



*Dedicated to  
Satisfying our Community's  
Water Needs*

**AGENDA  
MESA WATER DISTRICT  
BOARD OF DIRECTORS  
TUESDAY, OCTOBER 5, 2021  
1965 Placentia Avenue, Costa Mesa, CA 92627  
3:30 p.m. Adjourned Regular Board Meeting**

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**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**PUBLIC COMMENTS**

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

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

**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.

**PRESENTATION AND DISCUSSION ITEMS:**

1. **WATER RATE STUDY:**

**Recommendation: Receive the presentation.**

2. **CAPTIVE INSURANCE:**

**Recommendation: Receive the presentation.**

3. **PROPERTY TAX:**

**Recommendation: Receive the presentation.**

**ACTION ITEMS:**

NONE

**REPORTS:**

4. **REPORT OF THE GENERAL MANAGER**



5. DIRECTORS' REPORTS AND COMMENTS

**INFORMATION ITEMS:**

6. 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 WEDNESDAY, OCTOBER 13, 2021 AT 4:30 P.M.**



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## MEMORANDUM

TO: Board of Directors  
FROM: Marwan Khalifa, CPA, MBA, Chief Financial Officer  
DATE: October 5, 2021  
SUBJECT: Water Rate Study

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### RECOMMENDATION

Receive the presentation.

### 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 June 10, 2021 meeting, the Board of Directors (Board) approved a professional services contract with Raftelis Financial Consultants, Inc. for a potable and recycled water rate study for the purpose of establishing water rate schedules for five years.

### DISCUSSION

Mesa Water District (Mesa Water®) has a perpetual agency philosophy requiring a scheduled, systematic review of its long-range financial plan and goals. This review includes the evaluation and updating of the District's rate schedules to ensure sufficient funds are available to meet the Board's Strategic Plan goals. To ensure the provision of local, safe, and reliable water for our community, it is important to conduct regular water rate studies, in relation to costs, and make any needed adjustments.

Over the past several years, Mesa Water's responsible rates and cost controls have continued to result in the District accomplishing a number of key achievements, among them:

- Efficient Operations – Since Fiscal Year 2011, Mesa Water has consistently remained Orange County's most efficient water agency based on expenditures per capita.
- Financial Strength and Stability – Both Fitch and Standard & Poor's has reaffirmed Mesa Water's AAA rating due to the District's good financial policies. Additionally, in Fiscal Year 2021, Mesa Water approved a \$70 MM Capital Improvement Program Renewal.

The proposed water rates are based upon a multi-year financial study which projects the future costs of providing high quality and reliable water service, servicing long-term debt, financing current and planned infrastructure projects, and funding Mesa Water cash reserves. A rate adjustment may be necessary to fully fund infrastructure requirements, cover rising water costs, and offset reduced sales from continued conservation.



**Proposed Scenarios**

Staff will present the Board with several rate scenarios, each of which will meet the Board's days cash goals, debt coverage ratios, and capital improvement targets, at the October 5, 2021 meeting.

The timeline for the proposed scenarios is 2023 through 2027.

**Proposed Schedule**

Should the Board wish to proceed with a rate adjustment, the schedule below is suggested:

Date	Action
Tuesday, October 5, 2021	Review of Rate Options
Wednesday, October 13, 2021	Schedule Public Hearing
Tuesday, October 19, 2021	Final Draft of Rate Study
Monday, October 25, 2021	Prop. 218 Notice
Wednesday, December 8, 2021	Public Hearing

FINANCIAL IMPACT

Financial impact will be based on the Board's selection, if any, of a Five-Year Water Rate scenario.

ATTACHMENTS

None.



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## MEMORANDUM

TO: Board of Directors  
FROM: Marwan Khalifa, CPA, MBA, Chief Financial Officer  
DATE: October 5, 2021  
SUBJECT: Captive Insurance

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### RECOMMENDATION

Receive the presentation.

### 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 #6: Provide outstanding customer service.

### PRIOR BOARD ACTION/DISCUSSION

At its February 23, 2021 Committee meeting, the Board of Directors (Board) directed staff to form a captive insurance company (captive) to include hiring consultants and to fund the captive with an amount of \$30 million from reserves and retaining \$10 million in working capital.

At its June 22, 2021 Committee meeting, the Board approved contracts with Strategic Risk Solutions, Kirton McConkie Law Firm, and Bickmore Actuarial to assist with the formation and management of the captive.

At its August 24, 2021 Committee meeting, the Board directed staff to agendize, at a future meeting, a recommendation regarding the composition of the Board of Directors for the captive.

At its September 8, 2021 meeting, the Board approved the formation of the Mesa Water Risk Retention Corporation as a subsidiary of Mesa Water District (Mesa Water®) and for the Board of the Corporation to consist of the current Mesa Water Board and Lorin Barker. The Board also approved the current Mesa Water Vice President and President to become the President and Vice President, respectively, of the Mesa Water Risk Retention Corporation.

### DISCUSSION

The Board directed staff to agendize for discussion an update and status of Captive Insurance at the October 5, 2021 meeting.

### FINANCIAL IMPACT

None.

### ATTACHMENTS

None.



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## MEMORANDUM

TO: Board of Directors  
FROM: Marwan Khalifa, CPA, MBA, Chief Financial Officer  
DATE: October 5, 2021  
SUBJECT: Property Tax

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### RECOMMENDATION

Receive the presentation.

### 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 #6: Provide outstanding customer service.

### PRIOR BOARD ACTION/DISCUSSION

None.

### DISCUSSION

Mesa Water District (Mesa Water®) currently receives 100 percent of its revenue from the basic charge (\$28.60 Bi-Monthly 5/8-Inch Meter) and the consumption charge (\$4.49 per unit). At the Board's direction, staff has explored the opportunity to move some of the fixed fees charged by Mesa Water to the Property Tax Roll.

The recent passing of Senate Bill 998 and the COVID-19 moratorium makes it prudent to ensure that the revenue needed for the maintenance of the water system infrastructure has greater reliability. One potential method of doing this is to add the cost of maintaining the system (capital costs) to the property tax roll of the owners of the various parcels in the District's service area.

### LEGAL REVIEW

Staff consulted with Legal Counsel, Atkinson, Andelson, Loya, Ruud & Romo (AALRR) about this matter and they have provided an opinion on Mesa Water's ability to move some fees to the property tax roll - "an argument can be made that Mesa Water could collect water fees by the way of the County tax roll pursuant to Health and Safety Code section 5471." The opinion further outlines the necessary steps to take in order for the District to move a portion of the revenue to the property tax roll.

With the question of collecting water fees through the property tax roll being answered, the next item that needs to be considered is which costs can be collected through the property tax roll. AALRR's opinion states, "revenues derived under provisions of this section shall be used only for the acquisition, construction, reconstruction, maintenance, and operation of water systems..."

After legal review, it is apparent that should the District choose to collect a portion of the fees from the property tax roll, it is legally acceptable.



DISCUSSION (cont.)

Another item to consider is that not every water meter is attached to a property tax parcel number. To assist with this item, staff consulted SCI Consulting Group (SCI) who are experts in property tax roll cost allocations. SCI has assisted a number of agencies in transferring costs and fees to the property tax roll. They have also assisted agencies in the preparation of the resolutions and paperwork required to complete the process of transferring costs to the property tax roll. SCI informed staff that best practice is for the District to mail a semiannual invoice equal to the dollar amount that would have been charged on the property tax roll. The bills are normally mailed on the same schedule as that of property taxes.

If a decision is made to move a portion of the fees to the property tax roll, SCI will assist staff with the annual audit and preparation of schedules to be provided to the County Tax Assessor's Office with the amount to be charged on each property tax bill.

Staff looked at the current amount available to be transferred onto the property tax roll. When considering the funds allocated to acquisition, construction, reconstruction, maintenance and operation of the water system in the current year, that number is \$40MM. However, this number is inflated due to the ongoing Capital Improvement Program Renewal. In future years, the amount that can be allocated to the property tax roll is approximately \$12MM.

With a total of \$12MM being possibly moved to the property tax roll, staff considered various scenarios between 30 and 100 percent being moved to the property tax roll. One such scenario of a little more than \$7MM being transferred to the property tax roll would result in an annual charge shown below:

Meter Size	Property Tax/Year
5/8-Inch	\$127.14
3/4-Inch	\$192.05
1-Inch	\$319.10
1 1/2-Inch	\$640.83
2-Inch	\$1,024.75
3-Inch	\$2,241.29
4-Inch	\$4,036.35
6-Inch	\$8,975.55
8-Inch	\$15,355.52
10-Inch	\$24,330.86

This scenario above has the impact of reducing the customer's actual bill from Mesa Water on a semi-monthly basis up to five percent.

The primary advantage of using the property tax rolls is reliability. Delinquency is virtually non-existence because property owners automatically pay the District fees along with their tax bill - they must pay each line item on their bill, even for property owners who are delinquent on their tax bills. With greater restrictions on shutting off customers for non-payment, having a source of revenue that comes directly from the parcel owner ensures that the maintenance of the infrastructure in Mesa Water's service area will be funded even if customers begin to delay payment which we have seen during the COVID-19 Pandemic.



FINANCIAL IMPACT

None.

ATTACHMENTS

None.



**REPORTS:**

4. REPORT OF THE GENERAL MANAGER:
  - Other (no enclosure)

**REPORTS:**

5. DIRECTORS' REPORTS AND COMMENTS

There are no support materials for this item.