



Legislation Text

File #: 19-292, Version: 1

CITY COUNCIL AGENDA ITEM

ACTION REQUESTED:

Approve the award of Option Year Two to Contract 16-260, Contract Meter Reading Services for Water, to Alexander's Inc. for an amount not to exceed \$483,600

DEPARTMENT: Finance Department

SUBMITTED BY: Rachel Mayer, Director

BOARD/COMMISSION REVIEW:

N/A

BACKGROUND:

The City has approximately 52,000 meters throughout the Water Utility system with the majority requiring physical reads. The City does not have staff to perform the meter reading services, so the work is outsourced to a contractor. In August 2016, City Council approved the award of Contract 16-260 to Alexander's Inc. for a two-year term from September 1, 2016 through August 30, 2018, with three one-year options to extend. On August 21, 2018, Council approved the first option year with no increase in the per read costs. With the approval of the first option year, the contract was extended to August 31, 2019.

During the first option year, the City and Alexander's have continued to work together to stabilize the meter reading process, but physical reads continue to raise significant challenges in maintaining consistent monthly reads. Historically, the Itron AMR system was mainly used to read unincorporated, water-only accounts. However, using information from Alexander's staff, City staff has expanded the use of the AMR Itron system to some city accounts where physical reads are difficult to obtain.

At the time of the original award in 2016, staff had begun evaluating alternative reading technologies, specifically the logistics of converting to an AMR (automated meter reading) or AMI (advanced metering infrastructure) system. The current system of manual contracted meter reads does not provide accurate monthly bills to our customers. An automated meter reading system will allow the City to raise the level of service to our customers providing greatly reduced estimated reads, customer-side leak detection, more data to help inform customers about their usage and increased opportunities for customer water conservation. On December 4, 2018, City Council approved a business case study and preliminary implementation plan for AMI with West Monroe Partners. This business case is currently being reviewed by the Public Utilities Advisory Board and will be presented to City Council in June.

DISCUSSION:

Earlier this year, Alexander's approached the Finance Department to request a rate increase to address their growing service costs. For the last 2.5 years, Alexander's has maintained a rate of \$0.675 per meter read and is now requesting to increase the rate by \$0.10 midway through the first option year.

As stated above, the City maintains nearly 52,000 meters. Approximately 45,000 meters are active each month. Alexander only receives payment for completed reads, which creates underspend when a cycle is estimated, or meters are inactive. Since becoming the City's meter reading vendor, Alexander has averaged approximately 34,000 reads per month. Through the first seven months of the first option year, Alexander has billed for approximately 72-percent of the potential meter reads with a total expense of \$144,890. Based on the current expenses and the requested rate increase, Alexander is projected to be well below the \$421,200 award for the first option year.

As part of the rate increase discussion, staff asked Alexander's if it would also be willing to extend the contract through a second option year at no additional cost if the City agreed to the \$0.10 rate increase. Alexander's stated that they would agree to renew the contract for the second option year with no additional rate increases. This is important to the City because the additional option year will allow the City additional time to further evaluate its AMI/AMR options. Alexander's is aware of the City's research and supports the City's efforts to move to an AMR/AMI solution. Alexander's continues to evaluate their logistics of maintaining the City's contract beyond the current agreement.

The City's contract with Alexander ensures six actual reads over 12 months to all customers. In June of 2018, the company expressed concerns with completing a full year of reads due to the growing population and varying locations of meters throughout the community. This prompted the City to coordinate estimated reading cycles with Alexander to ensure each cycle is read every other month. Reads are planned to ensure customers receive six bills based on actual reads with estimated bills coordinated in advance. The City will aim for nine actual reads per billing cycle during the option year. This agreement will save the City payments and address growing service constraints for Alexander.

The award for the second option year reflects the costs of 12 actual reads for all customers at the new rate. However, payments will be dictated by actual reads. A breakdown of the potential full cost is provided below, as well as the cost of nine reads for each customer.

Reading Months	New Rate	12-Month Total
12-months	\$0.775	\$483,600
9-months	\$0.775	\$362,700
<i>Projected based on past actuals</i>	<i>\$0.775</i>	<i>\$320,084</i>

The term of the second extension is September 1, 2019 through August 31, 2020, with one, one-year option remaining.

FISCAL IMPACT:

CIP #: N/A

Meter reading services are expensed to the operational services account listed below. A total of

\$421,000 is budgeted for 2019. Based on past invoices, the rate increase is not anticipated to exceed the current budget. The remainder of the second option year will be budget appropriately in 2020.

Account Number	Fund Description	Total Budget Amount
15171500-531308	Water Utilities	\$421,000