

**CITY OF LAURINBURG
SPECIAL CITY COUNCIL MEETING
MAY 9, 2011
303 WEST CHURCH ST.
LAURINBURG, NC
6:30 P.M.**

Minutes

The City Council of the City of Laurinburg held a special meeting May 9, 2011 at 6:30 p.m. in the council room of the Municipal Building located at 303 West Church St., Laurinburg, NC with the Honorable Matthew Block, Mayor, presiding. The following Councilmembers were present: Joy Ellison, Curtis B. Leak, Thomas W. Parker, III, and Herbert M. Rainer, Jr. Councilmember Kenton Spencer arrived at 6:32 p.m.

Also present were Edward F. Burchins, City Manager, and Jennifer M. Tippet, Deputy City Clerk. Other staff present included: Cindy Carpenter, Finance Director; Stacey McQuage, Public Utilities Director; and Ronald Pierce, Electrical Services Director.

Mayor Block called the meeting to order at 6:30 p.m. The invocation was given by Councilmember Ellison.

The City Manager provided a background history of the Datamatic meter reading equipment previously purchased from Datamatic, LTD.

Mr. Rich Sanders of Datamatic, LTD. introduced Mr. Dan Devane, salesman with Datamatic, and then presented a video providing a brief overview of the Mosaic firefly product. He then presented a PowerPoint presentation on the Mosaic firefly system that also included testing and financial information about the system being offered to the City. He explained that the problem experienced with the original firefly equipment the City purchased from Datamatic was caused by interference from a Wi-Fi system operating at the same frequency as the Datamatic product. He further explained that over the four (4) years Datamatic has been working with the City, technology has improved dramatically and the system currently being offered to the City is frequency-hopping technology used by the military. He added that the new equipment was being tested in the City and that there had been only one (1) problem encountered and that problem was due to a dead battery. He concluded by stating that Datamatic's system has been installed in over 120 cities across the world.

Upon questions by Councilmember Ellison, Mr. Sanders explained that any catastrophic anomalies, such as water main break, would be sent through the system so that action could be taken immediately and that other anomalies would be sent to the server so that the information could be examined for necessary action. He provided examples of some of the anomalies that the system might show.

A discussion ensued concerning test data. The City Manager explained that he would get the test data to Council.

A discussion ensued concerning problems with the fireflies in Goldsboro. Mr. Sanders explained that the problems existed because the fireflies were not properly installed. He added that the City of Goldsboro hired its own contractor to install the fireflies. He further added that Datamatic, at its own cost, hired a full-time meter-reader to assist in reading the meters and had a technician fix each firefly.

A discussion ensued concerning operation of the system in Laurinburg. Mr. Sanders provided an explanation on how the Mosaic system operates and the different types of account monitoring that would be available to the City.

Upon question by Councilmember Spencer, Mr. Sanders stated that there would not be any atmospheric bending or balance problem with the system. He explained that each municipality or utility company that utilizes the Datamatic system has its own frequency.

Upon question by Councilmember Leak, Mr. Devane explained that the North Carolina territory was being explored by Datamatic.

Upon question by Councilmember Leak, Mr. Sanders explained that, since introducing its firefly system, Datamatic had to build two (2) more plants in order to accommodate demand for the product.

Upon question by Councilmember Ellison, the City Manager explained that, on its existing contract with Datamatic, the City of Laurinburg piggybacked on a bid from the City of Goldsboro.

Upon question by Councilmember Leak, Mr. Sanders explained that there were guaranteed performance levels in the contract. He further explained that Datamatic looks on a daily basis at every system that it has deployed.

A discussion ensued concerning the number and location of test units in the City. Mr. McQuage explained that there were approximately 90 test sites in the City.

Upon questions by Councilmember Rainer, Mrs. Carpenter explained that the 90 test sites are billed according to the readings from the fireflies. She added that the readings are physically checked every other month. She concluded by stating that there had been one problem experienced thus far and that it was caused by a dead battery.

Mr. Devane provided an explanation of the way the City's current meters are read and how Datamatic's fireflies read the meters. Mr. Devane discussed faulty water meter readings caused by condensation inside the City's current water meters. He stated that the fireflies work and maintain accurately.

Upon question by Councilmember Parker, Mr. Sanders explained that there is a 10 year full warranty with another 10 years prorated warranty on the individual Firefly units.

The City Manager explained that the proposed contract had been changed so that if there was a dispute over the warranty, then the City could sue Datamatic in a North Carolina Court instead of District County in Dallas, Texas.

Mr. Sanders explained that the original equipment was not at fault for the problems experienced. He explained that interference from the Wi-Fi system was the problem and turning off the Wi-Fi system was not an option.

The City Manager discussed the different team assembled to study this matter now versus the initial team that researched automatic meter reading systems. He explained that the team wanted a system that could expand as technology grows

Upon question by Councilmember Parker, Mr. Pierce stated that the City currently has six (6) customers on its Wi-Fi system. He added that there is another Wi-Fi provider, ESC out of Rockingham, and they operate at 900 MHz.

Upon question by Councilmember Ellison, Mr. Sanders explained that the equipment purchased five (5) years ago has no value. He added that as part of the deal to purchase the new equipment, the City is being given full price for that equipment. He further added that five (5) years ago, the City purchased equipment for a partial deployment and currently the City is looking at full deployment.

Upon question by Councilmember Ellison, Mr. Sanders stated that Datamatic would guarantee that the product would work, regardless of any issues encountered including environmental interference. He added that Datamatic knows what it takes to make this product work and that the company wants to make sure the City gets its data, gets its readings, and gets its return on investment.

Upon questions by Councilmember Ellison, Mr. Sanders explained that the information supplied by the system will allow the City to manage its utility assets better. He added that the system will allow the City and its customers to receive more accurate utility readings. He also discussed the ability of the system to immediately notify the City if there is a leak.

A discussion ensued concerning the system's ability to provide notification of leaks. Mr. Sanders explained that the City would know there was a leak on the same day the leak occurred because it would show up as an anomaly in the readings.

Councilmember Leak expressed concern about the reliability of the product as well as the size of the testing area and location of the test sites.

A discussion then ensued concerning the accuracy of the testing data as compared to the readings from the City's current meter reading system. Mr. Sanders stated that the

readings from the Fireflies were exactly the same as the readings from the City's current meter reading system.

The City Manager explained that with the purchase of the Fireflies, the City would have to replace meters as part of this project. He explained that each year the City spends between \$35,000.00 and \$40,000.00 to replace water meters.

Mr. Pierce explained that electric meters normally last 20-30 years.

Upon question by Councilmember Parker, Mr. McQuage explained that if purchased locally, the water meters would cost approximately \$62.00 each.

Further discussion ensued concerning the replacement of meters. He explained that with more accurate meters, any losses in the water and electric systems will be discovered and be eliminated. He added that the City would be better able to manage its resources with this system. He further added that the Datamatic system will develop as technology develops and that the City would be able to add to this system, such as being able to turn water and electric on or off without having to go to the physical location.

Mr. Sanders explained that the City was not purchasing the rsv's that would allow turning water and electric on or off without having to go to the physical location.

Upon question by Councilmember Ellison, the City Manager explained that the original Fireflies purchased from Datamatic cost \$400,000.00, and if they are not used, the City will have lost \$400,000.00.

Mr. Sanders explained that Datamatic had prepared a Return on Investment (ROI) based on information supplied by the City. He explained that Datamatic has used this ROI portfolio for many other utilities. He added that typically the ROI for 85% of the cities or utilities that deploy Datamatic's product is better than 2.5 years. He added that the proposed agreement with the City includes Datamatic taking back the meters the City purchased five (5) years ago and providing a better product. He further added that Datamatic is offering the City three-year interest free financing.

Mr. Sanders then stated that the forecast savings for the City are about \$1,700,000.00 per year and that the City would have a positive cash flow from year one. He added that with a five-year municipal lease the payment with maintenance after year one is \$533,000 which means there is a positive cash flow from year one. He further added that the net present value of the City over 15 years, which is depreciated value, with a time line for the system for the 4% discount rate, gives the City almost \$16,000,000.00 in extra cash. He then presented the following projected cost savings:

1. There would be some cost savings for meter reading. He explained that no meter readers would be displaced, instead the current meter readers would work as technicians. He further explained that because the City would no longer need to perform off-cycle meter reads, there would be some cost savings for the City.

2. Mr. Sanders then discussed savings in Accounting and Customer Service. He explained that the expected cost savings in this area would be \$34,652.00 per year because of reduction of reading errors thus reducing rebilling. He further explained that because the reading data is acquired more quickly, cash flow would be improved.

3. Mr. Sanders explained that there would be a savings of approximately \$65,000 per year in outage management because there would be better control of outage on the electric side.

4. Mr. Sanders explained that based on data provided by the City, loss due to theft, tampering and leakage is 16%; therefore the estimated savings in Revenue Protection would be \$314,173.00.

Upon question by Councilmember Spencer, Mr. McQuage stated that he estimated the water loss by the City to be approximately 16%.

Mr. Sanders then resumed his discussion about cost savings.

5. Mr. Sanders explained that savings from replacing meters would be approximately \$460,651.00 due to efficiency of new meters.

Upon question by Councilmember Ellison, Councilmember Parker stated that the total savings would be \$1,720,140.00.

The City Manager explained that he would have the following information for Council:

1. Information on the pilot tests.
2. Copy of Datamatic's PowerPoint presentation.
3. Copy of the contract with performance measures built into the contract.

He added that the City Attorney would be reviewing the proposed contract.

Councilmember Parker stated that Mr. McQuage and Mr. Pierce need to review the analysis to see if they concur with Datamatic's assessment, and then the matter should be placed on the agenda for the May 17, 2011 meeting.

Upon question by Councilmember Spencer, the City Manager explained that the number of days the bid is valid is coming to an end. He added that the impact to the budget would be positive.

Mrs. Carpenter explained that she had not seen all of the financial information from Datamatic; however, if the figures are as discussed by Datamatic personnel, then the Water/Sewer Fund should be okay.

Upon question by Councilmember Spencer, Mr. Sanders stated that the bids are good through the end of May.

Councilmember Ellison explained that the analysis needs to show how the City's biggest customer, the County Water System, would be affected.

The City Manager explained that every customer the City has, including customers of the County Water System, was included in the analysis presented by Datamatic.

ADJOURNMENT

Motion was made by Councilmember Parker, seconded by Mr. Spencer, and unanimously carried to adjourn.

The meeting adjourned at 7:58 p.m.

Matthew Block, Mayor

Dolores A. Hammond, City Clerk