



ADMINISTRATIVE SERVICES/FINANCE

Council Meeting Date: January 12, 2010

Staff Report #: 10-001

Agenda Item #:D-1

CONSENT: Authorize the City Manager to Alter and Extend the Contract for Water Meter Reading, Billing and Customer Service Provided by California Water Service to a Month-to-Month Basis Effective March 1, 2010: (1) Adopt a Resolution Awarding a Five Year Contract for Water Meter Reading, Billing and Customer Service to Global Water Management, LLC Effective April 1, 2010 and (2) Authorize the City Manager to Both Execute the Contract and Provide Authority to Extend the Contract for Five Additional One-Year Terms Providing the Fee Increase Does Not Exceed 5% Per Year

RECOMMENDATION

1. Staff recommends that the City Council authorize the City Manager to alter and extend the contract for water reading, billing and customer service provided by California Water Service to a month-to-month basis effective March 1, 2010.
2. Staff also recommends the adoption of a resolution awarding a five year contract for water meter reading, billing and customer service to Global Water Management, LLC effective April 1, 2010 and that the City Council authorize the City Manager to both execute the original contract and extend the contract for five additional one-year terms providing the annual fee increase does not exceed 5% per year.

BACKGROUND

In 1953 the City of Menlo Park formed the Menlo Park Municipal Water District (MPMWD) as a self supporting City enterprise. All water provided to the over 4,250 metered accounts is purchased from the San Francisco Public Utilities Water Department. The sale of water generates the required revenue to support the operational and capital needs of the water district. California Water Service and the O'Connor Tract Cooperative Water District provide water service to all other water users in Menlo Park. The MPMWD is accounted for as a separate enterprise fund of the City for financial accounting and reporting purposes.

In 1994 staff began the process of analyzing the cost and benefits of contracting the water meter reading, billing, and customer service to private companies. This process resulted in a Request for Quotations (RFQ); two companies responded. In 1995 California Water Service (Cal Water) was awarded a one year contract to provide these services beginning on September 1, 1995 and has continued to provide these services for the past fourteen years through contract extensions.

On September 23, 2008 the City Council authorized the extension of the contract with Cal Water until February 28, 2010 with the understanding that a RFQ would be issued. The RFQ would incorporate the current contract terms as well as allow for enhancements to take advantage of current technology and improvements in data accessibility for water usage analysis by City staff and customers. In addition the RFQ clearly sought to control the costs of these services.

The City received four proposals from the 2009 RFQ. Proposals were received from California Water (the current service provider), Global Water Management (Global Water), San Jose Water (SJ Water), and Triton Water. The proposals were reviewed for compliance to the RFQ. The proposal from Triton Water required upgrading all water meters to an automatic meter reading system. This was beyond the scope of the RFQ and consequently their proposal was rejected. The three remaining proposals were then reviewed in detail.

ANALYSIS

In addition to the monthly cost per account for providing the basic water meter reading, billing and customer services, the review included analysis of the supplemental services offered by each vendor. The supplemental services include: provision of a local office, on-line account access by customers for payment processing and usage review, data base access by City staff for account review and report downloading, and the number of annual billing inserts for customer education on water conservation and rate changes.

The schedule below shows the proposed monthly cost per account by vendor.

Vendor	Basic Rate
California Water	\$ 6.55
Global Water	4.75
San Jose Water	8.75

Local Office

All vendors offer a local office for direct customer contact for account establishment, maintenance, and walk-in bill payments. Cal Water currently maintains a local office in Atherton to service both their own customers and customers of MPMWD. The proposals from Global Water and SJ Water included the provision for a local office for an additional monthly fee of \$1.09 and \$1.50 per account per month.

The schedule below shows the monthly cost per account including a local office.

Vendor	Basic Rate	Plus Local Office	Total
California Water	\$ 6.55	\$ 0.00	\$ 6.55
Global Water	4.75	1.09	5.84
San Jose Water	8.75	1.50	10.25

Cal Water estimates that between 25 to 35 MPMWD customers per month use their local office for account establishment and bill payment. This is less than 1% of the customer base using the local office. Based on the infrequent usage of the local office by most MPMWD customers, staff recommends this additional cost not be incurred. New customers will be able to establish accounts with the vendor by telephone or over the internet. Existing customers will be able to make payments by mail, by telephone, and over the internet. Currently, even though Cal Water provides a local office, approximately 50 customers visit City Hall to make water account payments in a typical month. The number of customers coming to City Hall to make payments is expected to increase without a local office provided by the vendor. However, staff does not anticipate that 1 to 2 additional customers a day will impact customer service. Finally, if the lack of a local office becomes an issue the contract does include a provision to have a local office provided by the vendor at the price shown above.

Customer On-Line Account Access and Bill Payment

Global Water and SJ Water are able to provide customers with on-line access for usage history and other account information. Customers can also make payments on-line with these two vendors. Cal Water does not provide on-line access for customers for usage history and other account information. However, customers can contact Cal Water either in person at a local office or by telephone to obtain usage history and other account information. Cal Water currently provides customers with access to their on-line bill pay system. All vendors offer customers the ability to pay water bills by mailing a check or using an automatic bill payment system.

City Staff On-Line Account and Data Base Access

Currently, City staff receives individual MPMWD account information from Cal Water on a monthly basis by way of an e-mailed Excel spreadsheet. Staff then imports this data into staff-maintained data bases and uses the information collected to track consumption by individual customer account and new account and closed account activity. Cal Water also generates special reports as requested by staff. However, in some instances it takes several days to receive the requested report and the generation of special reports may result in programming fees if the number of contracted reports is exceeded. Immediate access to account information and historical consumption data without the need of maintaining separate data bases will improve staff efficiency.

Global Water and SJ Water are able to provide staff with immediate on-line access to account information. However, Cal Water is not able to limit City staff access to only MPMWD customer information. Therefore, since staff would have access to both MPMWD and Cal Water customer information, Cal Water has not included immediate access to account information in their proposal.

The inability of Cal Water to provide immediate access to account information, coupled with the pricing offered by Global Water, is the primary reason staff recommends that Council award the contract to Global Water.

Global Water Management

Global Water is a utility management company headquartered in Phoenix, Arizona. The company manages fourteen water and wastewater companies in Arizona. Seven of these are public/private partnerships. In addition to providing meter reading, billing and customer service to the utilities under its management, Global Water also provides a variety of services including water audits for 34,000 meter locations for the City of Sacramento, and the automation of over 30,000 meters for the City of Valencia.

Global Water has extensive experience in meter automation and reads the majority of its meters with fixed networks or automated meter infrastructure for collecting accurate reading data. Global Water is providing Staff with information on the cost benefits and other advantages of meter automation. Staff would like to present this information to the Council as an information item or at a study session at the appropriate time.

Historical Rate Paid for Contracted Services

The schedule below shows the monthly cost per account paid to Cal Water.

Contract Year	Monthly rate per account	Increase Percentage
1995-96	\$ 3.32	
1996-97	3.44	3.70%
1997-98	3.55	3.10
1998-99	3.64	2.50
1999-2000	3.76	3.30
2000-01	3.86	2.75
2001-02	3.98	3.10
2002-03	4.10	3.02
2003-04	4.22	2.93
2004-05	4.28	1.42
2005-06	4.41	3.04
2006-07	4.41	0.00
2007-08	4.59	4.08
2008-09	4.76	3.70
2009-10	5.00	5.00

Extension of Current Reading and Billing Contact through June 30, 2010

The current contract with Cal Water will expire on February 28, 2010. Staff recommends that the Council authorize the City Manager to extend that contract on a month-to-month basis at a rate of \$6.55 per month per account (the amount proposed in their response to the City's RFQ) to allow for smooth transition to the new vendor. Global Water estimates that they will be able to begin reading, billing, and providing customer service on April 1, 2010. However, the ability to extend the current contract though June 30, 2010 (if necessary) is requested.

IMPACT ON CITY RESOURCES

Funding for meter reading, billing, customer service to be provided by Cal Water and/or Global Water through June 30, 2010 is included in the 2009-10 budget of the Water Enterprise Fund in the amount of \$260,000. Included in the new contract is an allowance for \$50,000 for one-time start-up costs, including customer account information transfer from Cal Water to Global Water (including 12 months of consumption history), global positioning and photographing of each meter location, form design, and a toll-free customer service telephone number. In accordance with the new contract, Staff requests Council approve a \$50,000 increase in the 2009-10 Water Fund budget for the one-time start up costs.

POLICY ISSUES

The recommendation does not represent any change to existing City policy. However, the recommended elimination of the local office may impact a small number of customers who do not have easy access to telephone or computer services. These customers will be serviced by City staff during regular City Hall operating hours.

ENVIRONMENTAL REVIEW

Environmental Review is not required.

John McGirr
Revenue & Claims Manager

PUBLIC NOTICE: Public Notification was achieved by posting the agenda, with this agenda item being listed, at least 72 hours prior to the meeting.

ATTACHMENT: Contract Agreement with Global Water Management, LLC

**WATER OPERATION SERVICES
for Billing, Payment Processing and Customer Accounting**

This agreement is executed effective as of January 12, 2010, by and between the City of Menlo Park, a California municipal corporation ("City"), and Global Water Management, LLC, a Delaware limited liability company ("Company"), who agree as follows:

1. SERVICES PROVIDED BY COMPANY

Company is to provide, as contractor and agent for City and under the supervision of City, any and all acts and services necessary to furnishing day-to-day meter reading, billing and customer service to the City water system (Menlo Park Municipal Water District). Company will provide qualified and trained personnel, direct supervision, fully equipped vehicles, communication equipment, proper tools, equipment, fuels, and various supplies for meter reading, billing and customer service within City system. Also, a Company representative will, upon request and with at least a two week written notice, attend Council meetings.

The services to be provided shall include, but shall not be limited to:

(a) Meter Reading

(1) Company meter readers will record the water meter readings of each customer on a monthly basis. Monthly readings will be taken on about the same date each month. The monthly meter reading schedule may vary because of holidays and weekends.

(2) As part of the meter reading function, meter readers will make reasonable efforts to note potential water service problems. A work list with any noted potential water service problems will be provided to City for corrective action by City personnel. Problems noted by the meter reader relating to excess usage, leaks or other unusual water related circumstances noted on a customer premises will also be communicated by Company to the customer by means of a written or verbal notice, with a copy of any written notice provided to City. In providing the work list, Company disclaims any warranties or representations as to the existence (or lack thereof) of potential water service problems.

(b) Billing

(1) Company will render each customer, a monthly water bill within five business days of having recorded the meter reading. Bills rendered will be based on meter readings recorded by the meter readers and in accordance with the meter and usage tariffs in effect at the time of billing as presented in City's current water rate schedule. Bills will be printed on billing stock with "City of Menlo Park" and City logo printed on the top of the bill.

(2) Company will maintain customer account records. City shall have access to customer account information (Name, account numbers, consumption and current balance due) during normal business hours.

(3) Customer payments will be accepted and processed by Company each business day. Customers will have the option of paying bills by several means, including mailing the payment to Company, credit card, authorizing payment via home banking, or by automatic deduction from their bank account and as referenced in Company proposal. Company shall not accept cash payments unless a business office has been established or other acceptable means of accepting cash payments is determined by Company and approved by City. City will accept payments made in person or deposited in the payment box at City Hall. The next business day, for payment processing purposes, City will send to Company by email attachment or by fax a copy of the customer's payment stub and verification of the payment amount received by City. If City receives payment from a customer for an account which is subject to disconnection, City will immediately contact Company by email or by telephone to prevent a disconnection for non-payment.

(4) Company will provide mail notification to customers whose accounts are past due in accordance with established collection procedures for customers, as more particularly set forth in Exhibit A, attached hereto and incorporated herein.

(5) Customers whose checks are returned to Company or City by the bank for any reason will be charged a returned check processing fee in accordance with the City's tariff and this amount and the amount of the actual returned check will be added to the customers account balance. Company shall bill City monthly the total returned check fees as indicated on Exhibit A to this agreement for each check returned directly to the Company from the Bank. City will send to Company by email attachment or by fax a copy of each returned check the City receives from the bank. The Company will not receive any compensation from the City for processing payment reversals on return checks received by the City.

(6) Company will provide City four bill insert mailings per 12 month period at no additional cost to City. For each additional bill insert mailing, City agrees to pay \$500.00 per bill insert mailing, plus additional postage cost or cost of supplies used, if any. In addition, Company will provide up to two sets of customer mailing labels per year to City at no cost for mailing the City's CCR reports or for other City use. Additional mailing labels shall be provided to City at Company's cost.

(7) Company will provide customer the ability to access their account through a website that will provide information such as, but not limited to, review current bill or review monthly usage and compare it with previous 13 month period for the first year of the contract, with the comparison expanding to the previous 24 months at the completion of the first year of the contract. By the conclusion of the first year of the contract, Company will provide web access to the City's customer usage and provide a comparison to other homes in the neighborhood as described in the Company proposal at no additional cost to City or the City's customer.

(c) Customer Service

(1) Company will provide a local or 800 telephone number for customers to call and speak to a representative of Company and sufficient office personnel to respond to customer service calls for the duration of this contract. Customers will also have the option to use an integrated voice response (IVR) system to pay bills. Company will implement the IVR system over the first year of the contract. The office hours will be Monday through Friday, 8:00 AM to 5:00 PM, Pacific Time, excluding holidays that the City and/or Company is closed.

(2) CITY or COMPANY will provide new customers with a water customer information packet that is prepared by City, including data on City water rates and conditions of service, and water conservation information. If necessary, a deposit, as specified by City's tariff schedule, will be collected from a new customer. Company will dispatch a service person to the customer premises to inspect the meter, take an initial meter reading, and turn on the water service. The service will be turned on only when a resident is present at the premises.

(3) A service person will be dispatched by Company to a customer's premises when water service termination is requested. Company service person will record the meter reading for billing purposes and turn off the water service. Within seven business days of turning off the service, a closing bill will be rendered to the customer. Customers may schedule the disconnection of service up to seven calendar days in advance.

(4) Customer service requests or problems, which require field work and are reported to Company, will be communicated by Company to City personnel for their attention. This will include, but not be limited to leaks, system damages, system low pressures, and water quality matters.

(5) Company will provide City with a disaster recovery plan and records storage and archiving procedures in the event of an emergency.

(6) Company will provide an automated work order system that will be utilized by the meter reader, City staff, and customer service representatives in reporting problems or service requests as presented in Company's proposal. One concurrent user license for Cityworks Anywhere can be accessed by City for meter related service and work orders.

2. REMITTANCE TO CITY. Payments received by Company for credit to City customer accounts shall be processed within one business day of receipt. Weekly remittance shall be either by check or electronic funds transfer (if funds transfer fee is applicable it will be billed to City) to a City bank account as designated by City. Fees shall be deducted from the remittance as detailed in SECTION 5 (a).
3. PAYMENT OF EXPENSES. Unless otherwise noted herein, Company shall pay all expenses it incurs in performing meter reading, billing, and customer service responsibilities under the terms of this Agreement. Credit Card transaction fees will be billed to customers using a credit card.
4. MANAGEMENT REPORTS. Company shall provide City with monthly electronic reports related to meter reading, billing, and customer service provided by Company under this Agreement. The reports will include, but not be limited to:
 - (a) Summary of service and complaint report with listing of customer complaints and inquiries, reason for customer contact and resolution of the matter.
 - (b) Sales report showing number of accounts billed, revenue collected, and amounts billed and water consumption by customer classification; month-end accounts receivable summarizing billings and collections activity for City accounts; summary of customer deposits and construction meter deposits collected.

- (c) Other reports or information that Company and City mutually agree is pertinent and relevant to services provided by Company for the City at no additional cost to City.
- (d) Company will provide other reports at a cost mutually agreed upon by City and Company.

In addition Company will provide reports as presented in their Proposal dated August 19, 2009 when requested at no cost to City.

5. CONSIDERATION.

- (a) Effective from the first day of the first month Company begins issuing water service account bills the fee shall be \$4.75 per water service account billed per month. The total fee for each month will be calculated by multiplying the number of service accounts billed (including both print and email bills) by the fee. Company shall bill City at the end of each week the fee based on the number accounts billed that week and provide a detailed invoice to City. However, Company will not charge the City for more than one billing per service account per month even if multiple bills are issued to a customer within the same month for collection purposes or any other reason, excluding disconnect notices which are considered a bill. Service account is defined as the combination of a customer and a location. These fees will be deducted from the billing collection and the remaining balance shall be remitted to City as detailed in Section 2 REMITTANCE above.
- (b) Commencing twelve (12) months after the first day of the first month Company begins issuing water service account bills and for each succeeding twelve (12) month period thereafter, Company shall review its costs to determine whether an adjustment for said monthly fee is required. Company shall notify City in writing of proposed monthly fee adjustments not later than 60 days prior to annual contract renewal. The annual increase may be increased up to the CPI, but may not be less than 0% or greater than 5% per year. [Consumer Price Index is defined as the Consumer Price Index – San Francisco Bay Area City Average – for All Urban Consumers and all Items published by the United States Department of Labor, Bureau of Labor Statistics (“Index”), with the Index beginning in the month the Agreement is signed. If the Index is discontinued or revised during the term of this Agreement, such other government index or computation with which it is replaced shall be utilized, and modified as necessary, to obtain substantially the same result as would be obtained if the Index had not been so discontinued or revised.] Any postal rate increases by the United States Post Office shall automatically increase the fee per account at the time the postal increase becomes effective, and only to the extent of the Company’s actual average postal rate (presorted first class rate) increase. Company shall notify City not less than 60 days in advance of the rate increase and the effective date of the increase.
- (c) Company will make routine changes to the billing programs to accommodate changes City may request in water rates. City shall notify Company in writing not less than 60 days in advance of the rate changes and the effective date of the change.

- (d) City will notify Company in writing at anytime during the term of the contract with at least 90 days prior if a local business office is required. The cost to the City for Company providing a local business office as defined in the request for proposal shall be the actual cost not to exceed the sum of \$55,000 per year, plus the annual increase of the contract per year. When requested by the City, Company will operate and maintain, no more than five miles (driving distance) from the Menlo Park City limit, a local business office for the purpose of conducting business with City customers. The office hours will be Monday through Friday, 8:00 AM to 5:00 PM Pacific Time, excluding holidays. The Company has provided options in their proposal of different business office arrangements which will be discussed with City staff in determining what office services will be provided and how they will be provided if a local business office is required by City.
- (e) The City understands there are implementation costs required to set up and configure the water meter reading and billing system. Company has estimated these costs to be \$50,000.00. Upon verification of completion of each task, 1 through 5 in Company Proposal under "Implementation Work Plan", the City shall pay the Company \$10,000 per task for a total of \$50,000.
6. WATER SERVICE AREA. Company shall provide meter reading, billing, and customer service to City customers within the boundaries and service areas of the Menlo Park Municipal Water District. Such boundaries and service areas may change from time to time. Company shall be notified, in writing, of any changes in boundary or service areas not less than thirty (30) days prior to such change.
7. WATER RATES. During the term of this Agreement, City shall establish and maintain water rate schedules for customers. Rates may be changed from time to time as City, at its sole discretion, sees fit. City agrees to notify Company of any changes in writing at least sixty (60) days prior to their effective date. City's rate schedule shall include the following provisions:
- (a) City, at its discretion and on terms determined by City, may charge any additional fees determined by City Council and those fees collected shall be remitted by Company to City.
- (b) Company will charge City a reconnection fee (see Exhibit A to this Agreement) to cover the cost of re-establishing customer service when customer has been turned off for non payment of water bill and has subsequently paid the past due account.
- (c) City will provide Company with access to a supply of construction meters to be used within City water system as temporary meters that will be installed on hydrants when a customer requires temporary water for construction or other purposes. Company is responsible for billing the construction meters but will not perform any field work or installation associated with the construction meters.
- (d) Attached as Exhibit A of this Agreement is a summary of "past due account collection procedures". Company shall follow this procedure in handling past due accounts. Subject to prior written notice to City and as mutually agreed

upon, collection procedures may be changed from time to time as considered necessary by City or Company.

8. **RECORDS.** City shall have access to those financial records, complaints, and other records and reports prepared or maintained by Company that apply to the services provided by Company for City under this Agreement. City shall have access throughout the term of this Agreement and may require the reproduction, of Company's records such as statements, invoices, and other documents as may be reasonably necessary to support any charge or bill submitted by Company pursuant to the provisions of this Agreement, records of system customer billing transactions, and distribution system collections remitted to City.
9. **TERM.** The initial term of this Agreement shall be five years commencing from the first day of the first month Company begins issuing bills on water service accounts. After the initial 5 year term, The agreement term shall renew for successive one year terms on the anniversary date of the start date indicated above, unless either party hereto shall notify the other party in writing of its intent to not renew the Agreement, at least sixty (60) days prior to the expiration of the then current term of the Agreement. Notwithstanding the foregoing, City shall have the right to terminate this Agreement in its sole and absolute discretion at the end of any year of the term upon not less than sixty (60) days prior notice to Company.
10. **HOLD HARMLESS.**
 - (a) Company shall save, hold harmless, defend and indemnify City, its officers, agents, and employees from all claims, demands, damages, judgments, costs of expenses in law or equity that may at any time arise from or relate to any work performed by Company, its agents, employees or subcontractors under the terms of this Agreement, unless such claim, demand, damage, judgment, cost or expense results from the gross negligence or willful misconduct of City. In the event Company is permitted to subcontract portions of the services to be provided pursuant to this Agreement, the approved subcontractors shall indemnify City in a similar fashion.
 - (b) City shall save, hold harmless, defend and indemnify Company, its officers, agents, and employees from all claims, demands, damages, judgments, costs of expenses in law or equity that may at any time arise from or relate to any duties performed by City, its agents, employees or subcontractors under the terms of this Agreement, unless such claim, demand, damage, judgment, cost or expense results from the gross negligence or willful misconduct of Company.
 - (c) Under no circumstances will City or Company be liable for any consequential, special, or punitive damages for any reason.
11. **INSURANCE.** Company shall maintain insurance only for its own and its agents', employees' and/or subcontractors' negligence, intentional acts, and/or omissions, and City shall maintain insurance only for its own and its agents', employees' and/or subcontractors' negligence, intentional acts, and/or

omissions. Company and its approved subcontractors shall procure and maintain a certificate of insurance evidencing the insurance required for the term and duration of this Agreement naming the City of Menlo Park as an additional insured with the following minimum types and limits of insurance:

- (a) Automobile (vehicle) liability insurance shall provide coverage for owned, non-owned and hired autos, with coverage on an occurrence basis for bodily injury, including death, of one or more persons, property damage, and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence;
- (b) Commercial General Liability or General Liability insurance, providing coverage on a per occurrence basis for bodily injury, including death, of one or more persons, property damage and personal injury, with limits of not less than one million dollars (\$1,000,000) per occurrence. Said policy may provide for self-insured retention by Company of \$250,000 per occurrence, provided, however, Company shall be solely responsible for payment of any and all deductibles/self insured retention on any claims, judgments or settlements to which such insurance applies;
- (c) State of California approved self-insurance program for Workers' Compensation. Program will comply with state required statutory limits for Workers' Compensation;
- (d) All policies required of Company hereunder shall be primary insurance with regard to items for which Company is responsible in respect to City, its officers, agents, and employees, and any insurance or self-insurance maintained by City, its officers, agents, employees and volunteers shall be excess of the Company's insurance and shall not contribute with it. All policies shall provide that insurance company will endeavor to notify City in writing within ten (10) days of cancellation or material change in policy language or terms.

12. DISPUTED BILLS. If City disputes or questions any portion of any bill, invoice, or statement submitted to it by Company or any amount purportedly owing by it to Company, City shall promptly notify Company in writing of the amount thereof so disputed or questioned, which amount City shall not be obligated to pay until such dispute or questions shall be finally resolved. If City and Company cannot resolve the disputed bill within ninety (90) days from the date City notifies Company of the disputed bill, then the dispute can be submitted to arbitration at the option of either party. However, City agrees in each such instance to pay Company, when due, the portion of such bill, statement or amount not so disputed or questioned.

13. PAYMENT OF BILLS. City agrees to take all necessary steps procedurally so that payments due from it to Company pursuant to the provisions of this Agreement will be made on or before the applicable day specified herein. Unless specified otherwise in the Agreement, payment terms for Company invoices shall be thirty (30) days from the billing date.

14. TITLE. Company shall not have title to or ownership interest in the City water system (Menlo Park Municipal Water District) or any part thereof whatsoever.
15. NOTICES. All notices relative to this Agreement shall be given in writing and shall be sent by registered or certified mail, postage prepaid, or delivered by overnight courier and addressed to the party to whom such notice is given at the following respective address:

To City: City of Menlo Park
 Attention: Finance Director
 701 Laurel Street
 Menlo Park, CA 94025

To Company:
 Global Water Management, LLC
 Attn: Cindy Liles
 21410 N. 19th Ave., Ste. 201
 Phoenix, Arizona, 85027
 Facsimile: (623) 580-9659

Notices shall be deemed given when received by the party to whom notice is being given, unless the party refuses to accept delivery, in which case notice shall be deemed given when the delivery is rejected. Any notice given via email or facsimile shall be solely as a courtesy and shall not be effective unless and until compliance with the notice provisions set forth herein.

16. PARAGRAPH HEADINGS. Paragraph headings in this Agreement are for convenience only and are not a part of this Agreement and do not in any way limit or amplify the terms and provisions of this Agreement.
17. NATURE OF SERVICE. It is specifically recognized and intended by the parties hereto that in performing its obligations under this Agreement, Company shall not offer or perform any public utility service but shall act solely as contractor and agent for City in accordance with the terms of this Agreement. Company specifically does not dedicate itself to render a public utility water service to City customers, but rather agrees to furnish a non-utility service in accordance with the provisions of this Agreement.
18. CORPORATE AUTHORITY. Each individual executing this Agreement represents and warrants that they are duly authorized to execute and deliver this Agreement in behalf of the corporation or organization name herein and that this Agreement is binding upon said corporation or organization in accordance with its terms.
19. COMPLIANCE WITH LAWS. Company shall, at Company's sole cost, comply with all of the requirements of municipal, state, and federal authorities now in

force, or which may hereafter be in force, pertaining to this Agreement, and shall faithfully observe in all activities relating to or growing out of this Agreement all municipal ordinances and state and federal statutes, rules or regulations now in force or which may hereafter be in force.

20. DEFAULT; TERMINATION OF AGREEMENT; REMEDIES. If either party defaults under terms of the Agreement by failing to comply with the material terms and conditions required of it, then the non-defaulting party may terminate the Agreement if the default is not remedied within 30 days of receipt by the defaulting party of a written notice of the default condition from the non-defaulting party. If Company defaults under terms of the Agreement and fails to cure such default in a timely manner, in addition to the right to terminate the Agreement, City shall have the right to pursue any and all additional remedies against Company as may be applicable, including but not limited to monetary damages for the additional costs incurred by City as a result of Company's default. Under no circumstances will Company be liable for any consequential, special, or punitive damages for any reason.
21. WAIVER OF DEFAULT. The failure of any party to enforce against another provision of this Agreement, shall not constitute a waiver of that party's right to enforce any provisions at a later time, and shall not serve to vary the terms of this Agreement.
22. FORUM. Any lawsuit pertaining to any matter arising under or growing out of this contract shall be instituted in San Mateo County, California.
23. TIME. Time is of the essence in this Agreement.
24. ASSIGNMENT. This Agreement shall not be assigned, nor shall any of the services be subcontracted by Company without prior written consent of City.
25. BINDING EFFECT. The rights and obligations of this Agreement shall inure to the benefit of, and be binding upon, the personal representatives, successors and assigns.
26. ATTORNEY FEES. In any action to enforce the terms of this Agreement, the prevailing party shall be entitled to recover its attorney's fees and court costs and other non-reimbursable litigation expenses, such as expert witness fees and investigation expenses.
27. MERGER AND MODIFICATION. This contract sets forth the entire agreement between the parties, and supersedes all other oral or written provisions. This contract may be modified or terminated only in a writing approved by City and Company.
28. PROPOSAL. Company has provided proposal to City and the proposal shall become part of this Agreement. In the event this Agreement and the proposal

are in conflict with is this Agreement, this agreement shall supersede the proposal.

29. EXECUTION. This Agreement is effective upon full execution. It is the product of negotiation and therefore shall not be construed against the other party.

IN WITNESS WHEREOF, the parties thereto have executed this Water Operations Agreement for Meter Reading, Billing and Customer Service, effective as of January 12, 2010.

CITY OF MENLO PARK

Signature

Date

Print name

Title

GLOBAL WATER MANAGEMENT, LLC

Signature

Date

Print name

Title

Exhibit A

**Water Operations Agreement for Meter Reading, Billing and Customer Service
between the City of Menlo Park and Global Water Management, LLC**

PAST DUE ACCOUNT COLLECTION PROCEDURE:

The following sequence portrays an example of collection procedures on past due and delinquent customer accounts:

1. The initial billing for current amount due is rendered to the customer (example, April 15).
2. After 30 days the following month's bill is prepared (this would be about May 15). It will show a past due amount, if the bill sent April 15 is unpaid. In that case two things can happen:
 - a) If the customer's credit history indicates that the customer has not been delinquent in the past three months, the new bill is rendered with a printed gentle reminder requesting payment of the past due amount. This is done so customers with generally good payment histories are not offended by a harsh collection notice.
 - b) If the customer's credit history indicates that the customer has been delinquent once in the past three months, a notice is printed on the bill that the prior balance must be paid within 15 days to avoid discontinuance of service.
3. (a) In example 2(a) above, if the customer has not paid the past due amount when the following month's bill is rendered (about June 15), a 15-day discontinuance notice is included on the new bill. At the time the 15-day notice expires, about 75 days have passed since the initial bill was sent. If the customer does not remit payment within approximately five to seven days after the third bill has been rendered; a termination notice will be created and mailed for the City. Upon the expiration of termination notice date, a Company collector will visit the service address and attempt to collect payment, if contact cannot be made, a Notice of Discontinuance of Service shall be posted in a conspicuous location at the service address, and service will be terminated.

(b) In example 2(b) above, about 45 days have passed since the initial bill was sent. If the customer does not remit payment within approximately five to seven days after the second bill was rendered; a termination notice will be created and mailed for the City. Upon the expiration of the termination notice date, a Company collector will visit the service address and attempt to collect payment. If contact cannot be made, a Notice of Discontinuance shall be posted in a conspicuous location at the service address and service will be terminated.

- 4. The Company will apply its collection procedures in attempting to collect from customers who receive termination notices. The Company will notify the City of city customers whose water service has been turned off, locked and/or customers whose water meter has been removed.
- 5. If the Company turned a customer's service off and/or removed a customer's meter due to nonpayment, Company will turn the service on and/or reinstall the meter after the customer pays the past due amount and reconnection fee. After hours payments must be made at the City of Menlo Park Police station.
- 6. Company will charge City a reconnection fee for turning on a service, removing a service lock or reinstalling a meter on a service which was turned off by the Company for nonpayment.
- 7. Upon request of City, Company will temporarily cease collection procedures during a specified holiday period. City agrees to assume liability for any loss of revenues associated with the requested cessation of collections.

SUPPLEMENTAL SERVICES FEES:

The following fees will be added to customers accounts when the listed activity occurs based upon procedures followed in the agreement and/or as directed by City. Company is to bill the City on a monthly basis the fee listed for the activity performed. The fees listed may be increased upon a 60 day prior written notice to the Company from City.

Check returned by the customer's bank for any reason:	\$30.00 per check
Reconnection fee during normal business hours:	\$25.00 per reconnection
Reconnection fee after normal business hours:	\$65.00 per reconnection
Turn off of service due to non-payment:	\$25.00 per turn off