FY 2016

Council Questions

Performance Contracting

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July 29, 2016

Question #1

I see we selected Siemens through Choice Partners Cooperative Purchasing Program so this means we did not 'bid' the water meter replacement and WWTP repairs projects. Should I be concerned that we didn't bid a $12.8MM program?

Answer:

The City contracted with Siemens for the Letter of Intent and related performance contracting feasibility study via the Choice Partners Cooperative Purchasing Program. Choice Partners completed an RFQ process for Performance Contracting services that included seven potential firms. Siemens was selected through that process. However, now that the results of the feasibility study have been received and a project is being proposed, City Council has the authority to award the contract for this project.

In addition to that Choice Partners contract, there is a familiarity with Siemens and their work in this area from a previous relationship with the City for lighting and HVAC control improvements. In addition, Siemens has worked with several cities in the area on similar projects with positive results.

Question #2

Should I be concerned that we didn't bid a $12.8MM program?

Answer:

The components of the project are designed to work together to leverage the efficiencies and cost savings realized so that the City can take advantage of this opportunity to address some long-standing capital needs. Regarding the pricing, Siemens serves as a general contractor on a design-build project and bid out various components of the project to both local and national suppliers and contractors. In addition, City staff and the City Engineer helped to develop the scope as well as to review the components of the project and their respective costs. In looking at similar projects for comparable work around the area, the pricing received is in line with the market.

Question #3

What is Siemen's business model for this project? How do they finance their project risk and make money?

Answer:

In the proposed project, Siemens serves as the general contractor. Siemens is paid for their project administration, engineering, and labor; therefore taking on all related construction and functionality risk associated with the project requirements. In addition, the guaranteed efficiencies are examined as a part of an on-going services contract that is separate from the initial project costs. That contract provides for continuous inspections and analysis relative to the project components installed. This serves as both a means to guarantee the efficiencies and performs inspections and audits consistent with proper asset management for those items. The City has the right to cancel that contract at any point in the future.

Question #4

How physically do water meters lose their accuracy? Why is loss only in under measuring water usage?

Answer:

Over time, the components within a water meter that spin in order to capture flow volume begin to lose their effectiveness and do not operate as efficiently as when they were first installed. Over time, the low flows do not register as accurately as they once did due to these components wearing down. In short, they are like any other mechanical device that has working parts which simply wear out over time and extended usage.

Question #5

How long will new meters last? What is the plan to replace them when they wear out next time?

Answer:

The standard 3/4" meter is assumed to have a life cycle of 1.5mg, excluding the radio (which is the most expensive part of the new metering system). Based on a standard 8,000 gallons per month, this would assume a useful life of approximately 15 years. After the 1.5mg expected life, the meter accuracy would be expected to be around 85-90%. The radios are covered under a 20-year warranty (10 year-full and 10-year prorated). The on-going services contract with Siemens would audit the efficiency of the meters on an annual basis and allow for replacement on an as needed basis over time within the operating budget if planned properly.

In an effort to better manage and protect these City assets, Siemens has assumed a rate of accuracy that slowly declines over time. Siemens guarantees that the meters will perform as designed for that period of time. If they do not, Siemens is responsible for replacing the meter or compensating the City for the efficiency loss beyond the normal life cycle.

Question #6

Will the new meters include an unmeasured flow reducer? I see where other cities have included these when they replaced their meters saying that the combination helps to more accurately record water usage and assists in identifying leaks (in the home) thus saving homeowners possible damage costs.

Answer:

The selected metering system has built-in leak detection parameters installed. The system would create an automatic alert notifying City staff of a potential leak. The City could then proactively contact the resident and arrange for notifications via the customer portal as well. No additional devices would be needed.

Question #7

I know we are in the midst of changing water rates but I'd be interested in seeing an estimate – using the old rates – of what effect the new meters will have on a typical water bill. For example, if one assumes 60% of the impact will be on low flow rate meters/users then their bill could increase over $20/month which will be significant.

Answer:

For a typical 8,000 gpm user, this can be estimated using the same assumptions utilized by Siemens. In a worse-case scenario where the low-flows are only being read at around 11% accuracy, it can be assumed that approximately 1,000 gallons per month are not being read. This would currently result in an additional $3.50 in water volume charges and an extra $2.40 in sewer volume charges; for a total of just under $6.00 per month.

Question #8

Should not we realize additional sewage treatment income too (because it is a multiplier to water usage)?

Answer:

The revenue estimates from Siemens assume our complete current rate structure. This included both water and sewer rate components.

Question #9

You say 'these two funding sources…help offset cost of WWTP repairs'. How is remaining cost paid for?

Answer:

The cost of the project will be paid for on an annual basis with respect to the debt payments and the operational charges incurred. The operating budget, which will assume the efficiency and energy savings, will have to be adjusted to meet the ongoing costs and the debt service payment will have to be assumed in the fiscal forecast going forward. (Specifically, the chart in the presentation breaks out all of the individual costs and shows the relationship between the debt and operating costs.)