

OTAY WATER DISTRICT
FINANCE, ADMINISTRATION AND COMMUNICATIONS
COMMITTEE MEETING
and
SPECIAL MEETING OF THE BOARD OF DIRECTORS

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM

MONDAY
July 21, 2008
11:30 A.M.

This is a District Committee meeting. This meeting is being posted as a special meeting in order to comply with the Brown Act (Government Code Section §54954.2) in the event that a quorum of the Board is present. Items will be deliberated, however, no formal board actions will be taken at this meeting. The committee makes recommendations to the full board for its consideration and formal action.

AGENDA

1. ROLL CALL
2. 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

DISCUSSION ITEMS

3. ADOPT RESOLUTION NO. 4128 OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT REQUESTING FORMAL TERMS AND CONDITIONS FROM THE SAN DIEGO COUNTY WATER AUTHORITY AND METROPOLITAN WATER DISTRICT FOR THE CONCURRENT ANNEXATION OF TERRITORY DESCRIBED AS "SYCUAN RESERVATION" TO THE OTAY WATER DISTRICT (CHARLES) [15 minutes]
4. AWARD A CONTRACT TO WILLIS RISK AND INSURANCE SERVICES FOR CONSULTING SERVICE FOR BENEFITS AND AS THE DISTRICT'S BROKER OF RECORD IN THE AMOUNT OF \$35,000 PER YEAR (WILLIAMSON) [10 minutes]
5. ADJOURNMENT

BOARD MEMBERS ATTENDING:

Mark Robak, Chair
Larry Breitfelder

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.

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 July 18, 2008 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 meeting of the Board of Directors (Government Code Section §54954.2).

Executed at Spring Valley, California on July 18, 2008.



Connie Rathbone
Connie Rathbone, Assistant District Secretary

AGENDA ITEM 3



STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 6, 2008
SUBMITTED BY:	David Charles <i>DC</i> Public Services Manager	PROJECT:	D0526- DIV. NO. 5 010287
APPROVED BY: (Chief)	Rod Posada <i>RP</i> Chief, Engineering		
APPROVED BY: (Asst GM)	Manny Magaña Assistant General Manager, Engineering and Operations		
SUBJECT:	Adopt Resolution No. 4128 Requesting Terms and Conditions for the Sycuan Annexation of APN 516-040-01 for Water Services		

GENERAL MANAGER'S RECOMMENDATION:

Adopt Resolution No. 4128 of the Board of Directors of the Otay Water District (Otay) requesting formal terms and conditions from the San Diego County Water Authority (CWA) and Metropolitan Water District (MWD) for the concurrent annexation of certain real property (referred to herein as the Original Sycuan Reservation) owned by the Sycuan Band of the Kumeyaay Nation (Sycuan) to said Agencies (see Exhibit A for project location).

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

The purpose of the Resolution is to obtain terms and conditions from CWA and MWD for the proposed concurrent annexation of the Original Sycuan Reservation to Otay, CWA and MWD.

ANALYSIS:

Sycuan submitted to Otay a written request and petition for annexation, signed by Daniel J. Tucker, Sycuan Tribal Chairman,

on behalf of Sycuan and dated April 11, 2008 (Petition). Through the Petition, Sycuan requests Otay to commence annexation proceedings for the Original Sycuan Reservation to have access to water and sewer service, and certain other parcels owned by Sycuan (the Group B Parcels) to have access to sewer services only. Water service is made available by Otay near the geographical area of the parcels through Improvement District No. 20. Sewer service is made available through Improvement District No. 18.

The Original Sycuan Reservation encompasses an area covering approximately 634 acres of developed and undeveloped land and has no entitlement to water or sewer service from any other local agency. Sycuan currently uses well water to supply all its water needs and wishes to annex to Otay to provide an alternative source of water to reduce its dependency on well water and to possibly prevent the depletion of several wells in the area. If the concurrent annexation of the Original Sycuan Reservation is accomplished, Sycuan will install, at its cost, all required facilities to connect to the Otay water system through a master meter.

The annexation of the Original Sycuan Reservation, which is outside Otay's sphere of influence, will have to be processed and approved through the Local Agency Formation Commission (LAFCO), the San Diego County Water Authority (CWA), and Metropolitan Water District (MWD).

Dexter Wilson Engineering, Inc. (Dexter Wilson) is working with Sycuan to prepare all documentation required for annexation of the Original Sycuan Reservation, through LAFCO, to Otay and its concurrent annexation to CWA and MWD. Although Dexter Wilson has not finalized and is not ready to submit the application package required by LAFCO, it has requested that Otay adopt and submit a resolution to obtain terms and conditions for the concurrent annexation of the original Sycuan Reservation to Otay, CWA, and MWD.

Dexter Wilson has also requested that annexation of the Original Sycuan Reservation and Group B Parcels for sewer service only be considered separately at a later date. A LAFCO reorganization will be required for the Group B Parcels, which are within Padre Dam service area and consist of approximately 575 acres. This means that, for sewer service only, these parcels would have to be deannexed from Padre Dam and annexed to Otay Water District Improvement District No. 18. Since the annexation of the Group B Parcels to Otay will not require annexation to CWA or MWD, and since the petitioner is not ready to proceed with that portion of the Petition, Otay has agreed to process that portion of the Petition separately at a later date.

Finally, Dexter Wilson has requested that the annexation of the Original Sycuan Reservation to Otay for sewer service also be considered at a later date because the needs analysis for sewer service is not yet complete. The annexation of Group B Parcels and the Original Sycuan Reservation for sewer service would require the approval or waiver of other local agencies, including possibly the waiver of Policy I-107 by the County of San Diego. Further information concerning these proposed annexations will be presented to this Board as it becomes available.

Dexter Wilson prepared and submitted a Sub Area Master Plan (SAMP) dated June 2008 at the request of the Sycuan Tribal Chairman. Staff conducted a review of the SAMP which provided an engineering evaluation of the water needs of the existing development (consisting of approximately 40 single family dwellings, a casino, an administration building, tribal offices, a medical center, and a fire department) to analyze the feasibility of providing domestic water service and fire flow to the site. The SAMP has determined that the water requirements of the Original Sycuan Reservation will be approximately 400 acre-feet per year.

A projected need of 392 acre-feet per year for Sycuan was incorporated into the San Diego County Water Authority 2005 Urban Water Management Plan.

Sycuan has indicated their commitment to a goal by working toward projects that will offset the projected 400 acre-feet per year subject to approval by the Otay Water District Board of Directors and the Sycuan Tribal Council. In this case, the additional water required by this annexation will be offset for a 0 acre-feet per year net increase of imported water delivery to Otay as indicated in the Master Plan Water Report dated July 15, 2008, by Dexter Wilson those being Middle Sweetwater River Groundwater and Sweetwater Basin Recycled Water Project.

It is anticipated that if Sycuan is annexed, it will pay capacity fees, will install and construct the required facilities, and will pay for water service when such is provided.

FISCAL IMPACT:



None is anticipated at this time. Sycuan has paid all processing fees required by Otay and will be responsible for all other applicable fees and costs relating to the annexation. If the annexation is approved, District staff will calculate anticipated fiscal impacts.

STRATEGIC GOAL:

Provide water service to meet customer needs.

LEGAL IMPACT: _____

None at this time.



General Manager

P:\Public-s\STAFF REPORTS\2008\BD 8-6-08 - Staff Report, Concurrent Annexation Sycuan to CWA MWD, (DC-RP).doc

Attachments: Attachment A
Exhibit A

Y:\Board\CurBdPkg\FINANCE\BD 8-6-08 - Staff Rpt for Concurrent Annexation Sycuan to CWA MWD.doc



ATTACHMENT A

SUBJECT/PROJECT: D0526-010287	Adopt Resolution No. 4128 Requesting Terms and Conditions for the Sycuan Annexation of APN 516-040-01 for Water Services
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COMMITTEE ACTION:

The Finance, Administration, and Communications Committee reviewed this item at a meeting held on July 21, 2008. The Committee supports Staff's recommendation.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for Board approval. This report will be sent to the Board as a Committee approved item, or modified to reflect any discussion or changes as directed from the Committee prior to presentation to the full board.

J-14330

EXHIBIT "A"

ANNEXATION TO OTAY WATER DISTRICT, SAN DIEGO COUNTY WATER
AUTHORITY, & METROPOLITAN WATER DISTRICT

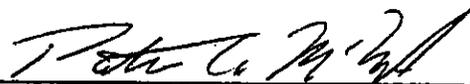
Parcel "A "

All of Section 13, in Township 16 South, Range 1 East, San Bernardino Meridian,
in the County of San Diego , State of California, according to the Official Plat
thereof file in the County Recorder of said County.

Beginning at the Northwest corner of Section 13, Township 16 South, Range 1
East, San Bernardino Meridian;

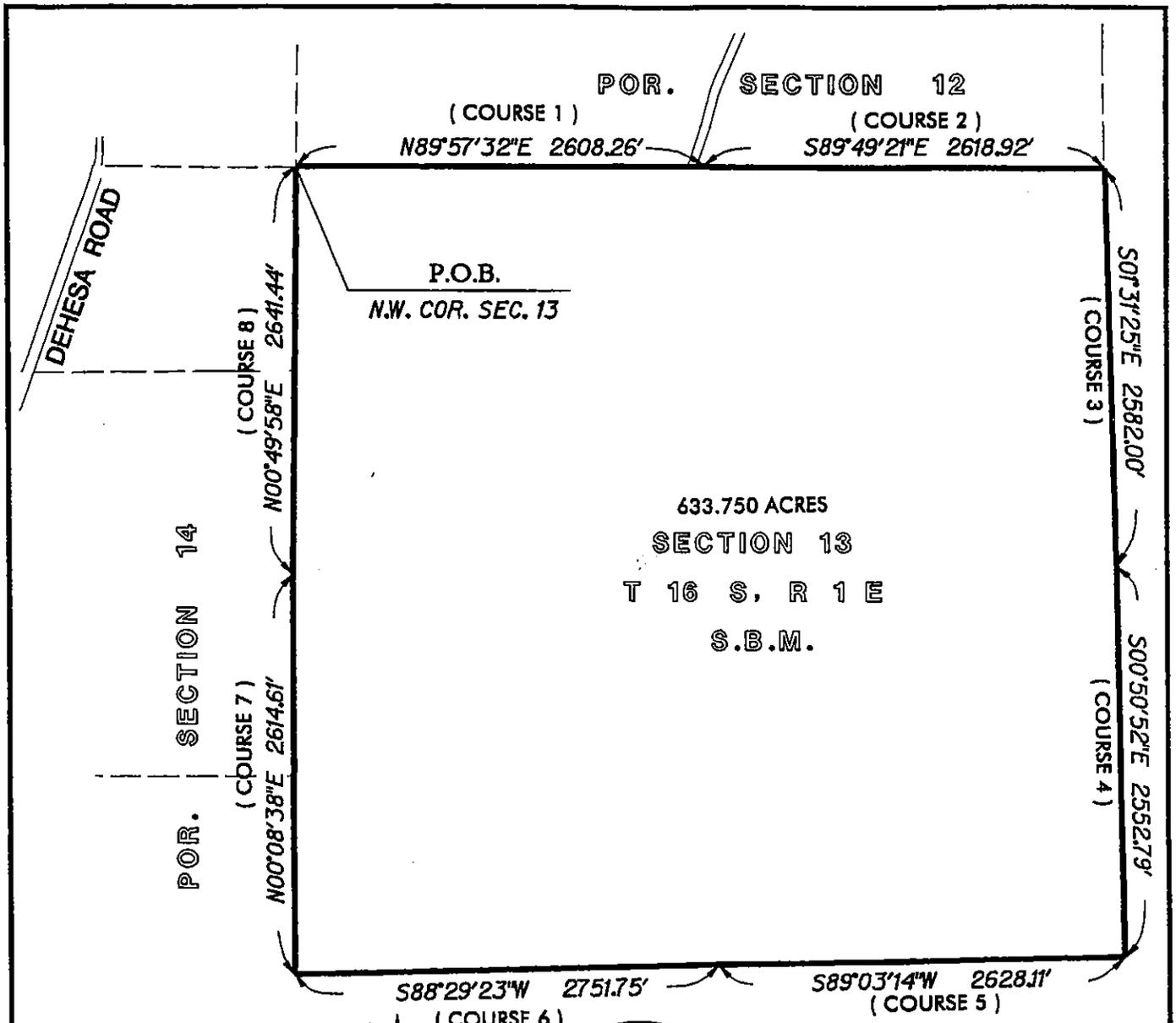
- 1) thence North 89°57'32" East 2608.26 feet along the North line of said
Section;
- 2) thence South 89°49'21" East 2618.92 feet continuing along said North
line;
- 3) thence South 01°31'25" East 2582.00 feet along the East line of said
Section;
- 4) thence South 00°50'52" East 2552.79 feet continuing along said East line
- 5) thence South 89°03'14" West 2628.11 feet along the South line of said
Section;
- 6) thence South 88°29'23" West 2751.75 feet continuing along said South
line;
- 7) thence North 00°08'38" East 2614.61 feet along the West line of said
Section;
- 8) thence North 00°49'58" East 2641.44 feet along said West line to the
POINT OF BEGINNING

Containing 633.75 acres, more or less.

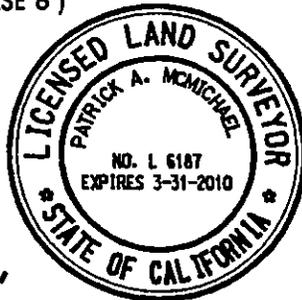
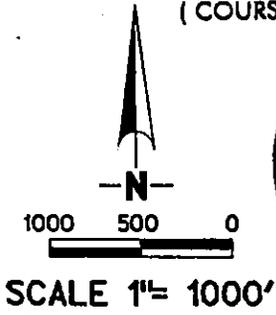

Patrick A. McMichael, L.S. 6187

5-30-2008
Date





RICK
ENGINEERING COMPANY



POR. SECTION 24

Patrick A. McMichael 5-30-2008
PATRICK A. McMICHAE, LS 6187 DATE

OTAY WATER DISTRICT

ANNEXATION OF ALL OF SECTION 13 OF TOWNSHIP 16 SOUTH, RANGE 1 EAST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

			RECORDERS F/P	COORDINATES
			RECORDING DATE	MAP NO.
			OTAY W.O. DEED NO.	SCALE:
			IMP. DIST. NO.	DATE:
REV.	DATE	DESCRIPTION		DRAWN BY:
				W.O. NO.:

RESOLUTION NO. 4128

A RESOLUTION OF THE BOARD OF DIRECTORS OF
OTAY WATER DISTRICT REQUESTING FORMAL TERMS AND
CONDITIONS FROM THE SAN DIEGO COUNTY WATER
AUTHORITY AND METROPOLITAN WATER DISTRICT FOR THE
CONCURRENT ANNEXATION OF TERRITORY TO SAID AGENCIES
(APN 560-040-01) (Water - Sycuan D0526)

WHEREAS, the Sycuan Band of the Kumeyaay Nation ("Sycuan") has submitted a request for annexation to the Otay Water District (District) and pursuant thereto, the District desires to initiate proceedings under the provisions of the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000, Division 3, commencing with Section 56000 of the California Government Code, for the annexation (the "Annexation") of certain real property owned by Sycuan to the service area of the Otay Water District.

WHEREAS, the proposed change of organization includes the following jurisdictional change(s):

- Concurrent annexation of the real property to the Otay Water District, the San Diego County Water Authority and the Metropolitan Water District.

WHEREAS, the purpose of this proposed annexation is to provide water service to the territory to be annexed.

WHEREAS, the territory subject to the proposed Annexation is inhabited in part and uninhabited in part, and a legal description of the territory is set forth in Exhibit A, attached hereto and by this reference incorporated herein (the "Annexation Territory"); and

WHEREAS, it is in the interest of the Otay Water District to obtain formal terms and conditions from the San Diego County Water Authority and the Metropolitan Water District for the concurrent annexation of said territory to those agencies and to the Otay Water District, and

WHEREAS, the Otay Water District requests that the proposed annexation be subject to the following terms and conditions:

1. The Owner of the Annexation Area shall pay to the Otay Water District all reorganization and processing fees.

2. The Owner of the Annexation Area shall pay all fees of the San Diego County Local Agency Formation Commission including, but not limited to, fees of the State Board of Equalization.
3. The Owner of the Annexation Area shall complete and submit to the Otay Water District, the application package required by LAFCO to process the Annexation, together with all documents required therefore.
4. The owner of the annexation Area shall pay to San Diego County Water District all annexation and processing fees.
5. The Owner of the Annexation Area shall pay to Metropolitan Water District all annexation and processing fees.
6. Upon annexation to Otay Water District, Owner shall install, at its sole cost and expense, all water and fire protection facilities as may be required by Otay Water District and no water service shall be provided to the Annexation Area until such facilities are installed and accepted by Otay Water District and all applicable terms of service are fulfilled.

Any improvements to existing facilities and/or new facilities and works required to connect, or expand connections, to the County Water Authority system and/or the Metropolitan Water District system shall be provided at the cost of the annexed territory. Annexation to the County Water Authority shall be in compliance with the Act and annexation to the Metropolitan Water District shall not conflict with Division III, Annexations, of the Metropolitan Water District Administrative Code.

7. Owner shall obtain and transfer to Otay Water District, at no cost to Otay Water District, easements and rights-of-way for any facilities necessary to service the Annexation Area.

8. Water service by Otay Water District to the Annexation Area shall be subject to and in accordance with the rules and regulations of Otay.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT THAT:

Section 1 The terms and conditions set forth on the recitals to this Resolution are hereby approved and this Resolution Requesting Formal Terms and Conditions is hereby adopted and approved by the Board of Directors of the Otay Water District.

Section 2 Each, the San Diego County Water Authority and the Metropolitan Water District is hereby requested to determine and establish formal terms and conditions for the concurrent annexation to said agencies and to Otay Water District of the territory as described in Exhibit A.

Section 3 The General Manager, General Counsel and District Secretary are hereby ordered and requested to forward this Resolution to all necessary parties and to take all actions required to give full effect to the intent of this Resolution.

PASSED, APPROVED, AND ADOPTED by the Board of Directors of the Otay Water District at a regular meeting thereof held on August 6, 2008, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

President

ATTEST:

Secretary

J-14330

EXHIBIT "A"

ANNEXATION TO OTAY WATER DISTRICT, SAN DIEGO COUNTY WATER
AUTHORITY, & METROPOLITAN WATER DISTRICT

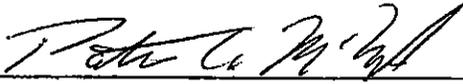
Parcel "A "

All of Section 13, in Township 16 South, Range 1 East, San Bernardino Meridian,
in the County of San Diego , State of California, according to the Official Plat
thereof file in the County Recorder of said County.

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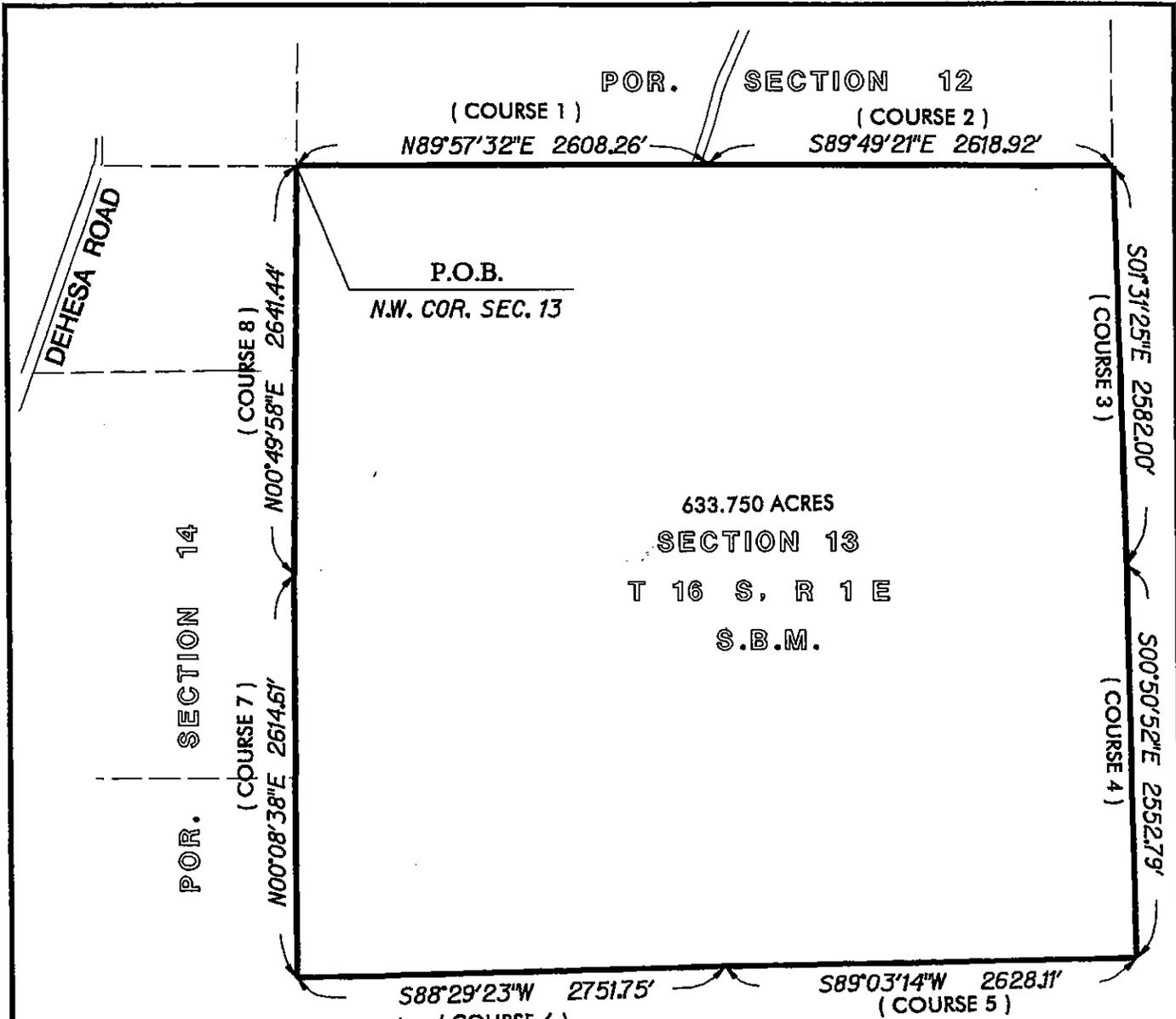
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- 5) thence South 89°03'14" West 2628.11 feet along the South line of said
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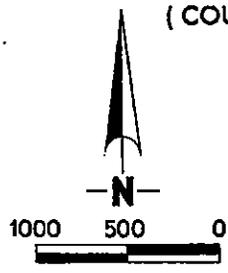

Patrick A. McMichael, L.S. 6187

5-30-2008
Date





RICK
ENGINEERING COMPANY



SCALE 1" = 1000'



POR. SECTION 24

Patrick A. McMichael 5-30-2008
PATRICK A. McMICHAEL, LS 6187 DATE

OTAY WATER DISTRICT

ANNEXATION OF ALL OF SECTION 13 OF TOWNSHIP 16 SOUTH, RANGE 1 EAST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA

			RECORDER'S F/P _____	COORDINATES
			RECORDING DATE _____	MAP NO. _____
			OTAY W.O. DEED NO. _____	SCALE: _____
			IMP. DIST. NO. _____	DATE: _____
REV.	DATE	DESCRIPTION		DRAWN BY: _____
				W.O. NO.: _____



AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	August 6, 2008
SUBMITTED BY:	Kelli Williamson,  Human Resources Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY:	Rom Sarno, Chief of Administrative Services  (Chief)		
APPROVED BY:	German Alvarez, Assistant General Manager, Finance and (Asst. GM):  Administration		
SUBJECT:	Award of Contract to Willis Risk and Insurance Services (Willis) for Consulting Service for Benefits and as the District's Broker of Record		

GENERAL MANAGER'S RECOMMENDATION:

That the Board of Directors award a five year contract (two years with three option years) to Willis as the District's new Benefit Consultant and Broker of Record effective August 6, 2008.

COMMITTEE ACTION: _____

See Attachment A.

PURPOSE:

To award a contract to Willis as the District's new Benefit Consultant and as the District's Broker of Record effective August 6, 2008.

ANALYSIS:

Human Resources staff contacted local agencies and colleagues to establish a list of potential benefit consultants and invited fifteen consultants to participate in a Request for Proposal process. Eight consultants responded to the request. Human Resources and Purchasing staff reviewed the proposals, checked client references, and invited three of the eight consultants to participate in an interview process. The three consultants invited to the interview process included: Westland Insurance Brokers, Alliant Driver Specialty Group, and Willis. Based on the proposal, interviews, and client references, it is recommended that the District enter into a two-year agreement with Willis to begin as the District's Benefits Consultant and

Broker of Record effective August 6, 2008 through June 30, 2010, with an option to continue the contract for up to three additional one-year increments.

Willis is a global company that has been providing insurance services to clients for over 175 years. They provide a wealth of knowledge and expertise that is customized to the clients' needs. The San Diego affiliate of Willis was established in 1968. Willis specializes in public entities and the San Diego team is dedicated to helping human resource departments control costs and increase productivity. Their mission is to help agencies perform at the highest possible level by delivering cutting-edge health insurance solutions. The District is confident that they will be able to perform to the District's standards.

FISCAL IMPACT:

RKB

By entering in to this contract, there will be an annual cost-savings of approximately \$3,000 as summarized below.

The District and Willis negotiated a set annual fee of \$35,000 for the first two year contract. Willis will refund any commissions paid by the carriers to the District. The first quarter fees will be pro-rated based on an August 6, 2008 implementation of the contract. If the District chooses to continue the contract for the up to three additional terms, cost increases are limited to a maximum of 3%.

The previous Broker's contract (Bradawn) was based on a per employee per month fee and, as such, the monthly cost fluctuated based on employee count. The District paid approximately \$32,000 per year and this cost may have increased this year if we had continued with the same consultant. In addition, the consultant received a commission from one of the plans in the amount of approximately \$6,000.

The District is currently in the Special District Risk Management Association (SDRMA) medical plan for a minimum of three years. SDRMA does not pay commissions. If at a future time the District chooses to utilize the services of Willis to move away from SDRMA and into another health insurance plan, Willis reserves the ability to re-negotiate the annual fee not to exceed 3% of the commissions of the health plan.

STRATEGIC GOAL:

"Retain a Dedicated Workforce." The District's Employee Benefits Program is a critical component to recruit and retain employees.

LEGAL IMPACT: _____

None.



General Manager

Attachment A - Committee Action
Attachment B - Contract



ATTACHMENT A

SUBJECT/PROJECT:	Award of Contract to Willis Risk and Insurance Services for Consulting Service for Benefits and as the District's Broker of Record
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COMMITTEE ACTION:

The Finance/Administration & Communications Committee met on July 21, 2008 supported award of a five year contract (two years with three option years) to Willis Consulting Service for Benefits and as the District's Broker of Record effective August 6, 2008.

NOTE:

The "Committee Action" is written in anticipation of the Committee moving the item forward for Board approval. This report will be sent to the Board as a committee approved item, or modified to reflect any discussion or changes as directed from the committee prior to presentation to the full Board.

**AGREEMENT
BY AND BETWEEN
THE OTAY WATER DISTRICT
AND
WILLIS RISK & INSURANCE SERVICES OF SAN DIEGO**

THIS AGREEMENT is entered into this 6th day of August, 2008, by and between the OTAY WATER DISTRICT, a municipal water district, formed and existing pursuant to California Municipal Water District Act of 1911, as amended (the "DISTRICT"), and WILLIS RISK & INSURANCE SERVICES, a New York corporation (the "CONSULTANT").

RECITALS

WHEREAS, the DISTRICT desires to employ a CONSULTANT to provide insurance brokerage services.

WHEREAS, the DISTRICT has determined that the CONSULTANT is an insurance brokerage firm and is qualified by experience and ability to perform the services desired by the DISTRICT, and the CONSULTANT is willing to perform such services.

NOW, THEREFORE, THE PARTIES HERETO DO MUTUALLY AGREE AS FOLLOWS:

1. **ENGAGEMENT OF CONSULTANT.** The DISTRICT hereby agrees to engage the CONSULTANT and the CONSULTANT hereby agrees to perform the services hereinafter set forth in accordance with all terms and conditions contained herein.

The CONSULTANT represents that all services required hereunder will be performed directly by the CONSULTANT or under direct supervision of the CONSULTANT.

2. **SCOPE OF SERVICES.** The CONSULTANT will perform services as set forth in the attached Exhibit "A".

The CONSULTANT shall be responsible for all research and reviews related to the work and shall not rely on personnel of the DISTRICT for such services, except as authorized in advance by the DISTRICT

The DISTRICT may unilaterally, or upon request from the CONSULTANT, from time to time reduce or increase the Scope of Services to be performed by the CONSULTANT under this Agreement. Upon doing so, the DISTRICT and the CONSULTANT agree to meet in good faith and confer for the purpose of negotiating a corresponding reduction or increase in the compensation associated with said change in services.

3. **PROJECT COORDINATION AND SUPERVISION.**

The Human Resources Manager is designated as the Project Coordinator for the DISTRICT and will monitor the progress and execution of this Agreement. The CONSULTANT shall assign a single Project Director to provide supervision and have overall responsibility for the progress and execution of this Agreement for the CONSULTANT. Executive Vice President, Employee Benefits, of WILLIS RISK & INSURANCE SERVICES is designated as the Project Director for the CONSULTANT.

4. **COMPENSATION AND PAYMENT.** The compensation for the CONSULTANT for the performance of all services rendered pursuant to this Agreement shall be an annual fee of \$35,000. The annual fee shall be paid in quarterly installments, with the first payment prorated for the partial quarter of service.

CONSULTANT acknowledges that it has or may receive broker commissions directly from the various insurance companies selected by the DISTRICT. The amount of any such commissions received shall be deducted from the annual fee and shall appear as a credit on the quarterly invoice following CONSULTANT's receipt of such commission.

In the event that the DISTRICT elects to remove its medical and prescription plan from the Special District Risk Management Authority, the DISTRICT and the CONSULTANT shall negotiate a new annual fee that is equal to no more than a 3% commission on the medical and prescription plan. This new annual fee shall constitute total compensation for all services rendered under this Agreement.

The CONSULTANT's compensation may be revised if the DISTRICT requests a change in the Coverages and/or Services during the Term of this Agreement, and if both parties enter into a written agreement documenting any change in Coverages, Services, or compensation. In addition, if there is a material change in the risk/exposure base, or the overall number of employees, both parties may revise the compensation upon further discussion.

Should the DISTRICT exercise its renewal option under Section 7 of this Agreement, the DISTRICT and CONSULTANT shall negotiate an increase to the annual fee of no more than 3%.

5. **ACCEPTABILITY OF WORK.** The DISTRICT shall decide any and all questions which may arise as to the quality or acceptability of the services performed and the manner of performance, the acceptable completion of this Agreement and the amount of compensation due.

6. **PERFORMANCE GUARANTEE.** CONSULTANT shall place up to 10% of the annual fee at risk based on quarterly evaluations by the DISTRICT. The criteria for evaluation will include the timely and accurate delivery of services outlined in the Scope of Services compared to evaluation criteria developed mutually by the DISTRICT and CONSULTANT, as set forth in the attached Exhibit "B". The DISTRICT will provide feedback no later than one week after the end of each quarter and CONSULTANT will work to remedy each issue raised to the DISTRICT's satisfaction. If at the end of each year of this Agreement, service is deficient in a noted area, CONSULTANT agrees to return fees equal to the amount stated in the calculations section of Exhibit "B".

7. **LENGTH OF AGREEMENT.** The time duration of this Agreement is from August 6, 2008 to June 30, 2010 (2-year agreement), which may be extended by the DISTRICT in one-year increments for up to an additional three years (until June 30, 2013).

8. **DISPOSITION AND OWNERSHIP OF DOCUMENTS.** The Memoranda, Reports, Plans, Specifications and other documents prepared under the terms of this agreement by the CONSULTANT for this Project, whether paper or electronic, shall become the property of the DISTRICT for use with respect to this Project, and shall be turned over to the

DISTRICT upon completion of the Project, or any phase thereof, as contemplated by this Agreement.

Contemporaneously with the transfer of documents, the CONSULTANT hereby assigns to the DISTRICT and CONSULTANT thereby expressly waives and disclaims, any copyright in, and the right to reproduce, all written material, drawings, plans, specifications or other work prepared under this agreement, except upon the DISTRICT's prior authorization regarding reproduction, which authorization shall not be unreasonably withheld. The CONSULTANT shall, upon request of the DISTRICT, execute any further document(s) necessary to further effectuate this waiver and disclaimer.

The CONSULTANT agrees that the DISTRICT may use, reuse, alter, reproduce, modify, assign, transfer, or in any other way, medium or method utilize the CONSULTANT's written work product for the DISTRICT's purposes, and the CONSULTANT expressly waives and disclaims any residual rights granted to it by Civil Code Sections 980 through 989 relating to intellectual property and artistic works.

Any modification or reuse by the DISTRICT of documents, or specifications prepared by the CONSULTANT shall relieve the CONSULTANT from liability under Section 14 but only with respect to the effect of the modification or reuse by the DISTRICT, or for any liability to the DISTRICT should the documents be used by the DISTRICT for some project other than what was expressly agreed upon within the Scope of this project, unless otherwise mutually agreed.

The CONSULTANT shall maintain all books, documents, papers, employee time sheets, accounting records, and other evidence pertaining to costs incurred and shall make such materials available at its office at all reasonable times during the term of this Agreement and for three (3) years from the date of final payment under this Agreement, for inspection by the DISTRICT and for furnishing of copies to the DISTRICT, if requested.

9. **INDEPENDENT CONSULTANT.** Both parties hereto in the performance of this Agreement will be acting in an independent capacity and not as agents, employees, partners or joint venturers with one another. Neither the CONSULTANT nor the CONSULTANT'S employees are employee of the DISTRICT and are not entitled to any of the rights, benefits, or privileges of the DISTRICT's employees, including but not limited to retirement, medical, unemployment, or workers' compensation insurance.

Neither the DISTRICT nor its officers, agents or employees shall have any control over the conduct of the CONSULTANT or any of the CONSULTANT's employees except as herein set forth, and the CONSULTANT expressly agrees not to represent that the CONSULTANT or the CONSULTANT's agents, servants, or employees are in any manner agents, servants or employees of the DISTRICT, it being understood that the CONSULTANT, its agents, servants, and employees are as to the DISTRICT wholly independent CONSULTANTS and that the CONSULTANT's obligations to the DISTRICT are solely such as are prescribed by this Agreement.

10. **ASSIGNMENT AND SUBCONTRACTING.** This Agreement contemplates the personal services of the CONSULTANT and the CONSULTANT's employees, and it is recognized by the parties that a substantial inducement to the DISTRICT for entering into this Agreement was, and is, the professional reputation and competence of the CONSULTANT and its employees. Neither this Agreement nor any interest herein may be

assigned by the CONSULTANT without the prior written consent of the DISTRICT. Nothing herein contained is intended to prevent the CONSULTANT from employing or hiring as many employees, or subCONSULTANTS, as the CONSULTANT may deem necessary for the proper and efficient performance of this Agreement. All agreements by CONSULTANT with its subCONSULTANT(s) shall require the subCONSULTANT to adhere to the applicable terms of this Agreement.

11. **COMPLIANCE WITH APPLICABLE LAW.** The CONSULTANT, in the performance of the services to be provided herein, shall comply with all applicable State and Federal statutes and regulations, and all applicable local ordinances, rules and regulations, whether now in force or subsequently enacted.

12. **LICENSES, PERMITS, ETC.** The CONSULTANT represents and covenants that it has all licenses, permits, qualifications, and approvals of whatever nature that are legally required to practice its profession. The CONSULTANT represents and covenants that the CONSULTANT shall, at its sole cost and expense, keep in effect at all times during the term of this Agreement, any license, permit, or approval which is legally required for the CONSULTANT to practice its profession.

13. **STANDARD OF CARE.**

A. The CONSULTANT, in performing any services under this Agreement, shall perform in a manner consistent with that level of care and skill ordinarily exercised by members of the CONSULTANT'S trade or profession currently practicing under similar conditions and in similar locations. The CONSULTANT shall take all special precautions necessary to protect the CONSULTANT's employees and members of the public from risk of harm arising out of the nature of the work and/or the conditions of the work site.

B. Unless disclosed in writing prior to the date of this agreement, the CONSULTANT warrants to the DISTRICT that it is not now, nor has it for the five (5) years preceding, been debarred by a governmental agency or involved in debarment, arbitration or litigation proceedings concerning the CONSULTANT's professional performance or the furnishing of materials or services relating thereto.

C. The CONSULTANT is responsible for identifying any unique products, treatments, processes or materials whose availability is critical to the success of the project the CONSULTANT has been retained to perform, within the time requirements of the DISTRICT, or, when no time is specified, then within a commercially reasonable time. Accordingly, unless the CONSULTANT has notified the DISTRICT otherwise, the CONSULTANT warrants that all products, materials, processes or treatments identified in the project documents prepared for the DISTRICT are reasonably commercially available. Any failure by the CONSULTANT to use due diligence under this sub-paragraph will render the CONSULTANT liable to the DISTRICT for any increased costs that result from the DISTRICT's later inability to obtain the specified items or any reasonable substitute within a price range that allows for project completion in the time frame specified or, when not specified, then within a commercially reasonable time.

14. **NON-DISCRIMINATION PROVISIONS.** The CONSULTANT shall not discriminate against any employee or applicant for employment because of age, race, color, ancestry, religion, sex, sexual orientation, marital status, national origin, physical handicap, or medical condition. The CONSULTANT will take positive action to insure that applicants are employed without regard to their age, race, color, ancestry, religion, sex, sexual orientation, marital status, national origin, physical handicap, or medical condition. Such action shall include but not be limited to the following: employment, upgrading, demotion, transfer,

recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

15. **CONFIDENTIAL INFORMATION.** The DISTRICT may from time to time communicate to the CONSULTANT certain confidential information to enable the CONSULTANT to effectively perform the services to be provided herein. The CONSULTANT shall treat all such information as confidential and shall not disclose any part thereof without the prior written consent of the DISTRICT. The CONSULTANT shall limit the use and circulation of such information, even within its own organization, to the extent necessary to perform the services to be provided herein. The foregoing obligation of this Section 15, however, shall not apply to any part of the information that (i) has been disclosed in publicly available sources of information; (ii) is, through no fault of the CONSULTANT, hereafter disclosed in publicly available sources of information; (iii) is already in the possession of the CONSULTANT without any obligation of confidentiality; or (iv) has been or is hereafter rightfully disclosed to the CONSULTANT by a third party, but only to the extent that the use or disclosure thereof has been or is rightfully authorized by that third party.

The CONSULTANT shall not disclose any reports, recommendations, conclusions or other results of the services or the existence of the subject matter of this Agreement without the prior written consent of the DISTRICT. In its performance hereunder, the CONSULTANT shall comply with all legal obligations it may now or hereafter have respecting the information or other property of any other person, firm or corporation.

CONSULTANT shall be liable to DISTRICT for any damages caused by breach of this condition, pursuant to the provisions of Section 16.

16. **INDEMNIFICATION AND HOLD HARMLESS.** The CONSULTANT agrees to defend, indemnify, and hold harmless the OTAY WATER DISTRICT, its officers, officials, certified volunteers, employees and representatives, against and from any and all liability, loss, damages to property, injuries to, or death of any person or persons, and all claims, demands, suits, actions, proceedings, attorneys' fees, and defense costs, of any kind or nature, including workers' compensation claims, of or by anyone whomsoever, resulting from or arising out of a negligent or wrongful act, error or omission by CONSULTANT in CONSULTANT's performance of this Agreement. Should the District be named in a suit, or should a claim be brought against it by suit or otherwise, resulting from or arising out of the CONSULTANT's negligent performance of this Agreement, CONSULTANT will defend DISTRICT (at DISTRICT's request and with counsel satisfactory to DISTRICT) and will indemnify DISTRICT for any judgment rendered against it or any sums paid out in settlement or otherwise.

17. **WORKERS' COMPENSATION.** The CONSULTANT shall comply with all of the provisions of the Workers' Compensation Insurance and Safety Acts of the State of California, the applicable provisions of Division 4 and 5 of the California Government Code and all amendments thereto; and all similar state or Federal acts or laws applicable; and shall indemnify, and hold harmless the DISTRICT and its officers, and employees from and against all claims, demands, payments, suits, actions, proceedings and judgments of every nature and description, including attorney's fees and defense costs presented, brought or recovered against the DISTRICT or its officers, employees, or volunteers, for or on account of any liability under any of said acts which may be incurred by reason of any work to be performed by the CONSULTANT under this Agreement.

18. **INSURANCE.** The CONSULTANT, at its sole cost and expense, shall purchase and maintain, and shall require its subCONSULTANTS, when applicable, to purchase and maintain throughout the term of this agreement, the following insurance policies:

A. If checked, Professional Liability Insurance (errors and omissions) with minimum limits of \$1,000,000 per occurrence.

B. Automobile insurance covering all bodily injury and property damage incurred during the performance of this Agreement, with a minimum coverage of \$1,000,000 combined single limit per accident. Such automobile insurance shall include owned, non-owned, and hired vehicles ("any auto").

C. Commercial general liability insurance, with minimum limits of \$1,000,000 per occurrence/\$2,000,000 aggregate, covering all bodily injury and property damage arising out of its operations under this Agreement.

D. Workers' compensation insurance in an amount sufficient to meet statutory requirements covering all of CONSULTANT'S employees and employers' liability insurance with limits of at least \$1,000,000 per accident. In addition, the policy shall be endorsed with a waiver of subrogation in favor of the DISTRICT. Said endorsement shall be provided prior to commencement of work under this Agreement.

E. The aforesaid policies shall constitute primary insurance as to the DISTRICT, its officers, employees, and volunteers, so that any other policies held by the DISTRICT shall not contribute to any loss under said insurance. Said policies shall provide for thirty (30) days prior written notice to the DISTRICT of cancellation or material change.

F. Said policies, except for the professional liability and workers' compensation policies, shall name the DISTRICT and its officers, agents and employees as additional insureds, and separate additional insured endorsements shall be provided.

G. If required insurance coverage is provided on a "claims made" rather than "occurrence" form, the CONSULTANT shall maintain such insurance coverage for three years after expiration of the term (and any extensions) of this Agreement. In addition, the "retro" date must be on or before the date of this Agreement.

H. Any aggregate insurance limits must apply solely to this Agreement.

I. Insurance shall be written with only California admitted companies which hold a current policy holder's alphabetic and financial size category rating of not less than A VIII according to the current Best's Key Rating Guide, or a company equal financial stability that is approved by the DISTRICT's Chief of Administrative Services. In the event coverage is provided by non-admitted "surplus lines" carriers, they must be included on the most recent California List of Eligible Surplus Lines Insurers (LESLI list) and otherwise meet rating requirements.

J. This Agreement shall not take effect until certificate(s) or other sufficient proof that these insurance provisions have been complied with, are filed with and approved by the DISTRICT's Risk Manager. If the CONSULTANT does not keep all of such insurance policies in full force and effect at all times during the terms of this Agreement, the DISTRICT may obtain such coverage at CONSULTANT's expense and deduct the cost of such insurance from payments due to CONSULTANT under this Agreement, or may elect to treat the failure to maintain the requisite insurance as a breach of this Agreement and terminate the Agreement as provided herein.

K. All deductibles and self-insured retentions in excess of \$10,000 must be disclosed to and approved by the DISTRICT.

19. **LEGAL FEES.** If any party brings a suit or action against the other party arising from any breach of any of the covenants or agreements or any inaccuracies in any of the representations and warranties on the part of the other party arising out of this Agreement, then in that event, the prevailing party in such action or dispute, whether by final judgment or

out-of-court settlement, shall be entitled to have and recover of and from the other party all costs and expenses of suit, including attorneys' fees.

For purposes of determining who is to be considered the prevailing party, it is stipulated that attorney's fees incurred in the prosecution or defense of the action or suit shall not be considered in determining the amount of the judgment or award. Attorney's fees to the prevailing party if other than the DISTRICT shall, in addition, be limited to the amount of attorney's fees incurred by the DISTRICT in its prosecution or defense of the action, irrespective of the actual amount of attorney's fees incurred by the prevailing party.

20. **MEDIATION/ARBITRATION.** If a dispute arises out of or relates to this Agreement, or the breach thereof, the parties agree first to try, in good faith, to settle the dispute by mediation in San Diego, California, in accordance with the Commercial Mediation Rules of the American Arbitration Association (the "AAA") before resorting to arbitration. The costs of mediation shall be borne equally by the parties. Any controversy or claim arising out of, or relating to, this Agreement, or breach thereof, which is not resolved by mediation shall be settled by arbitration in San Diego, California, in accordance with the Commercial Arbitration Rules of the AAA then existing. Any award rendered shall be final and conclusive upon the parties, and a judgment thereon may be entered in any court having jurisdiction over the subject matter of the controversy. The expenses of the arbitration shall be borne equally by the parties to the arbitration, provided that each party shall pay for and bear the costs of its own experts, evidence and attorneys' fees, except that the arbitrator may assess such expenses or any part thereof against a specified party as part of the arbitration award.

21. **TERMINATION.** A. This Agreement may be terminated with or without cause by the DISTRICT. Termination without cause shall be effective only upon 60-day's written notice to the CONSULTANT. During said 60-day period the CONSULTANT shall perform all services in accordance with this Agreement.

B. This Agreement may also be terminated immediately by the DISTRICT for cause in the event of a material breach of this Agreement, misrepresentation by the CONSULTANT in connection with the formation of this Agreement or the performance of services, or the failure to perform services as directed by the DISTRICT.

C. Termination with or without cause shall be effected by delivery of written Notice of Termination to the CONSULTANT as provided for herein.

D. In the event of termination, all finished or unfinished Memoranda Reports, Plans, Specifications and other documents prepared by the CONSULTANT, whether paper or electronic, shall immediately become the property of and be delivered to the DISTRICT, and the CONSULTANT shall be entitled to receive just and equitable compensation for any work satisfactorily completed on such documents and other materials up to the effective date of the Notice of Termination, not to exceed the amounts payable hereunder, and less any damages caused the DISTRICT by the CONSULTANT's breach, if any. Thereafter, ownership of said written material shall vest in the DISTRICT all rights set forth in Section 8.

E. The DISTRICT further reserves the right to immediately terminate this Agreement upon: (1) the filing of a petition in bankruptcy affecting the CONSULTANT; (2) a reorganization of the CONSULTANT for the benefit of creditors; or (3) a business reorganization, change in business name or change in business status of the CONSULTANT.

22. **NOTICES.** All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered; or sent by overnight mail (Federal Express or the like); or sent by registered or certified mail, postage prepaid, return receipt requested; or sent by ordinary mail, postage prepaid; or telegraphed or cabled; or

delivered or sent by telex, telecopy, facsimile or fax; and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice, (ii) if sent by overnight mail, the business day following its deposit in such overnight mail facility, (iii) if mailed by registered, certified or ordinary mail, five (5) days (ten (10) days if the address is outside the State of California) after the date of deposit in a post office, mailbox, mail chute, or other like facility regularly maintained by the United States Postal Service, (iv) if given by telegraph or cable, when delivered to the telegraph company with charges prepaid, or (v) if given by telex, telecopy, facsimile or fax, when sent. Any notice, request, demand, direction or other communication delivered or sent as specified above shall be directed to the following persons:

To DISTRICT: Human Resources Manager
 Human Resources
 OTAY WATER DISTRICT
 2554 Sweetwater Springs Boulevard
 Spring Valley, CA 91978-2096

To CONSULTANT: Executive Vice President, Employee Benefits
 Willis Risk & Insurance Services
 4250 Executive Square, Suite 250
 La Jolla, CA 92037

Notice of change of address shall be given by written notice in the manner specified in this Section. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice, demand, request or communication sent. Any notice, request, demand, direction or other communication sent by cable, telex, telecopy, facsimile or fax must be confirmed within forty-eight (48) hours by letter mailed or delivered as specified in this Section.

23. **CONFLICT OF INTEREST AND POLITICAL REFORM ACT OBLIGATIONS.** The CONSULTANT shall at all times comply with the terms of the Political Reform Act and the DISTRICT's Conflict of Interest Code. CONSULTANT has received and reviewed a copy of the District's Conflict of Interest Code.

CONSULTANT covenants that neither it, nor any officer or principal of its firm, has or shall acquire any financial interest, directly or indirectly, which would conflict in any manner with the interests of the DISTRICT or which would in any way hinder CONSULTANT's performance of services under this Agreement. In the performance of this Agreement, no person having any such interest shall be employed by it as an officer, employee, agent or subcontractor without the express written consent of the DISTRICT. The CONSULTANT also agrees not to specify any service, product, treatment, process or material in which the CONSULTANT has a material financial interest, either direct or indirect, without first notifying the DISTRICT of that fact. The CONSULTANT shall immediately disqualify itself and shall not use its official position to influence in any way any matter coming before the DISTRICT in which the CONSULTANT has a financial interest as defined in Government Code Section 87103.

The CONSULTANT represents that it has no knowledge of any financial interests that would require it to disqualify itself from any matter on which it might perform services for the DISTRICT. CONSULTANT acknowledges that prior to entering into this Agreement and during the term, CONSULTANT shall have a duty to disclose to the DISTRICT any and all circumstances that may pose an actual or potential conflict of interest under state law or the DISTRICT's Conflict of Interest Code. If a potential conflict of interest issue arises,

CONSULTANT shall fully cooperate in any inquiry and provide the DISTRICT with all documents or other information reasonably necessary to enable the DISTRICT to determine whether or not a conflict of interest existed or exists.

If checked, the CONSULTANT shall comply with all of the reporting requirements of the Political Reform Act and the DISTRICT's Conflict of Interest Code. Specifically, the CONSULTANT shall file a Statement of Economic Interests with the DISTRICT's General Manager in a timely manner on forms which the CONSULTANT shall obtain from the office of the DISTRICT's General Manager.

The CONSULTANT shall not conduct or solicit any non-District business while on DISTRICT time or using DISTRICT property.

The CONSULTANT shall be strictly liable to the DISTRICT for all damages, costs or expenses the DISTRICT may suffer by virtue of any violation of this Paragraph 23 by the CONSULTANT. Failure to comply with the provisions of this Section 23 shall constitute a material breach of the Agreement and cause for termination under Section 21.

24. MISCELLANEOUS PROVISIONS.

A. *Computation of Time Periods.* If any date or time period provided for in this Agreement is or ends on a Saturday, Sunday or federal, state or legal holiday, then such date shall automatically be extended until 5:00 p.m. Pacific Time of the next day which is not a Saturday, Sunday or federal, state or legal holiday.

B. *Counterparts.* This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute but one and the same instrument.

C. *Captions.* Any captions to, or headings of, the sections or subsections of this Agreement are solely for the convenience of the parties hereto, are not a part of this Agreement, and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

D. *No Obligations to Third Parties.* Except as otherwise expressly provided herein, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, or obligate any of the parties hereto, to any person or entity other than the parties hereto.

E. *Exhibits and Schedules.* The Exhibits and Schedules attached hereto are hereby incorporated herein by this reference for all purposes.

F. *Amendment to this Agreement.* The terms of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto.

G. *Waiver.* The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of any such provision or any other provision hereof.

H. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of California.

I. *Entire Agreement.* This Agreement supersedes any prior agreements, negotiations and communications, oral or written, and contains the entire agreement between the parties as to the subject matter hereof. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of any party hereto shall be of any effect unless it is in writing and executed by the party to be bound thereby.

J. *Successors and Assigns.* This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

K. *Construction.* The parties acknowledge and agree that (i) each party is of equal bargaining strength, (ii) each party has actively participated in the drafting, preparation

and negotiation of this Agreement, (iii) each such party has consulted with or has had the opportunity to consult with its own, independent counsel and such other professional advisors as such party has deemed appropriate, relative to any and all matters contemplated under this Agreement, (iv) each party and such party's counsel and advisors have reviewed this Agreement, (v) each party has agreed to enter into this Agreement following such review and the rendering of such advice, and (vi) any rule or construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement, or any portions hereof, or any amendments hereto.

25. **BROKER SERVICES AGREEMENT ADDENDUM:** CONSULTANT agrees to abide by the Broker Services Agreement Addendum, Exhibit C, and incorporated herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

OTAY WATER DISTRICT

WILLIS RISK & INSURANCE SERVICES

(Corporation – signatures of two corporate officers)

By: _____
Mark Watton, General Manager

By: _____
(Name)

(Print)

APPROVED AS TO FORM:

(Title)

Aerobel Banuelos
Attorney

By: _____
(Name)

(Print)

(Title)

EXHIBIT A

SCOPE OF SERVICES

Consultant agrees to perform consulting services as required by DISTRICT. Consultant shall provide the necessary qualified personnel to perform the services. In performance of the services Consultant services include:

1. Strategic Planning

- Assist in defining and prioritizing strategic health & welfare plan objectives
- Assist in the evaluation of internal technical capabilities to determine increased/improved applications for administrative processes
- Identify underperforming vendor relationship
- Assess carrier/vendor customer service levels
- Develop project action timelines
- Periodic review of employee demographics
- Assist in the development of an employee survey. Conduct survey and provide an executive summary detailing results
- Discuss relevant benchmarking data

2. Financial Analysis

- Perform financial review and analysis of experience reports
- Assess current funding arrangements for appropriateness and make recommendations as needed to assist in calculating annual benefit budget, billing rates, annual reserve requirements and proposed plan design changes
- Evaluate current costs of benefits versus effectiveness of plan design
- Review managed care expense and administrative service fees (where applicable)
- Analyze utilization data and cost containment results of medical management
- Forecast projected benefit costs to include maximum exposure
- Evaluate excess loss coverage
- Prepare experience reviews as directed
- Assist in developing appropriate employee contributions levels
- Perform trend analysis from available diagnostic and normative data
- Completion of IRS Form 5500 for signature by District's designated representative as needed

3. Renewal

- Analyze and negotiate renewals with vendors
- Review vendor renewal methodology, experience data, and assumptions for accuracy and logic
- Compare vendor renewal with Willis projections
- Develop and present alternative plan designs and provisions with associated financial and member impact analysis
- Finalize program design, rates, and fees a minimum of 60 days prior to effective date
- Prepare an accurate renewal document with recommendations for delivery to senior

management (as needed)

4. Marketing

- Develop plan specification based on feedback from strategic planning meeting
- Jointly determine list of vendors best suited to meet plan goals and objectives
- Develop vendor performance guarantees with monetary penalties as necessary
- Assist in the review of current electronic data transfer processes with vendors
- Perform pre-marketing evaluation of census data, network service areas, and administrative needs
- Evaluate carrier client support services
- Evaluate vendor financial ratings and accreditation
- Review provider network accessibility/employee match
- Perform critical analysis and comparison of plan features and costs
- Assist in the scheduling of selected finalist site visits
- Assist in conducting finalist negotiations
- Prepare and submit a summary report with recommendations to management
- Assist in the notification of all bidders as to the final outcome

5. Annual Enrollment

- Assist in the planning of employee meetings, round tables, and health seminars
- Provide guidance and develop a comprehensive communication strategy.
- Assist with creation of communication material.
- Introduce workable technology solutions for communications and enrollment where appropriate (e.g. propose online open enrollment strategy to streamline process)
- Assist with collation and distribution of open enrollment material to active employees and retirees
- Coordinate vendor sponsored communication material

6. Compliance

- Provide legislative updates as needed
- Review plan documents and summary plan descriptions for regulatory compliance from a non-legal perspective (client would need to retain legal advice). Assist with preparing corresponding amendments
- Provide access to periodic web casts compliance sessions

7. Account Management Services

- Meet and present to District staff, Board and employees as required
- Serve as a liaison between the client and all insurance companies/vendors
- Monitor administrative process and assist in the smooth resolution of elevated issues
- Act as an employee/employer advocate in the resolution of ongoing claims issues

8. Transition Services

- Use best efforts to implement smooth transition from prior insurance brokerage firm to

CONSULTANT, including but not limited to working with client and all insurance companies/vendors to transition the insurance companies/vendors to CONSULTANT and coordinating with prior insurance brokerage firm to obtain all DISTRICT health and welfare materials and related documents

EXHIBIT B

Evaluation Form

<p>Please mark – using the scale provided – your level of service for the question.</p> <p>1= Poor 2 = Not Good 3 = Good 4 = Very Good 5 = Excellent</p>					
Criteria	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr	Avg.
<p>Account Management:</p> <ul style="list-style-type: none"> • Willis team members are readily accessible in person, by phone and email. • Willis listens well to our unique needs and asks questions to clarify mutual understanding. • Willis provides high-touch, proactive service to our account. • Willis communicates regularly and clearly on progress and implementation issues. 					
<p>Expertise:</p> <ul style="list-style-type: none"> • Willis meets our expectations for evaluating the efficiency of our plans. • Willis provides value added ideas to help us control costs and meet District objectives. • Willis keeps us updated on changing legislature and recommends appropriate action when needed. 					
<p>Projects:</p> <ul style="list-style-type: none"> • Assist with finalizing and adopting the Dental and Flexible Spending Account Summary Plan Descriptions and Plan Documents. • Assist with creating an “Addendum Medical Summary Plan Description” which addresses the District’s Eligibility and Extension of Coverage and any other nuances not covered in the Blue Shield Summary Plan Descriptions. • Coordinate with Bradawn, Inc in retrieving all District health and welfare material needed and informing all relevant vendors of new brokerage firm information. 					

• Assist with other projects as decided.					

Score (Calculations based on pre-determined criteria and weighted averages):

- 0 - 10 Points 10% of Fees Returned**
- 10 - 14 Points 7% of Fees Returned**
- 15 - 20 Points 5% of Fees Returned**
- 20 - 25 Points 3% of Fees Returned**
- 25 points or greater 0% of Fees Returned**

EXHIBIT C

BROKER SERVICES AGREEMENT ADDENDUM Requested Language

The following disclosure is made by Willis Insurance Services of San Diego ("we" or "us") to The OTAY WATER DISTRICT ("you"), in connection with the agreement for insurance brokerage services ("Services") entered into between the parties.

Before we bind the specific insurance coverage you desire to purchase we will disclose to you in writing:

- (a) a summary of all quotes and indications we sought and received with certain pertinent information, or, if you prefer, a copy of all quotes and indications we sought and all quotes or indications we received in connection with that coverage;
- (b) any interest we may have in, or contractual arrangements we may have with, any of the prospective insurers;
- (c) the maximum amount or percentage rate of compensation which we, our parent companies, subsidiaries or affiliates, may receive in connection with the placement of the insurance coverage; and

we will obtain your written consent to the amount or rate of compensation we will receive before coverage is bound.

You understand and agree that you shall make final decisions with respect to underwriting submissions and all matters relating to your insurance coverage, risk management, and loss control needs and activities. We will procure the insurance coverage chosen by you, prepare insurance binders, and review and transmit policies to you.

We will assess the financial soundness of the insurers we recommend to provide your coverages based on publicly available information, including that produced by well-recognized rating agencies. Upon request, we will provide you with our factual analysis of such insurers. We cannot, however, guarantee or warrant the solvency of any insurer or any intermediary that we may use to place your coverage.

We will review all policies and endorsements delivered to us by insurers or intermediaries for the purpose of confirming their accuracy and conformity to negotiated specifications and your instructions and advise you of any errors in, or recommended changes to, such policies. You agree that you will also review all policies and endorsements delivered to you and advise us of any questions you have or of any document or provision that you discover which you believe may not be in accordance with your instructions.

We will meet, as requested by you, with your representatives to explain coverage and policies. We will promptly respond to your requests for coverage information, analysis of changing market conditions, and assistance in developing procedures for handling loss exposures, and assist you in reporting subsequent changes in underwriting information to insurance companies.

We will inform you of the reporting requirements for claims, including where claims should be reported and the method of reporting to be used, if applicable. Please carefully review any claims-reporting instructions or information we provide you because failure to timely and properly report a claim may jeopardize coverage for the claim. In addition, you should retain copies of all insurance policies and coverage documents as well as claims-reporting instructions after termination of the policies because in some cases you may need to report claims after termination of a policy.

Prior to binding we will also seek your written consent to the actual commission we will earn from each carrier as required by the Assurance of Discontinuance with the Attorney General of the State of New York.

Commissions are paid by insurers from the premiums you pay and are earned by us for the entire policy period at the time we place policies for you.

If any insurer requires us to receive commissions in regard to any of the Coverages which are inconsistent with the provisions above, we will promptly notify you of such commissions and seek your written consent to receive them.

Our compensation may be revised if you request a change in the coverages and/or services during the term of this Agreement and we enter into a written agreement documenting any change in Coverages, Services and Compensation.

In some cases the use of a wholesale broker may be beneficial to you. We will not directly or indirectly knowingly place or renew your insurance business through a wholesale broker unless we first disclose to you in writing:

- (a) any interest we have in, or any contractual agreements we have with, the wholesale broker;
- (b) any alternatives to using the wholesale broker;
- (c) any compensation we or our corporate parents, subsidiaries or affiliates will receive as a result; and

obtain your consent to do so. If we expect to recommend the use of a wholesale broker, any compensation we or our corporate parents, subsidiaries or affiliates will receive as a result is also included in the total compensation provided for in the brokerage agreement between the parties.

Other parties such as underwriting managers or managing general agents may also earn and retain usual and customary commissions for their roles in providing insurance products and services to you. If any such parties are corporate parents, subsidiaries or affiliates of ours, any compensation we or our corporate parents, subsidiaries or affiliates will receive is included in the total compensation provided for in the brokerage agreement between the parties.

You may choose to use a premium finance company, property appraiser, structured settlement firm or other similar service provider in connection with the insurance coverages we place for you or the Services we provide to you. If you elect to use a service provider from which we or our corporate parents, subsidiaries or affiliates will receive any compensation directly or indirectly relating to the services you purchase from the provider, we will disclose additional

information regarding that compensation to you before you make a final decision to use the service provider.

In the ordinary course of business we may also receive and retain interest on premiums you pay from the date we receive the funds until we pay them to the insurers or intermediaries.

As an insurance intermediary, we normally act for you. However, we or our corporate parents, subsidiaries or affiliates may provide services to insurers for some insurance products. These services may include (a) acting as a managing general agent, program manager or in other similar capacities which give us binding authority enabling us to accept business on their behalf and immediately provide coverage for a risk; (b) arranging lineslips or similar facilities which enable an insurer to bind business for itself and other insurers; or (c) managing lineslips for insurers. Contracts with these insurers may grant us certain rights or create certain obligations regarding the marketing of insurance products provided by the insurers.

We may place your insurance business under such a managing general agent's agreement, binding authority, lineslip or similar facility when we reasonably consider that these match your insurance requirements/instructions. When we intend to do so, we shall inform you and disclose the contractual arrangements we have with the insurer in accordance this disclosure.

We may also provide reinsurance brokerage services to insurers with which your coverage is placed pursuant to separate agreements with those insurers. We may be compensated by the insurers for these services in addition to any compensation we may receive for placement of your insurance coverages.

The insurance market is complex, and there could be other relationships which are not described in this document which might create conflicts of interest. Notwithstanding any possible conflict which might exist, we will act in your best interests at all times in providing the Services to you. If a conflict arises for which there is no practicable way of complying with this commitment, we will promptly inform you and withdraw from the engagement, unless you wish us to continue to provide the Services and will provide your written consent.

Prices on the Services specified herein are exclusive of all federal, state and local sales, use, excise, receipts, gross income and other similar taxes and governmental charges. Any such taxes or charges upon the Services provided hereunder, now imposed or hereafter becoming effective during the term of this agreement, shall be added to the price herein provided and paid by you unless, in lieu thereof, you provide us with a valid tax exemption certificate acceptable to us.

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