



## The Basis for Measure TT: The Optimal Governance Structure Study

At its July 28, 2016 Board meeting, Mesa Water District determined to place Measure TT on the ballot to ask voters if they support the pursuit of consolidation of Mesa Water® and the Costa Mesa Sanitary District (CMSD) to reduce the size and cost of local government, or if they prefer the status quo and wish for the two districts to remain separate. An impartial Optimal Governance Structure Study projects that, if the two districts combine, substantial cost-savings for ratepayers are possible, including:

- **\$15.6 million in one-time savings** that could provide a **\$650 rebate per customer**
- **\$2.7 million in annual savings** that could reduce customers' sewer rates by up to **28%**

Mesa Water commissioned nationally recognized consulting firm, Arcadis U.S., Inc. to conduct the Optimal Governance Structure Study. Arcadis was retained through a competitive selection process after a preliminary draft study by LA Consulting showed significant savings for customers could result from combining the Sanitary District with Mesa Water. The preliminary draft study by LA Consulting was incorporated into a broader scope of work for the Optimal Governance Structure Study.

### ABOUT THE STUDY

The Optimal Governance Structure Study included an apples-to-apples analysis of the following publicly available and verifiable information for Mesa Water and the Sanitary District:

- **Most recent independently audited and certified financial reports**
- **Organizational governance and staffing**
- **Operations, infrastructure maintenance and replacement**
- **Real estate holdings**
- **Reserves and financial management**

### ABOUT ARCADIS U.S., INC.

Arcadis is a leader in providing infrastructure and management consulting services to the public sector, water/wastewater and utility industries. With national and international experience in implementing operational and financial processes and systems for water and wastewater utilities, Arcadis assists public sector clients in achieving peak performance and sustainability within the demands of challenging economic and political climates.

To help create ratepayer value and lower overall cost of service, Arcadis' management consulting division has performed hundreds of organizational analyses for agencies like Mesa Water and CMSD, focusing on:

- **Operational Effectiveness**
- **Performance Management**
- **Strategic Planning**
- **Organizational Optimization**
- **Process Efficiencies**

### MEASURE TT: CONSOLIDATION COST-SAVINGS

#### Shall the Mesa Water District and the Costa Mesa Sanitary District pursue consolidation?

Measure TT was placed on the ballot in response to years of public discussion about why our community has two districts – Mesa Water® and Costa Mesa Sanitary District (CMSD) – separately providing water, and sewer and trash collection services to an almost identical service area and customer base. Most water and sanitary services in Orange County are provided by one agency, which can be more efficient.

In April 2016, Mesa Water asked the Sanitary District to jointly study possible cost-savings from combining the two districts. However, after multiple communications between the two districts, CMSD decided not to partner with Mesa Water which then proceeded with commissioning a study.

The impartial Optimal Governance Structure Study conducted by Arcadis U.S., Inc. shows that consolidating Mesa Water and CMSD into one district can achieve substantial cost-savings for customers, including **\$15.6 million in one-time savings** and **\$2.7 million in annual savings**. The savings would come from excess reserves and real estate, and from eliminating redundancies through organizational/operations optimization.

<b>\$15.6 Million One-Time Savings</b>		<b>\$2.7 Million Annual Savings</b>	
<b>Category</b>	<b>Savings Total</b>	<b>Category</b>	<b>Savings Total</b>
Excess Reserves (cash on hand)	<b>\$13,650,000</b>	Organizational Optimization	<b>\$1,100,000</b>
Excess Real Estate	<b>\$2,600,000</b>	Real Estate Savings	<b>\$50,000</b>
Cost to Consolidate	<b>(\$600,000)</b>	Financial Management	<b>\$1,040,000</b>
		Operations Optimization	<b>\$539,000</b>
<b>Total One-Time Savings</b>	<b>\$15,650,000</b>	<b>Total Annual Savings</b>	<b>\$2,729,000</b>

After the rebates and savings, the combined district would be **AAA-rated** and **financially strong** with over **\$40 million in reserves**.

To get public input on the cost-savings, Mesa Water placed the non-binding, advisory Measure TT on the November 8, 2016 General Election ballot. Voter approval of Measure TT would lead to a more comprehensive study by the Orange County Local Agency Formation Commission (OC LAFCO). Similar to the study by Arcadis, OC LAFCO's study would examine both districts' most current independently audited financial reports and other data.

See Measure TT in your **Orange County Sample Ballot & Voter Information Pamphlet** or visit **OCvote.com**.