



TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Tom Crawford, CFO
Derek Delacourt, Community Services Area Administrator
Craig Hupy, Public Services Area Administrator
Cresson Slotten, Systems Planning Manager
Robyn S. Wilkerson, Human Resources and Labor Relations Director

SUBJECT: Council Agenda Responses

DATE: 6/19/17

CA-9 – Resolution to Approve a Services Agreement with Recycle Ann Arbor for Spring/Fall Student Move-In/Out (Estimated: \$51,587.00 FY18; \$53,110.61 FY19; \$54,679.93 FY 20; Optional \$56,296.33 FY21; \$57,961.22 FY22; and Contingency of \$10,000.00 per fiscal year)

Question: The cover note indicates Recycle Ann Arbor (RAA) was the only respondent to the City's RFP in March. Was this bid out in 2014 and if so, were there any other bidders other than RAA at that time? Also, how much did the city pay RAA in the final year of the expiring contract? (Councilmember Lumm)

Response: Recycle Ann Arbor was the only respondent for RFP No. 896 in 2014. The cost for the final year of the contract was \$28,288.00 for fall, 2016 and \$10,108.00 for spring, 2017.

CA-13 – Resolution to Award a Contract with Carrigan Development, Inc. for the South Main Street Water Main Extension Project (\$74,100.00)

Question: Is the need for the larger main driven by the demands of the new development and if so, why wouldn't the developer be contributing to paying for at least

a portion of the \$74K? Is water pressure and system reliability an issue now? (Councilmember Lumm)

Response: The 615 S. Main private development project is not driving the need to replace the 139 linear feet of 6" water main. The 615 S. Main private development project is contributing to the overall water main improvements by paying the cost to install a 12" water main from Mosley Street to Madison Street. This includes the project site's entire frontage, plus another approximately 135 linear feet. Replacing the remaining 139 linear feet of 6" water main north of Madison Street with the 615 S. Main project was identified by staff as a cost effective way to replace an 1880's 6" water main, which will connect to a 12" water main constructed under the railroad in 2009, which will also improve system reliability.

Question: Can you please clarify why this is coming up now and was not considered when the development was approved? Did we just miss it; or has something changed in the development project or have there been recent system issues/failures at the location? (Councilmember Lumm)

Response: This segment of water main was identified during the development review process, however, this portion of the water main was outside of the scope of the developer's responsibility. Staff identified the need to replace this short segment of 6" to provide long-term system improvements and to take advantage of the lower cost offered by having the same contractor the developer has hired perform this work for the City. The City has partnered with other developers to complete similar system improvements in the past, such as City Place Apartments (completion of 12" water main) and Zion Luther Church (connecting two dead-end water mains).

CA-14 – Resolution to Approve Contract with Honeywell International, Inc., for Municipal Facility Energy Audits (\$30,000.00)

Question: Large buildings like City Hall and Wheeler center are not included here. Is that because energy audits have already occurred or there's ongoing monitoring? (Councilmember Lumm)

Response: City Hall is programmed in the CIP with a separate project to receive energy efficiency work through an audit evaluation, and some review of the building was also commissioned during the Municipal Center construction/renovations where lighting and controls were upgraded. The Wheeler Center is a relatively new facility in comparison to the set of facilities targeted in these audits which are decades older. The limited budget for this set of energy audits focuses on older and medium-sized facilities and maximizes the number of sites that can be reviewed. Larger buildings (e.g. City Hall, Wheeler Center) would be costlier absorbing the entirety of this budget, and so are intended for programming funds in future years, as stated.

CA-18 - Resolution for Approval of Emergency Amendment No. 1 to the Agreement with the Downtown Development Authority for the Construction of the South University Streetscape Improvements Project (\$531,035.84)

Question: The memo says: "Funding for this work is available in the approved Water Supply System Capital Budget as part of CIP Project UT-WS-18-07." And: The Public Works Unit of the Public Services Area submitted an emergency authorization request to the City Administrator requesting increase the agreement with the DDA by an additional \$531,035.84 to expedite the replacement of the water main.

The CIP shows that "UT-WS-18-07 South University (E Univ. to Washtenaw) Water Main Service" has \$200,000 allocated in "prior years"

1. Where with the \$531,035.84 come from? Will any other project be delayed or otherwise affected?

(Councilmember Eaton)

Response: Because the bids received on the Liberty Water Main Replacement Project (UT-WS-16-27) were considerably higher than anticipated on the road portion of the project, it was necessary to delay the project. The project will be re-evaluated during the upcoming CIP process this fall. The change in schedule on the Liberty project freed up funding for the amendment of the South University Project.

Question: I recognize there wasn't time to conduct a bidding process, but on what basis did staff determine the \$513K price from Fonson was reasonable (engineer's estimate, previous projects?) and can you please share any data? Also, are we paying a premium to "expedite" the replacement and if so, roughly how much? (Councilmember Lumm)

Response: A formal engineer's estimate was not prepared prior to receiving pricing due to the emergency nature of the process. However, bids from recent similar projects were reviewed, and it was determined that the prices are within reason. What is avoided by doing this work on an emergency basis is a larger disruption to the community of having to stop the project with the street partially torn-up and re-starting at a later date. Also, the associated cost of demobilizing and remobilizing the contractor is avoided.

Question: Can you please provide some perspective on the need to replace the 1965 water main and the possible cause of the deterioration. Are other 50 year-old mains breaking/experiencing severe corrosion? Is that typical, and could the need for replacement have anything to do with construction activity the last few years in the South University area or the higher water usage resulting from the new developments? (Councilmember Lumm)

Response: The City has been experiencing pipe deterioration issues specific to the mains that were constructed in the early/mid 1960s. We believe the issues are specific to the iron material that was being utilized at that time. Pipe deterioration is generally

caused by corrosive soils however the cause of the deterioration on the South University main is unknown at this time. Staff does not believe it's related to higher water usage and/or construction activity in the past.

Question: As I understand it, the City is paying for all of the costs associated with the water main work (original work and this additional work) and the DDA is paying for the streetscape improvements. Can you please confirm that's accurate and assuming it is, what is the rationale for the DDA's capturing TIF revenues from new developments, but not sharing in any of the infrastructure costs required to support it? Also, in terms of cost sharing, developers have, on occasion, been required to contribute to supporting needed infrastructure capacity upgrades and improvements. Have any of the recent South University developments/developers (e.g., Hughes Properties' Collegian North and Collegian East, the Collegiate Development Group's 611 E. Univ. project) been required to contribute to this water main replacement? If not, why not. (Councilmember Lumm)

Response: The City is paying for the water main work and any added surface restoration directly attributable to the water main construction that is not included in the streetscape project scope of work. The DDA is paying 88% of the cost of general items that are shared by both the streetscape work and the water main replacement work. The developments within the project area are not required to contribute since the existing main size in South University is adequate to support the proposed developments. The main in South University is in need of replacement due to poor pipe condition, rather than due to capacity concerns. If the main was undersized and needed to be upsized in order to support the proposed developments, then the developer(s) would participate in the upsizing cost.

Question: With this item, the other CA item tonight (CA-13) with a water main replacement, and with the water main problems at Plymouth and Green, they (taken collectively) seem to re-enforce the notion that replacing our aging infrastructure is a priority we can't ignore. Do we have a relatively current assessment of the status of our water mains city-wide? And while I recognize the CIP includes some water main projects, others, including these, are not in the CIP or not identified as priority replacement projects. Is there a plan to revisit the CIP to reprioritize projects, and how will reprioritization impact/change the prioritization of other projects in the CIP project queue. (Councilmember Lumm)

Response: All of the water mains in the City system have been assigned a Prioritization Action Number (PAN score) based on their risk and consequence of failure. In the last CIP update, water mains with high PAN scores were considered for inclusion in the CIP and most were included in the current six-year plan. Those, along with all other water main projects, were also prioritized utilizing the standard CIP general prioritization criteria. The mains on South University and the Plymouth/Green area were constructed in the early era of ductile iron pipe, an era which is increasingly being recognized as problematic from a materials failure standpoint. Staff are in the process of identifying

pipes from the “problem” era. It is anticipated that this will result in increased PAN scores for such pipes and a likely shift in CIP prioritization.

Question: The recent issues in some instances seem to be “unanticipated”. Does that, coupled with the need for larger mains in some instances suggest that perhaps the new developments are somehow “stressing” the capacity of the current system? If that’s the case, as we replace the water mains, should we simultaneously be adding capacity to meet the growing demands of new development? (Councilmember Lumm)

Response: As the City replace water mains, the replacement main is sized based on the allowable land use/density per the City’s zoning ordinance.

Question: The original city cost to remove the redundant main was \$311K and Fonson’s quote for this replacement was \$513K. That’s \$824K. What’s the other \$18K that makes up the new total City cost of \$842K? (Councilmember Lumm)

Response: This discrepancy is due to the City’s adjustment of project quantities after pricing was received from Fonson. Project pay items were removed or added based on the final plans that were completed simultaneous to receipt of Fonson’s quote. The remaining portion of this added cost is for additional construction inspection and survey through Stantec, who is under contract through the DDA.

CA-20 - Resolution to Approve a Contract with Ann Arbor SPARK for Economic Development Services (\$75,000.00)

Question: At the last meeting I asked a question about public funding for SPARK as part of the SmartZone/LDFA extension agenda item. The response was “Funding for this activity comes from many sources including U of M, EMU and WCC. The county and townships also contribute to this activity as well as a growing number of corporations.” Can you please provide the contribution amounts for the County, townships, and local educational institutions? (Councilmember Lumm)

Response: SPARK’s annual budget and operating budget sources are available at <http://annarborusa.org/sites/default/files/spark2016annualreport.pdf>. However, attached is a listing of the contributions from public and educational institutions, including those that are allocated for specific programming purposes (e.g. EMU’s investment helps support the operations at SPARK East; SPARK operates an Eastside business growth fund for companies in 48198/48198 from County resources; etc.).

CA-21 - Resolution to Approve Amendment No. 2 to the Professional Services Agreement with Dykema Gossett PLLC for Legal Services Relative to the IRS IDR for the City of Ann Arbor Capital Improvement Bonds, Series 2009-A Bond Issue (\$10,000 amendment/\$35,000 total contract)

Question: We were informed that the IRS audit would take 6 to 8 weeks. Please provide an update of the status of the IRS audit of the Build America Bonds. (Councilmember Eaton)

Response: It is almost always difficult to predict or estimate how long it will take for the IRS to respond to responses to IDRs and how long an individual audit may take.

Question: It is my understanding that bond counsel submitted a response to the IRS in March and that if the information in that response was satisfactory to the IRS, the IRS would issue a “No Change Letter”. Can we assume that the IRS did not issue a “No Change Letter”? Did the IRS give a reason why it asked for more information rather than issuing the “No Change Letter”? (Councilmember Eaton)

Response: A “No Change Letter” has yet been issued by the IRS; nor can the City expect to receive one until the IRS has completed its review process. The scope of the initial IDR was quite broad and involved the assembly of a considerable amount of information, data and records. Given the size and complexity of the Library Lane Project and Build America Bond financing, it is not unusual that the IRS to request follow-up information under a second IDR. The IRS is not required to nor does it provide reasons for its requests and no assumptions of satisfaction or lack thereof with any information submitted can be drawn from a follow-up request.

Question: Please explain the difference between the recently request chronological financial information and the previously provided financial information regarding the construction of the underground parking structure. (Councilmember Eaton)

Response: Four of the six requests in the second IDR were requests for schedules and reports that the IRS did not specifically request under the first IDR, and that provided back-up to prior responses. These included schedules of “soft cost” expenditures (e.g., architectural and engineering) made prior to the enactment of the Build America Bonds legislation, and certain soft and hard cost expenditures made prior to the issuance of the Build America Bonds, substantiating the eligibility of those costs for reimbursement from bond proceeds under IRS timing rules. Generally, the requested Schedules were simply restatements of information provided in the first IDR in a new organizational format. The City produced all of the information requested. The other two requests related to the method of allocating the sources of funding (bond proceeds and equity funds) to construction of the Project and to support future development, and a general inquiry on the status of construction of the potential multi-story building on the Project site. As previously reported to Council, applying IRS rules, no bond proceeds were allocated to structural and utility costs to support a building in the airspace above the Project.

Question: What is the significance of the request for chronological information? (Councilmember Eaton)

Response: There is no particular significance to requesting information be organized in this format. The use of a chronological information format provides a reviewer with a timeline document ~~was~~ to verify that that there were no “hard costs” paid prior to the enactment of the Build America Bonds legislation and later reimbursed with bond proceeds (which was substantiated), and that the Project “hard costs” that were reimbursed with bond proceeds were paid after the City had declared its intention to issue bonds for the Project (which was substantiated).

Question: Do you have a sense of when the IRS audit will be completed and when the results will be shared with the Audit Committee and/or full Council? (Councilmember Lumm)

Response: The IRS does not provide estimates and as stated above, it is difficult to predict how long it will take for the IRS to respond to IDRs. Information will be provided to Council as and when available.

CA-22 – Resolution to Approve a Professional Services Agreement with Municipal Consulting Services, LLC for a Non-Union Compensation Study (\$61,118.22)

Question: Can you please confirm the scope of the compensation study will include benefits as well as direct salary/wages? Also, if Municipal Consulting was not the low bid among qualified firms, can you please provide a bit more detail on why Municipal Consulting was considered most qualified and is being recommended? (Councilmember Lumm)

Response: The scope of the compensation study will not include benefits, it will strictly focus on wages internally and externally compared to the market. This is to ensure the City has a compensation system that will enhance our ability to recruit, retain and motivate quality employees. We monitor and benchmark our benefits package annually by participating in the MMA Michigan Mid-Market Group Benefits Survey.

This is a qualifications-based selection, and Municipal Consulting was deemed to be the best among qualified firms for the following reasons:

- Locally based out of Brighton, MI (which will facilitate follow-up and future work)
- 33 years of consulting experience
- Conducted over 200 compensation and HR related projects for public sector clients (primarily in MI)
- Utilizes the point-factor plan methodology which will give us the flexibility to customize the weighting factors for Ann Arbor

C-1 – An Ordinance to Amend Sections 8:501 and 8:511 and to Repeal Sections 8:522 and 8:524 of Chapter 105, Housing Code, of Title VIII of the Code of the City of Ann Arbor

Question: “For dwellings that are determined to be in full compliance with this chapter at the first inspection of a periodic inspection, the period between that inspection and

the next inspection may be extended to 3½ years.” Are there other factor for extending the period to 3.5 years? If so, who makes that determination? If not, should the position be amended to read “inspection SHALL be extended.” (Councilmember Warpehoski)

Response: Staff agreed with making the change of verbiage from “may” to “shall” in regards to the extension of the certificate of compliance and the revised documents have been attached to [Legistar](#).

Question: 8:511 (Inspections) paragraph (5) has been revised to say “For dwellings that are determined to be in full compliance with this chapter at the first inspection, the period between that inspection and the next inspection may be extended to 3 ½ years.” I strongly support incentivizing a clean first inspection with an extended period to the next inspection and am concerned the word “may” doesn’t guarantee that outcome. Can you please elaborate on why “may” was included in that paragraph rather than “will” and speak to what the intent is? (Councilmember Lumm)

Response: As noted, staff agreed with making the change of verbiage from “may” to “shall” in regards to the certificate of compliance and the revised documents have been attached to [Legistar](#). The intent was to extend the certificate timing by one year when the initial inspection had passed.

DC-1 – Resolution Directing the City Administrator to Update and Revive the City of Ann Arbor’s “Green Fleets Policy

Question: The second resolved clause states that “the updated policy promote the purchase of PEVs and their charging by city-owned solar PV to be installed”. The word “promote” is vague. Can you please clarify the intent and more importantly, specifically how staff will act/respond to this resolved clause? In other words, Will staff interpret passage of this resolution as direction to begin purchasing PEV’s and/or install solar-powered charging systems? (Councilmember Lumm)

Response: Passage of this resolution directs the City Administrator to update the Green Fleets Policy. While it is important to understand the direction that Council is interested in pursuing, there are many areas that must be analyzed before a specific direction is implemented. These include vehicle availability, the usefulness of the vehicle to meet the needs of the City operations, cost of ownership, charging infrastructure and available funding. If the direction of the updated policy promotes PEVs, then a gradual implementation of PEV replacement vehicles is most likely as the current availability of PEVs is limited to certain vehicle classes (generally small and mid-sized vehicles). Council’s direction on adopting a policy on solar power generation at City owned facilities would not be part of the Green Fleets Policy though the two policies could be complimentary.

Question: Taken collectively, the resolved clauses could easily be interpreted to require expenditures on purchasing Plug-In Electric Vehicle (PEV’s) and solar-charging systems (PV’s). Are there any budgeted funds for these purposes and what will staff

recommend as the funding source for any incremental expenditures during this fiscal year? (Councilmember Lumm)

Response: No funds have been budgeted for the additional cost “premium” to purchase PEVs or the related charging infrastructure. Potential funding sources may include grant funds (if available) or other appropriate funding sources as may be approved by Council.

Question: While it is certainly appropriate to direct staff to update the “Green Fleets” Policy, it seems the resolved clauses are quite prescriptive in terms of what the policy should be and what the “answers” are. Does staff agree with the inherent assumption that “purchasing PEV’s and their charging by city-owned solar PV” is the optimal and most cost-effective approach for a new “Green Fleets” policy? (Councilmember Lumm)

Response: While PEVs are an excellent way to reduce greenhouse gas emissions, the cost of ownership of these vehicles for City usage is typically higher than other vehicles. Determining the impact of these vehicles, with the other factors that are analyzed as part of the Green Fleets Policy, will help answer this cost-benefit question. Staff is aware of municipal examples that describe strong operations and maintenance advantages of PEVs that can be cost-beneficial, but these savings may not recoup the full sticker price difference between a PEV and its conventional alternative. PEVs are now a well-enough established technology that greater incorporation into the municipal fleet is sensible to better understand the life-cycle cost impacts of lower emissions vehicles while supporting the City’s climate and sustainability goals. There may be more answers/solutions than the options described in the resolution, and “all of the above” ideas that reduce emissions would not be ruled out.

Question: The fourth resolved clause states that “ the updated policy be open ended and not be suspended or materially revised without first conferring with the Energy and Environmental Commissions”. What does “open-ended” mean? Also, the second part of that sentence seems unprecedented. Have we ever adopted a resolution with language that states a policy can’t be suspended or materially revised without checking first with a Board or Commission? Does this mean that if City Council wanted to make a change to the policy, it couldn’t unless it “conferred” with one or both of the Commissions first? (Councilmember Lumm)

Response: As this was not a staff-drafted resolution, the intent of the language can only be interpreted. Staff’s understanding is that the intent would be that a new Green Fleets Policy adapts to technology advances that promote sustainability, and that the policy not effectively phase out if a different direction or solution presents itself. The City Administrator has committed to bringing significant matters concerning energy and/or environmental actions to the appropriate committees for review. We understand Council sets policy, however implementation is done using the budget judgement of staff.

Question: Finally, that last resolved clause indicates that the updated policy “be put into effect no later than December 31, 2017”. What exactly does that mean? Shouldn’t City Council review/discuss adopt the policy like it does most policies? (Councilmember Lumm)

Response: The original Green Fleets Policy was approved by City Council and staff would expect to provide an updated policy for Council’s consideration by the end of 2017.

DB-3 - Resolution to Approve Circle K Site Plan, 1420 E. Stadium Boulevard (CPC Recommendation: Approval - 8 Yeas and 0 Nays)

Question: It is encouraging to hear about the efforts the petitioner has made in working with staff and neighbors to minimize the impacts. I drive by this site frequently and it’s almost always busy with a good bit of pedestrian traffic in the area. Will reducing the curb cuts from 4 to 2 improve the safety of the intersection (pedestrian and/or vehicle) or not have much of an impact? (Councilmember Lumm)

Response: Yes, reducing the number of curb cuts will improve the safety of the intersection. Per the Access Management Guidebook by the Michigan Department of Transportation, “reducing the number of driveways is necessary to reduce crash numbers. This may be possible from driveway consolidation.”

Question: Is it possible to accommodate the neighbor’s requests that the masonry wall be constructed first to mitigate the noise and mess during construction? (Councilmember Lumm)

Response: By code, this required site improvement – the wall component of the conflicting land use buffer – must be installed prior to issuance of a certificate of occupancy. Staff must defer to the petitioner and developer for any further details regarding their sequence of construction for any and all site improvements. Staff will advise the petitioner and developer that such a question may be posed by Council during its discussion of DB-3.

DB-4 – Resolution to Approve Bylaws of the Ann Arbor Transportation Commission

Question: Can you please provide a brief summary of the substantive revisions (if any) to the bylaws previously approved by Council in April? (Councilmember Lumm)

Response: Changes to the Transportation Commission bylaws were relatively minor regarding procedures for committees. Please refer to the track changes version of the bylaws titled *Tracked Changes DRAFT-Bylaws of Transportation Commission 4-13-17* now available via [Legistar](#).

CONTRIBUTIONS TO SPARK

	operating	Program
Public		
Washtenaw County - BD	\$ 200,000	
Washtenaw County - Talent/export	\$ 20,000	
Washtenaw County - Willow Run	\$ 30,000	
Washtenaw County - Ypsi Incentive	\$ 150,000	
Washtenaw County - SPARK East		\$ 50,000
City of Saline	\$ 10,000	
Pittsfield Township	\$ 13,188	
City of Chelsea	\$ 3,200	
Washtenaw County OCED	\$ 21,500	
City of Dexter	\$ 1,500	
Scio DDA	\$ 5,000	
City of Ypsilanti	\$ 3,500	
Ann Arbor Charter Township	\$ 2,000	
Superior Township	\$ 1,000	
Ypsilanti Township	\$ 10,000	
Ann Arbor Downtown Development Authority	\$ 10,000	
City of Ann Arbor	\$ 75,000	
AAATA	\$ 5,000	
Ypsilanti Township		\$ 5,000
City of Ypsilanti		\$ 5,000
Livingston County		\$ 357,000
EDA	\$ 109,019	
Region 2 planning commission	\$ 24,500	
MEDC	\$ 135,000	
	\$ 829,407	\$ 417,000
University		
Washtenaw Community College	\$ 30,000	
Universtiy of Michigan	\$ 300,000	
Eastern Michigan University-SPARK East		\$ 60,000
	\$ 330,000	\$ 60,000