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July 25, 2011

The Honorable Joe Davis, Sr.
Alderman, City of Milwaukee
200 East Wells Street, Room 205, City Hall
Milwaukee, WI 53202

Dear Joe:

Several factors were taken into consideration by the National League of Cities (NLC) as part of our due diligence to market and promote the NLC Service Line Warranty Program, which is offered in cooperation with Utility Service Partners, Inc. (USP).

NLC Introduction to USP

As part of NLC's new enterprise programs initiative, NLC staff vetted many potential new program offerings, many of which came about through referrals from city officials and state municipal league staff. Having shared our business plan with Jim Hunt, councilmember of Clarksburg, West Virginia (W. VA) and NLC past president, he suggested that we explore a program offered by the West Virginia League that had been well received by member cities and city residents. At that time, W. VA had an estimated enrollment of 14%. Mr. Hunt later participated in NLC's preliminary meetings with USP and today still remains an avid supporter of the program.

NLC staff contacted Lisa Dooley, W. VA League Director, to determine the League's satisfaction with the program and to obtain information about the working relationship with USP. NLC received a positive report based upon the ease of implementation, program affordability and quality customer service. The program was implemented two years ago and eight cities participated at that time.

NLC staff surveyed all 49 state municipal leagues (SMLs) to inform them of our investigation and to determine if NLC would be competing with any state programs. It was determined that no competing programs existed. This is an important aspect of our selection process and a core operating principle of the NLC Enterprise Programs, to ensure that we work cooperatively with state municipal leagues (SMLs) when pursuing entrepreneurial activities. As a result, NLC was made aware that USP had a similar sponsorship agreement with the Oklahoma Municipal League.

NLC staff also placed heavy emphasis on USP's relationship with the North Central Texas Council of Governments (NCTCOG) and the likelihood that USP would be selected through a competitive bid process to offer a water line service protection program in the Dallas/Fort Worth area (which includes



The Honorable Joe Davis, Sr.

July 25, 2011

Page Two

230 cities with a population of 6.5 million). NLC spoke with Mike Eastland, NCTCOGs' Executive Director to confirm the evaluation process, which was comprised of several member cities and NCTCOG staff, and later reviewed the interlocal agreement that allows local governments to access the master contract held by NCTCOG. After USP was unanimously selected by the Evaluation Committee, we learned that four (4) service providers, including USP participated in the process.

In addition to the above, NLC considered the following criteria:

- Partner's financial strength - NLC staff reviewed the most recent audit, which had an unqualified opinion by the accounting firm – PricewaterhouseCoopers LLP. A review of USP's business plan provided information about their business structure and relationship with the parent company; the proposed implementation strategy; and a review of the regulatory environment that prompts USP's entry into the market.
- Partner's experience in the marketplace – eligibility for an organization to be considered as an Enterprise Partner centers on experience working with municipalities, including smaller municipalities that have populations of fewer than 50,000; working with membership associations that would benefit from preferred member pricing typically only available to larger clients; willingness to share revenues with program participants through the use of rebates; and willingness to extend sponsorship relationships with state municipal leagues. USP demonstrated all of the above.
- Demonstrated need for the program – prior to completing contract negotiations, NLC typically previews its new enterprise programs to NLC leadership and other select groups. In August 2010, NLC staff presented the program to elected officials attending the National Black Caucus of Local Elected Officials Annual Summer Conference. Several participants requested additional information and validated the program as a value-added service that could easily be offered to their constituents.

Additional criteria included a review of the project's revenue and profitability potential, integrity of the partner and its program, and a review of legal documentation. It is important to note that NLC worked closely with legal counsel to review and amend sample agreements between USP and the city, as well as USP's literature to city residents.

I hope you will find this information helpful as part of the decision making process in Milwaukee. If there is anything else that you need, please don't hesitate to contact me.

Sincerely,



Donald J. Borut
Executive Director