



## MEMORANDUM

**To:** Mayor and City Council

**From:** Jennifer Miller, Director of Finance

**Date:** April 24, 2018

**Reference:** Consider approval of a Performance Contracting Agreement with Siemens Industry, Inc. for the performance of the Work and Services related to the Advanced Water Meter System

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

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### Introduction:

This agenda item is presented to consider approval to enter into a performance contract with Siemens Industry, Inc. (Siemens) in the amount of \$6,390,000 for the performance of the work and services related to the advanced water meter system. The contract includes the project design, project management, and installation of an AMI system to replace all water meters in the City. In addition, the agreement includes a performance guarantee.

### Analysis:

In October 2017, we engaged the professional services of Siemens to explore the City-wide replacement of water meters to one technology solution over a 12-14-month period. Replacing all meters would improve our water meter system as the City would move from managing and maintaining three different water meter systems to one system and all customers, commercial and residential, would have access to the same level of service. Moving all meters to the same solution will allow the City to:

- Obtain meter reads in real time rather than once a month which provides staff with the ability to provide proactive rather than reactive customer service,
- Provide a quicker response to customer queries
- Offer customers a tool to access and monitor their water account thereby giving them control over their water usage, and
- Enhance its water conservation efforts.

Utilizing performance contracting provides a funding mechanism for the project. Specifically, Siemens projects an increase in cash flow of approximately \$660,000 from the increase in meter accuracy of the new meters. That increase in cash flow along with the decrease in the meter replacement budget requested by Utility Operations (Operational Costs shown below) and the annual project budget will cover the costs of the project. Staff

recommends the amount generated in excess of project costs be placed in the Water Sewer Infrastructure Maintenance Fund to pay for future meter replacements.

**Projected Cash Inflows from:**

Increase in Meter Accuracy	\$659,758	
Decrease in Operational Cost	<u>200,000</u>	
Total Cash Inflows		\$ 859,758
Annual Project Budget		<u>300,000</u>
Total Available Funding for the Project		1,159,758

**Less Costs of the Project:**

P&I Debt Payments	727,100	
Payment to Siemens for M&V	16,663	
Annual AMI Maintenance	25,000	
Annual Meter Software Hosting	31,874	
Annual Customer Portal	<u>14,984</u>	
Total Costs		<u>790,621</u>
Amount Available to Fund WS IMF for Future Meter Replacements		<u>\$ 369,137</u>

Based upon the foregoing analysis, staff recommends approval of the performance contract with Siemens in the amount of \$6,390,000 to complete the advanced water meter system project.

**Legal Review:**

City attorney reviewed the agreement.

**Fiscal Impact:**

Siemens has provided a cost of \$6,390,000 inclusive of project design, project management, and installation of an AMI system to replace all water meters in the City. The project will be funded via Certificates of Obligations. The principal and interest payments will be paid from the project cash flow, the \$300,000 annual budget for the project, and the decrease in the budget need for replacement meters. In addition, any advanced funding of the project will be paid from Water Sewer Fund Retained Earning and then reimbursed in accordance with Reimbursement Resolution 2017-0228.3 approved on February 28, 2017 that included the Advanced Water Meter System.

**Recommendation:**

City staff recommends approval of a Performance Contract with Siemens Industry, Inc. for the installation of an AMI system and replacement of all water meters with the Sensus IPerl or Omni as appropriate based on size.