

Cuyahoga Falls City Council
Minutes of the Finance Committee Meeting
July 7, 2008

Members: Don Walters, Chair
Debbie Ritzinger
Carol Klinger

Mr. Walters called the meeting to order at 6:20 p.m. All members were present.

Legislation Considered

Sub. Temp. Ord. A-55

Discussion:

Sub. Temp. Ord. A-55

An ordinance authorizing the Director of Public Service to enter into a contract with Johnson Controls, and declaring an emergency.

Mrs. Carr indicated she spoke with several on Council since the previous meeting to clear up some points. She began with an explanation of H.B. 300. It is not new. It was established in 1994 and Administration has looked at using it in the past for other projects. It contains a section which helps municipalities do energy conservation measures by providing different financing so it does not go against the municipality's debt capacity. The original bill was for schools, however, after a successful lobbying effort, it was opened up to cities as well. Five cities used H.B. 300 just for AMR, which is considered by law to be an energy conservation measure. As a result of H.B. 300, a multitude of ESCOs (energy service companies) were formed but then quickly went out of business. Only the larger ESCOs stayed in. When one uses an ESCO, the ESCO takes on the risk. They are hired like a general contractor. For this project, the City prepared a request for qualifications and only two companies responded—Johnson Controls and Siemens. Administration chose Johnson Controls because its portfolio was more broad. It is also the largest performance contractor globally. She spoke with several other cities in Ohio and Florida who have used Johnson Controls and all said they have been extremely happy with the customer service and how well Johnson Controls worked with their customer base. The way AMR fits into energy conservation is, on the electric side, it allows a provider to work with users on demand consumption and peak shaving. Users can pay a different rate if they, for example, do laundry at a certain non-peak time or run an air conditioner at a certain point. There is an article in the *Wall Street Journal* from last week that talks about these smart meters. Mrs. Carr stated she would get a copy of that article to Council.

Johnson Controls did a full process in terms of going out for bid. On meter pricing, they asked for pricing on what the City would need, who was included in the process, who was selected and why. Johnson Controls and Administration talked with the low bidder and were satisfied with that company. The water meters are the same type that the City uses now. On the electric side, the bidder has a local connection in that the sales rep. is a resident. There are six main installers country-wide and they chose the best one. She also re-verified costs with the specific vendors to make sure the City could not get a better price.

Mr. Walters asked if she was comfortable with this price for meters vs. what the City would pay if it were to do the project in-house. Mrs. Carr stated she was. She did her homework, compared everything and spoke with everyone personally. She added that this was not atypical of how the City handles other

projects. Mark Havens of Johnson Controls stated it was a competitive process. Mr. Walters confirmed that the man hours from the initial study were rolled into this project. Mrs. Carr indicated the City agreed to a dollar amount not to exceed for the preparation of the study so there is not a separate amount. If the City walks away from the project, Johnson Controls can recoup its costs for its time. Mr. Walters stated that Council would like to know the dollar amount for that time. He wanted to make sure the price of the meters was not raised to offset the \$100,000. Mrs. Carr stated she checked into meter pricing and the amount the City would be paying is not out of line. With regard to the service agreement, Mrs. Carr indicated the costs may come down because of things the City did not have when the study was done but has since obtained so costs for those items would not be included. She also added that as the City learns, it will back off on things it takes over. She did not feel it was out of line for what the City typically pays for this type of support.

Mr. Walters asked how much maintenance this project would need. The introduction says the majority of hardware located outside needs to be maintained to work at an optimum level. Mrs. Carr indicated that everything is susceptible to lightning, for example. This agreement would be an insurance policy in case something breaks. Mr. Brodzinski added that one of the byproducts of this project is an annual savings due to the discontinuation of the MDTs being run off cell phones. The MDTs would now run off the fiber associated with this project and would eliminate the need for the cell phones which would then save approximately \$36,000.

Mrs. Klinger asked whether the items that were chosen for the RFP were open or proprietary. Mrs. Carr indicated they were open. She asked if it was the same for the backhaul connection system. John Konich indicated it was. Mrs. Klinger asked if the City considered having someone else put the RFP together because if Johnson Controls is being paid five percent on everything, what would the incentive be to keep the costs down. Mrs. Carr stated she checked with all of the vendors and the prices are in line. Mrs. Klinger asked why the City couldn't do what Johnson Controls is proposing to do and contract with individual vendors itself to install the meters. Mrs. Carr indicated they could do that but then the City would be taking on all of the risk. It would also take several years before the City would be able to replace all of the meters. Mrs. Klinger stated there is no way for the City to know whether it is getting the best deal because Johnson Controls wrote the specs and then wrote the prices. There was no third party objective. Mrs. Carr stated she was that third party. She verified the numbers to make sure those were what were given to Johnson Controls. On the IT side, John Konich stated he did not see any indication that Johnson Controls overinflated the numbers. As the project progresses, he indicated that Johnson Controls and the City may find some areas where the City would not need specific equipment but they won't know what those are until they really get into it. Mrs. Carr added that this is no different from what the City has done with other consultants. The advantage here is that Johnson Controls guarantees it will take on the risk. Mrs. Klinger stated it is hard for an entity to win in a performance guarantee situation. Rick Smith of Johnson Controls stated they have been doing this for 30 years. They have over \$4 million of guaranteed savings and have paid out less than 1/2 of 1%. They have an annual payout of \$250,000. Mrs. Klinger indicated she would like a list of customers that Johnson Controls is paying out to.

Mrs. Hummel asked whether the project could be broken down into two projects in terms of AMR and weatherization plus a breakdown of components of AMR. The City can hire Johnson Controls as a general contractor but then Johnson Controls turns around and hires someone else to do the installation. She felt that the City could hire that same installation company. She was concerned that they have only one vendor. She was also concerned that Council does not know what any of the items cost individually. She is trying to get to the \$11 million figure. Mrs. Carr indicated she would provide the numbers to Council. With regard to the list of weatherization items, Mrs. Carr stated that Johnson Controls came up with a list of 70 to 80 potential projects. If any of those did not have a 10-year payback, she took them off the list.

Mrs. Hummel stated it was her understanding that meters that were 3” and larger were tested on an annual basis and that this report indicated that several larger water meters indicated poor accuracy. She asked about the City’s meter testing process because the report listed meters with some substantial misreads. Mrs. Carr stated they were tested on a two-year basis. They opted this year not to do that since they would be putting new meters in with this project. John Christopher added that the meters were last tested approximately three years ago. Mrs. Hummel was concerned that the meters in Johnson Controls’ report went so bad so quickly since the last testing.

Mrs. Colavecchio asked about the notation on the back of the June 20 letter that states that the City’s rates will be able to remain lower for a longer period of time if this project goes forward. In the light of the recent rate increase, should this legislation pass, she asked how long of a timeframe it would be before rates would increase again. She felt Council should pass that information on to the residents. Mr. Brodzinski stated there are rates for water, sewer and electric. Each has aspects that are not controlled by the City. It is dependent on industry charges for purchase of power for electric and increases in materials for water-related supplies. It is also dependent on Akron and Summit County for charges with regard to sewers. So, the City cannot guarantee rates would not go up. What it could say is that rates would not go up as a result of this project because this project will actually save the City money. Mrs. Carr stated she would check to see if she could give a ballpark time period.

Mr. Walters was concerned that the batteries would all go bad at the same time and asked what the cost of replacing them would be in that situation. Mr. Havens reassured him that the batteries would not all go bad at the same time. The life of a battery is approximately 20 years. He was not sure what the cost would be for a residential meter battery. Mr. Smith pointed out that it is not just the battery that gets replaced—the MTU gets replaced as well.

John Mancinelli, 2128 19th Street, stated he moved to the City 23 years ago and has always been very satisfied with how administration and Council have managed the City. In this instance, however, he is concerned that the RFP may not have been properly designed. He felt the project could have been bid out much better than it was. Mrs. Carr indicated they had only two responses to the RFQ’s and didn’t know why no one else responded. She pointed out that the products the City would be getting were separately bid as well. Mr. Mancinelli asked several questions regarding the project which were addressed by Mrs. Carr.

Mrs. Klinger asked who in the Law Dept. has read and will rewrite the contract. Hope Jones indicated that Virgil was still working on the contract.

Mr. Walters stated he would like to hold the legislation for further discussion on the 21st with the possibility of a vote on the 28th or perhaps at a special meeting on the 21st.

Committee recommended holding Sub. Temp. Ord. No. A-55.

The meeting adjourned at 8:25 p.m.