

OTAY WATER DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS

This meeting will be held at:

VIA LAGO TRATTORIA RESTAURANT
866 EASTLAKE PARKWAY
CHULA VISTA, CA 91914

TUESDAY
APRIL 28, 2009
9:30 A.M.

AGENDA

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

WORKSHOP

5. REVIEW OF PROCESS TO DEVELOP THE OPERATING AND CAPITAL IMPROVEMENT PROJECT BUDGETS (BEACHEM / POSADA)
6. DISCUSSION OF BOARD GOVERNANCE AND PROCESS
7. CROSS BORDER UPDATE (WATTON)
8. LEGISLATION UPDATE (FRAHM / BAUER)
9. ADJOURNMENT

All items appearing on this agenda, whether or not expressly listed for action, may be deliberated and may be subject to action by the Board.

The Agenda, and any attachments containing written information, are available at the District's website at www.otaywater.gov. Written changes to any items to be considered at the open meeting, or to any attachments, will be posted on the District's website. Copies of the Agenda and all attachments are also available through the District Secretary by contacting her at (619) 670-2280.

If you have any disability which would require accommodation in order to enable you to participate in this meeting, please call the District Secretary at 670-2280 at least 24 hours prior to the meeting.

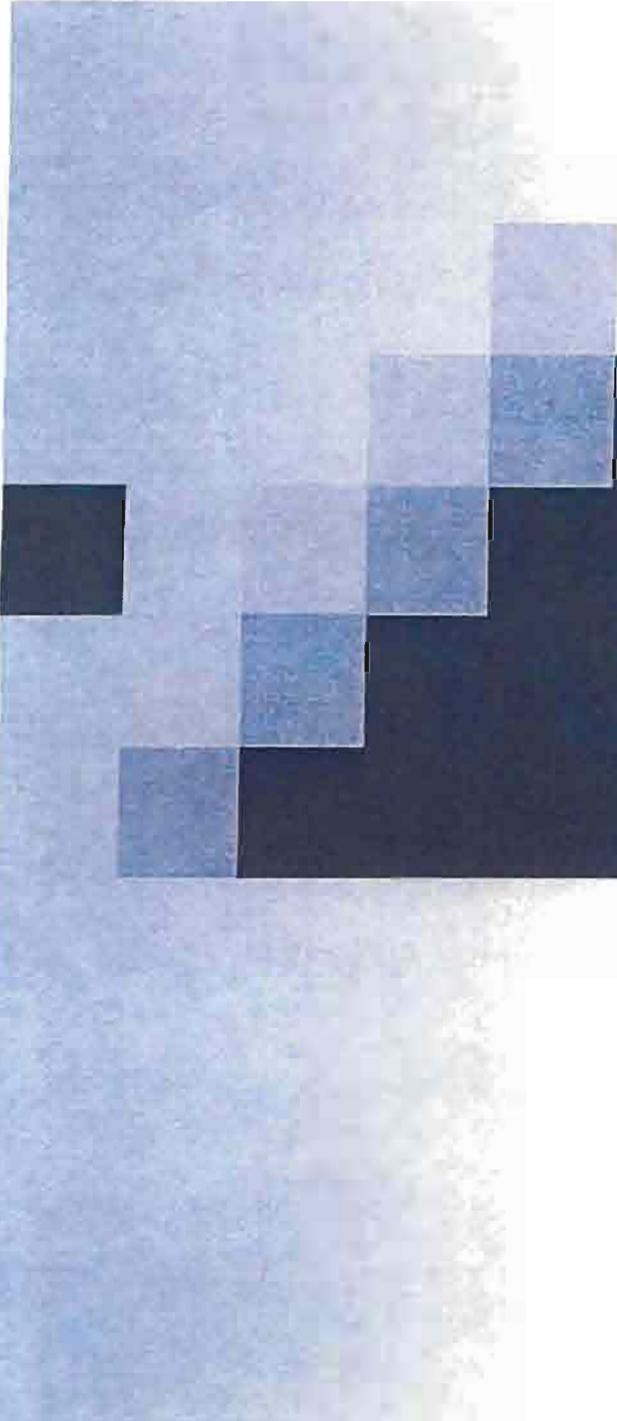
Certification of Posting

I certify that on April 24, 2009, I posted a copy of the foregoing agenda near the regular meeting place of the Board of Directors of Otay Water District, said time being at least 24 hours in advance of the special meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on April 24, 2009.



Susan Cruz, District Secretary



Operating Budget Build and Review Process

Presented April 28, 2009
Board Workshop



Budget Overview

■ January

- Budget Workbooks prepared

■ February

- Chiefs submit personnel changes to HR

■ March

- Chiefs submit administrative and materials budget to Finance
- HR reviews personnel changes, Finance reviews admin & materials budgets
- Reviews of budgets with Finance, departmental staff, Chiefs, AGM & GM



Budget Overview

■ April

- Rate Model loaded, and budget assumptions reviewed with GM
- Assumptions and rates reviewed with Chiefs, AGMs & GM

■ May

- Practice run of budget presentation with Finance, Chiefs, AGMs & GM
- Budget workshop with Board

■ June

- Adopt budget and rates



Budget Overview

- August
 - Proposition 218 Hearing
- September
 - Rate Increase



Budget Workbooks

- Budget submittal deadlines
- Budget overview
- Historical expenditure data
- Operating budget worksheets from prior year
- Personnel procedures and forms



Personnel Procedures

- Department evaluates staffing needs
- Submit appropriate forms for
 - Addition of new personnel
 - Reclassifications
 - Advancements
 - Temporary staffing needs
- Department prepares long-term staffing plan



Personnel Requests

- HR reviews request and meets with each Chief to fully understand requirements
- HR makes recommendations to AGMs and GM
- AGMs and GM consider appropriateness of requests and approves any changes
- Personnel changes are submitted to Finance to be included in the position budgeting process



Position Budgeting

- Eden Position Budgeting Module is loaded with all positions current and proposed changes
- Changes to salaries and benefits are made based on:
 - MOU (cola and merit increases)
 - Leave accrual changes due to longevity
 - Benefit cost changes provided by vendors
 - PERS
 - Medical/Dental
 - Workers Compensation & Unemployment
- Position budgeting calculates total salary and benefit costs
- Cost are allocated to funds (operating and CIP) based on Labor Budget Worksheet allocations submitted by departments



Departmental Submittal of Administrative and Materials Budget

- Using the Eden budgeting module department staff submits budget request
 - Each expense category is scrutinized using the zero based budget approach. Budget item must be justified and aligned with:
 - Strategic Plan
 - Regulatory requirements
 - Daily workload requirements
 - Cost and volume changes
 - Prior and current year expenses to ensure budget requests are reasonable
- Departmental staff reviews requests with the Chief
- Separately Finance reviews departmental input

Budget Edit List

Budget Preparation Document Edit List Department - 3200

Reference: 420 Description: 3243-Laboratory Account Mask ?1-3243-5261|53*

Date: 1/27/2009 Fiscal Year: 2010

Account No	Account Title	*2008 Actuals	2009 Board Approved	*2009 Actuals	2010 Budget Request	Calculated (2010 Budget Request - 2009 Board Approved)
3243						
11-3243-5261	Outside Services	51,900.00	40,000.00	27,200.00	15,000.00	-25,000.00
	! Additional Laboratory analysis to meet the monitoring and reporting requirements of Title 22 of the C.A Code or Regulations.				15,000.00	
11-3243-5318	Laboratory Equipment and Supplies	31,200.00	30,000.00	25,800.00	35,000.00	5,000.00



Administrative and Materials Budget Requests

- Finance completes review and explanation of budget requests with each Chief
- Finance prepares a summary of all budget requests and highlights the following:
 - Strategic Plan items
 - Regulatory items
 - Large increases or decreases to budget
 - Price changes
 - Volume changes (meters, chemical, fuel)



Administrative and Materials Budget

- GM and AGMs request more information or explanation of budget items
- Chiefs review changes with their staff
- Appropriate changes are made and resubmitted to Finance for inclusion in budget and rate model
- Final requests are reviewed again with AGMS and GM



Water Sales

- Examine current water sales volume and make projection for current fiscal year
- Estimate future water sales volume using the following information:
 - Growth – determined by Engineering
 - Consumption demands/Conservation
 - Weather
- Review the District's allocation determined by CWA to ensure water sales projection is within the allocation



Water Purchases

- Volume is based on water purchases as projected in prior slide, district usage needs, and water loss estimates
- Price is obtained from water suppliers
 - CWA
 - City of San Diego



Sewer

- Obtain Metro Wastewater and Spring Valley Sanitation District projected cost
- Determine winter-average for both Otay and Helix water customers
- Calculate ASUs for commercial customers



Power

- Examine current power usage for potable, recycled, sewer, and administrative support area, make projection for current fiscal year
 - Changes in volume based on sales volume as determined above
 - Changes in costs as projected by SDG&E



Other Fees & Charges

- Capacity Fee Funding of Operating Expenses
 - Based on anticipated workload in the planning and development services areas of Engineering
- Betterment Fee Funding of Maintenance Expenses
 - Based on anticipated workload for preventative and corrective maintenance on the District's facilities in these betterment IDs
- Meter Fees & Annexation Fees
 - Based on Sale of Meters determined by Engineering



Non-Operating Revenues

■ Non-Operating Revenues

□ Rents & Leases

- Based on Current and Projected leases and scheduled lease increases

□ Grants

- Based on input from department staff

□ Miscellaneous

- Based on analysis of each item and the related revenue source



Operating Budget Input into Rate Model

- Once all of this data has been collected and reviewed by staff and management it is loaded into the Rate Model along with all other Rate Model data such as CIP budget, grant revenue, interest rates, debt issuances, etc.
- Rate Model scenarios are run and output is reviewed
- Finance presents rate model assumptions and preliminary results to the Chiefs, AGMs and GM



Budget Workshop

- At the budget workshop the following items are presented:
 - Proposed Operating and CIP budgets
 - Rate Model assumptions and results
 - Recommended rate increases
 - Draft Proposition 218 notices
- Staff receives direction from the Board and any necessary changes are incorporated



Board Action

- The following is presented to the Board:
 - Operating and CIP budget
 - Recommended Rates
 - Proposition 218 Notices
- Board adoption of Budgets and Rates



Next Steps

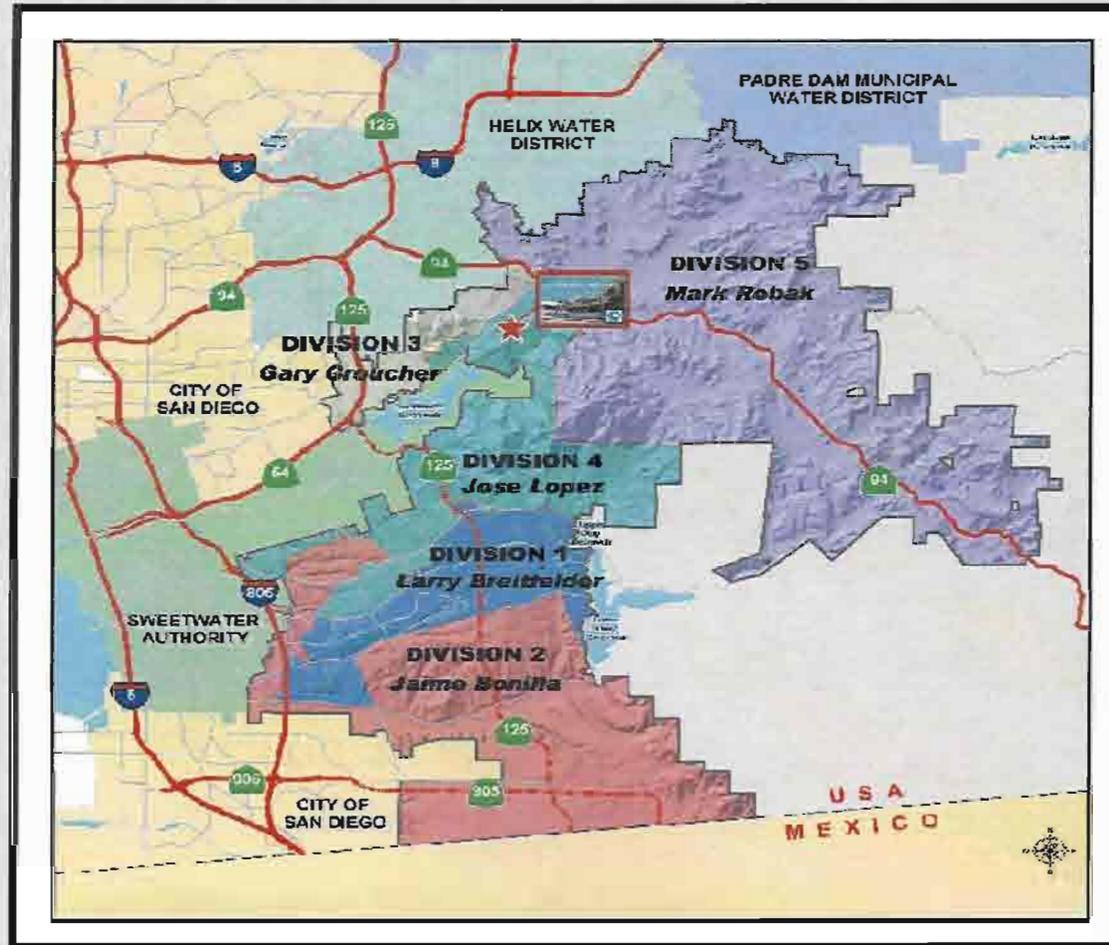
- Proposition 218 Notices mailed 45 days prior to hearing
- Proposition 218 Hearing held and new rates are adopted
- New rates are implemented



Final Step

- Each month department staff reviews their budget to actual variance report and reports on any variance that is more than 10% over or under budget, and more than \$3,000 in amount
- Finance staff monitors water sales, purchases, and other revenues and expenses
- Finance reviews this data and compiles a monthly comparative report
- The monthly comparative report is reviewed by Senior Management and presented to the Board

CAPITAL IMPROVEMENT PROGRAM FY2009-2010



Rod Posada, P.E., P.L.S.
Chief of Engineering

GROWTH PROJECTIONS

450-1 Reservoir Disinfection Facility (R2092)



850-4 Reservoir (P2191)



Calavo Sewer Lift (S2015)

- ◆ Development has slowed down and the District has experienced a significant decrease in growth in the last two years.
- ◆ The housing market in the region and within the City of Chula Vista is projected to remain quite slow for at least another year with a modest upturn in the following year.
- ◆ Projected EDU sales for FY2009 are 263, with 236 for FY2010, and 413 for FY2011.

CIP BUDGET ASSUMPTIONS

- ◆ Growth to remain flat for at least another year.
- ◆ Projects for Expansion, Betterment, and Replacement are included within the CIP.
- ◆ Six-year CIP expenditure plan to be as level as possible.
- ◆ The Engineering News-Record Construction Cost Index is reported to have increased by 5.1% in 2008.

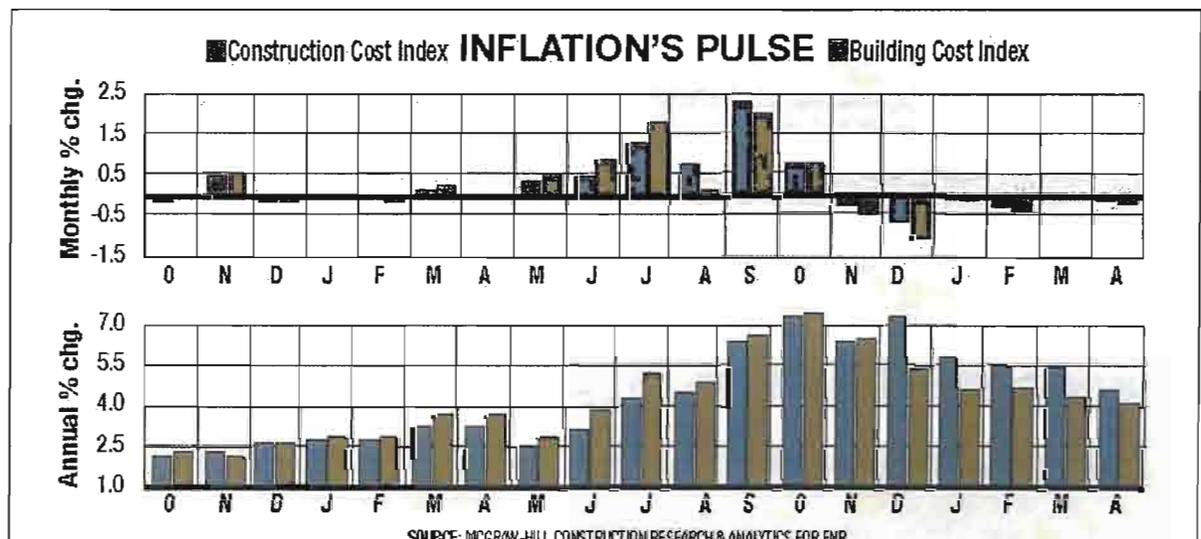
Cost Indexes



Construction Cost Index

Despite this month's 0.1% decline in the CCI, the index's annual inflation rate held at 5.1%.

	APRIL 2009 INDEX VALUE	% CHG. MONTH	% CHG. YEAR
20-CITY: 1913=100			
CONSTRUCTION COST	8528.39	-0.1	+5.1
COMMON LABOR	18015.79	0.0	+5.4
WAGE \$/HR.	34.23	0.0	+5.4



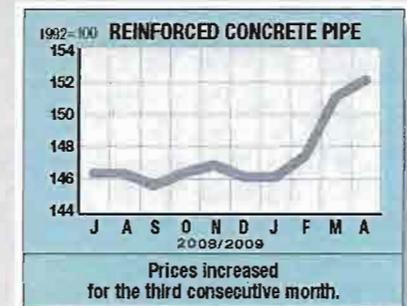
ENGINEERING NEWS-RECORD (ENR)

“Recession KO’s Inflation in 2009”

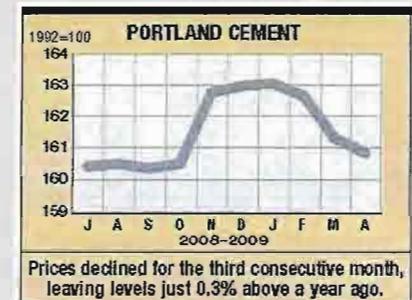
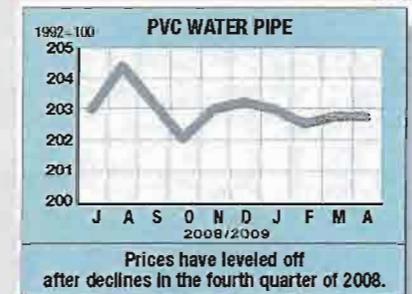
Excerpts from December 22/29, 2008 Magazine

- Steel prices also started to head down and economists expect them to keep falling through most of next year.
- It’s safe to say that the only direction for steel in the next six months is down,” says John Mothersole, an economist with Washington, D.C.
- The materials component of both ENR cost indexes consists of lumber, cement and structural steel. Prices for all three are forecast to decline in 2009.
- ENR’s forecast calls for lumber prices to fall another 3.5% next year.

Source McGraw-Hill Construction Research and Analytics/ENR



03-09-09



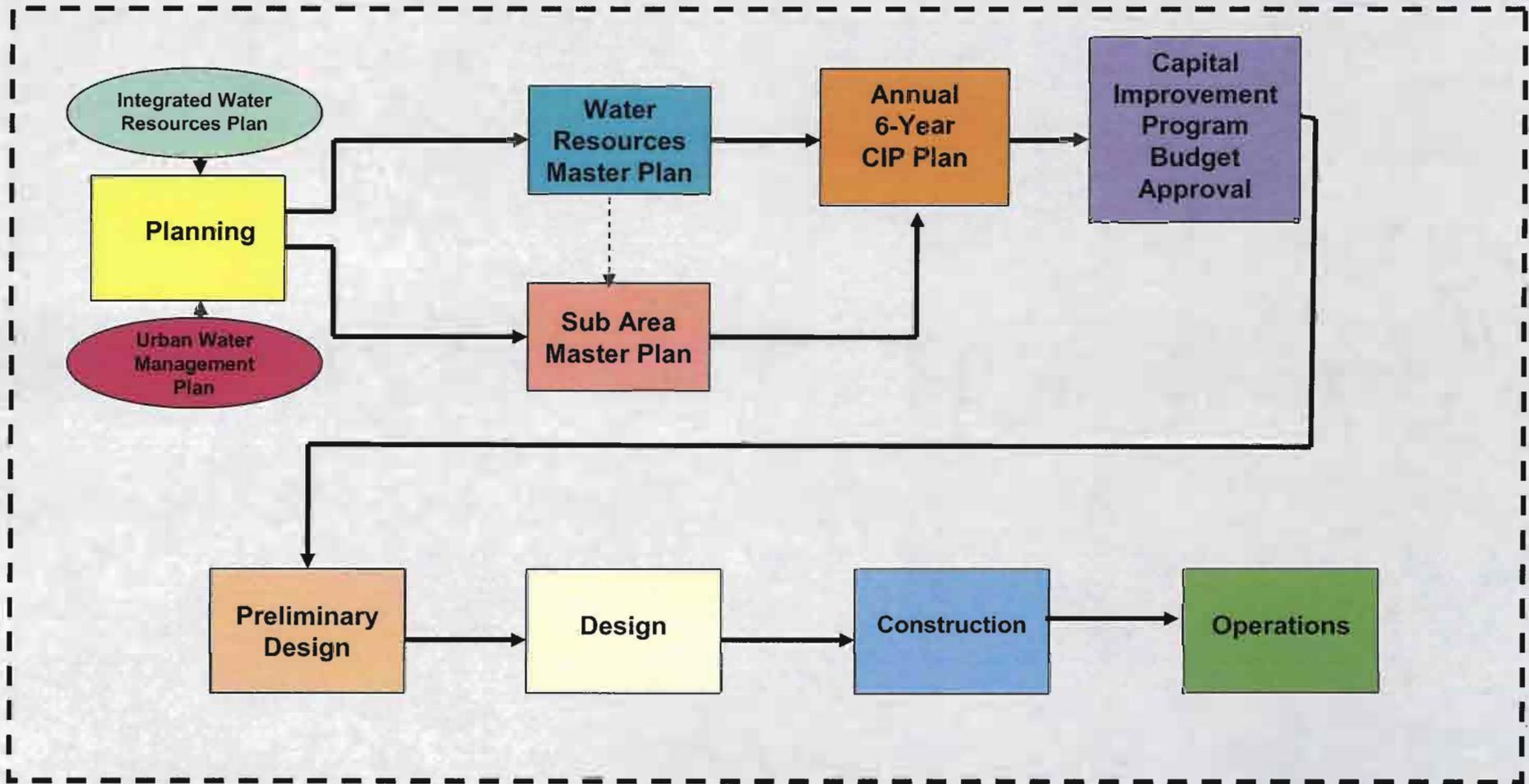
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CIP PROJECT CRITERIA

- ◆ INTEGRATED WATER RESOURCES PLAN (IRP),
WATER RESOURCES MASTER PLAN (WRMP),
SEWER SYSTEM MANAGEMENT PLAN (SSMP),
SUB AREA MASTER PLAN (SAMP),
URBAN WATER MANAGEMENT PLAN (UWMP)
 - Condition of Existing Facilities
 - Operating System Requirements
 - Water, Recycled, and Sewer System Deficiencies
 - Regulatory and Permitting Requirements
 - Agreement Commitments
 - Developer Driven Facilities
 - Economic Outlook and Growth Projection
 - Board of Directors and Management Directives

CIP PROJECT DEVELOPMENT PROCESS



CIP INTERNAL BUDGET PROCESS FY 2009-FY 2010

- | | |
|------------------------------|--|
| ◆ January 26, 2009 | CIP Memo to Chiefs |
| ◆ February 13, 2009 | Project Manager's CIP Project Submittal |
| ◆ February 13-April 21, 2009 | Discussions with Project Managers, Finance, Chiefs, and Assistant General Managers |

FY 2009 – FY 2014 Total Cost Estimate: **\$170,434,000**

	FY 2010 - 2015 Total Cost Estimate (\$1,000)	FY 2016 - 2030 (Phase II) Total Cost Estimate (\$1,000)
1st Submittal	\$209,245	\$196,053
2nd Revision	\$207,748	\$196,183
3rd Revision	\$221,921	\$196,183
4th Revision	\$225,190	\$196,183
5th Revision	\$225,390	\$196,183
6th Revision	\$221,210	\$196,183
7th Revision	\$221,760	\$196,183
8th Revision	\$222,230	\$196,183

CIP 6-YEAR BUDGET LOOK FORWARD

(\$ Millions)

FY 2009

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Totals	\$30.9	\$26.8	\$23.4	\$24.7	\$30.5	\$34.1
Six-Year Total:						\$170.4

FY 2010

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Totals	\$36.9	\$30.5	\$42.2	\$43.7	\$35.0	\$33.9
Six-Year Total:						\$222.2

FY 2010 CIP BUDGET CATEGORIES

(\$ Millions)

	<u>Actual FY 2007</u>	<u>Actual FY 2008</u>	<u>Budget FY 2009</u>	<u>Budget FY 2010</u>
• Capital Backbone	\$30.9	\$20.1	\$24.9	\$28.6
• Developer Reimbursement	\$2.8	\$1.1	\$1.5	\$0.0
• Replacement & Renewal.....	\$1.1	\$5.5	\$6.6	\$6.7
• Capital Purchases	\$1.5	\$1.2	\$1.5	\$1.6
Totals.....	\$36.3	\$27.9	\$34.5	\$36.9*
			\$26.0	
			<i>(Projected - less the 36-Inch Pipeline Project)</i>	

* Includes the monies not spent for the 36-Inch Pipeline Project in FY2009.

OTAY WATER DISTRICT INITIATIVES

Six-Year CIP Expenditure Projections

(\$ Millions)

- Integrated Water Resources Plan
 - Supply Projects..... \$122.0
 - Renewal & Replacement Projects..... \$19.7
 - Multiple Species Conservation Plan
and San Miguel Habitat Management... \$1.2
 - Strategic Plan Elements..... \$29.7
- Total Expenditure Projection..... \$172.6**

HIGH PROFILE CIP PROJECTS

FY 2010 Projections

(\$ Millions)

- East County Regional Treated Water Improvement Plan (ECRTWIP) Agreement
36-inch Main..... \$15.0
- CIP Projects Currently Under Construction..... \$4.6
- Automated Meter Reader - Manual Meter Replacement..... \$1.4
- Middle Sweetwater River Groundwater Well..... \$1.0
- Rancho del Rey Well..... \$1.5
- Otay River Groundwater Desalinization..... \$0.6
- Otay Mesa Recycled Water Supply Link..... \$1.5

Total Expenditure Projection..... \$25.6

Representing approximately 70% of the total projected expenditures of \$36.9 million for FY 2010.

QUESTIONS?