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TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON MONDAY, APRIL 7, 2014
FROM:	JOHN BRAAM, MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES AND CITY ENGINEER
SUBJECT:	SINGLE SOURCE PROCUREMENT OF POSITIVE DISPLACEMENT COLD WATER METERS WITH ENCODER-RECEIVER-TRANSMITTER ATTACHED

RECOMMENDATION

That, on the recommendation of the Managing Director, Environmental & Engineering Services and City Engineer, the following actions **BE TAKEN** with respect to the Single Source Procurement of Positive Displacement Cold Water Meters with Encoder-Receiver-Transmitter attached:

- a) The quoted price from EMCO Corporation Waterworks, 944 Leathorne Street, London, ON, N5Z 3M5, for the supply, delivery and storage of 10,000 positive displacement cold water meters with attached ERT, for the price of \$1,300,000, HST extra, **BE ACCEPTED** on a single source basis as per section 14.4 (k) of the Procurement of Goods and Services Policy;
- b) The funding for this purchase **BE APPROVED** as set out in the Source of Finance Report attached hereto as Appendix 'A';
- c) The Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this contract; and
- d) The approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or having a purchase order, or contract record relating to the subject matter of this approval.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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“Single Source Procurement of Positive Displacement Cold Water Meters with Encoder-Receiver-Transmitter Attached”, presented to the Civic Works Committee on December 3, 2012, Agenda Item #5; and

“Tender 11-34 Supply & Delivery of Positive Displacement Cold Water Meters”, presented to the Built and Natural Environment Committee (BNEC) on June 13, 2011, Agenda Item #12.

BACKGROUND

Purpose

This report recommends the purchase of water meters on a single source basis in accordance with the Procurement of Goods and Services Policy.

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Context

The City of London previously had two separate contracts for providing water meters and the associated ERT (Encoder-Receiver-Transmitter). One contract was for the supply and delivery of water meters with the ERT attached (formerly with Elster Canadian Meter Company Inc.). The other contract was for the supply and delivery of water meters and ERT not attached (formerly with EMCO Corporation Waterworks, 944 Leathorne Street, London, ON, N5Z 3M5). As indicated in the June 13, 2011 BNEC Report, splitting the contract in this method was the most economical method of meeting the City's needs, as some meter installations require the meter to be installed first, with the ERT being attached afterward. It also allowed for the procurement of a large volume of water meters from more than one vendor.

During the purchasing process in 2011 for positive displacement cold water meters (mechanical meters) for a two (2) year term, three (3) bids were received as a result of the tender call. Only two of the bids provided pricing for water meters with the ERT attached (Elster and EMCO). Elster submitted the lowest price and EMCO was second lowest. For water meters without the ERT attached, EMCO submitted the lowest bid.

After the signing of these contracts in 2011, Elster experienced some unfortunate circumstances (a natural disaster) that left them unable to meet their contractual obligations with the City of London. In addition, in January 2013, Elster released a notification that they were discontinuing the manufacturing of mechanical water meters. This left only EMCO remaining as the single source of positive displacement water meters with ERT's attached.

As a result of Elster no longer being able to meet their contractual obligations, the City was required to obtain the supply of water meters from EMCO at their tendered cost. In an effort to reduce costs, the City's Water Service Area negotiated a bulk purchase of 10,000 water meters in December 2012 with EMCO, resulting in a savings of \$167,000 from the tendered price provided by EMCO during the 2011 tender process. As part of this negotiation, EMCO agreed to store all the water meters at their warehouse facility at 944 Leathorne Street for no additional cost, eliminating any risk associated with shipping delays, which typically has an 8 week lead time.

DISCUSSION

The Water Service Area's ongoing strategy of looking for operational cost savings identified the bulk procurement of water meters once again as an option. A second procurement of a bulk order of 10,000 positive displacement water meters with ERT's attached, similar to what was undertaken in late 2012, has the potential to save a substantial amount of money. In 2012, the bulk procurement resulted in a cost savings of \$167,000 over that of the 2011 tendered prices. With the 2014 quote (attached as Appendix 'B') from EMCO for a 10,000 meter/ERT bulk procurement, the cost savings will be \$110,000 beyond that of the 2011 tendered prices. This drop in savings is directly related to the recent drop in the Canadian dollar in comparison to that of the US dollar.

Conclusion

It is the opinion of staff, that such a cost savings will not be realized if the purchase is tendered due to the lack of competition in the positive displacement cold water meter market. In addition, the bulk purchase will once again ensure that a secure and reliable supply of water meters is maintained and readily available in London.

The positive displacement water meter is a tried, tested, accurate and reliable water meter. For this reason, it has been the sole residential meter type allowed in London since the City began to meter water consumption in 1925. However, the Water Operations Division intends to re-evaluate the meter selection process, in which other newer meter types and technology may be permitted to bid during the tender process scheduled in 2015.

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Financial Impact

The Water Service Area has adequate funding in EW1627-13, 2013 Meter Replacement Program, for this recommendation, as detailed in Appendix 'A' (attached) Source of Financing.

Acknowledgements

This report was prepared by with input from Scott Koshowski - Environmental Service Engineer, Stephen Irwin - Water Meter Operations Supervisor, Tim Romard - Manager, Water Operations, John Simon - Division Manager Water Operations and Chris Ginty - Procurement Officer, Purchasing and Supply.

SUBMITTED BY:	RECOMMENDED BY:
JOHN LUCAS, P.ENG. DIRECTOR, WATER AND WASTEWATER	JOHN BRAAM, P.ENG. MANAGING DIRECTOR, ENVIRONMENTAL & ENGINEERING SERVICES, AND CITY ENGINEER
REVIEWED & CONCURRED BY:	
MIKE TURNER DEPUTY CITY TREASURER	

SS14-06 Water Meters SK JS JVL March 20 2014 Finalfnl

Attach: Appendix 'A' – Source of Financing
 Appendix 'B' – Bulk Water Meter Quote provided by EMCO

cc: John Freeman, Manager, Purchasing & Supply
 Glen Hudacek, EMCO Corporation Waterworks

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Appendix "B"



QUOTATION

WATERWORKS

944 Leathorne Street
London, Ontario

Phone (800)303-0307 FAX

(877)392-0240

E-MAIL: jcarpenter@emcoltd.com
ghudacek@emcoltd.com

March 26, 2014

Special pricing for one time purchase for 10,000 total units 5/8" x 1/2" or 5/8" x 3/4"
Badger water meter with a Itron 100 WR or 100W ERT at \$130.00/each for a
subtotal cost of \$1,300,000.00 HST not included.
Emco London warehouse will stock at NO CHARGE .

Cost Savings of \$110,000.00

Quote is valid until April 30, 2014.

Regards,
Glenn Hudacek