

## ACTION FORM BRYAN CITY COUNCIL

<b>DATE OF COUNCIL MEETING:</b> December 2, 2014		<b>DATE SUBMITTED:</b> November 7, 2014	
<b>DEPARTMENT OF ORIGIN:</b> Water Services		<b>SUBMITTED BY:</b> Jayson Barfknecht	
<b>MEETING TYPE:</b>	<b>CLASSIFICATION:</b>	<b>ORDINANCE:</b>	<b>STRATEGIC INITIATIVE:</b>
<input type="checkbox"/> BCD	<input type="checkbox"/> PUBLIC HEARING	<input type="checkbox"/> 1ST READING	<input type="checkbox"/> PUBLIC SAFETY
<input type="checkbox"/> SPECIAL	<input checked="" type="checkbox"/> CONSENT	<input type="checkbox"/> 2ND READING	<input checked="" type="checkbox"/> SERVICE
<input checked="" type="checkbox"/> REGULAR	<input type="checkbox"/> STATUTORY		<input type="checkbox"/> ECONOMIC DEVELOP.
<input type="checkbox"/> WORKSHOP	<input type="checkbox"/> REGULAR		<input checked="" type="checkbox"/> INFRASTRUCTURE
			<input type="checkbox"/> QUALITY OF LIFE
<b>AGENDA ITEM DESCRIPTION:</b> Consider approving the fourth year of payment for a water meter reading services contract to Alexander's Inc. in an amount not to exceed \$150,000.00.			
<p><b>SUMMARY STATEMENT:</b> Water Services requests City Council approval for annual appropriation of funds for a water meter reading services contract in an amount not to exceed \$150,000.00. On October 10, 2011, the City of Bryan solicited proposals from firms for contract meter reading to read water meters that would not be on the Advanced Meter Infrastructure (AMI) network. The Request for Proposal (RFP) stipulated the contract would be for two (2) years and could be renewed up to a maximum of three (3) additional years (in one year increments) for a total contract term of five (5) years. There is a price escalator clause in the contract where the maximum amount the unit prices can be increased is eight (8) percent for the five (5) year term of the contract. The proposal included reading 22,500 meters.</p> <p>Background: During the development of the FY2012 budget, BTU informed Water Services that meter reading services would only be budgeted through December 2011, since BTU's system wide implementation of smart meters eliminated the need for those services. Water Services had the option of employing and managing a staff to read the meters or the Department could look to contract that service. Each option was evaluated.</p> <p>Staff evaluated the cost to take on four meter readers by evaluating the salaries of four meter reading staff employed by BTU. In addition to wages and benefits (\$196,735.00), annual fuel costs (\$20,000.00), capital costs for vehicles, new meter reading equipment and radios (\$18,450.00) amortized over the life of the equipment, cost allocation to the General Fund (\$20,000.00), and costs associated with uniforms and other miscellaneous items (\$2,000.00) were included. The total for these costs was estimated at \$257,185.00. This estimate did not take into account costs for someone to manage the employees, schedule vacation, sick time, arrange for vacancies, and still deliver the meter reads to BTU in a timely manner.</p> <p>To evaluate contract services, the Request for Proposal (RFP) was sent out, and on October 31, 2011, the City of Bryan received three (3) sealed proposals. On November 15, 2011, Water Services and BTU staff interviewed the two highest ranked vendors. Alexander's Inc. was the vendor with the technology and pricing that presented the best value to the City. Their total proposal price was \$236,925.00. This price included a one-time mobilization and set-up fee equal to one month of meter reading (\$18,781.47). The proposed contract also had some unique features. One unique feature is a penalty clause that will be charged to the vendor for incorrect reads or posting errors. This penalty is \$10.00 per misread meter or posting error. In addition to the penalty, there is a damages clause if the company terminates the contract without good cause and without allowing the City to resolve the issue. This penalty is \$25,000.00 per month from the date of termination to the date the City is able to engage a replacement firm.</p> <p>On the surface, the annual contract price appears to offer the City a better overall value than managing the program</p>			

in-house. In conjunction with Water Services ongoing effort of migrating to the Sensus AMI system, it is not financially advantageous to make capital investments into equipment that will be decommissioned within the next two to three years. Water Services is working to have the entire water system on the AMI system within the two year timeframe. Currently the City has 24,364 total meters (22,418 active accounts) with 14,016 being Sensus meters. Approximately 11,988 meters are on the system and are being read remotely with the AMI system. These meters are located in meter reading cycles 1, 2, 3, 4, 9, 10, 11, 12, 13, and 15. Staff is currently working on cycles 8 and 18 and they are approximately 35% complete. All meters 1.5 inch and larger are Sensus meters. As a meter reading cycle is completed, Alexander's does not read that cycle.

Based on the costs and challenges to manage its own meter reading staff, Water Services staff recommends funding the fourth year of the contract to Alexander's Inc. in the amount of \$150,000.00, with an expected expenditure of funds to be approximately \$131,000.00. The expected expenditure amount for the fourth year of the contract does take into account a requested price increase of 6% (8% allowed) raising the price from \$0.81 per meter read to \$0.86 per read. Currently Alexander's is reading 12,704 meters per month.

For the first year, the total expenditure was \$245,135.16. This amount included a one-time setup fee of \$18,781.47. In the second contract year, \$190,712.88 was expended. During the third year of the contract, \$122,880.24 has been spent through the end of October. By approving this contract, Water Services and BTU will continue to receive water meter reads in a timely manner for accurate billing to City of Bryan customers. Staff expects the amount spent on meter reading to continue to decrease as more meters are put on the AMI system.

**STAFF ANALYSIS AND RECOMMENDATION:** The Water Services Department respectfully requests City Council approve the fourth year funding for the contract for meter reading services to Alexander's Inc. Alexander's Inc. has over 40 years of experience in the utility industry. They currently provide services for reading approximately 5,000,000 meters annually for more than 22 water districts and municipalities. Alexander's Inc. has performed the meter reading for the first three years in an excellent manner. Once they were able to get familiar with all routes, there have been very few issues. When there has been an issue, they have quickly worked to resolve it.

**OPTIONS (In Suggested Order of Staff Preference):**

- 1) Approve the funding for the fourth year of the contract with Alexander's Inc.
- 2) Do not approve the funding for the fourth year and put out another RFP.
- 3) Do not approve the contract and have Water Services employ meter readers.

**ATTACHMENTS:** contract and extension letter (pdf)

**FUNDING SOURCE:** Water Services Water and Wastewater Operating fund

**APPROVALS:** Jayson E. Barfknecht 11/07/14; Hugh R. Walker, 11/07/2014

**APPROVED FOR SUBMITTAL: CITY MANAGER** Kean Register, 11/14/2014

**APPROVED FOR SUBMITTAL: CITY ATTORNEY** Janis K. Hampton 11-24-2014