

COUNCIL ACTION FORM

SUBJECT: CONTRACT EXTENSION FOR WATER METERS AND RELATED ACCESSORIES

BACKGROUND:

On February 10, 2015, Itron, Inc. was awarded a one-year contract for the procurement of an Automatic Meter Reading (AMR) System which included both the Encoder/Receiver/Transmitters (or ERTs – the radio transmission component) and the actual water meter bodies (which are procured by Itron through Itron’s separate agreement with Badger Meter). That contract included up to four annual renewals, all of which were exercised by the City.

The original contract expired on June 30, 2020. At that time, Council waived the competitive bidding requirements and awarded a one-year contract extension to Itron for FY 2020/21, based on negotiated pricing that included between a 1.0% to 1.5% increase (varying by meter size and type) from the prior year.

Staff has again negotiated with Itron and obtained the following pricing commitments for a three-year contract extension:

- Itron has agreed to maintain the current year prices for the ERTs for each of the next three years.
- Itron offered the following terms for pricing the Badger meter bodies:
 - Pricing for FY 2021/22 that is an approximate 9% increase above current year pricing (varies slightly by meter size and style)
 - A 4% increase for FY 2022/23
 - A 4% increase for FY 2023/24

The overall net price per meter/ERT combination will increase by approximately 3-4% in FY 2021/22, since the meter body comprises only about 40% of the total purchase price. This percentage will vary by meter type and size. The second and third years would have a net increase of between 1.5% and 2%.

Based on anticipated quantities to be purchased during the upcoming fiscal year, the first year of the contract extension will be in an amount not to exceed \$458,300. Funding sources for the FY 2021/22 contract include \$359,300 from the operating budget and \$99,000 from the Capital Improvement Plan’s Advanced Metering Infrastructure Project.

The adopted FY 2021/22 budget for this project is as follows.

FY 2021/22 Operating Budget	\$359,300
<u>FY 2021/22 CIP Budget</u>	<u>\$ 99,000</u>
Total Available Budget	\$458,300

This contract extension is structured as a three-year term that will automatically renew unless either party gives a 90-day notice. This three-year agreement should bring the water utility very close to the completion of the AMR conversion project.

ALTERNATIVES:

1. A. Waive the competitive bidding requirements for procuring water meters and radio ERTs and extend the single source contract to continue the replacement cycle.

B. Approve extension to the contract with Itron, Inc. of Liberty Lake, WA, to furnish radio units, meters and related parts and services for the period of July 1, 2021, through June 30, 2024. The FY 2021/22 contract will be in a total amount not to exceed \$458,300.

2. Do not extend the contract with Itron at this time, and direct staff to solicit pricing from additional meter manufacturers. **This would negatively impact the water meter replacement program, the installation of meters for new construction, and the meter reading functions of the utility due to equipment incompatibilities and the inefficiencies associated with maintaining a spare parts inventory for multiple manufacturers.**

CITY MANAGER'S RECOMMENDED ACTION:

The City has undertaken a multi-year project to install an AMR system using water meter reading equipment and meters provided by Itron, Inc. The original contract expired on June 30, 2020, and was extended by Council for an additional year, expiring on June 30, 2021.

Staff has received a three-year pricing proposal from Itron that holds the ERT (radio) cost flat for three years and contains cost increases for the water meter bodies of 9%, 4%, and 4% respectively for the next three fiscal years. After evaluating the costs, staff has concluded that the contract extension would be in the best interest of the utility's customers.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.