

2016 Year in Review: Another Year of Pure Excellence

It has been another successful year at OMWD as we continue our mission of providing reliable, high-quality water while protecting ratepayers. Among our 2016 achievements:

Finances - We were very proud to become the only water agency in San Diego County with the highest quality **"AAA" bond rating from Fitch Ratings**. Additionally, we were pleased to have our "AA+" bond rating reaffirmed by Standard & Poor's. Both rating agencies cited good management policies and practices, as well as equitable and disciplined rate-setting, in determining OMWD's bond ratings. These ratings saved our ratepayers \$2.7 million in net present value savings from a recent bond sale and refinance.

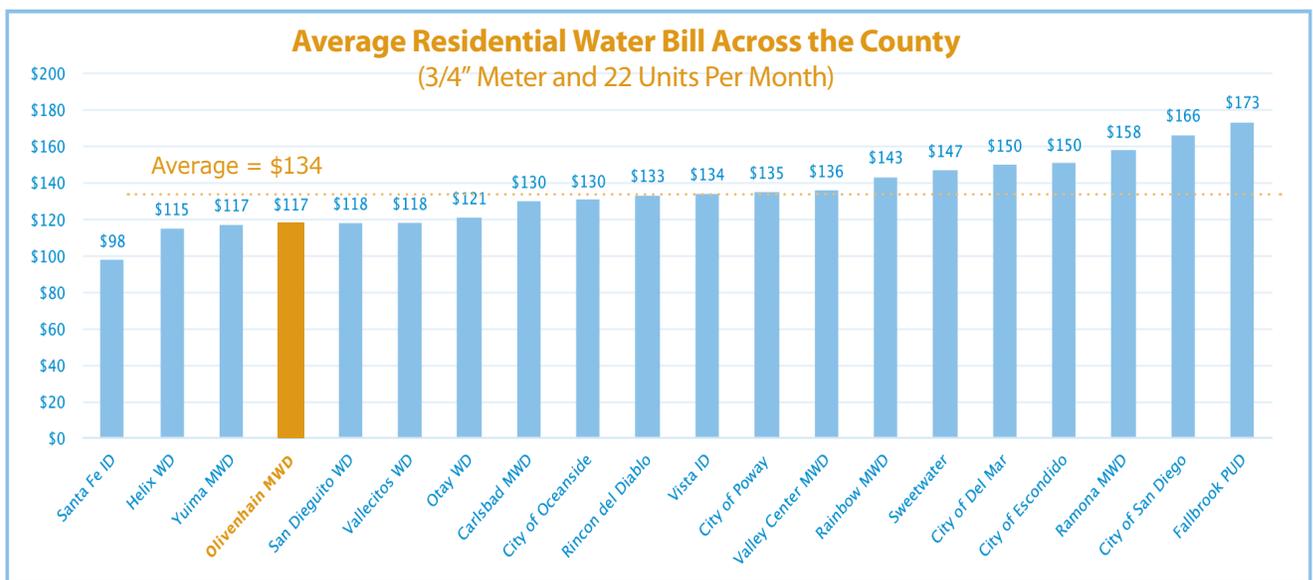
OMWD operated under a balanced budget despite a fifth year of statewide drought, mandatory water use reductions and restrictions by California's State Water Resources Control Board, and resulting decreased water sales. Maintaining a positive financial profile required ongoing efforts to minimize our costs and OMWD was even **able to lower water rates in July**.

Recycled Water - One of our biggest accomplishments during 2016 was the successful completion of the Village Park Recycled Water Project that will ultimately serve up to 114 million gallons of drought-resilient water supply each year. Our 4S Ranch Water Reclamation Facility continued to produce up to two million gallons per day of recycled water, supplying our Residential Recycled Water Fill Station, which provided OMWD customers free recycled water to supplement outdoor irrigation over the summer months. Find out more at www.olivenhain.com/fillstation.



OMWD customer Mr. Urmeneta: "The fill station has been great for keeping my yard green. It is easy to fill up and it is free!"

OMWD has minimized the impact of wholesale rate increases and reduced revenues to ratepayers; our water rates are in the bottom 25 percent of the spectrum countywide.



Source: OMWD Internal Rate Survey - August 2016



Municipal Water District

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BOARD MEETING DATES

Please visit our website at www.olivenhain.com for dates.

MISSION STATEMENT

Olivenhain Municipal Water District is a multi-functioning public agency that is dedicated and committed to serving present and future customers in a service-oriented manner by:

Water

Providing safe, reliable, high-quality drinking water while exceeding all regulatory requirements in a cost-effective and environmentally responsive manner.

Recycled Water

Providing recycled water and wastewater treatment in the most cost-effective and environmentally responsive method.

Parks

Safely operating the Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.

Emergency Management

Complying with policies and procedures that adhere to local, state, and federal guidelines for national security and disaster preparedness.

Sustainable Operations

Pursuing alternative and/or renewable resources with the most sustainable, efficient, and cost-effective approach.

Drought - OMWD complied with all state conservation mandates without the need to hire additional staff due in large part to extraordinary water use efficiency efforts undertaken by our customers. OMWD actively engaged the State Board and legislators over the past year to demonstrate the significant investments OMWD ratepayers have made in developing local, drought-resilient supplies such as recycled water facilities and the Claude "Bud" Lewis Carlsbad Desalination Plant with positive results. Taking note of these investments, the State Board stopped requiring OMWD to meet a 24 percent monthly reduction target; instead, OMWD self-certified a zero-percent conservation standard based on local supply availability. OMWD has also taken a leadership role in expressing water and wastewater agency concerns to the state about the implementation of Governor Brown's Executive Order on long-term water use regulations.

Water - Water reliability continues to be exemplary and there were no water quality violations in 2016. Customers can view our annual report on OMWD's water quality at www.olivenhain.com/ccr.

Grants - Grant funding allows us to achieve our district goals while reducing the cost to ratepayers. This year, OMWD obtained \$600,000 in Proposition 84 Round 4 funding from the California Department of Water Resources for construction of a recycled water pipeline along Manchester Avenue in Encinitas. This multi-agency project will expand OMWD's recycled water system to serve Mira Costa College, homeowner associations, religious centers, and other nearby commercial landscapes with over three million gallons of recycled water each year, reducing dependence on expensive, imported water.

Awards - OMWD continued our commitment to excellence as evidenced by the following awards this year:

- OMWD received our 21st consecutive award from the Government Finance Officers Association for Excellence in Financial Reporting, and our 15th consecutive Distinguished Budget Presentation award.
- We received our 15th consecutive California Society of Municipal Finance Officers' Operating Budget Excellence Award.
- American Public Works Association's San Diego and Imperial Counties Chapter presented OMWD with an "Honor Award" for our 4S Ranch Wet Weather Storage Pond Relining Project and another "Honor Award" for our Residential Recycled Water Fill Station.
- California Water Environment Association named OMWD's employee Dominic Brunozzi as its Mechanic of the Year and presented OMWD with an "Honor Award" for the 4S Ranch Wastewater Collection System.



OMWD accepts two awards for recycled water projects



Safety - Consistent training and encouragement in the development of a culture where employees view the safety of others as just as important as their own, helped **OMWD celebrate ten years without a preventable lost-time accident**. This remarkable accomplishment, nearly unprecedented in the water industry, prevents losses and minimizes workers compensation costs for our ratepayers.

Agency Partnerships - OMWD values collaboration with other agencies to maximize efficiencies and significantly reduce the costs of infrastructure investment to ratepayers, and **received the only 2016 commendation from the San Diego Grand Jury for our efforts with the North San Diego Water Reuse Coalition**. Upon completion of all project elements, the Coalition's Regional Recycled Water Project will add nearly 32 million gallons per day of recycled water and potable reuse water to North County's water supply portfolio, offsetting the annual water demand of over 70,000 households.

OMWD and Vallecitos Water District celebrated a partnership that reduces ratepayer costs for both agencies. VWD purchases treatment services from OMWD to serve 5,500 households at a lower rate than is offered by regional water wholesalers. Meanwhile, OMWD sells surplus treatment services, offsetting water treatment costs, and improving efficiency by running our plant at full capacity.

OMWD welcomed delegates from Brazil's Governo de Pernambuco who toured our facilities to tap into our experience in water conservation, renewable energy, and alternative water supplies to identify solutions for water supply shortages in Brazil.

Elfin Forest Recreational Reserve - Our partnerships with the San Diego County Water Authority, the U.S. Department of the Interior Bureau of Land Management, and the Escondido Creek Conservancy continued to flourish in 2016. EFRR deployed 79 docents to operate the Interpretive Center Honoring Susan J. Varty and patrol trails, hosted more than 1,700 schoolchildren, and welcomed more than 120,000 visitors.



Located within our EFRR, Olivenhain Reservoir stores over seven billion gallons of water for emergency use

2017 - Upcoming Activities of Note

2017 promises to be another fast-paced, exciting year for OMWD and customers. A golf course and several homeowner associations will connect to our Village Park Recycled Water Project in Encinitas and OMWD will seek federal funding to expand the regional recycled water network as part of the North San Diego Water Reuse Coalition. OMWD will determine the feasibility of potable water reuse and brackish water desalination in the San Dieguito groundwater basin. We will also expand our use of Advanced Metering Infrastructure meters that transmit reads directly to OMWD's billing system to save time and resources, reduce the number of trucks on the road, provide more data on water usage patterns, and alert customers to possible leaks.

As the state moves toward permanent water use restrictions and statewide drought-response measures, OMWD will continue our leadership role in advocating for customers. Rather than a one-size-fits-all approach to drought response, it is imperative that water agencies retain local control of water management as they are best suited to determine actual supply and demand conditions, as well as measures to achieve water reductions when warranted. OMWD encourages customers to join the conversation by sending comment letters to the state as possible state mandates may cause undue burden on water agencies, increasing costs that will ultimately be borne by ratepayers. Find out more at www.waterboards.ca.gov.

Attend a Behind-the-Scenes Tour of OMWD Operations

Operating an efficient water system requires a specialized team of employees and a variety of facilities throughout OMWD's 48-square-mile service area. OMWD customers are invited to sign up for one of four public tours scheduled in 2017 to see firsthand how clean, safe water arrives at your tap, how recycled water is replacing the use of drinking water on landscape, and the benefits of OMWD's operation of our Elfin Forest Recreational Reserve. To learn more, visit www.olivenhain.com/events. Our next tour will be held on Thursday, January 12, 2017.

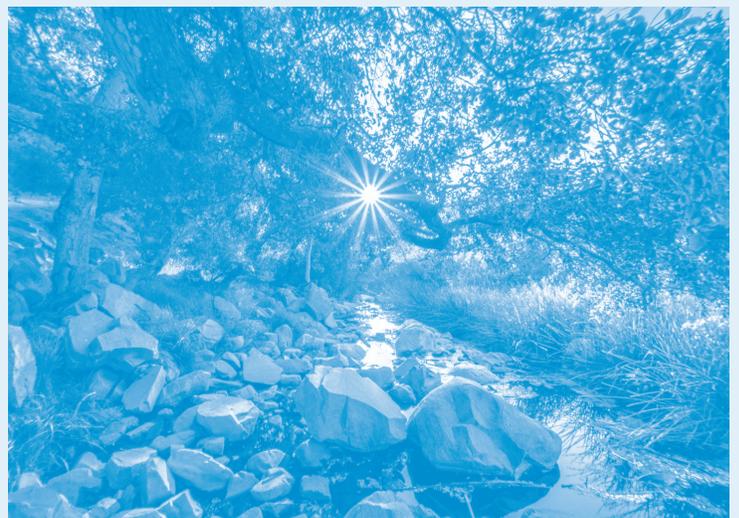


Tour attendees witness water treatment through ultra-filtration membrane technology

"Golden Sunburst Over Escondido Creek" Wins Best-in-Show in Eleventh Annual Photo Contest

OMWD's board recognized at its November 2 meeting seven talented, amateur photographers who were winners of the 2016 Elfin Forest Recreational Reserve Photo Contest. The contest helps bring awareness to EFRR and its mission through beautiful images.

Winning photographs, including Brian Jolliffe's best-in-show winning "Golden Sunburst Over Escondido Creek," will be on display at the Interpretive Center Honoring Susan J. Varty from January 1 through April 30, 2017. OMWD is grateful for prizes donated by our generous sponsors including the Escondido Creek Conservancy, San Diego Zoo, PC Photo & Imaging, Jake's Del Mar restaurant, and REI.



Golden Sunburst Over Escondido Creek by Brian Jolliffe