



Report to: GENERAL COMMITTEE

Meeting Date: December 7, 2021

SUBJECT: Extension of Contract 022-R-14 for the Supply, Installation and Maintenance of Water Meters

PREPARED BY: Daphne Ross, Acting Manager, Business Administration
Prathapan Kumar, Senior Manager, Infrastructure
Flora Chan, Senior Buyer

RECOMMENDATION:

- 1) THAT the report “Extension of Contract 022-R-14 for the Supply, Installation and Maintenance of Water Meters” be received; and
- 2) THAT the contract for the supply, installation and maintenance of water meters be extended for 4 years and 11 month term from February 1, 2022 to December 31, 2026 in the estimated annual contract amount of \$1,662,952.36, inclusive of HST;
 - February 2022 – December 2022 - \$1,524,373.00 (11 months)
 - January 2023 – December 2023 - \$1,662,952.36*
 - January 2024 – December 2024 - \$1,662,952.36*
 - January 2025 – December 2025 - \$1,662,952.36*
 - January 2026 – December 2026 - \$1,662,952.36*
 - Total \$8,176,182.44

*Subject to an annual increase based on the Consumer Price Index (Ontario All-items); and
- 3) That Staff be authorized to amend the award amounts in years 2022-2026 to reflect changes to the Capital and Operating Budget accounts as approved by Council during the annual budget process; and
- 4) That the tendering process be waived in accordance with the City’s Purchasing By-law # 2017-8, Part II, Section 11.1(c), Non Competitive Procurement which states, “when the extension of an existing Contract would prove more cost-effective or beneficial”; and
- 5) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

n/a

PURPOSE:

The purpose of this report is to obtain approval for the extension of contract for the supply, installation and maintenance of water meters for a term of 4 years and 11 months.

BACKGROUND:

From 1993 to 2021, Neptune Technology Group (Canada) Limited (“Neptune”) was selected by the City, through a formal tender process, to supply water meters and to provide services in new residential house installation.

The integrated supply and services contract provides many technical and operational benefits to the City, including

- improved customer service efficiencies;
- eliminated management of inventory and stocking of meters and fittings;
- combined various meter management tasks into a one-stop shop meter contract, and minimized staff workload in the management of the various meter activities.

The water meter integrated supply and services contract consists of the following:

- residential and ICI (Industrial, Commercial and Institutional) meters supply including stocking and delivery;
- new residential house and in-fill house meter installation;
- annual residential and ICI meter replacement (change-outs) program;
- residential and ICI meter maintenances (year round);
- annual meter testing program, customer services, contract administration; and,
- consideration and preparation for future application of AMR/AMI (Automated Meter Reading/ Automated Metering Infrastructure) in Markham.

OPTIONS/ DISCUSSION:

Staff recommends a contract extension based on the following rationale:

Proven Track Record:

Since 1993, Neptune has been selected, through formal tendering processes, as the City’s contractor to supply, install and repair water meters. Neptune’s performance on this contract has been consistently good. Staff is confident that they will continue to perform well.

Neptune is a key player in this market and provides similar services to other municipalities in York Region, the GTA and Ontario. They have a good understanding of the project related requirements, provided good methodology, work plan and coordination in all contract activities. They are committed to providing qualified project resources, good customer services and a call centre that meets the City’s requirements. Their infrastructure dedicated to the project adequately meets the requirements in meter material, type, sizes, accuracy, warranty, IT database supports, and products for future application.

Neptune provided the following add-on features in the last contract:

- Electronic Work Order tracking and data transfer back to the City;
- Project web site and real-time online appointment booking for customers;
- Continuing Neptune Partnership Program (NPP) with the City, that includes various additional service values such as meter testing privilege, expedited product delivery, extended meter warranty plan, statistical meter accuracy evaluation and performance measures;

Niche market:

As evident in previous tendering results in 2014 and recent bid awards by other agencies, there are only a few companies who can provide turnkey-solution of services for supply, new installation, replacements, maintenance and testing of water meters.

Neptune Technologies Group provides the same services to Vaughan, Richmond Hill, Georgina, Stouffville, Guelph, Orangeville and Hamilton in the GTA.

New Customer Information System (CIS):

In order to streamline the work management for water meters, Environmental Services Staff developed an integrated Customer Information System (CIS), in collaboration with Information Technology Services Department, Alectra Utilities, and Neptune Technologies, to centralize and automate the daily feed of field activities among all parties.

All parties have invested a lot of resources and time in the development of this program and database and full integration was completed only earlier this year, where:

- integration with Alectra's platform commenced in September 2018 and completed in October 2020 (27 months)
- Integration with Neptune's platform commenced in June 2019 and completed in March 2021 (22 months)

The integrated program centrally manages the following activities:

- City's request for troubleshooting (e.g. meter reading, low or zero consumption problems)
- City's request for customer reported issues (e.g. leaking meter, noisy meter, etc.)
- Automated work order issuance from the City to Neptune
- New meter installation for new homes and infill homes
- Meter Replacement Program for residential and commercial customers
- Automated receipt of completed work orders reports from Neptune to the City
- Data validation and quality control of reports (checks for any missing or incorrect data)
 - Reports with critical error will be rejected automatically.
 - Reports with warning can be rejected or accepted manually by City Staff.
 - Reports passing the check will be processed into CIS to update the meter and customer records
- Automated daily reporting to Alectra

Since the new CIS implementation, Staff has observed improvements in City's response time, service level, operational efficiency, accuracy, controls, and vendor management.

If the City re-tenders this contract and awards to another vendor at this time, the CIS integration requirement would cause significant inconvenience and significant duplication of resources and cost for the City. As the Customer Information System (CIS) with Neptune and Alectra was only completed in 2021, a contract extension with Neptune is necessary to ensure continuity and interoperability with the City's existing systems and services.

Potential impact to Enterprise Asset Management (EAM) Implementation:

Currently, the City is implementing EAM system, which will improve, standardize, and streamline the following business functions:

- (a) Work Order/ Work Flow Management
- (b) Service Requests
- (c) Asset Registry/ Asset Management functions; and
- (d) Job Costing etc.

In addition, EAM will be integrated with the CIS (Customer Information System), which is scheduled to be implemented in Q1, 2022, and any additional integration efforts may delay implementation of EAM.

Account clean-up

Since transitioning to the new CIS, over 4,000 metered accounts were identified with billing issues. All of these accounts had to be investigated and require repair or replacement in collaboration with Neptune and Alectra. Although the CIS system has been instrumental in this one-time clean-up effort, the account review process is still ongoing due to the pandemic, and a contract extension with Neptune is necessary to complete the process and minimize further delays or lost revenue. Currently, there are 868 pending work orders with Neptune, with another 1,000 expected to be issued. Work is expected to be completed in 2023.

FINANCIAL CONSIDERATIONS

Staff is recommending the integrated contract for water meter supply, installation, maintenance and testing be extended to Neptune for a 4 years and 11 month term, from February 1, 2022 to December 31, 2026 (in order to align with the City's fiscal calendar), at the same terms, conditions and dependant on an annual vendor performance review. The unit prices will be adjusted annually (commencing in 2023) based on the Consumer Price Index for Ontario-All-Items as established from September to September preceding the renewal period.

The estimated annual contract amount is \$1,524,373.00 inclusive of HST and a total award of \$8,176,182.44, inclusive of HST over 4 years and 11 month term.

The following table is a summary of the financial considerations for this report:

Account Name	Account #	2022 Proposed Budget	Commitments (Jan 2022)	2022 Budget Available	Estimated Cost of Purchase (Feb - Dec 2022)	Budget Remaining/ (Shortfall)
New Residential Meter	760-120-5300	\$ 224,327	\$ 18,694	\$ 205,633	\$ 205,633	\$ -
New ICI Meter	760-121-5300	\$ 166,045	\$ 13,837	\$ 152,208	\$ 152,208	\$ -
Res Meter Test & Repair	760-130-5300	\$ 182,041	\$ 15,170	\$ 166,871	\$ 166,871	\$ -
ICI Meter Test & Repair	760-131-5300	\$ 52,012	\$ 4,334	\$ 47,678	\$ 47,678	\$ -
Hydrant Meter - Materials	760-132-4530	\$ 9,000	\$ 750	\$ 8,250	\$ 8,250	\$ -
Hydrant Meter - Equipment Maint	760-132-5425	\$ 8,000	\$ 667	\$ 7,333	\$ 7,333	\$ -
Water Meters - Replacement Program (2022 Capital)	053-5350-22209-005	\$ 936,400		\$ 936,400	\$ 936,400	\$ -
Totals:		\$ 1,577,825	\$ 53,452	\$ 1,524,373	\$ 1,524,373	\$ -

The 2022 to 2026 budgets will be submitted for consideration through the annual budget process and may be amended to account for growth, trending changes and price escalation. The annual award will be subject to Council approval of the 2022 to 2026 budgets.

Price comparison (2014 – 2021)

The prices in the original contract (2014-2021) were fixed from Year 1 to 3 (February 1, 2015 to January 31, 2018) and included an annual price increase as per the Consumer Price Index in Years 4 to 7 (February 1, 2018 – January 31, 2022) of the contract.

Although the actual CPI increase from the time of the award in 2014 until 2021 was 14.15%, contract pricing only increased by 6.2% over this same period due to the City's contract including fixed pricing for Year 1 to 3. Any industry related price increases were not applied and were absorbed by Neptune, mainly through many cost reduction efforts through their vertically integrated business model.

Price comparison (2022 – 2026)

There are three key indexes that impact pricing of this contract. The changes since the original contract award are summarized below, as observed from March 2014 to September 2021:

- Consumers Price Index (CPI): +14.15%
- Price of Copper: +35.45%
- Industrial Product Producer Index (IPPI): +20.36%

The price of copper has increased by **35.45% since the time of award in 2014. In order to estimate the cost increase to the City's contract, Staff** calculated the increase by the weight of copper against the component of the total meter cost that is made of copper and not the entire price of the water meter (s). Specifically, water meters are weighted at 34%, strainers are weighted at 50% and Unitized Measuring Elements (UME) are weighted at 60%.

Commencing on February 1, 2022, the contractual pricing will increase by 4.4% for CPI and an additional one-time increase of 7.2% for industry related price increases, specifically for the price of copper. Therefore, in comparison with the current contract unit prices and based on actual volume utilized in 2020, the 2022 unit prices represent an overall annual increase of 11.6% (4.4% for CPI increase and a 7.2% one-time increase for industry related price increase). The extension years (2023 – 2026) only include an increase for CPI.

OPERATING BUDGET AND LIFE CYCLE RESERVE IMPACT:

The 2022 to 2026 budgets will be submitted for consideration through the annual budget process and may be amended to account for growth, trending changes and price escalation. The annual award will be subject to Council approval of the 2022 to 2026 budgets.

The Life Cycle Reserve Study will be increased to accommodate the increased meter replacement costs.

LEGAL CONSIDERATIONS:

The City is subject to the following trade agreements, which apply to public sector procurements above a certain dollar threshold: the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), the Canadian Free Trade

Agreement (CFTA), and the Ontario-Quebec Trade and Cooperation Agreement (OQTCA). The recommended contract extension complies with the trade agreements.

HUMAN RESOURCES CONSIDERATIONS

n/a

ALIGNMENT WITH STRATEGIC PRIORITIES:

Safe, Sustainable and Complete Community:

- Provide quality drinking water and wastewater services to the residents and businesses in Markham that meet, if not exceed, legislative requirements.

Exceptional Services by Exceptional People

- Timely response to customer inquiries
- Customers are treated with fairness and respect
- Minimize the number and duration of service interruptions

BUSINESS UNITS CONSULTED AND AFFECTED:

Legal Services and Financial Services were consulted and provided their input.

RECOMMENDED BY:

Eddy Wu, CMM III, P.Eng.
Director, Environmental Services

Claudia Storto
City Solicitor/Director of HR

Trinela Cane
Commissioner, Corporate Services

Morgan Jones
Commissioner, Community Services

Andy Taylor
CAO