



# Otay Water District Budget -At-A-Glance

*Fiscal Year 2008-2009*

The complete  
adopted Fiscal Year  
2008-2009 budget  
is available on  
our website  
[www.otaywater.gov](http://www.otaywater.gov)

Providing customers  
with the best quality  
water, wastewater, and  
recycled water service  
in a professional,  
effective, and efficient  
manner.

## Otay Water District

2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978-2004  
[www.otaywater.gov](http://www.otaywater.gov)



*Spring Valley, California*



**This year's budget establishes the management plan to finance all of the District's programs and services during the 2009 Fiscal Year.**

The Otay Water District was established in 1956 to serve as a public water and sewer agency, authorized as a California special district by the California legislature under the provisions of the Municipal Water District Act of 1911. Today, the District provides water service to nearly 47,591 potable and 626 recycled water customers, and sewer service to 4,628 customers within approximately 125.5 square miles of southeastern San Diego County.

The District is faced with several key challenges this year and in the coming years. These include: the slowdown in the local and national economy; instability in the financial markets; widespread home foreclosures; the likelihood of continued drought in the Southwest; and continued water shortages brought about by legal action to reduce water deliveries from the Sacramento – San Joaquin Bay Delta. In adopting its budget, these factors motivated the Board of Directors to make the financial stability and strength of the district among its highest priorities.



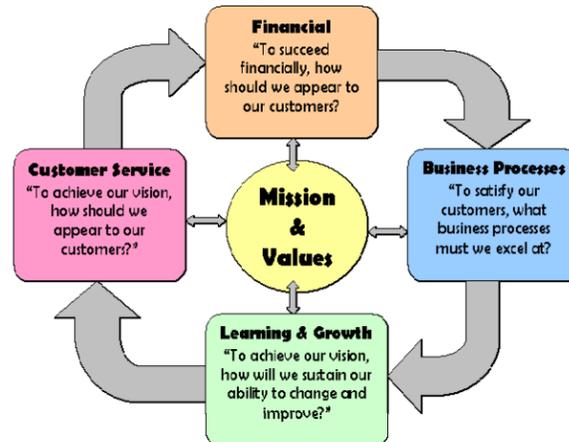
Two new water reservoirs under construction—October 2007

## MILES OF PIPE/RESERVOIRS/ PUMP STATIONS

Potable Distribution Mains	722 miles
Recycled Distribution Mains	93 miles
Sewer Mains	88 miles
Potable Reservoirs	39
Recycled Reservoirs	4
Potable Pump Stations	22
Recycled Pump Stations	3
Sewer Treatment Plant	1



## STRATEGIC PLAN BALANCED SCORECARD



## SEWER RATE COMPARISON:

Of the 28 public entities providing sewer service in San Diego County, Otay's rate is the 8th lowest for the average residential sewer customer using 15 units of water.

## WATER RATE COMPARISONS:

For a conserving customer (using 10 units of water per month or less or 10 HCF), Otay is the 3rd lowest cost provider among 24 water agencies. For a typical customer (using 15 HCF), Otay is the 6th lowest cost provider.

## RATE CALCULATOR:

A calculator for Potable Water and Sewer Rates is available at [www.otaywater.gov](http://www.otaywater.gov)

## GOVERNOR ORDERS IMMEDIATE ACTION TO ADDRESS WATER SHORTAGES

*Supply Limitations Driving Higher Cost for Water and Mandatory Conservation*

Following two straight years of below-average rainfall and very low snowmelt runoff, in June of 2008 California governor Arnold Schwarzenegger proclaimed a statewide drought.

In addition to record low precipitation levels, the governor cited court-ordered pumping restrictions on water deliveries from the State Water Project that have reduced water supplies and lead to rapidly depleted water storage levels across much of the state. The court-ordered restrictions were put in place to protect the Delta smelt, one of several endangered fish in the Sacramento—San Joaquin Bay/Delta. The Bay/Delta is the source of 30 percent of Southern California's water. These restrictions have been in place since December of 2007 and may continue long-term.

The drought and pumping restrictions have severely reduced the reliability of the water supply across much of California. State officials estimate these restrictions will reduce Southern California's water deliveries from the State Water Project by as much as 30 percent. The restrictions have reduced 500,000 acre-feet of water deliveries to State Water Project customers, or enough water to meet the annual needs of more than one million families.

The reduction in supply is beginning to impact the cost of water as wholesalers must pay more to acquire water to meet everyday demand. The San Diego region will experience higher water costs due to the need to supplement lost supply. The increased cost of water must be passed-on to all customers and is a primary factor driving higher water rates.

## OTAY DECLARES LEVEL I DROUGHT WATCH

The Otay Water District has declared a Level I Drought Watch for its service area. All customers are strongly being urged to voluntarily reduce their water use by 10 percent.

If the conservation goals are not met, a Level II Drought Alert could be declared. Under a Drought Alert, regulations would set mandatory residential and commercial water conservation measures such as limitations on outdoor irrigation.

**Otay Water District**  
**DROUGHT WATCH**

**LEVEL IV - DROUGHT EMERGENCY**

Stop all landscape irrigation. No new construction, annexations or development. Conservation goal: more than 40%.

**LEVEL III - DROUGHT CRITICAL**

No new construction, annexations or development. Strict limits on water used for irrigation and non-public health purposes. Conservation goal: up to 40%.

**LEVEL II - DROUGHT ALERT**

Mandatory water use restrictions. Irrigate no more than 3 days per week, 15 minutes per station. Conservation goal: up to 20%.

**LEVEL I - DROUGHT WATCH**

Voluntary measures to stop waste. Repair leaks promptly. Wash cars with a bucket and shut-off nozzle. Conservation goal: up to 10%.



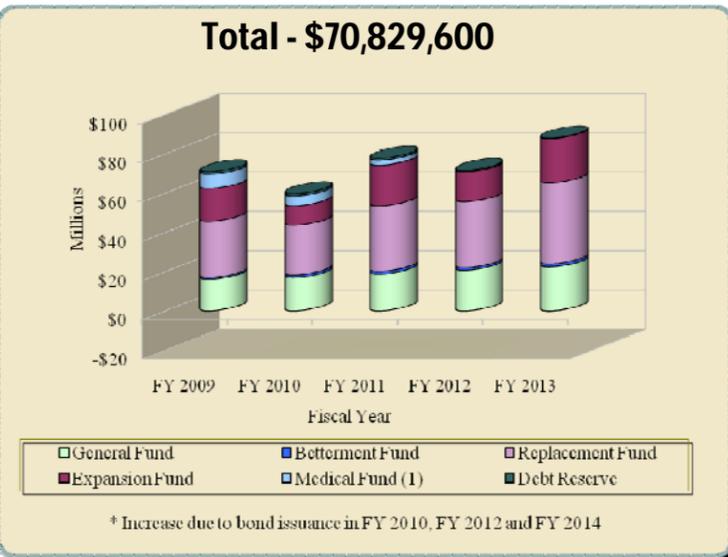
## Forecasting

A financial forecast provides a general understanding of how revenues and expenditures are expected to influence 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 its finances are operated, including the distinction between business segments to ensure users pay their fair share of costs. The Reserve Policy explains how fees are collected and how they are used. It also explains the difference between funds, how transfers shall be made, and defines each reserve's target funding level.

## FUND BALANCE FORECAST

Total - \$70,829,600



## AWARDS

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

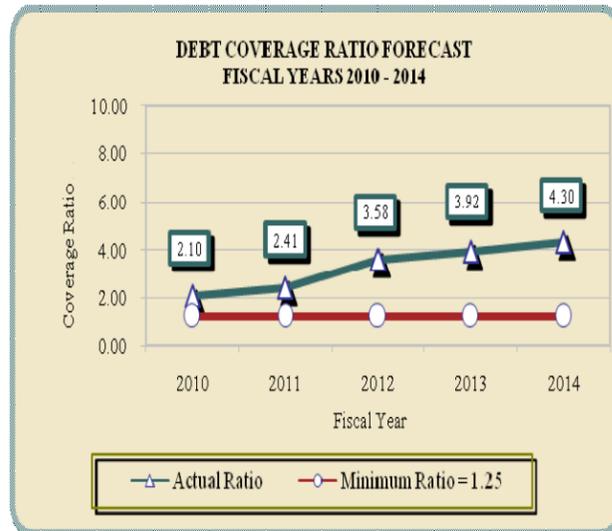
## DEBT MANAGEMENT

The 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.

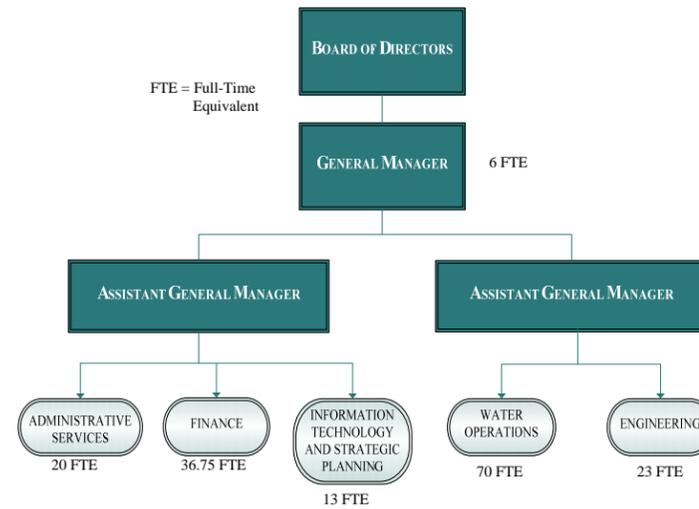
Currently, there are four outstanding bond issues and a State Sewer Loan. The Sewer Loan will retire in 2012 per scheduled principal and interest payments. Bonds have been and will be used to improve existing facilities and to build the projects in the Capital Improvement Program (CIP).

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 six-year Financing Plan has been developed to forecast revenues and operating requirements.

The District is one of the few retail water agencies with a AA- Bond Rating.



## ORGANIZATION CHART



Automated meter reading is one way the District is using technology to provide customers with improved service using less resources.

## Strategic Planning

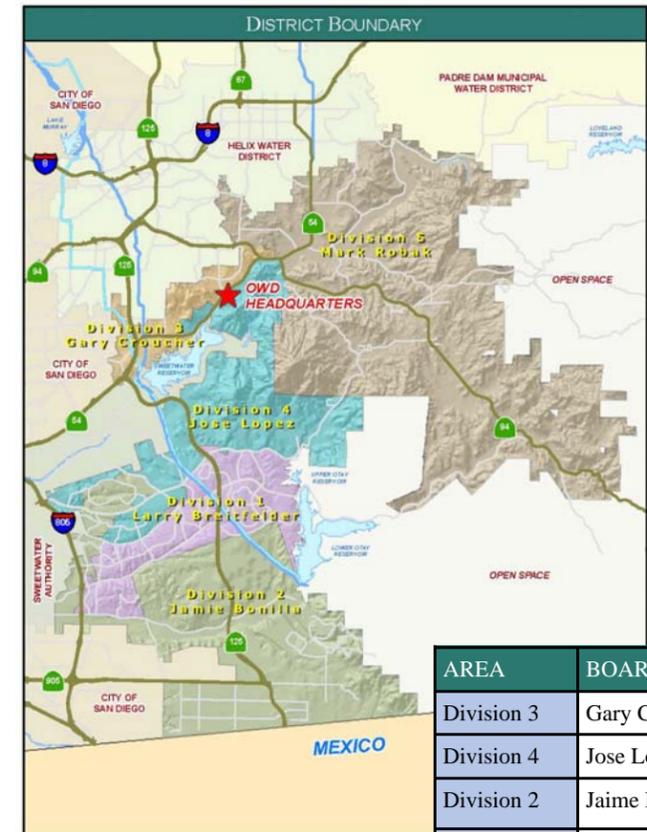
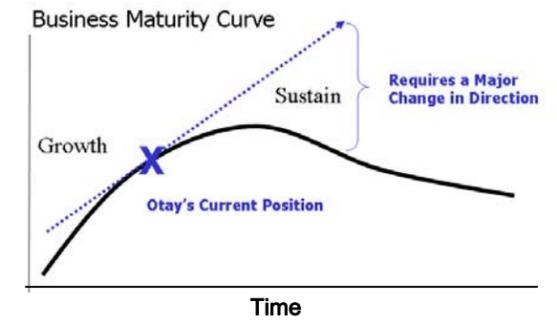
The main tool the District will use to achieve its objectives is the Strategic Business Plan, which was updated this year and adopted by the Board for the 2009 through 2011 timeframe.

Efficiency improvements have become the new competitive advantage for utilities. As a result, the theme of the plan is to capitalize on the infrastructure investments already made in the last few years. The District will use the slowdown in the regional economy to realign its energies and optimize how it manages and maintains the nearly half billion dollars of "in-ground" assets, utilizing technology already in place.

The Strategic Business Plan also carries forth the District's transformation from a growth-centric to a maintenance-based organization. As growth slows and the District becomes fully developed, the direction of focus moves more to long-term maintenance and replacement of its infrastructure.

This necessary change is illustrated by the business maturity curve. During high growth, the District focused on achieving the macro targets of building and installing new infrastructure.

In the future, the resources required to support growth are reduced, but the effort to maintain and improve assets increase. Maintenance and replacement efforts are funded by rates. Consequently, increased cost place pressure more directly on rates. Therefore, to meet customer and financial goals, the District will emphasize internal efficiency and development of technology-assisted best practices. In effect, the District will use its investments in technology to do more with the same or fewer resources.



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

# OPERATING BUDGET

The Operating Budget for Fiscal Year 2009 is \$67,062,700 in comparison to the previous adjusted fiscal year budget of \$66,180,500. The \$882,200 increase is primarily due to unprecedented water supply rate increases of 13.2% from our water wholesaler, the San Diego County Water Authority. This increase is due to the high cost of supply programs, higher energy, and operating costs. In response to the economic slowdown, the District has reduced staffing levels from 172.75 full-time equivalents to 168.75, and cut operating expenditures by \$885,800 due to program deferrals and other discretionary spending cuts.

Revenues from potable and recycled water for Fiscal Year 2009 are projected to be \$55,573,900, about \$4.8 million (9.5%) more than Fiscal Year 2008. Water sales volumes are expected to decrease as a result of the slowing economy and expanded efforts to promote water conservation, while the cost of water increases due to supply limitations.

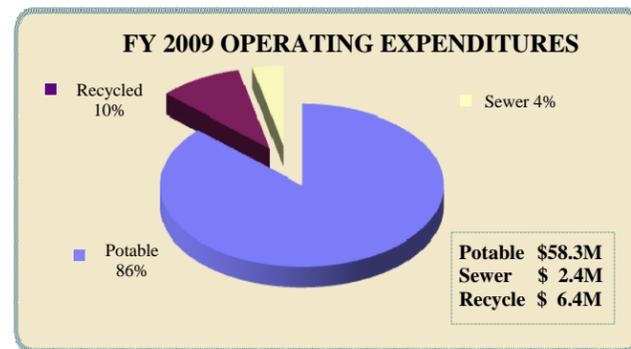
Sewer revenues are projected to be \$2,145,300, about \$270,000 less than Fiscal Year 2008, due to a change in sewer billing methodology and lower water consumption. The remaining \$9.3 million comes from special fees and assessments, and miscellaneous income.

## REVENUES:

	FY 2009 Budget
Potable Water Sales	\$ 49,229,400
Recycled Water Sales	6,344,500
Sewer Revenues	2,145,300
Meter Fees	103,800
Capacity and Betterment Revenues	2,197,800
Tax Revenues	4,620,900
Non-operating Revenues	2,300,900
General Fund Draw Down	120,100
<b>TOTAL REVENUES</b>	<b>67,062,700</b>

## EXPENDITURES:

Water Purchases (CWA)	26,654,600
Water Purchases (CSD)	19,800
CWA - Infrastructure Access Charge	1,227,500
CWA - Customer Service Charge	1,049,800
CWA - Emergency Storage Charge	1,774,700
MWD - Capacity Reservation Charge	602,800
MWD - Net RTS & Standby Charges	665,100
Power	2,780,500
Labor and Benefits	17,185,400
Administrative Expenses	5,935,100
Materials & Maintenance	3,872,800
Expansion Reserve	5,016,700
Replacement Reserve	277,900
<b>TOTAL EXPENDITURES</b>	<b>\$ 67,062,700</b>



# MAJOR CIP PROJECTS

The following shows how the \$30.9 million of projects are broken down into four categories:

Capital facilities	\$ 23.0 million
Maintenance projects	5.8 million
Capital purchase projects	1.6 million
Developer reimbursement projects	.5 million

The Five-Year CIP and Fiscal Year 2009 Capital Budgets are consistent with the District's Water Resources Master Plan, current capacity fees, and the District's strategic financial objectives.



To accommodate growth and the betterment or the replacement of assets, the District is investing \$500 million in capital assets through ultimate build-out. The Fiscal Year 2009 Capital Budget is \$30.9 million, and the five-year Capital Improvement Program (CIP) totals \$170 million.

## CIP BUDGET BY FUNDING SOURCE

(Thousands \$000s)	FY 2009
Expansion	\$ 16,236
Betterment	6,529
Replacement	8,174
<b>TOTAL</b>	<b>\$ 30,939</b>

