

**To the Mayor and Members of the City Council****September 1, 2020**

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**SUBJECT: CHANGES TO MANUAL WATER METER READING PROCESS**

The purpose of this report is to inform the City Council of changes in the process of manually reading water meters for FY2021-FY2022. Prior to 1993, the City used in-house resources to manually read meters across the City for water billing purposes. That function was outsourced in 1993 to Bermex, Inc., which has served as the City's meter reading vendor since that time.

Currently, the Utility is required to read almost 270,000 meters each month with over 3.2 million reads per year. The reads are required to bill customers fairly and accurately for the water services provided by the City. Although over 70,000 digital-read meters have been deployed, system integrations and testing required to use the digital reads for billing purposes are still underway, resulting in the ongoing need to manually read water meters. Approximately 80,000 meters are expected to transition to digital read billing in October 2020. The number of manual reads will rapidly decline throughout 2021 and the first two quarters of 2022, with Advanced Metering Infrastructure (AMI) fully implemented in July 2022.

In 2016, a Request for Proposals was released for ongoing manual meter reading services. The proposal outlined the anticipated decline in manual reads necessary over the subsequent six-year period. Four vendors responded to the RFP, with the award of a one-year contract with five renewal options going to the low bidder, Bermex, Inc. The agreement was subsequently amended in June 2019, to reflect a pricing increase from \$0.53/read to \$0.71/read with escalations to \$0.73/read and \$0.75/read over the remainder of the contract term. The contract provided that either party could terminate the agreement at any time with a 120-day notice. On June 2, 2020, the City received a notice of termination from Bermex.

As a result of the termination of services, an RFP was released in July with proposals received on July 16, 2020. Two vendors responded. Proposals received represented a pricing increase of 140%-400%. The Utility was unable to negotiate more favorable terms with the low bidder and, as a result, recommends the rejection of proposals. A M&C authorizing rejection of proposals for Water Meter Reading Services is on today's agenda for City Council action.

Staff reviewed options for temporary labor to perform the function and is recommending that services be provided by temporary City employees. Although the use of in-house labor was not a cost-effective option in the past, the limited duration of the manual process makes it favorable at this time. Manual meter reading will gradually decline over the next 22 months. Forty full-time temporary employees are required to execute meter reading in October 2020. The City will hire only temporary employees and will reduce the number from 40 to 33 after the first six months and then from 33 to 20 after the second six months. Leased vehicles will be used to support operations. This solution will save the City \$1.7M over the two-year period when compared to selection of the low cost proposer. It also provides the added benefit of providing more control over processes and quality and a pipeline for future permanent staff to help address the high turnover rate within Water Meter Services.

The temporary meter reading position have posted internally for City employees who may need temporary assignments, as well as externally for recruitment. The transition is expected to be complete in late September.

Should you have any questions about the retail or wholesale rate processes, please contact Kara Shuror, Deputy Water Director, at 817-392-8819.

**David Cooke**  
**City Manager**