



**DEPARTMENT OF PUBLIC UTILITIES
MEMORANDUM**

DATE: February 26, 2018

TO: WILMA QUAN-SCHECTER, City Manager
City Manager's Office

FROM: THOMAS C. ESQUEDA, Director
Department of Public Utilities 

SUBJECT: Award Software Services Agreement to Badger Meter, Inc., as a uniquely qualified consultant, for Next Generation Water Meter Reading and Data Management Platform

The purpose of this memorandum is to request the City Manager to render a uniquely qualified finding for Badger Meter, Inc., as set forth in the Administrative Order (AO) 6-19, so that the Department of Public Utilities ("Department") may request Council to award a software services agreement to Badger Meter, Inc., to install and host a next generation water meter reading and data management software platform, and provide technical services to support the new platform.

The requested software services agreement is a unit-price based contract, and the annual compensation is calculated by multiplying the unit prices for software and service by the number of water utility accounts in the City's water service area. For 130,000 accounts, the annual compensation is \$235,136, and as the City's water utility accounts increase annually, the annual compensation will also increase in direct proportion to the increase in utility accounts. The services portion of the proposed Badger Meter, Inc.'s contract comprises roughly 75 percent of the overall annual contract value.

On January 10, 2010, the Fresno City Council selected Badger Meter, Inc., through a competitive selection process, to serve as the City's advanced metering infrastructure (AMI) vendor for water meter data collection and data management services, and awarded Badger Meter Inc. a contract in the amount of \$22,247,679.89. The installation of the City's AMI system was completed December 31, 2013, as originally planned, and the total cost to complete the AMR system purchase and installation was \$76.8 million, which included the \$22.2 million awarded to Badger Meter, Inc. The justification for requesting a uniquely qualified finding is based on the following:

1. The City of Fresno purchased and installed approximately 130,000 AMI meters throughout the City's water service area, with proprietary radio transmitters installed at individual properties, and data gateways installed throughout the City, to transmit hourly meter data to a centralized location for utility billing and data archiving.
2. The Badger Meter, Inc.'s, AMI software product and service is required to



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Wilma Quan-Schechter, City Manager

Award Software Services Agreement to Badger Meter, Inc., with uniquely qualified finding

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continue providing water utility billing services for the City's approximate 130,000 accounts. Badger Meter Inc.'s software platform is now 16 years old, and the platform has reached the end of its useful life and the City has a need to upgrade to the next generation software platform and data management system at a cost of approximately \$235,000 per year for 130,000 accounts. Badger is the only entity that can provide such services and software that is compatible with the hardware installed by the City. As the City's water utility accounts increase annually, the annual compensation will also increase in direct proportion to the increase in utility accounts.

3. When the Fresno City Council awarded a \$22.2 million contract to Badger Meter Inc. on January 1, 2010, the City effectively standardized on Badger Meter Inc.'s AMI products and services for the foreseeable future. While it is possible to migrate to an alternate AMI vendor for data collection and data management services, such a decision would also require the City to change meters, transmitters, and gateways, and the estimated cost for equipment and materials only would be approximately \$30 million. The total cost to purchase and install Badger Meter Inc.'s AMI system in 2010 was approximately \$76.8 million, with \$22.2 million expended for meters, transmitters, gateways and software, and \$54.6 million expended for installation. Of the \$76.8 million total expenditure, \$71.8 million was debt financed, and the City is continuing to pay annual debt service payments for the initial Badger Meter Inc. AMI system equipment and installation.
4. Based on the findings above, the Department of Public Utilities believes it is appropriate and warranted for the City to make a uniquely qualified finding for Badger Meter, Inc., and authorize purchase of the next generation water meter reading and data management software services and platform.

If you have any additional questions, or require additional information and data, please do not hesitate to contact me at 559-621-8610.