



MEMORANDUM

To: Mayor and City Council

From: Kim Tiehen, Assistant Director of Finance
Jennifer Miller, Director of Finance

Date: September 10, 2019

Reference: Consider approval of an amendment to the Performance Contracting Agreement with Siemens Industry, Inc., to correct the meter sizes listed in the original scope of work in the amount of \$125,011.27; and authorizing the City Manager to sign any necessary documents.

2030: Sustainable City Government, Goal 3
Excellent and Well-maintained City Infrastructure and Facilities

Introduction:

This agenda item is presented to consider approval of Change Order #3 to the Performance Contracting Agreement with Siemens Industry, Inc. (Siemens) in the amount of \$125,011.27 to correct the meter sizes listed in the original scope of work.

Analysis:

During the investigation and analysis phase of the advanced water meter project, staff research revealed that a contingency fund should be set aside because the likelihood of discrepancies in the meter inventory database is probable. While negotiating the contract price with Siemens, staff proposed a decrease in the amount requested by Siemens to perform the project and agreed to establish a contingency fund should there be discrepancies in the meter sizes provided in the scope of work. The rationale was that the City may save money by assuming this risk if the cost to cover the changes in the scope of work was less than the original contract price proposed by Siemens.

There are 116 meters left to replace. Staff requested that Siemens visit all remaining meters to verify the size of each. The inspection of each meter found additional discrepancies between sizes shown in the City's database and the actual size of meters in the field. Specifically, nine (9) meters identified as ¾" fire meters were actually 8" fire meters. The total cost of an eight-inch meter plus installation is approximately \$14,500 each or approximately \$130,000 for all nine needed to complete the project. Size discrepancies of smaller meters were also found. For example, the database included three 4" meters that were actually 6" meters. To help reduce the impact of the database discrepancies, the City's Public Works department began installing several of the smaller meters. This change order includes a credit for the meters installed by the City's Public Works Department.

The following is a summary of the cost of the project through this change order request:

Change Order #1	\$ 140,643.69
Change Order #2	61,899.57
Change Order #3	125,011.27
Total Change Orders	327,554.53
Original Contract Price	6,390,000.00
Total Cost of the Project	\$ 6,717,554.53
Original Proposed Contract Price	6,800,000.00
Savings	82,445.47

The amount of the contingency fund staff determined to be appropriate for this project based on discussions with other cities was \$224,345. Two prior change orders totaling \$202,543.26 resulted in a remaining contingency fund of \$21,801.74. This change order results in this project exceeding the anticipated contingency by \$103,209.53. However, as shown above, the original proposed contract price from Siemens was approximately \$6.8 million or \$410 thousand more than the agreed upon contract price. The impact of Change Order #3 is \$82,445.47 less than originally requested by Siemens.

Legal Review:

Agenda item was reviewed by legal as part of the agenda packet.

Fiscal Impact:

The impact of this item is \$125,011.27 with funding from amount reserved for the Advanced Water Meter Project for fiscal year 2018/2019.

Recommendation:

City staff recommends approval of the change orders.