



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

Consent Report
May 27, 2008

**Honorable Mayor and
Members of the City Council**

Title: Contract Extension to Authorize Payment to Badger Meter, Inc.

Location/Council District: Citywide

Recommendation: Adopt a resolution: 1) Suspending competitive bidding, in the best interests of the City; and 2) Authorizing the City Manager to sign a contract extension extending the term of the City's contract with Badger Meter, Inc. for the purchase of cold water meters, through June 30, 2008.

Contact: Michael Malone, Manager Field Services Division

Presenters: N/A

Department: Department of Utilities

Division: Field Services (Water)

Organization No: 14001411

Description/Analysis

Issue: The City Council awarded a water meter purchase contract to Badger Meter, Inc. in October 2004. The contract authorized purchases in the amount of \$3 million per year for a three year period, to provide meters used by the Utilities Department of Water Distribution section for new water service connections, meter replacements, and to comply with Assembly Bill 2572's mandate to install water meters on all existing water services within the City of Sacramento by 2025.

The contract term expired on October 25, 2007. Staff failed to note the expiration date and ordered additional meters in the amount of \$764,692.89. Of that amount, \$558,019 worth of meters did not meet the City's needs, and were returned to be reworked by Badger Meter to satisfy the City's needs. The meters have been reworked, and Badger Meter, Inc. is prepared to ship a partial shipment in May with the balance to be shipped in June, 2008.

This report requests authorization to extend the term of the Badger contract to provide contractual authorization for the City to pay for the water meters that Badger has shipped or is prepared to ship, and that the City has not yet paid for.

There is sufficient funding remaining in the account established for the Badger Meter contract to pay for these water meters. Of the \$9 million authorized to be spent during the three year term of the contract, there remains in excess of \$4.7 million unspent.

The Water Distribution Division is working with Procurement to conduct a competitive procurement for a new multi-year contract to purchase water meters, and will return to Council with a recommendation for award of a new contract when that process is complete. All future purchases of water meters, over and above the amount already ordered from Badger Meter, will be made under the new contract.

Policy Considerations: This report recommends suspending competitive bidding in order to allow the term of the Badger Meter contract to be extended for purchase of the water meters already ordered. This is consistent with section 3.56.230 C of the Sacramento City Code, that allows the City Council to suspend competitive bidding for a purchase of supplies when, upon a two thirds vote, Council determines that it is in the City's best interest to do so. Staff believes that it is in the City's best interest to suspend competitive bidding to provide contractual authorization to pay for the meters not yet paid for because, 1) the ordering of additional meters after the Badger Meter contract expired was an inadvertent error on the part of City staff, 2) the City's need for water meters continued after the Badger Meter contract expired, to continue with the installation and retrofit of water meters required by State law, 3) the City will utilize and receive the benefit of the meters not yet paid for, and 4) Badger Meter has provided good customer service by reworking the meters to meet the City's needs, as described above, at no additional cost.

Environmental Considerations: The Office of Environmental Affairs reviewed the Badger Meter contract prior to award in 2004 and determined that the purchase of meters will not have an effect on the environment and that the installation of meters is exempt from the requirements of the California Environmental Quality Act (CEQA) under Sections 15310 and 15303 of the CEQA Guidelines.

Sustainability Considerations: The installation of water meters promotes sustainability by allowing the City to bill based on water usage, thereby providing incentives for City customers to use water more efficiently.

Commission/Committee Action: None

Rationale for Recommendation: These recommendations are made to provide contractual authorization for the City to pay for water meter ordered but not paid for due to expiration of the contract.

Financial Considerations: The purchases of the cold water meters will be charged to the Water Distribution Divisions general inventory account 6005-900-9200-465011, where subsequently the items will be debited to its operating budget as the items are disbursed. The Department of Utilities operating budget has sufficient funds for these purchases. There is no additional fiscal impact.

Emerging Small Business Development (ESBD): Badger Meter is not a certified Emerging and Small Business Enterprises.

Respectfully Submitted by: Michael Malone
Michael Malone
Manager Field Services

Approved by: Gary Reents
Gary Reents
Director of Utilities

Recommendation Approved:

Ray Kerridge
Ray Kerridge
City Manager

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RESOLUTION NO. 2008-XXX

Adopted by the Sacramento City Council

SUSPENDING COMPETITIVE BIDDING AND AUTHORIZING TERM EXTENSION FOR CONTRACT TO PURCHASE WATER METERS FROM BADGER METER, INC.

BACKGROUND

- A. The City Council awarded a water meter purchase contract to Badger Meter, Inc. in October 2004. The contract authorized purchases in the amount of \$3 million per year for a three year period.
- B. The contract term expired on October 25, 2007. Staff failed to note the expiration date, and ordered additional water meters that the City has not yet paid for. There is sufficient funding remaining in the account established for the Badger Meter contract to pay for these meters.
- C. City staff has recommended suspending competitive bidding in order to allow the term of the Badger contract to be extended through June 30, 2008, to provide contractual authorization to pay for the meters ordered but not paid for. Section 3.56.230 C of the Sacramento City Code allows the City Council to suspend competitive bidding for a purchase of supplies when, upon a two thirds vote, City Council determines that it is in the City's best interest to do so.
- D. It is in the City's best interest to suspend competitive bidding for this purpose because, 1) the ordering of additional meters in the amount of \$764,692.89 after the Badger contract term expired was an inadvertent error on part of City staff, 2) the City's need for water meters continued after the Badger Meter contract expired in order to continue with the installation and retrofit of water meters required by State law, 3) the City will utilize and receive the benefit of the meters not yet paid for, and 4) Badger Meter has provided good customer service by reworking the meters to meet the City's needs, at no additional cost.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1. In the best interest of the City, competitive bidding is suspended for the purchase of cold water meters from Badger Meter, Inc., through June 30, 2008.
- Section 2. The City Manager is authorized to sign an extension of the purchase contract awarded to Badger Meter, Inc. on October 26, 2004 extending the term of the contract through June 30, 2008.

Section 3. Pursuant to the extended contract, payment is approved for water meters ordered from Badger Meter Inc., after the previous contract term expired, in the amount of \$764,692.89.