



Otay Water District Budget-At-A-Glance

FY 2007-2008

The complete adopted Fiscal Year 2007-2008 budget is available on the District's Website www.otaywater.gov

With the District's mission to provide safe and reliable potable and recycled water and sewer services, there is an emphasis on water resources, system reliability, and new maintenance requirements. This year's budget establishes the management plan to finance all of the District's services and programs during the 2008 Fiscal Year.



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096
www.otaywater.gov



*Spring Valley,
California*



To guide operations and planning efforts the District uses a Strategic Plan, with a Balanced Scorecard approach. This plan guides the District as it strives to develop the necessary infrastructure and operational practices to perform its primary business while ensuring that quality customer service and competitive rates are maintained. As a result the District has been able to accomplish its goals and put into place many substantial improvements.

One of the most significant accomplishments is the new \$43 million Supply Link Project connecting its recycled water system to San Diego's South Bay Water Reclamation Plant taking about six million-gallons a day of recycled water for irrigation purposes. Other accomplishments are the integrated information system, the GIS system, and numerous policy and procedure improvements. These accomplishments, along with the forward-thinking perspective of the District, paved the way for a thorough and persuasive presentation to two rating agencies resulting in the positive outcome of a bond rating upgrade for Otay Water District from an A+ to an AA-. Putting the Strategic Plan to work has resulted in operational savings and in the case of the bond rating it has resulted in approximately \$1.5 million of interest expense savings.



MILES OF PIPE/RESERVOIRS/ PUMP STATIONS

Today, the District provides water service to nearly 47,030 potable and 585 recycled water customers, and sewer service to 4,625 customers within approximately 125 square miles of southeastern San Diego County.

Potable Distribution Mains	680 miles
Recycled Distribution Mains	83 miles
Sewer Mains	86 miles
Potable Reservoirs	38
Recycled Reservoirs	4
Potable Pump Stations	24
Recycled Pump Stations	2
Sewer Treatment Plant	1

AWARDS

Otay Water District Receives the Regional Golden Watchdog Award

"The Otay Water District Recycled Water Supply Link project redirects millions of gallons of recycled water released each day into the ocean and instead uses it to irrigate golf courses, freeway landscapes and parks in eastern Chula Vista. It is projected to generate more than \$2 million annually for the City of San Diego. This is a win-win project for ratepayers."



WaterReuse
"Utility of the Year"

Otay Water District received the Government Finance Officers Association (GFOA) "Distinguished Budget Presentation Award" for the third year in a row and in addition, received three awards from the California Society of Municipal Finance Officers (CSMFO) for: "Excellence in Operating Budgeting", "Excellence in Public Communications", and "Excellence in Capital Budgeting".

MAJOR CIP PROJECTS

The following shows how the \$34.5 million of projects are broken down into four categories:

Capital facilities	\$ 24.9 million
Maintenance projects	\$ 6.7 million
Capital purchase projects	\$ 1.4 million
Developer reimbursement projects	\$ 1.5 million

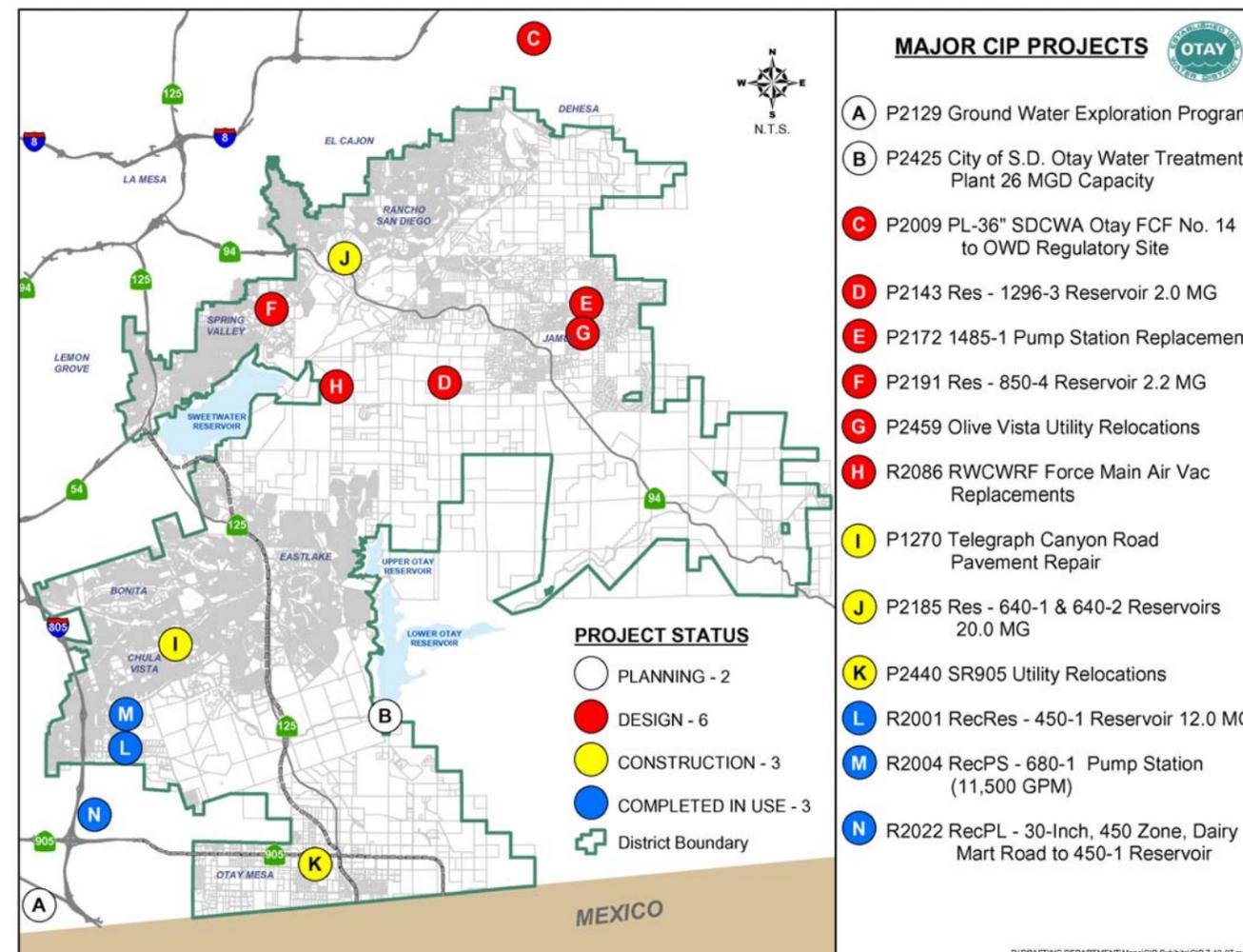
The Five-Year CIP and Fiscal Year 2008 Capital Budgets are consistent with the District's Water Resources Master Plan, current capacity fees, and the District's strategic financial objectives.

CIP BUDGET BY FUNDING SOURCE

(Thousands \$000s)	FY 2008
Expansion	\$ 16,600
Betterment	9,599
Replacement	8,265
TOTAL	\$ 34,463



To accommodate growth the District is required to invest \$500 million in capital assets through ultimate build-out. The Fiscal Year 2008 Capital Budget is \$34.5 million and the five-year Capital Improvement Program (CIP) totals \$157 million.



OPERATING BUDGET

For the first time in the District's history, the fiscal year budget exceeds \$100 million, with operating expenditures of \$66.2 million and capital expenditures of \$34.5 million. The District's goal is to provide the most effective and efficient service possible while maintaining affordability of the water supply for the community.

The District's Operating Budget for Fiscal Year 2008 is \$66,180,500 in comparison to the previous year of \$59,070,600. The \$7,109,900 increase is due primarily to higher water cost due to price and growth increases, increases in salary and benefit costs, increases in funding of new programs, and finally, increases in funding of reserves.

Water sales are expected to increase as a result of the slowing but continuing growth occurring within the District's service area. This growth should add over 1,030 new potable and recycled customer accounts this year.

For recycled water an increase in revenues of \$1,614,900 will be realized due to the credits from the Metropolitan Water District and the San Diego County Water Authority that the District receives for recycled water sales. In the past the demand for recycled water outweighed the supply, so the District supplemented the system with potable water. Now that the District has the new source of recycled water from the City of San Diego, the District can claim these credits to help offset the costs of the system.

In the past, all of the potable water purchased by the District was purchased from the San Diego County Water Authority (CWA) who in turn purchases water from the region's water importer, the Metropolitan Water District of Southern California. Last year, the District began purchasing raw water from CWA, and through a contract with the City of San Diego to treat this water, the District was able to diversify its sources of water. There are ongoing negotiations with the City of San Diego to expand water treatment services in the future through a new connection. By taking raw water through CWA's system there is increased reliability of water supplied to the District.



Water Rate Comparisons: For a conserving customer (using 10 units of water per month or 10 HCF), Otay is the 6th lowest cost provider among 24 water agencies in San Diego County. For a typical customer (using 15 HCF), Otay is the 8th lowest cost provider.

REVENUES:

Potable Water Sales	\$ 47,506,500
Recycled Water Sales	6,001,400
Sewer Revenues	2,679,100
Meter Fees	318,500
Capacity and Betterment Revenues	1,487,800
Tax Revenues	5,468,300
Non-Operating Revenues	2,718,900

TOTAL REVENUES

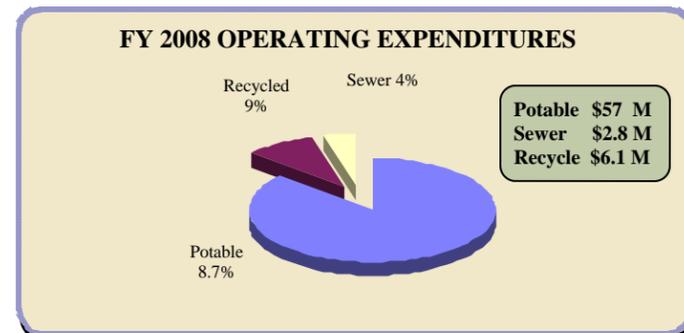
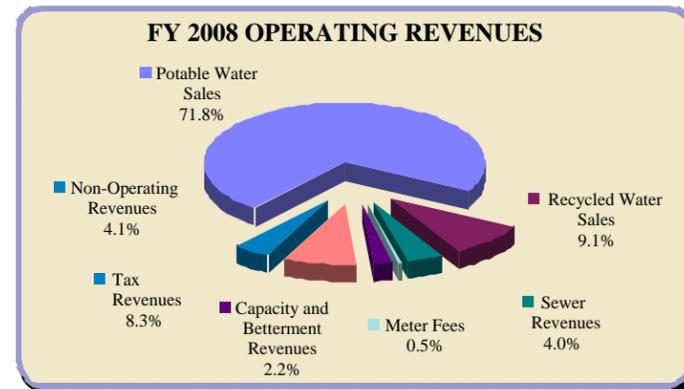
FY 2008 Budget	
	\$ 66,180,500

EXPENDITURES:

Potable Water Purchases	23,984,100
CWA - Infrastructure Access Charge	1,090,200
CWA - Customer Service Charge	950,400
CWA - Emergency Storage Charge	1,507,800
MWD - Capacity Reservation Charge	569,400
MWD - Net RTS & Standby Charges	552,600
Potable Water Costs	28,654,500
Recycled Water Purchases	1,423,000
Power	2,804,800
Labor and Benefits	15,604,500
Administrative Expenses	6,982,300
Materials & Maintenance	4,452,900
Expansion Reserve	2,590,200
Betterment Reserve	3,432,900
Replacement Reserve	235,400

TOTAL EXPENDITURES

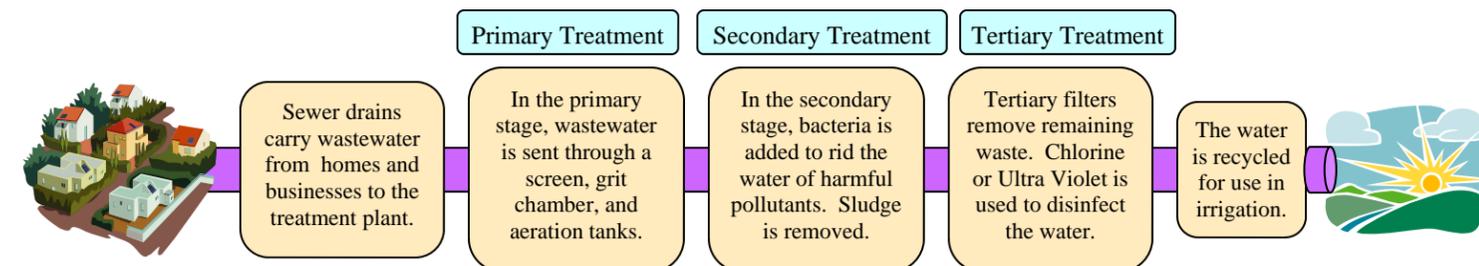
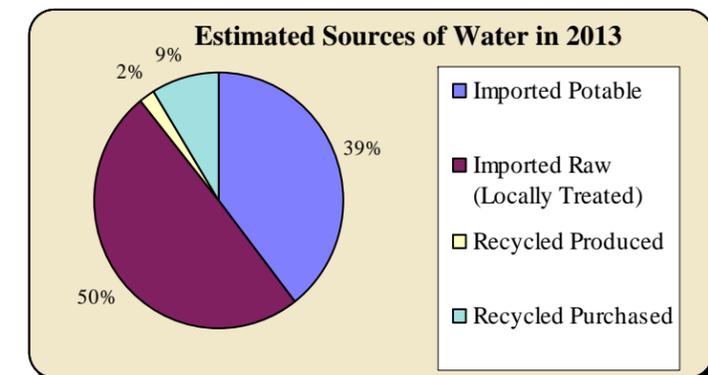
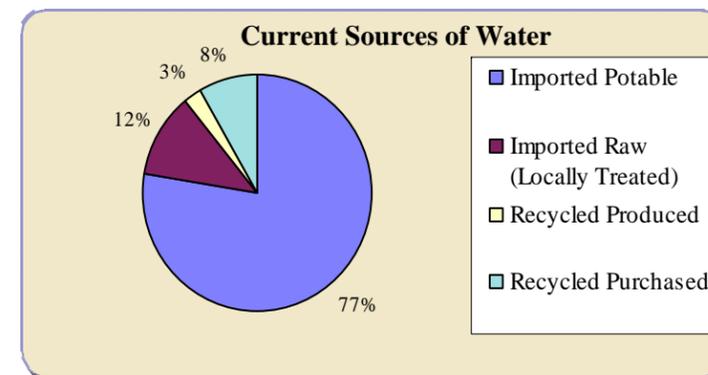
	\$ 66,180,500
--	----------------------



A calculator for Potable Water and Sewer Rates is available at www.otaywater.gov

The District's sewer treatment plant produces 1,200 acre-feet of recycled water a year. The District budgeted 3,800 acre-feet of recycled water purchases from the City of San Diego in Fiscal Year 2008.

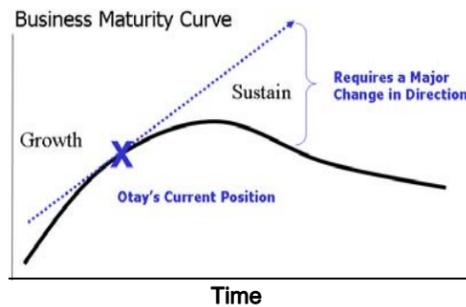
Sewer Rate Comparison: Of the 28 public entities providing sewer service in the County, Otay's rate is the 13th lowest for the average residential sewer customer.



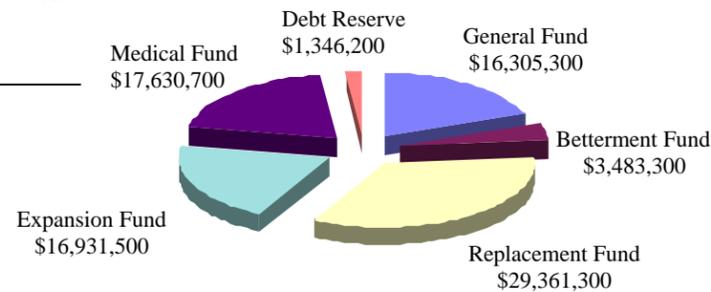
A financial forecast provides a general understanding of how revenues and expenditures are expected to influence the District operations over the next five years. Revenue and expenditure projections are reviewed in relation to their effect on funding capital projects, reserve levels, and Operating Fund balances. The District updates its Rate Model on an annual basis in order to make these projections and determine recommended rates. The model looks at debt ratios, projected rate increases, cost increases, and growth projections.

The District adheres to a Reserve Policy that explains how the District finances are operated, including the distinction between business segments to ensure users pay their fair share of costs. It explains how fees are collected and what they are used for. It also explains the difference between funds, as well as how transfers shall be made, and defines each reserve target funding level.

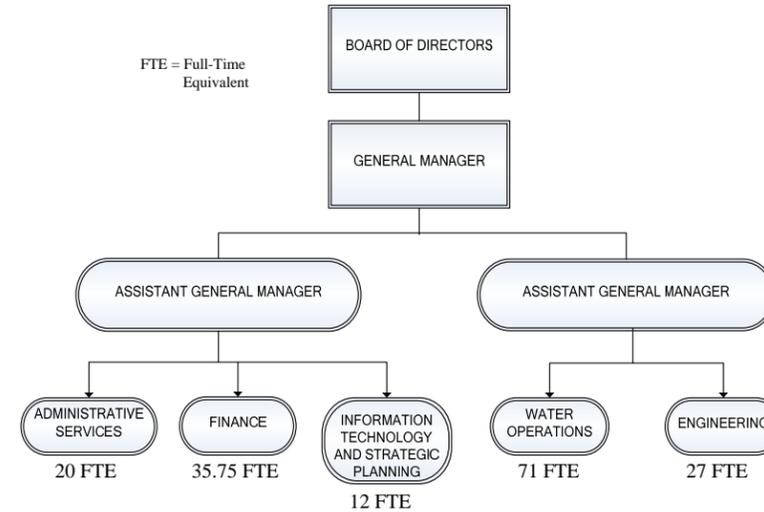
The District has begun to address the transformation from a growth-centric to a maintenance-based organization. Developer fees support growth but replacement and maintenance are supported by rates and operating expenses. Otay has been very successful in managing growth and now needs to focus on managing long-term maintenance and replacement of its relatively new but aging infrastructure.



FUND BALANCE FORECAST Total - \$85,058,300



ORGANIZATION CHART



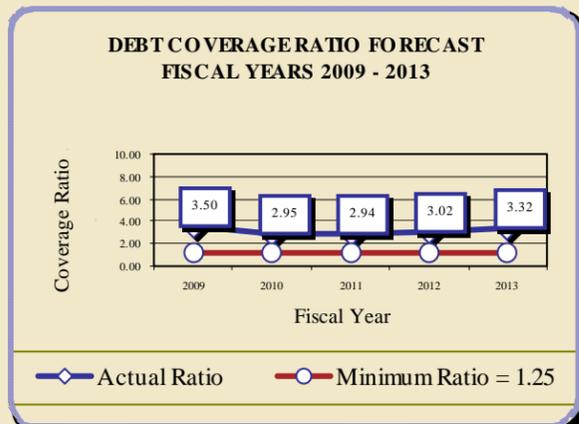
The District was formed in 1956 to serve as a public water and sewer agency, authorized as a California special district by the State Legislature under the provisions of the Municipal Water District Act of 1911. Its ordinances, policies, taxes, and rates for service are set by five Directors, elected by voters in their respective divisions, to serve staggered four-year terms on its Governing Board. The District is a "revenue neutral" public agency, meaning that each end-user pays only his or her fair share of the District's costs of water acquisition and the operation and maintenance of the public water and sewer facilities.

The Otay Water District continues to use the challenges presented by growth to create new opportunities and new organizational efficiencies. By utilizing and continuing to refine its Strategic Plan, the plan has captured the Board of Director's vision and united its staff in a common mission. The organization has achieved a number of significant accomplishments based on its successful adherence to the plan. As a result, the District is poised to successfully continue providing an affordable, safe, and reliable water supply for the people of its service area.

AREA	BOARD OF DIRECTORS
Division 3	Gary Croucher, President
Division 4	Jose Lopez, Vice President
Division 2	Jaime Bonilla, Treasurer
Division 1	Larry Breitfelder
Division 5	Mark Robak

DEBT MANAGEMENT

The District's primary debt management objective is to keep the level of indebtedness within available resources and within limits that will allow the District to meet the debt service coverage ratios required by the bond covenant. Currently, there are four outstanding bond issues and a State Sewer Loan, which the District will gradually retire per scheduled principal and interest payments. Bonds have been and will be used to improve existing facilities and to build the projects in the Capital Improvement Program (CIP). The District's debt service obligations have a significant effect upon the District's current and future water rates. To meet the bond indebtedness obligation and maintain stable rates, a Long-Term Financing Plan has been developed to forecast revenues and operating requirements.



STRATEGIC PLAN BALANCED SCORECARD

