary districts.

Staff recommends that the Commission re-affirm the current Mesa Consolidated Water District sphere of influence and requests the Commission to receive and file the MSR-SOI report (Attachment A), adopt the SOI statement of determinations for the district (Attachment C), and reaffirm the district's sphere of influence by adopting resolution SOI 07-03 (Attachment G).

**CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA)**

**Municipal Service Review**
Municipal service reviews (MSR) are subject to the California Environmental Quality Act (CEQA) and LAFCO is the lead agency. The MSR proposal is considered Categorically Exempt from CEQA pursuant to section 15306 of the CEQA guidelines.
This section exempts basic data collection, research, experimental management, and resource evaluation activities that do not result in a serious or major disturbance to an environmental resource. This type of exemption may be used strictly for information gathering purposes, or as part of a study leading to an action that a public agency (in this case LAFCO) has not yet approved, adopted, or funded. The information gathered for the municipal service review will not have an effect upon an environmental resource. (See Attachment D, Notice of Exemption for the Mesa MSR.)

**Sphere of Influence Review**
LAFCO is the lead agency under CEQA for sphere of influence reviews. Staff reviewed the CEQA guidelines and recommends that the Commission consider the sphere of influence update for the Mesa Consolidated Water District exempt from CEQA under CEQA Local Guidelines 3.01: the sphere review is not an enactment and, therefore, not a project within the definition of “project” contained in CEQA Guidelines Section 21065. No changes to Mesa’s existing sphere of influence are proposed and no additional environmental review is required. (See Attachment E, Notice of Exemption for the MESA SOI review.)

**RECOMMENDATIONS**
Staff recommends that the Commission:

1. Receive and file the municipal service review/sphere of influence report for the Mesa Consolidated Water District (Attachment A).
2. Find the municipal service review exempt under the statutory exemption of the California Environmental Quality Act (CEQA) Guidelines (§15306) (Attachment D).
3. Find the sphere of influence update exempt under the statutory exemption of the California Environmental Quality Act (CEQA) Guidelines (§21065) (Attachment E).
4. Adopt the MSR determinations as required by Government Code §56430 (Attachment B).
5. Adopt the SOI statement of determinations as required by Government Code §56425 (Attachment C).
6. Adopt the resolution (Attachment F) related to Mesa’s municipal service review.
7. Adopt the resolution (Attachment G) reaffirming Mesa’s current sphere of influence.
Respectfully submitted,

[Signature]

JOYCE CROSTHWAIT

Attachment A: MSR-SOI Report for the Mesa Consolidated Water District
Attachment B: MSR Determinations (Mesa)
Attachment C: SOI Statement of Determinations (Mesa)
Attachment D: Notice of Exemption for MSR (Mesa)
Attachment E: Notice of Exemption for SOI (Mesa)
Attachment F: LAFCO Resolution for the Mesa MSR
Attachment G: LAFCO Resolution for the Mesa SOI Review
Municipal Service Review & Sphere of Influence Study

Mesa Consolidated Water District
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ACRONYMS

AF    Acre foot
AFY   Acre feet per year
BPP   Basin Pumping Percentage
HCF   Hundred cubic feet
CIP   Capital Improvement Plan (or Program)
COP   Certificate of Participation
CUWCC California Urban Water Conservation Council
CWTF  Colored Water Treatment Facility
DWR   California Department of Water Resources
FY    Fiscal Year
GWR   Groundwater Replenishment
LAFCO Local Agency Formation Commission
MG    Million gallons
MSR   Municipal Service Review
Mesa  Mesa Consolidated Water District
MWDOC Municipal Water District of Orange County
OCWD  Orange County Water District
SCAG  Southern California Association of Governments
SOI   Sphere of Influence
UWMP  Urban Water Management Plan
Section 1: EXECUTIVE SUMMARY
EXECUTIVE SUMMARY

A. Background

As a result of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 LAFCO must now conduct comprehensive, regional studies, Municipal Service Reviews, (MSRs) in conjunction with updates of spheres of influence every five years. MSRs are a way to assist agencies and the public by: (1) evaluating existing municipal services, and (2) identifying any future constraints or challenges that may impact service delivery in the future.

The MSR report and Sphere of Influence Study, which is a LAFCO document, is not intended to comprehensively analyze service provision, finances and government structure options but rather to present a “high level” overview of the issues. This MSR and Sphere of Influence Study address the Mesa Consolidated Water District (Mesa).

B. Summary

MSR Summary – Mesa

The nine determinations for Mesa are examined in great detail in this report. Staff did not identify any significant issues and, based on its analysis of the district’s structure and service provision, came to the following conclusions:

- Mesa’s infrastructure is sound and adequate. The district has adequately planned for infrastructure maintenance and improvements through its budget and capital improvement program. Future water supply demand will be modest.

- Mesa’s expenditures appear to be based on efficient methods of operation.
Mesa’s organizational structure is sound, and the district provides efficient and cost-effective services.

Mesa’s rates reflect the district’s actual cost of providing service to its customers and are very competitive in comparison to the other service providers.

While Mesa could potentially consolidate or reorganize with the Costa Mesa Sanitary District and/or the City of Costa Mesa, whereby the district(s) would either merge with or become a subsidiary district of the city, a letter jointly signed by Mesa, the Costa Mesa Sanitary District and the City of Costa Mesa is included in Appendix A.

SOI Summary – Mesa

Mesa’s approximately 10,000-acre sphere of influence was established by LAFCO on July 23, 1975. Since that time, the Commission has comprehensively reviewed and reaffirmed the district sphere twice—on July 7, 1977 and October 1, 1986. No changes are recommended in the SOI at this time; however it is recommended that the following areas be noted as special study areas for the next cycle of MSR/SOI studies which begins in 2008.

1) Hoag Memorial Hospital Campus: The Hoag Memorial Hospital Campus is currently within the SOI for Mesa, but not served by the District. Mesa’s SOI extends down Newport Boulevard to Pacific Coast Highway (Hwy 1), with the area to the west served by Mesa and the area to the east served by the City of Newport Beach. A hospital represents a major water demand. If Hoag Hospital will continue to be served by the City of Newport Beach for the long term, this area should be removed from the SOI for Mesa.

2) There are three islands within the northern portion of Mesa’s service area that are not served by the District. They are within the area bounded by 405 Freeway, Highway 73 and Highway 55. These are residential land uses, with the exception of the Trinity Broadcasting Network campus. The service provider(s) for these three islands should be identified. In addition, LAFCO should obtain documentation from Mesa on the District’s ability to serve those areas should the need arise.
Section 2: AGENCY PROFILE
AGENCY PROFILE

Introduction

Mesa Consolidated Water District (Mesa) was formed on January 1, 1960 through the consolidation of four predecessor agencies: Newport Mesa County Water District (formerly Newport Heights Irrigation District), Fairview County Water District, Newport Mesa Irrigation District, and the City of Costa Mesa Water Department.

Mesa provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 647 fire line services.

Mesa’s sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa’s service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD).

A portion of the local groundwater supply is obtained from lower aquifers of the Orange County groundwater basin. These lower aquifers yield colored groundwater requiring treatment. Imported water is received from the Municipal Water District of Orange County (MWDOC), who purchases it from the Metropolitan Water District of Southern California (Metropolitan).

Recycled water is provided through OCWD’s Green Acres Project which delivers recycled water to irrigation users within Mesa’s service area reducing potable water demand. The Green Acres Project accepts secondary-treated effluent from the Orange County Sanitation District, treats it to a level approved by the State Department of Health Services, and then pumps it to Mesa’s service area for resale.

The Mesa sphere of influence (SOI) is coterminous with the District’s boundary (see Figure 2.1). The District’s sphere, originally adopted by LAFCO in August 1975, was reviewed in October 1986 and has remained essentially unchanged since then. Certain areas within Mesa’s boundary are not served by the District. These areas include the
Hoag Memorial Hospital campus and three islands within the area bounded by the 405 Freeway, Highway 73, and Highway 55. These are primarily residential uses with the exception of the Trinity Broadcasting Network campus.

A profile of the District follows, as well as a map of Mesa’s boundaries and current SOI.

### Mesa Consolidated Water District

<table>
<thead>
<tr>
<th>Agency Information</th>
<th>Service Area Information</th>
</tr>
</thead>
</table>
| **Address:** 1965 Placentia Avenue  
                 Costa Mesa CA 92627 | Service Area:  
                            2005 Population: 112,000 |
| **Contact:** Victoria L. Beatley,  
                Interim General Manager | Projected Population:  
                             2010 117,500  
                             2015 122,300  
                             2020 126,000  
                             2025 128,500  
                             2030 129,100 |
| **Phone:** (949) 631-1206 | Reserves at Year End  
                        (FY 4-05): $11.9 |
| **Website:** www.mesawater.org | |

<table>
<thead>
<tr>
<th>Financial Information (FY 2006-2007 budget) (in millions)</th>
</tr>
</thead>
</table>
| **Revenues:** $25.4  
                Operating Budget: $22.0  
                Capital Improvement Budget: $5.2  
                Reserves at Year End (FY 4-05): $11.9 |

<table>
<thead>
<tr>
<th>Service Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Service Accounts:</strong></td>
</tr>
</tbody>
</table>
| Number of Accounts (FY 2006-07): 22,920  
Number of Accounts Year 2030: 24,782 (8% increase) |

| **Water Demands:** |
| Total Current Water Demands within Service Area (FY07): 22,600 AFY  
Estimated Water Demand in Year 2030: 25,600 AFY (14% increase) |

| **Service Area Water Supply:** |
| Current Annual Basin Production: 20,600 AFY  
Groundwater + In-lieu (FY 2006-07): 1,100 AFY  
Imported Water (FY 2006-07): 900 AFY  
Recycled Water (FY 2006-07):  |
| Estimated Groundwater Production Year 2030: 25,700 AFY  
Imported Water Year 2030: 14,400 AFY  
Recycled Water Year 2030: 1,240 AFY  
**Total Estimated Water Supply 2030:** 41,340 AFY (Year 2030) |
Figure 2.1 Mesa Service Area and existing Sphere of Influence
Section 3:

GROWTH &
PROJECTED POPULATION
A. Regional Summary

Mesa’s service area is largely built out. Much of the growth in mid-Orange County is expected to occur through infill development. *Table 3.1, Population Data for Costa Mesa and Surrounding Cities* summarizes the regional population in the mid-Orange County area.

<table>
<thead>
<tr>
<th></th>
<th>Population</th>
<th>% Change</th>
<th>Households</th>
<th>% Change</th>
<th>Persons per Household</th>
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<tr>
<td></td>
<td>2005</td>
<td>2030</td>
<td>2005</td>
<td>2030</td>
<td></td>
</tr>
<tr>
<td>Costa Mesa</td>
<td>113,874</td>
<td>129,098</td>
<td>39,733</td>
<td>42,600</td>
<td>2.87</td>
</tr>
<tr>
<td>Fountain Valley</td>
<td>59,250</td>
<td>66,107</td>
<td>18,583</td>
<td>19,917</td>
<td>3.19</td>
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<tr>
<td>Huntington Beach</td>
<td>204,297</td>
<td>223,992</td>
<td>75,332</td>
<td>79,647</td>
<td>2.71</td>
</tr>
<tr>
<td>Irvine</td>
<td>169,600</td>
<td>203,965</td>
<td>58,122</td>
<td>69,022</td>
<td>2.92</td>
</tr>
<tr>
<td>Newport Beach</td>
<td>83,585</td>
<td>94,167</td>
<td>37,015</td>
<td>43,100</td>
<td>2.26</td>
</tr>
<tr>
<td>Santa Ana</td>
<td>353,225</td>
<td>370,130</td>
<td>73,600</td>
<td>75,694</td>
<td>4.80</td>
</tr>
<tr>
<td></td>
<td>983,831</td>
<td>1,087,459</td>
<td>302,385</td>
<td>329,980</td>
<td>4.89</td>
</tr>
</tbody>
</table>

Source: SCAG 2004 Growth Forecast

Anticipated redevelopment includes single family residential uses being redeveloped into multi-family uses. This will likely be accompanied by redevelopment of commercial areas which increases the intensity of use and the daytime population. In 2006 a total of 16 major commercial and industrial projects were underway within Costa Mesa, primarily consisting of redevelopment and improvements to existing facilities.
B. Existing & Projected Population

Mesa’s boundaries include most of the City of Costa Mesa with portions of Newport Beach and an unincorporated area, including the John Wayne Airport.

Because the majority of Mesa’s service area is the City of Costa Mesa, the population projections adopted by the Orange County Board of Supervisors in 2004 for the City are summarized below. In 2005, the City of Costa Mesa’s population was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. The number of households is projected to only increase by 7% to 42,600, while the number of jobs will increase 17%.

Table 3.2, Population Projections for Mesa Consolidated Water District, 2005 – 2030 below shows projected population growth from 2005 to 2030 as shown in the District’s 2005 Urban Water Management Plan.

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>Overall Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Area Population</td>
<td>111,737</td>
<td>117,492</td>
<td>122,301</td>
<td>125,952</td>
<td>128,483</td>
<td>129,098</td>
<td>17,361</td>
</tr>
<tr>
<td>Avg. Annual Growth Rate</td>
<td>1.0%</td>
<td>0.8%</td>
<td>0.6%</td>
<td>0.4%</td>
<td>1.0%</td>
<td>0.6%</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Mesa 2005 Urban Water Management Plan

Infill growth and redevelopment within the Mesa service area over the next twenty-five years will be important in terms of its impact on water demand. It should be noted that new construction generally achieves a much higher level of water use efficiency than older homes and buildings due to changes in the plumbing code and smaller landscaped areas.

Anticipated growth and impacts to water service have been considered in the Mesa 2005 Urban Water Management Plan and the May 2002 Water System Master Plan, as well as water supply assessments that are prepared for individual projects. Population
growth has also been considered in the 2005 Urban Water Management Plans for the regional water agencies and the groundwater basin management plans of the OCWD.¹

Mesa’s service area will have moderate growth over the next twenty years primarily due to infill and redevelopment. Mesa has considered this growth in its plans for service.

¹ Orange County Water District Municipal Service Review and Sphere of Influence Study, 2006;
Section 4: INFRASTRUTURE NEEDS & DEFICIENCIES
A. Overview

Mesa provides service to approximately 22,920 meters and 647 fire lines within an 18 square-mile area. The primary source of water supply is local groundwater, supplemented by imported water and recycled water. Imported water is purchased from the Municipal Water District of Orange County (MWDOC), and recycled water is purchased from the Orange County Water District (OCWD) through the Green Acres Project. Mesa operates a Colored Water Treatment Facility (CWTF) to address the colored water issue for groundwater produced from lower aquifers. Mesa’s 2002 Water System Master Plan and 2005 Urban Water Management Plan provide a framework for the District to prioritize and plan for adequate water supply and infrastructure in order to meet projected demands.

B. Water Sources

Groundwater Sources

Mesa’s primary water source is local groundwater, which is pumped from Orange County’s groundwater basin and lower aquifers. The District operates a total of nine wells, three of which are impacted by colored groundwater.

Clear Groundwater Sources

The northern portion of Mesa’s service area overlies the Orange County groundwater basin, a large underground aquifer that lies beneath much of northern and central Orange County. The basin is not adjudicated, but is cooperatively managed by OCWD according to the basin management plan developed in collaboration with the
groundwater producers and adopted by the OCWD Board of Directors in December 2002.

Historically the basin has been replenished by water from the Santa Ana River and imported water purchased from Metropolitan. In 2003 the OCWD and Orange County Sanitation District initiated the Groundwater Replenishment (GWR) System, which will treat 70 million gallons per day of wastewater to an advanced tertiary level; 36,000 AFY will be used for groundwater recharge and the remaining 36,000 AFY will be used to extend the Talbert Gap seawater intrusion barrier that also recharges the groundwater basin. OCWD anticipates that this will increase allowable groundwater production without further depleting groundwater supplies. The GWR System is expected to begin operating in 2007.

Colored Groundwater Sources

While the majority of groundwater in the Orange County groundwater basin comes from the clear upper aquifers, Mesa also produces a significant quantity of water from the basin’s lower aquifers. These lower aquifers are within OCWD’s jurisdiction. Colored water is found in aquifers ranging from 600 to 1,200 feet. The water is high quality and extremely soft; however natural organic material from ancient redwood forests of the coastal plain gives the water an amber tint and sulfur odor which requires treatment.

While lower aquifer groundwater is more expensive to produce than the clear groundwater found in the upper aquifers, it is less expensive than purchasing imported water with costs of $333 per AF and $480 per AF respectively. Mesa has been pumping water from the lower aquifer since 1985 and treating it with a variety of treatment methods. The construction of the Colored Water Treatment Facility (CWTF) has allowed Mesa to increase production from the lower aquifers in recent years. The treatment process involves ozone treatment followed by biofiltration, a process that removes organic materials from colored water. Metropolitan provides financial assistance for the expanded use of lower aquifer water through its Local Resource Program.

An expansion of the existing CWTF is currently being evaluated and rates for water overall are expected to rise 20% to finance the improvements. If approved, design and construction is expected to begin in February 2008 with an anticipated completion in August 2009. With the additional CWTF production capacity, Mesa projects it will be able to supply over 95% of its potable water needs from groundwater. Furthermore, the
CWTF may provide additional supply which could be sold to neighboring retail agencies.

**Groundwater Challenges**

Most of Orange County’s groundwater producers are using the upper aquifer. Changes in groundwater conditions as a result of increased production and reduced pressure in the upper aquifer result in increasing challenges for groundwater management. Reduced pressure allows seawater to enter into the upper aquifer. Mesa is experiencing increased color at some of its upper aquifer wells, a condition which is generally associated with lower aquifers. This migration occurs due to the difference in water levels and resulting pressure differential between the lower aquifer and upper aquifer. Wells associated with the CWTF have experienced increasing levels of chloride, total dissolved solids, and bromide. Increased bromide concentrations are present in groundwater migrating northward from Newport Mesa.

The 2002 Water System Master Plan acknowledges the need for solutions to the groundwater challenges. The approach that is being pursued to reduce the migration of colored water from the lower aquifer to the upper aquifer is to increase production from the lower aquifer to reduce differences in water and pressure levels. However, this may allow for increased seawater intrusion. Steps are being implemented to better understand the hydrogeology of Mesa and reduce the formation of bromate following ozone treatment. A catalytic carbon bromate treatment system was installed at the CWTF in FY 2003-04 and an ammonium chloride feed system will improve the cost effectiveness of the process. Mesa works closely with OCWD in managing the groundwater basin to help address water quality concerns and basin management challenges.

The Orange County groundwater basin has historically been overdrafted. Under the current groundwater management policies, OCWD evaluates recent annual production and recharge and sets an annual Basin Production Percentage (BPP). The BPP establishes a limit on how much each agency can pump in the upcoming year. The BPP is based on net water available for pumping divided by net total water demands from the previous year. The BPP may change annually due to a reduced basin level and revised basin management plans. The BPP is intended to address overdraft conditions and protect the basin from seawater intrusion. Producers that exceed the BPP are assessed an additional higher-cost Basin Equity Assessment charge to provide a disincentive to pumping over the BPP. Through this methodology OCWD is able to manage the basin resources and provide financial incentive for producers to work cooperatively in reducing any overdraft.
**Imported Water Sources**

Mesa supplements its groundwater with imported water purchased from MWDOC. MWDOC is a member agency of the Metropolitan Water District of Southern California. Metropolitan imports water from northern California through the State Water Project and from the Colorado River. Water is treated at Metropolitan’s Robert B. Diemer Filtration Plant in Yorba Linda. Mesa has two reservoirs capable of storing water.

Mesa participates in a special conjunctive use/in-lieu program in which Mesa takes delivery of imported water in lieu of pumping clear groundwater. OCWD purchases the excess supply of imported water at in-lieu rates and Mesa pays OCWD the Replenishment Assessment and energy costs for pumping the groundwater so there is no increased expense for Mesa. This program preserves stored groundwater for periods when imported supply may be limited.

**Recycled Water Sources**

In 1992, Mesa began supplying recycled water to selected irrigation and agricultural customers. Currently there are 38 recycled water service connections within the Mesa service area, with customers including the City of Costa Mesa, County of Orange, Caltrans, Costa Mesa Country Club, and Orange Coast College. Mesa and OCWD have identified additional recycled water customers with an additional 840 irrigated acres should more recycled water become available.

**Water Supply Projections**

*Table 4.1, Current and Planned Water Supplies* shows the current and planned water supplies over the next twenty-five year horizon. (The groundwater projections do not factor in the CWTF expansion.)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Provider (MWDOC)</td>
<td>14,400</td>
<td>14,400</td>
<td>14,400</td>
<td>14,400</td>
<td>14,400</td>
<td>14,400</td>
</tr>
<tr>
<td>Mesa Produced (with CWTF)</td>
<td>22,500</td>
<td>22,500</td>
<td>22,500</td>
<td>22,500</td>
<td>25,700</td>
<td>25,700</td>
</tr>
<tr>
<td>Recycled Water</td>
<td>1,000</td>
<td>1,240</td>
<td>1,240</td>
<td>1,240</td>
<td>1,240</td>
<td>1,240</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>37,900</strong></td>
<td><strong>38,140</strong></td>
<td><strong>38,140</strong></td>
<td><strong>38,140</strong></td>
<td><strong>41,340</strong></td>
<td><strong>41,340</strong></td>
</tr>
</tbody>
</table>

Source: Mesa May 2006 Water Supply Assessment
Increased production at the Colored Water Treatment Facility has been accomplished by drilling an additional well. The additional water produced by Well 11 could potentially be sold to adjacent water service providers. Mesa projects that approximately 5,650 AFY would be available. Any increase in production should be done in coordination with OCWD to ensure the long term protection of the groundwater basin and quality of the groundwater.

C. Water Demand

As discussed in Section 3.0, Growth and Projected Population, Mesa’s service area is largely built out. Per the District’s 2005 Urban Water Management Plan, water demands are projected to increase by approximately 10% versus a 14% increase in population. Projected increases in water demand are consistent across the various sectors (i.e., residential, commercial, institutional, etc.). Water demand projections are provided below in Table 4.2, Past, Current, and Projected Water Demand.

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2010</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single-Family</td>
<td>7,014</td>
<td>7,056</td>
<td>7,089</td>
<td>7,124</td>
<td>7,159</td>
<td>7,191</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>6,664</td>
<td>6,705</td>
<td>6,735</td>
<td>6,769</td>
<td>6,802</td>
<td>6,832</td>
</tr>
<tr>
<td>Commercial</td>
<td>5,113</td>
<td>5,144</td>
<td>5,167</td>
<td>5,193</td>
<td>5,219</td>
<td>5,242</td>
</tr>
<tr>
<td>Industrial</td>
<td>546</td>
<td>550</td>
<td>552</td>
<td>555</td>
<td>558</td>
<td>560</td>
</tr>
<tr>
<td>Public Agency</td>
<td>2,513</td>
<td>2,528</td>
<td>2,540</td>
<td>2,552</td>
<td>2,565</td>
<td>2,576</td>
</tr>
<tr>
<td>Unaccounted for System Losses</td>
<td>874</td>
<td>879</td>
<td>883</td>
<td>888</td>
<td>892</td>
<td>896</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,724</strong></td>
<td><strong>22,862</strong></td>
<td><strong>22,966</strong></td>
<td><strong>23,081</strong></td>
<td><strong>23,195</strong></td>
<td><strong>23,297</strong></td>
</tr>
</tbody>
</table>

Source: Mesa 2005 Urban Water Management Plan

D. Balancing Supply and Demand

As shown in Tables 4.1 and 4.2 above, water supplies are adequate to meet projected water demands when system losses are known. Factors influencing this imbalance
include climate and implementation of demand and supply management practices. The imbalance between projected demand and water supplies is a statewide issue.

Mesa’s service area averages 12.91 inches of rainfall per year. Single and/or multiple dry years typically result in an increased demand on imported water supplies. In response to droughts and projected water shortages, advanced recycled water treatment technologies are continually evaluated as a means for increasing local supplies. The establishment of new supplemental funding sources through federal, state, and regional programs provides some financial incentives for local agencies to develop and make use of recycled water. Mesa encourages education, public involvement, and promotes the benefit of recycled water.

In preparation for severe drought conditions, Mesa developed a water shortage contingency plan, which was adopted on January 23, 1992, which meets the requirements of subdivision (e) of the California Water Code Section 10631. It is the policy of the Mesa to inform customers of current and projected water supply situations long before water shortages are declared. Mesa’s Ordinance 8 (Emergency Water Conservation Plan) encourages and requires conservations practices and reduction during emergencies.

Mesa is a signatory to the California Urban Water Conservation Council (CUWCC) Memorandum of Understanding Regarding Urban Water Conservation in California which contains 14 Best Management Practices for water conservation. Mesa works in conjunction with the CUWCC to promote and ensure water use efficiency. Mesa has developed water use efficiency programs with MWDOC to encompass all customer classes.

E. Facilities

Mesa’s domestic water distribution system consists of approximately 350 miles of distribution and transmission pipelines that range in size from 4-inches to 42-inches in diameter. The majority of the pipelines throughout the distribution system are made of asbestos cement or PVC. The transmission mains consist primarily of cement mortar lined and coated steel pipe. The major transmission pipeline that runs from east to west is owned jointly with the City of Huntington Beach. The distribution system has one pressure zone.

Mesa has two storage reservoirs with a combined capacity of 28.2 million gallons (MG). The District’s Average Day Demand is 20.2 million gallons per day (MGD), with a
Maximum Day Demand of 32.3 MGD. The two reservoirs have the combined capacity to meet water demands for 1.4 average days. Reservoir No. 1 has a capacity of approximately 9.5 MG; it is a rectangular steel reinforced concrete tank constructed partially below ground. Reservoir No. 2, Kemp Reservoir, is a buried cylindrical concrete tank with a capacity of approximately 18.7 MG. Water flow into the reservoirs is controlled by a pressure sustaining valve on the inlet to each reservoir. Booster pump stations pump water from the storage reservoirs into the distribution system. The District has issues with water quality due to circulation and the amount of time water is held in the reservoir. This is being addressed through a current capital improvement project to improve the conditions.

Mesa owns and operates nine groundwater production wells. All of the wells are located in the northwest portion of the service area and are summarized below in Table 4.3, Water Production Wells.

Wells 5, 7, and 8 have color in the low to moderate range. Wells 4, 6 and 11 have significantly higher color levels. As discussed above, Mesa operates a Colored Water Treatment Facility to treat groundwater produced from Wells 6 and 11. The CWTF currently treats 5 MG of colored groundwater per day.

<table>
<thead>
<tr>
<th>Well Name/Number:</th>
<th>Depth (feet)</th>
<th>Gallons Per Minute</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segerstrom #1 Well 1</td>
<td>610</td>
<td>2,400</td>
</tr>
<tr>
<td>Lee Pickens Well 3</td>
<td>600</td>
<td>2,300</td>
</tr>
<tr>
<td>Segerstrom #2 Well</td>
<td>710</td>
<td>3,800</td>
</tr>
<tr>
<td>Nathan L. Reade Well 5</td>
<td>960</td>
<td>3,800</td>
</tr>
<tr>
<td>William Patrick Well 7</td>
<td>580</td>
<td>1,500</td>
</tr>
<tr>
<td>Warren Booth Well 8</td>
<td>600</td>
<td>2,000</td>
</tr>
<tr>
<td>Mario Durante Well 9</td>
<td>610</td>
<td>2,100</td>
</tr>
<tr>
<td>Colored Water Treatment Facility Well 6</td>
<td>1,200</td>
<td>4,000</td>
</tr>
<tr>
<td>Colored Water Treatment Facility Well 11</td>
<td>1,200</td>
<td>4,000</td>
</tr>
</tbody>
</table>
Water purchased from MWDOC is imported via four imported water connections (OC-14, OC-44, CM-2 and CM-6). The imported water connection OC-44 does not connect directly into Mesa’s distribution system. Water from this connection is conveyed through a transmission pipeline from OC-44, east of Mesa, through the District’s service area to the west end where the City of Huntington Beach has a metered connection. The pipeline is jointly owned by Mesa and the City of Huntington Beach. Mesa has seven connections, or turnouts, to the OC-44 transmission main. Four of these turnouts are metered and the other three are inactive. There is one pressure reducing station that reduces the pressure within the OC-44 transmission main.

**Facility Evaluation**

Mesa continually monitors the efficiency of its facilities in order to meet the demands of the District. The District has implemented a program for continuous infrastructure renewal and improvement. The 2002 Water System Master Plan incorporates a comprehensive capital improvement program outlining facilities improvement priorities, alternatives and costs through 2008. Infrastructure improvements for FY 2006-07 and future years include the following: circulation improvements for existing storage reservoirs, fire hydrant upgrades, treatment process upgrades to meet bromate regulations at the CWTF, and acquisition of property and construction of a new production well. Replacement of plastic service lines is ongoing.

**F. Summary**

The majority of Mesa’s water supply comes from locally produced groundwater, supplemented by imported water and recycled water. Mesa continues to implement conservation programs, technologies, and financial incentives in order to meet the water needs of the District now and into the foreseeable future.

Mesa’s Water System Master Plan was updated in 2002, and provides a guide for the improvement of the District’s water system. Mesa regularly monitors its facilities and performs maintenance as needed. The District has established several Designated Funds to ensure that financial resources are available for improvements to its infrastructure. In FY 2006-07, the District budgeted $5.2 million for capital improvements related to water supply, the water system and facility improvements.
Mesa actively manages its water supply sources and water system. The District’s infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process.
Section 5:
FINANCING OPPORTUNITIES & CONSTRAINTS
FINANCING OPPORTUNITIES & CONSTRAINTS

A. Overview
Mesa derives the majority of its revenue through water sales and service charges; the District does not receive any property tax revenue. Projected FY 2006-07 revenues from all sources are expected to be $25.4 million. Expenditures are $27.2 million including $22 million for expenses, and over $5.2 million for capital improvements and replacements. $1.8 million of Designated Funds will be used to fulfill the District’s budgetary needs. Mesa has established five Designated Funds to ensure that the financial resources are available for the District to provide economic and efficient service.

B. Financial Review
The following Table 5.1, Mesa Financial History and Projected Budget Overview summarizes Mesa’s financial history for FY 2004-05 and FY 2005-06, and provides the adopted FY 2006-07 budget and projected FY 2007-08 forecast.
Table 5.1: Mesa Financial History and Projected Budget Overview

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Sales</td>
<td>18,899,587</td>
<td>20,948,700</td>
<td>22,760,200</td>
<td>22,778,100</td>
</tr>
<tr>
<td>Operating Revenue</td>
<td>941,548</td>
<td>1,003,900</td>
<td>996,000</td>
<td>861,100</td>
</tr>
<tr>
<td>Non-Operating Revenue</td>
<td>544614</td>
<td>1,572,500</td>
<td>1,664,200</td>
<td>1,178,700</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE:</strong></td>
<td><strong>20,385,660</strong></td>
<td><strong>23,525,100</strong></td>
<td><strong>25,420,400</strong></td>
<td><strong>24,817,900</strong></td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Expenses</td>
<td>9,349,584</td>
<td>11,794,701</td>
<td>11,501,400</td>
<td>12,006,700</td>
</tr>
<tr>
<td>Financial Obligations</td>
<td>3,767,307</td>
<td>3,765,400</td>
<td>3,748,800</td>
<td>3,715,600</td>
</tr>
<tr>
<td>Labor and Benefits</td>
<td>5,572,366</td>
<td>6,159,040</td>
<td>7,104,209</td>
<td>7,447,689</td>
</tr>
<tr>
<td>Temporary Labor</td>
<td>69,746</td>
<td>53,500</td>
<td>12,800</td>
<td>10,800</td>
</tr>
<tr>
<td>Labor and Benefits Capitalized</td>
<td>(456,324)</td>
<td>(262,972)</td>
<td>(356,136)</td>
<td>(343,429)</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Expenses:</td>
<td>2,012,227</td>
<td>1,412,600</td>
<td>5,249,600</td>
<td>3,511,800</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES:</strong></td>
<td><strong>20,314,906</strong></td>
<td><strong>22,922,268</strong></td>
<td><strong>27,260,673</strong></td>
<td><strong>26,349,159</strong></td>
</tr>
<tr>
<td><strong>TOTAL CHANGE TO DESIGNATED FUNDS:</strong></td>
<td>70,753</td>
<td>602,832</td>
<td>(1,840,273)</td>
<td>1,016,900</td>
</tr>
<tr>
<td><strong>BALANCE IN DESIGNATED FUNDS</strong></td>
<td>6,148,407</td>
<td>6,754,239</td>
<td>4,913,966</td>
<td>5,930,866</td>
</tr>
</tbody>
</table>

Source: Mesa FY 2006-07 Adopted Budget

**Revenues**

The majority of Mesa’s revenue is generated through water sales; no tax revenues are received. The District charges a Basic Charge for meters as well as a commodity charge for usage. To balance the FY 2006-07 budget, the Board authorized a 10-cent Usage Charge Increase (5%) effective July 1, 2006. Other significant revenue sources include the surcharge for water system relocations for City projects, capacity charges for new development, inspection fees and Metropolitan’s Local Resources Program for the CWTF. Metropolitan provides financial assistance for the expanded use of lower aquifer water by reimbursing Mesa for a portion of the costs incurred in the production of this groundwater.
Expenses

The District’s expenses are associated with the operation of the District, water supply and treatment costs as well as financial obligations. For FY 2006-07 the District budgeted $13.8 million of water supply expenses (including $1.85 million in capital projects), and $5.2 million for the water system (including $2.9 million for capital projects). The increase in General Expenses shown in Table 5.1 above is primarily due to a $1.5 million (21%) increase in water supply expenses from FY 2004-05 to FY 2006-07. This is coupled with a $1.5 million (27%) increase in Labor and Benefits expenses. The largest increases for water supply expenses are related to well utilities and OCWD’s basin replenishment assessment.

Capital expenditures more than doubled from FY 2004-05 to FY 2006-07. Capital expenditures were significantly lower in FY 2005-06 in preparation for projects scheduled to begin in FY 2006-07. The budget for FY 2006-07 includes $2.2 million in new infrastructure and $3.1 million in replacements and refurbishments. The forecast for FY 2007-08 indicates that capital expenditures will be reduced to $3.5 million.

Designated Funds

Mesa has established five Designated Funds to ensure that the financial resources are available for the District to provide reliable service (balances shown below are as of June 30, 2006):

- **Asset Acquisition Fund:** Used for the acquisition of capital assets ($40,269).
- **Asset Replacement Fund:** Used for the replacement of capitalized assets when they reach the end of their useful lives. Interest earned on these funds remains in the fund ($3,658,975).
- **Catastrophe Fund:** Used to begin repair of the water system after a catastrophic event, such as a severe earthquake or fire, while long-term financing is being arranged or insurance claims are being processed ($500,000).
- **Operating Fund:** Used for unanticipated operating expenses. The target balance of this fund is 10% of the Adopted Budget ($1,208,895).
- **Rate Stabilization Fund:** Used to provide flexibility to the Board of Directors when establishing rates such as absorbing temporary rate fluctuation or for one time expenditures ($1,346,100).
The District uses the various Designated Funds to balance the budget, in accordance with the Board’s policies. The Rate Stabilization Fund was used in FY 2004-05 and 2005-06 to temper the impact of cost increases on the ratepayers. The FY 2006-07 budget includes an appropriation of $910,273 from the Rate Stabilization fund, $463,700 from the Asset Replacement Fund, and $716,300 from the Operating Fund to balance the budget. The District budgets for a minimum addition of $250,000 per year to the Operating Fund. The change in fund balances is shown in Figure 5.1 below.

**Figure 5.1: Designated Fund Balance**

![Designated Fund Balance Chart]

**Long Term Liabilities**

Mesa has long-term debt associated with four wells, Certificates of Participation (COP) and a loan from the Department of Water Resources (DWR). At June 30, 2005 Mesa had long term debt of $24.3 million.

The DWR loan will be paid off in FY 2006-07. The 2002 COP will be retired in March 2008. The 1998 Certificates bear interest at rates varying from 4.0% to 5.0%; the terms require principal and interest payments through March 2018. Average annual payments are approximately $2.2 million.
Mesa has agreements with OCWD for Conjunctive Use Well Construction for Wells 1, 9, 10 and 11. These are 20-year loans and will all be retired by 2021. Average annual payments including principal and interest are approximately $135,000.

The COPs require that annual net revenues be equal to at least 1.10 times debt service payments. The District estimates that for FY 2006-07 and FY 2007-08 the coverage ratio will be 1.86 and 1.46 respectively, well above the 1.10 requirement. At FY 2004-05, the District has the following restricted assets for long-term liabilities:

- Financial Obligation Service Reserves $2,812,914
- Deposits to insure against nonpayment of billings and performance guarantees $233,704
- Reserves for the DWR Loan $38,648
- Reserves for COP payments $1,050,226

Total $4,135,492

C. Financing Opportunities and Constraints

Mesa has leveraged the use of its financial resources and capital assets to ensure the long-term financial stability of the District. This allows Mesa to carry out its plans and programs for the effective management of its services. Mesa has two financial partners in the CWTF project, including Metropolitan via the Local Resources Program and OCWD through the conjunctive use loan program. Mesa has established five Designated Funds that provide reserve funding for specific needs.

Per the FY 2004-05 Comprehensive Annual Financial Report, Mesa net assets increased $0.5 million in FY 2004-05 and $2.9 million in FY 2003-04. Increases or decreases in net assets are one indicator of financial health. The increase in net assets invested in capital assets, net of related debt, reflects Mesa’s commitment to capital improvement and debt payment.

Mesa has revenues to continue to provide service at adequate levels, meet its debt service obligations and provide for capital needs.
Section 6: ECONOMIES OF SERVICE
ECONOMIES OF SERVICE

This section combines the required determinations of Rate Restructuring, Cost Avoidance Opportunities, Shared Facilities and Evaluation of Management Efficiencies.

A. Rate Restructuring

As discussed in Section 5.0 Financial Constraints and Opportunities, the majority of Mesa’s revenue is generated by water sales. Mesa has a single-tier rate structure. In addition to a Basic Charge based on meter seize, customers pay a Usage Charge of $1.99 per 100 cubic feet (748 gallons) of potable water or $1.79 per 100 cubic feet of recycled water. Mesa receives no property tax and rates reflect the actual cost of providing service.

The current rates became effective July 1, 2006 and reflect the increased utility costs at the CWTF, increased rates of OCWD, and increased rates on imported water purchased through MWDOC. These agencies project continuing rate increases in the next several years. In addition to the Basic Charge and commodity charge, customers also pay water system relocation fees which are used to fund projects to move water utility lines required by City projects. Mesa also imposes separate fire line service charges. Lastly, on July 1, 2001 Mesa began collecting a LAFCO surcharge of $1 per year per account to cover the District’s LAFCO expenses; revenue from this surcharge was $24,085 in FY 2005-06.

Table 6.1, Mesa Water Rates shows the breakdown in Water Usage Charges and other charges for a typical residential account.
### Table 6.1: Mesa Water Rates

**Eff. July 1, 2006**

(one unit = 100 cubic feet, or 748 gallons)

<table>
<thead>
<tr>
<th>Usage Charges</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Supply</td>
<td>$1.11</td>
</tr>
<tr>
<td>Water Quality</td>
<td>.16</td>
</tr>
<tr>
<td>Water System</td>
<td>.30</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>.23</td>
</tr>
<tr>
<td>Energy</td>
<td>.19</td>
</tr>
</tbody>
</table>

**Potable Water:** $1.99 per unit

**Recycled Water:** $1.79 per unit

**Other Charges – 5/8” meter**

<table>
<thead>
<tr>
<th>Other Charges</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Charge</td>
<td>$7.50 per month</td>
</tr>
<tr>
<td>Water System Relocation Fee</td>
<td>$0.46 per month</td>
</tr>
<tr>
<td>LAFCO Surcharge</td>
<td>$1 per year</td>
</tr>
</tbody>
</table>

**Estimated Monthly Bill – 20 units** $47.76

*Source: Mesa Website*

Figure 6.1, Typical Monthly Water Charges compares the typical water charges of Mesa and surrounding retail water agencies.

**Figure 6.1: Typical Monthly Water Charges**

(5/8” meter, 20 ccf usage)
Figure 6.1, *Typical Monthly Water Charges*, does not present a full picture of rates since all of the agencies except Mesa receive property tax revenues which help to off-set the cost of providing service.

The District evaluates its rates regularly to ensure that the charges are sufficient to cover the cost of service. For example, the District’s rate increase in July 2006 factored in a number of underlying cost increases, including a 20% increase in utility costs for the CWTF. This is consistent with the District’s goal to “be financially responsible and maintain competitive rates” as well as meet its net revenue obligations on the Certificates of Participation. Over the past several years many water districts have adopted tiered rate structures to encourage and reward increased water use efficiency among customers. The District should evaluate the benefits of a tiered rate structure for its customers.

**B. Cost Avoidance, Shared Facilities and Management Efficiencies**

Mesa is aware of the need to minimize costs and the benefit of efficient operations, particularly in light of increased rates by OCWD and MWDOC, and a projected 20% increase in utility costs at the CWTF. The May 2002 Water System Master Plan sets the following goals:

- **Reduce reliance on imported water.** Mesa relies primarily on groundwater for its water supply, which benefits ratepayers because it is higher in quality and lower in cost than imported water. The Plan states a goal of achieving a minimum production mix of 75% groundwater and 25% imported water. Mesa production of colored water is intended to decrease dependency on imported supplies and does not include the 75% groundwater production limit. These goals have changed somewhat; the 2005 UWMP includes water supply projections of 7% imported, 88% local groundwater and 5% recycled water.

- **Develop additional supplies of local groundwater.** This is being explored via expansion of the CWTF.

- **Attain flexibility to provide water from whichever source provides the lowest cost, highest quality water at any given time.** Mesa is working closely and cooperatively with OCWD to address projected changes in water quality and other groundwater basin management challenges.
Provide water to District customers at the lowest possible cost.

Mesa’s annual budget includes a cost summary of the various water supply components. These are summarized below in Table 6.2, Basic Water Supply Components.

Table 6.2: Mesa Basic Water Supply Components
(FY 2006-07, Per acre foot)

<table>
<thead>
<tr>
<th>Components</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>OCWD Basin Replenishment Assessment</td>
<td>$223</td>
</tr>
<tr>
<td>Well Utilities</td>
<td>$92</td>
</tr>
<tr>
<td>Well Treatment and Materials</td>
<td>$18</td>
</tr>
<tr>
<td>CWTF Utilities</td>
<td>$147</td>
</tr>
<tr>
<td>MWD Local Resource Program Subsidy</td>
<td>$(115)</td>
</tr>
<tr>
<td>CWTF Treatment and Materials</td>
<td>$147</td>
</tr>
<tr>
<td><strong>Imported Water Variable Costs</strong></td>
<td><strong>$479.50</strong></td>
</tr>
<tr>
<td>Recycled Water</td>
<td>$314</td>
</tr>
<tr>
<td>In-Lieu Water</td>
<td>$294</td>
</tr>
<tr>
<td><strong>Imported Water Fixed Costs</strong></td>
<td><strong>$56,200</strong></td>
</tr>
<tr>
<td>Readiness to Serve Charge</td>
<td>$56,200</td>
</tr>
<tr>
<td>Capacity Charge</td>
<td>$51,500</td>
</tr>
<tr>
<td>Retail Connection Charge – Total Chg</td>
<td>$137,300</td>
</tr>
<tr>
<td>Retail Connection Charge – per meter</td>
<td>$6.00</td>
</tr>
</tbody>
</table>

Mesa and the City of Huntington Beach jointly own transmission facilities that deliver treated imported water from Metropolitan. Both entities share the operation and maintenance costs of this line. The City of Huntington Beach pays Mesa for any water that it receives through this line with $2.85 million budgeted to be received from the City for FY 2006-07.

Mesa participates in facilities sharing via its use of the Orange County groundwater basin providing water supply management, improved reliability, and provides long-term benefit to the producers and ratepayers. The OCWD’s Green Acres Project, a conjunctive use project, delivers recycled water to irrigation users within Mesa’s service area and also reduces Mesa potable water demand. Currently there are 38 recycled water service connections within the Mesa service area.

Mesa has a staff sharing agreement with MWDOC for water use efficiency programs, and the revenue from this program is used to fund water use efficiency programs.
including residential landscape classes and conservation education. This staff sharing program began in FY 2003-04 and ended February 2007.

In terms of management efficiencies, Mesa works closely with the City of Costa Mesa on water use efficiency and infrastructure improvement projects, including water system relocations for city street improvements. Mesa also coordinates activities with the other governmental entities serving the area. Elected officials and management from Mesa, the City of Costa Mesa, and the Costa Mesa Sanitary District hold quarterly meetings to discuss issues of mutual interest.

Mesa, in conjunction with Metropolitan and MWDOC, has distributed ultra-low water use devices to residential customers at little or no cost to the customer, reducing water use by 650 AF of water per year. In addition, Mesa and City of Costa Mesa employees completed a 6-week efficient irrigation training course covering water efficient practices for outdoor water use. The training assists the employees with lowering maintenance costs, reducing water related property damage, and improving water use efficiency.

Governmental agencies within the service area prepare for emergencies together. Mesa is actively involved in the Water Emergency Response Organization of Orange County that coordinates the emergency response efforts of water agencies in the county. The Costa Mesa Fire and Police Departments work with Mesa to coordinate training exercises and emergency preparedness.

Mesa should consider the benefits of a tiered rate structure. No additional significant issues with regard to cost avoidance, shared facilities or management efficiencies were identified.
Section 7: GOVERNMENT STRUCTURE OPTIONS
GOVERNMENT STRUCTURE OPTIONS

A. Introduction

The nine MSR determinations include an examination of government structure options. Due to the broad scope of MSRs, none of the government structure options are addressed in depth. Any option identified would require more in-depth analysis to determine if the change would result in real benefits. Finally, LAFCO is not required to implement any of the governmental structure options noted in this report. The MSR is a “receive and file” report.

General advantages that might result from the reorganization of agencies include the simplification of boundaries, improved service delivery, and reduction in costs or fees due to economies of scale. Disadvantages from a change in governmental boundaries can include no actual or limited costs savings (or actual loss in revenue), little improvement in service efficiency, loss of local autonomy, and political opposition. Pursuing reorganization without the support of residents or the governing board typically increases the time and effort involved.

LAFCO must update the District’s sphere of influence, an action that will be taken concurrently by the Commission with the MSR report. No changes are recommended in Mesa’s sphere at this time.

B. Government Structure Options

The Mesa Consolidated Water District is authorized under the Costa Mesa District Merger Law (California Water Code Section 33200 et seq.). The District was formed through the merger of the Newport Heights Irrigation District, Fairview County Water District, Newport Mesa County Water District, and the Newport Mesa Irrigation...
District. Mesa, originally named Costa Mesa County Water District, also succeeded to the water system owned by the City of Costa Mesa. Since the merger of the agencies preceded the formation of LAFCO by three years, special legislation was enacted, i.e., the Costa Mesa District Merger Law. Mesa is operated, managed and governed as provided by law for county water districts (Water Code Section 30000 et seq.).

Three government structure options were identified. They are:

1. Status Quo
2. Reorganization of the Mesa Consolidated Water District and the Costa Mesa Sanitary District
3. Reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Cost Mesa Sanitary District

**Status Quo**
This option would maintain the District’s current SOI and boundary until the next MSR and sphere update. No major issues were identified with respect to infrastructure needs, service levels or local accountability. Mesa is operating efficiently and works cooperatively with the City of Costa Mesa and the Costa Mesa Sanitary District on common issues.

In maintaining the status quo, service would continue as directed by the Board. While this option avoids possible impacts to efficiency and rates during an organizational change, it does limit any potential long-term cost savings and efficiency benefits which might be available through a reorganization.

**Reorganization of the Mesa Consolidated Water District and the Cost Mesa Sanitary District**
Mesa and the Costa Mesa Sanitary District serve essentially the same area, with some small differences, namely in the Santa Ana Heights area. The following Table 7.1, *Comparison of Mesa and Costa Mesa Sanitary District Service Areas and SOIs* summarizes the service areas of the two districts. Figure 7.1 depicts the boundaries and SOIs of the two districts.
Table 7.1: Comparison of Mesa and Costa Mesa Sanitary District Service Areas and SOIs

<table>
<thead>
<tr>
<th></th>
<th>Within Newport Beach</th>
<th>Within Costa Mesa</th>
<th>Unincorporated Area</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Acres</td>
<td>%</td>
<td>Acres</td>
<td>%</td>
</tr>
<tr>
<td>Mesa Service</td>
<td>0</td>
<td>0</td>
<td>9,429</td>
<td>95</td>
</tr>
<tr>
<td>Mesa SOI</td>
<td>0</td>
<td>0</td>
<td>9,429</td>
<td>95</td>
</tr>
<tr>
<td>Costa Mesa SD Service</td>
<td>509</td>
<td>5</td>
<td>9,363</td>
<td>93</td>
</tr>
<tr>
<td>Costa Mesa SD SOI</td>
<td>5</td>
<td>0</td>
<td>10,076</td>
<td>97</td>
</tr>
</tbody>
</table>

The Costa Mesa Sanitary District is currently providing sanitary sewer and curbside trash collection services. County water districts like Mesa are authorized to provide these same services under the County Water District Law but sanitary districts may not provide water service unless authorized to do so through a special act of the legislature. The two districts serve essentially the same area and have collaborated on cost saving opportunities, such as coordinating with the City on projects that affect water and sewer lines.

One government structure option identified would be the consolidation of these two districts, with Mesa as the successor district providing water, sanitary sewer and trash collection services. Potential benefits of this option could include greater economies of scale, improved efficiency and a reduction in operational costs through shared staff and administrative facilities as well as administrative functions. There would also be a reduction in Board-related costs, including elections, with only one Board of Directors.

Disadvantages or neutral effects from a change in governmental organization can include no actual or limited cost savings, little improvement in service efficiency, and political opposition. Pursuing reorganization without the support of residents or the governing board typically increases the time and effort involved.
Figure 7.1: Mesa Consolidated Water District and Costa Mesa Sanitary District
A potential reorganization of the Mesa Consolidated Water District and the Costa Mesa Sanitary District would require more in-depth analysis to determine if the change would result in real benefits to the ratepayers for both districts.

**Reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Costa Mesa Sanitary District**

The option is similar to the previous option. If reorganized the City could established a subsidiary district and could dissolve the two agencies and provide the services through departments of the City. Government Code Section §57105 states that to form a subsidiary district 70% of the area of a district AND 70% of the population must be within the city’s boundaries. Both the Mesa Consolidated Water District and the Costa Mesa Sanitary District meet the 70% criterion.

The advantages of a reorganization of the three agencies would include potential savings on administrative costs including administrative staff, office facilities, and contract administration. There would also be a savings of Board-related expenses, including elections, since the City Council would either sit as the subsidiary district Board of Directors or the services would be provided through a department of the city.

The disadvantages include potential impacts to service levels. LAFCO does have the authority to reorganize special districts. However Orange County LAFCO has pursued an informal policy of encouraging special districts to suggest reorganizations when better service may be provided to customers. Special districts often cite the “inequity” in LAFCO’s powers and authority and question whether cities can always provide the best service given the complexity and multiplicity of priorities cities must fund.

Special districts also note the example of cities charging enterprise funds overhead expenses and using reserves set aside for infrastructure repair and replacement to balance the general fund activities. Special districts assert that since they can focus on the provision of just one or two services, their infrastructure may be better maintained and service delivery may be more efficient and cost effective.

However, none of the agencies have expressed an interest in reorganizing the Districts with the City at this time.

**C. Sphere of Influence**

LAFCO is also charged with adopting a sphere of influence for each city and special district within the county. A sphere of influence is a planning boundary that designates
the agency’s probable future boundary and service area. Spheres are planning tools used by LAFCO to provide guidance for individual proposals involving jurisdictional changes. Spheres ensure the provision of efficient services while discouraging urban sprawl and the premature conversion of agricultural and open space lands. The Cortese-Knox-Hertzberg (CKH) Act requires LAFCO to develop and determine a sphere of influence for each local governmental agency within the county and to review each agency’s SOI every five years. In determining the SOI, LAFCO must address the following sphere determinations:

1. Present and planned land uses in the area, including agricultural and open-space lands;
2. Present and probable need for public facilities and services in the area;
3. Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide; and
4. Existence of any social or economic communities of interest in the area if LAFCO determines that they are relevant to the agency.

Municipal service reviews (MSRs) and sphere of influence (SOI) reviews are subject to the California Environmental Quality Act (CEQA). LAFCO is the lead agency for both MSRs and SOI reviews under CEQA. Orange County LAFCO adopted a sphere coterminous with Mesa’s boundaries in 1986.

No changes in the current SOI for Mesa are recommended at this time. However two issues were noted during this service review:

1) Hoag Memorial Hospital Campus: The Hoag Memorial Hospital Campus is currently within the SOI for Mesa, but not served by the District. Mesa’s SOI extends down Newport Boulevard to Pacific Coast Highway (Hwy 1), with the area to the west served by Mesa and the area to the east served by the City of Newport Beach. A hospital represents a major water demand. If Hoag Hospital will continue to be served by the City of Newport Beach for the long term, this area should be removed from the SOI for Mesa.

2) There are three islands within the northern portion of Mesa’s service area that are not served by the District. They are within the area bounded by 405 Freeway, Highway 73 and Highway 55. These are residential land uses, with the exception of the Trinity Broadcasting Network campus. The service provider(s) for these
three islands should be identified. In addition, LAFCO should obtain documentation from Mesa on the District’s ability to serve those areas should the need arise.

**Sphere of Influence Determinations**

The statement of determinations that follows is based on the analysis of the Mesa’s municipal service provision.

**The present and planned land uses in the area, including agricultural and open-space lands**

Mesa’s service territory today spans approximately 10,000 acres. The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 647 fire line services.

The district’s actual service territory is mostly confined to the City of Costa Mesa. However, the district also serves some unincorporated County territory. The predominant land uses within Mesa are single- and multi-family residential, commercial, light industrial, public, and semi-public. The district’s service territory is generally developed, and future land uses are expected to remain relatively constant.

**The present and probable need for public facilities and services in the area**

Mesa’s Board of Directors and management staff address the present need for facilities and services through the district’s planning processes, which include the adoption of a budget, development of a Capital Improvement Program and review/adoption of other planning documents. The probable need for water in the area will increase as population grows in the service area. The service area is generally developed and modest population growth is expected over the next twenty years.
The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

Mesa has adequate capacity and facilities to provide water and sewer services to its current customer base. However, it recognizes the need for some significant capital improvement projects in the next several years and has planned accordingly.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

The social and economic communities of interest relevant to this agency are the ratepayers within Mesa’s jurisdictional boundaries which are also residents of the City of Costa Mesa and customers of the Costa Mesa Sanitary District.
Section 8: LOCAL ACCOUNTABILITY & GOVERNANCE
A. Overview

Mesa is governed by a five-member Board of Directors elected by one of five geographic divisions. The Board appoints the General Manager, District Secretary, Assistant District Secretary, District Treasurer/Auditor, and Assistant District Treasurer. The General Manager is responsible for the day-to-day operations and administration of Mesa in accordance with the Board’s policies.

The following summarizes the governance of the District:

<table>
<thead>
<tr>
<th>Mesa Consolidated Water District</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date formed:</strong></td>
</tr>
<tr>
<td><strong>Statutory Authorization:</strong></td>
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<tr>
<td></td>
</tr>
<tr>
<td><strong>Board Meetings:</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Title</th>
<th>Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paul E. Shoenberger</td>
<td>President, Division 2</td>
<td>$196 per meeting up to ten (10) meetings per month</td>
</tr>
<tr>
<td>James F. Atkinson</td>
<td>First VP, Division 4</td>
<td></td>
</tr>
<tr>
<td>Fred Bockmiller</td>
<td>VP, Division 1</td>
<td></td>
</tr>
<tr>
<td>Trudy Ohlig-Hall</td>
<td>VP, Division 3</td>
<td></td>
</tr>
<tr>
<td>Shawn Dewane</td>
<td>VP, Division 5</td>
<td></td>
</tr>
</tbody>
</table>
Four standing committees assist the Board with policy-making decisions. These committees consist of Board members and appropriate management staff. The committees report to the full Board of Directors on their committee efforts and make recommendations for Board action as required.

- The **Executive Committee** plans future Board agendas and schedules, proposes new policies and initiatives as appropriate, monitors and reviews human resources policies and practices and coordinates planning and policy issue efforts with Mesa management.
- The **Engineering & Operations Committee** monitors and reviews water supply, water quality, demand-side management, construction and system projects, and related activities.
- The **Finance Committee** reviews Mesa’s financial performance, expenditures, budgets, variances, investments, and other financial policy issues.
- The **Public Information Committee** reviews Mesa’s community outreach related activities, efforts, and programs as presented by Mesa staff.

An organizational chart is provided in Figure 8.1.

**Figure 8.1: Mesa Consolidated Water District Organization Chart**
The District’s website (www.mesawater.org) offers a wide range of information including meeting notices, agendas and minutes, District services, conservation and education, public documents, and project information. District board meetings are held at the District’s main office and they are open and accessible to the public.
No issues of local accountability and governance were identified.
THE NINE MSR DETERMINATIONS –
Mesa Consolidated Water District

Infrastructure Needs or Deficiencies
The majority of Mesa’s water supply comes from locally produced groundwater, supplemented by imported water and recycled water. Mesa continues to implement conservation plans, technologies, and financial incentives in order to meet the water needs of the District now and into the foreseeable future.

Mesa’s Water System Master Plan was updated in 2002, and provides a guide for the improvement of the District’s water system. Mesa regularly monitors the adequacy of its facilities and performs maintenance as needed. Mesa is currently expanding its CWTF, ensuring reliability of local supplies and decreasing dependency on imported supplies. The District has established several Designated Funds to ensure that financial resources are available for infrastructure needs. In FY 2006-07, the District budgeted $5.2 million for capital improvements related to water supply, the water system and facility improvements.

Growth and Population Projections
Using the City of Costa Mesa’s population figures, in 2005, the City of Costa Mesa’s population was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. Mesa’s service area will have moderate growth over the next twenty years primarily due to infill and redevelopment. The District has considered this growth in its plans for service.

Staff did not identify any issues related to growth and population projections.

Financing Constraints & Opportunities
Mesa has leveraged the use of its financial resources and capital assets to ensure the long-term financial stability of the District. This allows Mesa to carry out its plans and programs for the effective management of its services. Mesa has two financial partners in the CWTF project, including Metropolitan via the Local Resources Program and OCWD through the conjunctive use loan program. Mesa has established five Designated Funds that provide reserve funding for specific needs.

Per the FY 2004-05 Comprehensive Annual Financial Report, Mesa net assets increased $0.5 million in FY 2004-05 and $2.9 million in FY 2003-04. Increases or decreases in net assets are one indicator of financial health. The increase in net assets invested in capital assets, net of related debt, reflects Mesa’s commitment to capital improvement and debt payment.
Cost Avoidance Opportunities/ Opportunities for Rate Restructuring/ Opportunities for Shared Facilities/ Evaluation of Management Efficiencies

Mesa should consider the benefits of a tiered rate structure. No additional significant issues with regard to cost avoidance, shared facilities or management efficiencies were identified.

Government Structure Options

There were three potential governance alternatives that could be explored by Mesa and affected agencies that may improve service, reduce costs or improve efficiency of operations. They were Status Quo, the reorganization of the Mesa Consolidated Water District and the Cost Mesa Sanitary District and the reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Cost Mesa Sanitary District. Any reorganization of the Mesa Consolidated Water District would require more in-depth analysis to determine if the change would result in real benefits to ratepayers.

Local Accountability & Governance

No issues of local accountability and governance were identified.
The present and planned land uses in the area, including agricultural and open-space lands
Mesa provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services. Land uses within the District's service are varied with a predominance of residential Uses.

The present and probable need for public facilities and services in the area
In 2005, the population in the MSR area was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. The growth over the next 25 years will be modest; therefore the extension of infrastructure and services is expected to be minimal.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide
MCWD provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services.

Mesa’s sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa’s service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD). Mesa actively manages its water supply sources and water system. The District’s infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process. However water supplies are less than projected demand. This is a significant infrastructure issue for the District, for the region and for California.
The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

Mesa primarily serves the City of Costa Mesa along with the Costa Mesa Sanitary District with the three public agencies serving the same population.
NOTICE OF EXEMPTION

| TO: Clerk of the Board of Supervisors | FROM: Orange County Local Agency Formation Commission |
| County Clerk | 12 Civic Center Plaza, Room 235 |
| County of: Orange | Santa Ana, CA 92701 |

1. Project Title: Mesa Consolidated Water District Municipal Service Review (MSR 06-46)

2. Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15’ or 7 1/2’ topographical map identified by quadrangle name):
   - The project area encompasses an area of eighteen-square miles which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).

3. (a) Project Location – City:
   - The project area encompasses an area of eighteen-square miles which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).

(b) Project Location – County: Orange


5. Description of nature, purpose, and beneficiaries of Project:
   - In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. LAFCO will conduct a public hearing for the Municipal Service Review on June 20, 2007. During which, there will be an opportunity for public comment on the process.

6. Name & Address of Public Agency approving project: Orange County Local Agency Formation Commission
   - 12 Civic Center Plaza, Room 235
   - Santa Ana, CA 92701

7. Name & Address of Person or Agency carrying out project: Same as above

8. Exempt status: (check one)
   - (a) Ministerial project.
   - (b) Not a project.
   - (c) Emergency Project.
   - (d) Feasibility or Planning Study
   - (e) Categorical Exemption. State type and class number:
   - (f) Declared Emergency.
   - (g) Statutory Exemption. State Code section number:
   - (h) Other. Explanation:

9. Reason why project was exempt: Staff recommends that the Commission consider municipal service review determinations exempt from CEQA under CEQA Guidelines §15262, Feasibility and Planning
Studies. A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. This section does not apply to the adoption of a plan that will have a legally binding effect on later activities.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Contact Person:</td>
<td>Joyce Crosthwaite, Executive Officer</td>
</tr>
<tr>
<td></td>
<td>Telephone:</td>
</tr>
<tr>
<td>11.</td>
<td>Attach Preliminary Exemption Assessment (Form “A”) before filing.</td>
</tr>
</tbody>
</table>

Date Received for Filing: ___________________________  
Signature (LAFCO Representative)  
(Clerk Stamp Here)  
Executive Officer  
Title
**PRELIMINARY EXEMPTION ASSESSMENT**

(Certificate of Determination
When Attached to Notice of Exemption)

<table>
<thead>
<tr>
<th>1. Name or description of project:</th>
<th>Mesa Consolidated Water District Municipal Service Review (MSR 06-46)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15’ or 7 1/2’ topographical map identified by quadrangle name):</td>
<td>The project area encompasses an area of MCWD provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport). In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. LAFCO will conduct a public hearing for the Municipal Service Review on June 20, 2007. During which, there will be an opportunity for public comment on the process.</td>
</tr>
<tr>
<td>3. Entity or person undertaking project:</td>
<td>A. Local Agency Formation Commission, Santa Ana, CA</td>
</tr>
<tr>
<td></td>
<td>B. Other (Private)</td>
</tr>
<tr>
<td></td>
<td>(1) Name</td>
</tr>
<tr>
<td></td>
<td>(2) Address</td>
</tr>
<tr>
<td>4. Staff Determination:</td>
<td>The Commission's Staff, having undertaken and completed a preliminary review of this project in accordance with the Commission's “Local Guidelines for Implementing the California Environmental Quality Act (CEQA)” has concluded that this project does not require further environmental assessment because:</td>
</tr>
<tr>
<td>a.</td>
<td>☐ The proposed action does not constitute a project under CEQA.</td>
</tr>
<tr>
<td>b.</td>
<td>☐ The project is a Ministerial Project.</td>
</tr>
<tr>
<td>c.</td>
<td>☐ The project is an Emergency Project.</td>
</tr>
<tr>
<td>d.</td>
<td>☒ The project constitutes a feasibility or planning study.</td>
</tr>
<tr>
<td>e.</td>
<td>☐ The project is categorically exempt.</td>
</tr>
<tr>
<td></td>
<td>Applicable Exemption Class:</td>
</tr>
<tr>
<td>f.</td>
<td>☐ The project is statutorily exempt.</td>
</tr>
<tr>
<td></td>
<td>Applicable Exemption:</td>
</tr>
<tr>
<td>g.</td>
<td>☐ The project is otherwise exempt on the following basis:</td>
</tr>
<tr>
<td>h.</td>
<td>☐ The project involves another public agency which constitutes the Lead Agency.</td>
</tr>
<tr>
<td></td>
<td>Name of Lead Agency:</td>
</tr>
</tbody>
</table>

Date: May 28, 2007

Staff: Joyce Crosthwaite, Executive Officer, LAFCO
**NOTICE OF EXEMPTION**

<table>
<thead>
<tr>
<th>TO:</th>
<th>Clerk of the Board of Supervisors</th>
<th>FROM: Orange County Local Agency Formation Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☒ County Clerk</td>
<td>12 Civic Center Plaza, Room 235</td>
</tr>
<tr>
<td></td>
<td>County of: Orange</td>
<td>Santa Ana, CA 92701</td>
</tr>
</tbody>
</table>

1. Project Title: Mesa Consolidated Water District Municipal Service Review (MSR 06-47)

2. Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15’ or 7 1/2’ topographical map identified by quadrangle name):
   - The project area encompasses an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).

3. (a) Project Location – City: The project area encompasses an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).
   (b) Project Location – County: Orange

4. LAFCO Action on Project: Reaffirm the existing sphere of influence and adopt the statement of determinations.

5. Description of nature, purpose, and beneficiaries of Project:
   - In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. In conjunction with Municipal Service Reviews, LAFCO is required to update an agency’s sphere of influence no less than once every five years. LAFCO will conduct a public hearing for the sphere of influence review on June 20, 2007. During which, there will be an opportunity for public comment on the process.

6. Name & Address of Public Agency approving project: Orange County Local Agency Formation Commission
   - 12 Civic Center Plaza, Room 235
   - Santa Ana, CA 92701

7. Name & Address of Person or Agency carrying out project: Same as above

8. Exempt status: (check one)
   - (a) ☐ Ministerial project.
   - (b) ☒ Not a project.
   - (c) ☐ Emergency Project.
   - (d) ☐ Feasibility or Planning Study
   - (e) ☐ Categorical Exemption.
     State type and class number: 
   - (f) ☐ Declared Emergency.
   - (g) ☐ Statutory Exemption.
     State Code section number: 
   - (h) ☐ Other. Explanation:

9. Reason why project was exempt: The Commission's Staff, having undertaken and completed a preliminary review of this project in accordance with the Commission's "Local Guidelines for Implementing the California Environmental Quality Act (CEQA)" has
concluded that this project does not require further environmental assessment under CEQA Local Guidelines 3.01: the sphere review is not an enactment and, therefore, not a project within the definition of “project” contained in CEQA Guidelines Section 21065. The review determined that no modification to Costa Mesa Sanitary District’s existing sphere of influence at this time is warranted.

10. Contact Person: Joyce Crosthwaite, Executive Officer

   Telephone: (714) 834-2556

11. Attach Preliminary Exemption Assessment (Form “A”) before filing.

---

Date Received for Filing: ____________________________

Signature (LAFCO Representative)

(Clerk Stamp Here) 

Executive Officer

Title
# Attachment E

## Preliminary Exemption Assessment

**Certificate of Determination When Attached to Notice of Exemption**

1. **Name or description of project:** Mesa Consolidated Water District Municipal Service Review (MSR 06-47)  
   
2. **Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15’ or 7 1/2’ topographical map identified by quadrangle name):**  
   The project area encompasses an an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (John Wayne Airport).  
   In accordance with Government Code Sections 56430, LAFCO is required to conduct regional studies on future growth and make written determinations about municipal services and how local agencies are planning for future growth within our municipal services and infrastructure systems. In conjunction with Municipal Service Reviews, LAFCO is required to update an agency’s sphere of influence no less than once every five years. LAFCO will conduct a public hearing for the sphere of influence review on June 20, 2007. During which, there will be an opportunity for public comment on the process.  

3. **Entity or person undertaking project:**  
   A. Local Agency Formation Commission, Santa Ana, CA  
   B. **Other (Private)**  
      
<table>
<thead>
<tr>
<th>(1) Name</th>
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<td>(2) Address</td>
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4. **Staff Determination:**  
   The Commission's Staff, having undertaken and completed a preliminary review of this project in accordance with the Commission's “Local Guidelines for Implementing the California Environmental Quality Act (CEQA)” has concluded that this project does not require further environmental assessment under CEQA Local Guidelines 3.01: the sphere review is not an enactment and, therefore, not a project within the definition of “project” contained in CEQA Guidelines Section 21065. The review determined that no modification to Orange County Sanitation District’s existing sphere of influence at this time is warranted.  
   
   a. **✓** The proposed action does not constitute a project under CEQA.  
   b. **☐** The project is a Ministerial Project.  
   c. **☐** The project is an Emergency Project.  
   d. **☐** The project constitutes a feasibility or planning study.  
   e. **☐** The project is categorically exempt.  
   f. **☐** The project is statutorily exempt.  
   g. **☐** The project is otherwise exempt on the following basis:  
   h. **☐** The project involves another public agency which constitutes the Lead Agency.  
   Name of Lead Agency:  
   
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<td>The project is otherwise exempt on the following basis:</td>
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<td>Name of Lead Agency:</td>
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**Date:** June 20, 2007  
**Staff:** Joyce Crosthwaite, Executive Officer, LAFCO
MSR 06-46

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
MAKING DETERMINATIONS AND APPROVING THE
MUNICIPAL SERVICE REVIEW FOR THE
MESAN CONSOLIDATED WATER DISTRICT

June 20, 2007

On motion of Commissioner _____________, duly seconded and carried, the following
resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency
Formation Commission (“LAFCO”) adopt spheres of influence for all agencies in its jurisdiction
and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines
the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence
are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section
56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare
and to update spheres of influence the Commission shall conduct municipal service reviews prior
to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal
service review (MSR 06-46) and an accompanying sphere of influence update for the Mesa
Consolidated Water District (SOI 06-47), and has furnished a copy of this report to each person
entitled to a copy; and

WHEREAS, the report for the municipal service review for the Mesa Consolidated Water
District (MSR 06-46) contains statements of determination as required by California
Government Code Section 56430 for the municipal services provided by the district; and
WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set June 20, 2007 as the hearing date on this municipal service review proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of a municipal service review for the Mesa Consolidated Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on June 20, 2007, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, pursuant to the California Environmental Quality Act, the municipal service review for the Mesa Consolidated Water District was determined to be exempt from CEQA under State CEQA Guidelines §15262, Feasibility and Planning Studies.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:
   a) The municipal service review for the Mesa Consolidated Water District (MSR 06-46) together with the written statement of determination, are determined to be exempt from the California Environmental Quality Act (CEQA) under State CEQA Guidelines §15262, Feasibility and Planning Studies.
   b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062.
Section 2. Determinations

a) The Commission accepts the report for the municipal service review for the Mesa Consolidated Water District (MSR 06-46) as presented to the Commission on June 20, 2007.

b) The Executive Officer’s staff report and recommendation for approval of the municipal service review for the Mesa Consolidated Water District, dated June 20, 2007, are hereby adopted.

b) The Commission has adopted the accompanying Statement of Determinations for the Mesa Consolidated Water District, shown as “Exhibit A.”

Section 3. This review is assigned the following distinctive short-form designation: “Municipal Service Review for the Mesa Consolidated Water District” (MSR 06-46).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:

NOES:

STATE OF CALIFORNIA

COUNTY OF ORANGE

SS.
I, BILL CAMPBELL, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 20th day of June, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of June, 2007.

BILL CAMPBELL  
Chair of the Orange County  
Local Agency Formation Commission

By: ________________________________  
   Bill Campbell
THE NINE MSR DETERMINATIONS –
Mesa Consolidated Water District

Infrastructure Needs or Deficiencies

The majority of Mesa’s water supply comes from locally produced groundwater, supplemented by imported water and recycled water. Mesa continues to implement conservation plans, technologies, and financial incentives in order to meet the water needs of the District now and into the foreseeable future.

Mesa’s Water System Master Plan was updated in 2002, and provides a guide for the improvement of the District’s water system. Mesa regularly monitors the adequacy of its facilities and performs maintenance as needed. Mesa is currently expanding its CWTF, ensuring reliability of local supplies and decreasing dependency on imported supplies. The District has established several Designated Funds to ensure that financial resources are available for infrastructure needs. In FY 2006-07, the District budgeted $5.2 million for capital improvements related to water supply, the water system and facility improvements.

Growth and Population Projections

Using the City of Costa Mesa’s population figures, in 2005, the City of Costa Mesa’s population was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. Mesa’s service area will have moderate growth over the next twenty years primarily due to infill and redevelopment. The District has considered this growth in its plans for service.

Staff did not identify any issues related to growth and population projections.

Financing Constraints & Opportunities

Mesa has leveraged the use of its financial resources and capital assets to ensure the long-term financial stability of the District. This allows Mesa to carry out its plans and programs for the effective management of its services. Mesa has two financial partners in the CWTF project, including Metropolitan via the Local Resources Program and OCWD through the conjunctive use loan program. Mesa has established five Designated Funds that provide reserve funding for specific needs.

Per the FY 2004-05 Comprehensive Annual Financial Report, Mesa net assets increased $0.5 million in FY 2004-05 and $2.9 million in FY 2003-04. Increases or decreases in net assets are one indicator of financial health. The increase in net assets invested in capital assets, net of related debt, reflects Mesa’s commitment to capital improvement and debt payment.

Cost Avoidance Opportunities/ Opportunities for Rate Restructuring/ Opportunities for Shared Facilities/ Evaluation of Management Efficiencies

Mesa should consider the benefits of a tiered rate structure. No additional significant issues with regard to cost avoidance, shared facilities or management efficiencies were identified.
Government Structure Options

There were three potential governance alternatives that could be explored by Mesa and affected agencies that may improve service, reduce costs or improve efficiency of operations. They were Status Quo, the reorganization of the Mesa Consolidated Water District and the Cost Mesa Sanitary District and the reorganization of the City of Costa Mesa, Mesa Consolidated Water District and the Cost Mesa Sanitary District. Any reorganization of the Mesa Consolidated Water District would require more in-depth analysis to determine if the change would result in real benefits to ratepayers.

Local Accountability & Governance

No issues of local accountability and governance were identified.
SOI 06-47

RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF ORANGE COUNTY, CALIFORNIA

MAKING DETERMINATIONS AND APPROVING THE SPHERE OF INFLUENCE FOR THE MESA CONSOLIDATED WATER DISTRICT

June 20, 2007

On motion of Commissioner ____________, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission (“LAFCO”) adopt spheres of influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the sphere of influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a sphere of influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update spheres of influence the Commission shall conduct municipal service reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has prepared a report for the municipal service review (MSR 06-46) as an accompanying report to the sphere of influence update for the Mesa Consolidated Water District (SOI 06-47) and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the report for the sphere of influence update for the Mesa Consolidated Water District (SOI 06-46) contains statements of determination as required by California Government Code Section 56430 for the municipal services provided by the district; and
WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set June 20, 2007 as the hearing date on this sphere of influence study proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of the designation of a sphere of influence for the Mesa Consolidated Water District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on June 20, 2007, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56668; and

WHEREAS, pursuant to the California Environmental Quality Act, the sphere of influence update for the Mesa Consolidated Water District was determined to be exempt from CEQA as not a project under State CEQA Guidelines §21065.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Environmental Actions:
   a) Reaffirming the sphere of influence for the Mesa Consolidated Water District (SOI 06-47) is determined to be exempt from the California Environmental Quality Act (CEQA) as not a project under State CEQA Guidelines §21065.
   b) The Commission directs the Executive Officer to file a Notice of Exemption as the lead agency under Section 15062.
Section 2. Determinations
   a) The Commission accepts the report for the sphere of influence update for the Mesa Consolidated Water District (SOI 06-47) as presented to the Commission on June 20, 2007.
   b) The Executive Officer’s staff report and recommendation for approval of the sphere of influence update of the Mesa Consolidated Water District, dated June 20, 2007, are hereby adopted.
   c) The Commission has adopted the accompanying Statement of Determinations for the Mesa Consolidated Water District, shown as “Exhibit A.”

Section 3. This review is assigned the following distinctive short-form designation: “Sphere of Influence Update for the Mesa Consolidated Water District” (SOI 06-47).

Section 4. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:

NOES:

STATE OF CALIFORNIA

) SS.

COUNTY OF ORANGE

)
I, BILL CAMPBELL, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly adopted by said Commission at a regular meeting thereof, held on the 20th day of June, 2007.

IN WITNESS WHEREOF, I have hereunto set my hand this 20th day of June, 2007.

BILL CAMPBELL  
Chair of the Orange County  
Local Agency Formation Commission

By: ________________________________  
Bill Campbell
SPHERE OF INFLUENCE STATEMENT OF DETERMINATIONS
Mesa Consolidated Water District

The present and planned land uses in the area, including agricultural and open-space lands
Mesa provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services. Land uses within the District’s service are varied with a predominance of residential uses.

The present and probable need for public facilities and services in the area
In 2005, the population in the MSR area was estimated at 113,042 people. Between 1995 and 2005, growth was approximately 9.4% with an average rate of growth of less than 1% per year. By 2030, the population is expected to increase to 129,098 people, an increase of 14% at an average rate of 0.6% per year. The growth over the next 25 years will be modest; therefore the extension of infrastructure and services is expected to be minimal.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide
MCWD provides retail water service to an eighteen-square mile area which includes most of the city of Costa Mesa, a portion of the city of Newport Beach, and some unincorporated area (namely John Wayne Airport). The District provides water service to an estimated 112,000 residents through approximately 23,000 metered service connections and 643 fire line services.

Mesa’s sources of water supply include local groundwater (88%), imported water (7%) and recycled water (5%). Mesa’s service area partially overlies the Orange County groundwater basin which is cooperatively managed by the Orange County Water District (OCWD). Mesa actively manages its water supply sources and water system. The District’s infrastructure needs have been addressed through a Water System Master Plan and projects are initiated in a timely manner through the annual budgeting process. However water supplies are less than projected demand. This is a significant infrastructure issue for the District, for the region and for California.
The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

Mesa primarily serves the City of Costa Mesa along with the Costa Mesa Sanitary District with the three public agencies serving the same population.
November 12, 2008

TO: Local Agency Formation Commission

FROM: Executive Officer
Assistant Executive Officer

SUBJECT: Reconfirmation of Municipal Service Reviews/Spheres of Influence for Selected Agencies (SOI 08-03)

BACKGROUND
In 2000, the revised Cortese-Knox-Hertzberg Local Government Reorganization Act required LAFCOs to conduct comprehensive, regional studies of municipal services ("municipal service reviews") every five years in conjunction with the review of city and special district spheres of influence. The law requires that the initial round of municipal service reviews (MSRs) and sphere of influence (SOI) reviews be completed by no later than January 1, 2008. Orange LAFCO successfully completed MSR and SOI updates for most cities and districts under LAFCO’s authority prior to the statutory deadline. A complete list of those agencies, and the date of each agency’s most recent SOI update, is provided as Attachment 1 to this report.

At this year’s August 13, 2008 Strategic Planning Session, the Commission directed staff to focus its efforts on the following SOI updates in Fiscal Year 2008-2009:

- City of Rancho Santa Margarita
- City of Huntington Beach
- Sunset Beach Sanitary District
- City of Tustin
- City of Orange
- City of Los Alamitos

Each of these agencies were identified in the previous municipal service review cycle as having important sphere of influence and/or boundary issues that require additional staff and Commission analysis.

The remaining agency SOIs, however, do not warrant further study at this time. No significant issues were identified during the initial MSR/SOI review process. The data and analysis included within each of agencies’ respective MSR/SOI reviews remain current. Given the lack of sphere-related issues for these agencies, staff is recommending that the Commission “reconfirm” both the MSR and SOI
determinations for each of these agencies for the 2008 – 2012 MSR cycle. With LAFCO’s limited staffing, this approach will allow the agency to maximize its efforts to work with those cities and districts in which specific, service-related issues have been identified.

**East Orange County Water District**

Staff has not recommended that the Commission reaffirm the MSR/SOI for the East Orange County Water District (EOCWD) at this time. Our understanding is that the district is currently in negotiations for a potential reorganization of the district’s operations. Initiation of an SOI review for EOCWD will be considered if negotiations are successful. In addition, city boundary changes which may occur as a result of the County Boundary Report could result in additional sphere of influence changes. These changes, if necessary, will be analyzed by staff at a later time.

Because of their length, all MSR reports received and filed by the Commission during 2005-2008 are available for review by the Commission and the public in the LAFCO’s offices and through our website (www.oclafco.org). Copies of the current sphere of influence maps for all agencies under the Commission’s purview are also accessible on the agency website. A hard copy of current sphere of influence maps for all Orange County agencies is included as Attachment 2 to this report. In addition to providing reference material for this report, the sphere of influence maps provides a useful resource for the Commission.

"**Best Practices**"

Staff is continually working to update and streamline the agency’s current MSR process by building on past efforts. Currently, we are developing a “Best Practices” approach to MSRs which is designed to be a more efficient, less labor intensive approach for evaluating services during the next round of MSRs. The new MSR process, Best Practices, will be used to meet the requirements of the 2013 – 2018 cycle.

**COMMENTS**

A request for comments was distributed by staff to all affected agencies on October 2, 2008. Written comments were received by the following agencies: City of Seal Beach, City of Villa Park, Rossmoor Community Services District, Sunset Beach Sanitary District and the Trabuco Canyon Water District. All comment letters received are included as Attachment 3 to this report and are summarized below:

*City of Seal Beach* – the City’s October 13, 2008 comment letter expressed support for the City’s existing sphere of influence which is coterminous with the city boundary.
City of Villa Park – the City’s October 7, 2008 comment letter expressed support for reconfirmation of the City’s existing sphere of influence and summarized findings from a recent study analyzing police and fire service alternatives for Villa Park.

Rossmoor Community Services District – the District’s October 16, 2008 letter and resolution expressed opposition to including Rossmoor within the City of Los Alamitos sphere of influence.

Sunset Beach Sanitary District – The District’s October 10, 2008 letter requested that its existing sphere of influence, which is coterminous with the District’s current boundary, be reconfirmed. As noted earlier in this report, the Sunset Beach Sanitary District’s (SBSD) sphere of influence was identified by the Commission in its FY 2008-2009 work plan as requiring additional staff analysis. Staff plans to bring back the SBSD sphere of influence for consideration by the Commission in Spring 2008.

Trabuco Canyon Water District – The District’s October 16, 2008 letter expressed support for reconfirmation of the District’s current sphere of influence.

CEQA
LAFCO is the lead agency under CEQA for the reconfirmation of municipal service reviews and related spheres of influence. Staff, in conjunction with legal counsel, reviewed the CEQA guidelines and recommends that the Commission consider the proposed actions exempt from CEQA under CEQA Guidelines §15262. Feasibility and Planning Studies. A project involving only feasibility or planning studies for possible future actions which the agency, board, or commission has not approved, adopted or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. (Please refer to Attachment 4, Notice of Exemption.)

RECOMMENDATIONS
Staff recommends that the Commission:

1. Adopt the attached Draft Resolution (Attachment 5) reconfirming the current municipal service review and sphere of influence updates for the agencies identified therein.

2. Direct staff to complete SOI updates for the following agencies in FY 2008-2009: City of Rancho Santa Margarita, City of Huntington Beach, Sunset Beach Sanitary District, City of Los Alamitos, City of Tustin, and City of Orange.
Respectfully submitted,

[Signature]
JOYCE CROSTHWAIT

[Signature]
BOB ALDRICH

Attachments:

1. SOI Update Calendar
2. SOI Maps for Cities/Agencies
3. Comment Letters
4. Categorical Exemption
5. Draft Resolution
## Sphere of Influence Updates

### Orange LAFCO

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<td>Rossmoor CSD</td>
<td>07/12/06</td>
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<tr>
<td>Surfside Colony Community Services Tax District</td>
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<th>County-wide Districts</th>
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<tr>
<td>CSA 26 (OC Harbors, Beaches, &amp; Parks)</td>
<td>02/08/06</td>
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<tr>
<td>Orange County Cemetery District</td>
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<td>Vector Control District</td>
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<td>Placentia Library District</td>
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<td>Buena Park District</td>
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<tr>
<td>Park &amp; Recreation Districts</td>
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<td>------------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Cypress Recreation &amp; Park District</td>
<td>09/10/08</td>
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<tr>
<td>Silverado-Modjeska Recreation &amp; Park District</td>
<td>09/14/05</td>
</tr>
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</table>
(SPHERE OF INFLUENCE MAPS ARE LOCATED IN THE 3-HOLE BINDER ATTACHED TO THIS REPORT)
Letters of Comment
October 13, 2008

Orange County Local Agency Formation Commission
Attn: Bob Aldrich
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

SUBJECT: RECONFIRMATION OF SPHERES OF INFLUENCES FOR CITIES AND SPECIAL DISTRICTS (SOI 08-03)

Dear Mr. Aldrich:

The City Council reviewed the reconfirmation of spheres of influences as referenced above, and wishes to reconfirm our position that “the City of Seal Beach sphere of influence be reconfirmed as conterminous with the City’s existing jurisdictional boundary.” This position is based on our stated letter positions of August 5, 2005, September 8, 2005, February 27, 2006, and June 26, 2006 regarding the recent Municipal Service Review process that all of the impacted agencies participated in with LAFCO in the early part of 2005.

If you have questions regarding this matter, please contact our City Manager, David Carmany, at (562) 431-2527, extension 1300, or by e-mail at dcarmany@ci.seal-beach.ca.us. In addition, if you have questions of Mr. Whittenberg, our Director of Development Services, he can be reached at (562) 431-2527, extension 1313, or by e-mail at lwhittenberg@ci.seal-beach.ca.us.

Sincerely,

Charles Antos
Mayor

Distribution: Seal Beach City Council
Seal Beach Director of Development Services
October 7, 2008

Ms. Joyce Crosthwaite, Executive Director
Orange County Local Agency Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, California 92701

RE: RECONFIRMATION OF SPHERES OF INFLUENCE FOR CITIES AND SPECIAL DISTRICTS

Dear Ms. Crosthwaite:

Many thanks for the opportunity to comment on the reconfirmation of Spheres of Influence for cities and special districts as addressed in the memorandum from Assistant Executive Officer, Bob Aldridge, dated October 2, 2008.

As you are well aware, the City of Villa Park was one of the first cities to have a Municipal Service Review (MSR) completed by the Orange County Local Agency Formation Commission (LAFCO). While the MSR was unnecessarily clouded by the use of negative terminology towards the City, that is, the use of the term Zero Sphere of Influence, the City is appreciative of the Commission’s eventual re-wording to use the term “contiguous” in reference to the City.

I want to add comments to the record regarding statements made in the previous MSR for Villa Park regarding the utilization of police and fire services through the City of Orange versus our current service providers. The City of Villa Park conducted a lengthy study of police and fire alternatives as part of a strategic financial planning process, which began in 2007. This included discussing opportunities not only with the City of Orange, but other nearby cities and private entities, as applicable. In summary, our findings are that the City of Villa Park is well served by our current service providers, the Orange County Sheriff’s Department (OCSD) and the Orange County Fire Authority (OCFA). In fact, it was the City of Orange that specifically stated that they were unable to provide services that could meet our current agreements with the OCSD and OCFA. One of the reasons stated was the per capita cost of services for both police and fire being lower with our current service providers than what the City of Orange could provide. In a review of overall costs, it was determined that contracting with the OCSD and OCFA is in the best long-term interest of the City of Villa Park and its residents.

In a final note, I want to stress that the conservative governance of the City of Villa Park, led by its volunteer City Council, has consistently produced balanced budgets with appropriate reserve levels to provide core services and additional services that keep, if not enhance, the quality of life of our residents. Contrary to many cities in Orange County, the City of Villa Park has never utilized its fund reserves for operations nor have we been put in a fiscal straight jacket due to the current economic crisis. The City of Villa Park is sound today and will be tomorrow.

Sincerely,

THE CITY OF VILLA PARK

Kenneth A. Domer
City Manager

BRAD REESE, Mayor • JIM RHEINS, Mayor Pro Tem
DEBORAH PAULY, Councilwoman • W. RICHARD ULMER, Councilman
October 16, 2008

Board of Directors
Local Agency Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, CA 97201

Re: January Meeting of LAFCO—Sphere of Influence (SOI) for the City of Los Alamitos

Dear Ladies and Gentlemen of the Board:

This is in response to the October 2, 2008 letter from Mr. Bob Aldrich, Assistant Executive Director regarding “Reconfirmation of Spheres of Influence for Cities and Special Districts”. The Rossmoor Community Services District (District), among others, is being asked to comment on your staff’s proposal.

The District’s Board of Director’s met on Tuesday, October 14, 2008 and discussed this matter in great detail. As you may recall, the District and many community members opposed the inclusion of the District within the SOI of the City of Los Alamitos on several occasions. The Commission did not agree and at your meeting of January 10, 2007, you voted in favor of that inclusion.

You are also aware that the incorporation of Rossmoor, as its own city, is on the November 4th Election Ballot. Should incorporation pass, the matter of the SOI’s for both Rossmoor and Los Alamitos are accounted for. If on the other hand, incorporation were to fail, this letter addresses the position of the Board of Directors in that regard.

Attached is a Resolution which sets forth the position of the District. As before, the District opposes the inclusion of Rossmoor within the SOI of Los Alamitos. The District’s General Manager will be present at your meeting of November 12, 2008 to formally present our Resolution and to speak on this important matter. Thank you for the opportunity to comment on the proposed reconfirmation.
Cordially

Shawn Wilson
President RCSD

cc: Joyce Crosthwaite, Executive Director
    Bob Aldrich, Assistant Executive Director

Enclosure: Resolution No. 08-10-14-01.
RESOLUTION 08-10-14-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ROSSMOOR COMMUNITY SERVICES DISTRICT
OPPOSING THE INCLUSION OF ROSSMOOR WITHIN THE SPHERE OF INFLUENCE OF THE CITY OF LOS ALAMITOS

WHEREAS, the Orange County Local Agency Formation Commission (LAFCO) has the statutory authority to determine appropriate Spheres of Influence for Orange County units of local government in accordance with the California Government Code.

WHEREAS, on January 10, 2007, LAFCO approved the Sphere of Influence Review for the City of Los Alamitos including placing the unincorporated community of Rossmoor within the City of Los Alamitos Sphere of Influence.

WHEREAS, the District stated its opposition to this action by means of Resolution No. 07-01-09-01 which was forwarded to LAFCO.

WHEREAS, the District subsequently filed an Application for Incorporation with LAFCO and after all legal and administrative requirements were met, the matter of the incorporation of Rossmoor was placed on the November 4, 2008 General Election Ballot.

WHEREAS, LAFCO staff has stated that, “if incorporation is unsuccessful, we will return to the Commission requesting that they reconfirm the current Los Alamitos sphere of influence which includes Rossmoor”.

WHEREAS, keeping Rossmoor in the Sphere of Influence for the City of Los Alamitos is considered a preliminary step toward annexation of the community of Rossmoor into the City of Los Alamitos.

WHEREAS, governance surveys that the District considered prior to filing its Application for Incorporation showed little support for annexation into the City of Los Alamitos, with less than one in five respondents preferring that alternative.

WHEREAS, the District is not aware of any additional consultation with or consideration of the Rossmoor community by the City of Los Alamitos as a result of Rossmoor being placed in the Los Alamitos SOI, nor is the District aware of any other benefit to Rossmoor resulting from being placed in the SOI of Los Alamitos.
BE IT RESOLVED, that the Rossmoor Community Services District hereby reaffirms its position that the community of Rossmoor should not be a part of the Los Alamitos Sphere of Influence, and hereby formally requests LAFCO to remove Rossmoor from the Los Alamitos Sphere of Influence and restore the previous Sphere of Influence of the Rossmoor Community Services District to include the entire jurisdictional area of the District.

AYES: E. Anisman, A. Coletta, M. Nitikman, J. Rattner, S. Wilson

NOES: None

ABSENT: None

ABSTAIN: None

PASSED, APPROVED AND ADOPTED this 14th day of October, 2008

By: Shawn Wilson
President
Rossmoor Community Services District

ATTEST:

Henry Taboada, Secretary
Rossmoor Community Services District
October 10, 2008

Mr. Bob Aldrich
Assistant Executive Officer
Local Agency Formation Commission-Orange County
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

VIA e-mail (baldrich@oclafco.org) and U.S.P.S. certified mail

Re: LAFCO letter dated October 2, 2008
Reconfirmation of Spheres of Influence for Cities and Special Districts (SOI 08-03)

Mr. Aldrich:

Based on the following facts, the Directors of the Sunset Beach Sanitary District
unanimously request that the Sunset Beach Sanitary District be included in the Special
Districts “reconfirm” list referred to in your October 2, 2008 correspondence (copy attached).

- LAFCO recently conducted a MSR and SOI for the Sunset Beach Sanitary District and
  formally voted to sustain our Sunset Beach Sanitary District Sphere of Influence.

- The Sunset Beach Sanitary District continues to provide excellent service to our
  constituents at lower rates than surrounding districts and remains the most capable to
  do so.

- The data recently used to amend the Sunset Beach Sanitary District’s SOI on March
  8th, 2006 (SOI 05-35, Resolution of LAFCO) remains current.

- Other Special Districts and Cities (i.e. Rossmoor-Los Alamitos Sewer District,
  Rossmoor Community Services District, Seal Beach) previously reviewed during the
  same period are included on the Reconfirmation List.
October 10, 2008
Mr. Bob Aldrich
Local Agency Formation Commission-Orange County
Page 2

As elected officials of the Sunset Beach Sanitary District, the Board of Directors sees no reason why we should not be included on the Special Districts “reconfirm” list. The Directors of the Sunset Beach Sanitary District voted unanimously for inclusion on the list at the October 9th, 2008, General Meeting of the Board.

Very truly yours,

[Signature]
John Woods
President, Sunset Beach Sanitary District
October 16, 2008

Mr. Bob Aldrich
Local Agency Formation Commission
12 Civic Center Plaza, Room 235
Santa Ana, CA 92701

RE: Reconfirmation of Spheres of Influence for Cities and Special Districts (SOI 08-03)

Dear Mr. Aldrich:

This letter is in response to your October 2, 2008 correspondence relating to the reconfirmation of the Spheres of Influence for cities and special districts.

The Board of Directors of the Trabuco Canyon Water District reviewed this matter at its October 15, 2008 Regular Board Meeting. The Board concurs with and supports the Local Agency Formation Commission's reconfirmation of the Trabuco Canyon Water District's current Sphere of Influence.

Thank you for your continued support of the Trabuco Canyon Water District.

Sincerely,

Don Chadd
General Manager

DC:8cs
# NOTICE OF EXEMPTION

<table>
<thead>
<tr>
<th>TO:</th>
<th>Clerk of the Board of Supervisors</th>
<th>FROM: Orange County Local Agency Formation Commission</th>
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<tbody>
<tr>
<td></td>
<td>County Clerk</td>
<td>12 Civic Center Plaza, Room 235</td>
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<td></td>
<td>County of: Orange</td>
<td>Santa Ana, CA 92701</td>
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<table>
<thead>
<tr>
<th>1. Project Title:</th>
<th>Reconfirmation of Municipal Service Reviews/Spheres of Influence for Selected Agencies (SOI 08-03)</th>
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<tr>
<th>2. Project Location – Identify street address and cross streets or attach a map showing project site (preferably a USGS 15’ or 7 1/2’ topographical map identified by quadrangle name):</th>
<th>The project area includes 58 public agencies in Orange County – 29 cities (Aliso Viejo, Anaheim, Brea, Buena Park, Costa Mesa, Cypress, Dana Point, Fountain Valley, Fullerton, Garden Grove, Irvine, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, La Habra, Lake Forest, La Palma, Mission Viejo, Newport Beach, Placentia, San Clemente, San Juan Capistrano, Santa Ana, Seal Beach, Stanton, Villa Park, Westminster and Yorba Linda) and 29 special districts (Buena Park Library District, Capistrano Bay Community Services District, Costa Mesa Sanitary District, CSA 26, El Toro Water District, Emerald Bay Community Services District, Garden Grove Sanitation District, Irvine Ranch Water District, Laguna Beach County Water District, Mesa Consolidated Water District, Midway City Sanitation District, Moulton Niguel Water District, Municipal Water District of Orange County, Orange County Cemetery District, Orange County Sanitation District, Orange County Water District, Placentia Library District, Rossmoor Community Services District, Rossmoor-Los Alamitos Area Sewer District, Santa Margarita Water District, Serrano Water District, Silverado-Modjeska Recreation &amp; Park District, South Coast Water District, Surfside Colony Storm Water Protection District, Surfside Colony Community Services Tax District, Three Arch Bay Community Services District, Trabuco Canyon Water District, Yorba Linda Water District and Orange County Vector Control District).</th>
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<th>3. (a) Project Location – City:</th>
<th>The project area includes the majority of Orange County cities.</th>
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<tr>
<th>(b) Project Location – County:</th>
<th>Orange</th>
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<tr>
<th>4. LAFCO Action on Project:</th>
<th>Reconfirm MSRs and SOIs for the 58 public agencies identified above.</th>
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<tr>
<th>5. Description of nature, purpose, and beneficiaries of Project:</th>
<th>In accordance with Government Code 56430, LAFCO is required to conduct regional studies on future growth and establish spheres of influence for each public agency in Orange County. Such studies were completed for these agencies within the previous three years; data and assumptions remain current and reconfirmation of the MSRs and SOIs for these agencies is appropriate. LAFCO will conduct a public hearing for the reconfirmation of the MSRs and SOIs for these agencies on November 12, 2008, during which there will be opportunity for public comment on the process.</th>
</tr>
</thead>
</table>
6. **Name of Applicant & Address:**
   Orange County Local Agency Formation Commission
   12 Civic Center Plaza, Room 235
   Santa Ana, CA 92701

7. **Name of Lead Agency & Address:**
   Orange County Local Agency Formation Commission
   12 Civic Center Plaza, Room 235
   Santa Ana, CA 92701

8. **Exempt status:** (check one)
   (a) ☐ Ministerial project.
   (b) ☐ Not a project.
   (c) ☐ Emergency Project.
   (d) ☒ Feasibility or Planning Study
   (e) ☐ Declared Emergency.
   (f) ☐ Statutory Exemption.
      State Code section number:
   (g) ☐ Other. Explanation:

9. **Reason why project was exempt:**
   Staff recommends that the Commission consider municipal service review determinations exempt from CEQA under CEQA Guidelines Section 15262, Feasibility and Planning Studies. A project involving only feasibility or planning studies for possible future actions which the agency, board or commission has not approved, adopted or funded does not require the preparation of an EIR or Negative Declaration but does require consideration of environmental factors. This section does not apply to the adoption of a plan that will have a legally binding effect on later activities.

10. **LAFCO Contact Person:**
    Bob Aldrich, Assistant Executive Officer

11. **Telephone:**
    (714) 834-2556

11. **Attach Preliminary Exemption Assessment (Form “A”) before filing.**

---

Date Received for Filing: ____________________________

Signature (LAFCO Representative)

(Clerk Stamp Here)

Title
RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF ORANGE COUNTY, CALIFORNIA
RECONFIRMING THE MUNICIPAL SERVICE REVIEWS AND THE
SPHERES OF INFLUENCE FOR THE FOLLOWING
CITIES AND SPECIAL DISTRICTS:

CITIES
ALISO VIEJO, ANAHEIM, BREA, BUENA PARK, COSTA MESA, CYPRESS, DANA POINT,
FOUNTAIN VALLEY, FULLERTON, GARDEN GROVE, IRVINE, LAGUNA BEACH,
LAGUNA HILLS, LAGUNA NIGUEL, LAGUNA WOODS, LA HABRA, LAKE FOREST, LA
PALMA, MISSION VIEJO, NEWPORT BEACH, PLACENTIA, SAN CLEMENTE, SAN JUAN
CAPSISTRANO, SANTA ANA, SEAL BEACH, STANTON, VILLA PARK, WESTMINSTER AND
YORBA LINDA

SPECIAL DISTRICTS
BUENA PARK LIBRARY DISTRICT, CAPISTRANO BAY COMMUNITY SERVICES
DISTRICT, COSTA MESA SANITARY DISTRICT, CSA 26 (OC PARKS), EL TORO WATER
DISTRICT, EMERALD BAY COMMUNITY SERVICES DISTRICT, GARDEN GROVE
SANITATION DISTRICT, IRVINE RANCH WATER DISTRICT, LAGUNA BEACH COUNTY
WATER DISTRICT, MESA CONSOLIDATED WATER DISTRICT, MIDWAY CITY
SANITATION DISTRICT, MOULTON NIGUEL WATER DISTRICT, MUNICIPAL WATER
DISTRICT OF ORANGE COUNTY, ORANGE COUNTY CEMETERY DISTRICT, ORANGE
COUNTY SANITATION DISTRICT, ORANGE COUNTY WATER DISTRICT, PLACENTIA
LIBRARY DISTRICT, ROSSMOOR COMMUNITY SERVICES DISTRICT, ROSSMOOR-LOS
ALAMITOS SEWER DISTRICT, SANTA MARGARITA WATER DISTRICT, SERRANO
WATER DISTRICT, SILVERADO-MODJESKA RECREATION & PARK DISTRICT, SOUTH
COAST WATER DISTRICT, SURFSIDE COLONY STORM WATER PROTECTION
DISTRICT, SURFSIDE COLONY COMMUNITY SERVICES TAX DISTRICT, THREE ARCH
BAY COMMUNITY SERVICES DISTRICT, TRABUCO CANYON WATER DISTRICT, AND
ORANGE COUNTY VECTOR CONTROL DISTRICT
November 12, 2008

On motion of Commissioner ________, duly seconded and carried, the following resolution was adopted:

WHEREAS, California Government Code Section 56425 requires that a Local Agency Formation Commission ("LAFCO") adopt Spheres of Influence for all agencies in its jurisdiction and to update those spheres every five years; and

WHEREAS, the Sphere of Influence is the primary planning tool for LAFCO and defines the probable physical boundaries and service area of a local agency as determined by LAFCO; and

WHEREAS, proceedings for adoption, update and amendment of a Sphere of Influence are governed by the Cortese-Knox-Hertzberg Local Government Reorganization Act, Section 56000 et seq. of the Government Code; and

WHEREAS, California Government Code Section 56430 requires that in order to prepare and to update Spheres of Influence the Commission shall conduct Municipal Service Reviews prior to or in conjunction with action to update or adopt a sphere of influence; and

WHEREAS, the Orange County LAFCO staff has previously prepared Municipal Service Reviews, as an accompanying report to the Sphere of Influence updates for the following cities: Aliso Viejo (MSR 06-52/SOI 07-13), Anaheim (MSR 06-11/SOI 06-12), City of Brea (MSR 05-59/SOI 05-58), City of Buena Park (MSR 06-51/SOI 07-06), City of Costa Mesa (MSR 06-26/SOI 06-27), City of Cypress (MSR 05-59/SOI 07-07), City of Dana Point (MSR 06-52/SOI 07-14), City of Fountain Valley (MSR 06-11/SOI 06-13), City of Fullerton (MSR 05-59/SOI 07-08), City of Garden Grove (MSR 06-11/SOI 06-14), City of Irvine (MSR 05-55/SOI 05-56), City of Laguna Beach (MSR 06-52/SOI 7-15), City of Laguna Hills (MSR 06-52/SOI 07-16), City of Laguna Niguel (MSR 05-02)/(DS 05-02), City of Laguna Woods (MSR 06-52)/(SOI 07-17), City of La Habra (MSR 05-59/SOI 07-09), City of Lake Forest (MSR 06-52/SOI 07-18), City of La Palma (MSR 05-59)/SOI 07-10), City of Mission Viejo (MSR 05-24)/(SOI 05-25), City of Newport Beach (MSR 06-28/SOI 06-29), City of Placentia (MSR 05-59/SOI 07-11), City of San
Clemente (MSR 05-24/SOI 05-27), City of San Juan Capistrano (MSR 05-24/SOI 05-28), City of Santa Ana (MSR 06-11/SOI 06-15), City of Seal Beach (MSR 03-28/SOI 05-32), City of Stanton (MSR 06-11/SOI 06-16), City of Villa Park (MSR 03-29/SOI 05-39), City of Westminster (MSR 06-11/SOI 06-17), and City of Yorba Linda (MSR 06-21/SOI 06-22) and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the Orange County LAFCO staff has previously prepared Municipal Service Reviews, as an accompanying report to the Sphere of Influence updates for the following special districts: Buena Park Library District (MSR 05-45/SOI 05-46), Capistrano Bay Community Services District (MSR 06-52/SOI 07-24), Costa Mesa Sanitary District (MSR 06-44/SOI 06-45), CSA 26 (OC Parks) (MSR 05-62/SOI 05-63), El Toro Water District (MSR 06-52/SOI 07-19), Emerald Bay Community Services District (MSR 06-52/SOI 07-23), Garden Grove Sanitation District (MSR 06-11/SOI 06-18), Irvine Ranch Water District (MSR 03-29/SOI 05-40), Laguna Beach County Water District (MSR 06-52/SOI 07-20), Mesa Consolidated Water District (MSR 06-46/SOI 06-47), Midway City Sanitation District (MSR 06-11/SOI 06-19), Moulton Niguel Water District (MSR 06-52/SOI 07-21), Municipal Water District of Orange County (MSR 06-38/SOI 07-04), Orange County Cemetery District (MSR 05-49/SOI 05-50), Orange County Sanitation District (MSR 06-54/SOI 06-55), Orange County Water District (MSR 06-66/SOI 06-07), Placentia Library District (MSR 05-47/SOI 05-28), Rossmoor Community Services District (MSR 03-28/SOI 05-33), Rossmoor-Los Alamitos Sewer District (MSR 03-28/SOI 05-34), Santa Margarita Water District (MSR 05-24/SOI 05-29), Serrano Water District (MSR 03-29/SOI 05-41), Silverado-Modjeska Recreation & Park District (MSR 03-29/SOI 05-44), South Coast Water District (MSR 06-32/SOI 07-22), Surfside Colony Storm Water Protection District (MSR 05-54/SOI 05-37), Surfside Colony Community Services Tax District (MSR 05-53/SOI 05-36), Three Arch Bay Community Services District (MSR 06-52/SOI 07-25), Trabuco Canyon Water District (MSR 05-24/SOI 05-30), Yorba Linda Water District (MSR 06-23/SOI 06-24), and Orange County Vector Control District (MSR 05-51/SOI 05-52) and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the Commission previously reviewed the MSRs and approved SOI updates for the cities and special districts identified in this resolution during the initial MSR/SOI update cycle as required by Government Code Section 56425; and
WHEREAS, the information and findings contained in the MSR and SOI updates for each of the cities and special districts identified in this Resolution are current and do not raise any significant boundary or service-related issues; and

WHEREAS, the report for the MSR and SOI updates for the cities and districts identified in this Resolution contain statements of determination as required by California Government Code Section 56430 for the municipal services provided by the cities and districts; and

WHEREAS, copies of the MSR and SOI reports, SOI maps, and statements of determination for each of the cities and special districts identified in this Resolution have been previously reviewed by the Commission and are available for public review in the LAFCO offices and on the LAFCO website; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56427, set November 12, 2008 as the hearing date on this MSR and SOI study proposal and gave the required notice of public hearing; and

WHEREAS, the Executive Officer, pursuant to Government Code Section 56428, has reviewed this proposal and prepared a report, including her recommendations thereon, and has furnished a copy of this report to each person entitled to a copy; and

WHEREAS, the proposal consists of the reconfirmation of the municipal service reviews and spheres of influence for the following cities: Aliso Viejo, Anaheim, Brea, Buena Park, Costa Mesa, Cypress, Dana Point, Fountain Valley, Fullerton, Garden Grove, Irvine, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, La Habra, Lake Forest, La Palma, Mission Viejo, Newport Beach, Placentia, San Clemente, San Juan Capistrano, Santa Ana, Seal Beach Stanton, Villa Park, Westminster and Yorba Linda; and

WHEREAS, the proposal also consists of the reconfirmation of the municipal service reviews and spheres of influence for the following special districts: Buena Park Library District, Capistrano Bay Community Services District, Costa Mesa Sanitary District, CSA 26 (OC Parks), El Toro Water District, Emerald Bay Community Services District, Garden Grove Sanitation District, Irvine Ranch Water District, Laguna Beach County Water District, Mesa Consolidated Water District, Midway City Sanitation District, Moulton Niguel Water District, Municipal Water District of Orange County, Orange County Cemetery District, Orange County Sanitation District, Orange County Water District, Placentia Library District, Rossmoor Community Services District, Rossmoor-Los Alamitos Sewer District, Santa Margarita Water
District, Serrano Water District, Silverado-Modjeska Recreation & Park District, South Coast Water District, Surfside Colony Storm Water Protection District, Surfside Colony Community Services Tax District, Three Arch Bay Community Services District, Trabuco Canyon Water District, Yorba Linda Water District, and Orange County Vector Control District; and

WHEREAS, this Commission called for and held a public hearing on the proposal on November 12, 2008, and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to this proposal and the report of the Executive Officer; and

WHEREAS, this Commission considered the factors determined by the Commission to be relevant to this proposal, including, but not limited to, factors specified in Government Code Section 56841; and

WHEREAS, pursuant to the California Environmental Quality Act, the reconfirmation of existing spheres of influence was determined to be categorically exempt under the State CEQA Guidelines.

NOW, THEREFORE, the Local Agency Formation Commission of the County of Orange DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Determinations
   a) The Executive Officer’s staff report and recommendations for reconfirmation of the current MSRs and spheres of influence for the following cities, dated November 12, 2008, are hereby adopted: Aliso Viejo, Anaheim, Brea, Buena Park, Costa Mesa, Cypress, Dana Point, Fountain Valley, Fullerton, Garden Grove, Irvine, Laguna Beach, Laguna Hills, Laguna Niguel, Laguna Woods, La Habra, Lake Forest, La Palma, Mission Viejo, Newport Beach, Placentia, San Clemente, San Juan Capistrano, Santa Ana, Seal Beach, Stanton, Villa Park, Westminster and Yorba Linda.
   b) The Executive Officer’s staff report and recommendations for reconfirmation of the current MSRs and spheres of influence for the following special districts, dated November 12, 2008, are hereby adopted: Buena Park Library District, Capistrano Bay Community Services
District, Costa Mesa Sanitary District, CSA 26 (OC Parks), El Toro Water District, Emerald Bay Community Services District, Garden Grove Sanitation District, Irvine Ranch Water District, Laguna Beach County Water District, Mesa Consolidated Water District, Midway City Sanitation District, Moulton Niguel Water District, Municipal Water District of Orange County, Orange County Cemetery District, Orange County Sanitation District, Orange County Water District, Placentia Library District, Rossmoor Community Services District, Rossmoor-Los Alamitos Sewer District, Santa Margarita Water District, Serrano Water District, Silverado-Modjeska Recreation & Park District, South Coast Water District, Surfside Colony Storm Water Protection District, Surfside Colony Community Services Tax District, Three Arch Bay Community Services District, Trabuco Canyon Water District, Yorba Linda Water District, and Orange County Vector Control District.

Section 2. This review is assigned the following distinctive short-form designation:
“Orange County Cities and Special Districts MSR and SOI Reconfirmation” (SOI 08-03).

Section 3. The Executive Officer is hereby authorized and directed to mail copies of this resolution as provided in Section 56882 of the Government Code.

AYES:
NOES:

STATE OF CALIFORNIA  )
                     ) SS.
COUNTY OF ORANGE    )

I, JOHN WITHERS, Chair of the Local Agency Formation Commission of Orange County, California, hereby certify that the above and foregoing resolution was duly and regularly
adopted by said Commission at a regular meeting thereof, held on the 12th day of November, 2008.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of November, 2008.

JOHN WITHERS
Chair of the Orange County
Local Agency Formation Commission

By: __________________________________

John Withers
2008 LAFCO Strategic Plan - Spheres of Influence Section

Introduction
In 1972, LAFCOs were given the power by the State Legislature to determine spheres of influence for those local agencies that fall under LAFCO’s authority (i.e. cities and special districts). LAFCO does not establish spheres of influence for school districts and private/mutual water companies. Similarly, unincorporated areas do have their own spheres, although they may be included in an adjacent city’s or district’s sphere.

A sphere of influence is a broad-brush planning boundary that helps a public agency plan for the logical extension of facilities and services by designating potential areas of annexation. Sphere boundaries, which are determined solely by LAFCO, establish a long-term roadmap for the logical and economical extension of facilities, services and boundaries as areas grow and change. Generally, spheres assume a 20-year time horizon. When they work best, spheres of influence prevent overlapping jurisdictions, avoid duplication of services, and facilitate the most efficient urban services and logical boundaries.

Background
In 2000, the revised Cortese-Knox-Hertzberg Local Government Reorganization Act required LAFCOs to conduct comprehensive, regional studies of municipal services (“municipal service reviews”) every five years in conjunction with the review of city and special district spheres of influence. The law requires the initial round of MSRs and sphere reviews to be completed by no later than January 1, 2008. Orange LAFCO successfully completed municipal service review and sphere of influence updates for all cities and special districts under LAFCO’s authority prior to the July 1, 2008 statutory deadline. A complete list of those agencies, and the date of each agency’s most recent sphere update, is provided for your review below.

---

### Status - Orange LAFCO’s Spheres of Influence Updates

<table>
<thead>
<tr>
<th>Cities</th>
<th>Date Approved</th>
<th>M/ER-XX-YY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aliso Viejo</td>
<td>07-13</td>
<td>M/ER-06-52</td>
</tr>
<tr>
<td>Anaheim</td>
<td>06-12</td>
<td>M/ER-06-11</td>
</tr>
<tr>
<td>Brea</td>
<td>05-58</td>
<td>M/ER-05-59</td>
</tr>
<tr>
<td>Buena Park</td>
<td>07-06</td>
<td>M/ER-06-51</td>
</tr>
<tr>
<td>Costa Mesa</td>
<td>06-27</td>
<td>M/ER-06-27</td>
</tr>
<tr>
<td>Cypress</td>
<td>07-07</td>
<td>M/ER-05-59</td>
</tr>
<tr>
<td>Dana Point</td>
<td>07-14</td>
<td>M/ER-06-52</td>
</tr>
<tr>
<td>Fountain Valley</td>
<td>06-13</td>
<td>M/ER-06-11</td>
</tr>
<tr>
<td>Fullerton</td>
<td>07-08</td>
<td>M/ER-05-59</td>
</tr>
<tr>
<td>Garden Grove</td>
<td>02-14</td>
<td>M/ER-06-11</td>
</tr>
<tr>
<td>Location</td>
<td>Date Approved</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------</td>
<td></td>
</tr>
<tr>
<td>Huntington Beach</td>
<td>07/18/07</td>
<td></td>
</tr>
<tr>
<td>Irvine</td>
<td>10/12/05</td>
<td></td>
</tr>
<tr>
<td>Laguna Beach</td>
<td>04/09/08</td>
<td></td>
</tr>
<tr>
<td>Laguna Hills</td>
<td>07/18/07</td>
<td></td>
</tr>
<tr>
<td>Laguna Niguel</td>
<td>04/13/05</td>
<td></td>
</tr>
<tr>
<td>Laguna Woods</td>
<td>04/09/08</td>
<td></td>
</tr>
<tr>
<td>La Habra</td>
<td>07/18/07</td>
<td></td>
</tr>
<tr>
<td>Lake Forest</td>
<td>07/18/07</td>
<td></td>
</tr>
<tr>
<td>La Palma</td>
<td>07/18/07</td>
<td></td>
</tr>
<tr>
<td>Los Alamitos</td>
<td>01/10/07</td>
<td></td>
</tr>
<tr>
<td>Mission Viejo</td>
<td>03/08/06</td>
<td></td>
</tr>
<tr>
<td>Newport Beach</td>
<td>01/01/08</td>
<td></td>
</tr>
<tr>
<td>Orange</td>
<td>07/18/07</td>
<td></td>
</tr>
<tr>
<td>Placentia</td>
<td>03/08/06</td>
<td></td>
</tr>
<tr>
<td>Rancho Santa Margarita</td>
<td>03/08/06</td>
<td></td>
</tr>
<tr>
<td>San Clemente</td>
<td>03/08/06</td>
<td></td>
</tr>
<tr>
<td>San Juan Capistrano</td>
<td>03/08/06</td>
<td></td>
</tr>
<tr>
<td>Santa Ana</td>
<td>12/13/06</td>
<td></td>
</tr>
<tr>
<td>Seal Beach</td>
<td>07/12/06</td>
<td></td>
</tr>
<tr>
<td>Stanton</td>
<td>12/13/06</td>
<td></td>
</tr>
<tr>
<td>Tustin</td>
<td>11/14/07</td>
<td></td>
</tr>
<tr>
<td>Villa Park</td>
<td>10/12/05</td>
<td></td>
</tr>
<tr>
<td>Westminster</td>
<td>07/18/07</td>
<td></td>
</tr>
<tr>
<td>Yorba Linda</td>
<td>05/10/06</td>
<td></td>
</tr>
</tbody>
</table>

**Special Districts**

<table>
<thead>
<tr>
<th>Water Districts</th>
<th>Date Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Orange County Water District</td>
<td>12/14/05</td>
</tr>
<tr>
<td>El Toro Water District</td>
<td>07/18/07</td>
</tr>
<tr>
<td>Irvine Ranch Water District</td>
<td>04/09/08</td>
</tr>
<tr>
<td>Laguna Beach County Water District</td>
<td>04/09/08</td>
</tr>
<tr>
<td>Mesa Consolidated Water District</td>
<td>06/20/07</td>
</tr>
<tr>
<td>Moulton Niguel Water District</td>
<td>07/18/07</td>
</tr>
<tr>
<td>MWDOC</td>
<td>11/14/07</td>
</tr>
<tr>
<td>Orange County Water District</td>
<td>05/14/08</td>
</tr>
<tr>
<td>Santa Margarita Water District</td>
<td>03/08/06</td>
</tr>
<tr>
<td>Serrano Water District</td>
<td>10/12/05</td>
</tr>
<tr>
<td>South Coast County Water District</td>
<td>07/18/07</td>
</tr>
<tr>
<td>Surfside Colony Storm Water District</td>
<td>09/14/05</td>
</tr>
<tr>
<td>Trabuco Canyon Water District</td>
<td>03/08/06</td>
</tr>
<tr>
<td>Yorba Linda Water District</td>
<td>05/10/06</td>
</tr>
<tr>
<td>Sanitation Districts</td>
<td>Date Approved</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td>Garden Grove Sanitation District</td>
<td>12/13/06</td>
</tr>
<tr>
<td>Costa Mesa Sanitation District</td>
<td>06/20/07</td>
</tr>
<tr>
<td>Midway City Sanitary District</td>
<td>12/13/06</td>
</tr>
<tr>
<td>Orange County Sanitation District</td>
<td>05/09/07</td>
</tr>
<tr>
<td>Rossmoor-Los Alamitos Sewer District</td>
<td>03/08/06</td>
</tr>
<tr>
<td>Sunset Beach Sanitary District</td>
<td>03/08/06</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Community Services Districts</th>
<th>Date Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Three Arch Bay CSD</td>
<td>07/18/07</td>
</tr>
<tr>
<td>Capistrano Bay CSD</td>
<td>07/18/07</td>
</tr>
<tr>
<td>Emerald Bay CSD</td>
<td>07/18/07</td>
</tr>
<tr>
<td>Rossmoor CSD</td>
<td>07/12/06</td>
</tr>
<tr>
<td>Surfside Colony CSD</td>
<td>09/14/05</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Countywide Districts</th>
<th>Date Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSA 23 (OC Harbors, Beaches, &amp; Parks)</td>
<td>02/08/06</td>
</tr>
<tr>
<td>Orange County Cemetery District</td>
<td>10/12/05</td>
</tr>
<tr>
<td>Vector Control District</td>
<td>10/12/05</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Library Districts</th>
<th>Date Approved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Placentia Library District</td>
<td>10/12/05</td>
</tr>
<tr>
<td>Buena Park District</td>
<td>10/12/05</td>
</tr>
</tbody>
</table>

**Sphere of Influence Priorities for 2008**

During the initial round of MSR/sphere of influence reviews, sphere boundary issues were resolved for the majority of Orange County agencies. At this time, given current staffing and workload constraints, and the lack of sphere-related issues for most agencies, staff is recommending that the Commission “reconfirm” the majority of our agencies’ existing sphere boundaries. This allows staff to focus on selected sphere issues that are of interest to the Commission and offer the opportunity to make a significant impact on long-term service provision. Identified below, for your consideration, are staff’s recommendations for sphere of influence reviews/updates to be completed in FY 2008-2009.
# Proposed Sphere of Influence Updates for FY 2008-2009

<table>
<thead>
<tr>
<th>Proposed Spheres of Influence Update</th>
<th>Estimated Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>City of Rancho Santa Margarita</em> – revisit city’s existing sphere of influence to consider including the unincorporated community of Coto de Caza.</td>
<td>April 2009</td>
</tr>
<tr>
<td><em>City of Huntington Beach</em> – revisit the city’s existing sphere of influence to consider including the unincorporated community of Sunset Beach.</td>
<td>January 2009</td>
</tr>
<tr>
<td><em>Sunset Beach Sanitary District</em> – revisit the district’s sphere of influence to consider approving a transitional sphere of influence designation.</td>
<td>January 2009</td>
</tr>
<tr>
<td><em>North Tustin</em> – revisit the City of Tustin and the City of Orange spheres of influence in the North Tustin area to more accurately refine sphere boundary between the two agencies.</td>
<td>March 2009</td>
</tr>
<tr>
<td><em>Los Alamitos</em> – if the incorporation of Rossmoor is not approved by voters, consider placing Rossmoor within the city’s sphere of influence.</td>
<td>February 2009</td>
</tr>
<tr>
<td>Reconfirm existing sphere of influence boundaries for remaining agencies.</td>
<td>October 2008</td>
</tr>
</tbody>
</table>

---

*Note: The handwritten note at the bottom of the page reads:*

*Cypress Recreation Park District - subsidiary district of the City of Cypress, overlooked in first round.*

*December 2008*
ANNUAL APPROPRIATIONS LIMIT

Under Article XIIIIB of the California Constitution, state and local government agencies are subject to an annual "appropriations limit". Article XIIIIB, adopted in 1979 and more commonly known as the "Gann Initiative", limits the proceeds of tax revenue which the District can legally appropriate. The appropriations are based on the District's 1978-79 actual appropriations adjusted annually by a formula utilizing the percentage growth in California Per Capita Income and under Proposition 111 either the growth in the City's or the County's population.

As provided by Proposition 111, the Cypress Recreation and Park District has elected to utilize the percentage growth in the County's population to calculate the fiscal year 2008-09 Appropriation Limitation of $6,190,985. The total appropriations subject to the limitation for 2008-09 are $3,647,247 which is $2,543,738 or 41.1% below the calculated appropriation limit.

APPROPRIATIONS

![Bar chart showing appropriations and legal limits over the years 2004-2009]
Laura Detweller, Director
Cypress Recreation and Community Services

Cypress Community Center
5700 Orange Avenue
Office: (714) 229-6780, FAX (714) 229-6798
Office Hours: Monday-Friday, 8:00 a.m.-5:00 p.m.
Email: Recreation and Community Services

Cypress Senior Center
9031 Grindlay Street
Office: (714) 229-2005, FAX (714) 229-2008
Office Hours: Monday-Friday, 8:00 a.m. - 5:00 p.m.
Email: Cypress Senior Center

Current Events

2008 Summer Concerts on the Green
Concerts on the Green

Summer Day Camp

Hot Fun in the Summer at Cypress Parks

Aquatics

Cypress Community Festival 5K/10K Run/Walk

Activity Registration Form
Activity Refund Form
Animal Control Services
Birthday Party Packages
Camp Cypress Day Camp
Classes & Activities
Class Registration Information
Clubs and Organizations
Cypress 5K & 10K Run/Walk
Facility & Park Locations
Facility Reservations
Frequently Asked Questions
History of Cypress Recreation
Job Opportunities

Kids Corner
Moonbounce
Printable Forms
Recreation Commission
Senior Center Activities
Senior Commission
Sports - Adult Leagues
Sports - Youth Leagues
Skate Plaza
Special Events
Teen Activities
Tennis Court Rules
Volunteer Opportunities

HOME | SEARCH | CITY SERVICES | CONTACT US | SITE MAP

http://www.ci.cypress.ca.us/recreation/recreation home.html

7/7/2008
MEMORANDUM

TO:      Board of Directors  
FROM:     Paul E. Shoenberger, P.E., General Manager  
DATE:     March 26, 2018  
SUBJECT:  Ordinance No. 28 – Directors’ Compensation and Expense Reimbursement  

RECOMMENDATION

Discuss Directors’ fees and, if determined, direct staff to schedule a public hearing for the April 12, 2018 Board meeting.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

At its April 13, 2017 meeting, the Board of Directors (Board) adopted Ordinance No. 28 – Directors’ Compensation and Expense Reimbursement – increasing the Directors’ fees to $264 per meeting, effective July 1, 2017. Prior to this increase the Board’s compensation was $240 per meeting which was approved by the Board on April 9, 2015 and effective July 1, 2015.

BACKGROUND

At the October 31, 2008 Board workshop, the Board directed staff to prepare an ordinance increasing Directors’ fees concurrent with the District’s budget cycle, thus changing from a calendar year to a fiscal year. The Water Code allows an increase of up to five percent each calendar year. Although the Water Code is silent on whether a multi-year increase can be compounded, it has been the Board’s practice not to compound any increase(s).

In addition, a public hearing must be held prior to the Board taking action to increase Directors’ fees. Prior to the date of the public hearing, Mesa Water is required to place an advertisement once a week for two weeks, each published with at least five days intervening between publication dates, in a local newspaper announcing the public hearing. If the Board approves the ordinance, a minimum of sixty days must elapse prior to the increase becoming effective.

DISCUSSION

The current Directors’ fees amount of $264 per meeting was approved April 13, 2017 and effective July 1, 2017. The Board reviews the topic of Directors’ compensation annually.
The Board may approve an increase of up to five percent a year for an amount not to exceed $277.20. If the Board approves an increase in 2018, the next available increase could be no sooner than one year later. If the Board directs staff to schedule the public hearing, staff will place the required advertisements in the newspaper.

FINANCIAL IMPACT

The cost of the two ads will be approximately $500 and sufficient funds are available in the Governance Regulatory Compliance/Permits budget. Should the Board approve an increase, staff will include the additional cost in the FY 2019 budget, as well as the mandatory payroll related Social Security (FICA), Medicare, and Workers’ Compensation costs.

ATTACHMENTS

Attachment A: Agency Directors’ Fees Survey
Attachment B: Ordinance No. 28 – Directors’ Compensation and Expense Reimbursement
<table>
<thead>
<tr>
<th>Agency</th>
<th>Effective Date</th>
<th>Per Diem/Mtg.</th>
<th>Max Mtgs. Monthly</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yorba Linda Water District</td>
<td>01/23/03</td>
<td>$150.00</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>South Coast Water District</td>
<td>01/01/06</td>
<td>$190.00</td>
<td>10</td>
<td>Updated Ordinance in March 2009, but the fee did not change</td>
</tr>
<tr>
<td>El Toro Water District</td>
<td>09/27/07</td>
<td>$198.00</td>
<td>10</td>
<td>In process of increasing to $219.00 effective May 1, 2018</td>
</tr>
<tr>
<td>Santa Margarita Water District</td>
<td>02/01/09</td>
<td>$210.00</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Moulton Niguel Water District</td>
<td>07/21/16</td>
<td>$220.00</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Mesa Water District</td>
<td>07/01/17</td>
<td>$264.00</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Orange County Water District¹</td>
<td>04/02/17</td>
<td>$275.00</td>
<td>10</td>
<td>In process of increasing to $288.00 effective April 9, 2018</td>
</tr>
<tr>
<td>Irvine Ranch Water District</td>
<td>12/11/17</td>
<td>$273.00</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Municipal Water District of OC¹</td>
<td>01/01/18</td>
<td>$296.99</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Costa Mesa Sanitary District</td>
<td>08/24/15</td>
<td>$295.00</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Newport Mesa Unified School</td>
<td>2017-18 School Year</td>
<td>$240.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Costa Mesa - City Council</td>
<td>4/21/2009</td>
<td>$904.40</td>
<td></td>
<td>Per Month</td>
</tr>
</tbody>
</table>

¹ Compensation automatically increases each year unless suspended.
ORDINANCE NO. 28
ORDINANCE OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
REGARDING DIRECTORS COMPENSATION
AND EXPENSE REIMBURSEMENT
SUPERSEDING ORDINANCE NO. 25

WHEREAS, Mesa Water District (Mesa Water®) is a county water district organized and operating pursuant to the provisions of California law; and

WHEREAS, the California Water Code (Water Code) governs compensation of Mesa Water Board of Directors (Board or Director) for each day of service rendered as a Director by request of the Board, together with any expenses incurred in the performance of his or her duties required or authorized by the Board of Directors; and

WHEREAS, the Board of Directors has previously adopted Ordinance No. 25 regarding compensation for Directors attendance at Board meetings and days of service at committee meetings, attendance at conferences, seminars, and other water related agencies' meetings and other activities, as specified by action of the Board, and the Board of Directors desires to supersede Ordinance No. 25 by the provisions hereof; and

WHEREAS, it is the desire of the Board to compensate Directors for expenses incurred in the performance of his or her duties required or authorized by the Board of Directors.

NOW, THEREFORE, BE IT ORDAINED BY THE MESA WATER DISTRICT BOARD OF DIRECTORS AS FOLLOWS:

Section 1: Board of Directors Meetings; Days of Service: The compensation paid to the Board of Directors shall be Two Hundred Sixty Four Dollars ($264.00) per day for each day’s attendance at Board meetings, or for each day’s service rendered as a Director by request of, or with the authorization of, the Board of Directors as further discussed herein.

Section 2: Meetings/Activities that Constitute Days of Service for the Purpose of Section 1: The following meetings and activities constitute a day of service for purposes of Section 1 of this Ordinance:

(a) Committee and Other Agency Meetings: Committee meetings for those Directors assigned, or attending, as applicable, shall include the following:

(i). Executive Committee;
(ii) Finance Committee;
(iii) Engineering & Operations Committee;
(iv) Legislative and Public Affairs Committee;
(v) Other public agency meetings (including regular, adjourned regular and special meetings of the governing bodies of such public agencies as shall be designated and/or authorized by the Board of Directors from time to time); and
(vi) Other Mesa Water committees, including, but not limited to, ad hoc committees, as the Board of Directors shall designate by Board action from time to time.

(b) Teleconferencing: Participation at any public agency meeting that is covered under Section 2 (a) by teleconference, or equivalent means, shall be considered as a day of service for the purpose of this Ordinance.

(c) Conferences and Seminars: Attendance at authorized conferences or seminars as assigned, designated, and/or authorized by the Board of Directors.

(d) Meetings with Agencies, Organizations, and/or Representatives Concerning or relating to Water, Governmental or Environmental Matters or Issues: Meetings by Directors of or with agencies or organizations, and/or representatives of such, in or related to the public water industry or governmental or environmental matters or issues to discuss, review, and/or receive information relating to Mesa Water, Mesa Water’s business or operations, governmental or environmental matters or issues and/or water industry standards, operations, policy matters and/or fiscal issues.

(e) Other Activities Approved by the Board of Directors: Activities by members of the Board other than as described in Sections 2 (a), (b), (c), or (d) above, as authorized by the Board of Directors in advance of such activity(ies) shall be considered a day of service for purposes of this Ordinance.

Section 3: Limitations:

(a) Maximum Number of Meetings/Days: The fee paid to the Board of Directors shall be made for no more than one meeting per each day of service, and the maximum number of days for which any Director may receive compensation under Sections 1 or 2 hereof, in any calendar month shall be ten (10).

(b) No Duplicate Compensation: Notwithstanding the foregoing provisions of Sections 1 or 2, any Director that receives
compensation from any other entity for attendance and/or participation of any meeting(s), conference(s), seminar(s) or other activity(ies) set out in Sections 1 or 2 shall not be compensated by Mesa Water.

Section 4: **Director Reimbursement(s):** In addition to the compensation described in Section 1 and subject to applicable State law, Directors expenses shall be reimbursed if they are reasonable and necessary to conduct Mesa Water’s business pursuant to provisions of the Mesa Water reimbursement policy(ies) adopted by the Board of Directors, as then in effect.

Section 5: **Authorization (Statutory Requirements):** This Ordinance is adopted pursuant to Water Code Sections 30523 and 20203. To the extent required by law, this Ordinance shall satisfy the requirements of Water Code Sections 20201 and 20202 and California Government Code Section 53232.1.

Section 6: **Effective Date:** This Ordinance No. 28 shall take effect from and after July 1, 2017 (Effective Date).

Section 7: **Superseding Prior Ordinance:** This Ordinance No. 28 shall supersede Ordinance No. 25 upon the Effective Date hereof.

PASSED AND APPROVED at the regular meeting of the Board of Directors held on the 13th day of April 2017, and adopted by the following roll call vote:

AYES: DIRECTORS: Bockmiller, Dewane, Fisler, Atkinson, Temianka

NOES: DIRECTORS:

ABSENT: DIRECTORS:

ABSTAIN: DIRECTORS:

ATTEST:

Ethan Temianka
President, Board of Directors

Coleen L. Monteleone
District Secretary
MEMORANDUM

TO: Board of Directors  
FROM: Syndie Ly, Human Resources Manager  
DATE: March 26, 2018  
SUBJECT: Staffing Plan

RECOMMENDATION

Approve the staffing plan for Fiscal Year 2019, which includes the elimination of three positions and the conversion of one .75 position to a full-time position.

STRATEGIC PLAN

Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.

PRIOR BOARD ACTION/DISCUSSION

At its May 18, 2017 meeting, the Board of Directors (Board) approved the Fiscal Year (FY) 2018 budget, including the staffing positions. The number of Full-Time Equivalent (FTE) positions in the FY 2018 budget is 57.75.

DISCUSSION

Mesa Water District (Mesa Water®) continuously evaluates its human resources needs to ensure that sufficient staffing exists to manage the District’s current business functions and future workload. In 2000, Mesa Water had 72 FTE positions in the budget. Over the past 17 years, the District has reduced the number of budgeted employees by 14.25 FTE, or 20%, to 57.75 FTE positions in the FY 2018 budget.

Position Elimination:

There are currently three open positions staff is recommending eliminating, as detailed below:
1. Senior Financial Analyst (unrepresented)
2. Information Technology (IT) Coordinator (unrepresented)
3. Information Technology (IT) Technician (represented)

The Senior Financial Analyst has been vacant the last five years, and many of the responsibilities have either been taken over by the Controller, or the need has been eliminated. Overall, the duties and responsibilities of the Senior Financial Analyst have been absorbed by the Interim Controller. Staff’s recommendation is to eliminate the Senior Financial Analyst position.

For FY 2018, Mesa Water allocated $281,696 for two budgeted IT staff positions, which are currently vacant. The IT Coordinator has been vacant since 2014 and the person holding the IT Technician retired in March 2017. With the majority of the responsibilities for both positions performed by contract support services provided by T2 Tech Group, staff recommends eliminating both positions from the budget. With the IT Technician being a represented position, staff has
completed the “Meet and Confer” process with the union and may proceed with eliminating this position upon Board approval.

**Addition to FY 2019 Staffing Plan:**

The Administrative Services Department currently has 4.75 budgeted FTEs. After careful evaluation of the Office Assistant role, staff has determined that a full-time FTE staffing solution is necessary to address the current and future workload of the role. Staff is recommending a .25 FTE increase to the department to better serve the Board, General Manager and Management staff. Having a full-time FTE is more beneficial than a .75 employee from a productive and performance standpoint, equipping our department to better handle the high level responses necessary when dealing with the nature of governance support.

The Administrative Services Department’s key functions are the coordination of the Board of Directors (documentation, packets, schedules, expenses, etc.), the General Manager and the management of District records. They also provide various functions that affect all of Mesa Water and the Board, including the coordination and set up of the Boardroom for five to eight events per month. Travel, meeting coordination, and expense tracking and reports for the Board are also functions of the Administrative Services Department. Staff recommends Board approval to convert the part-time (.75) Office Assistant position to a full-time position in the Fiscal Year 2019 Staffing Plan due to increased workload in the Administrative Services Department.

**FINANCIAL IMPACT**

With the elimination of the three positions (Senior Financial Analyst, IT Coordinator, and IT Technician) and conversion of the Office Assistant position to full-time, the employee headcount will be 55 FTE. The savings is approximately $400,000 annually in compensation and benefits.

**ATTACHMENTS:**

Attachment A: Proposed Organizational Chart  
Attachment B: Key Indicators Report
Office of the General Manager
FY19 Budget – 2 FTEs

General Manager

Business Administrator
Administrative Services
FY19 Budget – 5 FTEs

Executive Assistant to the General Manager

Department Assistant

Office Assistant
Recommend to convert to full-time
Vacant

Records Management Specialist

Information Technology Coordinator
* Recommend Elimination

Information Technology Technician
* Recommend Elimination

* Not included in figure above
Human Resources
FY19 Budget – 3 FTEs

Human Resources Manager

- Senior Human Resources Analyst
  Vacant
- Human Resources Assistant
Customer Services
FY19 Budget – 9 FTEs

Customer Services Manager

- Water Use Efficiency Analyst (3 FTEs)
- Customer Service Representative II
- Field Customer Service Rep. II (2 FTEs)
- Meter Reader (2 FTEs)
External Affairs
FY19 Budget – 1.5 FTEs
Engineering
FY19 Budget – 5 FTEs

- Assistant General Manager
  - Department Assistant
  - Senior Civil Engineer (2 FTEs)
  - Associate Engineer II
Financial Services
FY19 Budget – 6 FTEs

Chief Financial Officer

- Financial Services Assistant
- Intern *
- Senior Financial Analyst
  * Recommend Elimination

Controller
Vacant

- Senior Accounting Technician
  Vacant
- Accounting Technician II

Buyer

* Not included in figure above
Public Affairs
FY19 Budget – 2.5 FTEs

Public Affairs Manager
Vacant

Public Affairs Coordinator
Vacant

Department Assistant
(.5 FTE)
Vacant

Intern *

* Not included in figure above
Water Operations
FY19 Budget – 21 FTEs

Water Operations Manager

Department Assistant
Vacant

Water Operations Supervisor
(2 FTEs)

Senior Operator
(5 FTEs)

Construction Inspector

Operator I/II
(6 FTEs)

Facility Maintenance Worker I/II
Vacant

Water Quality & Compliance Supervisor

Water Quality Technician I/II
(2 FTEs)

Water Operations Coordinator
### Key Indicators Report

**Goal #5: Attract and retain skilled employees**

<table>
<thead>
<tr>
<th>DEPARTMENT:</th>
<th>FY 2017</th>
<th>COMMENTS:</th>
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<tr>
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<tr>
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<tr>
<td>Business Processes</td>
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<tr>
<td><strong>ENGINEERING:</strong></td>
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<td><strong>Subtotal</strong></td>
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<td><strong>EXTERNAL AFFAIRS:</strong></td>
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<td><strong>FINANCIAL SERVICES:</strong></td>
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<td>Outreach, Education &amp; Communications</td>
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<td><strong>WATER OPERATIONS:</strong></td>
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<td>Supervision/Support</td>
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<td><strong>TOTAL BUDGETED POSITIONS:</strong></td>
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<td>57.75</td>
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RECOMMENDATION

Receive the training and take action as the Board desires.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

On October 2 and November 8, 2013, members of Mesa Water District’s Board of Directors (Board) and staff participated in an outreach training session with Gladstone International, Inc. (Gladstone).

At the March 13, 2014 Board workshop, Gladstone provided a supplemental presentation; and, at Mesa Water’s September 24, 2014 Legislative & Public Affairs Committee (LPAC) meeting, the firm provided a communications training update. All participants determined that the training sessions were beneficial, and that additional sessions would provide value for Mesa Water.

DISCUSSION

Through practicing communications techniques with training sessions, the District’s representatives can continually improve their communications skills for effective public hearings and meetings, media interviews, public speaking, presentations, speakers’ bureau activities (i.e., MWRF tours, town halls, etc.), and other meetings with Mesa Water constituents including one-on-one, small-group, and large-group meetings. Furthermore, continued communications practice improves the District’s representatives’ effectiveness for increasing public awareness of Mesa Water and water in general.

FINANCIAL IMPACT

In Fiscal Year 2018, $373,200 is budgeted for the District’s Public Affairs department expenses; $207,598 has been spent to date.

ATTACHMENTS

None.
MEMORANDUM

TO: Board of Directors
FROM: Paul E. Shoenberger, P.E., General Manager
DATE: March 26, 2018
SUBJECT: Communications Equipment and Service Policy

RECOMMENDATION

Discuss and take action as the Board desires.

STRATEGIC PLAN

Goal #1: Provide a safe, abundant, and reliable water supply.
Goal #2: Practice perpetual infrastructure renewal and improvement.
Goal #3: Be financially responsible and transparent.
Goal #4: Increase public awareness about Mesa Water® and about water.
Goal #5: Attract and retain skilled employees.
Goal #6: Provide outstanding customer service.
Goal #7: Actively participate in regional water issues.

PRIOR BOARD ACTION/DISCUSSION

At its June 9, 2016 meeting, the Board of Directors (Board) adopted Resolution No. 1474 – Board of Directors Communications Equipment and Service Policy Superseding Resolution No. 1430.

DISCUSSION

This item was placed on the agenda at the request of the Board of Directors.

The General Manager will provide an overview of the policy and the Board may discuss and take action as it desires.

FINANCIAL IMPACT

None.

ATTACHMENTS

Attachment A: Resolution No. 1474
RESOLUTION NO. 1474

RESOLUTION OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
COMMUNICATIONS EQUIPMENT AND SERVICE POLICY
SUPERSEDING RESOLUTION NO. 1430

WHEREAS, the Mesa Water District (Mesa Water®) is a county water district organized and operating according to California Law; and

WHEREAS, as a county water district, Mesa Water has the ability and authority to provide necessary administrative, technical and communications support for members of its Board.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE MESA WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE, AND ORDER AS FOLLOWS:

Section 1. Payments for electronic devices, Internet and/or fax line services and supplies and similar represent a reimbursement to Board members for expenditures made.

Section 2. Each individual charge of $100 or above must be published with Mesa Water’s annual reimbursement statement policy per Government Code 53065.5.

Section 3. Reporting provisions under Mesa Water’s existing Board policies for reimbursement declaration/publication requirements are applicable.

Section 4. Requests for reimbursement for such expenditures must be approved by the Finance Committee.

ADOPTED, SIGNED, and APPROVED this 9th day of June 2016 by a roll call vote.

AYES: DIRECTORS: Atkinson, Bockmiller, Fisler, Temianka, Dewane
NOES: DIRECTORS:
ABSENT: DIRECTORS: 
ABSTAIN: DIRECTORS: 

Shawn Dewane
President, Board of Directors

Coleen L. Monteleone
District Secretary

Resolution No. 1474

Page 1 of 1

Adopted: June 9, 2016
The Board of Directors relies upon electronic communication with staff and other individuals and organizations in conducting District business. The content often ranges from a quick message to a lengthy document such as a contract for review. The most efficient means of delivering messages and documents is typically by e-mail or fax. In order for the Directors to communicate by e-mail or fax, it is beneficial for them to have electronic devices, printer/fax, and Internet and/or fax line services.

**Policy**

1. As part of their official duties, Directors are encouraged to maintain a computer, e-mail capability and a printer/fax machine.

2. Once elected or re-elected, Directors will have the opportunity to select either Option 1 or Option 2 as it relates to the Communications Equipment and Service Reimbursement Guideline (Exhibit A, attached).

3. Option 1: Director-Owned Equipment/Service, computes to a not-to-exceed total reimbursement of $6,000 over a 48-month (4-year) election term. With this option, technical support will not be provided by the District.

4. Option 2: District-Owned Equipment/Service, computes to a not-to-exceed total reimbursement of $4,800 over a 48-month (4-year) election term. With this option, technical support may be provided by the District.

5. This policy will be reviewed every three years for potential adjustment.

**Procedure**

1. Upon election, a Director may submit to staff a "Communications Equipment and Service Request Form" (Request Form), Exhibit A, attached. A separate Request Form will be required for each term of office.

2. Once the Request Form has been processed, the Director may submit reimbursement claims on a monthly basis.
EXHIBIT A

RESOLUTION NO. 1474

RESOLUTION OF THE
MESA WATER DISTRICT BOARD OF DIRECTORS
COMMUNICATIONS EQUIPMENT AND SERVICE POLICY
SUPERSEEDING RESOLUTION NO. 1430

Communications Equipment and Service Request Form
and Reimbursement Guideline
Communications Equipment and Service Request Form

☐ Option 1: Director-Owned Equipment/Service

The Director will acquire the communication equipment. This arrangement allows for both business and personal use of the equipment; equipment remains the property of the Director. Technical support will not be provided by the District.

With Director-owned equipment, the District will provide reimbursement that will cover the purchase and/or business use of the individually purchased communication equipment and service. Reimbursements may total up to $6,000 (see attached Reimbursement Guideline) over the 48-month (4-year) election term. It is understood that the reimbursement total is sufficient to cover the purchase and/or business use of the equipment/service, including Internet and/or fax line service, and supplies.

☐ Option 2: District-Owned Equipment/Service

The District will acquire the communication equipment and assign it to a specific Director. Personal business is allowable and shall comply with Internal Revenue Code regulations pertaining to “de minimis personal use.” This option is also subject to the California Public Records Act, which requires the disclosure of specified public records. In response to a request, it may be necessary to examine communications that users may consider personal to determine whether they are public records subject to disclosure. The equipment remains the property of the District. At the request of the District or at time of separation, the Director will return the equipment. Technical support may be provided by the District.

With District-owned equipment, the District will also provide reimbursement that will cover the service necessary for the business use of that equipment. Reimbursements may total up to $4,800 (see attached Reimbursement Guideline) over the 48-month (4-year) election term. It is understood that the reimbursement total is sufficient to cover the business use of the service, including Internet and/or fax line service, and supplies.

Director Signature ______________________ Date ______________________

For Office Use only
Option 2 Equipment Issued

Model No./Type ______________________ Serial No.: ______________________

Issuer Signature: ______________________ Date: ______________________

Resolution No. 1474: Exhibit A Page 1 of 2 Adopted: June 9, 2016
Communications Equipment and Service
Reimbursement Guideline

Costs may be reimbursed in the manner the Director sees fit in order to conduct District business most efficiently and effectively. This Reimbursement Guideline covering Options 1 and 2 was derived using the following estimated costs over a 48-month (4-year) election term:

Option 1: Director-Owned Equipment/Service

<table>
<thead>
<tr>
<th>Communication Equipment</th>
<th>Communication Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Including but not limited to devices, hardware, accessories, and business related software</td>
<td>Internet Service Provider</td>
</tr>
<tr>
<td></td>
<td>Typical monthly charge averages $55/month</td>
</tr>
</tbody>
</table>

Up to $6,000 over a 48-month (4-year) election term

Option 2: District-Owned Equipment/Service

<table>
<thead>
<tr>
<th>Communication Equipment</th>
<th>Communication Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>District will provide the device(s) necessary to best meet the Directors’ needs in order to conduct matters of the Board of Directors most efficiently and effectively</td>
<td>Internet Service Provider</td>
</tr>
<tr>
<td></td>
<td>Typical monthly charge averages $55/month</td>
</tr>
</tbody>
</table>

Up to $4,800 over a 48-month (4-year) election term
REPORTS:

11. REPORT OF THE GENERAL MANAGER:
REPORTS:

12. DIRECTORS' REPORTS AND COMMENTS:
There are no support materials for this item.