



Legislation Details (With Text)

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Title: Making certain findings related to the cost-benefit analysis of the Metering Infrastructure (AMI) and Leak Detection System conducted pursuant to a contract with Johnson Controls, Inc. (JCI) as authorized by Ord. 339-18 as amended by Ord. 291-19; authorizing the mayor to enter into a contract with JCI for project management, construction and implementation of the AMI project; authorizing the appropriation from the unappropriated bond proceeds in the amount of \$43,897,291 into the Water Bond Improvement Fund and the appropriation from the unappropriated sewer bond proceeds in the amount of \$43,892,844 into the Sewer Bond Improvement Fund and authorizing the expenditure of same; authorizing the appropriation in an amount not to exceed \$5,000,000 from the unappropriated balance of bond proceeds into the Water Bond Improvement Fund and an amount not to exceed \$5,000,000 from the unappropriated balance of bond proceeds into the Sewer Bond Improvement Fund for improvements to SAP necessary to support the Project and authorizing the expenditure of the same; authorizing the expenditure of \$3,788,468 from the Utilities Administrative Services Fund over 20 years for measurement and verification service; authorizing the expenditure of funds from the Utilities Administrative Services Fund for annual software licenses; and declaring an emergency.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Bullet Points, 2. Exhibit A, 3. Audio: Agenda Review 9/1/2020, 4. Audio: City Council 9/8/2020

Date	Ver.	Action By	Action	Result
9/22/2020	1	City Council		
9/8/2020	1	City Council		

DPU09082020AMIIMPLEMENTATION
 Water Distribution/Utilities Administration
 Ed Moore (x1845), Abed Semaan (x1702)
 (Revised)

Making certain findings related to the cost-benefit analysis of the Metering Infrastructure (AMI) and Leak Detection System conducted pursuant to a contract with Johnson Controls, Inc. (JCI) as authorized by Ord. 339-18 as amended by Ord. 291-19; authorizing the mayor to enter into a contract with JCI for project management, construction and implementation of the AMI project; authorizing the appropriation from the unappropriated bond proceeds in the amount of \$43,897,291 into the Water Bond Improvement Fund and the appropriation from the unappropriated sewer bond proceeds in the amount of \$43,892,844 into the Sewer Bond Improvement Fund and authorizing the expenditure of same; authorizing the appropriation in an amount not to exceed \$5,000,000 from the unappropriated balance of bond proceeds into the Water Bond Improvement Fund and an amount not to exceed \$5,000,000 from the unappropriated balance of bond proceeds into the Sewer Bond Improvement Fund for improvements to SAP necessary to support the Project and authorizing the expenditure of the same; authorizing the expenditure of \$3,788,468 from the Utilities Administrative Services Fund

over 20 years for measurement and verification service; authorizing the expenditure of funds from the Utilities Administrative Services Fund for annual software licenses; and declaring an emergency.

SUMMARY & BACKGROUND:

Ord. 339-18 as amended by Ord. 291-19 authorized a performance-based 2-phase contract with Johnson Controls, Inc. (“JCI”) for an Automated Meter Reading (AMR)/Advanced Metering Infrastructure (AMI) and Leak Detection System (the “Project”) for the Division of Water Distribution as the lowest and best bidder. The first phase of the project has been completed. The first phase consisted of completing an American Water Works Association (AWWA) water system audit and evaluation, including leak detection analysis and meter data acquisition system (collectively “the system”) to determine the efficiency of the system and to identify improvements and operational efficiency measures; conducting a technical feasibility analysis; lifecycle cost analysis of systems and technologies; identification of system improvements that will generate a return on investment for the system; financial analysis to determine estimated savings and new revenue generation to fund improvements, technical design of system improvements. The Ordinance also authorized the execution of an amendment and addendum to the contract with JCI for implementation of the identified water system improvements upon a showing that the cost of the project will not exceed the amount of enhanced revenues and savings from operational efficiencies generated over the average life of the improvements and a benefits guarantee from JCI.

The Project will be implemented through a performance contract to modify the city’s existing domestic water meter system to include the replacements of selected water meters, the implementation of Advanced Metering Infrastructure (AMI), leak detection, and the interface to the existing Department of Public Utilities (DPU) billing system. The Project will improve the system’s infrastructure, reduce operating costs, and provide real-time utility consumption and cost data, improve customer service, and reduce costs and response times for resolving customer issues due to improved system information. In addition to project management functions, JCI will monitor and verify that the City realizes the anticipated enhanced revenue benefits from the Project.

Ohio Revised Code section 717.02 authorizes municipalities to enter performance contracts for installation of automatic meter reading system or other construction or modifications of water utility systems. The awarding of a contract under this provision is conditioned upon a finding that the amount of money spent on improvements is not likely to exceed the amount of money the municipal corporation would save in operating, and maintenance costs over the average life of the improvements. The operational savings are projected to be approximately \$50 million and the enhanced revenue benefit is projected to be approximately \$123 million over the 20-year life of the Project, for gross benefit estimated at \$173,234,561 (net present value of \$123,925,927). Net benefit after all costs is estimated to be \$28,945,473. Additional information on the cost-benefit analysis is attached as Exhibit A.

After the completion of the analysis necessary to determine both recommended system improvements, including increase in billable revenue, the city has determined which improvements it will move forward with based on estimated returns on investment. This ordinance authorizes the contract /addendum detailing the implementation phase of the Project.

The total cost of the capital Project will not exceed the cost savings and additional revenue realized by the City over the average life of the improvements. The performance-based contract with JCI will include a guarantee from JCI that the project costs under its contract will be fully paid for over time from savings. Future appropriations will be allocated to DPU operational budgets for measurement and verification services for 20-years.

This implementation phase performance contract requires additional Council findings and authorizations.

The fiscal impact of this ordinance is as follows:

- The amount of funds requested: \$87,790,135
- The expenditure budget line item: 6062-31000-4UB1918STDSTD, 6062-34000-4UB1918STDSTD, 6072-31000-4UB1918STDSTD, 6072-34000-4UB1918STDSTD
- New revenue generated (operational revenue, grants, if any): \$87,790,135
- Revenue budget line item (if any): 6062-31000-408935-4UB1918STDSTD, 6062-34000-408935-4UB1918STDSTD, 6072-31000-408935-4UB1918STDSTD, 6072-34000-408935-4UB1918STDSTD
- Are funds budgeted in the current fiscal year (yes/no)? yes
- Is this a capital project (yes/no)? yes
- If yes, is it new or existing (new/existing)? new
- What section of the City's Strategic Plan does this support:
 - o Excellence in Basic Services (yes/no) yes
 - o Quality Community Investment (Livable City, Development) (yes/no) yes
 - o Workplace Culture & Customer Service (yes/no) yes
 - o Environment (yes/no) yes

NOW, THEREFORE, Be it ordained by the Council of the City of Toledo:

SECTION 1. That Council finds that the cost-benefit analysis from phase I of the Automated Meter Reading (AMR)/Advanced Metering Infrastructure (AMI) and Leak Detection System Project (the "Project") demonstrates that the Project costs are anticipated to be recovered over the estimated 20 year life of the improvements as a result of operational cost savings and enhanced revenue from improved accuracy of water consumption readings.

SECTION 2. That the mayor is authorized to enter into a contract with Johnson Controls, Inc. ("JCI") for project management, construction and implementation of the Project, to include a 20-year agreement for measurement and verification services for performance monitoring and a performance guarantee for the projected enhanced revenue benefits identified in phase 1 of the Project

SECTION 3. That the appropriation in an amount not to exceed \$38,897,291 is authorized from the unappropriated bond proceeds in the Water Bond Improvement Fund to Account Code 6062-31000-4UB1918STDSTD and an amount not to exceed \$38,892,844 is authorized from the unappropriated bond proceeds in the Sewer Bond Improvement Fund to Account Code 6072-31000-4UB1918STDSTD for said AMI project; and the expenditure of the same is authorized.

SECTION 4. That the appropriation in an amount not to exceed \$5,000,000 is authorized from the unappropriated bond proceeds in the Water Bond Improvement Fund to Account Code 6062-31000-4UB1918STDSTD and an amount not to exceed \$5,000,000 is authorized from the unappropriated bond proceeds in the Sewer Bond Improvement Fund to Account Code 6072-31000-4UB1918STDSTD for improvements to SAP necessary to support the Project and for billing purposes; and the expenditure of the same is authorized.

SECTION 5. That the expenditure of an amount not to exceed \$3,788,468 over 20-years under the JCI contract for the purpose of performance measuring and verification is authorized from the Utilities Administrative Services Fund, Account Code 6078-34000-4000532STDSTD, subject to future appropriations.

SECTION 6. That the expenditure of funds from the Utilities Administrative Services Fund for annual software licenses necessary for the operation of the AMI System are authorized for the for the 20-year monitoring and verification period, subject to annual appropriations.

SECTION 7. That the Finance Director is authorized to issue her warrant or warrants in an amount not to exceed the amounts authorized in above Sections 3, 4, 5 and 6 from the respective stated funds and account codes in payment of all authorized obligations upon presentation of properly approved documentation.

SECTION 8 That the disappropriation of any remaining budget to fund balance is authorized at project closeout.

SECTION 9. That this Ordinance is a Declaration of Official Intent under the U.S. Treasury Regulations (the Regulations) for purposes of Sections 103 and 141 to 150 of the Internal Revenue Code of 1986, as amended (the Code), and Regulations §1.150-2. The Utility reasonably expects that certain of the costs of the \$87,790,135 project may be reimbursed with the proceeds of tax-exempt bonds to be issued by the City in accordance with the provisions of the Code and the Regulations. The maximum principal amount of the Bonds is expected to be \$100,958,655.

SECTION 10. That this Ordinance is declared to be an emergency measure and shall take effect and be in force immediately from and after its passage. The reason for the emergency lies in the fact that this ordinance is necessary for the immediate preservation of the public peace, health, safety and property and for the further reason that this ordinance must be immediately effective in order to maintain safe, reliable water service.

Vote on emergency clause: yeas 12, nays 0.

Passed: September 22, 2020, as an emergency measure: yeas 12, nays 0.

Attest:

Gerald E. Dendinger
Clerk of Council

Matt Cherry
President of Council

Approved:

September 23, 2020
Wade Kapszukiewicz
Mayor