

The **Syserco contract** raises concerns on multiple levels.

First, **water and wastewater ratepayers are funding 75% of the project**, which was promoted as paying for itself through savings. The largest single cost was **\$2.2 million for water meters**, yet these meters produced **no demonstrated savings** other than reducing Public Works staff time spent manually reading meters. That limited benefit was never clearly discussed, though it may have been the basis for the **projected \$30,000 in annual savings** cited in the proposal. Even if accurate, **\$30,000 per year over 15 years does not justify a \$2.2 million expense.**

Second, the **lack of transparency** surrounding the project is troubling. The item was discussed at two meetings that were placed at the end of the agenda and both occurred after 10:00 p.m. Additionally, the project appears to have moved forward **without competitive bidding**. The use of **California Government Code Section 4217** to bypass the RFP/RFQ process was not disclosed until it appeared in an attachment to the agenda for this Oversight Committee meeting. I hope the city council then would have rejected the idea outright if the city staff had disclosed the “no-bid” loophole being used.

Third, **project costs appear excessive** when compared to prices for similar equipment today, approximately five years later. Based on a total cost of **\$2,213,548** for **1,650 full E-Series meter replacements** and **1,350 digital head replacements**, the **average cost per unit was approximately \$740**. Current pricing from the Badger website lists:

- Smart meters at **\$100–\$300 per unit**
- ORION cellular endpoints at **\$100–\$200 per unit**

Other project components also appear overpriced. For example:

- **Pump repair and replacement** for the Morris Street Lift Station and Wells 6 and 8 totaled **\$1,528,812**. Based on current market pricing:
  - Morris Lift pumps range from **\$30,000–\$300,000**
  - Well 6 pump replacement is approximately **\$25,000–\$30,000**
  - Well 8 pump replacement is approximately **\$35,000–\$40,000**

These figures suggest equipment costs closer to **\$970,000**, compared to **\$1.5 million charged to ratepayers**. While it is difficult to determine definitively whether the City overpaid without more detailed project specifications, the disparity between publicly available pricing and the amounts charged strongly suggests **significant overpayment**.

Finally, the **central claim of the proposal—that it would pay for itself—was never substantiated**. The staff report stated:

**“The cost of this upgrade will be offset by energy cost savings and revenue recovery. There will be no requirement for additional capital to pay for the project.”**

However, **“revenue recovery” was never defined**. Claims of improved meter accuracy would require data demonstrating inaccuracy in the old meters, and **no such data was provided**. There is **no energy savings associated with installing water meters**. While energy savings were proposed for upgrades to the Morris Lift Station and Wells 6 and 8, even at today’s electric rates—roughly double those in 2021—energy usage would need to be reduced by **approximately 70%** to offset both the meter costs and the well upgrades. That level of reduction is unrealistic.

The financing structure further complicates the issue. **Syserco appears to have purchased the meters**, after which **ownership was transferred to Signature Public Funding** and leased back to the City for **15 years**, roughly the expected useful life of the equipment. It seems likely that the older water meters with heads replaced will have to be fully replaced prior to 15 years effectively doubling the cost of ½ of the meters. This arrangement obscures the actual purchase price and prevents meaningful cost verification. Any equipment replaced before 15 years will still have to be paid for the full 15 years.

Overall, this project reflects **poor oversight of the City’s Enterprise Funds**, contributing to **some of the highest water rates in the county** and leaving ratepayers to absorb costs that were never transparently justified.