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

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA
BOARDROOM
MONDAY
November 20, 2006
4:00 P.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. PRESENTATION OF DIRECTOR'S FIRST QUARTER EXPENSES FOR FISCAL YEAR 2007 (PRENDERGAST) [5 minutes]

4. PRESENTATION OF AN OVERVIEW OF THE DISTRICT'S MEDICAL PROGRAM AND FISCAL YEAR 2007 BUDGET (WILLIAMSON) [5 minutes]

5. APPROVE THE PURCHASE OF AN ADDITIONAL 17,000 RADIO-READ WATER METERS FROM MASTER METERS, INC. THROUGH FISCAL YEAR 2010 UNDER THE TERMS AND CONDITIONS CONTAINED IN THE 10-YEAR AGREEMENT APPROVED BY THE BOARD ON DECEMBER 7, 2005 (DOBRAWA/HENDERSON) [5 minutes]

6. UPDATE REPORT ON THE STATUS OF THE CAPITAL IMPROVEMENT PROJECTS FOR THE FIRST QUARTER OF FISCAL YEAR 2007 (RIPPERGER) [10 minutes]

7. APPROVE A BUDGET INCREASE FOR THE 640-1 AND 640-2 RESERVOIRS PROJECT FROM $27 MILLION TO $29.5 MILLION AND AWARD A CONSTRUCTION CONTRACT TO PACIFIC HYDROTECH CORPORATION, INC. IN

THE AMOUNT OF $24,894,000 FOR THE CONSTRUCTION OF THE 640-1 AND 640-2 RESERVOIRS (RIPPERGER) [10 minutes]

8. REPORT ON THE BOND PROCESS INCLUDING THE PARTIES INVOLVED, THEIR FUNCTIONS AND THE SELECTION PROCESS (BEACHEM) [25 minutes]

9. ADOPT RESOLUTION NO. 4091 ALLOWING FOR THE REIMBURSEMENT OF CERTAIN EXPENDITURES FROM THE PROCEEDS OF THE CERTIFICATES OF PARTICIPATION (BEACHEM) [5 minutes]

10. APPROVE CONTRACTS WITH THE FOLLOWING FIRMS FOR SERVICES RELATED TO THE PENDING BOND SALE: (BEACHEM) [10 minutes]

    a. CONTRACT WITH THE FIRM OF GARCIA, CALDERON, RUIZ AND THE FIRM OF SIDLEY AUSTIN FOR CO-BOND COUSEL SERVICES FOR A COMBINED $50,000 PLUS OUT-OF-POCKET EXPENSES NOT TO EXCEED $1,000

    b. CONTRACT WITH THE FIRM OF STRADLING, YOCCA, CARLSON & RAUTH FOR DISCLOSURE COUNSEL SERVICES FOR $22,500 PLUS OUT-OF-POCKET EXPENSES NOT TO EXCEED $2,500

    c. CONTRACT WITH UNION BANK FOR TRUSTEE SERVICES FOR AN AMOUNT NOT TO EXCEED $1,500 PLUS INCIDENTAL OUT-OF-POCKET EXPENSES

11. 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.

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 November 17, 2006 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 November 17, 2006.

Susan Cruz, District Secretary

AGENDA ITEM 3

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	December 6, 2006
SUBMITTED BY:	Sean Prendergast, Payroll/AP Supervisor	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Joseph R. Beachem, Chief Financial Officer		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Director's Expenses for the 1st Quarter of Fiscal Year 2007		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To inform the Board of the Director's expenses for the 1st quarter of Fiscal Year 2007.

ANALYSIS:

The Director's expense information is being presented in order to comply with State law. (See Attachment B for Summary and C-H for Details.)

FISCAL IMPACT: _____

None.

STRATEGIC GOAL:

Prudently manage District funds.

LEGAL IMPACT: _____

Compliance with State law.

_____
General Manager

Attachments:

A) Committee Action Form

B) Director's Expenses and per Diems

C-H) Director's Expenses Detail

Attachment B

BOARD OF DIRECTORS' EXPENSES AND PER-DIEMS

FINANCE AND ADMINISTRATION MEETING
NOVEMBER 20, 2006

Policy 8 requires that staff present the Expenses and Per-Diems for the Board of Directors on a Quarterly basis:

- Fiscal Year 2007, 1st Quarter
- The expenses are shown in detail by Board member, month and expense type.
- This presentation is in alphabetical order.
- This information was presented to the Finance and Administration Committee on November 20, 2006

Board of Directors' Expenses and Per-Diems
Fiscal Year 2007 Quarter 1 (Jul 06- Sep 06)

• Director Bonilla	0.00
• Director Breitfelder	$1,339.66
• Director Croucher	$800.00
• Director Lopez	$1,035.10
• Director Robak	$2,028.95
• Total	$5,203.71

Director Bonilla

Fiscal Year 2007 Quarter 1

	Jul 06	Aug 06	Sep 06	Qtr1
• Mileage Business				
• Mileage Commute				
• Conference				
• Travel				
• Director's Fees	_____	_____	_____	
•				
• Monthly Totals	0.00	0 .00	0.00	

- Meetings Attended — Director Bonilla does not request
- Meetings Paid — Per-Diem reimbursements.
- Quarterly Total
- Fiscal Year-to-Date 2007 (Jul06-Sep06)

Director Brietfelder

Fiscal Year 2007 Quarter 1

	Jul 06	Aug 06	Sep 06	Qtr1
• Mileage Business	55.18	13.35	37.38	
• Mileage Commute	26.70	13.35	26.70	
• Business Meetings	60.00	32.00	20.00	
• Seminars & Travel			55.00	
• Director's Fees	400.00	200.00	400.00	
• Monthly Totals	541.88	258.70	539.08	
• Meetings Attended	11	12	12	
Meetings Paid	4	2	4	
• Quarterly Total				1,339.66
• Fiscal Year-to-Date 2007 (Jul06-Sep06)				1,339.66

Director Croucher

Fiscal Year 2007 Quarter 1

	Jul 06	Aug 06	Sep 06	Qtr1
• Mileage Business				
• Mileage Commute				
• Director's Fees	100.00	300.00	400.00	
• Seminars				
• Business Meeting				
• Monthly Totals	100.00	300.00	400.00	
•				
• Meetings Attended	1	3	4	
• Meetings Paid	1	3	4	
• Quarterly Total				800.00
• Fiscal Year-to-Date 2007 (Jul06-Sep06)				800.00

Director Lopez

Fiscal Year 2007 Quarter 1

	Jul 06	Aug 06	Sep 06	Qtr1
• Mileage Business				
• Mileage Commute	13.35	26.70	40.05	
• Travel				
• Director's Fees	200.00	300.00	400.00	
• Conference			55.00	
• Monthly Totals	213.35	326.70	495.05	
• Meetings Attended	2	3	4	
• Meetings Paid	2	3	4	
• Quarterly Total				1,035.10
• Fiscal Year-to-Date 2007 (Jul06-Sep06)				1,035.10

Director Robak

Fiscal Year 2007 Quarter 1

	Jul 06	Aug 06	Sep 06	Qtr1
• Mileage Business	46.28	44.06	31.15	
• Mileage Commute	1.78	5.34	5.34	
• Business Meetings	40.00			
• Director's Fees	600.00	700.00	500.00	
• Conference			55.00	
• Monthly Totals	688.06	749.40	591.49	
• Meetings Attended	10	9	8	
• Meetings Paid	6	7	5	
Quarterly Total				2,028.95
• Fiscal Year-to-Date 2007 (Jul06-Sep06)				2,028.95

Board of Directors' Expenses and Per Diems
Fiscal Year 2007 to Date (Jul 06- Sep 06)

• Director Bonilla	0.00
• Director Breitfelder	$1,339.66
• Director Croucher	$800.00
• Director Lopez	$1,035.10
• Director Robak	$2,028.95
• Total	$5,203.71

Board of Directors' Expenses and Per Diems
Fiscal Year 2007 to Date (Jul 06- Jun 07) **Projected**

• Director Bonilla	0.00
• Director Breitfelder	$5,358.00
• Director Croucher	$3,200.00
• Director Lopez	$4,140.00
• Director Robak	$8,112.00
• Total	$20,810.00

OTAY WATER DISTRICT
ADMINISTRATIVE EXPENSES - BOARD
July 1, 2006 - September 30, 2006

		Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Total
JAIME BONILLA (DETAILED IN SECTION D):														
5211	Mileage - Commuting	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5211	Mileage - Business	-	-	-	-	-	-	-	-	-	-	-	-	-
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5214	Business meetings	-	-	-	-	-	-	-	-	-	-	-	-	-
5114	Director's fees	-	-	-	-	-	-	-	-	-	-	-	-	-
5241	Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
5213	Seminars and conferences	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
LARRY BREITFELDER (DETAILED IN SECTION E):														
5211	Mileage - Commuting	$ 26.70	$ 13.35	$ 26.70	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 66.75
5211	Mileage - Business	55.18	13.35	37.38	-	-	-	-	-	-	-	-	-	105.91
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5214	Business meetings	60.00	32.00	20.00	-	-	-	-	-	-	-	-	-	112.00
5114	Director's fees	400.00	200.00	400.00	-	-	-	-	-	-	-	-	-	1,000.00
5241	Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
5213	Seminars and conferences	-	-	55.00	-	-	-	-	-	-	-	-	-	55.00
	Total	$ 541.88	$ 258.70	$ 539.08	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,339.66
GARY D. CROUCHER (DETAILED IN SECTION F):														
5211	Mileage - Commuting	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5211	Mileage - Business	-	-	-	-	-	-	-	-	-	-	-	-	-
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5214	Business meetings	-	-	-	-	-	-	-	-	-	-	-	-	-
5114	Director's fees	100.00	300.00	400.00	-	-	-	-	-	-	-	-	-	800.00
5241	Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
5213	Seminars and conferences	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total	$ 100.00	$ 300.00	$ 400.00	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 800.00
JOSE LOPEZ (DETAILED IN SECTION G):														
5211	Mileage - Commuting	$ 13.35	$ 26.70	$ 40.05	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 80.10
5211	Mileage - Business	-	-	-	-	-	-	-	-	-	-	-	-	-
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5214	Business meetings	-	-	-	-	-	-	-	-	-	-	-	-	-
5281	Director's fees	200.00	300.00	400.00	-	-	-	-	-	-	-	-	-	900.00
5241	Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
5213	Seminars and conferences	-	-	55.00	-	-	-	-	-	-	-	-	-	55.00
	Total	$ 213.35	$ 326.70	$ 495.05	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,035.10
MARK ROBAK (DETAILED IN SECTION H):														
5211	Mileage - Commuting	$ 1.78	$ 5.34	$ 5.34	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12.46
5211	Mileage - Business	46.28	44.06	31.15	-	-	-	-	-	-	-	-	-	121.49
5212	Travel	-	-	-	-	-	-	-	-	-	-	-	-	-
5214	Business meetings	40.00	-	-	-	-	-	-	-	-	-	-	-	40.00
5114	Director's fees	600.00	700.00	500.00	-	-	-	-	-	-	-	-	-	1,800.00
5241	Telephone	-	-	-	-	-	-	-	-	-	-	-	-	-
5213	Seminars and conferences	-	-	55.00	-	-	-	-	-	-	-	-	-	55.00
	Total	$ 688.06	$ 749.40	$ 591.49	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,028.95
TOTALS:														
5211	**Mileage - Commuting**	**$ 41.83**	**$ 45.39**	**$ 72.09**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 159.31**
5211	**Mileage - Business**	**101.46**	**57.41**	**68.53**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**227.40**
5212	**Travel**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5214	**Business meetings**	**100.00**	**32.00**	**20.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**152.00**
5114	**Director's fees**	**1,300.00**	**1,500.00**	**1,700.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,500.00**
5241	**Telephone**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
5213	**Seminars and conferences**	**-**	**-**	**165.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**165.00**
	Total	**$ 1,543.29**	**$ 1,634.80**	**$ 2,025.62**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 5,203.71**

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

ATTACHMENT D
SECTION D

NAME OF DIRECTOR: **JAIME BONIILA**

ACCOUNT NAME	DATE	DESCRIPTION	AMOUNT
Total			
Grand Total			

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

ATTACHMENT E
SECTION E

NAME OF DIRECTOR: BREITFELDER, LARRY

ACCOUNT NAME	DATE	DESCRIPTIONS	AMOUNT
5211 Mileage			
	7/31/2006		
		MEETING - JULY 18 & 25, 2006	$ 55.18
		MEETING - JULY 5 & 21, 2006	26.70
	8/30/2006		
		MEETING - AUGUST 17, 2006	13.35
		MEETING - AUGUST 2, 2006	13.35
	9/30/2006		
		MEETING - SEPTEMBER 19, 2006	37.38
		MEETING - SEPTEMBER 6 & 25, 2006	26.70
5211 Mileage Total			172.66
5213 Conferences and Seminars			
	9/29/2006		
		2007 WATER CONSERVATION SUMMIT	55.00
5213 Conferences and Seminars Total			55.00
5214 Business Meetings			
	7/18/2006		
		COUNCIL OF WATER UTILITIES BREAKFAST MEETING	20.00
	7/20/2006		
		WATER AGENCIES ASSOCIATION OF SD QTRLY MEETING	40.00
	8/17/2006		
		CSDA QUARTERLY DINNER MEETING	32.00
	9/19/2006		
		COUNCIL OF WATER UTILITIES BREAKFAST MEETING	20.00
5214 Business Meetings Total			112.00
5281 Director's Fees			
	7/5/2006		
		REGULAR BOARD MEETING	100.00
	7/18/2006		
		COUNCIL OF WATER UTILITIES	100.00
	7/21/2006		
		FINANCE & ADMINISTRATION COMMITTEE MEETING	100.00
	7/25/2006		
		WATER CONSERVATION GARDEN COMMITTTEE MEETING	100.00
	8/2/2006		
		REGULAR BOARD MEETING	100.00
	8/7/2006		
		CSDA QUARTERLY MEETING	100.00
	9/6/2006		
		REGULAR BOARD MEETING	100.00
	9/19/2006		
		COUNCIL OF WATER UTILITIES	100.00
	9/25/2006		
		OWD WORKSHOP	100.00
	9/29/2006		
		WATER CONSERVATION GARDEN COMMITTTEE MEETING	100.00
5281 Director's Fees Total			1,000.00
Grand Total			$ 1,339.66

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

ATTACHMENT F
SECTION F

NAME OF DIRECTOR: CROUCHER, GARY

ACCOUNT NAME	DATE	DESCRIPTIONS	AMOUNT
5281 Director's Fees			
	7/5/2006	REGULAR BOARD MEETING	$ 100.00
	8/2/2006	REGULAR BOARD MEETING	100.00
	8/7/2006	SPECIAL BOARD MEETING	100.00
	8/23/2006	ENGINEERING & OPERATIONS COMMITTEE MEETING	100.00
	9/6/2006	REGULAR BOARD MEETING	100.00
	9/22/2006	ENGINEERING & OPERATIONS COMMITTEE MEETING	100.00
	9/25/2006	ANNUAL BOARD RETREAT	100.00
	9/26/2006	AD HOC COMMITTEE - REVIEW POLICY 8	100.00
5281 Director's Fees Total			800.00
Grand Total			$ 800.00

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1, 2006 THROUGH SEPTEMBER 30, 2006

ATTACHMENT G
SECTION G

NAME OF DIRECTOR: LOPEZ, JOSE

ACCOUNT NAME	DATE	DESCRIPTIONS	AMOUNT
5211 Mileage			
	7/31/2006	MEETING - JULY 5 & 31, 2006	$ 13.35
	8/31/2006	MEETING - AUGUST 2, 7 & 21, 2006	26.70
	9/30/2006	MEETING - SEPTEMBER 6, 20, 22 & 25, 2006	40.05
5211 Mileage Total			80.10
5213 Conferences and Seminars			
	9/29/2006	2008 WATER CONSERVATION SUMMIT	55.00
5213 Conferences and Seminars Total			55.00
5281 Director's Fees			
	7/5/2006	REGULAR BOARD MEETING	100.00
	7/31/2006	JOINT AGENCY MEETING	100.00
	8/2/2006	REGULAR BOARD MEETING	100.00
	8/7/2006	SPECIAL BOARD MEETING	100.00
	8/21/2006	FINANCE & ADMINISTRATION COMMITTEE MEETING	100.00
	9/6/2006	REGULAR BOARD MEETING	100.00
	9/20/2006	FINANCE & ADMINISTRATION COMMITTEE MEETING	100.00
	9/22/2006	OPERATIONS & ENGINEERING COMMITTEE MEETING	100.00
	9/25/2006	OWD WORKSHOP	100.00
5281 Director's Fees Total			900.00
Grand Total			$ 1,035.10

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1 , 2006 THROUGH SEPTEMBER 30, 2006

ATTACHMENT H
SECTION H

NAME OF DIRECTOR: ROBAK, MARK

ACCOUNT NAME	DATE	DESCRIPTIONS	AMOUNT
5211 Mileage			
	7/31/2006		
		MEETING - JULY 5, 2006	$ 1.78
		MEETING - JULY 5, 6, 12, 17, 19, 21, & 28, 2006	46.28
	8/31/2006		
		MEETING - AUGUST 2, 7 & 21, 2006	5.34
	9/30/2006		
		MEETING - AUGUST 2, 3, 7, 8, 9,16, 21 & 31, 2006	44.06
		MEETING - SEPTEMBER 6, 20 & 29 2006	5.34
		MEETING - SEPTEMBER 6, 13, 20, 25 & 29, 2006	31.15
5211 Mileage Total			133.95
5213 Conferences and Seminars			
	9/29/2006		
		2006 WATER CONSERVATION SUMMIT	55.00
5213 Conferences and Seminars Total			55.00
5214 Business Meetings			
	7/20/2006		
		WATER AGENCIES ASSOCIATION OF SD QTRLY MEETING	40.00
5214 Business Meetings Total			40.00
5281 Director's Fees			
	7/5/2006		
		REGULAR BOARD MEETING	100.00
	7/6/2006		
		METRO COMMISSION	100.00
	7/12/2006		
		WATER CONSERVATION GARDEN COMMITTTEE MEETING	100.00
	7/17/2006		
		CUYAMACA COLLEGE WATER-WISE AA DEGREE PROGRAM	100.00
	7/19/2006		
		SWEETWATER AUTHORITY OPERATIONS COMMITTEE	100.00
	7/21/2006		
		FINANCE & ADMINISTRATION COMMITTEE MEETING	100.00
	8/2/2006		
		REGULAR BOARD MEETING	100.00
	8/3/2006		
		METRO COMMISSION	100.00
	8/7/2006		
		INTEGRATED RESOURCES PLANNING WORKSHOP	100.00
	8/8/2006		
		COMMUNICATIONS COMMITTEE MEETING	100.00
	8/9/2006		
		WATER CONSERVATION GARDEN COMMITTTEE MEETING	100.00
	8/21/2006		
		FINANCE & ADMINISTRATION COMMITTEE MEETING	100.00
	8/31/2006		
		METRO COMMISSION	100.00

OTAY WATER DISTRICT
SUMMARY - BOARD OF DIRECTORS EXPENSES
FOR THE PERIOD JULY 1 , 2006 THROUGH SEPTEMBER 30, 2006

NAME OF DIRECTOR: ROBAK, MARK

ACCOUNT NAME	DATE	DESCRIPTIONS	AMOUNT
	9/6/2006	REGULAR BOARD MEETING	100.00
	9/20/2006	FINANCE & ADMINISTRATION COMMITTEE MEETING	100.00
	9/25/2006	ANNUAL BOARD RETREAT	100.00
	9/29/2006	AD HOC COMMITTEE - REVIEW POLICY 8	100.00
	9/13/2006	WATER CONSERVATION GARDEN COMMITTTEE MEETING	100.00
5281 Director's Fees Total			1,800.00
Grand Total			$ 2,028.95

EXHIBIT "B"

OTAY WATER DISTRICT

BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay to: Larry Breitfelder

Period Covered: From 7-1 to 7-31-06

Employee Number: _____

Date	Meeting Name	Purpose / Issues Discussed	Mileage: Home to OWD / OWD to Home	Mileage: Other Location
7-5	BoD	OWD Board of Dirs Mtg	30	
7-7	First Friday			
11	Monday BoD			
13	Common Cause			
17	FACE			
18	Council of Water Utils		~~84~~	~~84~~
20	Water Agency Assoc.			
21	OWD Finance Comm.		30	
22	Nature Center Event inc. Sw. Audubon Exhibit			
25	Conserv. Action Comm.		~~40~~	~~40~~
26	CWA Mentorship Prog.			

TOTAL MEETING PER DIEM: $ 400.00
($145 per meeting)

TOTAL MILEAGE CLAIMED: 184 miles

Clearly covered under policy #8

Z Breitfelder
(Director's Signature)

Susan,
Could you double check the Council of Water Utilities. I'm pretty sure that's the one that dealt with retired employee health benefits, but I'm not sure. Did I miss that one?

President Approval Date: 8/16/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT = $_____

INSTRUCTIONS ON REVERSE

OTAY WATER DISTRICT

INSTRUCTIONS FOR PREPARATION OF BOARD OF DIRECTORS PER DIEM CLAIM FORM

1. Record the date, and name or purpose/issues discussed of meeting attended on behalf of the District.

   Note: The District will pay Director's per-diem for one meeting/function per day and the maximum of 10 meetings/functions per month. If a Director attends more than 10 meetings/functions (10 days), the District will reimburse for the mileage and any reimbursable out-of-pocket expenses incurred for these additional meetings.

2. Record number of miles (round trip) driven to attend meeting/function.

The use of personal vehicles in the conduct of official District business shall be reimbursed at the current Internal Revenue Service rate. The Director's expense claim should indicate the nature of the trip. If travel begins at home, the District will reimburse the mileage from home to destination and return mileage. District insurance does not cover personal vehicles while they are being driven on District business. The reimbursement rate is inclusive of an allowance for insurance costs. The District will reimburse Directors for the deductible under their personal insurance policy should they be involved in an accident while on District business. To be eligible for reimbursement, each Director shall maintain a current California driver's license and at least the minimum vehicle liability insurance required by State law or shall arrange for a driver who meets said standards.

The District will not reimburse the cost of travel of a personal nature taken in conjunction with travel on official business.

Claim forms should be submitted within 30 calendar days after the date. Expense claims requiring reimbursement to the District which are not reconciled within 30 calendar days, shall be deducted from the next reimbursement.

No information on the Per Diem Claim Form may be designated as confidential in nature. All expenses must be fully disclosed on the form.

22 Mab. All.

29 CV Chamber EDC Comm.

30 CV ch. Public Policy Comm.

AB000-1B1000-2101-5281-01 200.00
AB000-1B1000-2101-521102 13.35

EXHIBIT

OTAY WATER DISTRICT

BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay to: Larry Breitfelder

Period Covered:
From 8-1 to 8-30-06

Employee Number: 7013

Date	Meeting Name	Purpose / Issues Discussed	Mileage: Home to OWD / OWD to Home	Mileage: Other Locations
8-2 ✓	OWD BoD		30	
4	First Friday			
5	Employee Picnic			
7 ✓	Board Workshop			
7	FAC			
✓ 8	OWD Comm. Comm.			
9	Lunch w/ CV	Mayoral Staff		
12	Common Cause			
15	Mtg. w/ OWD	Employee Assoc. Pres.		
16	Water Res. Assoc.			
17	CSDA			
21	FACE			30

TOTAL MEETING PER DIEM: $ 200.00
($145 per meeting)

TOTAL MILEAGE CLAIMED: 60 miles

Z Breitfelder
(Director's Signat

Clearly covered under Policy #8.

GM Receipt ~~Approval~~ Date: [signature] 10/19/06 (Recvd in Dist. w/in 45 A.

OFFICE USE: TOTAL MILEAGE REIMBURSEMENT = $

INSTRUCTIONS ON REVERSE

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EXHIBIT

OTAY WATER DISTRICT

BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay to: Larry Breitfelder

Period Covered:
From 9-1 to 9-30-06

Employee Number: 7013

Date	Meeting Name	Purpose / Issues Discussed	Mileage Home to OWD OWD to Home	Mileage Other Locations
9-1	First Friday			
✓ 6	OWD BoD. Comm.		30	
10	SBFACA			
12	CV State of the	City Address		
13	Common Cause			
18	FACE			
✓ 19	Council of Water	Utilities		
✓ 25	OWD Workshop		30	
26	CV Chamber	Public Policy Comm.		
27	Fil. Chamber			
28	FAC			
✓ 29	Conserv. Summit / Conserv. Comm.			

TOTAL MEETING PER DIEM: $ 400,00
($145 per meeting)

TOTAL MILEAGE CLAIMED: 184 miles

Clearly covered under policy #8

L Breitfelder
(Director's Sig

GM Receipt
GM ~~Approval~~ Date: [signature] 10/18/06

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FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT = $

INSTRUCTIONS ON REVERSE

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EXHIBIT B

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Gary Croucher

Period Covered:

Employee Number: 7011

From: 07/01/06 **To:** 07/31/06

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓ 1	7/5/06 07/06	Board	Regular Board Meeting		

Total Meeting Per Diem: $100
($100 per meeting)

Total Mileage Claimed: 0 **miles**

(Director's Signature)

GM Approval: _____ **Date:** 9/11/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

'06 SEP 12 AM 11:43

EXHIBIT B

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Gary Croucher

Period Covered:

Employee Number: 7011

From: 08/01/06 **To:** 08/31/06

	ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓	1	08/02	Board	Regular Board Meeting		
✓	2	08/07	Board	Integrated Resource Plan – Special Board Meeting		
		08/12	Community	Camp Beyond the Scars - Orientation		
✓	3	08/23	Committee	Engineering and Water Operations		

Total Meeting Per Diem: $300
($100 per meeting)

Total Mileage Claimed: Ø **miles**

(Director's Signature)

GM Approval: _____ **Date:** 9/11/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

'06 SEP 12 AM11:43

EXHIBIT B

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Gary Croucher

Period Covered:

Employee Number: 7011

From: 09/01/06 **To:** 09/30/06

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓ 1	09/06	Board	Regular Board Meeting		
✓ 2	09/22	Committee	Engineering and Operations		
✓ 3	09/25	Board	Annual Board Retreat		
✓ 4	09/26	Committee	Ad Hoc Committee , Policy Review		

Total Meeting Per Diem: $400
($100 per meeting)

Total Mileage Claimed: -0- **miles**

(Director's Signature)

Receipt
GM ~~Approval~~: MWatt

Date: 10/31/06

'06 NOV 1 PM 2:11

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

EXHIBIT B

OTAY WATER DISTRICT

BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay to: Jose Lopez

Period Covered:
From 07-01 to 07-31-06

Employee Number: 7010

Date	Meeting Name	Purpose / Issues Discussed	Mileage: Home to OWD OWD to Home	Mileage: Other Locations
7-5	OWD	Board Meeting	20	
7/31	CV TASK Force	Interagency Mtg	10	

TOTAL MEETING PER DIEM: $ 200.-
($145 per meeting)

TOTAL MILEAGE CLAIMED: 30 miles

(Director's Signature)

GM Approval Date: M Watts 8/16/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT = $_____

INSTRUCTIONS ON REVERSE

AUG 16 AM 11:56

AB000-1B4000-2101-528101
AB000-1B4000-2101-521102 EXHIBIT B

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Jose A. Lopez

Period Covered:

Employee Number: 7010

From: 08/01/06 To: 08/31/06

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓	8/2	OWD	Board Meeting	20	
✓	8/7	OWD	Special Bd Mtg	20	
✓	8/21	OWD	Finance Committee	20	

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Total Meeting Per Diem: $ 300.— **($100 per meeting)**

Total Mileage Claimed: 60 **miles**

(Director's Signature)

GM Approval: receipt

Date: 10/19/06 (Record IN DISTRICT OFFICES W/IN 45 DAYS, NEXT BUSINESS DAY from 45 DAYS)

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

INSTRUCTIONS ON REVERSE

AB000-1B4000-2101-5281-01 EXHIBIT B
AB000-1B4000-2101-521102

OTAY WATER DISTRICT

BOARD OF DIRECTORS

PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Jose A. Lopez

Period Covered:

Employee Number: 7010

From: 09/01/06 To: 09/30/06

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓	9/6	OWD	Board Meeting	20	
✓	9/20	OWD	Finance Com	20	
✓	9/22	OWD	Operations & Eng Com	20	
✓	9/25	OWD	Workshop -	30	

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Per Diems

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mileage

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Total Meeting Per Diem: $ 400.—
($100 per meeting)

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Total Mileage Claimed: 90 miles

(Director's Signature)

GM ~~Approval~~ Receipt

Date: 10/19/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $

INSTRUCTIONS ON REVERSE

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Mark Robak **Period Covered:**

Employee Number: 70140606 **From:** 7-1-06 **To:** 7-31-06

3217 Fair Oaks Lane, Spring Valley, CA 91978

ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
1	7-5	Monthly Otay Board Meeting	General District Business	4	7
2	7-6	Metro Commission	Monthly Meeting /General Business (See Exhibit A - Agenda)	0	22
3	7-12	Water Conservation Garden	Monthly Meeting / General Business (See Exhibit B - Agenda)	0	9
4	7-13	Friends of Garden Party	Social for past donors and prospective donors – **NO CHARGE**	0	0
5	7-17	Cuyamaca College Water-Wise AA Degree program	Meeting with CWA staff, Garden, College & GM Watton to discuss process	0	23
6	7-19	Sweetwater Authority Operations Committee	Meeting with committee to answer questions on Garden Membership	0	28
7	7-20	Otay Employee Luncheon	Annual on-site luncheon – **NO CHARGE**	0	0
8	7-20	Water Agencies Association Quarterly Dinner	To hear and meet MWD GM Jeff Kightlinger – **NO CHARGE**	0	0
9	7-21	Finance & Administration Committee	Monthly meeting involving finance & administration issues	0	13
10	7-26	Sweetwater Authority Board Meeting	Meeting with full Board to answer questions on Garden Membership	0	28
		Adjustment from prior month	Item #6 should have been 9 miles		(26)
				4	104

per Pres Bonilla

per Pres Bonilla

Total Meeting Per Diem: $ 600.00
($100 per meeting)

Total Mileage Claimed: 108 **miles**

Mark Robak
(Director's Signature)

GM Approval: _____ **Date:** 8/29/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Mark Robak **Period Covered:**

Employee Number: 70140606 **From:** 8-1-06 **To:** 8-31-06

3217 Fair Oaks Lane, Spring Valley, CA 91978

	ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓	1	8-2	Monthly Otay Board Meeting	General District Business	4	7
✓	2	8-3	Metro Commission	Monthly Meeting /General Business (See Exhibit A - Agenda)	0	22
	3	8-5	Annual Otay Picnic	Social Event - **No Charge**	0	0
✓	4	8-7	Integrated Resources Planning Workshop	Review and planning for future projects	4	7
✓	5	8-8	Communications Committee	Monthly meeting involving communications issues	0	13
✓	6	8-9	Water Conservation Garden	Monthly Meeting / General Business (See Exhibit B - Agenda)	0	9
✓	7	8-16	Water ReUse Association meeting at Santee Lakes	Discuss local projects and hear speakers (See Exhibit C - Agenda)	0	12
✓	8	8-21	Finance & Administration Committee	Monthly meeting involving finance & administration issues	4	7
✓	9	8-31	Metro Commission (September meeting change)	Monthly Meeting /General Business (See Exhibit D - Agenda)	0	22
					12	99

Total Meeting Per Diem: $800
($100 per meeting)

Total Mileage Claimed: 111 **miles**

Mark Robak
(Director's Signature)

GM Approval: _____ **Date:** 9/14/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

'06 SEP 18 AM 8:06

OTAY WATER DISTRICT
BOARD OF DIRECTORS
PER-DIEM AND MILEAGE CLAIM FORM

Pay To: Mark Robak **Period Covered:**

Employee Number: 70140606 **From:** 9-1-06 **To:** 9-30-06

3217 Fair Oaks Lane, Spring Valley, CA 91978

	ITEM	DATE	MEETING	PURPOSE / ISSUES DISCUSSED	MILEAGE HOME to OWD OWD to HOME	MILEAGE OTHER LOCATIONS
✓	1	9-6	Monthly Otay Board Meeting	General District Business	4	7
	2	9-7	Breakfast meeting with GM Watton & Yuri Calderon	Discuss pending District issues - **No Charge**	0	0
✓	3	9-13	Water Conservation Garden	Monthly Meeting / General Business (See Exhibit A - Agenda)	0	9
✓	4	9-20	Finance & Administration Committee	Monthly meeting involving finance & administration issues	4	7
✓	5	9-25	Annual Board Retreat	Discuss variety of issues	0	13
	6	9-27	Tour of the 450-1 and 680-1 reservoirs under construction	To see progress on projects and ask questions - **No Charge**	0	0
✓	7	9-29	Ad Hoc Committee Policy 8 meeting	Meeting with Director Croucher and GM Watton & Counsel to revise Policy 8	4	7
	8	9-29	Water Conservation Summit at USD – Joan Kroc Institute	Inaugural forum to discuss and brainstorm conservation measures – **No Charge**	0	27
					12	70

Total Meeting Per Diem: $500 ✓
($100 per meeting)

Total Mileage Claimed: 82 **miles**

Mark Robak
(Director's Signature)

Receipt
GM ~~Approval~~: _____

Date: 10/31/06

FOR OFFICE USE: TOTAL MILEAGE REIMBURSEMENT: $_____

06 NOV 1 PM 2:11

AGENDA ITEM 4

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	December 6, 2006
SUBMITTED BY:	Kelli Williamson, KW Human Resources Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Rom Sarno, Chief, Administrative Services		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Finance and Administration		
SUBJECT:	Medical Program and FY07 Budget		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item.

COMMITTEE ACTION:

See Attachment "A".

PURPOSE:

This is an informational item to provide an overview of the District's Medical Program and FY07 Budget as requested by committee member, Mark Robak.

ANALYSIS:

The District currently has a self-insured medical and dental program. The District contracts with The Plan Handlers, Inc. as a third-party administrator (TPA) to administer the medical and dental claims. Bradawn, Inc. provides consulting services to the District regarding all health and welfare benefits to include medical, dental, life, accidental death and dismemberment, short and long term disability, and travel accident insurance. The District currently contracts with Blue Cross as our preferred provider organization (PPO).

Each year, the consultant reviews the previous 12 months of claims to develop a budget for the new year. This year, the consultant used a combination of the previous claims and an anticipated savings by moving to the Blue Cross PPO to set the rates for 2007. With the transition to Blue Cross, the District was able to minimize the medical insurance rate to only a 1.7% increase. The rates for dental increased by 5.2%.

In order to protect the District from risks associated with large medical claims, the District purchases specific and aggregate stop-loss coverage. The specific stop-loss coverage pays 100% of claims exceeding $45,000 on a 24/12 contract basis. This means that it will pay for any claims incurred in the last 24 months but paid within the current fiscal year. The aggregate stop-loss covers overall claims that exceed 125% of the expected claims amount. The premium for the stop-loss for FY07 is $421,016. To date, the premium paid is $147,738 and claims paid $263,803. The stop-loss coverage for FY07 is expected to be sufficient to cover all claims without any additional funding.

The District's overall budget for medical and dental is $2,228,044.75. This includes charges for stop loss insurance, TPA fees, and PPO fees.

The Medical budget is $1,999,115.20 and the Dental budget is $228,929.55.

FISCAL IMPACT:

None

LEGAL IMPACT:

None

General Manager

ATTACHMENTS

Attachment A, Committee Action

ATTACHMENT A

SUBJECT/PROJECT:	Medical Program and FY07 Budget

COMMITTEE ACTION:

The Finance/Administration Committee met on November 20, 2006 to discuss the District's medical program.

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.

AGENDA ITEM 5

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	December 6, 2006
SUBMITTED BY:	Donald Henderson, Construction Maintenance Manager Stephen Dobrawa, Purchasing and Facilities Manager	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)	Rom Sarno, Chief, Administrative Services		
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager, Finance and Administration		
SUBJECT:	Approval of Master Meter, Inc. Meter Purchases		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorize the General Manager to purchase an additional 17,000 radio-read water meters from Master Meter, Inc., through FY 2010 under the terms and conditions contained in the 10-year agreement approved by the Board on December 7, 2005.

COMMITTEE ACTION: _____

See Attachment "A".

PURPOSE:

To obtain Board authorization to purchase an additional 17,000 radio-read water meters from Master Meter, Inc. through FY 2010 under the terms and conditions contained in the 10-year agreement approved by the Board on December 7, 2005.

ANALYSIS:

On December 7, 2005 the Board authorized the General Manager to enter into a 10-year agreement setting the terms and conditions for purchasing radio-read meters from Master Meter, Inc. and authorized the purchase of 11,500 meters during the first three years of the agreement.

It was anticipated that the originally approved quantity of 11,500 meters would be sufficient to meet the District's demands for a three-year period. Because of the catastrophic failure of the RAMAR radio-read product, the District accelerated purchases of the Master Meter, Inc. meters. To date, under the agreement, the District has purchased 10,152 meters. Of these, 7,155 meters have been used to replace RAMAR product. The balance of 2,388 meters are in inventory and are being used to continue the replacement of 2,685 remaining RAMAR units, retrofit of manual read to radio-read routes, and new installations. Current scheduling indicates that all RAMAR product will be replaced no later than the end of FY 2007.

It is expected that during the next 3 years, the District will require 17,000 meters of various sizes. These meters will be used to support the District's manual to radio-read change out program and new meter installations from expected growth.

To date, Master Meter, Inc. radio-read meters have proven to be a reliable and sustainable product and are meeting the District's needs.

FISCAL IMPACT:

The purchase of 17,000 meters will cost an estimated $2,800,000. This should provide a sufficient quantity of meters to cover the District's needs through FY 2010.

Of the additional 17,000 meters, approximately 4,300 will be used for new meter installations. The balance of 12,700 meters will be used for manual to radio-read conversions. This will result in an estimated $2,091,765 being charged against the AMR/Manual Meter Replacement CIP 2458.

The total budget for the AMR/Manual Meter Replacement CIP 2458 is $7,513,000.00. Current expenditures and encumbrances for the CIP, including the meters purchased under this request if approved, are $2,235,761. The existing budget is sufficient to cover the replacement of the 12,700 manual-read meters to radio-read meters. The Project Manager estimated that the existing budget is sufficient to cover the change out of all remaining manual-read meters to radio-read meters.

Expenditure Summary:

AMR/Meter Replacement CIP 2458 Budget		**$ 7,513,000**
Expenditures and Encumbrances to Date		
Contractacted Services (labor)	$ 23,478	
Labor	15,424	
Replacement Meters and Materials	105,064	
Proposed Meters Purchase	2,091,765	
Total Expenditures and Encumbrances		**2,235,761**
Projected Balance of AMR/Meter Repalcement CIP 2458 Budget		**$ 5,277,239**

STRATEGIC GOAL:

Implementation of the AMR program per schedule.

LEGAL IMPACT:

None.

General Manager

Attachment "A", Committee Action
Attachment "B", Master Meter, Inc. Agreement

ATTACHMENT A

SUBJECT/PROJECT:	Approval of Master Meter, Inc. Meter Purchases

COMMITTEE ACTION:

This item was presented to the Finance/Administration Committee on November 20, 2006 and the committee supported presentation to the full board.

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.

Attachment B

Execution/Board Version

AGREEMENT
BETWEEN THE OTAY WATER DISTRICT AND MASTER METER, INC. TO PROVIDE FOR THE PURCHASE, SALE AND WARRANTY OF CERTAIN WATER METERS

This Agreement (the "Agreement") is made and entered into by and between the Otay Water District ("District"), a municipal water district, formed and existing pursuant to the provisions of the Municipal Water District Law of 1911, commencing with Section 71000 of the Water Code of the State of California, as amended, and Master Meter, Inc., a corporation organized, existing and in good standing under the laws of the State of Texas ("Seller" and together with District, the "Parties"), to provide terms and conditions pursuant to which District agrees to purchase, install and operate and Seller agrees to sell, repair, replace and warrant certain radio transmitter read water meters, all as provided herein. This Agreement shall be dated and effective as of the date it is approved by the Board of Directors of District, as indicated on the signature page hereof and on District records (the "Effective Date").

WITNESSETH

WHEREAS, District desires to establish a working automated meter reader program and has been searching for a company that produces reliable radio transmitter read water meters to automate as many of its meter reading routes as deemed advisable by District; and

WHEREAS, Seller is in the business of manufacturing, or causing to be manufactured, to its own standard and specifications radio transmitter read water meters capable of transmitting data to a receiver connected to either a laptop computer or handheld devices; and

WHEREAS, Seller represents that it causes its meters to be manufactured to all applicable AWWA and California Proposition 65 standards; and

WHEREAS, Seller has agreed to sell and deliver to District 6,500 Dialog 3G-DS radio transmitter read water meters, as set forth in **Exhibit A** attached hereto (the "Scheduled AMR Water Meters"), under the terms and conditions set forth in this Agreement; and

WHEREAS, if the Scheduled AMR Water Meters prove as accurate as anticipated by District and if other conditions set forth herein are met, District will also purchase from Seller additional radio transmitter read water meters of similar design, specification and function to the Scheduled AMR Water Meters, as set forth in **Exhibit B** attached hereto (the "Additional AMR Water Meters" and together with the Scheduled AMR Water Meters, the "AMR Meters"); and

WHEREAS, if the Scheduled AMR Water Meters prove satisfactory to District, District will order at least 5,000 Additional AMR Water Meters pursuant to one or more purchase orders to be delivered over a period of not less than twenty-four (24) months in accordance with a schedule to be agreed upon by the Parties; and

WHEREAS, Seller has represented to District that it has the right, title and interest in and to the AMR Meters and all related software and equipment, including the transmitter component of the Prior Meters (as defined below) and the AMR Meters (collectively, the "Transmitters") that transmit the data in the manner required to automate the reading of the water meters, and including the authority to sell, warrant, repair, replace or otherwise provide the same to District; and

WHEREAS, in connection with the purchase of AMR Meters by District, Seller will provide a twenty (20) year warranty to District to cover each and every Transmitter purchased by District from Seller and will also provide its standard warranty to cover all other parts of the AMR Meters purchased by District from Seller; and

WHEREAS, prior to the execution of this Agreement, District has purchased approximately 3,600 narrow band automated meter reader water meters from Seller (the "Prior Meters"), most of which have been installed and all of which are intended by the Parties to be covered under similar terms as the AMR Meters and Transmitters; and

WHEREAS, Seller's warranty will cover the cost of repair or replacement of the Transmitters, the AMR Meters and the Prior Meters, including the cost of manufacturing or acquiring any parts needed to repair or replace said Transmitters and meters, to the extent further described in the warranties attached hereto as **Exhibit D**, each as hereafter extended or increased by Seller (collectively, the "Warranty"); and

WHEREAS, the warranty period for the AMR Meters and the Transmitters will commence from the date that is sixty (60) calendar days from the date each AMR Meter and/or Transmitter, as applicable, is shipped to District and, with respect to any AMR Meters that arrive in damaged condition, District will cooperate with Seller in the filing of any required damaged claims; and

WHEREAS, Seller has provided District a warranty letter extending the coverage described in the Warranty to the Prior Meters and Seller and District agree that, with respect to each of the Prior Meters the warranty coverage will be retroactive, commencing on the date each Prior Meter was shipped by Seller to District; and

WHEREAS, Seller and District agree that District shall be responsible for the initial installation of all meters purchased from Seller; and

WHEREAS, Seller has provided initial training to designated District staff and will provide any additional training in the proper use, configuration, handling and/or installation of its AMR Meters, as from time to time required by District and agreed to by the Parties at a rate of $850.00 per day, inclusive of transportation and other administrative costs incurred by Seller; and

WHEREAS, Seller and District have agreed that Seller shall provide technical support to District on an ongoing basis and that during regular business hours Seller will respond to inquiries from District within a period of time not to exceed four (4) hours from the time a question concerning the performance of any AMR Meters, Prior Meters, Transmitters or any related parts of said meters supplied by Seller is tendered to the Seller, provided that District shall have performed troubleshooting procedures as set forth in the troubleshooting guide provided by Seller and attached hereto as **Exhibit E**; and

WHEREAS, in connection with all software Seller recommends that District acquire from Sellers subsidiary, GreenTree, to be used in connection with the AMR Meters and/or Transmitters, Seller has informed District that software support is available for one year from date of purchase as part of the purchase, and, after the one year, under a support contract if one is executed; and

WHEREAS, Seller and District believe that it is in their respective best interest to enter into this Agreement for the purposes specified herein.

NOW, THEREFORE, for good and valuable consideration, receipt and sufficiency of which is hereby acknowledged, District and Seller agree as follows:

I. Incorporation of Recitals

The recitals above are accurate and true to the best of the understanding of the Parties and are incorporated herein by reference as if fully set forth herein.

II. Scope of Use – Right to Protocols

Upon receipt or replacement of any AMR Meters and any related hardware provided by Seller during the term of this Agreement, District is hereby authorized to use all the aforementioned for all legal purposes of District. Seller grants to District all right, title and interest necessary for District to use the AMR Meters and/or cause the transmitter component of the AMR Meters to be constructed and installed in the meters.

A. *Technology Escrow*. On or prior to ninety (90) calendar days of the execution of this Agreement by District, Seller shall place the protocols (including all technology, technical information, and intellectual property that is necessary and vital) for the manufacturing of the AMR Meters into a technology escrow, in form and substance acceptable to District. The technology escrow may, at District's request, be opened with District's general counsel office or with District provided that the reassurances as to the storage, handling and confidentiality of the information so escrowed shall be acceptable to Seller.

B. *Survival*. The rights granted hereunder and under the escrow described above shall survive the termination or expiration of this Agreement as well as any event of bankruptcy, reorganization or transfer of assets of Seller or other similar events and shall remain in effect for as long as District owns and operates any AMR Meters purchased hereunder.

C. *Integration*. Proper protocols or codes and other relevant information shall be made available by Seller as needed to support any integration with another meter or hardware manufacturer. Seller will be compensated at its normal travel and/or programming charges, as appropriate, to support integration; provided that any software data for a new billing system provider will be supplied at no cost, except any bridge programming which shall be compensated at the normal programming rate.

III. Term

This Agreement shall be for the term of ten (10) years from the Effective Date (the "Initial Term"), unless extended by the Parties or unless earlier terminated as set forth herein; provided that any warranty, license, indemnity or insurance given by Seller hereunder shall continue in effect during the term specified in connection therewith, or as required in connection with District's ownership and operation of the AMR Meters or the Prior Meters, as applicable.

A. *Extension Terms*. This Agreement may be extended for three additional two-year terms, or one additional six year term (each an "Extension Term"), upon request of the District and agreement by Seller. On a date that is at least sixty (60) calendar days prior to the expiration of the Initial Term, District will give notice to Seller of its intent to extend this Agreement either for one two-year term or for one six year term. If District opts to extend for only two years, then, prior to the expiration of the first two-year term or second two year term, as applicable, District will give notice to Seller if it desires to extend for an additional two year term.

B. *Term*. As used herein, the defined term "Term" refers to the period of time during which this Agreement is in effect, including the Initial Term and any Extension Terms.

IV. Purchase; Price and Payment

A. *Orders*. The Scheduled AMR Water Meters will be delivered by Seller as set forth on Exhibit A. In connection with the purchase of any Additional AMR Water Meters, District will contact Seller via facsimile, electronic communication or as otherwise requested by Seller to specify the quantity of Additional AMR Water Meters being purchased and to agree on the delivery schedule on a per order basis.

1. *Special Order*. On a date that is within twelve (12) calendar months of the Effective Date, if the Scheduled AMR Water Meters have proved satisfactory, District agrees to place an order for not less than 5,000 Additional AMR Water Meters (the "Special Order") to be delivered to District based on an agreed-upon schedule not to exceed twenty-four (24) calendar months from the date this Special Order is placed. The price per meter shall be calculated pursuant to the price schedule in effect at the time of each shipment made by Seller pursuant to this Special Order.

2. *Obligation to Buy*. The obligation of District to purchase the Scheduled AMR Meters, Special Order meters or any other meters or parts shall be void and non-enforceable, and this Agreement may be terminated by District effective immediately, if it becomes unlawful for District to order, purchase, use or install any such meters or parts thereof.

B. *Price*. For the purchase of the Scheduled AMR Water Meters the District will pay the price per meter specified in Exhibit A. For the purchase of any Additional AMR Water Meters described in Exhibit B, or subsequent or improved series or versions of 3G-DS meters or other similar or improved technology meters purchased by District hereunder, the Parties agree that the price per meter shall be calculated as set forth in **Exhibit C** attached hereto, as from time to time amended or revised in the manner provided below.

1. The price schedule set forth in Exhibit C is subject to change no more than twice annually. Any adjustment made shall be made only as necessary to bring the price schedule into compliance with Seller's published market rate schedule. However, any price adjustment shall not cause the price multipliers set forth in Exhibit C, nor any price multiplier applicable to District at the time of the adjustment, to be increased. The price multiplier shall be applicable to any other meters of any kind or series purchased by District from Seller.

2. Each such adjustment shall become effective on the thirtieth (30th) calendar day following delivery of notice together with a copy of the proposed price schedule to District. If Seller fails to give District at least thirty (30) calendar days notice, Seller may request a waiver and the written consent of District for an adjustment to become effective at an earlier day, but District shall be under no obligation to grant such waiver or consent, and the revised price schedule shall become

effective on the earlier of, the agreed upon date or thirty (30) calendar days from the date of actual notice.

3. On the date a revised price schedule becomes effective, it shall replace or become part of Exhibit C, as applicable, and shall be in effect for any purchases made by District from the date it is effective to the date one (1) business day prior to the day the next revised price schedule becomes effective.

4. The term "business day" for the purpose of this Section and this Agreement shall mean all regular working days in the United States of America, composed of the traditional five (5) calendar day work-week and excepting traditional holidays. "Day" shall mean a traditional calendar day if not preceded by the word "business." If a date specified as the last day for the taking of any action hereunder falls on a Saturday or Sunday, the deadline for such action shall be the first business day following such date.

C. The Seller shall invoice District concurrently with the first scheduled delivery of the Scheduled AMR Water Meters for all such meters in accordance with the price set forth on Exhibit A, and upon delivery of any Additional AMR Water Meters for the meters so delivered in accordance with Exhibit C, or any revised price schedule in effect at the time of purchase, as provided above. In connection with each invoice the following shall be applicable:

1. *Shipment*. For any shipment of $20,000 or more, Seller shall pay the freight and the meters and/or parts shall be shipped FOB Mansfield, Texas, freight allowed. For any shipment less than $20,000, freight will be paid by District, all prices, handling and freight charges must be shown separately on the invoice and the shipment shall be FOB Mansfield, Texas. If Seller moves its plant closer to a different shipping location, the new location may become the new shipping point if agreed upon by the Parties, but it is the intent of the Parties that Seller will continue to be responsible for all shipping costs on shipments of $20,000 or more.

2. *Invoices*. District shall have forty-five (45) calendar days from the date of receipt of an invoice to, without incurring interest and/or penalty charges, either (i) make payment, or (ii) provide written notice to Seller that District is contesting all or some of the invoiced amounts.

3. *Contest of Invoiced Amounts*. District may contest any amounts invoiced for damaged, defective, non conforming or non delivered items. If District contests an invoice, District will provide Seller with information and, if applicable, documentation supporting the contest. District may withhold payment of the entirety of the invoice if more than forty percent (40%) of the invoiced amounts are being contested. Otherwise, District shall remit payment for uncontested amounts concurrently with its written notice of contested amounts.

4. *Seller Review of Contested Amounts; Resolution*. After Seller has an opportunity to review District's notice of contested amounts, Seller shall contact District to discuss. If the Parties are able to reach an agreement on the amounts due, Seller will issue an invoice for the agreed-upon amounts which shall be paid by District within thirty (30) calendar days of receipt thereof. If the Parties are unable to

reach an agreement concerning the amounts due within a reasonable time not less than sixty (60) calendar days from the date negotiations commence, after good faith efforts to settle the matter are made, Seller or District may pursue any remedy available to it hereunder or at law or equity.

V. *Termination*

A. This Agreement may be terminated by District or Seller as follows:

1. Upon sixty (60) calendar days notice by District to Seller of District's election to terminate this Agreement for any reason, with or without cause, provided that District shall have fulfilled its obligation to purchase the Scheduled AMR Water Meters **and** the Special Order prior to any such termination;

2. Upon thirty (30) calendar days notice by non-defaulting Party that this Agreement is being terminated due to the occurrence of an Event of Default by defaulting Party which has occurred and continued for thirty (30) calendar days, provided that defaulting Party may give non-defaulting Party written notice of its election to cure the Event of Default, specifying a reasonable cure period (not to exceed sixty (60) calendar days or other time period acceptable to non-defaulting Party) during which defaulting Party will cure and present evidence of cure satisfactory to non-defaulting Party. If such notice is given, and non-defaulting Party agrees to the cure period specified by defaulting Party, the notice of termination shall be deemed rescinded and this Agreement will continue in full force and effect as if the Event of Default had not occurred unless, after the expiration of the cure period, non-defaulting Party notifies defaulting Party that the cure is not satisfactory or has not been completed and the Agreement is terminated effective on a date specified in this failure to cure notice;

3. Upon thirty (30) calendar days notice by Seller to District, if District fails to pay the Seller any amounts due by District hereunder, provided that any amounts contested in the manner provided above are considered amounts due and are not basis for termination until the Parties have reached an Agreement concerning said amounts or have declared themselves unable to reach an Agreement despite good faith efforts, and further provided that District shall have an opportunity to cure the default by paying to Seller prior to the expiration of said thirty (30) calendar day period all amounts then due, which payment shall rescind the notice of termination and this Agreement shall thereafter continue in full force and effect as if the Event of Default had not occurred; or

4. Upon twenty (20) calendar days written notice by either Party to the other if a force majeure event continues for more than ninety (90) calendar days or if the other Party becomes insolvent or bankrupt or makes an assignment for the benefit of creditors. A force majeure event shall mean, for purposes of this Agreement, damage caused by an act of God, war, terrorism or other casualty, which would prevent or make impractical compliance with the provisions hereof, or damage caused under circumstances where it would be impractical or impossible for either Party to notify the other of the necessity for temporary interference with compliance of any provision hereof.

B. *Survival of Obligations*. It is agreed and understood that Seller's obligations under the Warranty and under Section VII, sub-paragraphs entitled "Accuracy" and "Percent Failure" shall survive the termination of this Agreement and that Seller, or its successors or assigns, as applicable, shall be responsible for fulfilling said obligations during the longer of (i) the Term of this Agreement, or (ii) the term such obligation is applicable under the provisions thereof or the Warranty.

VI. Events of Default & Remedies

A. *Seller Default*. An "Event of Default" as to Seller under this Agreement shall include any of the following:

1. any breach of any provision or obligation of Seller hereunder, or misrepresentation by Seller or any person or entity other than Seller providing warranties or security under this Agreement, which continues uncorrected for fifteen (15) business days after notice of such breach or misrepresentation is given by District;
2. failure of more than three percent (3%) or a determination by Seller or District that there is a design or manufacturing problem with the Transmitters that renders the AMR Meters not usable or unreliable for the purpose for which they are intended, provided that Seller will have an opportunity to cure this default in the manner provided in Section VII, below;
3. the revocation of, attempt to revoke or terminate, or failure to honor, the Warranty, indemnity or Seller's obligation to investigate the reason for excessive failures and to provide labor for replacement, as applicable;
4. failure by Seller to honor an obligation to give District technical assistance with any problems related to the AMR Meters within the time periods specified herein;
5. the insolvency of Seller or its failure generally to pay its debts as such debts become due;
6. the commencement as to Seller of any voluntary or involuntary proceeding under any laws relating to bankruptcy, insolvency, reorganization, dissolution, liquidation, arrangement, debt adjustment or relief, including any assignment by Seller for the benefit of its creditors, the appointment, or commencement of any proceedings for the appointment, of a receiver, trustee, custodian or similar official for all or a substantial part of Seller's property;
7. the occurrence of an event that, in the reasonable opinion of District after investigation, threatens the corporate existence or financial soundness of Seller including the: (i) filing or recording against Seller, or the property of Seller, of any notice of levy, notice to withhold, or other legal process for taxes other than property taxes; (ii) default by Seller for amounts owed or on an obligation concerning the borrowing of money; or (iii) issuance against Seller, or the property of Seller, or, or failure of Seller to comply with, a writ of attachment, execution, or other order, judgment, injection, decree or judicial lien.

B. *District Default*. An "Event of Default" as to District under this Agreement shall include any of the following:

1. any breach, or misrepresentation by District of any provision of this Agreement that continues uncorrected for fifteen (15) calendar days after notice of such breach or misrepresentation is given by Seller to District; or

2. the failure of District to pay any uncontested invoice, or any portion due, as provided in Paragraph IV, above.

C. *Remedies on Default*. Remedies of the Parties upon the occurrence of an Event of Default shall include any of the following:

1. Give written notice of the Event of Default to the defaulting Party; and

2. Give, pursue or request any remedy or cure provided under this Agreement, or agreed by the Parties, including request for specific performance; and/or

3. In connection with a default described in paragraph A.2, above, due to a failure of more than three (3%) of the Transmitters or a manufacturing problem, the cure described under Section VII, below; and/or

4. Following the termination of any applicable cure period, declaring this Agreement terminated and pursuing any remedy available at law or equity.

VII. Covenants, warranties and representations of Seller

In connection with the AMR Meters, the Transmitters, this Agreement, and, as applicable to the Prior Meters where indicated, the Seller represents, covenants, warrants and agrees as follows:

A. *Time for Delivery*. Seller shall deliver, or cause to be delivered, the Scheduled AMR Water Meters in accordance with the schedule of delivery set forth in Exhibit A, and shall deliver, or cause to be delivered, the Special Order pursuant to the delivery schedule agreed upon by the Parties in connection with the Special Order, and shall deliver, or cause to be delivered, any other Additional AMR Water Meters purchased by District within standard delivery times based on availability but, unless otherwise agreed to by District, no later than sixty (60) calendar days from the day an order is made. An order shall be considered "made" on the date a confirmation of receipt of an order is given by Seller to District following the placement of an order by the District. Each shipment of AMR Meters, or parts, as applicable, shall contain the following:

1. *Meter Information*. At the time of each delivery, and subsequent thereof as requested by District from time to time, Seller shall provide District with all data relevant to the meters included in each shipment or delivery, including the manufacturer name, the model number, and any serial numbers for each item included in said delivery. This information shall be in both written and electronic form;

2. *Electronic form of Data*. The data included with each shipment in electronic form shall be in Microsoft Excel format or other format agreed upon by the Parties. Each shipment shall include only one (1) clean, final, usable form of the electronic data in the agreed upon format. Seller and District agree that Seller's failure to deliver a clean, usable error free spreadsheet will result in delays in the

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proper installation and incorporation of the affected meters into District's system. ***If Seller sends an incomplete or otherwise non-complaint spreadsheet to District, District shall be entitled to reject any and all future shipments, including those for which advanced orders have been placed, if any, and shall not be obligated to pay for the shipment containing the non-compliant spreadsheet until an error free spreadsheet is provided and data is incorporated into District's meter reader system***;

3. *Software*. District intends to use Green Tree meter reading software, or other software as from time to time recommended by Seller, for all meters purchased under this Agreement. As long as District is using any software at any time recommended by Seller, Seller shall insure that its AMR Meters continue to properly function with that software and any modification or updates to said software;

B. *Quality*. Seller will exert its best efforts to deliver high quality AMR Meters in conformance with its published specifications;

C. *Accuracy*. Seller will exert its best efforts to ensure that at least ninety-eight percent (98%) of the meter readings resulting from transmissions from its Transmitters will be accurate, exclusive of errors due to installation or programming by District or other vendors. If inaccurate readings in excess of two percent (2.0%) are evident, in addition to all other remedies available to District hereunder or at law or equity, District may request Seller, and Seller agrees, to designate at least one full time person from its staff for as long as needed for such person or persons to inspect all meter readers and run all software or hardware tests required to determine why inaccurate readings are being provided and to correct the problem;

D. *Percent Failure*. Seller warrants, represents and will make best efforts to ensure that the percent failure on the aggregate of the Transmitters and parts provided to District by Seller does not exceed three percent (3.0%), provided that the following terms shall apply:

1. while the aggregate failure rate of AMR Meters, Transmitters and/or parts sold or provided by Seller to District is equal to or below two percent (2.0%), Seller will only be obligated to repair or replace, as applicable, in the manner provided under the Warranty, provided that a subsequent failure of a 3GDS Meter or part previously repaired or replaced shall also be counted towards the total percentage of failure;

2. if the aggregate failure rate of the Transmitters and/or parts sold or provided to District by Seller exceeds two percent (2.0%) but is less than three percent (3.0%), Seller shall repair or replace, as appropriate under the Warranty, all the Transmitters that are in disrepair at the time the aggregate failure exceeded two percent (2%). Seller shall be responsible for all costs related to and incurred in connection with the repair and/or replacement of all such Transmitters, as applicable, and shall, in addition do the following:

   a. within fifteen (15) business days of the date District informs Seller, either in writing or via telephone or facsimile communication, that the failure rate has exceed two percent (2%), Seller shall either (i) notify District that Seller will, within a time frame not to exceed sixty (60) calendar days, or as otherwise

accepted by District in writing, provide or cause to be provided actual labor to accomplish the repair or replacement of all Transmitters in disrepair at the time the failure rate exceeded two percent (2%), or (ii) notify District that Seller will compensate District for the costs incurred by District to repair and/or replace, or cause to be repaired and/or replaced, all such Transmitters, including all administrative costs and all costs associated with shipping and handling of the Transmitters and, if applicable and necessary, the actual AMR Meters. If Seller fails to give this notice to District within said fifteen (15) business days, District may undertake to do all acts necessary to accomplish the repair and replacement and Seller shall be responsible for reimbursing all costs incurred by District in connection therewith upon the written request of District; AND

b. designate and appoint, at its sole cost and expense, at least one full time person from its staff, or a contractor, in either case acceptable to District for as long as needed for such person or persons to (A) test and inspect all Transmitters, and run all software or hardware tests required to determine why the meters are failing, (B) prepare a report indicating the source of the problem and the recommended steps and/or procedures for fixing the problem and preventing same from occurring in the future; and (C) correct the problem. District agrees to cooperate with such person or persons by making the software and hardware, including lists of location as maintained by District, available to such person or persons. Seller shall be obligated to comply with this provision even if District has undertaken the responsibility to repair or replace the non-functioning meters in the manner provided in subparagraph (a) above;

3. if the aggregate failure rate of the AMR Meters and/or Transmitters purchased by or otherwise provided to District by Seller exceeds three percent (3%), Seller shall be in default hereunder (the "Failure Rate Default"). Seller will have sixty (60) calendar days, or if requested by Seller in writing, other longer period of time agreed to by District, from the date notice is given by District that the failure rate has exceeded three percent (3%) to cure such default. Cure shall include but not be limited to the following: (i) within ten (10) business days of the date of notice, provide or cause to be provided, actual labor to accomplish the repair or replacement of all the Transmitters in disrepair at the time the failure rate exceeded three percent (3%); (ii) promptly retain or designate professionals acceptable to District to investigate the reason for the repeated failures, to inspect and test all Transmitters provided by Seller to District and to provide or cause to be provided to District, no later than forty-five (45) calendar days from the date the professionals are agreed upon, a report making findings as to the cause for the excessive failure rate; and (iii) within a reasonable time agreed upon by Seller and District, Seller shall make or cause to be made, at its sole cost and expense, all other repairs, replacements or corrections recommended by the report, including any corrections, repair or replacement required to be made to non-failed meters to ensure the proper functioning of the AMR Meters in accordance with the goals of the District as set forth in this Agreement;

4. if Seller becomes aware that the failure rate of any series of AMR Meters or Transmitters sold to District and manufactured as a batch, or by the same subcontractor of Seller, exceeds ten percent (10%), Seller shall notify District of that fact and shall inform District of the actions Seller intends to take to correct the problem, which actions may include but not be limited to the replacement of all Transmitters manufactured in that batch at the sole cost and expense of Seller.

In computing the number of failures, Seller shall not be held responsible for any failures attributable to damage due to improper installation of any hardware delivered to District, and any such failure shall not be considered in the calculation of failure rate contemplated herein. It is also agreed that if a Transmitter fails due to an act of District or its agents or employees and is replaced by Seller within ninety (90) calendar days of initial installation by District, the failure will not be counted towards the failure rates identified above, provided that any failure due to a manufacturing defect, missing part or other similar cause will be counted against such failure rates;

E. *Technical Support*. Seller shall maintain offices or locations staffed by a sufficient trained and capable staff, adequate to provide District with assistance and instructions on setup, installation, and use of the Scheduled AMR Water Meters and Additional AMR Water Meters as needed. Said staff shall be available at the numbers specified herein or at such other numbers as from time to time provided by Seller to District;

1. During the term of this Agreement, Seller shall provide technical support to District within no more than four (4) hours from an initial request for assistance made during Seller's regular business hours (8:00 a.m. to 6:00 p.m.) CST Monday through Friday via telephone or facsimile to:

Master Meter Inc. – Service Center
Phone: (800) 765-6518
Fax: (817) 842-8100
email: jpotter@mastermeter.com

2. District may obtain software support directly from Greentree during regular business hours (7:00 a.m. to 6:00 p.m. EST) or as agreed between District and Greentree in any software support contract effective from time to time;

3. Seller shall also provide on-site support at the request of District, provided that District shall first apply any troubleshooting procedures described in the guide provided by Seller, entitled 3G Troubleshooting Guide and attached hereto as **Exhibit E**; and

4. Seller shall provide free software updates for purchased software as such updates are available or necessary to correct any software problem and will provide upgrades to the software if so agreed by the Parties under a separate software contract;

F. *Rights Covenant*. Seller warrants and represents to District that it has the right, title and interest in and to the AMR Meters, and all related software and equipment, and the authority to sell or otherwise provide the same to District. Seller represents that the AMR Meters and all associated hardware and software contemplated hereunder are proprietary. If District determines or elects to purchase similar meters or meter reading products from another vendor, Seller agrees to

promptly provide all access information and protocols to the new vendor as needed to insure a seamless incorporation of the other vendor's meters or product;

G. *Performance*. Seller warrants that the Transmitters will, when properly installed, transmit reliable meter readings to a receive manufactured by Seller and connected to either a laptop or a handheld device;

H. *Warranty*. Seller hereby provides District with a twenty (20) year warranty for the registers and Transmitters consisting of a full replacement warranty for ten (10) years and a tiered warranty for an additional ten (10) years reflecting a percent discount from years 11 through 20 of the warranty, all as set forth in **Exhibit D** under the form of warranty entitled "Dialog 3G-DS Component Warranty". Seller hereby extends such warranty to provide District with the same coverage for the Prior Meters as set forth in the letter entitled "Supplemental Warranty" and attached hereto under Exhibit D. In addition, Seller hereby provides coverage for the body of the AMR Meters and Prior Meters in accordance with the terms of the warranty entitled "Utility Products Performance Warranty" attached hereto under Exhibit D. Seller will extend or upgrade such warranties from time to time as required to provide District any benefits greater than the ones described under the Warranty which Seller makes available to another customer or to all its customers. In connection with each meter sold or provided by Seller to District, and each meter or Transmitter replaced by Seller pursuant to the Warranty, the Warranty shall become effective sixty (60) calendar days from the date the meter or Transmitter is shipped to District, and, for every replacement meter, Transmitter or other part, on the date the part is either shipped to District or installed by Seller, as applicable, and shall remain in effect as provided under the Warranty;

I. *Compliance with laws*. All items sold by Seller hereunder shall be in conformance with AWWA Standards (including ANSI/AWWA C708-05, as hereinafter amended or supplemented) and all other applicable laws, rules and regulations, including Proposition 65 of the State of California. Seller shall be responsible for obtaining any required permits, inspection certificates or any other documentation of compliance required in connection with any such items. Failure to comply with those standards or permits may subject Seller to a product's liability action in accordance with the laws of the State of California;

J. *Manufacturing Standards and Testing*. Seller shall test or cause to be tested each batch of meters in accordance with its practice and procedures before delivering same to District;

K. *Product Recall*. If a government entity with jurisdiction over Seller, the AMR Meters or the Transmitters, a court of competent jurisdiction or Seller at any time determines, finds and determines (or orders) that the AMR Meters, or any particular batch or series, should be recalled, or that a manufacturing defect renders the meters not fit for the purpose for which they are intended, Seller shall be responsible for all costs and expenses of the recall. For purposes of this Agreement, said costs and expenses include without limitation, the removal, transportation, disposal and replacement of the AMR Meters. Replacement meters shall be reliable radio transmitter read water meters capable of transmitting data to either a laptop or handheld device;

L. *Time is of the Essence*. Seller agrees and understands that time and accuracy are of the essence to District in connection with meter readings. Seller will place an agreed upon number of meters and parts in consignment with District to facilitate the replacement or repair of any meters under the warranty within forty-eight (48) hours of notification of failure of a meter;

M. *Rejected Meters/Shortages*. Upon notice by District to Seller that a meter arrived in a damaged, defective or nonconforming condition, or any shortage in quantity of any shipment of meters, Seller shall replace the rejected meter or make up the shortage as soon as possible at no cost to District;

N. *Consignment Meters*. At all times during the term of this Agreement, Seller will maintain no less than two (2) boxes of ¾ x 7.5" and two (2) boxes of ¾ x 9" on consignment with District to be used to replace any defective, nonconforming or failed meter and shall replace such consignment meters when used in accordance herewith. Seller will provide a greater number of consignment meters, or different sizes of meters, upon agreement by the Parties. There will be no charge or cost to District for consignment meters, provided that said meters, or parts thereof, shall only be used as needed under the Warranty or as provided above upon failure rate of meters.

VIII. Insurance and Indemnification

A. *Seller Insurance*. Seller shall procure, and maintain during the term of this Agreement, from insurance companies with a Best rating of A VII or better, commercial general liability insurance and all other insurance required to be maintained by Seller under all laws applicable to Seller.

B. *Seller Indemnification*. Seller shall defend, indemnify and hold harmless District, its Board of Directors and each member thereof, its officers, agents, attorneys, insurers and representatives against any and all liability, damages, costs or expenses resulting from any claim, action, proceeding, lawsuit or other occurrence of similar nature, in connection with the manufacture, design, sale, title, intellectual property or any other right or interest in or to the AMR Meters and/or the Prior Meters and/or arising out of the negligence of Seller, its board, subcontractors, agents or employees. The extent of this indemnification includes, but is not limited to, Seller's obligation to reimburse all amounts paid by District to Seller hereunder if a court determines that Seller had no right to sell the meters to District as provided under this Agreement or that the meters were no manufactured in accordance with the applicable AWWA or California Proposition 65 standards.

C. *District Indemnification*. District shall defend, indemnify, and hold harmless Seller, its board, agents and employees against any and all liability, damages, costs or expenses resulting from any third-party claims made or suits brought against Seller (that are not related to the issues covered by Seller Indemnification) and which arise out of the negligent storage, handling, installation or use by District of the AMR Meters, Prior Meters or Transmitters.

IX. Successors and Assigns; Notice

A. This Agreement and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the Parties hereto, and their respective successors and assigns; provided, however, that no assignment of this Agreement shall be made without prior written consent of the other Party to this Agreement. Any attempt by the Seller to assign or otherwise transfer any interest in this Agreement without the prior written consent of District shall be void. Since the primary consideration of District in entering this Agreement is the qualifications of the

Seller, as opposed to a low bid, District will refuse to consent to assignments if it considers the assignee to have lesser qualifications.

B. Notice. Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, registered or certified, postage prepaid, or via facsimile, provided that sender shall retain and be able to produce proof of successful fax, addressed to:

District:	**Seller:**
Otay Water District	Master Meter, Inc.
2554 Sweetwater Springs Boulevard	101 Regency Parkway
Spring Valley, California 91978-2004	Mansfield, Texas 76063
Phone: (619) 670-2280	Phone: (800) 765-6518
Fax: (619) 660-0829	Fax: (817) 842-8100
Attention: General Manager	Attention: Jerry Potter, President

Any notice given as indicated above shall be effective upon date of mailing or facsimile delivery.

X. *Miscellaneous*

A. *Entire Agreement*. This Agreement and the attached Exhibits represent the entire understanding by and between District and the Seller as to those matters contained herein. All Exhibits, documents or certificates attached to or referenced in this Agreement are incorporated into this Agreement as if fully set forth herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder

B. *Amendment*. This Agreement may not be modified or altered except in writing signed by the Parties.

C. *Applicable Laws*. The Agreement shall be interpreted in accordance with the laws of the State of California without regard to its conflict of laws principles.

D. *Venue*. The proper venue for the resolution of any dispute hereunder which the Parties are unable to resolve in an amicable manner shall be with the superior courts within the County of San Diego, California. Each Party hereby submits to the jurisdiction of said courts.

E. *Drafting*. The terms of this Agreement have been negotiated by the Parties and the Agreement shall be considered to have, and shall be construed as it has, been drafted by both Parties.

F. *Effect of Waiver*. No waiver of any default or other provision hereof, or failure of either Party to enforce a right hereunder, shall be deemed a permanent waiver of said term, right or provision or prevent or limit the enforcement of any other concurrent violation of the waived right, default or provision in the future.

XI. *Execution. Each person executing and delivering this Agreement represents to the other Party that it has full authority to enter into and execute this Agreement and bind the Party on whose behalf it is signing to comply with all terms and conditions of this Agreement.*

Effective Date= Date of Approval by Board of Directors of District = 12 - 7, 2005

Master Meter, Inc.:

By: _____
Jerry Potter

Its: President

Date: 11/7/05

Otay Water District

By: _____
Mark Watton

Its: General Manager

Date: 12-7-05

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APPROVED AS TO FORM:

_____ 12-7-2005
Yuri Calderon
General Counsel
Otay Water District

EXHIBIT B

Additional AMR Water Meters

Dialog Meter Descriptions

¾ x 7.5	BL06-2GD-NAA-2-3G or equal or superior Master Meter meter
¾ x 9	BL07-2GD-NAA-2-3G or equal or superior Master Meter meter
1"	MJ09-2(G or L)D-(N or A)AA-2-3G or equal or superior Master Meter meter
11/2"	MJ11-2(G or L)D-(N or A)AA-2-3G or equal or superior Master Meter meter
2"	MJ13-2(G or L)D-(N or A)AA-2-3G or equal or superior Master Meter meter

At the option of District, as specified at the time each order is placed, an Additional AMR Water Meter will be either as identified above, or any other similar, equivalent or better meter. All meters purchased shall be counted towards the aggregate number used to identify the pricing category of the meter purchase, provided that, if the pricing schedule for the meter ordered is different from the pricing schedule attached to this Agreement as Exhibit C, the proper pricing schedule shall be used to set the price of the meter so purchased.

EXHIBIT A

Scheduled AMR Water Meters
Price and Delivery Schedule

Price Schedule for Scheduled AMR Meters

Size	Price per meter
¾ x 7.5"	$112.50
¾ x 9"	125.00
1"	135.38
1- ½"	215.38
2"	275.38

Price and Delivery Schedule for Scheduled AMR Meters

Delivery Date	Quantity	Description	Price per Meter	Total
January 1, 2006	500	¾ x 7.5"	$112.50	$ 56,250
	2750	¾" x 9"	125.00	343,750
March 25, 2006	500	¾ x 7.5"	112.50	56,250
	2750	¾" x 9"	125.00	343,750
TOTAL	**6,500**			**$800,000**

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EXHIBIT C

Price Schedule for Purchase of 3G Meters by the Otay Water District

		No. of Meters	0-5,000	5001-10,000	10,001-15,000	≤15,001+
		List Price/ Multiplier	0.51	0.49	0.48	0.46
METER SIZE	**Material**		**PRICE (per meter)**	**PRICE (per meter)**	**PRICE (per meter)**	**PRICE (per meter)**
3/4 x 7.5"	EnviroBrass	$312.52	$159.39	$153.13	$150.01	$143.76
1"	Bronze	365.22	186.26	178.96	175.31	168.00
1.5"	Bronze	574.12	292.80	281.32	275.58	264.10
2"	Bronze	705.34	359.72	345.62	338.56	324.46
1"	EnviroBrass	401.69	204.86	196.83	192.81	184.78
1.5"	EnviroBrass	661.02	337.12	323.90	317.29	304.07
2"	EnviroBrass	825.26	420.88	404.38	396.12	379.62

		No. of Meters	0-5,000	5001-10,000	10,001-15,000	≤15,001+
		List Price/ Multiplier	0.49	0.47	0.46	0.45
METER SIZE	**Material**		**PRICE (per meter)**	**PRICE (per meter)**	**PRICE (per meter)**	**PRICE (per meter)**
3/4 x 9"	EnviroBrass	348.56	170.79	163.82	160.34	156.85

Seller and District have agreed that, in consideration of the discount given be Seller to District in connection with the Scheduled AMR Water Meters, District will initially purchase Additional AMR Water Meters at the list price multiplier under the first column, above, (.51), except for any ¾ x 9" meters in connection with which the special schedule above has been agreed upon. There will be no credits or reimbursement for any meters purchased under a higher multiplier, however, District and Seller has agreed that the multipliers identified above will apply to the purchase by District of any other meters of Seller.

EXHIBIT D

Warranty

See Attached

DIALOG® 3G-DS Component Warranty

DIALOG 3G-DS registers and external transmitters (herein know as "product") are warranted to be free from defects in materials and workmanship for Ten (10) years from date of shipment by Master Meter and at a prorated replacement cost of list price during the following Ten (10) years based on the discounted rate value listing below.

All other 3G-DS System components are warranted to be free from defects in materials and workmanship for One (1) year from date of shipment by Master Meter.

If a product fails to perform as warranted, Master Meter will repair or replace the product, at Master Meter's sole option, at no charge to the customer, subject to the terms of the warranty. This warranty shall not be applicable to products that have been damaged by willful misconduct, negligence, vandalism, act of God, exposure to adverse service conditions or improper installation, use or repair.

Master Meter's liability under this warranty is expressly limited to repair or replacement of the product, at Master Meter's option. The repaired or replacement product will maintain the original meter's warranty based on the original purchase date. The customer must pay for freight cost of the returned product or products to the factory or service center designated by Master Meter. The product replaced becomes the property of Master Meter.

Master Meter further warrants that any 3G register or external transmitter installed shall be free from battery defects in manufacturing and design for a period of ten (10) years from the date of shipment in the relevant DIALOG 3G-DS product (such period is defined as the "Battery Warranty Period"). Master Meter will repair or replace a product that is non-performing due to battery failure free of charge for the first Ten (10) years and at a prorated replacement cost based on the current list price during the remaining Ten (10) years as follows:

Year of Failure	Replacement Cost
1-10	Full Replacement
11	30%
12	35%
13	40%
14	45%
15	50%
16	55%
17	60%
18	65%
19	70%
20	75%

MASTER METER

DISCOUNT PERCENTAGES WILL BE APPLIED AGAINST PUBLISHED LIST PRICES IN EFFECT AT THE TIME THE PRODUCT IS ACCEPTED BY MASTER METER UNDER WARRANTY CONDITIONS. THE WARRANTIES CONTAINED ABOVE HEREOF ARE THE ONLY WARRANTIES WITH RESPECT TO THE LISTED PRODUCTS, AND ARE IN LIEU OF ALL OTHER WARRANTIES, EXPRESSED OR IMPLIED, BETWEEN THE PARTIES OR ARISING BY LAW. IN PARTICULAR, MASTER METER DISCLAIMS ANY AND ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. THESE WARRANTIES SHALL BE VOID IN THE EVENT THAT THE FAILURE OR DEFECT IN THE LISTED PRODUCT HAS ARISEN AS A RESULT OF THE PRODUCT BEING USED FOR ANY PURPOSE OTHER THAN THAT WHICH WAS INTENDED AND APPROPRIATE AT THE TIME OF MANUFACTURE INCLUDING USE IN A CONFIGURATION OTHER THAN AS RECOMMENDED BY MASTER METER OR AS A RESULT OF IMPROPER INSTALLATION OR MAINTENANCE. MASTER METER'S LIABILITY SHALL IN NO EVENT EXCEED THE PURCHASE PRICE. MASTER METER SHALL NOT BE SUBJECT TO AND DISCLAIMS THE FOLLOWING: (1) ANY OTHER OBLIGATIONS OR LIABILITIES ARISING OUT OF BREACH OF CONTRACT OR OF WARRANTY (2) ANY OBLIGATIONS WHATSOEVER ARISING FROM TORT CLAIMS (INCLUDING NEGLIGENCE AND STRICT LIABILITY) OR ARISING UNDER OTHER THEORIES OF LAW WITH RESPECT TO PRODUCTS SOLD OR SERVICES RENDERED BY MASTER METER, OR ANY UNDERTAKINGS, ACT OR OMISSIONS RELATING THERETO, AND (3) ALL CONSEQUENTIAL, INCIDENTAL, SPECIAL, MULTIPLE, EXEMPLARY, AND PUNITIVE DAMAGES WHATSOEVER.

FORM MM1008 06/20/2005

101 REGENCY PARKWAY
MANSFIELD, TX 76063
817-842-8000
FAX 817-842-8100

Supplemental Warranty

Master Meter specifically agrees to extend our 3GDS warranty to all of the 3GNB units that the Otay Water District currently has within its coverage area as of November 1, 2005. The warranty period on these units began when they were shipped to the District or an authorized Master meter Distributor. The additional Warranty becomes effective when and only when the contract titled "Agreement Between the Otay Water District and Master Meter Inc. to provide for the purchase, sale, and warranty of certain water meters" is executed.

Jerry Potter

President
Master Meter Inc.

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UTILITY PRODUCTS PERFORMANCE WARRANTY

- Multi-jet Meters manufactured by Master Meter, Inc. are warranted to perform to AWWA new meter accuracy standards, and to be free from defects in materials and workmanship, for a period of two (2) years from date of Master Meter shipment.

- Additionally, Master Meter Multi-jet Meters will perform to AWWA repaired meter accuracy standards for fifteen (15) years from Master Meter shipment date, or the registration limits indicated, whichever occurs first.

  5/8" – 1.5 million gallons 3/4" – 2.25 million gallons 1" – 3.0 million gallons
  1-1/2" – 5.5 million gallons 2" – 8.0 million gallons

- Master Meter 2" to 6" waterworks bronze body and 10" and 12" cast iron body MMT Turbine Meters are warranted to perform to AWWA accuracy standards, and be free from material and workmanship defects, for two (2) years from date of Master Meter shipment. Master Meter 2" to 8" cast iron body WT Turbine Meters and Fire Hydrant Meters are warranted to perform to AWWA accuracy standards, and be free from material and workmanship defects, for one (1) year from date of Master Meter shipment.

- Master Meter 2" to 6" DB Compound Meters are warranted to meet AWWA performance standards, and be free from defects in materials and workmanship, for two (2) years from date of Master Meter shipment. Further, the Multi-jet Meter installed for low flow measurement in the DB Compound Meter is covered by the Multi-jet Meter performance warranty as described above.

- Master Meter Electromagnetic Flowmeters, including sensors and converters, are warranted to be free from defects in materials and workmanship for one (1) year from date of Master Meter shipment.

- The waterworks bronze maincases for 5/8" to 2" Multi-jet Meters are warranted to be free from defects in materials and workmanship for twenty-five (25) years from the date of shipment by Master Meter.

- Direct read and DIALOG® System registers are warranted to be free from material and workmanship defects for fifteen (15) years from date of Master Meter shipment. Electrical Output and Rate of Flow registers are warranted to be free from material and workmanship defects for one (1) year from date of Master Meter shipment.

- DIALOG System Electronic Modules are warranted to be free from defects in materials and workmanship for ten (10) years from date of shipment by Master Meter. All other DIALOG System components are warranted to be free from material and workmanship defects for one (1) year from date of shipment by Master Meter.

- All Master Meter products not specifically identified above are warranted to be free of defects in materials and workmanship for one (1) year from date of Master Meter shipment.

- If a product fails to perform as warranted, Master Meter will repair or replace the product, at Master Meter's option, at no charge to the customer, subject to the terms of the warranty.

- This warranty shall not be applicable to products that have been damaged by willful misconduct, negligence, vandalism, act of God, exposure to adverse service conditions or improper installation, use or repair.

- Master Meter's liability under this warranty is expressly limited to repair or replacement of the product, at Master Meter's option, upon the customer's returning the product to the factory or service center designated by Master Meter and paying freight cost to and from such factory or service center. The product replaced becomes the property of Master Meter. Master Meter shall not be liable for special, incidental, indirect or consequential damages of any kind.

THE ABOVE WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES OR GUARANTEES, EXPRESS, IMPLIED OR STATUTORY, WITH RESPECT TO QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE.

MASTER METER

041201

101 Regency Parkway
Mansfield, TX 76063
800-765-6518
817-842-8100 FAX
info@mastermeter.com

visit our website: www.mastermeterinc.com

EXHIBIT E

MASTER METER

3G Trouble Shooting Guide

Problems that can occur out in the field when reading 3G installed routes:

1. No transmission from unit (3G under the glass, universal 3G single or dual switch, and WR clip on).
2. Transmitter number mismatches.
3. Receiver failure.
4. Cable failure: Antenna cable between the receiver and antenna, USB cable or RS 232 cable between the receiver and PC.
5. Reads not matching: PC read to odometer read.
6. Wrong user codes

No Transmission from unit or weak transmission:

1. List of things to check.

a) Check cable connection between receiver and computer is not loose
b) Check the antenna connection to the receiver is not loose.
c) Check that the receiver is on, and the led is blinking orange or solid orange.
d) Check that the stop button in your route management software wasn't accidentally clicked.
e) Make sure you've imported the correct route.
f) Make sure you are close to the pit of transmitting register if trouble shooting.
g) Check the pit status, it can be filled with dirt or water which can at times attenuate RF signals
h) Cross check the transmitting number on the register or Universal to the number and address it corresponds to in the route.
i) Try communicating with another unit then try the problematic unit once more.
j) Query the unit using the 3G technician software for TX ON/OFF; if TX is of, activate unit. If TX is ON check Transmission interval; the transmission interval for a drive-by system should be 10 seconds and for fixed area network, Sub-metering only, it should be 300 seconds.
k) If the unit is transmitting, check the user code and make changes if it is different.
l) If all above is checked and the unit is not responding replace register or WR. Note; when replacing the 3G register on a bottom load meter you don't have to turn the water off and take the meter out of the pit. Refer to 3G register change out guide. If you are replacing WR, refer to the WR installation guide.

Transmitter number mismatches:

When a transmitting number doesn't match the number in the route management software, you will get a no response meaning the number/address will not clear from the list in the bottom window of your Route management software; it could be possible that the number assigned to the particular address may in fact be transmitting from another location. It is always good to cross check numbers in your software to the transmitting number for verification when ever you are confronted with an unusual read or no read.

If numbers are mismatched, make necessary corrections in local data base

Receiver failure:

Make sure the receiver is fully charged at all times; when charging, make sure the receiver is turned off.

When using in drive-by, make sure the power is always plugged.

Cable failure:

Cables are very important components of the system. Be careful when handling, plugging, unplugging, and installing cables to your receiver and computer.

Typical failures of cables are: loose connections, cuts in the cable, tangled cables, and end connections stripped from the cable.

Reads not matching: PC read to odometer read.

This is identified when there is an abnormal difference in usage in the reports printed form the reads.

Note: before any changes verify that the number in the route is the same as the transmitter number you are trouble shooting.

1. In this case you need to compare the pc read to the odometer read of the meter with the problem using the 3G technician software.
2. If the read difference is more than 3 pulses, this means that the register is not registering properly, if this is the case replace register. Refer to register change out guide.

Alerts/statuses:

Leak (Alarm), CCW, and Tamper are the three statuses transmitted from the 3G register.

Leak (Alarm): This means that there is a leak at that location on the customer's side. This will appear on your screen only if water is being used continuously for 24 hours.

Locations with leaks need to be double checked to verify the leak status. Some leaks will not be noticeable. The register is very sensitive and will detect the slightest movement in the line. It will detect a leak as small as a commode leak in the bathroom. If it is a temporary leak the alarm will reset itself.

CCW: This means counter clockwise read. This will appear on your screen if water flows in the opposite direction as much as 30 gallons or more, or if the meter was installed in the wrong direction.

When you receive a CCW status you can interrogate the unit to see how much water passed through the meter CCW. You can reset the status and the CCW read to zero any time after problem is taken care of.

CCW is also helpful in installations. If a meter is installed facing the wrong direction, once 30 gallons of water passes through the meter, it will send a CCW status

Tamper: This will appear on your screen when meter is tampered with a magnet.

CHRONOLOGY OF EVENTS

DATE:	EVENT:
October 29, 2002	Contract executed.
Dec 10, 2002	District ordered 3000 meters and transponders from Badger Meter Co.
June 5, 2003	Order delivered.
June, 2003	First AMR meters installed by Meter Shop. These meters were installed for new development areas in various routes in the District
Sept 11, 2003	AMR meter replacement contractor starts replacing meters in route 401 & 403 with the Badger / RAMAR units. Between 9/11/03 and 1/6/04 contractor had installed 1970 AMR meters. Meter shop personnel had installed 506 units as new installations. A total of 2476 AMR Meters. About 90% of these were the V-4 product. The replacement contractor continued replacing meters, averaging about 170 replacements a week.
Oct, 2003	First radio read of routes 401 and 403. Had problems picking up radio reads. Contacted Northrop/Grumman and had them to come out and try to identify Problems. Northrop determined problem was with the transponder.
Oct, 2003	It was about this time that Otay stopped all orders, shipments and payments having to do with the RAMAR / Badger product until we got valid reason for failures of units in the field.
Nov, 2003	Techs from Northrop worked on the failures in routes 401 & 403 to try and determine the reasons for all the no reads. These were the first route converted to radio read.
November 5, 2003	1. Can't get reads on 34% of the 668 AMR meters and the TransPondits weren't staked. 2. Routes 401, 32 of the 517 meters have not been changed; were they rejected or missed by the vendor? 3. 28 of the 438 AMR meters we got reads on did not match the manual read by the field techs. The above listed items could present a problem when billing begins for the AMR meters. (Email from Elaine Henderson to Don Henderson)
November 13, 2003	...Our procedure has been, and will continue to be, to replace all Version 4 TransPondits on the "no read" list whether or not the read failure was due to a defective TransPondit or a programming error. The newer Version 6 TransPondits will only be replaced if they have failed. So far, all Version 6

problems have been due to programming errors; none have been found defective.
(Email from David Willms to Ron Bow)

Nov 17, 2003

MEETING with MIKE EULAND (RAMAR), DAVID WILMS AND JEFFREY KING (NTH ROP) ROB SEARS (BADGER METER) RON BOW, DAVE JONES, PEDRO PORRAS, DON HENDERSON and TIM KEERAN. To discuss problems with the units not reading. It was at this meeting that the RAMAR representatives brought up the issues with the V-4 product and the high failure rate of these units. Also discussed at the meeting was who would be working to replace the defective units in the field, how the repairs were to be made and at whose cost. Technicians from RAMAR would be doing the field replacements with new factory potted units and at no cost to the District.

Dec 2, 2003

The district to work on the failed units. A two man crew from RAMAR arrived at the field.

December 2, 2003

1. Crew from RAMAR showed up without tools or replacement units.
2. Otay supplied 69 registers and TransPondits to use for replacement.
3. Called David Willms from Northrop to discuss delivery of replacement units.
4. Talked to Kim Kashmerick and Rob Sears from Badger Meter concerning time frame for delivery of replacement units from Badger.
5. Was informed Badger had registers that could be ready to ship in a few days, but at whose cost?
6. Told Badger to hold off on shipping anything until it's decided on who will be paying for replacement units and shipping costs.
7. RAMAR crew came back around 3:00 pm; they had replaced about 40 units. They will return tomorrow and finish with what they have on hand.

Discussion between Ron B, Tim K, and David Willms about delivery and cost of shipments of replacement registers with TransPondits. At this time Northrup refuses to supply replacement units or pay for shipping costs.

December 3, 2003

Contact Badger and instructed them to package 400 register/TransPondit sets for ASAP shipment. RAMAR will contract with its carrier to pick these units up on Friday, and hopefully deliver them on Monday to the District. We will be able to proceed with the replacement process for routes 401 and 403 starting Tuesday morning, etc, etc. I am also working with RAMAR and Badger to schedule pickup and shipment of the 300 Register/TransPondits sets currently set aside in your warehouse. Badger has agreed to process these at the same attachment/potting price as for new meters (which will be paid by RAMAR). I am hoping to get RAMAR's concurrence to use Badger's facilities by early tomorrow, in which we might be able to arrange pick up Friday...
(Email from David Willms to Ron Bow)

June 22, 2004	RAMAR TransPondits are in Danaher awaiting resolution of a payment dispute. (Email from DGenders@atr-group.com, Douglas to Tim Keeran)
June 24, 2004	The Danaher issue has been resolved and they should be able to resume processing at the start of next week. (Email from Patrick Parks to Tim Keeran)
July 7, 2004	Everything has been worked out with Danaher and they will be getting product out to you before the 19th. Northrop Grumman to send someone out to service units. (Email from Patrick Parks to Tim Keeran)
September 2, 2004	District trying to set up meeting with RAMAR. (Email from Tim Kerran to Sean Lee, RAMAR)
September 15, 2004	Still working out details regarding date codes, etc. and correlating these with Transpondit ID numbers from our route; still needs more data to identify how many Transpondits still need replacing by address; will check all "no-reads" and replace any defective Tanspondits found regardless of date code; unknown if RAMAR will have personnel at Otay next two weeks to resolve these issues. (Email from Ron Bow to David G. Willms)
September 16, 2004	RAMAR working with assembly house to refine correlation between Transpondit ID number and date code or version number; if and when this discovered, can better find how many V4 units are still installed in the field; we could possibly find an indication that we could still have 835 meters in the field with V4 transpondits; there is a large concentration of these in routes 902, 1207, 1305, and 1405; RAMAR and Northrup are committed to replacing all V4 products as originally agreed upon; additionally, will replace V6 product that has failed in accordance with RAMAR's standard warranty policy. (Email from David G. Willms to Ron Bow)
September 18, 2004	No feedback from RAMAR's assembly house regarding version versus ID # data; Mike Montanari will work with RAMAR to get failed/suspect products out of the system with good ones; RAMAR is still planning to have people at Otay starting on Monday for two weeks; keep sending the register/transpondit sets that have been removed back to Danahar for replacement on a weekly basis. (Email from David G. Willms to Ron Bow)
September 22, 2004	Mix up with some meters going to Danaher instead of Otay and will work on tracking them down. (Email from Mike Montanari to Sean Lee, RAMAR)

October 7, 2004	No word from RAMAR, when will they be there for replacements? Next week and the week after was the response. (Email from Sean Lee to Tim Keeran)
October 28, 2004	Problems receiving meters until December. What to do in the mean time? (Email from Sean Lee, RAMAR to Mike Montanari)
February 11, 2005	Northrop alludes to warranty issue – "will have to discuss with RAMAR" Willms: Our agreement with the District was that we would replace all V4 and the early V6 through data code 0330 product installed in the field using RAMAR labor. If it is those products that are not reading in the 9 AMR routes, then certainly we need to replace them. However, if these are newer V6 units that are not reading for whatever reason, then RAMAR doesn't really have an obligation to test every one and replace them or reprogram them using their personnel. They do have a warranty obligation to provide a new TransPondit to the District if it fails within one year after being installed…more info. on the email. (Email from David G. Willms to Tim Keeran)
February 11, 2005	1. Staffing issues for Version 4 replacement. Clean up of AMR Routes versus replacements of Version 4 products; would rather complete the Version 4 replacement and work on the clean-up later. (Email from Tim Keeran to David G. Willms)

Call Date:	To:	From:	Subject:	Content:
February 11, 2005	Tim Keeran	David G. Willms	RAMAR Visit	1. Staffing issues for Version 4 replacement. 2. Clean up of AMR Routes versus replacements of Version 4 products; would rather complete the Version 4 replacement and work on the clean-up later.
October 28, 2004	Mike Montanari	Sean Lee, RAMAR	Product & Labor update for Otay Water	Problems receiving meters until December. What to do in the mean time?
October 11, 2004	Tim Keeran	David G. Willms	Replacing Transponders (OTAY)	Loosing the first work day of replacements which means that only route 1405 will be worked on for two days in the week. Basically, poor timing of the replacements which is critical.
October 7, 2004	Tim Keeran	Sean Lee	Work Schedule	No word from RAMAR, when will they be there for replacements? Next week and the week after was the response.
October 1, 2004	Sean Lee, RAMAR	Mike Montanari	Otay Product Replacement Plan?	A weekly shipment to Otay starting last week and needs to know exactly how many TP are in each part of the process. Also, a man-power schedule was requested.
September 22, 2004	Sean Lee, RAMAR	Mike Montanari	Product Inventory Update Otay Water	Mix up with some meters going to Danaher instead of Otay and will work on tracking them down; must have a quick turn around of units pulled this week; next time workers

				product that has failed in accordance with RAMAR's standard warranty policy.
Ron Bow	David G Willms	September 15, 2004	Register/ Tranpsondit Change-out Plan	Image attached; still working out details regarding date codes, etc. and correlating these with Transpondit ID numbers from our route; still needs more data to identify how many Transpondits still need replacing by address; will check all "no-reads" and replace any defective Tanspondits found regardless of date code; unknown if RAMAR will have personnel at Otay next two weeks to resolve these issues.
Tim Keeran	Sean Lee, RAMAR	September 2, 2004	Meeting.	Sorry did not respond in a timely manner; will meet with you on Wednesday, September 8.

				will be at Otay is on October 11, will Danaher be able to get the next 200 units back by then?
September 18, 2004	Ron Bow	David G. Willms	Status Update	No feedback from RAMAR's assembly house regarding version versus ID # data; Mike Montanari will work with RAMAR to get failed/suspect products out of the system with good ones; RAMAR is still planning to have people at Otay starting on Monday for two weeks; keep sending the register/transpondit sets that have been removed back to Danahar for replacement on a weekly basis.
September 16, 2004	Ron Bow	David G. Willms	Update	RAMAR working with assembly house to refine correlation between Transpondit ID number and date code or version number; if and when this discovered, can better find how many V4 units are still installed in the field; we could possibly find an indication that we could still have 835 meters in the field with V4 transpondits; there is a large concentration of these in routes 902, 1207, 1305, and 1405; RAMAR and Northrup are committed to replacing all V4 products as originally agreed upon; additionally, will replace V6

AGENDA ITEM 6

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	December 6, 2006
SUBMITTED BY:	Hossein Juybari	PROJECT:	P2210 DIV. NO. ALL
APPROVED BY: (Chief)	Rod Posada Chief, Engineering		
APPROVED BY: (Asst GM)	Manny Magaña Assistant General Manager, Engineering and Operations		
SUBJECT:	Informational Item - FY 2007 First Quarter Capital Improvement Program (CIP) Report		

GENERAL MANAGER'S RECOMMENDATION:

That the Board accept the FY 2007 First Quarter CIP Report for review and receive a summary via PowerPoint presentation.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To update the Board about the status of all CIP project expenditure highlights, significant issues, progress, and milestones on major projects.

ANALYSIS:

To keep up with growth and to meet our ratepayers' expectations to adequately deliver safe, reliable, cost-effective, and quality water, each year Otay WD staff prepares a six-year CIP Plan that identifies the Otay WD infrastructure needs. The CIP is comprised of four categories consisting of backbone capital facilities, maintenance projects, developer's reimbursement projects, and capital purchases.

The quarterly update is intended to provide a detailed analysis of progress in completing these projects within the allotted time and budget. Staff continues to strive to achieve the targeted goal of at least 18-20% of the fiscal year budget amount in the first quarter.

Expenditures in this First Quarter of Fiscal Year 2007 totaled approximately $9.2 Million. This equates to 25% of the Fiscal Year 2007 expenditure budget and exeeds our targeted goal.

FISCAL IMPACT:

In the budget process staff sets a cash flow target level for the CIP projects. With the very large CIPs and the achievement of the construction schedules we are exceeding those targets and expect to accomplish nearly 100% of the budget over the next two years. With this level of achievement, greater than the historical levels, staff has re-evaluated the cash flow requirements and is recommending that the upcoming debt issuance be increased by $14.5 million to $42 million in order to accommodate the CIP construction needs. The expected impact on the projected rates is a shift from 3.9% to 5.1% in years 2010, 2011, and 2012. At this level, the District is expected to maintain all the reserve target levels in all years, remaining within the parameters of the Reserve Policy. The added debt will temporarily drop the debt ratio below the target level of 150%; however, the District always remains above the 120% covenant level even without using growth funds in the calculation. The District's financial strength allows the District to use this flexibility to meet changes in cash flow needs and still meet all its Reserve Policy targets by the end of the six-year rate model period.

STRATEGIC GOAL:

The CIP supports the mission of providing the best quality of water and wastewater service to the customers of the Otay Water District in a professional, effective, efficient, and sensitive manner, in all aspects of operation, so that public health, environment, and quality of life are enhanced.

LEGAL IMPACT:

None.

General Manager

HJ/RR/RP:jf
P:\ENGRSEC\REPORTS\CIP Qtrly Report\2007\BD 12-06-06, FY 2007 First Quarter CIP Report.doc

ATTACHMENT A

SUBJECT/PROJECT:	Informational Item - FY 2007 First Quarter CIP Report (Project P2210)

COMMITTEE ACTION:

Engineering & Operations Committee met to consider this item on November 15, 2006. The Committee supported 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.

AGENDA ITEM 7

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	December 6, 2006	
SUBMITTED BY:	Ron Ripperger	C.I.P./ G.F. NO:	P2185	DIV. NO. 5
APPROVED BY: (Chief)	Rod Posada Chief, Engineering			
APPROVED BY: (Asst. GM):	Manny Magaña Assistant General Manager, Engineering and Operations			
SUBJECT:	Award of a Construction Contract for the 640-1 and 640-2 Reservoirs Project			

GENERAL MANAGER'S RECOMMENDATION:

That the Board:

1) increase the project budget from $27,000,000 to $29,500,000, and
2) award a construction contract to Pacific Hydrotech Corporation, Inc. (Pacific Hyrdotech) in the amount of $24,894,000 for the construction of the 640-1 and 640-2 Reservoirs Project (See Exhibits A and B for the project location).

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To obtain Board authorization to award a construction contract to Pacific Hydrotech for the construction of the 640-1 and 640-2 Reservoirs Project.

ANALYSIS:

This construction project consists of four main elements of work. The first portion includes earthwork to prepare the site for the installation of two ten million gallon prestressed concrete, circular reservoirs. The second includes installing nearly 12,000 lineal feet of CML&C steel pipe ranging in diameter from 12-inch to 42-inch. The third element is the construction of the two reservoirs. Finally, the existing 520-1 Reservoir that was constructed in 1962 will be demolished due to its age and problems with its hydraulic compatibility within the Regulatory Site.

Infrastructure Engineering Corporation, the District's consultant, designed the reservoir project and developed the bid contract documents. Staff utilized the services of WRA & Associates and RBF Consulting to conduct a final construction risk assessment review prior to bid. This review resulted in an increase of $1.1 Million in allowances to the project for a variety of critical items such as providing a cost loaded schedule, installing soundwall barriers, regulated material identification and removal, locating unknown or unidentified utilities, suspension of blasting operations and additional potholing. These bid allowances will be used only if required.

The project was advertised for bid on September 18, 2006; subsequently five addenda were sent out to all bidders and plan houses to address contractors' questions and clarifications to the contract documents during the bidding period. Bids were publicly opened on November 9, 2006, with the following results:

ENGINEER'S ESTIMATE **$25,810,000**

	CONTRACTOR	TOTAL BID AMOUNT
1	Pacific Hydrotech Corp. (Perris, CA)	$24,894,000
2	SEMA Construction, Inc. (Lake Forrest, CA)	$26,765,000
3	Gateway Pacific Contractors, Inc. (Sacramento, CA)	$27,479,960
4	T.C. Construction Company, Inc. (Santee, CA)	$29,818,500
5	SSC Construction Inc. (Corona, CA)	$30,705,000
6	CDM Constructors Inc. (Rancho Cucamonga, CA)	$35,552,000

Staff estimated the total CIP project budget was $27,000,000 during the budget preparation process for Fiscal Year 2007. At that time, the engineer's estimate without allowances was $24,710,000. Staff felt it was too conservative and reduced the estimate to $24,100,000 for budgeting purposes. However, this number did not include any contingencies for change orders or allowances for unknown issues encountered during construction. After adding a 3% change order contingency, $1.1 Million in allowances, increased dollars for staff time during construction and additional funding for a greater effort for construction management, the budget needs to be increased by $2,500,000 to $29,500,000. Please see Attachment B for a comparison between the original budget and the revised budget.

The evaluation process included reviewing all bids submitted for conformance to the contract documents. The lowest bidder, Pacific Hydrotech, submitted a responsible bid and holds a Class A Contractor's License as required by the contract documents and has a Hazardous Substances Removal certification.

The District has no past experience with Pacific Hydrotech. References were checked and Pacific Hydrotech found to be a highly rated company. Staff also verified that it can comply with the bonding requirements for this project. Per the public competitive bidding process, staff is recommending the award of a construction contract to Pacific Hydrotech in the amount of $24,894,000.

FISCAL IMPACT:

The total budget for CIP P2185 is $27,000,000, as approved in the 2007 budget process. The actual costs paid on this project as of November 7, 2006, are $1,735,917. Total expenditures plus outstanding commitment and forecast to date, including this contract, are approximately $29,500,000. Based on the cost analysis performed, staff has determined that a budget increase is necessary. Attachment C is a table listing commitments, expenditures, and projected final costs.

With the revisions to the planned cash flows and debt financing, as outlined in the "FY 2007 First Quarter Capital Improvement Program (CIP) Report", the funds will be available from the expansion and betterment funds.

STRATEGIC GOAL:

This project supports the District's Mission statement, "To provide the best quality of water and wastewater services to the customers of Otay Water District, in a professional, effective, efficient, and sensitive manner...". This project fulfills the District's Strategic Goals No. 1 - Community and Governance, and No. 5 - Potable Water, by maintaining proactive and productive relationships with the project stakeholders and by guaranteeing that the District will provide for current and future water needs.

LEGAL IMPACT:

None

General Manager

HJ/RR/MA:jf
Attachments

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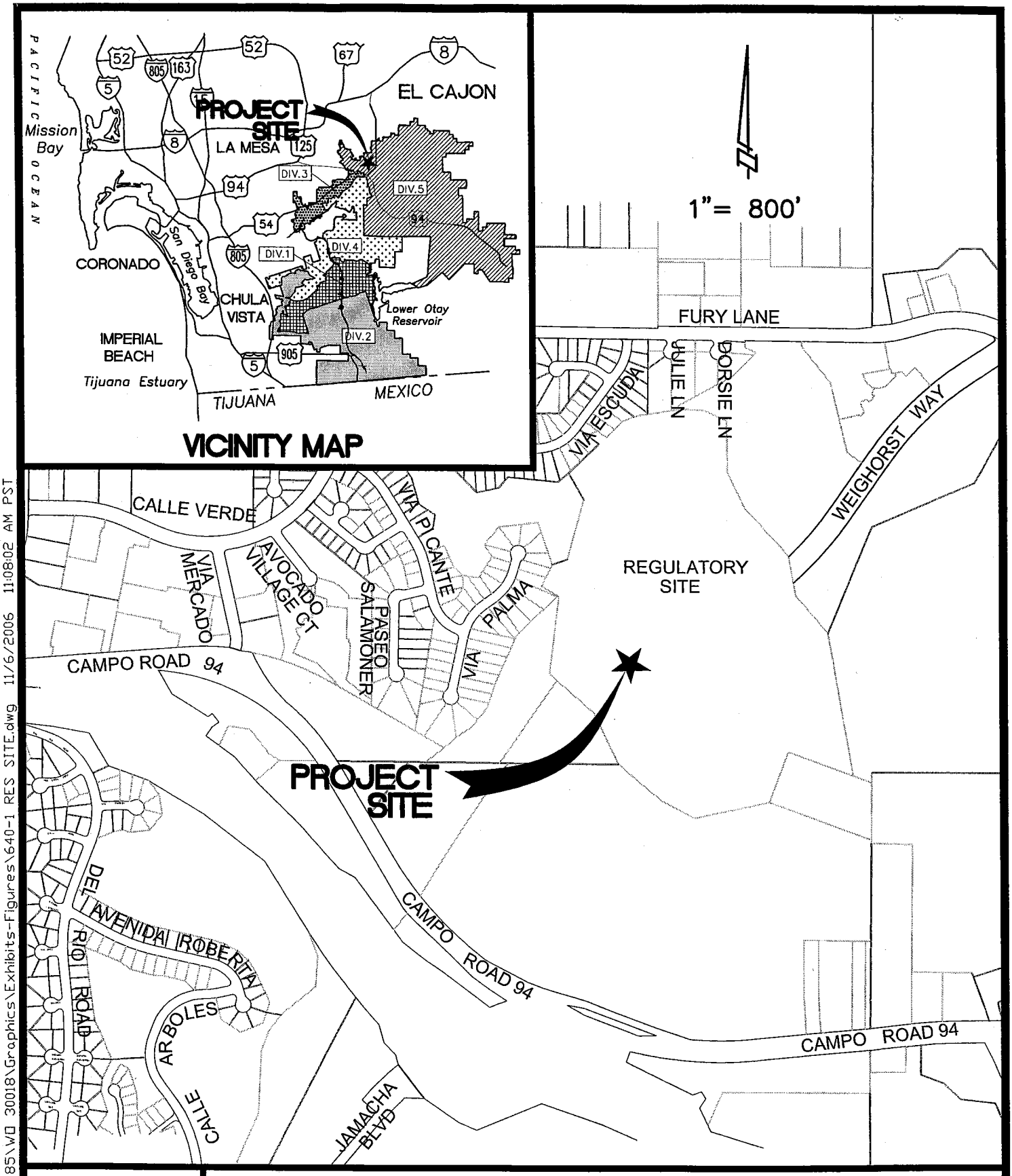

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OTAY WATER DISTRICT

PROPOSED

640–1 AND 640–2 RESERVOIRS

W.O. 30018 LOCATION MAP CIP 2185

EXHIBIT A

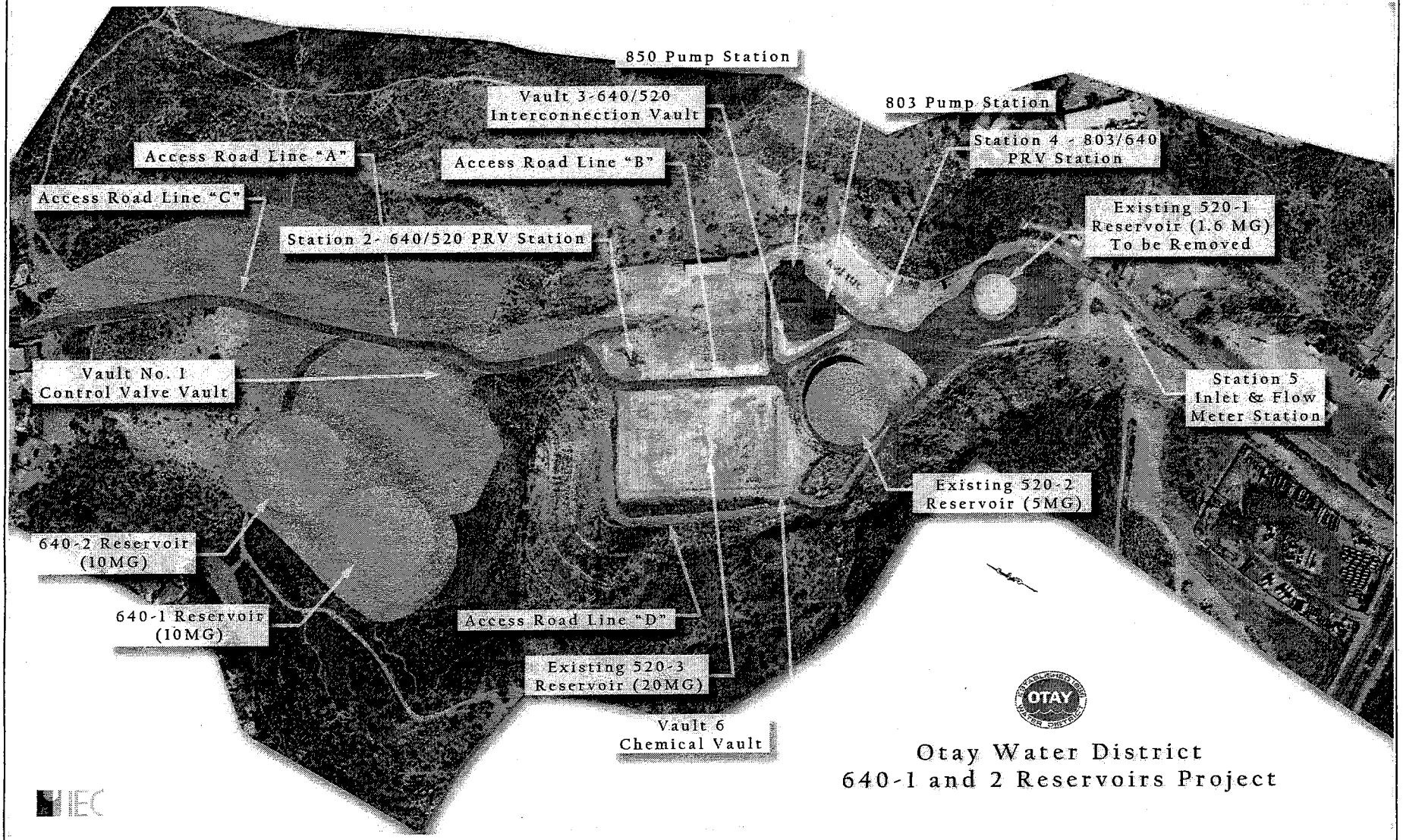

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EXHIBIT B

ATTACHMENT A

SUBJECT/PROJECT:	Award of a Construction Contract for the 640-1 and 640-2 Reservoirs Project (P2185)

COMMITTEE ACTION:

The Engineering and Water Operations Committee reviewed this item at a meeting held on November 15, 2006. The Committee supported 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.

ATTACHMENT B

SUBJECT/PROJECT:	Award of a Construction Contract for the 640-1 and 640-2 Reservoirs Project - Budget Comparison

Otay Water District

Date Updated: November 7, 2006

P2185 - Res - 640-1 Reservoir 20.0 MG

Phase	*Original Budget*	*Revised Budeget*	*Variance*
Planning			
Studies	$ 500,000.00	$ 118,929.39	$ (381,070.61)
Miscellaneous	$ -	$ 439,828.84	$ 439,828.84
Environment	$ 100,000.00	$ -	$ (100,000.00)
Preliminary Design	$ 100,000.00	$ -	$ (100,000.00)
Total Planning	$ 700,000.00	$ 558,758.23	$ (141,241.77)
Design			
Subcontract/Consultant	$ 800,000.00	$ 863,258.64	$ 63,258.64
In House/Labor	$ 200,000.00	$ 284,757.61	$ 84,757.61
Total Design	$ 1,000,000.00	$ 1,148,016.25	$ 148,016.25
Construction			
In House/Labor	$ 300,000.00	$ 921,803.56	$ 621,803.56
Miscellaneous		$ 30,601.96	$ 30,601.96
Construction Contracts	$ 24,100,000.00	$ 24,894,000.00	$ 794,000.00
3% Contingency		$ 746,820.00	$ 746,820.00
Consultant Contract (CM)	$ 900,000.00	$ 1,200,000.00	$ 300,000.00
Total Construction	$ 25,300,000.00	$ 27,793,225.52	$ 2,493,225.52
Grand Total	**$ 27,000,000.00**	**$ 29,500,000.00**	**$ 2,500,000.00**

ATTACHMENT C

SUBJECT/PROJECT:	Award of a Construction Contract for the 640-1 and 640-2 Reservoirs Project - Budget Detail

Otay Water District

Date Updated: November 7, 2006

P2185 - Res - 640-1 Reservoir 20.0 MG

Budget $27,000,000	*Committed*	*Expenditures*	*Outstanding Commitment & Forecast*	*Projected Final Cost*	*Vendor / Comments*
Planning					
Studies	$ 118,929.39	$ 118,929.39		$ 118,929.39	Boyle Engineering
In House/Labor		$ 102,592.36		$ 102,592.36	
Printing	$ 223.58	$ 223.58		$ 223.58	Tiger Reprographics
Office Supplies	$ 25.05	$ 25.05		$ 25.05	Petty Cash Custodian
Gas & Elelctric	$ 750.00	$ 750.00		$ 750.00	San Diego Gas & Electric
Subcontract	$ 175,783.84	$ 175,783.84		$ 175,783.84	FMS (No Detail)
	$ 153,831.91	$ 153,831.91		$ 153,831.91	FMS (No Detail)
Miscellaneous	$ 362.25	$ 362.25		$ 362.25	Bob Turner's Crane Services Inc.
Chemical Feed Systems	$ 6,169.48	$ 6,169.48		$ 6,169.48	Core-rosion Products
Postage	$ 26.57	$ 26.57		$ 26.57	Fed-Ex
Service Contracts	$ 63.80	$ 63.80		$ 63.80	Sedona Staffing
Land/Easement Acquisition				$ -	
Total Planning	$ 456,165.87	$ 558,758.23	$ -	$ 558,758.23	
Design					
Subcontract	$ 8,499.72	$ 8,499.72		$ 8,499.72	E & J Weed Abatement Co.
Consultant Contracts	$ 822,000.00	$ 740,215.00	$ 81,785.00	$ 822,000.00	Infrasturcture Engineering Corp
	$ 682.01	$ 682.01		$ 682.01	Environmine
	$ 7,800.00	$ 7,800.00		$ 7,800.00	Fire Prevention Services Inc.
	$ 600.00	$ 600.00		$ 600.00	Pacific Sourhwest Biological
	$ 4,720.00		$ 4,720.00	$ 4,720.00	WRA & Associates
	$ 9,711.41	$ 9,711.41		$ 9,711.41	John Powell & Associates
Regulatory Agency Fee	$ 1,250.00	$ 1,250.00		$ 1,250.00	State of California
In House/Labor		$ 284,757.61		$ 284,757.61	
Materials	$ 537.10	$ 537.10		$ 537.10	Traffic Control Services Inc
	$ 152.00	$ 152.00		$ 152.00	Allied Trench Shoring Services
Advertise and Award	$ 7,306.40	$ 26.94	$ 7,279.46	$ 7,306.40	OCB Reprographics
Total Design	$ 863,258.64	$ 1,054,231.79	$ 93,784.46	$ 1,148,016.25	
Construction					
In House/Labor		$ 92,324.55	$ 809,479.01	$ 901,803.56	
Materials	$ 122.40	$ 122.40		$ 122.40	Office Depot
	$ 5,466.34	$ 5,466.34		$ 5,466.34	National Waterworks Inc.
Temporary Labor		$ 382.80		$ 382.80	Sedona Staffing
Shipping	$ 20.62	$ 20.62		$ 20.62	Fed-Ex
Construction Contracts	$ 23,377.00	$ 23,377.00		$ 23,377.00	San Diego Gas & Electric
	$ 24,894,000.00		$ 24,894,000.00	$ 24,894,000.00	Pacific Hydrotech Corp
	$ 746,820.00		$ 746,820.00	$ 746,820.00	Contingency @ 3%
Consultant Contract (CM)	$ 1,200,000.00		$ 1,200,000.00	$ 1,200,000.00	Construction Manager
Professional & Legal Fees	$ 96.00	$ 96.00		$ 96.00	Burke Williams & Sorensen LLP
	$ 487.20	$ 487.20		$ 487.20	Garcia,Calderon & Ruiz
Service Contracts	$ 649.60	$ 649.60		$ 649.60	San Diego Daily Scripts
Accpt/close-out			$ 20,000.00	$ 20,000.00	In House Staff
Total Construction	$ 26,871,039.16	$ 122,926.51	$ 27,670,299.01	$ 27,793,225.52	
Grand Total	**$ 28,190,463.67**	**$ 1,735,916.53**	**$ 27,764,083.47**	**$ 29,500,000.00**	

AGENDA ITEM 8

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	December 6, 2006
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Informational Item on the Bond Process		

GENERAL MANAGER'S RECOMMENDATION:

This is an informational item only, to inform the Board of the Bond Process including the parties involved, their functions, and the selection process.

COMMITTEE ACTION:

Please see Attachment A.

PURPOSE:

To inform the Board of the Bond Process including the parties involved, their functions, and the hiring process.

ANALYSIS:

Please see Attachment B for the Bond Process presentation.

FISCAL IMPACT:

None.

STRATEGIC GOAL:

The District ensures its continued financial health through long-term financial planning and debt planning.

LEGAL IMPACT:

None.

General Manager

Attachments:

A) Committee Action
B) Bond Process Presentation

ATTACHMENT A

SUBJECT/PROJECT:	Informational Item on the Bond Process

COMMITTEE ACTION:

This is an informational item only, to inform the Finance and Administration Committee of the bond process including the parties involved, their functions, and the selection process.

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.

ATTACHMENT B

OTAY WATER DISTRICT

2007 Certificates of Participation

Financing Process

November 2006

Today's Recommendations

- **Recommend Approval of Contracts with Bond Counsel, Disclosure Counsel, and Trustee for Board Consideration On December 6**

- **Recommend Approval of Resolution Providing for Reimbursement of certain Expenditures Incurred prior to the Financing for Board Consideration on December 6**

Prior Actions

- **Formed the Otay Service Corporation**
  - Necessary to have separate legal entity to "acquire" facilities from under a long-term contract; a conduit financing
- **Approved Contract with Financial Advisor (October 4, 2006)**
- **Distributed RFP for Bond Counsel, Disclosure Counsel and Trustee (October 20, 2006)**

Current Actions

– **Approve Contracts with Bond Counsel, Disclosure Counsel and Trustee**

Co-Bond Counsel	Garcia, Calderon & Ruiz/ Sidley Austin
Disclosure Counsel	Stradling, Yocca, Carlson & Rauth
Trustee	Union Bank of California

Current Actions

- **Approve Reimbursement Resolution**
  - Allows CIP expenditures between October 6, 2006 and COP Issuance to be allocated to the COP proceeds
  - Administrative advantages

Future Board Actions

January 3	**Public Hearing Re: Rate Increase; Accept and File Financing Plan and Debt Policy Update**
February 7	**Approval of Financing Documents**

Financing Participants

- *Otay Water District*
- *Otay Service Corporation*
- *Bond Counsel*
- *Disclosure Counsel*
- *Financial Advisor*
- *Trustee*
- *Bond Insurer*
- *Rating Agencies*
- *Underwriter*

Bond Counsel

- **Prepares Legal Documents**
  - **Terms of Repayment**
  - **Pledge of Revenues**
  - **Provisions for Additional Debt**
- **Prepares Closing Certificates**
- **Directions for Transfer of Funds at Closing**
- **Prepares Tax Certificate Relating to Provisions of the Tax Code that Apply to the District's Financing**

Disclosure Counsel

- **Reviews Official Statement for Conformance with Legal Documents**
- **Provides Opinion to the District and Underwriter relating to the Adequacy of the Official Statement Disclosure**
- **Prepares Continuing Disclosure Agreement for Ongoing District Financial Disclosure**

Financial Advisor

- **Structures Repayment Terms**
- **Prepares Official Statement**
- **Prepares Rating Presentation**
- **Conducts Competitive Sale of COPs on District's Behalf**

Trustee

- **Administers Payment of Debt Service**
  - –Collects Payments from District
  - –Distributes Payments to Bondholders
- **Acts as Dissemination Agent for Continuing Disclosure Annual Report**

Bond Insurer

- **Provides Additional Credit Enhancement for the COPs (AAA)**
- **Insurance Premium based on Total Debt Service over the Term of the COPS**
- **Selected based on Lowest Premium Quote**

Underwriter

- **Selected based on Lowest Bid at Competitive Sale**
- **Purchases COPs from the District**
- **Sells COPs to Its Customers**
- **Fiduciary Responsibility to Investors, not the District**

Competitive Sale

Negotiated vs. Competitive Sale (Debt Policy)

- Competitive Sale is Preferred Method of Sale
- Negotiated is used in times of volatile interest rates
- Competitive Sale is Recommended for 2007 COPs
- Electronic Distribution of Official Statement
- Conduct Sale with Internet Bidding Platform

Financing Documents

Legal Documents:

–Trust Agreement

– Installment Purchase Agreement

– Assignment Agreement

– Continuing Disclosure Agreement

– Reimbursement Resolution

Sale Documents:

– Official Statement

– Official Notice of Sale

– Summary Notice of Sale

Legal Documents

- ***Trust Agreement***
  - Between District, Corporation, and Trustee
  - Contract with Bondholders
  - Repayment terms
- ***Installment Purchase Agreement***
  - Between District and Otay Service Corporation
  - Financing mechanism to secure payment of COPs from Net Revenues
  - Rate Covenant

Legal Documents

- ***Assignment Agreement***
  - Between Trustee and Otay Service Corporation
  - Corporation assigns payments due under the Installment Purchase Agreement to Trustee to pay debt service
- ***Continuing Disclosure Agreement***
  - District covenant to provide on-going financial information
- ***Reimbursement Resolution***

Sale Documents

- ***Official Statement***
  - Describes security and pledge to repay debt
  - Risk factors
  - Responsibility of Board Members
- ***Official Notice of Sale***
  - Sets out competitive bid parameters
- ***Summary Notice of Sale***
  - Published in financial newspaper to alert bidders of sale date

February 7 Board Action

District Resolution

- Authorizes GM/CFO to contract for bond insurance with low bidder
- Approves the form of Trust Agreement, Installment Purchase Agreement, and Preliminary Official Statement
  - Does not include Final Interest Rates and Maturity Schedule
- Authorizes GM/CFO/Financial Advisor to distribute the Preliminary Official Statement and Official Notice of Sale
- Authorizes sale of COPs in an amount not-to-exceed $42M, interest rate not-to-exceed 6% and underwriter discount not-to-exceed 1.5%
- Authorizes officials to execute all documents to finalize sale

February 7 Corporation Action

Corporation Resolution

- Special Meeting of Corporation to be called for February 7
- Approves the form of the documents
- Authorizes officials to execute all documents to finalize sale

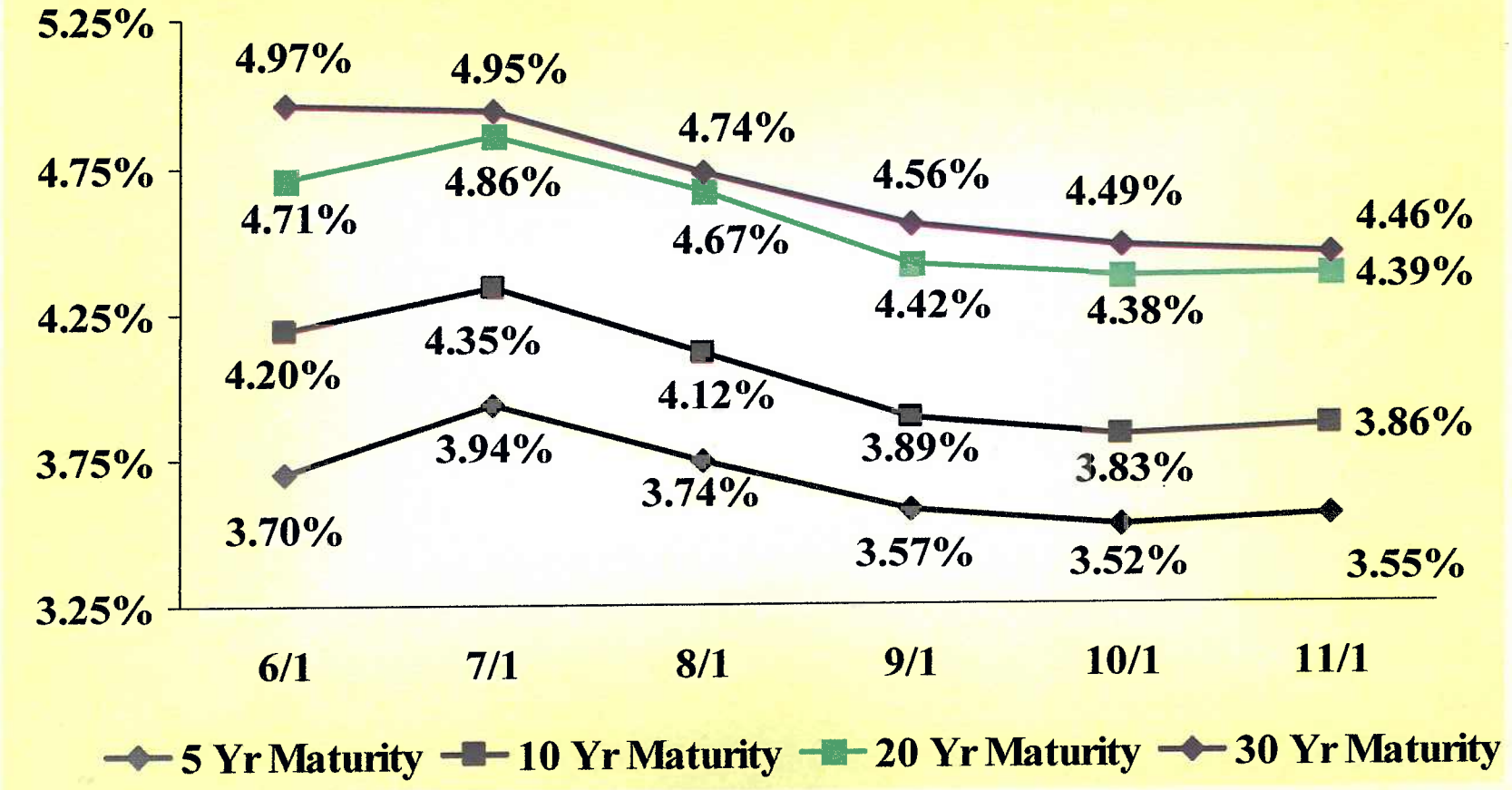
Other Key Dates

Week of January 22	**Rating Agency Presentations**
By February 9	**Receive Bond Insurance Bids**
February 21	**Competitive Sale of COPs**
March 7	**COP Closing/ Funds Available**

Estimated Costs of Issuance

	2007 COPs ($42.0M)	2004 COPs ($12.3M)
Costs of Issuance	$215,000 (0.5%)	$155,000 (1.3%)
Bond Insurance	$266,000	$ 76,000
Underwriting	$462,000	$135,000
Total	$943,000 (2.2%)	$366,000 (3.0%)

Interest Rates



AGENDA ITEM 9

STAFF REPORT

TYPE MEETING:	Regular Board Meeting	MEETING DATE:	December 6, 2006
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	Germaine Alvarez, Assistant General Manager		
SUBJECT:	Adopt Resolution No. 4091 allowing for Reimbursement of Certain Expenditures from the Proceeds of the Certificates of Participation (COPs)		

GENERAL MANAGER'S RECOMMENDATION:

That the Board adopt Resolution No. 4091 allowing for the reimbursement of certain expenditures from the proceeds of the Certificates of Participation (COPs).

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To present for the Board's consideration the adoption of Resolution No. 4091 allowing for the reimbursement of certain expenditures from the proceeds of the Certificates of Participation (COPs).

ANALYSIS:

The District anticipates the issuance of COPs in early 2007 to finance approximately $42 million of capital improvement projects. Between October 2006 and February 2007 (prior to the issuance of the COPs), the District will spend approximately $13 million on capital improvements that would qualify for expenditure of the COPs proceeds. The U.S. Tax Code allows the District to reimburse itself from the COPs proceeds for any qualifying expenditures made within the 60 days prior to the adoption of a resolution stating the Board's intention to reimburse the expenditures, and continuing through the date of the issuance of the COPs.

The ability to reimburse such expenditures will allow the District to replenish its capital reserves; to the extent it was necessary during this fiscal year, to draw from the reserves to fund construction contract payments prior to the issuance of the COPs.

In the event that the bond proceeds, held by the District prior to their use on CIP projects, earn interest greater than the interest payments to borrow the funds, the IRS requires that this spread be rebated to the IRS. This spread between interest paid and interest earned is called arbitrage. The COPs can be exempted from the rebate rule if the District meets a specific spending schedule of 25% each six months. This reimbursement agreement will aid the District in meeting this spending requirement and therefore exempt the COPs from the rebate requirement.

FISCAL IMPACT:

The potential reimbursement of $13 million in CIP expenditures will assist the District in maintaining its operating and capital reserve levels in accordance with the Board's Reserve Policy. This will also assist in meeting the spending requirements and avoid any rebates to the IRS for arbitrage.

STRATEGIC GOAL:

The District ensures its continued financial health through long-term financial planning and debt planning.

LEGAL IMPACT:

None.

General Manager

Attachments:

A) Committee Action Form
B) Resolution No. 4091

ATTACHMENT A

SUBJECT/PROJECT:	Adopt Resolution No. 4091 for Reimbursement of Certain Expenditures from the Proceeds of the Certificates of Participation (COPs)

COMMITTEE ACTION:

The Finance and Administration Committee recommends that the Board adopt Resolution No. 4091 for reimbursement of certain expenditures from the proceeds of the Certificates of Participation (COPs).

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.

ATTACHMENT B

RESOLUTION NO. 4091

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OTAY WATER DISTRICT, CALIFORNIA DECLARING ITS INTENTION TO REIMBURSE CERTAIN EXPENDITURES FROM PROPOSED TAX EXEMPT FINANCING AS REQUIRED BY UNITED STATES DEPARTMENT OF TREASURY REGULATIONS SECTION 1.150-2

WHEREAS, the Otay Water District (the "District") desires to finance the construction and acquisition of the public facilities described below (collectively the "Project"); and

WHEREAS, the District reasonably expects, as of the date hereof, to finance expenditures relating to the Project by authorizing the sale and delivery of one or more series of Obligations (as defined below); and

WHEREAS, United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt used to reimburse expenditures paid prior to the date of issuance of such debt are treated as expended only if certain procedures are followed, one of which is a requirement that (with certain exceptions), prior to the payment of any such expenditures, the issuer declares an intention to reimburse such expenditure; and

WHEREAS, the District reasonably expects to expend some funds in connection with the Project prior to the issuance of debt for such purpose; and

WHEREAS, the District reasonably expects, as of the date hereof, to reimburse such expenditures by allocating a portion of the proceeds of the Obligations to the reimbursement of such expenditures; and

WHEREAS, it is in the public interest and for the public benefit that the District declares its official intent to reimburse the expenditures referenced herein.

NOW, THEREFORE, BE IT RESOLVED by the BOARD OF DIRECTORS of the OTAY WATER DISTRICT as follows:

Section 1. The District intends to issue one or more series of obligations (the "Obligations") the proceeds of which will be used for the acquisition, construction, repair, improvement, delivery, design, installation, furnishing and equipping of certain capital facilities of the District (the "Project").

Section 2. The District hereby declares that it reasonably expects to (i) pay certain costs of the Project prior to the date of issuance of the Obligations; and (ii) use a portion of the proceeds of the Obligations for reimbursement of expenditures for the Project that are paid prior to the issuance of the Obligations.

Section 3. The aggregate maximum principal amount of the Obligations to be issued is expected not to exceed $42,000,000.

Section 4. In addition to reimbursing the District, the proceeds from the Obligations are anticipated to be used for costs and expenses related to the Project, funding a reserve fund and paying certain costs of issuance related thereto.

Section 5. The reimbursement allocation to be made with respect to an expenditure will occur not later than eighteen (18) months after the later of (i) the date on which the expenditure is paid, or (ii) the date on which the Project is placed in service, but in no event more than 3 years after the expenditure is paid.

Section 6. This Resolution expresses the District's expectations as of this date with respect to the financing of the construction and acquisition of the Project. Future events or extraordinary circumstances beyond the control of the District may result in the Project being financed in a manner other than as described in this Resolution, and nothing contained herein constitutes an irrevocable commitment by the District to issue the Obligations.

Section 7. All actions heretofore taken by the officers, or their respective designees, employees and agents of the Board of Directors of the District in connection with the financing of the Project are hereby ratified and confirmed.

Section 8. This Resolution shall take effect immediately upon its adoption.

Section 9. The District Secretary shall certify to the adoption of this Resolution.

APPROVED AND ADOPTED this 6th day of December, 2006

Ayes:

Noes:

Abstain:

Absent:

_____

President

ATTEST:

_____

District Secretary

I HEREBY CERTIFY that the foregoing Resolution No. 4091 was duly adopted by the BOARD OF DIRECTORS of the OTAY WATER DISTRICT at a regular meeting thereof held on the 6th day of December, 2006 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

_____

District Secretary

AGENDA ITEM 10

STAFF REPORT

TYPE MEETING:	Regular Board	MEETING DATE:	December 6, 2006
SUBMITTED BY:	Joseph R. Beachem, Chief Financial Officer	W.O./G.F. NO:	DIV. NO. All
APPROVED BY: (Chief)			
APPROVED BY: (Asst. GM):	German Alvarez, Assistant General Manager		
SUBJECT:	Selection of Bond Counsel, Disclosure Counsel, and Trustee		

GENERAL MANAGER'S RECOMMENDATION:

That the Board authorizes the General Manager to contract with the following firms for services related to the pending bond sale:

1. Contract with the firm of Garcia, Calderon, Ruiz and the firm of Sidley Austin for co-bond counsel services for a combined $50,000 plus out-of-pocket expenses not to exceed $1,000.
2. Contract with the firm of Stradling, Yocca, Carlson & Rauth for disclosure counsel services for $22,500 plus out-of-pocket expenses not to exceed $2,500.
3. Contract with Union Bank for trustee services for an amount not to exceed $1,500 plus incidental out-of-pocket expenses.

COMMITTEE ACTION: _____

Please see Attachment A.

PURPOSE:

To request Board approval for the selection of Bond Counsel, Disclosure Counsel, and Trustee associated with proposed pending Bond Sale.

ANALYSIS:

On May 31, 2006, at the Board Budget Workshop, the Board approved the budget and reviewed the need for issuing $27.5 million of debt. The debt issuance is necessary in order to fund the capital improvement projects and maintain the various construction funds at target levels. The Board of Directors has already approved the selection of the Financial Advisor and now

staff is presenting for Board approval, firms to provide the following services: Bond Counsel, Disclosure Counsel, and Trustee services.

NEED TO INCREASE BOND AMOUNT

Subsequent to the Board Budget Workshop, and as outlined in the "First Quarter Capital Improvement Program (CIP) Report", the need for bond financing has increased. In the budget process staff sets a cash flow target level for the CIP projects. With the very large capital improvement projects and the achievement of the construction schedules, the District is exceeding those funding targets and expects to accomplish nearly 100% of the budget over the next two years. With this level of achievement, greater than the historical levels, staff has reevaluated the cash flow requirements and is recommending that the upcoming debt issuance be increased by $14.5 million to $42 million in order accommodate the CIP construction needs.

The expected impact on the projected rates is a shift from 3.9% to 5.1% in years 2010, 2011, and 2012. The following table shows the rates found in the current Rate Model as compared to the projected rates under the proposed $42 million debt issuance.

	2007	2008	2009	2010	2011	2012
Current Rate Model	5.4%	5.4%	5.4%	3.9%	3.9%	3.9%
Rates with Proposed Debt	5.4%	5.4%	5.4%	5.1%	5.1%	5.1%

At this level, the District is expected to maintain all the reserve target levels in all years, remaining within the parameters of the Reserve Policy. The added debt will temporarily drop the debt coverage ratio from net operating income alone below the target level of 150%; however, the District always remains above the minimum 120% covenant level even without using growth funds in the calculation. The District's actual debt coverage ratio which includes the revenues from growth such as capacity fees, remains above 250% and reaches close to 450% by the end of the Rate Model time horizon. The District's overall financial strength allows the District the flexibility to issue additional debt, meet the changing cash flow needs, and still meet all its Reserve Policy targets by the end of the six-year Rate Model period.

Today's requested action is to approve the selection of Bond Counsel, Disclosure Counsel, and the Trustee, putting into place the financing team that will prepare the bond sale. Next month, staff and the Financial Advisor will review the updated Financing Plan which discusses the District's current and future financing. This updated plan will include the new bond amount and incorporate this into the District's Financing Plan. Based on the already updated Rate Model, a fundamental piece of the Financing Plan, both staff and the Financial Advisor are confident that the District maintains its excellent financial strength. In February, staff will ask the Board to adopt the formal resolution that will authorize the bond sale; not until that resolution is passed can the bond sale occur.

BOND COUNSEL SERVICES

Listed below are firms that were contacted and their proposed fees for the two services. All of these firms have excellent experience in the bond markets.

Firms	Bond Counsel Fees/Expenses	Disclosure Counsel Fees/Expenses
Garcia, Calderon, Ruiz/Sidley Austin	$51,000	Not Submitted
Fulbright & Jaworski, LLP	$51,500	$24,000
Jones Hall	$40,000*	$17,500*
Quint and Thimmig, LLP	$50,000	$20,000
Stradling, Yocca, Carlson & Rauth	$50,000	$25,000

*Expenses were not specified.

A selection panel evaluated the proposals scoring numerous areas, as outlined in the request for proposal. Based on that evaluation, the District entered into negotiations with Garcia, Calderon, Ruiz (GCR) reducing the initial submittal of $55,000 to a fixed-fee of $50,000 plus out-of-pocket expenses not to exceed $1,000. The recommendation is that the firms GCR and Sidley Austin serve as co-Bond Counsel. Additionally, based on the panel's evaluation, it is recommended that the firm Stradling, Yocca, Carlson & Rauth be retained as Disclosure Counsel for a fixed-fee of $22,500 plus out-of-pocket expenses not to exceed $2,500.

GCR has excellent experience with numerous financings where Aerobel Banuelos served as either Bond Counsel or Disclosure Counsel. GCR is proposing that the firm Sidley Austin serve in a support role as co-Bond Counsel. Their services are included in the fixed-fee of $50,000. Sidley Austin is one of the top-rated firms in the nation in this field. In addition to the

strength of the team's combined bond experience, GCR is the District's General Counsel and brings their comprehensive knowledge of the District's operations to the financing team. This team of attorneys is recommended by staff to serve as co-Bond Counsel for this debt issuance.

Stradling, Yocca, Carlson & Rauth (Stradling) is one of the three top-rated California Bond Counsels and has worked with our Financial Advisor on numerous occasions. They also served as both Bond Counsel and Disclosure Counsel in the District's last bond refinancing. Stradling has excellent experience, and was very responsive throughout the process. Based on their experience, quality service, knowledge of the District, and the continuity that they bring to the financing team, they are being recommended as Disclosure Counsel.

Staff evaluated all the firms and believes the District will be best served with this combination of counsels. The Financial Advisor, Suzanne Harrell, also supports the selection and the diversification of the bond and disclosure counsel roles. This approach strengthens the legal coverage on this bond issuance.

TRUSTEE SERVICES

Below is the list of firms that were contacted to provide trustee services for this debt issuance.

Firms	One-Time Fees	Annual Fees
Union Bank of California	$1,500	$1,700
US Bank	$2,400	$1,200
The Bank of New York	$1,700	$1,000

Based on a review and evaluation of the proposals, staff is recommending Union Bank to service as the Trustee on the new debt issuance. Staff has enjoyed excellent customer service from Union Bank who is currently serving as Trustee on two of the District's three outstanding debt issuances. The purchasers of the Otay bonds have benefited by the stability that has been experienced with Union Bank. With the District's other bonds, the trust department has been sold multiple times over the years requiring our bond holders to change the point-of-contact multiple times, dealing with different firms, individuals, addresses, and phone numbers. Union Bank is a quality organization with good service and stability.

FISCAL IMPACT:

All costs of the bond issuance are funded from the proceeds of the bond issuance including counsel and first year Trustee services. The Bond Counsel services are $50,000 plus out-of-pocket expenses not to exceed $1,000, the Disclosure Counsel fees are $22,500 plus out-of-pocket expenses not to exceed $2,500, and the Trustee fees are not to exceed $1,500 in the initial year. (Note: Trustee services are for the life of the Bonds and there are ongoing fees for ongoing services). The fees in subsequent years are $1,700 per year and are expected to increase over time at a reasonable rate. The District does have the option to change Trustees in the event that the level of service or cost of service was to warrant a change.

STRATEGIC GOAL:

The District ensures its continued financial health through long-term financial planning and debt planning.

LEGAL IMPACT:

None.

General Manager