

**CITY OF GAUTIER  
MEMORANDUM**

**To:** Samantha Abell, City Manager  
**From:** Chad Jordan, Clear Water Solutions  
**Date:** July 29, 2013  
**Subject:** Consideration of a proposed contract for utility revenue enhancement service from ISI Water Company of America

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**REQUEST:**

Request for approval to enter into contract for Utility Revenue Enhancement Services

**BACKGROUND:**

The accurate measurement of water and the precise billing for that service is the means by which the utility generates revenue to offset expense, determines equitable fees, promotes conservation and minimizes wastewater treatment loads. The Department is actively involved in efforts to minimize unbilled and miss-billed service, however, despite the Department's diligence, it is anticipated that additional field investigation may result in uncovering potential problem accounts.

The City and Clearwater are in receipt of a proposal from (WCA) ISI Water Company of America that offers to provide both field investigation and proprietary data analysis service to examine utility billing with the objective of identifying causes of and remedies for inaccuracies and deficiencies in the metering and billing of all utility services. This work is performed on a performance fee basis, and the contractor is paid only a percentage of the increase collected revenue generated by the program from both retroactive and/or future billings. The work performed under this agreement is expected to generate revenue for the City.

In summary, any found, or new revenue produced by the program will have a positive impact on the City's budget. In effect, this increase revenue can fund capital improvements for the utility which will not require budgeted appropriations.

**RECOMMENDATION:**

Clearwater Solutions proposes that the City engage WCA to provide its specialized service. This service will be performed on a contingency fee basis for a term of one-year plus two one-year renewal options. The work performed under this agreement is expected to generate new found or increased revenue, without requiring any expenditure of budgeted funds for the performance of this project.

**ATTACHMENT(S):**

ISI Water Company Contract

# **Review of Unbilled and Misbilled Utility Services**

*Contents:*

**PROPOSAL  
DRAFT CONTRACT**

*Submitted to:*

**CITY OF GAUTIER**

**Attention; Ms. Samantha Abell  
City Manager  
City of Gautier  
3330 Highway 90  
Gautier, MS**

*and*

**Gautier - Clear Water Solutions  
Attention; Mr. Chad Jordan  
Project Manager  
3305 Gautier Vancleave Road  
Gautier, MS 39553**

*Submitted by:*

**ISI WATER COMPANY**

**Contact: Steven M. Hooper  
1607 24th Avenue, Unit C  
Gulfport, MS 39501  
(281) 352-0047  
[steve@watercompanyofamerica.com](mailto:steve@watercompanyofamerica.com)**

**August 20, 2013**

August 20, 2013

Samantha Abell  
City Manager  
City of Gautier  
3330 Hwy 90  
Gautier, MS

Subject: Introductory Letter  
Regarding: Proposal for Review of Unbilled or Misbilled Utility Services

ISI Water Company (referred to herein as Water Company of America "WCA") is pleased to submit this proposal to the City of Gautier for Review of Unbilled or Misbilled Utility Services.

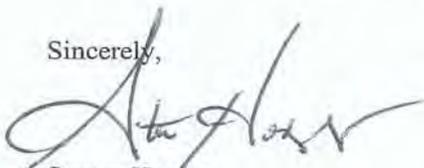
The study proposed herein is identical to previous and current projects performed by WCA for Municipal water, wastewater, stormwater and sanitation Utilities. Since initiating the first ever project of this nature, we have gained substantial national experience from a diverse group of very successful contract opportunities. The Company has teamed with utilities as large as 374,000 accounts and as small as 1,600, increasing the billings and collections to our clients by substantial amounts. The benefits of these increases in revenue are numerous and are detailed in this proposal.

In this proposal, as with all previous contracts undertaken, WCA's program of revenue enhancement is offered on a performance fee basis. WCA will bear all of its study costs. WCA will be entitled solely to a 55% share of new revenue generated by the program for 36 months. The gross amount is unknown until work is complete, however, based the average performance of completed projects, it is estimated at \$70,000 annually.

Water Company of America has a proven program for revenue recovery. WCA's analytical capability, both office and field, is its greatest resource. The ability to leverage; 1) a wide ranging experience gathered from many successful contracts with very diverse challenges, 2) a highly skilled and motivated workforce and 3) an ever-expanding technological capability enable WCA to accomplish the project objectives. These assets; experience, people and technology are fully engaged and integrated into every contract undertaken to discover that which is unknown to the client, thereby enhancing customer equity and improving revenue.

We most sincerely appreciate the opportunity to provide assistance to the City of Gautier.

Sincerely,



Steven Hooper  
General Manager

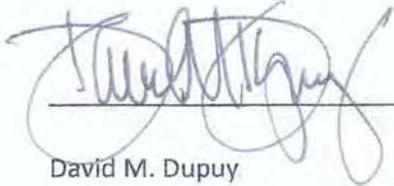
Cc: Mr. Chad Jordan, Project Manager, Gautier-Clearwater Solutions

## Table of Contents

<u>Section</u>	<u>Description</u>	<u>Page</u>
	Introductory Letter	1
	Table of Contents	2
	Authorization to sign	3
	Section 1 – Executive Summary, Benefits	4-6
	Section 2 – Firm Profile	7
	Section 3 – Experience – Client Listing	8
	Section 4 – Personnel Qualifications	9
	Section 5 – Approach to the Scope of Work	10-27
	Section 6 – Additional Data	28-32
	Section 7 – Draft Contract for Services	

**CORPORATE CERTIFICATION**

The undersigned hereby certifies that he is the duly elected and qualified Assistant Secretary of Infrastructure Services, Inc., ISI Contracting, Inc. and ISI Water Company (the "Companies"), and as such has custody of the corporate minutes of the meeting of its Board of Directors, duly called and constituted, a quorum being present, authorizing, directing and approving Steve Hooper as a corporate officer to execute and deliver this agreement binding such ISI Water Company to the obligations herein undertaken.



David M. Dupuy  
Assistant Secretary

## Section 1

### **Executive Summary**

ISI Water Company, a Texas Corporation and its parent Infrastructure Services, Inc. (“ISI”) provide services to governmental entities on many levels in order to meet the maintenance, repair, and consulting needs of our nation’s aging infrastructure system. Headquartered in Houston, Texas, ISI has established a reputation for meeting the diverse and changing needs of government with a wide range of services. This diversity of service to public and private entities continues to expand and currently includes three major areas of service. These are Municipal Utility Consulting, Roadway Repair and Maintenance and Road and Utility construction. ISI employs people in several regional profit centers in the United States. Annual sales are approximately \$35 million dollars.

The Municipal Consulting work to identify unbilled and/or misbilled service is marketed nationally under the name of **Water Company of America (“WCA”)**. This name has been used since 1989, and because of national name recognition and existing contracts, ISI Water Company continues to market the service as Water Company of America.

WCA examines a utility’s customer billing database of historical information and aspects of utility usage in the field with the objective of identifying the causes of and remedies for inaccuracies and deficiencies in each of the various utility processes that can potentially contribute to inaccurate billings for water, wastewater, stormwater and solid waste.

It is important to remember that an often significant portion of the service delivered by a Utility to its customers is never billed-for or collected. It is of vital importance that the appropriate fees be collected for all services rendered to insure the operational health of the utility. Each year millions of dollars are lost by utilities because of unbilled and/or misbilled services. WCA specializes in working cooperatively with Utility staff to locate, assess and correct the conditions that cause lost revenue. WCA has the equipment, manpower, and expertise, including proprietary analytical software and sophisticated non-intrusive flow-metering technology, to research systems of all sizes for revenue losses. WCA can positively impact the Utility budget without increasing manpower requirements, overtime, or rates. WCA has a history of successful collaboration with municipal departments and is confident that it can stop the billing leaks that are silently draining revenues from the Utility.

WCA’s program is conceptually straightforward and has proven to be effective based on extensive national contract experience. This experience base equips WCA to offer the most effective, proven method of enhancing revenue. Each month, the utility delivers millions of gallons of water to its end users or customers. The utility’s retail billing meters record consumption and determine water and sewer billings. The difference between the actual services provided and the amount billed, or accounted for, represents *unbilled or misbilled service*. This program targets this variance and produces increased revenue for discretionary use by the Utility. In other words, this is *found or new revenue* that will have a positive impact on the budget. WCA locates this unaccounted-for water through a proprietary analysis technique and subsequent physical investigation. Once discrepancies are located, changes are made to the utility’s billing system and/or physical metering system to produce the new revenues.

WCA provides a turnkey service that includes technical expertise, proprietary computer software, trained field personnel, state of the art flow-meter technology and even replacement meters if necessary. WCA can discover and help recover the revenue billings that are rightfully

the utility's, and it can do the whole job as an independent contractor without disrupting normal service or daily operations and with a negligible requirement of utility staff time.

### **How WCA's System Works**

1. WCA uses a proprietary technique to analyze users and meter types with property descriptions. WCA makes comparisons of like users. Various sort routines and comparisons are utilized to identify potential problems with consumers such as:
  - Unlisted Customers
  - Account Coding Errors
  - By-passed or Malfunctioning Meters
  - Unknown Sewer and/or Water Connections
  - Rate Discrepancies
  - Inaccuracies in property impervious area records
2. Once WCA determines that an account's consumption and/or billing data is not consistent with certain norms, that account is selected for additional research. After an audit of a given property, if it still appears that the billing and/or consumption data do not meet certain criteria, WCA then physically researches that given property.
3. After completion of the field inspection, if additional sources of revenue have been discovered, formal documentation is submitted to the utility for billing changes and/or physical corrections.

All of the above procedures are standard for WCA and have been developed through twenty one years of experience.

WCA's revenue enhancement program is offered on a performance fee basis to the Utility. WCA will bear all of the cost of program implementation. The utility will never be required to reimburse WCA for any of its working capital expenditures, including professional staff, software, or the extensive resources required for field research. WCA will be paid only a **share of any new-found collected revenue** generated by this program. No other forms of payment are required.

Funding essential capital improvements to a water, sewer and stormwater system is a major concern for every Utility. This project will provide a revenue source to accomplish needed improvements. Therefore, work can often be expedited without appropriating precious budget funds.

In summary, WCA's proposed program will have immediate and long-term benefits to the utility in the following ways:

Benefits



1. **Performance based contract**; delivering revenue enhancement to the utility while WCA bears the risk.
2. Brings **recognized technical expertise** to assist utility's staff.
3. Provides **immediate increased revenue** on current services.
4. Provides new revenue to **fund non-budgeted services**.
5. Delivers **ongoing increased revenue** to the utility after the program's completion.
6. Improves **accountability** for services to all customers.
7. Improves **"rate payer" equity** among all users.
8. Provides **solutions to administrative and policy glitches** in the billing system and procedures.
9. Creates a **heightened awareness among staff and departments** of the need to operate effectively and efficiently.
10. Provides **solutions for specific distribution and collection system problems** in the field.

**Revenue leaks stopped today** will be less costly to remedy than if allowed to compound themselves over long periods of time.



[www.watercompanyofamerica.com](http://www.watercompanyofamerica.com)

## **Section 2. – Firm Profile**

ISI Water Company is a corporation registered in the State of Texas with date of incorporation February 24, 2005. The core business, or “Water Company of America (‘WCA’)”, as proposed herein has been in existence since 1989. For this entire 24+ year period, General Manager Steve Hooper has served municipal utilities through this company. ISI Water Company is a wholly owned subsidiary of Infrastructure Services, Inc., a Delaware corporation (the parent company). ISI Water Company has no subsidiaries. ISI Water Company has no joint ventures or partnerships. The principal office address is 5215 Fidelity Street, Houston, TX 77029.

WCA will conduct the work proposed herein from the Company’s regional office in Gulfport, should WCA be awarded a contract in response to the proposal.

The number of employees that would be assigned to this project;

- General Manager – approximately 10% of work time
- Gulf Coast Regional Manager – approximately 25% of work time
- Contract Manager – 1 from the inception, full time on this project
- Software programmer – 1 part time
- Field Technician – 2 full time on this project, from the time when data conversion is complete
- Additional permanent employee staffing needs will be determined by the work load encountered following mobilization. Once need is determined, additional new hires will come from the local area.
- In addition, personnel from other WCA regional office locations with specialized skills will be brought to Gautier to assist in specific phases of the project as may be necessary; for example, open channel flow monitoring for wastewater accountability solutions.

WCA will liaison only with the designated Project Manager for the City, unless instructed otherwise by the Project Manager. This is essential for contract success. Clear lines of communication are critical to ensure continuity and effectiveness. The WCA Contract Manager is the primary WCA liaison with the City, supported in conducting day to day business by subordinate staff and supervisory staff.

**WATER COMPANY OF AMERICA  
CLIENT LISTING**

Contract Period	Governmental Entity	Utility Service			Total Number of Accounts	Approved Work Orders	Contract Increased Revenue	Annual Increased Revenue	Client Contact	Title	Telephone
		W	WW	SW							
2013-Current	Pinellas County, FL	x	x		110,000	work recently commenced	LeeAnn Smedley	Customer Service Manager	727-464-4465		
2012-Current	Pinecrest, FL			x	6,000	31 \$ 187,678 \$	62,559	Maria Alberro Menendez	Assistant Village Manager	305-234-2121	
2011-Current	Gulfpport, MS	x	x		26,000	594	4,318,182	1,439,394	Cherre Davis	Utility Billing Project Manager	228-868-5720
2010-Current	Denver Water, CO	x			226,000	353	1,750,000	583,333	Michelle Garfield	Manager of Customer Care	303-628-6621
2010-Current	Brevard County, FL	x	x	x	85,000	55	279,905	93,302	Jim Helmer	Support Services Manager	321-633-2052
2010-Current	St Petersburg, FL	x	x	x	90,000	102	848,858	424,429	Tammy Jerome	Billing and Collections Director	727-893-7892
2010-Current	Boynton Beach, FL	x	x	x	35,000	820	2,065,000	688,333	Anthony Penn	Customer Service Manager	561-742-6301
2008-Current	Palmello Bay, FL			x	5,000	34	182,918	60,973	Corrice Patterson	Director of Public Works	305-259-1234
2007-Current	Jackson, MS	x	x		85,000	1,156	4,545,455	1,515,152	Wanda Knots	Water/Sewer Utilities Manager	601-960-0911
2006-Current	Sanford, FL	x	x	x	17,330	179	1,961,355	653,785	Bill Marcus	Manager, Utility Support Services	407-688-5155
2006-2011	Orlando, FL			x	80,000	373	1,899,010	633,003	Maria Lachney	Asset/Billing Manager	407-246-2661
2005-Current	Salt Lake City, UT	x	x	x	110,000	663	3,077,154	1,025,718	Jim Lewis	Finance Administrator	801-483-6773
2005-2008	Toho Water Authority, FL	x	x		45,000	363	482,655	160,885	Rodney Henderson	Business Services Manager	407-518-2538
2004-2006	Beaumont, TX	x	x		41,000	78	432,000	144,000	Hani Torne	Utilities Director	409-765-3004
2001-2006	Covington, LA	x	x		3,500	314	589,000	196,333	Beverly Gatepy	Director of Administration	985-892-1811
2001-2005	Orlando Utilities Commission	x			95,000	52	194,000	64,667	Leslie Temmen	Dir of IT Governance & Quality Mgmt.	407-423-9100
2001-2012	Hollywood, FL	x	x	x	45,000	2,126	4,268,093	1,422,698	Jerry Shapiro	Utility Contract Auditor	954-921-3245
2000-2004	Sidell, LA	x	x		4,500	185	329,000	109,667	Michael Nolo	Director Public Operations	985-646-4291
2000-2007	Orange County, FL	x	x		90,000	2,350	9,811,315	3,270,438	Tim Armstrong	Customer Service Division Mgr	407-254-9745
2000-2008	Fl. Lauderdale, FL	x	x	x	65,000	220	1,275,607	425,202	Mike Bailey	Now Director, Cooper City Utilities	954-434-5519
1999-2005	Coral Gables, FL			x	14,000	340	1,798,014	599,338	Don Nelson	Finance Director	305-460-5275
1999-2004	Hammond, LA	x	x		9,000	101	172,130	57,377	Garry Knight	Water/Sewer Superintendent	985-542-3525
1999-2002	Miami Springs, FL	x	x		3,500	25	296,665	98,888	William Alonso	Finance Director	305-805-5014
1998-2001	Florida City, FL	x	x		1,600	20	155,625	51,875	Mark Ben-Asher	Finance Director	305-242-8109
1997-2000	Homestead, FL	x	x		9,500	120	745,000	248,333	Julio Brea	Director	305-224-4770
1996-1997	Escambia County, FL	x	x		75,000	90	244,000	81,333	Ernest Dawson	Operations Director	850-969-3370
1995-2005	Miami Dade County, FL	x	x		374,000	635	6,414,000	2,138,000		Auth. Rep. Retired	
1991-1996	New Orleans, LA	x	x		172,000	3,200	4,100,000	1,366,667	Marcia St Martin	Director	504-585-2221

#### **Section 4. Personnel Qualifications**

WCA will perform the service proposed herein with trained management and field personnel with the requisite experience to accomplish the goals of the project. These employees are familiar with field procedures; appreciate the need for a clear understanding of applicable City billing policies, Ordinances, Rules and Regulations; comprehend variations in water distribution and sewer collection systems, and thus are capable of rapid mobilization for the Companies.

Mr. Kenneth DeGruy - Contract Manager

Kenneth is the Company's Key Man on the project.

Highlights of his 17 year job experience are as follows;

- Contract Manager – Gulfport, MS - 2 years

- Contract Manager – Jackson, MS - 3 years

- Operations Manager – Orlando, FL - 2 years

- Operations Manager – Orange County, FL – 4 years

- Crew Chief – Hammond/Covington/Slidell, LA – 2 years

- Field Technician – New Orleans - 3 years

He is responsible for the day-to-day operations, workflow, production and work order processing. He will be directly involved in the operations of the project proposed herein. His experience is all directly related to and comparable with the work described in this proposal. His depth of experience in all aspects of the business for clients of varying size and degree of complexity equips him well to perform the tasks required. He is trained in the operation of the portable transit time flow meter, radar velocity/area flow meter and is instrumental in the development of custom query methodologies within the Company's proprietary analytical software.

## **Section 5. Approach to the Scope of Work**

Unaccounted for service is unavoidable in the operation of any water, wastewater, stormwater or solid waste system; it results from a number of factors which are grouped in two categories; real loss, such as leaks and apparent loss, such as meter inaccuracy, billing errors, unlisted connections and other factors. WCA targets the apparent loss.

The appropriate fees should be collected for all services rendered to ensure the operational health of the utility. Each year millions of dollars are lost by utilities because of unbilled or misbilled utility services.

Water Company of America will assist the City staff in its efforts to ensure that all the services delivered to its customers are fairly and accurately metered and billed.

WCA has the personnel, equipment and expertise to inspect municipal systems of all sizes for revenue losses and can help recover lost revenues without requiring the utility to increase its budget, personnel or rates.

The program is performance fee based. WCA works strictly for a share of recovered revenues, thus a win-win for the Utility and its customers; ensuring that the customer using the service is the one paying for the service.

### **The Water Company of America Plan**

The Study work shall consist of 3 general tasks and 13 specific steps that involve actions and decision points of the utility and of WCA. The steps are shown below in written form to explain the detail of each, and a flow chart diagram is included to illustrate the process.

Good communication is a key to the success of this project. A “start work” meeting shall be conducted with key members of each affected Department. Objectives are spelled out, an overview of the *method of approach* is discussed, and a clear chain of command and reporting is determined. Guidelines for subsequent updates can be established as well. An operational methodology based on good clear communication facilitates maximum production for the City.

#### **TASK I – IDENTIFY AND ANALYZE**

##### **Step 1: Account Data Information Gathering and Review**

Account data is accessed in two ways, first, a download of raw unjoined data run at a consistent point in time each month and second, an electronic link for review of real time data. All necessary data queries and reports are created and run by WCA personnel on WCA computers with no City staff time requirement.

##### **(1) Download**

- (a) WCA will meet with the City IT representative to identify those needed data fields from the CIS schema to be included in the download (typical staff time 1 hour).**
- (b) City generates a script (stored routine) that writes raw unjoined tables of data to a file in a comma delimited ASCII format (typical staff time 5 hours).**

- (c) This file is run at whatever time of day or day of the month is convenient for the City.
  - (d) WCA retrieves this file in whatever method is most advantageous for the City (portable hard drive, FTP, DVD, etc.)
  - (e) This download is run monthly for the duration of the project, as it is used for initial investigation and to monitor the collection of Individual Service Revenue and thus to determine compensation (varies widely, but typically 1 hour or less per month to initiate the routine to generate the file).
- (2) Electronic link – this resource enables WCA to gather current account information. Real time information is obtained through this *read only* password protected modem link to the CIS. This information link allows the rapid reference to additional unique pieces of information not contained in the download described above. By gaining access to real time data in this manner, any related City staff time requirement is eliminated.

Data that is typically reviewed includes; historical consumption and billing data as well as standard customer information such as; service address, customer name, meter number, billing codes, unit count, meter installation date, etc. Once this customer account information is in hand, WCA begins the task of adapting its proprietary computer software by **designing a custom front end unique to Gautier**. Queries and sort routines that facilitate the identification of unbilled and misbilled service revenue are tailored to Gautier account data. These adaptations allow WCA to effectively utilize information in the CIS. The company's investment in development costs of over \$380,000 has yielded proprietary software that is flexible, adaptable and custom built for studies of this nature for the Water and Wastewater industry. It operates independently of the CIS and in no way impacts the integrity of that data. The analysis of account data in this manner, which is unlike other less effective methods utilized by others, provides significant benefit to the client, including at least the following;

- 1) Minimizes Utility staff support time, as WCA performs the "data mining" not the IT folks
- 2) Quantity of revenue produced
- 3) Quality of discoveries and corrective action stand the test of time
- 4) Accuracy of quantifying revenue enhancement
- 5) WCA is committed to isolate the more difficult account problems (unknown or unlisted taps and connections), rather than merely the obvious

### **Step 2: Account Information Analysis Criteria**

WCA analyzes the reliability of the account data as it relates to billing, identifying those key fields that could negatively impact billing if entered incorrectly. Experience has shown many of these criteria to be standard from one city to the next. However, every city has its own unique

combination of factors that ultimately determine a customer billing. Therefore, WCA will perform a comprehensive study of the rates, Ordinances, Resolutions, billing policies and operational practices to clearly understand the correct method. Armed with this understanding, WCA will review customer accounts for instances of no bills, underbilling and over billing on an individual basis to identify increase revenue opportunities. The accuracy of CIS data pertinent to billing is critical to the success of the project. Typical account data and data analysis criteria include the following:

- 1) Service codes and resultant billing drivers
- 2) Meter size, age, type and total recorded flow
- 3) Meter repair history and frequency
- 4) User classification, whether commercial, industrial, multi-family, residential, etc.
- 5) Number of units and calculated consumption per unit
- 6) Property flow and demand characteristics and how those factors compare with consumption
- 7) Property geographic location as it relates to water, wastewater and stormwater collection service areas
- 8) Consumption analysis including monthly, quarterly and annual averages from year to year
- 9) Consumption patterns and trends that indicate failed meters
- 10) Comparison of usage to consumers with like profiles
- 11) Comparison of property type and/or classification to the appropriate billing rate
- 12) Meter read/reread history

The Utility's historical data is essential to Step 2 and is the basis upon which the remaining steps are predicated.

**Step 3: Internal Property Selection Report**

WCA produces a Property Report of suspect locations from the data analysis process described in Step 2. This "first cut" report provides a list of accounts ear-marked for further research. Each account record is scrutinized for additional facts that can validate account problems as probable.

**Step 4: DECISION POINT:**

A preliminary survey of work to be performed is conducted to maximize efficiency and to prioritize the work. Based on this preliminary review, WCA selects properties from the initial analysis for field work.

**Step 5: Field Work Selection Report**

WCA prepares a Field Work Selection Report that identifies the individual accounts and in some cases areas to be researched in the field. WCA may submit the report to the Utility for review and approval. The WCA Contract Manager communicates the areas selected for study, and thereby the planned location of its personnel within the system.

**Step 6: Field Work Order Issued**