



COUNCIL REPORT

DATE: June 10, 2025
CATEGORY: Consent
DEPT.: Public Works
TITLE: **Smart Water Meter Consulting and Funding Agreements, Project 23-45**

RECOMMENDATION

1. Authorize the City Manager or designee to execute a cost-share agreement with the Santa Clara Valley Water District (Valley Water) for the City to receive up to \$1,575,000 to fund Smart Metering Program, Project 23-45.
2. Accept and appropriate up to \$1,575,000 in future reimbursement payments from Valley Water to Smart Metering Program, Project 23-45 (Five votes required).
3. Authorize the City Manager or designee to execute a professional services agreement with Diameter Services USA Inc., California Entity No. 5338404, for smart water meter consulting services, Smart Metering Program, Project 23-45, in a not-to-exceed amount of \$330,000.

BACKGROUND

The City of Mountain View (City or Mountain View) provides potable water service to the majority of businesses and residents within the City limits and recycled water service for nonpotable uses within the North Bayshore Area (at present, with potential expansion to other areas in the future). The City bills its water customers a fixed fee per monthly or bimonthly billing period, plus a volumetric charge based on the volume of water consumed measured through a City-owned water meter. Over the past few decades, water metering technology has evolved from staff walking and visually reading analog registers (similar to a car odometer), to drive-by radio technology, to network systems that remotely collect meter reads at regular intervals. The City currently has approximately 19,000 water meters installed throughout its service area, which are read either manually or with drive-by radio technology. Approximately 65% of installed meters are equipped with radios, with the remainder being older manual-read meters.

For several years, staff has been exploring remote network options, referred to as Advanced Metering Infrastructure (AMI), or more colloquially as “smart meters.” On [April 22, 2025](#), the City Council identified smart water meters as one of the City’s priority projects in the Fiscal Years 2025-27 Council Work Plan, which will come to the Council for adoption on June 24, 2025.

AMI offers many advantages both to the City and its customers, such as utilizing technology for meter reading and providing real-time water use information that can be used for customer-side leak detection.

On [June 11, 2024](#), the City Council authorized execution of an agreement to receive up to \$10.1 million from the Santa Clara Valley Water District (Valley Water) to support conversion of the City's water meters to AMI (Smart Metering Program, Project 23-45) and recycled water capital projects (Recycled Water System Expansion, Phase 1, Project 23-40), if funding is available following completion of the AMI conversion. These funds are provided by Valley Water through the Guiding Principle 5 (GP5) Program, designed to reimburse the City for State Water Project taxes collected in Mountain View between Fiscal Year 2018-19 and Fiscal Year 2024-25. Valley Water has not yet received the final tax revenue amount from the State of California for Fiscal Year 2024-25, and staff will return to Council in the future with the final GP5 Program funding amount to be appropriated to the projects identified above.

Over the past year, staff has negotiated additional AMI funding from Valley Water's water conservation program for a separate contribution of up to \$1.575 million. Concurrently, staff issued a competitive solicitation for consulting services to support the City's conversion to AMI. Staff is returning to Council today to accept the additional Valley Water funding and finalize the AMI consultant selection.

ANALYSIS

Valley Water Cost-Share Agreement

Valley Water administers a variety of water conservation programs throughout Santa Clara County, including a reimbursement program for retail water agencies that convert to AMI. Through their water conservation program budget, Valley Water reimburses agencies \$70 per AMI-enabled meter and 50% of the AMI software cost (up to \$2.25 per connection). To ensure agencies utilize the benefits of AMI (especially for customer-side leak detection), Valley Water's reimbursements are distributed over a period of seven years. Based on the City's existing and estimated future water meter population, the Mountain View cost-share agreement includes a maximum of \$225,000 per year, which equates to \$1.575 million over the term of the agreement.

In accordance with the cost-share agreement, Mountain View's responsibilities will include administration of the AMI program (e.g., program design, procurement, and installation) as well as customer notification about their water use and potential leaks. The City will also provide anonymous data to Valley Water to demonstrate any achieved water conservation savings. Funds received through this agreement will be tracked separately from the GP5 Program funds, and the two sources will be used to fund different AMI program components.

Professional Consulting Services

In January 2025, City staff issued a Request for Proposals (RFP) for consulting services to provide the necessary expertise to design and implement the AMI program in Mountain View. The RFP was posted on PlanetBids and the City's website and distributed directly to eight consulting firms. Five firms responded to the RFP before the deadline of February 11, 2025.

A review panel of staff from Public Works and Information Technology deemed Diameter Services USA Inc. (Diameter Services) to be the best-qualified firm based on the merits of their written proposal and oral interview, demonstrating experience in completing similar projects, and understanding of the project. Several other local agencies have also contracted with Diameter Services for assistance with their AMI programs, including the City of Sunnyvale, Alameda County Water District, and Contra Costa Water District. The negotiated consulting services will include the following major work tasks:

Design Assistance

1. Identify organizational and project goals; educate City staff on available technologies and AMI business drivers.
2. Assess the City's metering and related assets to recommend an optimal program plan (including performing field surveys of existing meters).
3. Review City business processes and assess billing system interfaces.
4. Analyze capital and life-cycle costs and complete a financial analysis.
5. Develop a detailed project scope, procurement strategy, and public outreach plan.

Procurement Assistance

1. Develop specifications for water meters, AMI technology, and installation services.
2. Facilitate drafting of procurement documents.
3. Support City staff throughout the procurement process, proposal evaluation, vendor negotiations, and contract preparation.

The not-to-exceed contract amount of \$330,000 includes \$285,725 for basic services, including reimbursable expenses, and optional services and contingency in the amount of \$44,275. The recommended fees are within the range typically charged for such services, and staff considers the fees to be fair and reasonable. If the recommendation is approved, Diameter Services will

initiate AMI program design services in August 2025, with procurement of advanced meters expected in late 2026.

The City's RFP also requested professional services for overseeing implementation of the selected AMI system; however, staff is recommending the City proceed only with design and procurement assistance at this time. Once the final project design and implementation plan is known, staff intends to return to Council to amend this contract to include implementation oversight services or to recommend an alternative path forward.

FISCAL IMPACT

Smart Metering Program, Project 23-45, is currently funded with \$1 million from the Water Fund and \$9.3 million from Valley Water's GP5 Program (based on a previous estimate of anticipated Fiscal Year 2018-19 through 2024-25 State Water Project taxes). Once the final GP5 amount is known, staff will return to Council to request appropriation of any additional funds from the GP5 Program. As of April 2025, the estimated GP5 funds have increased by \$800,000 (to \$10.1 million).

The recommended Water Conservation cost-sharing agreement will increase Valley Water's contribution to Smart Metering Program, Project 23-45, by up to \$1.575 million. Any remaining AMI program costs above Valley Water's contributions will be the responsibility of the City and funded through the Water Fund.

Smart Meter Program, Project 23-45, has sufficient funds to support the recommended professional services agreement with Diameter Services for \$330,000.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a "license, permit, or other entitlement for use" if the official has received a campaign contribution exceeding \$500 from a party, participant, or agent of a party or participant within the last 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please see below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

SUBJECT TO THE LEVINE ACT

Contract or franchise agreement

CONCLUSION

The City is embarking on a program to convert its existing 19,000 water meters into “smart meters” with remote-read capabilities for City billing needs and leak-detection information for the City’s water customers. This project, which is included in the Fiscal Years 2025-27 Council Work Plan, is currently supported with \$1 million from the Water Fund and up to \$10.1 million from Valley Water’s GP5 Program. Staff has completed negotiations on a second Valley Water cost-share agreement, which will increase the available smart meter funding by up to an additional \$1.575 million. As the first step in implementing AMI, staff issued an RFP for consulting services in January 2025 and has negotiated a professional services agreement with Diameter Services to provide design and procurement assistance. Staff recommends Council authorize the City Manager to execute the agreements with Valley Water for additional AMI funding and Diameter Services for AMI program design and procurement assistance.

ALTERNATIVES

1. Do not authorize the City Manager or designee to execute a cost-sharing agreement with Valley Water for up to \$1.575 million in additional funding for Smart Metering Program, Project 23-45.
2. Do not authorize the City Manager or designee to execute a professional services agreement with Diameter Services and direct staff to consider the other proposers or reissue another RFP.
3. Provide other direction.

PUBLIC NOTICING—Agenda posting.

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