ITEM # 41a-c
DATE: 08-13-13

COUNCIL ACTION FORM

SUBJECT: PURCHASE AGREEMENTS FOR WATER METERS AND RELATED PARTS

BACKGROUND:

Accurate meter reading is essential to the financial health of a utility. It ensures that all customers contribute equitably to the utility in proportion to their demand. The City's Water and Pollution Control Department has the responsibility for metering water usage for water and sewer charges used to generate revenue for the water and sewer funds.

Traditionally, the City has used water meters equipped with mechanical registers that were either mounted directly onto the meter or that generated a signal that was sent to a mechanical counter located on the outside of the building. For many years, the City had standardized upon a single manufacturer, Badger Meter, to provide all meters and meter accessories. This allowed the inventory of spare parts to be streamlined, and simplified maintenance on the meters and the reading of the meters.

In 2009 an open Request for Proposals was issued to determine if the pricing from Badger Meter was still competitive. At that time, Elster AMCO provided a bid price that was substantially lower than Badger Meter, and the City switched to procuring meters from Elster. Because of the pricing offered by Elster, the City was able to substantially reduce its fees for setting new meters. In addition to the price advantage, switching away from Badger was also advantageous because Badger had indicated they were preparing to phase out their production of the old-style mechanical generator-remote system. That left Elster as the sole remaining company producing generator-remote systems.

In early 2013, Elster notified the City of their intent to stop production of their mechanical meters and generator-remotes for meters 1½" and smaller. The City was able to place one last order from Elster in March. Elster does still produce electromagnetic meters in larger sizes (1½" inch and larger) that are capable of producing a remote reading.

The 2013/18 Capital Improvements Plan includes a project to begin a multi-year migration away from generator-remotes and transitioning to an Automatic Meter Reading/Automated Metering Infrastructure (AMR / AMI) system. An inter-departmental team from Water and Pollution Control, Electric, Finance, and the Manager's Office have been evaluating the most appropriate, cost-effective AMR / AMI system. However, that transition is not planned (or budgeted) to begin until FY 13/14. **A short-term measure is needed to bring us through the current fiscal year so staff can**

provide meters for new construction and also have an inventory of meters for routine meter replacement programs while plans are finalized to move to more modern technology.

Staff from the Water Meter Division have investigated many options, and have determined that a hybrid system comprised of equipment produced by two different manufacturers will work together in a fashion analogous to the current system. Badger Meter Company manufactures a meter register that can be used on their meters to create a pulse output. Elster AMCO produces a digital counter that can receive the pulse output from the Badger meter register. This equipment configuration has been tested in the Water Meter Division repair shop and performs well together. Both components are already in use in Ames, and while not warranted for use in this manner by either manufacturer, could be easily supported by both Water Meter and Utility Customer Service staff.

Equipment from other vendors was also evaluated, but these other style meter registers are designed primarily for use with radio-read systems. There was no other viable solution found for the small meters without moving immediately to a modern AMR/AMI meter reading technology, which the City is not prepared to do to at this time. The City can continue to purchase the larger sized electromechanical meters from Elster AMCO.

In accordance with the City's Purchasing Policies and Procedures, this solution will require the purchase of this equipment as "single source" procurements from both meter companies as described below.

- The small meter sizes would again need to be purchased from Badger Meter, at a higher price than the Elster meters that are no longer available. A firm pricing proposal from Badger Meter has been received. Staff reviewed the proposal and found that, after allowing for inflationary increases in the intervening years, it is in line with the pricing from Badger under prior contracts.

- The larger meters can continue to be purchased from Elster simply by renewing their existing contract. The remotes that will be used with the small Badger meters can also be purchased off this existing contract.

The estimated cost for meter parts and supplies for FY 13/14 under this short-term solution is as follows.

Meter sizes 5/8" through 1½"	$	263,000
Meter sized 1½" and larger		15,000
Miscellaneous parts and accessories		28,000
Total Estimated Expense	$	306,000

The adopted FY 13/14 operating budget includes $180,000 for this purpose, meaning an additional $126,000 will need to be added to the budget to cover the anticipated

expense. That amount could be partially offset by adjusting the meter setting fees to reflect the increased cost of the new meters. The increased fees would only impact new construction, not existing customers whose meters are replaced, and would generate approximately $12,700 in additional revenue.

The City does not currently have enough meters in inventory to meet the need for anticipated new construction this fiscal year, even after having suspended the routine meter replacement program.

ALTERNATIVES:

1. A.) Award a sole-source purchase agreement to Badger Meter of Milwaukee, WI to furnish water meters and related parts and service for the period of July 1, 2013 through June 30, 2014 at an estimated annual cost of $263,000.

   B.) Approve a contract renewal with Elster AMCO of Ocala, FL to furnish water meters and related parts and services for the period of July 1, 2013 through June 30, 2014 at an estimated annual cost of $15,000.

   C.) Direct staff to prepare an amendment to Appendix Q of the Municipal Code to adopt new meter fees that reflect the increased cost of purchasing meters.

2. Do not approve the purchase agreements for the stop-gap solution and direct staff to immediately solicit new proposals to move to an AMR/AMI technology.

3. Take no action. The routine water meter replacement program will remain suspended. When the existing inventory of water meters is exhausted, no new water meters will be available.

MANAGER'S RECOMMENDED ACTION:

Accurate meter reading is essential to the financial health of the City's water and sewer utilities. The legacy system of mechanical meters and mechanical generator-remote meter reading is no longer commercially available. The Capital Improvements Plan anticipates beginning a multi-year transition to an AMR/AMI system a year from now. Planning is currently under way for that transition, but is not yet ready to proceed. **Staff have found a combination of equipment from different manufacturers that will perform satisfactorily together to allow the meter-reading function to continue while the AMR/AMI transition is finalized.**

Therefore, it is the recommendation of the City Manager that the City Council adopt alternatives 1A through 1C as described above. The $126,000 in increased expenses will be included in the mid-year budget amendments, and will be partially offset by an estimated increase in meter setting fees of $12,700.