

ICMA 2005 Program Excellence Award
Outstanding Partnerships: Public-Private Partnerships Nomination
City of Tyler, Texas – Cooperative Savings through Public-Private Partnership

Overview

By developing a public-private partnership procurement process that focused on inter-departmental cooperation, Bob Turner, City Manager of Tyler, Texas, has developed an efficient model of serving the public and protecting the environment. The partnership focused on three key items:

- **Communication** – The partnership involved working with several different departments to share information and identify potential projects for the best common civic benefit.
- **Financial Modeling** – Using a detailed spreadsheet application, the partners were able to show the project costs, potential increased revenues and reductions in energy and labor. By adjusting the numbers and projects, the city ended up with a positive cash flow.
- **Performance Contracting** - The procurement process bundled items previously procured independently and not traditionally combined, which helped the city far more than if the products and services had been individually procured. The result is a self-funded contract that provides some \$29 million in benefits to taxpayers over a 10-year period from operational and energy savings as well as recovered revenues from more efficient water metering.

The partnership involved unique cooperation between city departments, with the savings and recovered revenue from one area (water) benefiting others (traffic, city facilities and public safety) in a readily replicable manner. The improvements being made entail no cost to the city over the life of the contract and will instead pay for themselves over time through guaranteed energy and operational savings along with the recovered lost revenue from inaccurate meters. This allows the city to make upgrades and pay for equipment while maintaining or reducing budget outlays. The entire community also profits through lower public expenditures and environmental improvements at a time when water, energy and funding are in short supply. The City of Tyler was honored by *American City and County Magazine* with its

2004 Crown Communities Award, was given the U.S. Conference of Mayors Public Private Partnership award and participated in the 2004 National League of Cities City Showcase.

Scope of Problem

The City of Tyler actually was facing several problems. First, other than sales tax, water provides the city's largest revenue. Tyler Water Utilities was experiencing a 10% loss (\$2.25 million annually) as the result of inaccurate meters. By changing to new, more accurate radio read, the city was able to recoup this lost revenue while reducing the personnel requirements for reading the meters. The second problem was related to energy reduction. As a participant in a Flexible Attainment Region Agreement, the City of Tyler was tasked with reducing electric consumption 5% annually for a five-year period in order to reduce air emissions associated with electric generation. Finally, challenged by budget constraints and a desire to avoid tax increases, the city needed a way to address long-overdue facility upgrades.

Program Description

Under the direction of City Manager Bob Turner, Tyler Water Utilities teamed with Johnson Controls, Inc. and subcontractor A.E. Shull to develop an innovative procurement process that bundled purchases through public-private partnerships. The project included making traditional energy efficiency improvements in city facilities, but the city and its partners found an innovative way to include non-traditional improvements in this type of contract, such as installing more accurate water meters, installing energy-efficient motors and speed controllers at the wastewater treatment plant, and upgrading incandescent traffic lights to LED.

Measurable Outcomes

- **Cost Savings** – The city receives nearly \$29 million in benefits over a 10-year period. The performance contract with Johnson Controls guarantees the city \$25 million from more accurate billable water usage and energy savings, thus allowing the city to pay for upgrades with the recovered revenues and savings.

- **Improved Delivery of Services** – The 31,000 new water meters have transmitters that send usage information to mobile readers. Meter reading is safer for workers since they don't leave their trucks. Plus, workers can read more meters in a day and the data much more reliable.
- **Improved Infrastructure** – A Metasys® building management system was installed in major office buildings to enable better facility systems control. More energy-efficient lighting and HVAC units were installed. In addition, existing equipment is supported by the contractor under an operations and maintenance agreement, which includes replacement schedules for HVAC units and other older equipment. Analyzing existing HVAC units and other mechanical equipment determined some maintenance costs would surpass future replacement costs. By upgrading the equipment immediately, the city avoided excessive maintenance costs and future capital costs. Replacing traffic signal lights generates \$83,000 in guaranteed annual utility savings and will provide long-term savings since new aluminum fixtures last longer than existing plastic ones.
- **Civic Awareness** - Making sure the City Council and local residents were aware of the meter replacement process was an important part of the project. By making presentations at council meetings about the technology and the potential savings, council members were on board with the idea from the outset. Even more vital to the program's success was frequent communications with city residents. Staff was trained throughout the process and were able to field calls from the public, and ultimately received a minimal amount of complaints. The utility had an extensive media campaign to educate citizens about what to expect when their meters were replaced. They set up an information day, including bringing in a demo trailer and holding a news conference, that was heavily featured in the local news media. Maps were provided and published in local newspapers to let each area of the city know when the meters would arrive, then the media was invited to cover the installation to help people understand the technology. All efforts resulted in positive public reaction.
- **Employee Satisfaction** - The upgrade was accomplished without staff reductions (some staff retired, others took equivalent jobs in other city departments). With staff training and bi-weekly

meetings with all players, problems were prevented, and installation was completed two months earlier than anticipated thanks to excellent planning and communications.

- **Replicability** – The partnership went through a Six Sigma quality process to develop best practices that can be used in other communities. Several cities are reaping similar benefits in energy, water, operational and financial savings by using this type of procurement process.
- **Sustainability** – The energy-efficient upgrades exceeded the state’s five-year mandate of 25% reduction in energy consumption in just one year, resulting in less electrical consumption and emissions. For example, the new LED traffic signal lights reduce energy consumption by 90%.
- **Impact on City Economy** – The city has maximized collection of lost water revenue from inaccurate meters, which minimizes the need for future rate increases and assists the city in keeping a low property tax rate, a rate that has been reduced from \$0.515260 in 1996 to \$0.248855 for FY04-05. The meter-reading process is not reliant upon weather and avoids time-consuming individual meter reading, which provided a \$130,000 reduction in operational savings by minimizing the number of people needed to read the meters. Transferring to the new technology positioned the city for future upgrades in the meter-reading process. The energy-efficient improvements to facilities and infrastructure reduce electrical consumption and operation costs.

Lessons Learned

- **Work with the Media** - Educating the public through the media about installation inconveniences, increases in water bills without changing water use patterns or rates, and benefits of the project meant much less confusion and an appreciation for the final project.
- **Set Limits** – Establish from the beginning what the contractor is responsible for and what customers have to do. For instance, we needed to explain that customers are responsible for maintaining yard piping to conditions for withstanding the meter change out.
- **Find Good Partners** - Selecting subcontractors who are knowledgeable in the work to be performed helped complete the job in a timely, efficient manner.