



Naperville

CITY COUNCIL AGENDA ITEM

SUBJECT: Recommend the Award of RFP 16-260, Contract Meter Reading Services for Water

TYPE OF VOTE: Simple Majority

ACTION REQUESTED:
Approve the Award of RFP 16-260, Contract Meter Reading Services for Water, to Alexander's Inc., for an amount not to exceed \$811,200 for a two year contract term.

BOARD/COMMISSION REVIEW:
N/A

COUNCIL ACTION PREVIOUSLY TAKEN:

Date	Item No.	Action
N/A		

DEPARTMENT: Department of Public Utilities – Water (DPU-W)
Finance Department

SUBMITTED BY: James Holzapfel, DPU-W Director
Rachel Mayer, Finance Director

BACKGROUND:
In 2010, due to cost control initiatives, the City discontinued reading water meters on a monthly basis. Currently the City reads all 43,300 water meters six months out of the year (April, May, June, July, August and December) and reads half of those meters on an alternating monthly schedule in the remaining six months, which results in every meter being read nine months out of the year.

Because each meter is only read nine out of twelve months, the Billing and Collections Division of the Finance Department is required to process bills in an inefficient manner. Each month, bills flagged with water usage lower or higher than typical rates are pulled by the system as exceptions

that require staff review prior to billing customers. During months in which the meters are read, the average exceptions processed are around 100 whereas during months when the usage is estimated, the average number of exceptions processed grows to around 950.

However, the most critical challenge is the inconveniencing of customers. Severe swings in bills can disrupt resident's budgets, especially those on fixed incomes. This also leads to an increase in call volume due to the high/low estimates; which in turn creates longer hold-times and increased foot traffic at the cashier counters.

Additionally, consideration is still being given to converting water meter reading to an AMR (automated meter reading) or AMI (advanced metering infrastructure) system. DPU-W staff is in the process of updating the 2014 AMI Business Case analysis. Staff is also evaluating the expansion of the AMR Itron system currently used to read unincorporated water-only accounts. Further discussion of this issue will occur as part of the Water Rate Study currently underway. This proposed manual water meter reading contract will not inhibit the ability of the City to convert to AMR or AMI in the future. As the City moves to new meter reading technology, it is necessary to have a reliable 12-month baseline of meter reads of usage that will help to instill customer trust in the accuracy of the City's billing system.

The City's current vendor, Rickman Contract Service has provided water meter reading services for the past 10 years. Over the past twelve months Rickman has had issues being able to retain qualified employees, stay on schedule, and provide accurate meter reads. Due to these on-going issues and the desire to investigate moving to a 12-month meter read program, staff determined soliciting proposals was in the City's best interest.

DISCUSSION:

Advertisement Date:	06/10/2016	Notices Sent:	99
Opening Date:	07/01/2016	Planholders:	14
		Proposals Received:	3

Proposals were received from the following firms:

Alexander's Inc.
Bermex, Inc.
Rickman Contract Service

An Evaluation Committee consisting of staff from the Finance Department and Department of Public Utilities - Water reviewed the proposals. The proposals were scored based upon the criteria set forth in the RFP:

- Qualifications and experience with meter reading services (40%)
- Project approach (40%)
- QA/QC Plan (20%)

All three firms were invited to attend interviews with the Evaluation Team. Following the interviews, the selection committee rescored the firms and shortlisted two firms, Alexander's Inc. and Rickman Contract Services, to submit fee proposals.

The shortlisted vendors were asked to submit fee proposals for two scenarios:

- **Current Meter Reading Schedule** – All meters read for 6 months and half of the meters read on an alternating monthly schedule for the remaining 6 months.
- **Full Meter Reading Schedule** – All meters read for all 12 months of the year.

The fee proposals from the two shortlisted firms were opened and the quality adjusted costs were calculated:

Current Meter Reading Schedule

Consulting Firm	Annual Fee	Qualitative Score	Quality Adjusted Cost
Alexander's Inc.	\$378,321.00	94.60	\$399,916.49
Rickman Contract Service	\$348,922.80	66.20	\$527,073.72

Full Meter Reading Schedule

Consulting Firm	Annual Fee	Qualitative Score	Quality Adjusted Cost
Alexander's Inc.	\$405,600.00	94.60	\$428,752.64
Rickman Contract Service	\$444,093.60	66.20	\$670,836.25

To minimize the disruption to residents and to develop a 12-month baseline of usage, staff is recommending water meters be read every month. When data can be managed on a monthly basis, estimated bills can be significantly reduced, which will result in a consistent billing program and a reduction in residential complaints. In addition, a monthly reading will provide a smooth and consistent monitoring of data and contractor performance. The price differential between the two options, to read all meters twelve months versus nine months is approximately \$28,000 per year. Furthermore, because reading on a 12-month schedule also provides efficiencies for the vendor, Alexander's Inc. was able to reduce their 12-month per meter read cost by 19%.

Awarding the contract to Alexander's Inc. also provides the City with the opportunity to use advanced technology which have the potential to provide future cost savings. The City will benefit by having Certified Reads (photos GPS) on all service work orders, re-reads, unread with notes, and maintenance issues found in the field at no extra charge.

The term of this contract is two years (September 1, 2016 through August 30, 2018) with three one-year options to extend.

FISCAL IMPACT:

CIP #: N/A

The meter reading services contract is expensed to the support services line item in the Water/Wastewater Fund. A total of \$335,000 was budgeted in CY2016 for meter reading services. The new contract is projected to cost an incremental \$20,000 in CY2016, which will be covered through other contractual savings in the water utility. Staff will budget accordingly for this increased contract cost in the CY2017 budget.

Account Number	Fund Description	Total Budget Amount
430-1518-415-30.29	Water & Wastewater Utility Fund	\$335,000

RECOMMENDATION:

Approve the Award of RFP 16-260, Contract Meter Reading Services for Water, to Alexander's Inc., for an amount not to exceed \$811,200 for a two year contract term.

ATTACHMENTS:

1. N/A