

**DATE:** July 20, 2010  
**STAFF:** Jon Haukaas

**AGENDA ITEM SUMMARY**  
FORT COLLINS CITY COUNCIL

**28**

**SUBJECT**

Second Reading of Ordinance No. 084, 2010, Appropriating Prior Year Water Fund Reserves for the Advanced Metering Infrastructure Capital Project and Authorizing the Transfer of Existing Water Fund Operating Appropriations and the Transfer of Existing Water Meter Capital Project Appropriations to the Water Advanced Metering Infrastructure Capital Project.

**EXECUTIVE SUMMARY**

The Water Utility is planning to convert all water meters to Advanced Metering Infrastructure (AMI) technology in coordination with the Smart Grid Investment Project in the Light and Power Utility. The Water Utility's cost for the AMI project is estimated at \$4,000,000. These costs are not covered in the Smart Grid Investment Grant (SGIG) obtained by Light and Power, however, the Water Utility will benefit from many of the technology and security improvements funded by the SGIG grant. To fund the project, the Water Utility is proposing to use \$2,000,000 in existing appropriations to transfer into the Water Fund's AMI capital project and appropriating another \$2,000,000 from Water Fund reserves. Savings in the Water Fund are projected to exceed \$1,000,000 per year. Savings include the reduction of meter reading staff and increased revenues from more accurate metering. This Ordinance, adopted on July 6, 2010, by a vote of 5-1 (Nays: Kottwitz), appropriates the funding for this project.

**STAFF RECOMMENDATION**

Staff recommends adoption of the Ordinance on Second Reading.

**ATTACHMENTS**

1. Copy of First Reading Agenda Item Summary - July 6, 2010  
(w/o attachments)

**DATE:** July 6, 2010  
**STAFF:** Bill Freeman

**AGENDA ITEM SUMMARY**  
**FORT COLLINS CITY COUNCIL**

**17**

**SUBJECT**

First Reading of Ordinance No. 084, 2010, Appropriating Prior Year Water Fund Reserves for the Advanced Metering Infrastructure Capital Project and Authorizing the Transfer of Existing Water Fund Operating Appropriations and the Transfer of Existing Water Meter Capital Project Appropriations to the Water Advanced Metering Infrastructure Capital Project.

**EXECUTIVE SUMMARY**

The Water Utility is planning to convert all water meters to Advanced Metering Infrastructure (AMI) technology in coordination with the Smart Grid Investment Project in the Light and Power Utility. The Water Utility's cost for the AMI project is estimated at \$4,000,000. These costs are not covered in the Smart Grid Investment Grant (SGIG) obtained by Light and Power, however, the Water Utility will benefit from many of the technology and security improvements funded by the SGIG grant. To fund the project, the Water Utility is proposing to use \$2,000,000 in existing appropriations to transfer into the Water Fund's AMI capital project and appropriating another \$2,000,000 from Water Fund reserves. Savings in the Water Fund are projected to exceed \$1,000,000 per year. Savings include the reduction of meter reading staff and increased revenues from more accurate metering.

**BACKGROUND / DISCUSSION**

This appropriation will fund the implementation of AMI for the Water Utility. The project will replace approximately 33,700 water meters to provide communication between the Utilities and the customer's water meter. This proposal was originally included as part of the Utilities 2010-2011 Budgeting for Outcomes process but was withdrawn while the Light and Power Utility pursued its grant application with the Department of Energy. Now that the grant has been obtained, and Light and Power has obtained authorization for appropriation of the required matching funds, the Water Utility is requesting appropriation for its portion of the AMI project.

AMI technology provides the Utility the capability to reduce its operational costs by automating functions that are currently performed manually; primarily the reading of water meters for billing purposes. The project will enable the daily reading of water meters and identification of potential water leaks beyond the meter. Customers can expect greater customer service including increased bill accuracy, better consumption information, a shorter lag between usage and billing, faster response to bill inquiries, and additional physical privacy.

The Utility has identified \$2,000,000 in existing appropriations that will be used toward this AMI project. These existing appropriations were all related to planned capital costs related to water meters that will not be necessary if the AMI project is approved. Staff is recommending that Council approve the transfer of these existing appropriations into the Water AMI project. Staff is proposing that the remaining \$2,000,000 needed for the AMI project be appropriated from prior year Water Fund reserves.

**FINANCIAL IMPACT**

This project is projected to produce a financial benefit to the Water Fund of over one million dollars per year in reduced costs for meter reading and increased revenues from improved meter accuracy and registration. In addition, the replacement of all water meters now will result in a reduction in the annual planned meter replacement cost for the next ten years.

Currently, Utilities has a staff of meter readers and a group of vehicles used to collect information necessary to bill customers for utility service. A portion of the savings in this project justification is the reduction in force, and support expenses, related to automating the meter readings which include vehicle expense and related emissions. The positions affected by this project have been identified and the individuals in these positions notified that their positions

will be affected by the implementation. Efforts are underway to work with these individuals to find alternative positions in Utilities and/or to retrain these individuals for other careers.

**SUSTAINABILITY: ECONOMIC, ENVIRONMENTAL AND SOCIAL IMPACTS**

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AMI supports a future where customers can choose the option of being more engaged in the management of their water usage and bill. The Water AMI project will join with Light and Power's Smart Grid Project to enhance customer service, encourage wise use of energy and water resources and is projected to produce significant operational savings.

In addition, with the availability of more current water demand information, Utilities staff will be able to develop better planning tools which will increase the efficiency of water plant operations and reduce the use of chemicals.

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**STAFF RECOMMENDATION**

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Staff recommends adoption of the Ordinance on First Reading.

**BOARD / COMMISSION RECOMMENDATION**

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The Water Board reviewed this item at its May 13, 2010 meeting and recommends adoption of the Ordinance.

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**PUBLIC OUTREACH**

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Extensive customer education and engagement is planned in conjunction with the Smart Grid Investment Grant project. Particular attention will be given to customer records security and staff will take this opportunity to explain the changing requirements of both state and federal legislation covering customer account information. In addition, as tools are developed to respond to customer requests for Utilities to monitor accounts for issues such as possible leak detection, customers can be given options for such services rather than being automatically enrolled.

**ATTACHMENTS**

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- 1. Water Board minutes, May 13, 2010

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ORDINANCE NO. 084, 2010  
OF THE COUNCIL OF THE CITY OF FORT COLLINS  
APPROPRIATING PRIOR YEAR WATER FUND RESERVES FOR THE ADVANCED  
METERING INFRASTRUCTURE CAPITAL PROJECT AND AUTHORIZING THE  
TRANSFER OF EXISTING WATER FUND OPERATING APPROPRIATIONS AND THE  
TRANSFER OF EXISTING WATER METER CAPITAL PROJECT APPROPRIATIONS TO  
THE WATER ADVANCED METERING INFRASTRUCTURE CAPITAL PROJECT

WHEREAS, the Water Utility is planning to convert all water meters to Advanced Metering Infrastructure (“AMI”) technology in cōordination with the Smart Grid Investment Project of the Light and Power Utility; and

WHEREAS, AMI technology enables the Water Utility to reduce its operational costs by automating functions that are currently performed manually, including reading water meters; and

WHEREAS, by converting its older water meters to AMI water meters, the Water Utility can benefit from the technology and security improvements created by the smart grid infrastructure that is being constructed by the Light and Power Utility in connection with the SGIG; and

WHEREAS, these benefits include, among other things, increased customer service through improvements in billing accuracy and faster response times to customer inquiries, as well as increased leak detection capabilities; and

WHEREAS, the Water Utility’s cost for the AMI project is estimated at \$4,000,000, which amount will not be funded by the Smart Grid Investment Grant (“SGIG”) obtained by the Light & Power Utility; and

WHEREAS, the amount of \$920,000 has previously been appropriated in Water Fund operations for planned water meter replacement, which funds are available for transfer to the AMI capital project; and

WHEREAS, \$1,080,000 has been appropriated in the Water Fund for the water meter capital project, which funds are available for transfer to the AMI capital project; and

WHEREAS, another \$2,000,000 in additional funds, which is needed to fully fund the AMI capital project, is available in the form of reserves in the Water Fund; and

WHEREAS, Article V, Section 9, of the City Charter permits the City Council to appropriate by ordinance at any time during the fiscal year such funds for expenditure as may be available from reserves accumulated in prior years, notwithstanding that such reserves were not previously appropriated; and

WHEREAS, Article V, Section 10, of the City Charter authorizes the City Council to transfer by ordinance any unexpended and unencumbered amount or portion thereof from one fund or capital

project to another fund or capital project, provided that the purpose for which the transferred funds are to be expended remains unchanged; and

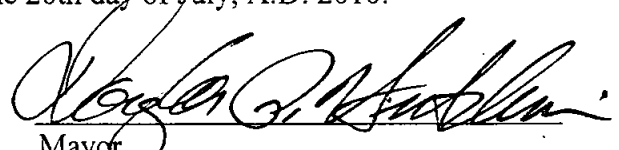
NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF FORT COLLINS as follows:

Section 1. That there is hereby appropriated from prior year reserves in the Water Fund the sum of TWO MILLION DOLLARS (\$2,000,000) for expenditure in the Water Fund for the Advanced Metering Infrastructure capital project.

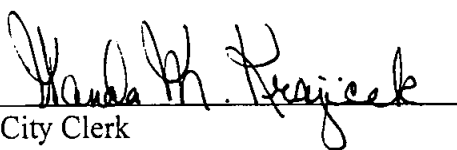
Section 2. That there is hereby authorized the transfer of funds previously appropriated in Water Fund operations to the Advance Metering Infrastructure capital project the sum of NINE HUNDRED TWENTY THOUSAND DOLLARS (\$920,000) for expenditure in the Water Fund for the Advanced Metering Infrastructure capital project.

Section 3. That there is hereby authorized the transfer of funds previously appropriated in the Water Meter capital project to the Advanced Metering Infrastructure capital project the sum of ONE MILLION EIGHTY THOUSAND DOLLARS (\$1,080,000) for expenditure in the water fund for the Advanced Metering Infrastructure capital project.

Introduced, considered favorably on first reading, and ordered published this 6th day of July, A.D. 2010, and to be presented for final passage on the 20th day of July, A.D. 2010.

  
Mayor

ATTEST:

  
City Clerk

Passed and adopted on final reading on the 20th day of July, A.D. 2010.

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Mayor

ATTEST:

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City Clerk