



Costa Mesa Sanitary District

...an Independent Special District

April 13, 2017

The Honorable Ethan Temianka
President, Board of Directors
Mesa Water District
1965 Placentia Avenue
Costa Mesa, CA 92627

Dear President Temianka:

We are in receipt of your letter of April 6, in which you, on behalf of Mesa Water District (Mesa Water), encourage Costa Mesa Sanitary District (CMSD) to collaborate with your agency in requesting that the Orange County Local Agency Formation Commission (OC LAFCO) undertake a focused Municipal Service Review (MSR) of the potential consolidation of CMSD and Mesa Water.

As you point out in your letter, OC LAFCO schedules MSRs to analyze and assess the services and operational characteristics of various agencies countywide. CMSD and Mesa Water MSRs are scheduled for 2018, and LAFCO staff is currently preparing a strategic plan that will include prioritizing its workload for this effort.

Further, a focused MSR is extremely costly – likely well in excess of \$100,000. CMSD has not allocated funds for this expense in our 2016-2017 budget, and as such our Board, at a minimum, would need to consider this commitment at a future Board meeting or budget study session.

While the advisory measure Mesa Water wrote and paid to put on the November 8, 2016 ballot was in fact supported by a majority of those voting in this recent election, it was confined solely to consideration of the consolidation of our two agencies. As we have stated repeatedly, our many concerns with the dialogue engaged in, and actions taken by, Mesa Water over the past 12-18 months include the ongoing exclusion of other entities, including the cities of Costa Mesa and Newport Beach, Irvine Ranch Water District (IRWD) and the County of Orange, all of whom have a stake in the delivery of "...the most economical, effective and efficient wastewater, trash and water services possible for our community," as you wrote in your letter. It is important to note a focused MSR that includes a thorough analysis of the involvement of these other agencies would likely increase, potentially significantly, the cost of this review.

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We also are perplexed as to why you, or any other Mesa Water representative, would choose not to pursue discussion of this issue at either the most recent, or an upcoming, quarterly meeting of the Liaison Committee that includes our two agencies and the City of Costa Mesa. At a minimum, I would think that forum would be the most appropriate venue at which to initiate such a discussion.

Finally, we believe encouraging or undertaking a focused MSR is premature during the Fair Political Practices Commission (FPPC) investigation of Mesa Water for potentially violating the provisions of the mass mailing provisions of the Political Reform Act.

As I shared in my letter to you of December 14, 2016, we believe LAFCO is the appropriate agency for determining optimum governance structures through its periodic MSR process, where an unbiased and in-depth analysis is performed that takes into consideration **ALL** agencies that can provide water, sewer and trash services, such as the City of Costa Mesa, the City of Newport Beach, Irvine Ranch Water District, County of Orange, Mesa Water District and CMSD, in the most efficient and cost effective manner.

CMSD certainly shares Mesa Water's commitment to preserving the public's trust, and we are always open to discussing and considering all opportunities to enhance our services with the greatest efficiencies. We continue to believe that these discussions and analyses must include all stakeholders and look forward to engaging those parties in the most appropriate manner and time.

Thank you for your letter. On behalf of our Board and our General Manager, Scott Carroll, we look forward to working collaboratively with you and Mesa Water to ensure that our mutual constituents are receiving the highest level of service in the most cost-effective manner.

Sincerely,



Michael Scheafer
CMSD Board President

C: CMSD Board of Directors
Mesa Water Board of Directors
Scott Carroll, CMSD General Manager
Paul Shoenberger, Mesa Water General Manager