



Memorandum

To: City Council
From: Joe Doherty and Ben Cowan
Date: 9/2/2016
Re: Water Meter Replacements

Purpose:

Staff would like to request an additional appropriation to complete the water meter replacement project. In addition, staff would like to preliminarily discuss a funding mechanism to support this project and the other capital needs in the water fund over the next five years.

Background:

Over the past seven years, the City has been replacing the old water meters on the Badger meter system (manually read and radio read) with new Orion meters. Of the 2,246 total water meters, approximately 78% have been replaced to date. There are approximately 200 meters that are in inventory with 300 remaining to be purchased. All of the commercial and large meters have been replaced. The remaining 5/8" meters are generally in homes where the resident has been unavailable to allow entry during normal business hours. Since the installation requires two operators, this impacts the water utility operations excessively in their day-to-day work on the distribution system and wells.

Last month, the handheld reader's screen failed and the meter readings for manually and radio read meters can no longer be seen on the screen, which created a variety of meter reading errors due to the operator's inability to correct errors as the routes are read. The City was able to acquire a loaner unit from another government, which has allowed the meter reading to continue to be collected. Without the loaner, meter readings are unable to be acquired on the final 500 meters yet to be replaced and bills would have to be estimated.

This is not an ideal situation and the staff recommendation is to expedite the project to complete the transition to the new Orion system in 2016. National Meter and Automation, Inc. has provided a cost quotation with a bulk meter order that is \$49.21 less than the historical meter purchase price (\$182.75 versus \$231.96 each), which will save \$14,763. In addition, the contractor can schedule replacement in the evenings or on Saturday.

Ultimately, this proposal will eliminate the risk the City is currently facing by operating three types of meters, two of which have no replacement equipment.

Estimated Cost:

<i>Quantity</i>	<i>Description</i>	<i>Unit Price</i>	<i>Amount</i>
300	M25 RTR Register with Orion CE Meter	182.75	\$54,825.00
500	Indoor installation fees*	75.00	\$37,500.00
TOTAL COST TO COMPLETE METER REPLACEMENTS			\$92,325.00

**includes use of an outsourced customer call center to make installer appointments*

2016 Savings:

The 2016 budget has seen a great deal of savings due to a variety of reasons:

\$20,000	Tap connection fees received over the budgeted amount
\$31,000	Payroll savings due to Public Works Director, City Engineer, and Water Operator vacancies
\$10,550	Jet vac truck bid under budgeted amount
<u>\$9,000</u>	Remaining meter replacement funds

\$70,550 TOTAL FAVORABLE BUDGET VARIANCES

Financial Impact:

As demonstrated above, **the net requested use of fund balance is \$21,775.**

Based on the capital needs for the Water Fund over the next five years, the average annual capital needs total \$90,000. In order to generate the revenue over operational expenditures in an amount sufficient to fund the necessary capital improvements including equipment replacement, well rehabilitation and water tank repainting, City staff will likely recommend a \$3 per meter increase for 2017, without any associated usage rate change.

Current residential monthly service charge \$5.00

Proposed residential monthly service charge \$8.00

For comparison, other water utilities' rates within the county are listed below:

Jurisdiction	Service Charge (Meter Charge)	0 – 5,000 gallons	5,001 – 15,000 gallons	15,001 + gallons
Gunnison (current)	\$5.00	\$1.60	\$1.75	\$1.80
Gunnison (proposed)	\$8.00			
Crested Butte	\$27.50		\$3.00#	\$3.25
Gunnison County	\$34.30		\$5.90*	\$5.90
Antelope Hills	\$48.80		\$5.90*	\$5.90

* Beginning at 6,000 gallons. # Beginning at 8,000 gallons.

Example at 8,000 gallons per month (average user)



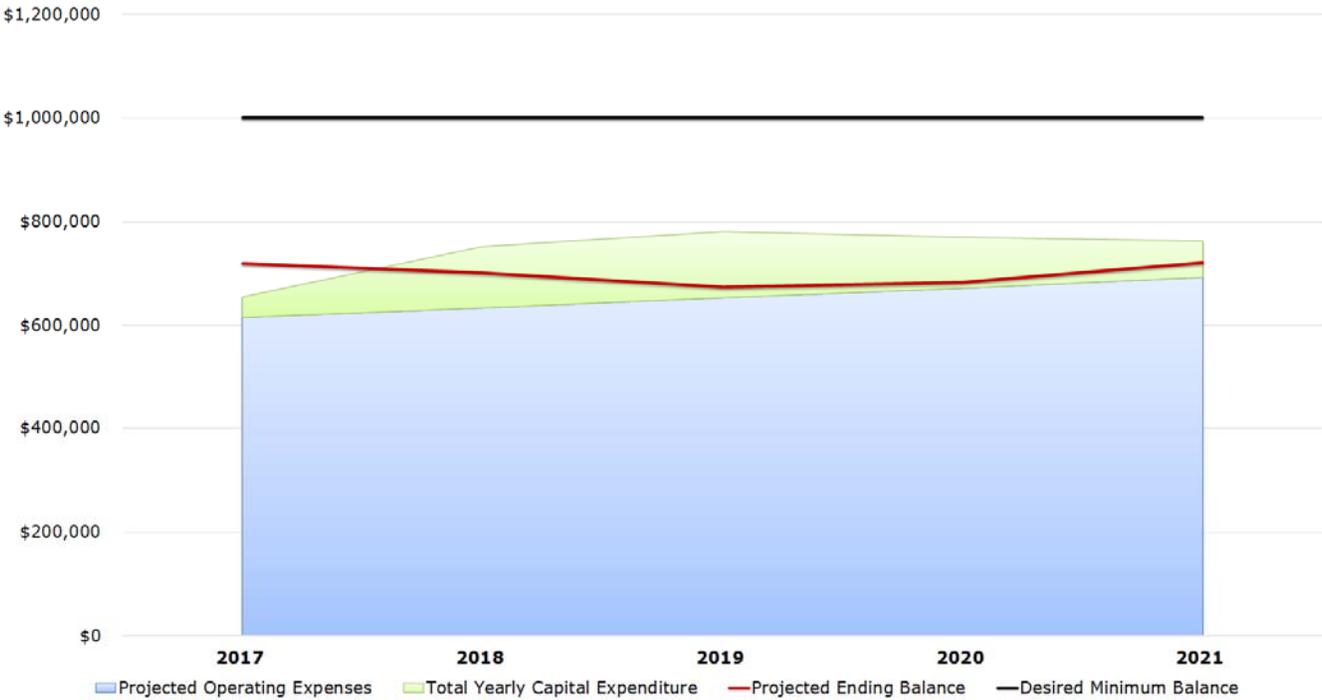
Jurisdiction	Service Charge (Meter Charge)	0 – 5,000 gallons	5,001 – 15,000 gallons	15,001 + gallons	Jurisdiction
Gunnison (current)	\$5.00	\$8.00	\$5.25		\$18.25
Gunnison (proposed)	\$8.00	\$8.00	\$5.25		\$21.25
Crested Butte	\$27.50				\$27.50
Gunnison County	\$34.30		\$11.80		\$46.10
Antelope Hills	\$48.80		\$11.80		\$60.60

Example at 30,000 gallons per month (lawn irrigation)



Jurisdiction	Service Charge (Meter Charge)	0 – 5,000 gallons	5,001 – 15,000 gallons	15,001 + gallons	Jurisdiction
Gunnison (current)	\$5.00	\$8.00	\$17.50	\$39.25	\$57.50
Gunnison (proposed)	\$8.00	\$8.00	\$17.50	\$39.25	\$60.50
Crested Butte	\$27.50		\$9.00	\$61.00	\$97.50
Gunnison County	\$34.30		\$53.10	\$88.50	\$175.90
Antelope Hills	\$48.80		\$53.10	\$88.50	\$190.40

If the monthly service charge is increased as proposed, the current fund balance can be maintained with the improvements that are scheduled, as depicted in the below chart.



We also think that the typical practice of increasing the usage rates actually encourages residents to conserve water usage, which has a less than expected increase in the realized revenues. Furthermore, a service charge increase doesn't disproportionately affect residents that irrigate using City water because they do not have access to a City ditch. All water users would be affected equally.