

STATE OF GEORGIA)
)
COUNTY OF CHATHAM)

SERVICES AGREEMENT

This Agreement is made and entered into this 22nd day of December, 2015 (the "Execution Date") by and between Chatham County, a political subdivision of the State of Georgia, hereinafter referred to as ("County"), and Chatham Utility Management, LLC, hereinafter referred to as ("CU"), a Georgia corporation, existing under the laws of the State of Georgia.

WHEREAS the County provides drinking water and limited sewer services to various locations in separately located systems throughout Chatham County; and

WHEREAS, the County system provides for the collection of untreated sanitary sewage in some locations but does not also provide water service; and

WHEREAS, the County has no process or mechanism in place to force customer payment of unpaid fees for sanitary sewer service in those said locations; and

WHEREAS, CU, along with its affiliates including Chatham Water Company and Water Utility Management, LLC ("WUM"), provides water service to many of those locations where the County provides for the collection of untreated sanitary sewage service; and

WHEREAS, CU's affiliates have been long standing private water and wastewater providers, operating within Chatham County and surrounding geographical area, and one affiliate, Chatham Water Company, has been providing billing and collection services for the County's sewer system in the Parkersburg area of Isle of Hope known as the Glen of Robin Hood system pursuant to a services agreement (the "Prior Agreement"); and

WHEREAS, the County desires to continue to use the efficient and effective billing and collection services rendered by CU's affiliate to reduce expenses and ensure that system users reimburse the cost for the delivery of said services; and

WHEREAS, the County desires to expand the services provided by CU's affiliate to all of the County's sanitary sewer systems, to expand the types of services provided to include repair and maintenance of the County's sewer collection systems, and to provide for management of the Modena Water System for a limited time; and

WHEREAS, the County utilizes the City of Savannah wastewater plant for the treatment of any sanitary sewage collected through its sewer system and pays the City for sewage treatment based on metered volume of said product; and

WHEREAS, the County released a Request For Proposals (No. 14-0122-7) (the "RFP") on or about February 10, 2015 for the potential sale of all of its water systems and one sewer system, and for the management of the remainder of its sewer systems; and

WHEREAS, CWC submitted a proposal pursuant to the RFP, was selected as a winning proposal, and subsequently provided to Seller a Letter of Intent (the "LOI"), dated August 10, 2015. On August 14, 2015, the Chatham County Board of Commissioners voted in favor of moving forward with the proposal, the terms of which are incorporated into this Agreement. The Chatham County Board of Commissioners voted in favor of final approval of this Agreement on November 20, 2015.

WITNESSETH

NOW THEREFORE, in consideration of the mutual covenants, and agreements, and to ensure an effective system of billing, collection, repair and maintenance services on behalf of the County, the parties enter into this Agreement more particularly as follows:

1. General Conditions. During the term of this Agreement, CU will provide the services described in the Scope of Work herein to manage and operate on behalf of the County the County's wastewater collection systems in the Glen of Robin and Runaway Point, including gravity sewer mains, force mains, lift stations, wet wells, and equipment, including controls, pumps, etc.

2. Term & Effective Date. This Agreement shall be for a one (1) year term commencing on the date of the closing of the sale of the water systems from the County to CU's affiliate, Chatham Water Utility, LLC, the (the "Effective Date"), and ending on the first anniversary of the Effective Date. The Agreement shall be renewed automatically for successive one (1) year terms; provided, however that either party may terminate upon giving seventy-five (75) days' notice of a desire to terminate the Agreement, or upon the Board of Commissioners taking Board voted action to not renew or to terminate the agreement.

3. Scope of Work. CU will provide the following services to the County pursuant to the terms of this Agreement:

- a. Administer accounts (new accounts, move-in's, location change, deposits, etc.)
- b. Read meters bi-monthly and calculate bills and provide all accounting and billing information on the WUM website and at its office at 621 Stephenson Avenue.
- c. Print and mail bills (or present bills by email, according to the customer's preference)
- d. Provide customer service by phone, email, internet, and service window at 621 Stephenson Avenue
- e. Collect revenues pursuant to WUM's customary procedures, and remit to County as provided herein
- f. Conduct all monitoring and reporting of sewer flows
- g. Conduct all compliance reporting with the State

- h. Provide all accounting of all activities and revenues to the County including customer account status
- i. Monitor pumping equipment and infrastructure
- j. Provide dispatching for routine and emergency service
- k. Provide reporting and location marking services for the Georgia UPC (811) on behalf of the County, provided the County will cooperate and assist with CU to identify the location of system lines and equipment.
- l. Subject to the limitations and provisions regarding reimbursement provided in Section 8 of this Agreement, general routine and preventative maintenance of the systems to include building and grounds maintenance of the lift stations real property, cleaning (grease remediation, odor control, pipe flushing, etc.), and pulling pumps twice annually.
- m. Repairs and replacement of minor electrical and mechanical equipment in order to keep the systems in operation both scheduled and unscheduled (up to the monthly cap on expenses provided in Section 8 of this Agreement).
- n. CU will manage the wastewater collection systems toward the goal of facilitating their future sale. As such, CU will perform the following additional functions: (a) CU will begin the process of locating, mapping, and assessing the condition of all sewer collecting infrastructure; (b) CU will identify potential improvements to the system and make recommendations to the County; (c) CU will meet regularly with the County to develop a capital improvement plan, and a corresponding budget; and (d) CU will perform measuring and analysis of wastewater flows to assist the County in reducing its cost of treatment from the City of Savannah.

4. Handling of Deposits. Upon the effective date of this Agreement, the County will retain current deposits previously made by the existing customers and County will transfer deposits to CU refund to customers upon termination or satisfaction of an outstanding balance of service upon request of CU. As customer accounts are closed, CU will render and collect final bills. CU will refund deposits to customers after final bills are settled. CU will maintain a listing of sewer deposits collected on behalf of the County by customer name and address in its accounting records, and such listing will match funds held by CU in related bank accounts. Should this agreement terminate, CU will remit any customer deposits held to the County.

5. Billing Rates. CU will bill at sewer rates established by the Chatham County Board of Commissioners for sewer services. County will provide CU with immediate notice pertaining to any rate fee change for services.

6. Collection of Fees. CU may suspend water services to collect any and all fees due, including sewage fees. CU will comply with all federal and state law concerning collection and may utilize for the collection of payment due, the services of a collection agency and/or courts should this be deemed necessary. Any costs associated with collections, including court costs and collection agency fees, will be deducted prior to revenue remittance to the County. The County's share of court costs and collections fees, shall be limited to its pro-rata share of sewer fees and arrears as compared to the total bill being sought for arrearage for water and sewer.

7. Fees for Services.

a. County shall pay to CU a fee equivalent to ten percent (10%) of the revenue from sewer service charges. CU also will retain any late fees or suspension fees, and shall be entitled to the additional fees for certain repair, maintenance and emergency services as provided in Section 8 of this Agreement.

b. CU will remit all sewer revenues, less fees set forth in this Agreement to County on a bi-monthly basis with a detailed accounting of revenue. Said detailed accounting of revenue shall list gross collections by customer and address, and separately identify and describe fees deducted from against said gross amount. CU will retain ten percent (10%) of all revenues on behalf of Chatham County as compensation for its services under the Agreement, except as noted herein, and shall remit the remaining ninety percent (90%) revenue to County.

c. CU will retain all fees associated with water services it provides to any customers.

d. CU shall be responsible as of the date of this agreement to collect any outstanding arrearage and sewer fees owed to the County and forwarded to CU for collection, as mutually agreed-upon by both parties, using its best efforts to make such collection. Should CU identify an existing unregistered customer, identified as a customer who is as of the date of this agreement using sewage services but not paying for such use, CU shall bill said existing unregistered customer for current and future use. CU and the County Finance Director will confer and agree upon any outstanding arrearage balance owed by the customer for any usage that occurred prior to knowledge of CU or the County, not to exceed or extend beyond 36 months prior to this agreement. CU and the County Finance Director shall confer and agree upon any payment plan to be made available to the customer. CU shall receive a one-time fee of \$175.00 for the discovery and adding of an existing unregistered sewer customer to its customer list. CU may negotiate a reduced arrearage amount if made in a lump sum payment and approved by the County Finance Director.

e. The County will reimburse CU for the annual fees to the Georgia UPC for the location services to be provided by CU under this Agreement.

8. Additional Services and Fees for Repairs and Maintenance. Because the condition of the sewer systems has yet to be determined as of the execution of this Agreement, and due to a perception that the systems will require significant remediation of deferred maintenance, CU will perform repairs and maintenance according to the following conditions:

a. The County retains the right to engage a third party contractor to perform repairs and make improvements to the wastewater systems pursuant to a bidding process (in which case CU will not be required to perform said work and will not be entitled to payment for said work). Unless notified by the County in advance that it has engaged a contractor pursuant to a bidding process, CU will perform all repairs, maintenance, minor improvements, and

emergency services on the wastewater collection systems. CU will absorb costs for such work up to \$250.00, but in no event will CU absorb more than \$1,000.00 per month. For all other repairs, maintenance, minor improvements, and emergency services, CU will perform such services at the rate of cost plus five percent (5%). Cost will be calculated as material and labor, with all labor, regardless of hour, being billed at straight-time, and will include costs for landscaping and restoring property and rights-of-way to original condition. CU will provide a monthly statement accounting for all repair costs due for reimbursement. CU may utilize subcontractors in its discretion. To the extent the County and CU disagree over any costs described in this Section 8, each agrees to submit the matter to binding mediation.

b. All individual scheduled repairs or projects in excess of \$1,000 will be pre-approved with the County according to whatever procedures the County establishes.

c. In case of emergencies, CU will be responsible for immediate mobilization of labor and materials to repair sewer system facilities to protect life and safety. CU will notify the County of emergency service needs within twenty-four (24) hours.

d. In the case of a sewer backup, the County will assist with available jet/vac trucks and operators. Additional resources if needed will be the responsibility of CU. Clean up operations and clean up costs will be the responsibility of CWC, pursuant to the limitations and rights of reimbursement contained in this Agreement.

e. The County will provide limited assistance to CU, including but not limited to the following: jet/vac trucks and operators in the event of a sewage back-up; bypass pumping for emergencies; and assistance with right-of-way access, and easy coordination to post signage to alert traffic of utility work and/or service conditions.

f. Planned capital improvements of the sanitary sewer systems will be the responsibility of the County.

g. CU and the County will meet regularly to create a capital improvement plan and budget.

h. CU will assist the County with analysis and troubleshooting of sewerage flow through the City of Savannah's meters at Lake Mayer and Runaway Point.

i. As the operator of the systems, CU will be in a position to identify and propose improvements that may enhance the operation of the systems, but which the County may not deem as immediately necessary. Following notice to the County, CU may elect to make, at its sole expense and without any right of reimbursement, repairs and/or improvements to the systems that will, in its reasonable discretion, provide for more efficient or safe operation, or more cost-effective maintenance of a system or part thereof for both parties. In the event of a dispute between the parties after good faith negotiations, the parties agree to submit the matter to non-binding mediation.

9. Expansion of Sewer Systems. CU will manage expansions of the existing wastewater collection systems, in accordance with the terms set forth herein. Engineering and construction of extensions to the wastewater system(s) will be overseen by CU, and any costs (including sewer tap fess) will be determined in advance by agreement between the County, CU, any contractor, and the developer or other representative of the properties to be served by the wastewater system extension.

10. Management Services for Modena Water System. CU will manage the water system serving Modena for a period three (3) months following the execution of this Agreement. The County shall pay to CU the fees for services described in Section 7 of this

Agreement for each month it manages the Modena water system. The management services CU provides for Modena will include the services (and any additional compensation or fees) described in Section 3 (a) – (m) of this Agreement, excluding any services for sewer systems, and in Section 8 of this Agreement, excluding any services for sewer systems and any services regarding capital improvements. CU may engage a contractor to perform all of the services for this system.

11. Discharge Notices. CU will notify local and state authorities of any sanitary sewer discharge into waters of the state in accordance with Georgia EPD and Public Health rules and regulations, and will operate the sewer collection systems in accordance with all State rules and regulations.

12. Insurance. CU will maintain insurance and certifications in compliance with the RFP. CU certifies that it carries pollution insurance sufficient for environmental impacts arising from a typical sewer discharge.

13. Liability for Certain Damages and Expenses.

a. In the event of damages arising from the utility location services provided pursuant to Section 3(k) of this Agreement, and to the extent such damages are not the responsibility of a third party or due to the negligence of CU or failure of CU to perform its duties under this Agreement, the County and CU will share the expense for such damages on an equal basis.

b. CU shall not be liable for any cost, damage, loss, claim, fine, or penalty of any kind whatsoever, arising out of or in connection with the systems or services described herein, except: (i) for any cost expressly provided in this Agreement to be paid by CU; or (ii) to the extent such cost, damage, loss, claim, fine, or penalty is caused by either (A) a negligent act

or omission of CU, or (B) the material failure of CU to perform its obligations under this Agreement. In the event of a disagreement between the parties as to the liability or responsibility of any cost, damage, loss, claim, fine, or penalty, the parties agree to submit to binding mediation.

14. Information Provided by County. The County will provide to CU the following, as available: plats, surveys, maps, plans, engineering drawings, and specifications for the sewer collection systems, as well as any design and operation manuals, and records regarding repairs and maintenance of the sewer systems. The County will also provide to CU access to EPD compliance files to include testing records, reports, inspection reports, correspondence and permits.

15. Condition Precedent. This Agreement shall be contingent on the consummation of the closing of the sale of the County water systems to CU pursuant to a separate agreement.

16. Purchase Option. To the extent permitted by law, CU shall have, for a period of ten (10) years from the date of this Agreement, the option to purchase the County's wastewater collection systems at the price of \$1,000,000, PLUS (i) the amount by which the CPI increased from the dates of this Agreement, and (ii) the value of any capital assets purchased by the County after the date of the execution of this Agreement (depreciated as of the date the option is exercised), AND LESS the amount by which the capital assets as of the date of this Agreement have depreciated as of the date on which the option is exercised.

17. Customer Dispute. CU will be responsible to follow its customary procedures to respond to all customer billing and service disputes in an effort to resolve said dispute. In any issue related to water consumption, the County will defer to CU to resolve said dispute. CU will follow and the County will support CU's current leak adjustment policy. Should CU not be able

to resolve said billing or service dispute with customer, then County will confer with CU to determine a mutually agreed-upon course of action and make any service or billing adjustment as is deemed appropriate considering all circumstances. Should the account balance of a customer be a downward adjustment amount, if any, to a disputed bill, said amount will be refunded to customer or credited upon customer's future bill with the County bearing the loss of such revenue to the extent of a downward adjustment for sewer services.

18. Open Records. CU, is a service provider for the collection of fees for the County and to the extent the services are provided on behalf of the County, which results in documents and only to the extent of CU's services to the County exclusively, shall be subject to disclosure required by the County pursuant to the Georgia Open Records Act.

19. Audit. CU shall be subject upon request by the County to an audit and reconciliation of all expenses, revenues and fees related to CU's services to County. This would be performed at the County's expense. CU agrees to maintain records of all revenues and expenditures pertaining to funds subject to this Agreement and shall allow County auditors complete access for purposes of verifying the appropriate revenues and expenditures identified under this Agreement. CU shall also permit the County and/or representatives of the Department of Internal Audit to audit, inspect, examine and make copies, excerpts or transcripts from such records of data relating to all matters covered by this Agreement. All documents to be audited shall be available for inspection at all reasonable times in the main offices of CU as requested by the County.

20. Records Retention. CU and County shall maintain records according to the State of Georgia's Record Retention Policy for Local Government. As of the date of this agreement,

the required length of records retention for accounts receivable and financial detail records is five (5) years.

21. Sovereign Immunity. This Agreement shall not constitute a waiver of the County of its right to sovereign immunity.

22. Independent Contractor. CU is an independent contractor of the County and CU's acts are its responsibility and may not be deemed an act of the County.

23. Assignment. CU may assign all or part of its rights and duties under this Agreement, provided, however, that the assignee must be an affiliate of CU or its parent company or principals.

24. Notice. All notice as may relate to maintenance and repair of the system shall be given to the Department of Public Works and Park Safety at the following address:

Department of Public Works and Park Services
7226 Varnedoe Drive
Savannah, Georgia 31406

All notice as it may relate and required under this Agreement pertaining to renewal, termination, performance payment or other claims or matter, shall be brought to the attention of Chatham County Manager at the following address :

Chatham County Manager
P.O. Box 8161
Savannah, GA 31412

All notices from the County shall be sent to the following address:

Mark Smith
c/o Chatham Water Company
621 Stephenson Avenue
Savannah, Georgia 31406

23. No Presumption of Defect. This Agreement is drafted mutually by the parties and any ambiguity of the terms and conditions of this Agreement shall not be presumed or construed as a matter of law against either party as drafter of the Agreement.

24. Modification. This Agreement may be modified by mutual agreement of both parties in order to clarify or alter terms stated herein.

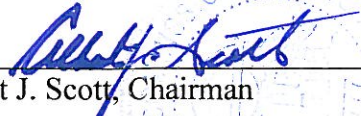
25. Law and Venue. This Agreement shall be interpreted by Georgia law with the Superior Court of Chatham County having exclusive jurisdiction of legal disputes, except those for which the parties have expressed agreed herein to be determined by binding mediation.

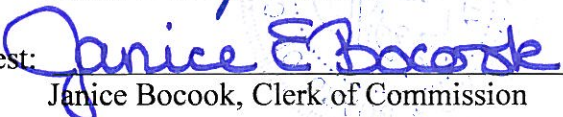
26. Severability. Should any provision of this Agreement be deemed unlawful or unconstitutional, it shall be severed from the Agreement with the remaining provisions of said Agreement being in full force and effect.

27. Termination of Prior Agreement. Upon Effective Date of this Agreement, the Prior Agreement shall be terminated automatically and of no further force and effect.

The parties hereunto set their hands and affix their seal the date and year written above.

CHATHAM COUNTY BOARD OF COMMISSIONERS

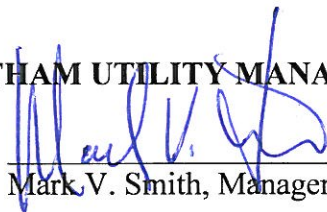
By: 
Albert J. Scott, Chairman

Attest: 
Janice Bocook, Clerk of Commission

Approved: 
R. Jonathan Hart, County Attorney

Date: December 22, 2015

CHATHAM UTILITY MANAGEMENT, LLC

By: 
Mark V. Smith, Manager

Date: 12-14-15