MESA WATER DISTRICT

SURVEY AND PUBLIC OPINION ANALYSIS
OF REGISTERED VOTERS

SEPTEMBER 2015

PREPARED FOR:

MESA WATER DISTRICT
BOARD OF DIRECTORS

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ACKNOWLEDGMENTS

This Survey and Public Opinion Analysis was prepared by SCI Consulting Group under contract with the Mesa Water District.

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INTRODUCTION

ABOUT THE DISTRICT

The Mesa Water District (District) is an independently funded public agency (separate from any city or county) that provides water services to 108,000 residents in an 18-square-mile area. The service area includes the City of Costa Mesa, portions of Newport Beach, and some unincorporated sections of Orange County, including the John Wayne Airport. The District was first formed in 1906.

The District's water supply is a blend of local ground water, with a backup supply of imported water from Northern California and the Colorado River. The groundwater is pumped from Orange County's groundwater basin which is replenished from water from the Santa Ana River and imported water purchased from the Metropolitan Water District of Southern California ("MET Water"). However, with the current drought and subsequent drought-related State of Emergence throughout California, the District is interested supporting alternative water sources including ocean water desalination.

PURPOSE

This report presents the findings of a scientific survey of registered voters within the Mesa Water District (District) conducted by SCI Consulting Group (SCI). The District is interested in supporting the Orange County Water District ("OCWD") in an effort to secure a new local funding source that would help pay for infrastructure upgrades and/or premium costs related to the proposed Huntington Beach desalination project as well as help keep water rates at their current level.

The primary purposes of the study were to:

- Gauge the level of support for a local funding measure to offset the costs of constructing and operating a desalination plant in Huntington Beach
- Evaluate priorities and concerns of registered voters within the Mesa Water District regarding the potential desalination plant

The survey was mailed out with a postage-paid return envelope, a two-sided, 8-12/" x11" informational page that provided an overview of the details and benefits of desalinated water and an individually printed questionnaire. The questionnaires were randomly split presenting either the annual tax rates of $29.00 or $89.00 per single family home, with proportional rates based on property use, size and other characteristics for other types of

properties. The total proposed amounts for each unique property were independently calculated and individually printed on each survey.

After a brief overview of the methodology employed in the survey, this report presents a summary of the key survey findings. The survey utilized a mailed survey approach because SCI has found this survey technique to more closely, and accurately, model actual ballot results for a registered voter mailed ballot proceeding. While a specific election has not be identified for this proposed measure, well over 50% of ballots for most registered voter elections are submitted via mail ballots, and, in some cases, special tax measures are put forth in an all-mail election.

METHODOLOGY

This survey was designed to gather registered voter input for a proposed annual tax to help fund infrastructure upgrades and increased costs related to a proposed desalination project to serve Orange County.

The survey was designed as a first step, to gauge the support and opinions of registered voters within the District to see if they would be willing to help fund a desalination project in Huntington Beach.

SAMPLE

SCI created a stratified sample pool that included most of the qualified registered voters in the District. The sample was designed to draw from the registered voters eligible to participate in either a mailed ballot proceeding or consolidated election for this funding mechanism, and in proportion to their representation of registered voters throughout the area.

Next, two sub-samples were created from this pool. Each sub-sample was designed to test different levels of support at two annual tax levels ($29.00 and $89.00 per single family dwelling). All sub-samples for this research project were created using a randomized, stratified approach designed to replicate the profile of registered voters within the District. The sample was stratified by age and political party affiliation, as is industry-standard, to ensure a well distributed sample.

DATA COLLECTION METHOD

The surveys were designed as a mail-based survey to replicate a mailed-ballot proceeding that would be used if OCWD decides to moves forward with a special, all mail election. On June 22, 2015, about 6,100 surveys were mailed to registered voters within the District. The survey mailings included general information about desalination and the water it produces, and a questionnaire with an enclosed postage-paid return envelope. This data collection method closely mirrors the mailed-ballot proceeding, and has proven to be highly reliable for predicting the results from an actual all mail ballot measure. Survey recipients were also given the option to respond to the survey online.

To date, 1,119 surveys have been received from the registered voters, representing a response rate of 19%. This response rate is generally consistent with SCI's experience from other similar survey projects, and is significantly higher than the typical response rate of approximately 5% for a telephone survey.

ACCURACY

The statistical margin of error for the results presented in this report is about 3.94%. This margin of error means that there is a 95% certainty that the actual levels of support in the area are ± 3.94% from the results presented in this report.

SURVEY FINDINGS

FIRST SURVEY QUESTION

After the potential tax rates were calculated for each property, the survey questionnaire and informational sheets were finalized and mailed. The survey documents were mailed to a stratified sample of registered voters within the District boundaries. In the survey, registered voters were first asked whether they would support or oppose a proposal to pay an annual property tax for a desalination plant in Huntington Beach.

The first survey question on the proposed local funding measure for a desalination plant was as follows:

Question #1 (First Survey Question)

In order to support a seawater desalination project in Orange County to:

- *Produce high quality and safe drinking water, and*
- *Secure our water supply using an environmentally sensitive and cost-effective process, and*
- *Increase local control over our water supply now and into the future,*

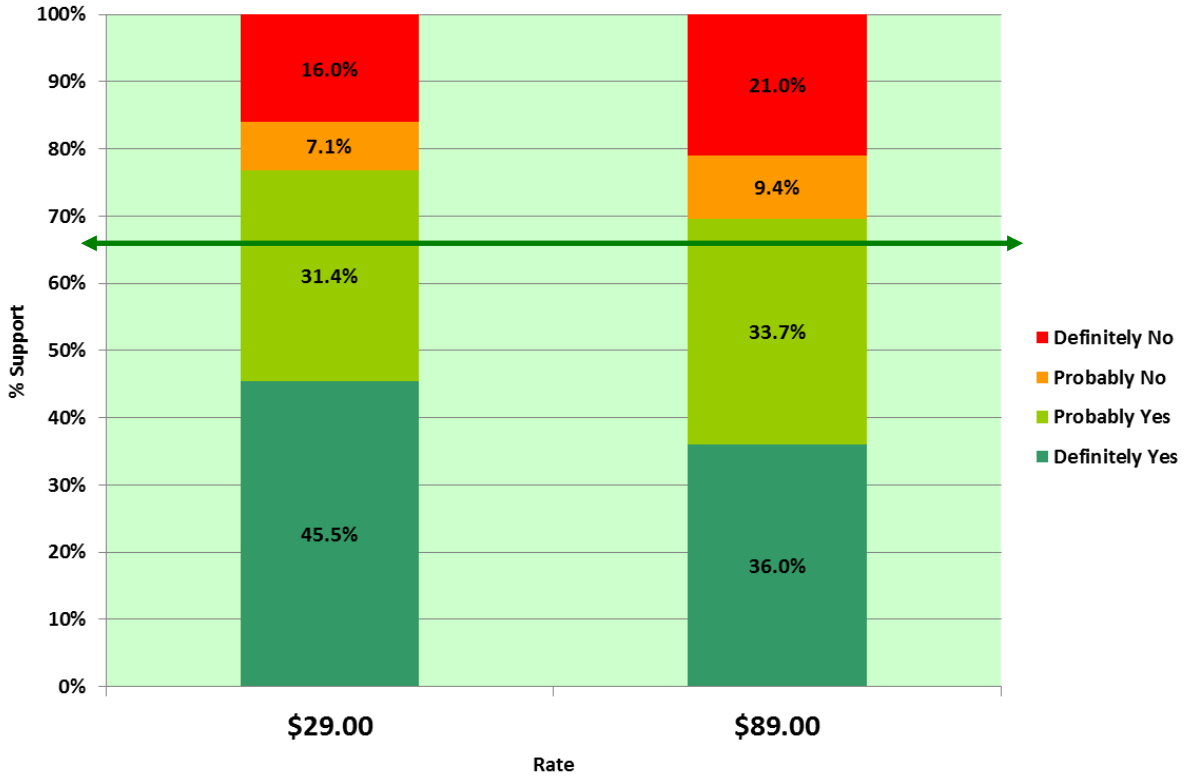
would you support a new yearly assessment on your property(s) in the amount of _____?*

***(Note the specific amount of proposed assessment for all of the properties owned by each surveyed owner was printed on each survey in the area underlined)**

DETAILED OVERALL SUPPORT BY PROPOSED RATE

As noted, two rates were tested for this project in the amounts of $29.00 and $89.00. Figure 1 below shows the overall level of projected support for each rate tested. This chart shows that the overall levels of support at $29.00 and $89.00 are 76.9% and 69.7% respectively. Both rates are supported above the required ballot threshold of 66.67%, however, the level of support at $89.00 is within the margin of error.

FIGURE 1 – DETAILED OVERALL SUPPORT BY PROPOSED RATE

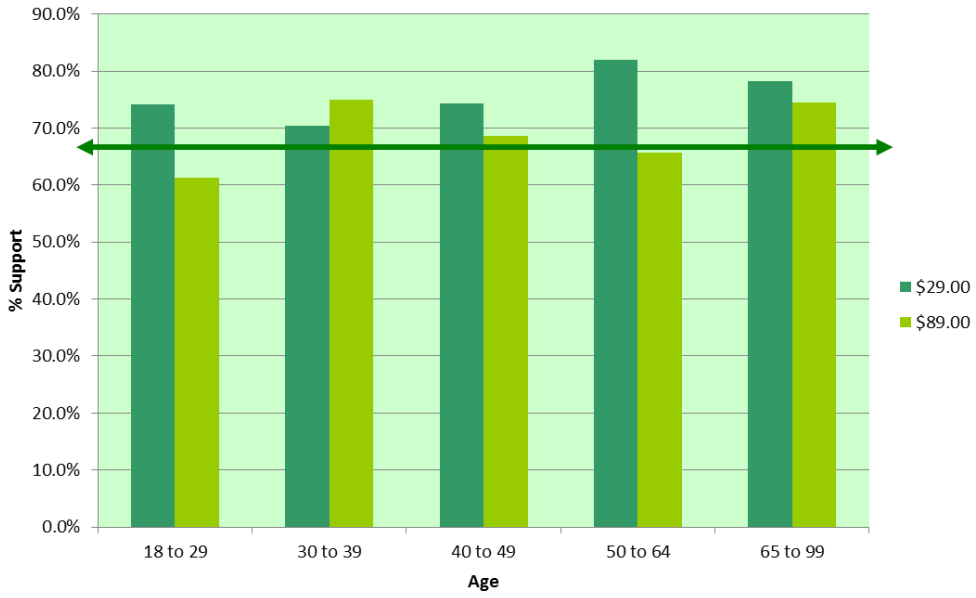


OVERALL SUPPORT BY DIFFERENT DEMOGRAPHICS

In addition to measuring registered voter's opinions regarding desalination, various characteristics of the survey participants were analyzed to predict levels of support amongst specific groups of voters. The following tables will present an analysis showing the levels of support from registered voters by different groupings including age, years in residence, and political party affiliation.

Figure 2 presents an analysis of levels of support from registered voters by age groupings. This data demonstrates that the proposed desalination plant garner 60% support or higher from all age groups at both rates.

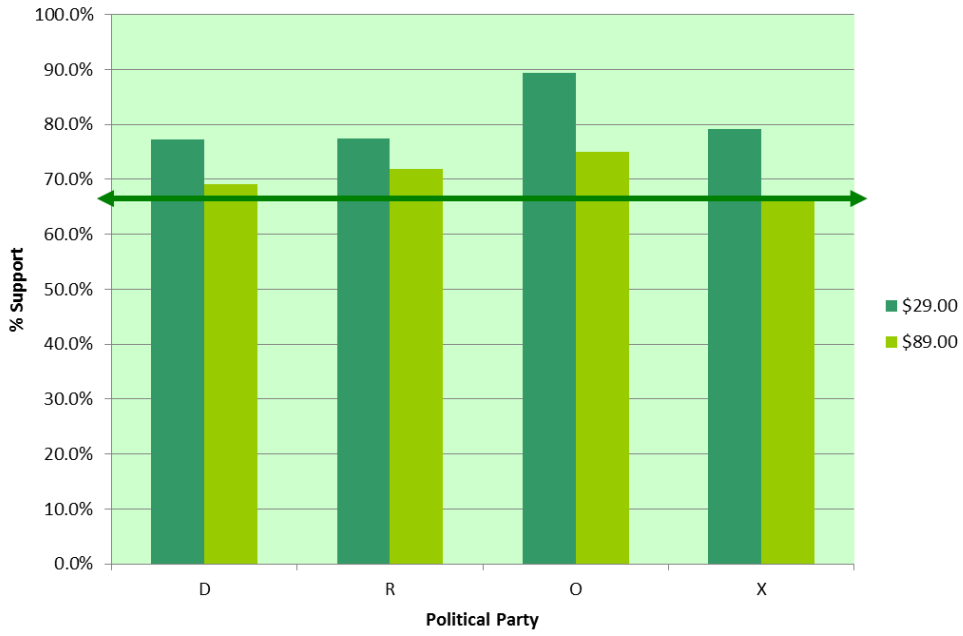
FIGURE 2 – SUPPORT BY AGE



Source: Orange County Registrar of Voters

Figure 3 presents the analysis of levels of support by political party affiliation for registered voters. This data shows that the voters who are registered either as Democrats or Republicans have about the same level of support for the proposed desalination plant. Voters who registered to a third-party party are more supportive of the plant than Democrats and Republicans. Overall the support is above 65% for all political party groups, with slightly higher support for the lower rate.

FIGURE 3 – SUPPORT BY HOUSEHOLD PARTY AFFILIATION



Source: Orange County Registrar of Voters

Note:
D = One Democrat in residence
R = One Republican in residence
O = Other Party (e.g. Green, Reform, Independent)
X = Decline to State

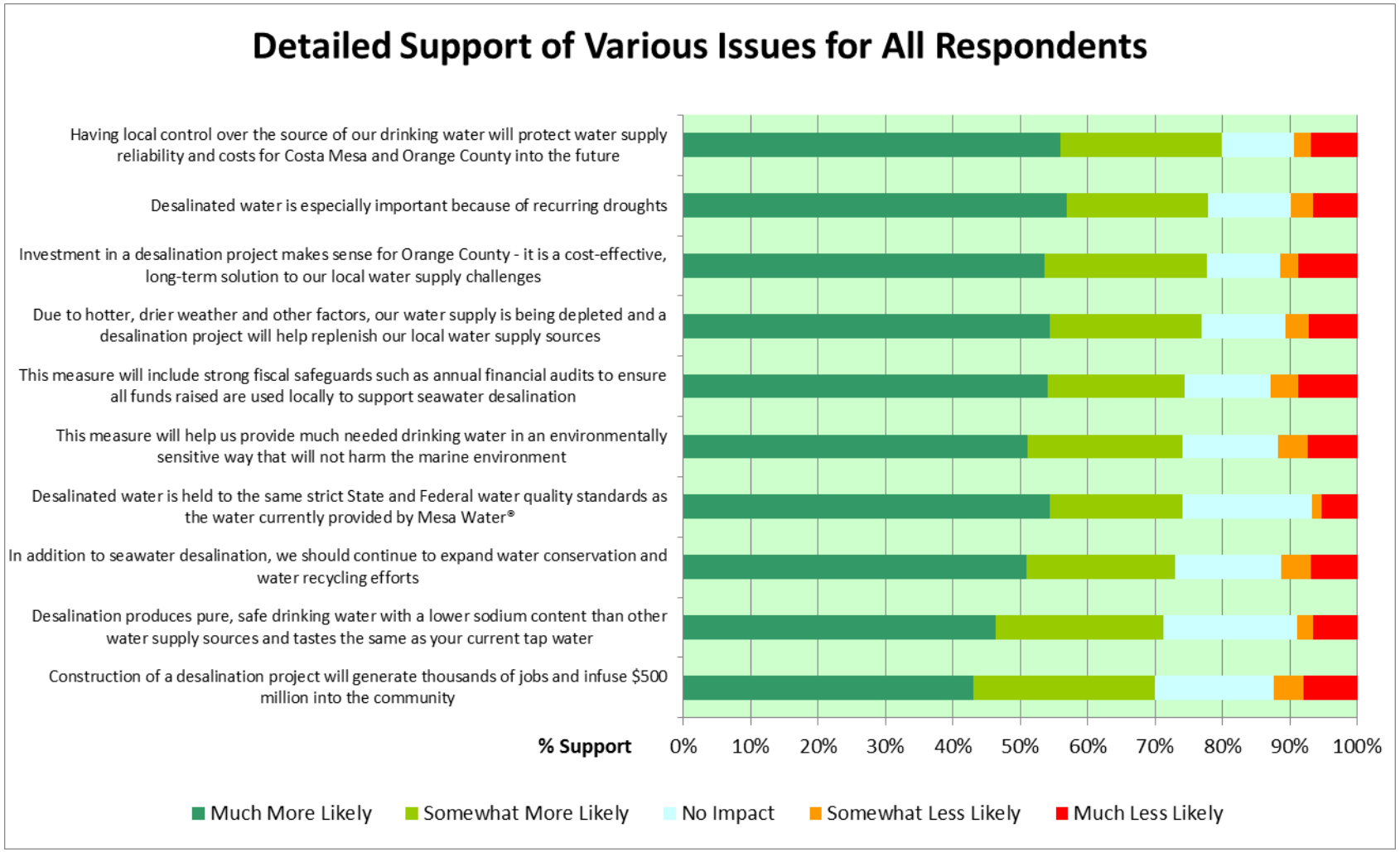
SERVICE PRIORITIES

After indicating their degree of support for the measure, registered voters were presented with a list of desalination details and issues, and were asked to indicate their degree of support for each issue. These questions were asked even of those voters who indicated that they intended to vote against the measure. This ensures that the desalination issue priority ratings reflect the overall community priorities, not just the interests of those who intend to vote for the measure. As the figure on the following page illustrates, the top priorities and features were:

- Having local control over the source of our drinking water will protect water supply reliability and costs for Costa Mesa and Orange County into the future
- Desalinated water is especially important because of recurring droughts
- Investment in a desalination project makes sense for Orange County – it is a cost-effective, long-term solution to our local water supply challenges
- Due to hotter, drier weather and other factors, our water supply is being depleted and a desalination project will help replenish our local water supply sources
- This measure will include strong fiscal safeguards such as annual financial audits to ensure all funds raised are used locally to support seawater desalination

These project priorities provide important insight to the community. The top priorities relate to having more local control of the water supply. Investing in sustainable water sources into the future is also a great concern in the community; survey respondents indicated that they want assurances that the funding will be used solely by OCWD for seawater desalination. The results for all the projects, issues and arguments are summarized in Figure 4.

FIGURE 4 – REGISTERED VOTERS PRIORITIES



OTHER FINDINGS

The survey included a section for respondents to write in their other opinions and feedback regarding the proposed funding measures. Following is a summary of the comment categories. Figure 5 shows the comment categories received from respondents in favor of the proposed measure. Figure 6 lists the comment categories received from respondents who were against the proposed measure.

FIGURE 5 – COMMENTS RECEIVED IN FAVOR OF THE PROPOSED MEASURE

Respondents in Favor of a Funding Measure for a Desalination Project	
# of Comments	**Comment Topic**
94	Desalination support
82	Environmental
21	Cost Concerns
57	Good Long Term Solution
23	Need More Info
277	Total Comments in Favor*

FIGURE 6 – COMMENTS RECEIVED AGAINST THE PROPOSED MEASURE

Respondents NOT in Favor of a Funding Measure for a Desalination Project	
# of Comments	**Comment Topic**
79	Anti-Tax
28	Environmental
26	Cost Concerns
29	Other Concerns
6	Comments about the Survey Itself
15	Mistrust of Government
183	Total Comments Not in Favor*

*Some comments may appear in multiple categories where respondents commented on more than one topic

RECOMMENDATIONS AND NEXT STEPS

This survey found that a strong majority of registered voters in the District currently support an annual property tax to help fund a desalination project in Huntington Beach at the proposed rates of $29.00 and $89.00.

The survey respondent pool closely parallels the likely universe of registered voters who permanently vote by mail. Recent data shows that over 60% of voters that have participated in recent elections vote by mail[1]. However, the overall results presented in this survey were not modeled on a specific election cycle as there has been no decision as to when OCWD will move forward with this measure.

SCI recommends with high certainty that a funding measure for a desalination project, at a rate between $65.00 and $75.00 per single family equivalent per year, and with a solid associated education outreach effort, would be supported by over two-thirds Orange County registered voters.

A DESALINATION PROJECT IN HUNTINGTON BEACH IS DESIRED

The survey findings indicate that a desalination project in Huntington Beach is currently desired by the registered voters in the District's boundaries. This project is supported financially at both rates tested.

ADDITIONAL POLLING

This survey is the first step in gathering data and projections if and when OCWD decides to move forward with a County-wide funding measure for a desalination project in Huntington Beach. A project of this magnitude requires continual polling to ensure that a funding measure will be successful. The next step in polling would be to conduct a phone survey, county-wide, in order to better test project alternative and negative as well a positive messages. As details and election dates are set, tracker surveys, both by mail and by phone, are recommended.

MONITOR EXTERNAL FACTORS

If OCWD decides to proceed with a funding measure there are many external factors, out of the District's and OCWD's control that will need to be closely monitored. These factors include: any organized opposition groups, environmental impact reports, status of the drought, media attention, timing of the issuing of permit for the project desalination plant

by the Coastal Commission and other unforeseen circumstances that may affect the timing or probability of a successful measure.

DEVELOP COSTS AND SCHEDULES

As OCWD moves forward with additional polling, actual costs must be determined and schedules for construction, bonding, other time sensitive processes must be developed in order to better inform registered voters and get the best read of their opinions and desires regarding the desalination project.

INFORMATIONAL OUTREACH

If OCWD decides to proceed with a funding measure, efforts must be taken to inform all registered voters about the types of services that would be provided and how these services would be provided.

ADDRESS THE KEY ISSUES AND FORM A CONSISTENT MESSAGE

OCWD will need to address the key issues raised in the survey and form several concise messages to present to the public during the coming months of informational outreach. These messages should be designed to further inform the public on the proposed desalination project. It is most important to focus on the basic message that the proposed project would bring a sustainable and reliable water source to Orange County now and into the future.

ESTABLISH STRONG FISCAL CONTROLS AND ACCOUNTABILITY

This measure must include strong fiscal controls and accountability provisions. Voters must be educated to understand that all revenues will be spent in the County for desalinated water related services to help achieve sustainable operations at all levels, including equipment, maintenance, and facility costs.

EXPLAIN THAT ALL FUNDS RAISED WILL BE USED LOCALLY

OCWD should include in all messaging a statement that all of the funds raised by this funding measure will be used for services and projects in the County, and that none of the money raised can be appropriated by the State.

ADDRESS ENVIRONMENTAL CONCERNS

Providing service using environmentally safe approaches is a concern among some registered voters. OCWD will need to clearly explain how its services are provided in an environmentally safe manner.

USE MEDIA AS CONDUIT

Work with local media, particularly newspapers, to raise community awareness of the proposed project. The message to the media should be consistent with the main message summarized previously.

INVOLVE COMMUNITY LEADERS

Identify important community leaders and enlist them to assist with the planning and outreach efforts.

EXHIBIT A – SURVEY INFORMATION ITEM

MesaWater DISTRICT©

OFFICIAL SURVEY
The Proposed Huntington Beach Desalination Project
A Water Reliability Project for Orange County

Information Fact Sheet

MESA WATER-A

Why Did You Receive This Survey?

Your local drinking water is supplied by Mesa Water District (Mesa Water®), which meets 100% of its community's water needs with local groundwater supplies pumped from Mesa Water's wells. Orange County Water District (OCWD) is considering an ocean desalination project, located in Huntington Beach, which could add to our groundwater supplies and provide affordable, reliable, and safe drinking water for customers throughout Orange County.

Funding for the project in Huntington Beach could come from different sources, potentially including a ballot measure that would require two-thirds voter approval. Please read this information sheet and complete the enclosed questionnaire about the possible ballot measure.

Understanding the Proposed Local Seawater Desalination Project

How Does Desalination Work?

Desalination is a well-proven approach used worldwide that reliably converts seawater into safe, dependable drinking water. The proposed process for the plant would use reverse osmosis membranes to remove salt and other impurities from seawater. This constantly improving technology has been used successfully around the world for many decades.

Safe Water

Desalinated water is safe to drink and is held to the same strict State and Federal drinking water standards as the high quality water currently provided by Mesa Water®.

Environmental and Economic Impacts

The proposed desalination project has been thoroughly evaluated. It must receive required approvals, and be built and operated with no significant impacts to public resources, ocean water quality, and the marine environment. The proposed project will be net-carbon-neutral - its operation will create no greenhouse gases. The project would create 3,000 jobs and infuse over $500 million into the local economy during construction.

About Mesa Water®

Mesa Water® was created in 1960 to provide safe, reliable water to the community of Costa Mesa and surrounding areas. It is an independent special district, not part of the City or the County, and is governed by an elected, five-member Board of Directors.

How Would a Local Desalination Project Benefit our Community?

- *Desalinated water is drought-proof*
- *Multiple water sources are crucial, especially during recurring droughts*
- *Desalinated water is high quality and safe*
- *Desalination of seawater is cost-effective*
- *Desalinated water is environmentally sensitive and meets the requirements of all permitting agencies*
- *Desalinated water provides local control over our water supply*

Information Fact Sheet, continued

Why Does Orange County Need This Proposed Desalination Project?

With recurring droughts and extreme climate conditions stressing the region's water supply, Orange County is facing a serious drinking water challenge that may be relieved by investing in an ocean desalination project. Our water supply must be improved because of:

- Hotter, drier weather
- Limited groundwater supplies
- Continued population growth
- Dwindling surface water supplies from imported sources such as the Sacramento Delta and the Colorado River

What Will a Funding Measure Provide?

If approved by two-thirds of the voters, funds from a ballot measure would support development of the proposed ocean desalination project in Huntington Beach. This proposed project is a public/private partnership between OCWD and the leading seawater desalination developer in the United States, Poseidon Water. The current plan is to have Poseidon build and operate the desalination plant. OCWD will facilitate the water's use by its 19 water retailers, including Mesa Water®, throughout Orange County.

For this project to be most cost-effective, a potential ballot measure could provide funding for the reliability surcharge and construction of additional distribution systems throughout the groundwater basin, rather than a rate increase on your water bill.

Orange County's Seawater Resource

Orange County's proximity to the Pacific Ocean provides an opportunity to benefit from this abundant, renewable resource by investing in a desalination project. Historically, water for Orange County was supplied by the Santa Ana River, but its relatively modest flows barely supplied enough water for early farmers. As the County grew, additional water was needed to support the increasing population, and had to be purchased and imported from areas such as the Sacramento Delta and Colorado River. Water from such sources is costly, less reliable, and diminishes local control of Orange County's water supply.

Current desalination technology can be used safely and cost-effectively to convert seawater from the Pacific Ocean into drinking water. By investing in a desalination project, Orange County residents will benefit from a reliable, locally controlled water supply now and into the future.

Your Opinion Is Important to Us

This survey will allow Mesa Water® and OCWD to best serve customers and better understand the local community's priorities. By completing and returning this survey, you will help OCWD make critical decisions about Orange County's water reliability in an effort to protect and expand the water supply now and into the future.

EXHIBIT B – SURVEY QUESTIONNAIRE

MesaWater DISTRICT®

OFFICIAL SURVEY
A Water Reliability Project for Orange County

This short survey has been mailed to voters in Mesa Water District's service area to gather information and opinions. This information will help the Orange County Water District make decisions about water supply services. After completing the survey, simply mail it back in the postage-paid return envelope provided.

MESA WATER-1

Survey Instructions:

1) Read each question listed below.
2) Fill in the circle for your response. Please use a pen and completely fill in the circle.
3) Detach the bottom portion of this sheet containing your answers.
4) Place the bottom portion of this sheet in the return envelope and mail (no postage needed).

Detach Here — *Fill Below Portion, Detach at this Line, and Mail Back in Return Envelope* — *Detach Here*

To complete this survey online please visit www.inputlocal.com.
To log in, enter your SURVEY NAME: "MesaWater", and your SURVEY CODE:_____.

1. Property owners in your area may be asked to vote by mail on a local ballot measure. Following is a summary of the proposal:

In order to support a seawater desalination project in Orange County to:

- Produce high quality and safe drinking water, and
- Secure our water supply using an environmentally sensitive and cost-effective process, and
- Increase local control over our water supply now and into the future,

would you support a yearly tax on your property(s)* in the amount of _____?

Definitely YES	***Probably YES***	***Probably NO***	***Definitely NO***
O	O	O	O

**Tax amount listed is the proposed total combined annual amount for all properties you own in Mesa Water District's service area.*

Please read the following statements regarding the proposed tax.
For each one please indicate whether it makes you more or less likely to support the tax:

Dana ®

	Much More Likely	Somewhat More Likely	No Impact	Somewhat Less Likely	Much Less Likely
2. Desalinated water is held to the same strict State and Federal water quality standards as the water currently provided by Mesa Water®.	O	O	O	O	O
3. Investment in a desalination project makes sense for Orange County - it is a cost-effective, long-term solution to our local water supply challenges	O	O	O	O	O
4. Construction of a desalination project will generate thousands of jobs and infuse $500 million into the community.	O	O	O	O	O
5. Having local control over the source of our drinking water will protect water supply reliability and costs for Costa Mesa and Orange County into the future.	O	O	O	O	O
6. Desalinated water is especially important because of recurring droughts.	O	O	O	O	O
7. Desalination produces pure, safe drinking water that has a lower sodium content than other water supply sources and tastes the same as your current tap water.	O	O	O	O	O
8. In addition to seawater desalination, we should continue to expand water conservation and water recycling efforts.	O	O	O	O	O
9. Due to hotter, drier weather and other factors, our water supply is being depleted and a desalination project will help replenish our local water supply sources.	O	O	O	O	O
10. This measure will help us provide much needed drinking water in an environmentally sensitive way that will not harm the marine environment	O	O	O	O	O
11. This measure will include strong fiscal safeguards such as annual financial audits to ensure all funds raised are used locally to support seawater desalination in Orange County	O	O	O	O	O

Please write any other reasons why you support or oppose this proposed measure: _____

_____

_____

_____

This survey is being conducted by an independent third party. All information obtained through this process will remain confidential and only shared with the District in aggregate form.