



TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Michael Cox, Police Chief
Tom Crawford, CFO
Derek Delacourt, Community Services Area Administrator
John Fournier, Assistant City Administrator
Jennifer Hall, Executive Director, Ann Arbor Housing Commission
Craig Hupy, Public Services Area Administrator
Nick Hutchinson, City Engineer
Michael Kennedy, Fire Chief
Matthew Kulhanek, Fleet and Facilities Manager
Brett Lenart, Planning Manager
Remy Long, Greenbelt Manager
Eileen Naples, Resource Recovery Manager
Marti Praschan, Chief of Staff, Public Services
Molly Maciejewski, Public Works Manager
Cresson Sloten, Systems Planning Manager

SUBJECT: January 6 Council Agenda Responses

DATE: January 6, 2020

CA-6 – Resolution to Approve a Grant Application to the USDA Agricultural Conservation Easement Program (ACEP) for Purchase of a Conservation Easement on Property in Salem Township

Question: Q1. Is this the property where a portion of the property is outside the Greenbelt Boundary? If so, can you please provide a map and detail of the acreage inside/outside the current boundary as well as the relevant Greenbelt ordinance language that authorizes a purchase outside of the designated boundary? Also, please remind me what the original Greenbelt boundary was and how many times it has been expanded? (Councilmember Lumm)

Response: The application is for approximately 375 acres, of which approximately 80 acres are outside the Greenbelt District. Chapter 42, Section 3:67 allows for the acquisition of land and land rights outside the Greenbelt District, which has been done in two prior Greenbelt projects:

Chapter 42, Section 3:67: “Land and land rights voluntarily acquired under the provisions of this chapter shall include: (1) Land outside the incorporated boundaries of the City of Ann Arbor within the Greenbelt District; except that a parcel either dissected by the Greenbelt District boundaries, or contiguous to the Greenbelt District boundary and a parcel under the same ownership within the Greenbelt District as defined in section 3:62(13) may be acquired in its entirety in the same manner under the provisions of this chapter as if the parcel was within the Greenbelt District.”

The Greenbelt District boundary has expanded twice since the program began (2007 and 2011). However, the northern extent of the Greenbelt District (5 Mile Road) has remained the same throughout. Map of Greenbelt District Boundary changes attached.

Question: Q2. I’m assuming there has not been an appraisal yet or it would be mentioned in the cover memo. Can you please confirm that/provide a rough estimate of the value/conservation easement price? Also, will the City’s Greenbelt program be the lead on this one (and thus responsible for due diligence, closing, and endowment costs) and if so, please provide ball park estimates of those related costs? (Councilmember Lumm)

Response: An appraisal has been completed. Standard operating procedure is to secure an appraisal prior to applying for a USDA NRCS ACEP-ALE funding, however NRCS rules require an updated appraisal within 6 months of receiving the grant funding – if awarded. Therefore, the appraisal secured by the City serves as guidance for the NRCS funding request submitted in March 2020, but the final purchase price would be subject to change when the award is secured in September 2020, and final City Council approval. The conservation easement for this application was appraised at \$3,527,000.00 in May 2019. The City will be the lead partner on the project, and staff anticipate \$51,367.00 would be budgeted for due diligence, closing and endowment costs.

Question: Q3. The cover memo indicates that by approving this resolution we’re also approving a Pending Offer Agreement. Per the cover memo, the pending offer agreement is conditioned upon receiving a federal grant, but is not contingent upon receiving any other financial support (county, etc.) beyond that. Would the city be legally obligated to purchase the conservation easement if it received a federal grant, but no other financial support beyond that? (Councilmember Lumm)

Response: The Pending Offer Agreement is a requirement to apply for USDA NRCS ACEP-ALE funding. The Pending Offer Agreement includes a number of contingencies, one of which is City Council approval of a separate purchase agreement. The Pending Offer Agreement does not obligate the City to purchase the conservation easement and

City Council may choose to reject the purchase agreement if Council is not satisfied with the transaction.

Question: Q4. The cover memo indicates the City “will seek funding contributions from Washtenaw County, Salem Township, local land conservation entities, and other relevant stakeholders identified during the acquisition process.” Do we have a sense at this point what the City will be requesting as the County participation and does Salem Township have a conservation program? Also, who do we mean when we say “other relevant stakeholders”? (Councilmember Lumm)

Response: Below is the draft budget based on the current appraisal, which is subject to change if the NRCS funding is awarded.

FUNDING SOURCES		
Party	Amount	Percent
City	\$ 881,750.00	25.0%
NRCS ACEP-ALE	\$ 1,763,500.00	50.0%
County	\$ 881,750.00	25.0%
TOTAL	\$ 3,527,000.00	100.0%

In 2019, the Washtenaw County Parks and Recreation Commission Natural Areas Technical Advisory Committee ranked this application as a Tier 1 priority for their program. The City would be requesting a contribution of 25% of the conservation easement purchase price from Washtenaw County. As well, the City will seek matching funds from both Salem Township and other conservation groups, such as Legacy Land Conservancy. Salem Township does not have a dedicated millage for land conservation, but has contributed funding to previous Greenbelt Program projects. “Other relevant stakeholders” means any conservation entity that may wish to contribute – no other such stakeholder has been identified at this time.

CA-7 – Resolution to Accept the Revised Solid Waste Resources Management Plan (SWRMP)

Question: Do we anticipate a single RFP inclusive of all customer categories (residential, multi-family, commercial) for all types of waste or separate RFP’s for each customer category or... something else? (Councilmember Nelson)

Response: The SWRMP allows flexibility for how the contracts should be bid. It is a recommendation of the SWRMP to consolidate commercial services and downtown solid

waste services with the intent of providing more responsive services and reducing our overall CO2 emissions in compliance with the City's sustainability framework. The City will undertake competitive procurement for residential recycling collections to inform a decision between consolidating collection of all residential material streams (waste/recycling/organics) by the City and continuing contracting for residential recycling collections. The City will undertake a separate RFP/competitive procurement for commercial and multi-family collections for all material streams. The downtown area will be serviced by a single service provider for all material streams and include Saturday and Sunday collection services, which can be included as part of the commercial/multi-family collections procurement, a separate competitive procurement and contract, or be performed by the City. These service components were requested and are strongly supported by the downtown stakeholders that participated in the SWRMP.

Question: Would a future RFP for residential services include a definitive plan for consolidation, or does this plan leave open the possibility of something else? (Councilmember Nelson)

Response: The City will continue to provide collection services for residential waste and organics. Based on review of the responses to the competitive procurement for residential recycling collections compared to the findings of the Solid Waste Resources Management Plan's (SWRMP's) Cost of Service Analysis, the City will make a determination to either consolidate those collections with the waste and organics collections or to contract for residential recycling collections.

Question: Would a future RFP for commercial services include a definitive plan for consolidation, or does this plan leave open the possibility of something else? (Councilmember Nelson)

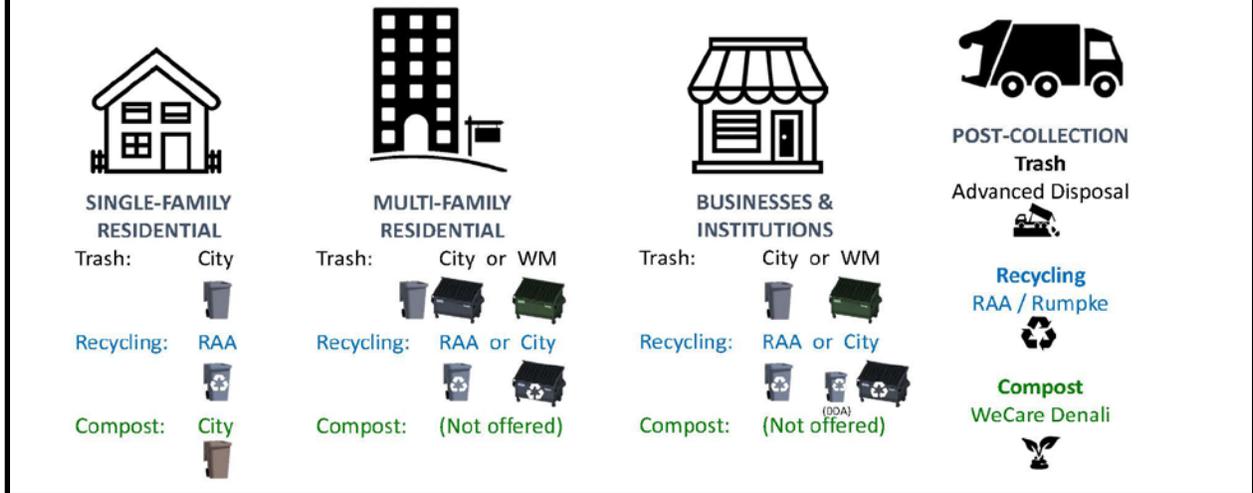
Response: A future RFP for commercial/multi-family collection services would consolidate all material streams, including adding subscription organics/food waste collections for sites outside of the downtown area. This RFP could include separate pricing for collection services in the downtown, or this could be handled separately outside of this RFP.

Question: What's the breakdown/division of responsibility between RAA and the City for recycling services to multi-family and businesses/institutions? How is responsibility shared—by location, type, something else? What distinguishes an RAA customer or a City customer in those two categories (multi-family and businesses/institution)? (Councilmember Nelson)

Response: Under current conditions, the division of recycling collections by RAA (Recycle Ann Arbor) and the City is by container, as the City performs collections from all recycling dumpsters, and RAA performs collections from carts and large 300-gallon totes; and by location, as the City performs recycling collections in the DDA, except for a small number of sites in the DDA that have 300-gallon totes that are serviced by RAA. Please refer to the below graphic from the SWRMP regarding the City's current service providers.

City of Ann Arbor Services and Contracts

RAA = Recycle Ann Arbor
WM = Waste Management



Question: How many customers are served by Waste Management instead of the city, what is the size of that contract? (Councilmember Nelson)

Response: In FY2018, which was the basis for the SWRMP’s Cost of Service Analysis, Waste Management (WM) served 806 dumpsters (shared dumpsters have one WM account number, but multiple customers using the dumpster/location) compared to the City servicing 196 dumpster locations. Currently WM serves 809 dumpster accounts servicing 867 distinct customers, and 27 on-demand customers with large compactors/roll-offs. The WM contract isn’t a fixed price contract, but rather specifies pricing by service level and other fees so its cost varies as customers make changes to their service level (increasing/decreasing/canceling service, etc.). A typical monthly WM invoice to the City is approximately \$150,000, which would include monthly service fees for all customers, on-demand roll-off fees, extra pickups, overage fees, etc.

Question: What is the cost difference to the city for a customer served by WM contract versus a customer directly served by the City? (Councilmember Nelson)

Response: The SWRMP’s Cost of Service Analysis found, based on the cost to collect a 2-cubic yard dumpster one-time a week, the cost to the City for a customer served by WM to be \$106.26 and the cost for a customer served by the City to be \$146.51.

Question: Are the fees charged to the customer different, if covered by a WM contract? (Councilmember Nelson)

Response: The fees billed to a customer are based on the services provided and who provides it (see next question and response).

Question: What distinguishes those WM customers from those that the city is able to serve? (Councilmember Nelson)

Response: The City provides weekly (one-time per week) collection service to commercial and multi-family sites with trash carts and weekly trash dumpster collection services to multi-family sites. Waste Management services compactors, commercial dumpsters, mixed-use (commercial and residential) dumpsters, and sites serviced by the City that desire additional dumpster tips beyond the one-per-week performed by the City.

Question: What prevents the city from serving those customers now? (Councilmember Nelson)

Response: The City does not have the equipment or staffing resources to serve all of the commercial and multi-family customers at the current or desired service level. In addition, as noted in an earlier response above, the cost to the City for the City provided service is noticeably higher than the WM contracted service. Prior to establishment of the commercial collection franchise, commercial customers contracted directly on the open market with service providers so the City has not serviced these customers in the past.

Question: Is there a reason why the Draft SWRMP Does Not Support the City's Existing Sustainability Goals? (Councilmember Eaton)

Response: The SWRMP does support the city's existing sustainability goals. The City's sustainability framework is a foundational document of the plan and is consulted throughout the plan for guidance on various topics. This matter was also addressed in front of the Environmental Commission and was considered as part of their unanimous recommendation to recommend the plan. On February 19, 2013, Ann Arbor City Council adopted a Sustainability Framework ("the Framework") as an element of our community's master plan. The Framework established goals and requires action plans in the areas of Climate and Energy, Community, Land Use and Access and Resource Management. These goals remain the foundation of the Solid Waste Resource Management Plan, and are incorporated by reference in the document and discussed in the new Foreword section of the final draft plan. Table ES.2 on page 11 of the SWRMP document (page 20 of the pdf document) specifically provides a "crosswalk" that aligns the Goals of the Sustainability Framework with the SWRMP recommendations.

Question: Is there a reason why the unions that represent the workers most directly impacted by the proposed collection service changes were not consulted about the SWRMP? (Councilmember Eaton)

Response: The solid waste collection programs and the SWRMP were discussed with the AFSCME leadership and the City's AFSCME solid waste staff in multiple meetings during the SWRMP effort, particularly through the fall of 2018 as information on the existing programs and potential options for examination for the SWRMP was being gathered. Also, a meeting was requested with AFSCME leadership in the summer of 2019 as the draft SWRMP was being written, but the meeting request was not accepted. Further, an integral part of the SWRMP involved open public meetings and engagement that union leadership was welcomed to attend.

All of this having been noted, however, while we value the input and partnership of our collective bargaining units, it is also true that this plan is intended to represent the sometimes competing interests of myriad stakeholders in our solid waste community, but most importantly the residents and business owners who are ultimately the recipients of our services. Providing them with the highest quality solid waste resource management program while exercising the highest level of responsibility with the expenditure of our public dollars is and will remain our top priority.

Question: Is there a reason why the Plan does not establish zero waste recommendations? (Councilmember Eaton)

Response: It is not accurate to say that the plan does not establish a Zero Waste recommendation. The City's *Waste Less: Solid Waste Resource Plan 2013 – 2017* called for the community to move toward Zero Waste by seeking to maximize materials composted, recycled or reused while minimizing the overall amount of landfilled trash. The City's SWRMP is a continuation of the City's efforts to enhance or expand services to meet Ann Arbor's Zero Waste goal. The SWRMP is intended to serve as a detailed strategy document focusing on the five-year planning period between 2019-2023 to operationalize our broad solid waste goals, including the Zero Waste goal and to address the desires of the community in a financially and environmentally sustainable manner.

Question: Q1. In reviewing the revised/redlined version of the SWRMP, it seems the only substantive change to the SWRMP recommendations is in R-6 where it now states the city will "conduct a competitive solicitation for curbside recycling cart collection" rather than recommending insourcing and residential collection consolidation and the word "consolidated" has been changed to "improved. Am I correct that is the only substantive revision, and if not, please provide the detail on the others? (Councilmember Lumm)

Response: The other modifications to the SWRMP are the addition of the Foreword section discussing the SWRMP and its relation to the City's current goals related to solid waste and the City Administrator's document titled *Solid Waste Resource Management and Our Sustainable Future* that has been placed at the beginning of the document.

Question: Q2. In terms of that "competitive solicitation" for curbside recycling cart collection, what is the status and timeline of that process? When do you expect that City council will see a staff recommendation and can you please confirm that council will be

provided a financial analysis showing the savings of consolidation (the \$775K annual savings originally estimated adjusted as necessary)? (Councilmember Lumm)

Response: It is anticipated that the procurement documents will be issued by the end of January, 2020. It is expected that a recommendation, including a financial analysis, will be brought to City Council this spring.

Question: Q3. RAA had objected to that \$775K savings estimate for residential collection consolidation and in the Q&A that was attached (dated October 17th), it was indicated that RAA was asked to provide the backup for their claims that the \$775K in savings from consolidating was overstated. Was that backup ever provided? If so, can you please share it? (Councilmember Lumm)

Response: RAA provided a letter on October 22, 2019 in response to the City's request for line-item detail to support the claims in their September 9, 2019 letter. Staff reviewed RAA's October 22, 2019 submission and developed a memo providing that analysis that had not yet been distributed. This memo, RAA's October 22, 2019 letter and other related items are attached to this response memo.

Question: Q4. A month ago, council rejected the staff recommendation regarding recyclables processing and the MRF and directed the City Administrator to negotiate a deal with RAA. Can you please provide an update on that negotiation and when you anticipate city council will be asked to consider the contract? (Councilmember Lumm)

Response: City Council's December 2, 2019 resolution R-19-538 directs, authorizes, and supports the City Administrator in negotiating an agreement with Recycle Ann Arbor to rebuild and operate the Ann Arbor MRF for an initial period of ten (10) years. In January 2020, City Staff and RAA will begin negotiating the MRF contract. City staff anticipate bringing the contract to Council for consideration in spring 2020, ahead of the June 30, 2020 termination date for the City's current recyclables processing contract.

Question: Q5. The resolved clause states that council accepts the plan and directs the Administrator to implement the recommendations "subject to appropriate and required Council approvals." I appreciate seeing that language, but am not sure exactly how that language translates into the actual approval and implementation of the 24 inter-related recommendations in the Plan. Can you please clarify specifically which of the 24 recommendations you would plan to bring to council for approval and which ones you would not? (Councilmember Lumm)

Response: Implementation of most of the recommendations included in the SWRMP will require further City Council approvals as they include: budget approval and authorization, such as for additional staffing, equipment or fees; City Code additions and/or modifications; and, contract approvals.

CA-8 – Resolution to Approve a Professional Services Agreement with Stantec Consulting Michigan Inc. for the Engineering for Huron West Park Sanitary Sewer Project (\$443,794.00)

Question: Regarding CA-8, what were the fee proposals from the other two firms and why is such a large contingency (\$100K or 22%) necessary on this project? (Councilmember Lumm)

Response: The three proposals were evaluated based on Professional Qualifications, Past Involvement with Similar Projects, and Proposed Work Plan; and two firms, HRC and Stantec, were deemed qualified to perform the work. Per the RFP, only fee proposals from those qualified firms were opened. The fee proposals totaled \$512,175 for HRC, and \$443,794 for Stantec.

There is a significant public engagement component to this project which involves replacement of a sanitary sewer in a sensitive natural area adjacent to residences. The large contingency allows for additional public engagement that could become necessary; as well as investigation of issues and alternatives that may arise as a result of the public engagement process.

CA-11 – Resolution to Approve the Purchase of a Vehicle from LaFontaine Chrysler Dodge (MiDeal Bid - \$39,772.00)

Question: Is a Level 2 charger needed for more than just this one vehicle? If so? What type? (Councilmember Ramlawi)

Response: Yes, the City will be purchasing multiple Level 2 chargers to meet the needs of the 8-10 Plug-in Hybrid Electric Vehicles (PHEV) and fully Electric Vehicles (EV) that we are purchasing this year. The Chrysler Pacifica PHEV proposed in this resolution uses the same Level 2 charger and plug-in connector as used by our other PHEV's and EV's. Any City owned EV or PHEV can charge at any City charging station. The City is using Chargepoint CPF25 chargers.

Question: In the absence of misusing the intent and purpose of the County Health Millage, where else would the share of the monies for this vehicle replacement have come from? (Councilmember Ramlawi)

Response: The use of all funds related to the county millage complies with the adopted policies of City Council. As this specific vehicle is part of the Motor Pool, the additional funds would come from the Fleet Fund. As an internal service fund, the Fleet Fund would then recover this cost from the various departments, and their budgets, that utilize the vehicle.

Question: The memo says that this vehicle will replace vehicle # 1102 (2013 Ford Focus) and eliminate the System Planning minivan from the City's fleet, a two for one reduction.

If the purchase of plug-in hybrid electric vehicle will replace two vehicles, why is it necessary to supplement the Fleet Services Fund with \$21,006.00 in the FY20 Sustainability and Innovations funds? Shouldn't the fleet fund have replacement funding for both of the vehicles being replaced with this one vehicle? (Councilmember Eaton)

Response: While there is funding for both vehicles in the fleet replacement fund, the money paid by Systems Planning for their minivan will be refunded to their budget. The decision to change this Motor Pool vehicle from a small sedan to a minivan was twofold. First, it provides a more flexible vehicle for departments to transport larger groups or goods when needed. Second, the Pacifica has a gasoline engine that engages when the battery is depleted which gives this vehicle a greater travel range when staff have to travel a significant distance without worrying about stopping to recharge.

Systems Planning decided that with the addition of the minivan to the Motor Pool they no longer need their dedicated minivan and can now utilize the Motor Pool to meet their operational needs. Since Systems Planning, like all City departments using Motor Pool vehicles, will be paying for that use on an hourly basis, it was not equitable to use their replacement funds to pay for the vehicle purchase as well.

CA-14 – Resolution to Approve an Agreement with Washtenaw County Community Mental Health to provide Mental Health Treatment Services to Sobriety Court and Mental Health Court Participants (\$102,538.00) (8 Votes Required)

Question: Regarding CA-14, I noticed that the other support service contracts are for all three courts (sobriety court, veterans court, and mental health court), but the mental health services contract (CA-14) does not cover veterans court participants. Are those services mental health services for veteran court participants covered under a separate contract or not provided at all? (Councilmember Lumm)

Response: Mental health services for Veterans Court participants are primarily provided by the Department of Veterans Affairs (VA) healthcare system. In addition to the VA, Eisenhower Center partners with Veterans Court to provide mental health services to participants who suffer from traumatic brain injuries and post-traumatic stress disorders. Eisenhower Center directly secures federal grant monies to fund these services.

CA-17 – Resolution to Increase One FTE in the FY20 Housing Commission Budget to Administer Additional Housing Vouchers (8 Votes Required)

Question: Q1. Regarding CA-17, the cover memo indicates that both awards “automatically renew annually”. Is there a designated end date to the awards? (Councilmember Lumm)

Response: Once awarded, the voucher allocation is annually included in our HUD Annual Contributions Contract (ACC) which is the contractual agreement between HUD

and the AAHC to administer all of our various vouchers. There is no end date to the award, it is automatically annually renewed. Theoretically, the award could be terminated through the federal budget process, if Congress does not allocate funding for these vouchers, but that is true for all of our HUD funding. A portion of the award could also theoretically be terminated if we do not lease up 90% of the NED vouchers within 1 year of allocation. HUD could reallocate the portion that is not leased up in the first year to another Housing Authority. The VASH vouchers do not have the same requirement to lease up 90% within 1 year of allocation.

Question: Q2. Also on CA-17, can you please provide data for the last couple of years on the number of housing voucher awards AAHC administers and the number of FTE's utilized to administer them? (Councilmember Lumm)

Response: This is a good question and one that I looked at as well. Assuming constant staffing levels (without turnover) and constant lease-up each month (no consideration for fluctuations in lease-up), then the number of Occupancy Specialist FTE's for the voucher program has increased from 6 in 2017 to 7 in 2018. This request would increase that number to 8 in 2020. The caseload in 2014 - 2017 averaged about 255. After we hired an Occupancy Specialist in 2018 the average decreased to 234. If we do not hire another Occupancy Specialist the average caseloads will increase to 248. If we do hire an Occupancy Specialist the caseload will decrease to an average of 217.

CA-18 – Resolution Directing the City Administrator to Develop Ordinance Amendments for the Purpose of Regulating Short Term Rental Properties

Question: Do we have any information about recent (or anticipated) changes in the availability of other tourist lodging in Ann Arbor, e.g. how many additional hotel rooms have been developed within the city of Ann Arbor in the last ten years? (Councilmember Nelson)

Response: Over the last 10 years, 1,026 hotel rooms have been approved for development. 757 of these rooms have been constructed and 269 are in the permitting/construction phases. An additional 577 hotel rooms are currently under review.

Question: Considering the number 131 as the estimated number of non-owner occupied units... How did we arrive at that specific rate of occupancy (150 days per year) as a good measure for how many units are available year-round (i.e. non-owner occupied, without a primary resident)? Is it possible that a lower rate of occupancy could still be financially viable for a non-owner occupied unit, that the number 131 is low? (Councilmember Nelson)

Response: 150 days was chosen as one benchmark that anyone renting more than 150 days was a vacation rental (Non-Owner Occupied) and anything less than 150 days was a primary residence (owner occupied). 150 days equates to renting a unit approximately each weekend. With the data however, it is possible to sort by any number chosen from

1 to 365 days in a calendar year. The required rate of occupancy would vary from property owner to property owner based on myriad individual factors such as rental rate, owner financial situation, and mortgage/investment commitment.

Question: Do we have any information about the average cost per night (or range of cost per night) for short-term rentals in Ann Arbor? (Councilmember Nelson)

Response: The data collected included the average daily rental rate for some but not all properties. Of the properties included, the median average daily rental rate was \$96.30.

Question: How much did the City pay the consultant for the work it did regarding short term rentals? (Councilmember Eaton)

Response: See Below

Question: Please provide a copy of the contract between the City and consultant. (Councilmember Eaton)

Response: A copy of the Carlisle Wortman contract and short term rental proposal is attached, the City has a continuing services contract with Carlisle Wortman to provide on-call building, rental and planning services on an as needed basis, that contract was competitively bid and approved by Council. The PO opened for the Short Term Rental work was an amount not to exceed \$24,300, based on the attached proposal, (Council approved \$25,000 in FY 20 for the work). To date the City has been billed \$16,732.50 against the PO.

Question: Q1. If I'm reading the table on page 7 of the Carlisle Wortman memo correctly, under Option 3 short-term rental of non-owner occupied/not primary residence properties is prohibited, but short-term rental of Primary Residence-Whole House is permitted. Assuming that's an accurate interpretation, how specifically are "non-owner occupied" and "primary residence-whole house" defined? Also, what prevents an owner from simply declaring a property is owner-occupied or a primary residence when it actually isn't, and how will the city monitor/enforce that? (Councilmember Lumm)

Response: That is an accurate interpretation, however, City staff believes that in pursuing option 3, enacting a similar ban on Primary Residence-Whole House short term rental be considered as well. At this point Primary Residence-Whole House has not been defined beyond further than a rental that is typically a primary residence, but occasionally (not yet defined by an extent of time and/or number of days) the owners vacate the property during guest stay. Enforcing any numeric limit on such Primary Residence-Whole House rentals may be difficult, and is one basis for Staff's consideration of banning such use altogether. Owner-occupancy can be validated through any proposed registration process and cross-referenced with assessing status relative to the property's

homestead exemption status. This is an opportunity for focused direction from City Council on the types of rentals to allow/regulate.

Question: Q4. Under Option 3 for Primary Residence-Whole House, what ball-park range is being considered for the limit on the number of days rented and what will be the rationale/determining factors used in developing that recommendation? (Councilmember Lumm)

Response: As referenced in the Legistar background memo and Q1 above, staff is not currently considering any limited number of days for such use, but will likely consider prohibition of such uses. If such uses are ultimately proposed to be permitted, some factors to consider to develop limits would be balancing availability with demand, methods of monitoring or enforcement, appropriate balance to allow commercial uses in residential areas without adverse impact on surrounding land uses, or other factors as the analysis is undertaken.

Question: Q5. Under Option 3, a limit on rental days is recommended for rentals when the owner is not present, but no limit is recommended when the owner is present. That seems to create an incentive for some owners to simply declare they are present when they are not – how does the city plan to monitor/enforce that (or will we solely rely on the owner's declaration)? (Councilmember Lumm)

Response: As cited in Q1 and Q4, staff sees the concern similarly and recognizes that enforcement will be challenging. By prohibiting such uses, it may be easier, albeit not altogether easy, to monitor if the owner is present during rental stays. For example, in the circumstance of a property with repeated issues, it may be easier to determine the owner is not present as required in a shorter term (at all times) than if a specific number of days is allowed for the owner to be away.

Question: Q6. For the permitted short term rentals under Option 3, there are no spacing, distance or geographic/location restrictions proposed. Were any considered, and if so, what were they and why was it decided to not include them? (Councilmember Lumm)

Response: No specific ordinance provisions have yet been drafted, this is something that staff can consider through the ordinance review process.

Question: Q7. Under Option 3 for Primary Residence-Whole House and for Primary Residence-Homestay, what is being considered for the frequency and type of inspections as well as for the fees? (Councilmember Lumm)

Response: Initial staff thoughts are that any Primary Residence Whole House or Primary Residence-Homestay would require housing inspections to determine the safety of the units, and could be modeled on or replicate the City's rental housing inspection program. For reference, the City's rental inspection program requires units to be certified every 2 ½ years at a cost of \$175/unit for one and two-family structures. City Council's feedback on this would be valuable as well, as in such

circumstances, the City would be inspecting owner-occupied homes, which has not traditionally occurred.

Question: Q8. Can you please provide the listing of projects that Carlisle/Wortman has worked on for the city over the last 5 years, and the fees they've have been paid? (Councilmember Lumm)

Response: In addition to Building Department plan review and temporary inspection services provided by Carlisle Wortman, (the City cost recovers these costs through permit and inspection fees), CW has provided service for the below projects.

- Short term rental public engagement, report development and ordinance drafting. This project is still ongoing, (please see attached proposal for complete scope and CW contract). That proposal is a not to exceed \$24,300 amount, (Council budgeted \$25,000 in FY 20 for the work). To date the city has been billed \$16,732.50.
- Research and development of a Historic Entertainment District Noise Ordinance, (\$4,150.00, taken out of FY20 professional service budget)
- Zoning analysis and modeling for city owned sites to support affordable housing, (not to exceed \$35,000, proposal attached – paid by AAHC, Council budgeted \$100,000 for AAHC Planning Services in FY20).

All of the work conducted is within the scope of services continuing services contract with Carlisle Wortman, please see attached.

CA-19 – Resolution to Approve the Extension of Temporary Employment Agreement between Abigail Elias and the City of Ann Arbor (\$25,000.00)

Question: Q1. Regarding CA-19, the title and first paragraph of the cover memo indicate the extension is for \$25K, but the whereas clause and resolved clause in the body show \$30K – can you please clarify? (Councilmember Lumm)

Response: The heading and introductory paragraph were revised to reflect the 30,000 amount. (The 25,000 amount was left on inadvertently from the prior amendment.) The amount was carefully estimated given the projects at approximately 30 hours a week for 15 weeks.

Question: Q2. Also on CA-19, why does the Public Services Area budget pay for this (aren't all the salaries and expenditures of the Attorney's Office personnel in the Attorney's Office departmental budget)? (Councilmember Lumm)

Response: It is typical that the salaries and expenditures of the Attorney's Office personnel that support Public Service activities is included the operating budget as a transfer out (expenditure) of Public Services Budget and a transfer-in "revenue" to the

Attorney's Office budget; however, this effort is additional support required to conclude specific matters and to conclude additional transition efforts that were not assumed in the budget process; therefore, is being paid directly by Public Services. These items are crucial from a substantive and timing standpoint and include: phosphorous permitting issues, finishing longstanding construction contract changes for template, Gelman issues relating to monitoring well agreements, watermain agreement issues, transitioning of lead and copper rule legal issues.

CA-20 – Resolution to Amend the FY20 General Fund Budget by Adding One Full Time Equivalent Position and the Related Funding to the Ann Arbor Police Department (8 Votes Required)

Question: The cost for the new AAPD position is 100K in FY 20, and over 200K for FY21 and beyond. Is 205k a year the amount Ann Arbor should expect to have to continue to budget for on an annual basis for FY's after 2020? (Councilmember Ramlawi)

Response: Yes.

Question: What has changed to our Fire Station Master since our FY 20 budget adoption to allow use to reduce 100k of the 300k budgeted annual contribution to it? (Councilmember Ramlawi)

Response: Prior to the realization of the Fire Protection Grant funding, we were starting a capital fund with the \$300K in FY20. The intent was never to fully use this \$300K in FY20. Since this was a capital fund, whatever was not used would be rolled over. In FY20, we have charged site assessment and environmental assessment of current locations of Stations 3 and 4 against this \$300K. Total charges to date on this fund for this work are \$33,145. We anticipate coming to Council in the future to deposit a portion of the Fire Protection Grant Funding we received from the State of Michigan in FY20 into this fund. Since the initial \$300K deposit were general fund monies, it is appropriate to reallocate these funds back to the general fund for this use.

With the estimated build cost of Station 4 coming in at \$5,000,000, the plan was to take the remaining funds from FY20 plus another \$300K in FY21 for the architectural fees. The intent was to then do a RFP for a general contractor in second half FY21 and start construction in FY22. With the new source of funding from the State of Michigan we would be able to meet this construction goal and help fund this police position.

Question: How do expect to fund this position in the long term in the absence of taken away from other budget commitments made by council as is being suggested with this proposal? (Councilmember Ramlawi)

Response: The city recently received \$1.052 million in additional Fire Protection Grant monies from the State. Staff offered to reduce the \$300k per year budget allocation in FY20 & FY21 for the Fire Master Plan and re-purpose it for the requested Police FTE.

Council may be asked to consider allocating a portion of the new Fire Protection Grant funds to the capital sinking fund to continue the Fire Master Planning effort.

Question: Why do we continue to ignore the County Health Millage funds on expenditures that are clearly in bonds of the purpose and intent of that Millage? (Councilmember Ramlawi)

Response: The millage monies were allocated for the purposes of affordable housing, sustainability, and pedestrian safety per Council direction. Council approved the expenditure of these funds as part of their approval of the FY20 budget. Staff has complied with the policy adopted by City Council. If Council wishes to deviate from this policy, staff will comply. However, an officially adopted action of Council is required before we may do so.

Question: Q1. Can you please provide the full list of budget amendments (dollars and FTE's) requested and approved during FY20 and (time permitting), please provide the same information/list for FY19 as well? (Councilmember Lumm)

Response: The following tables summarize the General Fund budget amendments processed for FY2019 and year-to-date FY2020. Where the table describes "carryover", this represents funds that were approved without regard to fiscal year but the action was not complete at the end of the fiscal year.

FY19 General Fund Budget Amendments		
Amount	Description	Department
877,000	Carryforward from FY18	Non-Departmental
167,200	Carryforward from FY18 for governance plans	Non-Departmental
262,612	Carryforward from FY18 for overhire program	Non-Departmental
1,000	Mayor's Office Sister City Celebration	Non-Departmental
130,000	Streetlight backlog	Non-Departmental
100,000	Annexation Funding	Non-Departmental
1,295,000	Y Lot Settlement	Non-Departmental
37,486	Carry forward of unspent hydro study money	Non-Departmental
1,199,800	Year-End Budget Clean-up	Non-Departmental
15,602	Carryforward from FY18 for Zamboni	Parks
40,000	Ice Rinks	Parks
35,000	Canoe Art	Parks
47,412	ImageTrend Software	Fire
23,947	Morris & McDaniel - Promotional Testing	Fire
4,500	ImageTrend Software - Data Conversion	Fire
150,000	Planned use of fund balance for Special Event Funding as adopted by Council as part of budget adoption.	Building & Rental
93,000	Planned use of fund balance for Deer Management as adopted by Council as part of budget adoption.	Building & Rental
9,269	FERC Pt 12 Carry over	Water Treatment
21,000	Emergency Repair of Barton Dam	Water Treatment
15,000	Emergency Repair of Barton Dam	Water Treatment
151,260	Barton Dam Hydroturbine Project	Water Treatment
6,300	Varnum Amendment	Water Treatment
10,981	Electric Vehicle Charging Stations	Sustainability & Innovations
490	Municipal Clean & Renewable Strategy Implementation	Sustainability & Innovations
32,866	Sign Ordinance Carry forward	Planning
150,000	Outside legal counsel	Attorney's Office
50,000	Police Commission	Police
38,098	DTE Mercury Vapor to LED conversion & Hollywood Drive Paving	Engineering
135,000	AAHC Operating Support & Zoning Analysis	Housing Commission
25,700	Primary Chiller Project	Facilities
5,125,523	Grand Total	

FY20 General Fund Budget Amendments		
Amount	Description	Department
324,218	Use of Fund Balance to balance FY20 budget	Non-Departmental
389,168	Parks Fairness Money as part of FY20 budget	Parks
88,000	Leslie Science Center testing & remediation	Parks
431,000	Leslie Science Center soil borings, testing & remediation plan	Parks
51,590	Station 6 Evidence Room	Fire
12,600	Image Trend	Fire
7,000	Image Trend	Fire
120,328	Special Event Funding Carryforward from FY19	Building & Rental
96,021	New TrakIt Software	Building & Rental
25,000	Y-Lot Engagement, Concepts & Feasibility Study	Planning
5,182	Sign Ordinance Study	Planning
62,628	Carryforward of Annexation money	Planning
20,000	Carryforward of Neighborhood Partnership money	Planning
200,000	Net Zero Affordable Housing	Sustainability & Innovations
10,000	Resilience Hubs	Sustainability & Innovations
24,510	Municipal Clean & Renewable Strategy Implementation	Sustainability & Innovations
17,838	DTE Mercury Vapor to LED conversion	Engineering
196,530	Hollywood Drive Paving	Engineering
130,000	Fuller Ct & Nixon/Traver Sidewalk Gaps	Engineering
4,000	Residential Parking	Engineering
15,000	9434 Stimson Sidewalk Gaps	Engineering
20,000	9416 Scio Church Sidewalk Gaps	Engineering
160,771	9271 Northside Steam Sidewalk Reimbursement	Engineering
150,000	Resident Driven Sidewalk Gap Filling Program	Engineering
6,458	Police Hybrid Vehicle	Police
13,199	BWC/Interview Storage	Police
38,500	Pension Advisory Services	Finance
200,000	Aon Consulting	Finance
270,000	Purchase of property at 1146 S Maple	Community Development
12,361	Trinitas Development	Attorney's Office
3,101,902	Grand Total	

Question: Q2. Thank you for the information provided on the hiring of the 2 new officers and 2 new cadets that were included in the FY20 budget. That's good to hear, but what wasn't clear is whether there are any vacant/open, budgeted sworn officer (or civilian) positions at this time. If so, how many are there and what is the plan to fill those positions? Also, do we have a sense of pending retirements of sworn officers over the next 6-12 months and what is the plan to fill those positions? (Councilmember Lumm)

Response: We have 3 current vacant police positions and 1 non-sworn open position (Community Standards Officer). We have extended 4 conditional offers of employment to police officers for these open positions. These candidates are in the background investigation phase of this hiring process. We hope to have them on board in March. We will be conducting a hiring process to fill the non-sworn police position. We receive notice of retirements 30 days in advance. The City allows us to over-hire on occasion in anticipation of future vacancies. Police recruitment and hiring has been a top priority of the Police Department and Human Resources, and vacancies have been filled quickly with quality candidates.

Question: Q3. The cover memo indicates the cost of the FTE is \$100K in FY20 (partial year) and \$205K in FY21. Please provide the detail (salary, benefits, other) that makes up the \$205K annual cost in FY21? (Councilmember Lumm)

Response: Assumed wages of \$113,230 and fringes of \$87,199.

Question: Q4. While I appreciate identifying an offset to pay for the FY20 cost, I am concerned about the impacts of reducing the Fire Station Master Plan budget. What impact will that reduction have on the Station Master Plan implementation scheduled outlined at the budget retreat (what will be deferred)? (Councilmember Lumm)

Response: We plan to backfill the fire station master plan funds with fire protection grants from the state, as discussed above. This fiscal year we have received approximately \$1 million from the state in Fire Protection Grants that were not anticipated in the FY20 budget.

Question: Q5. The Administrator’s Dec.26th memo indicated that the request for the next two priority police positions (Data Analyst/Architect and Public Information / Communications Officer) will be coming to council as FY20 budget amendments later. I recognize the salaries for these positions are being finalized, but what is the ball park cost and what will be the recommended funding source? (If the funding source recommendation is not yet finalized, will further reductions to the budget for the Fire Station Master Plan be considered?) (Councilmember Lumm)

Response: The ranges are described below. The funding source has not yet been determined, and we don’t want to opine on the source until a formal recommendation is made to Council. The fringe figures are at FY2021 levels.

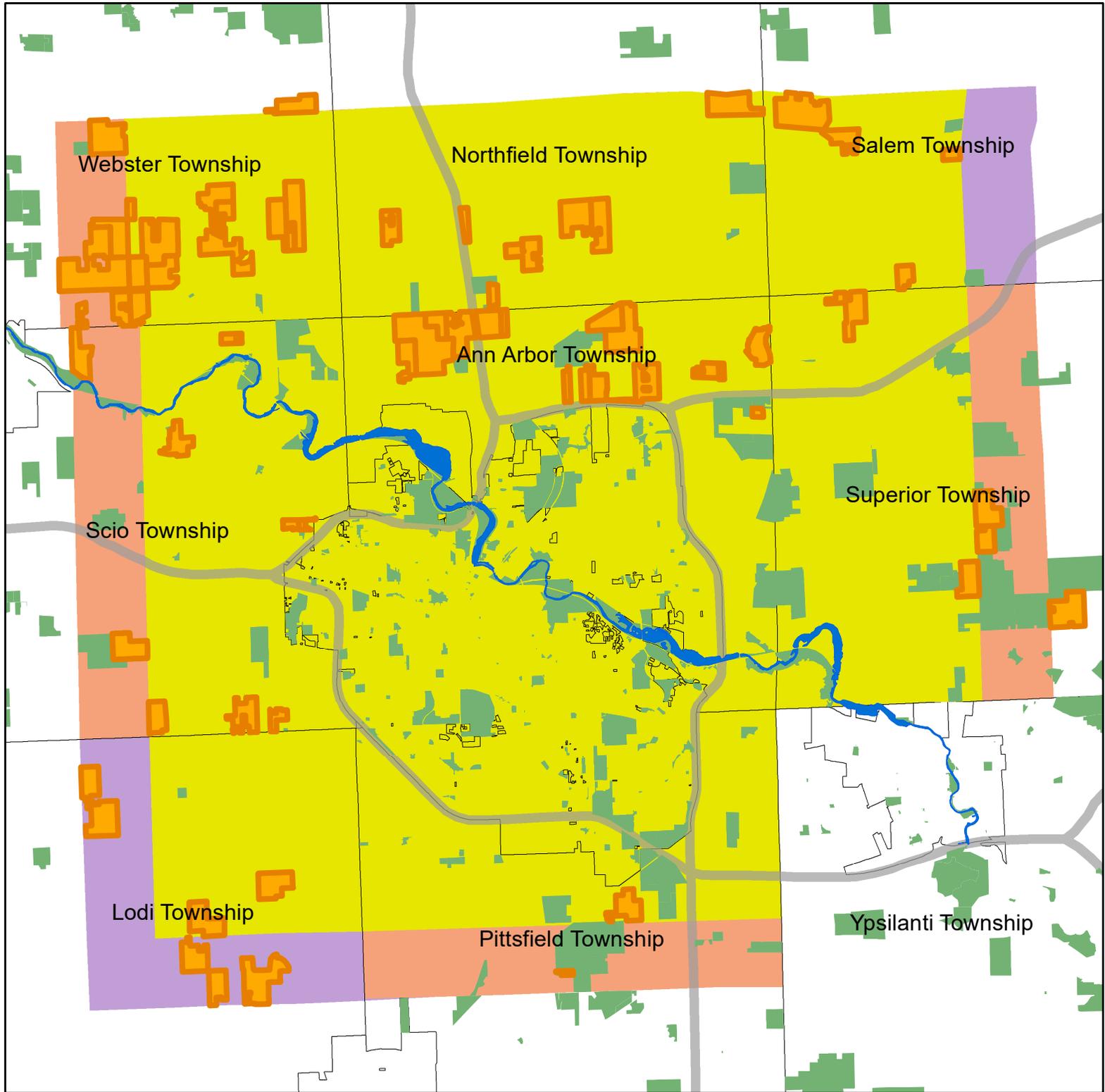
Data Analyst Estimated Cost			
	Low	Mid	High
Wages	69,000	79,500	90,000
Fringes	35,832	38,423	41,014
Total	\$ 104,832	\$ 117,923	\$ 131,014

Public Information Officer Estimated Cost			
	Low	Mid	High
Wages	120,000	145,000	170,000
Fringes	48,418	54,148	58,768
Total	\$ 168,418	\$ 199,148	\$ 228,768

Question: Q6. The Administrator's Dec. 26th memo also indicated that the request for the final two priority police positions (CALEA Manager and Strategic Project Manager) will be part of the FY21 budget proposal. Is it anticipated there will be police staffing requests (beyond these first five) in the FY21 budget request? Also, do you anticipate restoring in FY21 the Fire Station Master Plan funding eliminated from the FY20 budget? (Councilmember Lumm)

Response: There are no pending requests at this time for more police personnel outside of the requested positions highlighted in the City Council's December budget retreat. However, that does not mean that additional police positions will not be requested as part of the Administrator's budget proposal. It is too early in the planning process right now to determine if additional requests will be made. We plan to ask Council to backfill the fire station master plan funds with fire protection grants from the state, as discussed above.

Greenbelt District Boundary Changes



-  Greenbelt Properties
-  Other Preserved Land
-  Greenbelt Boundary 2003
-  Greenbelt Boundary Addition 2007
-  Greenbelt Boundary Addition 2011 (Present)

0 0.5 1 2 3 4 Miles





MEMORANDUM

To: Mayor and City Council

FROM: Craig Hupy, Public Services Administrator

SUBJECT: Review of Recycle Ann Arbor's Line-Item Detail Letter (10/22/19) regarding Recycling Collection Costs

DATE: January 6, 2020

Purpose: Following the September 9, 2019 City Council work session and the staff presentation on solid waste updates, including the draft Solid Waste Resources Management Plan (SWRMP), staff received several follow-up questions/items that led to a response memo dated October 17, 2019. Included in these items were some related to a September 9, 2019 letter (copy attached) from Recycle Ann Arbor (RAA) questioning the SWRMP's cost of service analysis' findings regarding RAA's costs for providing recycling collection services for the City; one of those particular items requested that staff formally request from RAA "line-item detail to support the numbers" in their letter. Staff made this request and received a letter from RAA dated October 22, 2019 (copy attached) in response to this request.

This memorandum provides the SWRMP team's analysis of RAA's October 22, 2019 letter.

Background: As Ann Arbor looks to the future of solid waste and resource management, including improvements to our current residential recycling program, the City aims to deliver exceptional service that sustains and enhances a vibrant, safe, and diverse community. We are mindful of our responsibility as stewards of our community's fiscal health and legacy of environmental leadership.

As noted in our October 7, 2019 *Solid Waste Road Map* memorandum, the most contentious component of the SWRMP is the Cost of Service Analysis findings regarding recycling collection and the resulting draft recommendation that the City bring the services in-house. While the SWRMP's analysis concluded that bringing residential recycling collections in-house would result in savings of \$775,000 in the first year of operation and create at least three additional City union jobs, RAA contends this analysis overestimates potential savings associated with the City's recommendation.

City staff remains confident in our ability to provide excellent and efficient service to Ann Arbor's residents, but as noted in the *Solid Waste Road Map* memo, the City will competitively procure residential recycling collection to identify the best possible means of providing residential recycling in Ann Arbor, either by City resources or contracted services. The *Consolidated Residential Collection Recommendation* in the draft (August) SWRMP has been modified to become the *Improved Residential Recycling Collection Recommendation* in the final (November) draft SWRMP document to reflect this approach.

SWRMP Team Analysis of RAA October 22, 2019 "Line-Item Detail" Letter

The City finds RAA's line-item analysis of the Solid Waste Management Resource Plan's (SWRMP) projected cost estimate for in-house residential curbside recycling collection to have several accounting and logic errors of note. Specifically:

1. **RAA miscalculates the cost of servicing multi-family and commercial locations.** The SWRMP already includes costs to serve multi-family and commercial properties in its estimate of residential collection services. Recycling collection cost calculations in the Cost of Service Analysis are based on unit costs for labor, fleet, fuel and maintenance calculated on a dollar-per-hour-of-service basis, as detailed in the attached Cost of Service Analysis document. Due to the larger number of recycling containers to be serviced compared to trash containers, the SWRMP analysis projects City-performed recycling collection will require a total of 7 FTEs and 7 trucks. The SWRMP applies unit costs per hour for City-performed trash collection to forecast costs for City-performed recycling collection because the staff, fleet, and overall service of recycling carts is identical to City-provided trash collection. The SWRMP calculation is inclusive of additional recycling tips.

In addition, RAA's letter notes that many customers have multiple carts and that the costs should be based on the number of cart tips rather than the number of customers or households as is the industry standard. The City's residential trash customers also include many that have multiple trash carts. If the number of cart tips is used as the basis for the unit calculations, the unit costs (not including processing due to the wide variation in costs for recycling and trash) that result are:

RAA performed:	\$7.08/cart tip
City performed:	\$4.74/cart tip

RAA incorrectly identifies an additional \$283,610 worth of expenses the City has already accounted for in the SWRMP calculations.

2. **RAA overestimates administrative costs and includes education costs not within the scope of the residential recycling collection contract.** As noted in our October 17, 2019 response to City Council questions from the September 9,

2019 City Council Work Session on solid waste, a small amount of incremental supervisory and customer service costs may be incurred by the City if we provide in-house residential recycling collection. However, the City can leverage existing resources and FTE to accommodate the added administrative work and we anticipate savings associated with contract-management and coordination that could offset a portion of any cost increases, rather than incurring the additional costs RAA cites in their letter.

The City of Ann Arbor agrees education is a critical component of maintaining a clean recycling stream. While education is outside of the scope of the residential recycling contract, the City has both internal and contractual educational initiatives to support ongoing education, including two contracts with The Ecology Center (an umbrella organization to RAA) to provide in-school education modules and open-house education sessions.

Based on feedback provided by RAA between September 9 and October 22, 2019, as well as City contract management records, the City is unable to identify any detail supporting RAA's claim that they spend \$150,000 per year on recycling education as part of the collection contract. If this money is being spent for education under the recycling collection contract, it does not meet contract terms and RAA has not previously made the City aware of the expense.

Of note, given RAA's emphasis on their ability to educate the community to maintain a clean recycling stream, under the terms of the current MRF transloading operation contract (not the collection contract) the City contractually requires RAA to maintain a residual (or non-recyclable) rate of less than 10%. Since July 2017, RAA has been responsible for both collection and transloading of recyclables, and regular material audits show RAA has failed this contractual requirement, with residual rates greater than 10% for the majority of their contract term.

RAA incorrectly estimates an additional \$185,263 in management, administrative and labor costs that the City already accounts for in the SWRMP estimate. Additionally, RAA provides no detail to support their claim regarding \$150,000 worth of missing educational costs, nor any evidence to support a direct link between their recycling collection program and the City's educational outcomes.

- 3. RAA overestimates costs associated with fleet improvements.** As RAA's letter states that they will not include any detailed analysis regarding any savings or efficiencies to be gained with new trucks and technology compared to their current costs used in the Cost of Service Analysis there is no ability to verify their stated cost savings. However, as the cost estimates for the SWRMP utilize the known costs for City-performed collection services and includes the needed fleet capital costs savings of the magnitude listed in RAA's letter are excessive.

The City currently has a unique relationship with RAA whereby the City provides fleet, fuel and maintenance costs for the RAA-operated recycling fleet. We are unaware of any other municipality providing a vendor or contractor with municipally-owned and maintained recycling equipment and we anticipate additional cost savings associated with making the new collection contract more closely align with industry standards.

As indicated in the City Administrator's October 7, 2019 memorandum identifying the Solid Waste Road Map, staff agrees the best path forward is to competitively procure the residential recycling collection component, including the requirement that vendors provide the necessary collection equipment fleet. A competitive procurement for collection should provide the level of clarity requested on costs to perform recycling collection services.

The City's fleet estimates are based on City-performed collection service, including fleet capital costs; therefore, RAA is incorrect in its assumption that our cost estimate should accommodate an additional \$200,000 - \$400,000 in fleet maintenance costs avoided by updating the fleet RAA currently uses.

Attachments:

Recycle Ann Arbor letter of September 9, 2019
Recycle Ann Arbor letter of October 22, 2019
SWRMP Cost of Service Analysis

cc: Howard S. Lazarus, City Administrator
Cresson Sloten, Public Services Area
Molly Maciejewski, Public Works Manager
Marti Praschan, Chief of Staff
Eileen Naples, Resource Recovery Manager



As a non-profit organization, Recycle Ann Arbor's mission is to develop and operate innovative reuse, recycling, and zero waste programs that improve the environmental quality of our community.

September 9, 2019

To: Mayor Christopher Taylor and Members of the Ann Arbor City Council
From: Eric Head, Recycle Ann Arbor Board Chair
Re: Consolidated Solid Waste Collection

I am writing to you regarding the recently released draft Solid Waste Resource Management Plan (SWRMP). We believe that the SWRMP financial analysis inaccurately inflates the relative cost of Recycle Ann Arbor's curbside collection services, and as a result, greatly inflates the cost of current recycling programs. I would like to set the record straight.

The SWRMP analysis projects that the City would save approximately \$775,000 by "in-sourcing" the recycling collection service, but we assert that there are significant omissions in that calculation, that negate virtually all of the savings. Specifically:

1. **The analysis neglects significant additional expenses (\$283,610) of servicing multi-family and commercial locations.** The current RAA service collects recyclables from 2,539 such locations every week, but the cost of collecting materials at these sites is far more expensive than at single-family sites, which is how the analysis projects the costs under the consolidation scenario.

Further, most of those sites have multiple carts, 7,392 in total. While many of these stops are multiple carts at one location, most of them are semi-automated, meaning that the driver has to get out of the truck for logistical reasons to tip the cart, creating a much higher labor cost/stop.

2. **The analysis neglects significant additional management, administrative, customer service, and education expenses (\$335,263) that are currently performed by RAA, and yet are not included in the consolidation scenario.** Administrative costs – including data tracking and reporting, driver supervision and dispatch, administration, accounting, truck insurance and supplies are included in RAA labor cost, but not reflected in the projected city costs. RAA's collection costs include on-the-ground education and outreach, some required by city contract. Because of these education services, the quality of the city's recyclables remains high and RAA has successfully marketed these materials through the recent recycling market crisis. The report budgets \$500K for other sorts of education but does not include it in the consolidation scenario.
3. **The analysis compares a consolidation scenario with new collection vehicles versus RAA's current operations without those new vehicles (\$200,000-\$400,000).** The report assumes that other than for a standard escalator, RAA costs would remain unchanged in a future contract, but RAA would invest in new trucks and technology, and these investments would significantly lower future collection costs.

Recycle Ann Arbor (RAA) has been providing curbside recycling collection, and many other zero waste services, in Ann Arbor for 41 years. The SWRMP's public opinion survey found that 93% of City residents are satisfied or very satisfied with RAA's curbside recycling service. And finally, the report notes that Ann Arbor has been a leader in waste reduction and recycling over the decades and, while it is not acknowledged in the report, RAA has been the primary service provider and partner with the City on these programs over the decades.

I would hope that a proposal to sever the City's decades-long partnership with Recycle Ann Arbor would receive a full public airing. RAA started providing curbside recycling services for this community before the City even considered it a municipal service. Through the decades, and to this very day, RAA has continued to provide new zero waste services for this community, whether they're provided under City contract or not.

As a mission-based nonprofit recycler, RAA invests all proceeds back into the community, further advancing the City's stated zero waste goals. Since our very first contract with the City of Ann Arbor in 1981, we've developed all of our programs in close partnership with City leadership.

The partnership between the City of Ann Arbor and Recycle Ann Arbor has provided the Ann Arbor area with recycling and zero waste services that do not exist in most communities in the United States – including a comprehensive Drop-Off Station, the Reuse Center, the Urbanwood Center, the Recovery Yard for construction materials, zero waste event management, and more. These services are used by tens of thousands of Ann Arbor area residents and businesses every year, and led the National Recycling Coalition to acknowledge Recycle Ann Arbor as the United States' "Top Community Recycler" in 2005. These services have been a critical part of what's distinguished Ann Arbor's recycling programs from that of other communities.

We would never argue that any of these achievements relieve RAA of the need for ongoing accountability and cost-effectiveness, and we would never argue that RAA has always provided perfect service. We believe, however, that a fair accounting would reveal that our operations are both cost-effective and mission-effective, and we would welcome any transparent bidding process that compared actual costs.

We want to thank you in advance for your consideration and invite you to contact us with any questions or comments.

REVIEW OF DRAFT SWRMP FINANCIAL PROJECTION - Residential Consolidation Scenario

The Aptim draft SWRMP plan indicates that if the City of Ann Arbor were to municipalize curbside collections it would save the City \$775,000.

The projected savings for City-operated consolidated collections are artificially inflated.

- 1.) SWRMP Consolidation Scenario compares the efficiencies of new trucks versus existing old vehicles. RAA would achieve equivalent efficiencies in future contract, reducing costs by **\$400K**.
- 2.) SWRMP projection ignores **283K** for multi-family and commercial recycling collection. This will appear as a cost elsewhere in the City's budget.
- 3.) SWRMP projection ignores **335K** for administrative & education costs that are currently provided by RAA, and would either be incurred by the City, or would not be provided any longer, to the detriment of the City's recycling efforts.

THE SWRMP CONSOLIDATION SCENARIO LEAVES OUT OVER \$1 MILLION.
 $\$400,000 + \$283,610 + \$335,263 = \$1,018,873$

CURBSIDE RECYCLING COSTS

Recycle Ann Arbor is contracted to collect recyclables curbside.

DRAFT SWRMP Reports*



Contract Fee	
\$1,736,689	\$4.03/cart tip
Vehicle Expenses	
\$1,087,297	\$2.69/cart tip
Allocated Admin/Education	
\$408,091	\$1.01/cart tip
Totals	
\$3,232,077	\$8.01/cart tip

\$8.01
cart tip

REVIEWED PROJECTED COSTS



Contract Fee	
\$1,336,689	\$3.31/cart tip
Vehicle Expenses	
\$1,087,297	\$2.69/cart tip
Allocated Admin/Education	
\$408,091	\$1.01/cart tip
Totals	
\$2,832,077	\$7.02/cart tip

\$7.02
cart tip

SWRMP CONSOLIDATION SCENARIO

City collects recyclables curbside.

DRAFT SWRMP Projections*



Labor Costs	
\$870,489	\$2.52/per stop
Vehicle Expenses	
\$859,468	\$2.49/per stop
Allocated Admin/Education	
\$408,091	\$1.18/per stop
Totals	
\$2,138,048	\$6.19/per stop

\$6.19
per stop

REVIEWED PROJECTED COSTS



Labor Costs	
\$1,154,099	\$2.86/cart tip
Vehicle Expenses	
\$859,468	\$2.13/cart tip
Allocated Administrative	
\$743,354	\$1.84/cart tip
Totals	
\$2,756,921	\$6.83/cart tip

\$6.83
cart tip

*The financial projections presented in the SWRMP are a misrepresentation.



RECYCLING COLLECTION IS DIFFERENT THAN TRASH COLLECTION LINE-ITEM DETAIL FOR RECYCLING COLLECTION PROJECTED COSTS

October 22, 2011

Dear Cresson and Molly,

Recycle Ann Arbor would like to provide detail and insight behind our analysis of the SWRMP projected costs in response to City staff's request of a line-item detail. We would also like to emphasize the difference between recycling curbside collections and residential trash collection. Aptim's analysis and entire premise was based on the assumption that (pg. 54) "City recycling collection costs are assumed to be equal to waste collection costs on a unit (cost per hour) basis for labor, fuel, repair and maintenance and fleet costs."

Maintaining the quality of the material collected is paramount when considering recycling collection, especially given the extremely difficult market conditions of today's recycling industry. The present recycling market complications require additional expertise throughout collection, sorting, processing, and the sale to end markets to ensure recovery of the highest financial and environmental value. Ann Arbor has been well-insulated from the current recycling industry's problems that plague many other communities due to Recycle Ann Arbor's experience and commitment to quality. Among residents, Recycle Ann Arbor maintains a 93% satisfaction rate, and as confirmed by city staff, a contamination rate that is well-below the national average. We caution against taking unnecessary risks with the city's current program that may lead to less desirable results which could have serious impacts on the ability to market the recyclables collected.

In addition, the costs for recycling currently modeled in the SWRMP do not include the same administrative overhead that is allowed for trash collection. Aptim has added 7 FTEs without including any additional overhead. As stated above the 7 FTEs are based on the requirements to collect trash – not recyclables.

Finally, the report did not factor the efficiency gains from the use of new collection equipment that RAA would use, this would be actualized in a RFP response with lower pricing.

We hope that the following information clarifies the projected costs for municipalized recycling collections and encourages and informs the RFP process for recycling collections.

Bryan Ukena
CEO
Recycle Ann Arbor

RECYCLING COLLECTIONS ARE DIFFERENT THAN TRASH COLLECTIONS

HIGHER NEED FOR CUSTOMER SERVICE

- What and how to recycle is far more complicated than trash collections resulting in increased customer interactions via emails, calls and in-person service which leads to higher overhead costs.
- Drivers must get out of the truck more frequently to troubleshoot issues and assist, requiring more time.
- Drivers often tag carts that are improperly placed or contain contamination, requiring more time and overhead costs. This is a key effort to educate & inform residents.

HIGHER NEED FOR RECYCLING EDUCATION & OUTREACH

- Residuals (materials that cannot be recycled) contractually must be under 10% requiring extensive recycling education & outreach.
- Due to the complicated nature of recycling, education and outreach programs must be engaging, consistent, and often tailored to specific audiences (such as students, multi-family units, businesses, ESL audiences, etc).
- Printed materials, digital communications, trainings, consulting, presentations, events, and proactive social media that RAA has delivered have resulted in a high-quality recycling program and must be included.

MULTI-FAMILY COLLECTIONS REQUIRE EXTRA CONSIDERATIONS

- Most multi-family collection stops require the driver to get out of the truck to service carts. This results in fewer stops per hour compared to fully automated collections .
- Customer service and consultation is tailored to each location, as each location has its own demographics, geographic limitations, and fluctuations in tenants.
- Higher contamination is present at multi-family units and at dumpster locations creating an even greater need for hands on education and outreach.

EXPERTISE IN RECYCLING COLLECTIONS IS CRITICAL

- Drivers must fully understand what can be recycled, actively evaluate and look for high levels of contaminations, and tag carts when necessary.
- Route management and customer service are focused on low contamination, high participation, along with great service and efficient collections.



LINE-ITEM DETAIL FOR RECYCLING COLLECTION PROJECTED COSTS

1. The analysis neglects significant additional expenses (\$283,610) of servicing multi-family and commercial locations.

Line Item Detail:

- a.** Assumes city expenses to collect recycling are comparable to garbage (page 58 SWRMP Report). The sum of labor, fuel, truck repair and maintenance and truck costs for residential garbage comes to \$4.87/household/month (not including disposal costs).
- b.** Due to the number of multi-family units, a more accurate measurement of costs is based on tips, not customers.
 - Aptim's analysis is based on 28,768 stops per week.
 - RAA currently tips 33,621 carts per week.
 - Results in 4,853 additional tips.
- c.** $4,853 \times \$4.87 = \$283,610$ of unaccounted for collection expenses per year. If the assumption is that multi-family moves to commercial collection, then this should be factored into additional commercial collection costs.

2. The analysis neglects significant additional management, administrative, customer service and education expenses (\$335,263) that are currently performed by RAA, and yet are not included in the consolidation scenario.

Line Item Detail:

- a.** The report states that "route operations" overhead is allocated by city labor hours. This allocation does not change in the scenario of internalizing recycling collections (it stays the same in both the RAA scenario and the consolidated scenario). The allocation for residential waste is \$135,876/year for 6 trucks (\$22,646/truck/year). For recycling with 7 trucks (as listed on page 54 of report), this would come to an additional \$158,522/year. This number would account for the city's additional administrative and oversight management labor that RAA currently has on staff to service the contract beyond just driver labor.
- b.** Adding in the additional 17% labor needed when calculating by tips instead of stops (as outlined in #1) adds an additional need of \$26,741.
- c.** RAA currently spends approx \$150,000/year on recycling education that is included in the current contract. This is a significant factor in the City's ability to continuously market a clean, high quality stream of recycling in extremely difficult market conditions.
- d.** The net total is $\$158,522 + \$26,741 + \$150,000 = \$335,263$

3. The analysis compares a consolidation scenario with new collection vehicles versus RAA's current operations without those new vehicles (\$200,000-\$400,000/year).

Line Item Detail:

- a.** This number reflects the fact that the current (city-owned, RAA operated) collection fleet is old and inefficient, with high maintenance and repair costs. New trucks with the addition of new technology will create significant collection efficiencies.
- b.** As we understand there is a possibility of bidding out the collection services, it would be unfair to disclose detailed numbers related to the internal collection cost by RAA at this time.
- c.** An RFP process would confirm these assumptions and allow the City to truly compare costs with the next generation of recycling trucks.

SUMMARY OF INACCURATE CALCULATIONS FROM SWRMP REPORT

Inaccurate Calculation from the Report	Financial Impact/Year	% of Savings Miscalculated	Details
<p>1. APTIM analysis doesn't account for 4,853 MF carts currently being serviced by RAA under the existing contract.</p>	<p>\$283,610</p>	<p>37%</p>	<p>The unaccounted for MF cart collection costs will be transferred to the commercial collection program, where the report states: "Added contracted collection expenses in commercial collection to be determined based on proposal pricing."</p>
<p>2. The comparison assumes that RAA contract costs only represent direct collection costs. The City will incur additional costs in management, administration, customer service and education/marketing that are currently included in the contract price.</p>	<p>\$335,263</p>	<p>43%</p>	<p>This includes allocating an equal amount of per/household administrative overhead to the recycling collection as the city allocates to the trash collection in the report. This also includes \$150,000/year that RAA currently spends on education as part of this contract.</p>
<p>3. The cost comparison ignores the efficiency gain any future contract will have from new trucks and technology.</p>	<p>\$200,000 to \$400,000</p>	<p>26% to 52%</p>	<p>RAA costs are based on old technology and old trucks. The efficiencies of new trucks would result in a projected \$200,000 to \$400,000 savings per year over current RAA contract prices.</p>
<p>Total Miscalculations/Year</p>	<p>\$818,873 to \$1,018,873</p>		<p>These are the costs that the report failed to include in the apple to apple comparison of RAA contract costs to consolidated residential collections by the City.</p>
<p>Report Projected Savings/Year</p>	<p>\$775,000</p>		<p>As listed in the report</p>
<p>Actual Net Cost of Transitioning to Consolidated Collections/Year</p>	<p>(\$48,873) to (\$243,873)</p>		<p>The true cost to city of consolidating residential collections compared with continuing to contract out collections.</p>

**ATTACHMENT C
COST OF SERVICE ANALYSIS**

SECTION 1 PURPOSE

This report summarizes the costs of the various solid waste services provided by the City of Ann Arbor (City) and its contractors. The City tracks and reports its costs for solid waste operations based on standard accounting practices employed for all departments and activities citywide. The City's FY2018 costs were reviewed to evaluate the City's costs to provide solid waste services through each of the functional operations performed. Functional operations include:

- Residential solid waste collection and disposal
- Residential compost collection and composting
- Commingled cart recycling collection
- Commercial commingled recycling collection
- Recycling processing
- Commercial solid waste collection and disposal
- City event-related, City parks, and downtown street-side container solid waste services
- Former landfill maintenance and compliance activities

Costs were compiled by function after a thorough review of the City's cost accounts and activities. In addition, indirect administrative costs were allocated to the different functions. The resulting analysis provides a detailed accounting of costs by function in total (i.e., annual cost) and on a unit cost basis (e.g., cost per household per month, cost per ton). Presenting the costs in this manner is standard within the solid waste industry and enables comparison of the City's costs for its current programs to other communities. It will also enable options included in the Solid Waste Resources Management Plan to be evaluated for cost impacts at the customer level.

The remainder of this report provides further detail on the methodology employed and the City's costs of current solid waste services, consisting of the following sections:

- Section 2 - Overview of Services
- Section 3 - Resource Management Program Area Costs
- Section 4 - Residential Cost of Service
- Section 5 - Recyclable Material Processing Cost of Service
- Section 6 - Commercial Collection Cost of Service
- Section 7 - Program Area Revenue
- Section 8 - Conclusion

SECTION 2 OVERVIEW OF SERVICES

The City provides comprehensive resource management services to the residents and businesses of the City. Services include collection and disposal of trash; collection and processing of recyclables; and collection and composting of organic materials.

The City’s resource management services are provided by a combination of City crews and contracted services, as summarized in Table 1. Residential collection in Table 1 refers to single-family residences and properties of 1 or 2 units. Commercial collection includes multi-family residences of 3 or more units in addition to businesses and institutions.

TABLE 1. ANN ARBOR SOLID WASTE AND RECYCLING PROGRAM SERVICE PROVIDERS

Service	City Crews	Contracted Service
Trash		
Residential Collection	32, 64 and 96-gallon carts	
Commercial Collection	32, 64 and 96-gallon carts and property-owned dumpsters	Contracted dumpsters (Waste Management)
Disposal		Advanced Disposal Services
Recycling		
Residential Collection		32, 64 and 96-gallon carts (Recycle Ann Arbor)
Commercial Collection	64 and 96-gallon carts in the downtown and dumpsters	64 and 96-gallon carts outside the downtown and 300-gallon totes (Recycle Ann Arbor)
Processing		Recycle Ann Arbor
Compost		
Residential Collection	Yard waste bags, or 64 and 96-gallon carts	
Commercial Collection	Not currently offered	
Composting		WeCare Denali
Education and Outreach		
Programs and Services	Printed materials and website	School programs, recycling workshops (Ecology Center)

SECTION 3

RESOURCE MANAGEMENT PROGRAM AREA COSTS

The City's resource management program falls under the Public Works Unit of the City's Public Services Area. To assess the costs of service for the resource management program, actual expenses for FY2018 (July 1, 2017 to June 30, 2018) have been reviewed. The City contracts for a number of services in its solid waste operations, and FY2018 represents the first year of new contracts for waste transfer and disposal as well as for recycling processing. The new contracts are materially different in scope than the prior contracts, resulting in prior years' costs not being representative of current and going-forward costs.

The City's accounting structure tracks expenses by activity; however, some activities do not always align directly with the functional areas being considered for this analysis. For example, management and administrative operations for the program area are classified as discrete activities but support numerous functional areas. Revenues and expenses are reported as approximately 750 individual cost items categorized to more than 100 account types. Therefore, expenses have been allocated where appropriate to match the functional services (i.e., residential and commercial costs for trash, recycling, and compost collection and processing/disposal) being provided.

Based on the expenses for each functional service, the cost of service for an individual customer (resident or business) for each type of service provided is calculated. The cost of service is useful for assessing current funding methods, future funding options, and the costs of program changes or expansions. The remainder of this report identifies current expenses and calculates unit costs of service for the City's resource management program in FY2018.

FY2018 Expenses

For cost of service studies, expenses are broadly classified to the following categories:

- Operations expenses - These are direct expenses that are recognized and assigned to specific functions within the resource management area based on their activity type. Operations expenses include collection, transfer, disposal, material processing (recyclables and compost), container delivery, and other recurring activities. Operations expenses include costs of services provided by City employees as well as contracted services.
- Administration expenses - These are indirect or allocated expenses that are either shared, provide support to numerous activities, or can't be directly assigned to specific activities. Administration expenses include management, customer service, education and outreach, planning, and internal municipal services costs.
- Capital expenses - These include asset development or purchases that are in-progress. Capital expenses are typically recognized as depreciation, distributing the cost over the useful life of the asset. Capital expenses are typically direct expenses but in some cases are indirect (e.g., fleet maintenance facility) and must be allocated.

Table 2 summarizes the City's direct expenses by function in FY2018 and the total indirect expenses of the Program Area.

TABLE 2. RESOURCE MANAGEMENT PROGRAM EXPENSES FOR FY 2018

Function	Amount
Direct Expense	
Residential Waste Collection	\$1,546,972
Residential Recycling Collection ¹	\$2,829,604
Residential Compost Collection	\$1,001,257
Commercial Waste Collection	\$2,243,280
Commercial Recycling Collection	\$666,061
Waste Disposal	\$1,370,902
Recycling Processing	\$3,180,903
Composting	\$172,137
Special Events / Downtown Street-Side Container Collection	\$302,450
Closed Landfill Post-Closure Care and Maintenance	\$377,988
Indirect Expense	
Route Operations / Cart and Container Delivery	\$419,829
Management & Planning	\$646,910
Program Administrative and Municipal Services Costs Allocation	\$1,042,712
Customer Service	\$266,050
Education & Outreach	\$90,837
Total Expenses per City Budget Performance Report	\$16,157,890
Financial Adjustments ²	\$2,394,035
Total Expenses Impacting Fund Balance	\$18,551,925

Notes:

1. Residential Recycling Collection is cart-based recycling collection performed under contract by Recycle Ann Arbor, which includes a small amount of commercial recycling collection.
2. Financial adjustments include GASB pension liability, OPEB (retiree benefits), and capital assets, which were not included in the FY2018 expenses utilized going forward in this cost of service analysis because they are not directly tied to current solid waste operations. However, these adjustments do impact the Fund balance and therefore must be considered when assessing long-term Fund sustainability and are therefore reflected here as expenses impacting the Fund balance.
3. Subtotals may not sum exactly to totals due to rounding.

Cost Allocations

Indirect expenses are not tied exclusively to individual functions. Therefore, in order to assess costs of services, indirect expenses must be allocated to the various functions. The City's operational data and service parameters were utilized to determine the allocation of indirect expenses to each function. Allocations were made utilizing data including:

- City staffing levels and collection labor hours

- Customer counts by sector (residential, multi-family, commercial)
- Collection route data including number of routes, collection frequency, collected containers, containers on-site, container volumes
- Collection truck data including fuel consumption, repair costs, depreciation, and replacement costs reported by the City's Fleet and Facilities Unit
- Collected material tons and disposed or processed tons
- Contractor invoices from Recycle Ann Arbor, Waste Management, WeCare Denali, and Advanced Disposal to obtain tonnage data and collection parameters

Utilizing these data sources, indirect expenses were allocated as follows:

- Route Operations expenses are the costs for the collection supervisors assigned to the work area. Therefore, these costs are allocated to the various collection functions proportional to the City employee labor hours expended providing services in the function. In addition, the Solid Waste Fund's Wheeler Service Center debt payment allocation is also included here.
- Program Administrative and Municipal Services Costs Allocation expenses are allocated to each function proportional to the tonnage managed through the function because the tonnage associated with each of the services provided by the City is commensurate with the level of effort expended by the City to provide the service.
- Customer Service expenses are allocated to each collection function proportional to the customer counts for each function.
- Outreach expenses are assigned entirely to residential recycling collection, as these expenses are tied directly to outreach to the City's residential recycling customers.

Table 3 on the following page identifies costs by functional service by expense type, including allocated indirect expenses as described above. Total costs from Table 3 are utilized in the subsequent sections of this report to calculate the unit costs of the services provided by the City.

TABLE 3. SUMMARY COSTS BY FUNCTION

Expense Type	Residential Waste	Cart Recycling	Compost	Commercial Waste	Commercial Recycling	Recycling Processing	City Events	Closed Landfill	Total
Direct Expense									
Labor	\$794,470	\$5,263	\$377,142	\$365,868	\$298,189	\$99,306	\$141,690	\$7,651	\$2,089,578
Operations	\$80	\$76,832	\$958	\$1,426	\$19,411	\$14,677	\$1,400	\$168,647	\$283,432
Depreciation	\$294,975	\$387,456	\$97,120	\$101,965	\$80,052	\$624,669	\$27,960	\$6,135	\$1,620,331
Vehicle Rental	\$8,153	\$355	\$415,239	\$546	\$61,240	\$2,849	\$39,969		\$528,350
Truck R&M	\$342,471	\$517,662	\$50,248	\$145,442	\$93,038	\$8,210	\$42,654	\$5,248	\$1,204,973
Fuel	\$106,474	\$98,110	\$60,550	\$37,463	\$21,191	\$593	\$3,397	\$370	\$328,149
Equipment	\$79	\$7,237		\$4,193	\$10,629	\$4,404	\$7,217		\$33,759
Utility	\$270			\$697		\$23,129		\$189,937	\$214,033
Contracted Collections		\$1,736,689 ¹		\$1,585,679	\$82,311		\$38,163		\$3,442,843
Disposal/ Processing	\$388,115		\$172,137	\$979,516		\$2,403,065	\$3,270		\$3,946,105
<i>Direct Subtotal</i>	<i>\$1,935,087</i>	<i>\$2,829,604</i>	<i>\$1,173,394</i>	<i>\$3,222,796</i>	<i>\$666,061</i>	<i>\$3,180,903</i>	<i>\$305,721</i>	<i>\$377,988</i>	<i>\$13,691,552</i>
Allocated Expense									
Route Operations	\$135,876		\$105,985	\$68,679	\$66,844	\$17,093	\$25,352		\$419,829
Mgmt. & Planning	\$108,063	\$90,254	\$65,373	\$272,726	\$9,665	\$99,919	\$911		\$646,910
Prog Admin & MSC	\$174,179	\$145,474	\$105,371	\$439,589	\$15,578	\$161,052	\$1,468		\$1,042,712
Customer Service	\$81,527	\$81,527	\$81,527	\$10,735	\$10,735				\$266,050
Outreach		\$90,837							\$90,837
<i>Allocated Subtotal</i>	<i>\$499,645</i>	<i>\$408,091</i>	<i>\$358,256</i>	<i>\$791,730</i>	<i>\$102,822</i>	<i>\$278,063</i>	<i>\$27,731</i>		<i>\$2,466,337</i>
Total Expense	\$2,434,732	\$3,237,695	\$1,531,650	\$4,014,526	\$768,882	\$3,458,966²	\$333,451	\$377,988	\$16,157,889

Notes:

1. Contracted commingled cart collection is provided to single-family and multi-family residents and businesses. Approximately 9% of the customers are businesses.
2. Processing costs do not include the material value received for the recyclables, which is recognized by the City as a revenue and varies based on commodity markets. In FY2018, material value credits resulted in an offset of \$794,254 of the processing cost.
3. Subtotals may not sum exactly to totals due to rounding.

SECTION 4 RESIDENTIAL COST OF SERVICE

Residential Service Cost Overview

Residential service is the weekly collection of waste, recycling, and compost from single-family (1 and 2 unit) homes. Standard service¹ includes a 64-gallon cart for trash, a 64-gallon cart for recycling, and compost collection in either bags or a 96-gallon cart. Approximately 90% of Ann Arbor residents have one 64-gallon cart for waste, with the remainder either having a 32 or 96-gallon cart or multiple carts.

Table 4 summarizes the cost of residential service for a resident with a 64-gallon cart for waste, a 64-gallon cart for recycling, and a 96-gallon cart for compost. Table 4 also includes the cost for collection and disposal of waste from City events, downtown street-side containers, and bulky waste. In communities where residential collection service is provided under contract by a private hauler, these collection costs are often embedded in the residential monthly rate. Therefore, for purposes of comparison to other communities, these costs are included here, with the FY2018 cost distributed over the City’s 26,247 residential units.

TABLE 4. RESIDENTIAL WASTE, RECYCLING, AND COMPOST COST OF SERVICE PER HOUSEHOLD	
Service	Monthly Cost per HH
Residential Waste Collection and Disposal	\$7.67
Residential Compost Collection and Composting	\$4.83
Commingled Cart Recycling Collection and Processing	\$15.54
City Events / Downtown Street-side Cans / Bulky Waste	\$1.06
Total Cost of Service	\$29.09
Annual Cost (Total Cost x 12 months)	\$349.09

The subsequent tables provide a more detailed cost analysis to identify the component costs of each service: waste collection, compost, and recycling. Component costs include labor, fuel, truck repair and maintenance, truck capital, post-collection activities (disposal, composting, or processing), and allocated administrative costs.

Residential Waste Collection and Disposal

Table 5 provides a detailed breakdown of costs for residential waste collection and disposal by cost component. Additional detail is provided in the notes to Table 5, including the calculations completed

¹ Residents may opt for 32-gallon or 96-gallon cart sizes for trash and recycling, or 64-gallon cart for compost.

to derive the monthly cost per household contributed by each cost component. The notes correspond to the letters identified in the first column of Table 5.

TABLE 5. RESIDENTIAL WASTE COLLECTION AND DISPOSAL COST OF SERVICE				
Note	Cost Component	Count / Unit Cost	Unit	Cost / Household / Month
Route Parameters				
A	Residential Customers	26,247	customers	
	Truck Route Hours (Total)	12,789	hours	
	Weekly Routes	6	routes	
	Truck Route Hours per Route	2,132	hours	
	Customer Pick-Ups per Hour	107	customers per hour	
Labor Cost				
B	Labor Cost per Hour	\$31.70	per hour	
	Benefit %	96.1%	% of labor cost	
	Total Labor Cost	\$62.17	per hour	\$2.52
Fuel Cost				
C	Average Fuel Consumption	6,116	gallons	
	Fuel Cost (\$ per gallon)	\$2.93	\$ per gallon	
	Annual Fuel Cost	\$17,916	per year	
	Per Route Hour Cost	\$8.41	per hour	\$0.34
Truck Repair and Maintenance Cost				
D	Truck Repair and Maintenance Cost	\$342,471	per year	
	Per Route Hour Cost	\$26.78	per hour	\$1.08
Disposal Cost				
E	Residential Waste Tons	15,017	tons per year	
	Monthly Set Out Weight	95.36	lbs / hh / month	
	Disposal Cost per Ton	\$25.45	per ton	
	Monthly Disposal Cost	\$1.21	per hh / month	\$1.21
Truck Cost				
F	2014 Mack LEU613 (Typical)	\$278,443	per truck	
	Replacement Cost (+3% per year)	\$342,450	per truck	
	Annual Cost (7 year life)	\$48,921	per truck per year	
	Truck Cost Per Route Hour	\$22.95	per hour	\$0.93
Direct Cost, Residential Solid Waste				\$6.08
Allocated Administrative Costs				
G	Supervisor / Ops Cost	\$135,876	per year	\$0.43
	Mgmt. & Planning	\$108,063	per year	\$0.34
	Administrative & Municipal Services	\$174,179	per year	\$0.55
	Customer Service	\$81,527	per year	\$0.26
Allocated Administrative Cost, Residential Solid Waste				\$1.59
Total Residential Solid Waste Cost				\$7.67

TABLE 5. RESIDENTIAL WASTE COLLECTION AND DISPOSAL COST OF SERVICE

Notes to Table 5 (subtotals may not sum exactly to totals due to rounding):

A	Total labor hours were provided by the City. On-route hours, or truck hours, were assumed to be 95% of labor hours. The remaining 5% of labor hours are considered to be non-productive time for activities such as pre- and post-trip inspections. Based on the labor hours worked, the average automated side load collection truck is on-route 2,132 hours annually. Productivity averages 107 customers per hour. When compared to other municipal collection operations from prior cost of service studies, the City has a reasonable level of productivity.
B	The City's full labor cost is based on an average hourly labor cost of \$31.70 plus 96.1% for tax and benefit costs. Dividing the labor cost per hour by the customers per hour yields the labor cost per customer per week, which is converted to a monthly cost by multiplying by the average number of weeks per month. Full labor cost = \$62.17 per hour = \$31.70 x (1+.961) Monthly cost = \$2.52/hh/month = (\$62.17 per hour / 107 customers per hour) x 4.33 weeks/month
C	The average fuel cost per truck was \$17,916 in FY2018. Monthly cost = \$0.34/hh/month = (\$17,916 per truck / 2,132 route hours per truck) / 107 customers per hour x 4.33 weeks/month
D	The total cost for truck repair and maintenance was \$342,471 in FY2018. Monthly cost = \$1.08/hh/month = (\$342,471 / 12,789 total truck hours) / 107 customers per hour x 4.33 weeks/month
E	Waste collected from the residential routes was 15,017 tons in FY2018. The disposal cost was \$25.45 per ton. Avg. monthly set-out per customer = 95.36 pounds = (15,017 tons x 2,000 pounds/ton / 12 months) / 26,247 customers Monthly disposal cost = \$1.21/hh/month = (95.36 pounds / 2,000 pounds/ton) x \$25.45/ton
F	The current automated collection truck replacement cost is \$342,450. Using the City's method for truck replacement, the annual truck cost is the cost of the truck purchased, plus a 7-year 3% annual compounding cost, divided over the 7-year life of the collection truck. Annual truck cost = \$48,921 per year = (\$342,450 replacement cost / 7 year life) Monthly truck cost = \$0.93/hh/month = (\$48,921 / 2,132 route hours/week) / 107 customers/hour x 4.33 weeks/month
G	Allocated administrative costs for route supervisor operations, management and planning, administrative and internal municipal services, and customer service total \$499,645. Monthly administrative cost = \$1.59/hh/month = (\$499,645 per year / 26,247 customers) / 12 months/year.

Residential Compost Collection and Composting

Compost collection and composting costs were calculated utilizing the same method as residential waste collection costs. Compost service varies slightly in that direct costs of collection (labor, fuel, repair and maintenance, composting) are only incurred during 9 months of the year, while fixed costs (truck costs including seasonal truck rental, facility depreciation, and administrative costs) are incurred over the entire 12-month year. Costs are therefore calculated and denoted as either 9-month or 12-month costs in Table 6.

Table 6 provides a detailed breakdown of costs for residential compost collection and composting by cost component. Additional detail is provided in the notes to Table 6, including the calculations completed to derive the monthly cost per household contributed by each cost component. The notes correspond to the letters identified in the first column of Table 6.

TABLE 6. RESIDENTIAL COMPOST COLLECTION AND COMPOSTING COST OF SERVICE				
Note	Cost Component	Count / Unit Cost	Unit	Cost / Household / Month
Route Parameters				
A	Residential Customers	26,247	customers	
	Truck Route Hours (Total)	9,431	hours	
	Weekly Routes	4	routes	
	Truck Route Hours per Route	2,358	hours	
	Customer Pick Ups per Hour	103	customers per hour	
Labor Cost				
B	Labor Cost per Hour	\$29.55	per hour	
	Benefit %	28.0%	% of labor cost	
	Total Labor Cost	\$37.82	per hour	\$1.59 (9 months)
Fuel Cost				
C	Average Fuel Consumption	4,926	gallons	
	Fuel Cost (\$ per gallon)	\$2.93	\$ per gallon	
	Annual Fuel Cost	\$14,430	per year	
	Per Route Hour Cost	\$6.12	per hour	\$0.26 (9 months)
Truck Repair and Maintenance Cost				
D	Truck Repair and Maintenance Cost	\$50,248	per route per year	
	Per Route Hour Cost	\$5.33	per hour	\$0.22 (9 months)
Compost Cost				
E	Residential Compost Tons	9,085	tons per year	
	Monthly Set Out Weight	76.92	lbs / hh / month	
	Compost Cost per Ton	\$18.95	per ton	
	Monthly Compost Cost	\$0.73	per hh / month	\$0.73 (9 months)
Truck Cost				
F	2010 Mack w/Labrie Packer (Typical)	\$265,672	per truck	
	Replacement Cost (+3% per year)	\$326,743	per truck	
	Annual Cost (7 year life)	\$46,678	per truck per year	
	Truck Cost Per Route Hour	\$19.80	per hour	\$0.83 (12 months)
Seasonal Truck Rental Cost				
G	Truck Rental	\$141,011	per year	\$0.45 (12 months)
Facility Depreciation				
H	Compost Facility Depreciation	\$97,120	per year	\$0.31 (12 months)
Direct Cost, Residential Compost				\$3.72 (12 months)
Allocated Administrative Costs				
I	Supervisor / Ops Cost	\$105,985	per year	\$0.34 (12 months)
	Mgmt. & Planning	\$65,373	per year	\$0.21 (12 months)
	Administrative & Municipal Services	\$105,371	per year	\$0.34 (12 months)
	Customer Service	\$81,527	per year	\$0.26 (12 months)
Allocated Administrative Cost, Residential Compost				\$1.14 (12 months)
Total Residential Compost Cost				\$4.83 (12 months)

TABLE 6. RESIDENTIAL COMPOST COLLECTION AND COMPOSTING COST OF SERVICE

Notes to Table 6 (subtotals may not sum exactly to totals due to rounding):

The overall 12-month cost per customer was calculated by summing all monthly costs and multiplying by 9 months, then summing costs denoted as 12-month costs and multiplying by an additional 3 months. The total annual cost was then divided by 12 months to calculate an average monthly cost on a 12-month basis.

A	Total labor hours were provided by the City. On-route hours, or truck hours, were assumed to be 95% of labor hours. The remaining 5% of labor hours are considered to be non-productive time for activities such as pre- and post-trip inspections. Based on the labor hours worked, the average compost collection truck is on-route 2,358 hours annually over the 9-month program. Productivity averages 103 customers per hour.
B	The City's total labor cost is based on an average hourly labor cost of \$29.55 plus 28.0% for tax and benefit costs. This labor cost includes full-time City employees as well as temporary labor positions, temporary labor positions were used more extensively during FY2018 in this program area. Dividing the labor cost per hour by the customers per hour yields the labor cost per customer per week, which is converted to a monthly cost by multiplying by the average number of weeks per month. Total labor cost = \$37.82 per hour = \$29.55 x (1+.280) Monthly cost = \$1.59/hh/month = (\$37.82 per hour / 103 customers per hour) x 4.33 weeks/month
C	The average fuel cost per truck was \$14,430 in FY2018. Monthly cost = \$0.26/hh/month = (\$14,430 per truck / 2,358 route hours per truck) / 103 customers per hour x 4.33 weeks/month
D	The total cost for truck repair and maintenance was \$50,248 in FY2018. Monthly cost = \$0.22/hh/month = (\$50,248 / 9,431 total truck hours) / 103 customers per hour x 4.33 weeks/month
E	Compost collected from residential routes was 9,085 tons in FY2018. The composting cost was \$18.95 per ton. Avg. monthly set-out per customer = 76.92 pounds = (9,085 tons x 2,000 pounds/ton / 9 months) / 26,247 customers Monthly composting cost = \$0.73/hh/month = (76.92 pounds / 2,000 pounds/ton) x \$18.95/ton
F	The current automated collection truck replacement cost is \$326,743. Using the City's method for truck replacement, the annual truck cost is the cost of the truck purchased, plus a 7-year 3% annual compounding cost, divided over the 7-year life of the truck. Annual truck cost = \$46,678 per year = (\$326,743 replacement cost / 7 year life) Monthly truck cost = \$0.83/hh/month = (\$46,678 / 2,358 route hours) / 103 customers/hour x 4.33 weeks/month
G	Truck rental includes costs to rent additional trucks during the fall leaf collection season.
H	Depreciation represents allocated costs for development and improvement of the compost facility.
I	Allocated administrative costs for route supervisor operations, management and planning, administrative and internal municipal services, and customer service total \$358,256. Monthly administrative cost = \$1.14/hh/month = (\$358,256 per year / 26,247 customers) / 12 months/year.

Commingled Cart Recycling Collection and Processing

The City contracts with Recycle Ann Arbor for cart-based collection of recyclables. While this service is primarily provided to residential customers, Recycle Ann Arbor also provides collection of commercial recycling carts outside of the downtown area. These commercial customers are served on the regular residential routes, and therefore costs for cart recycling collection provided under contract are not segregated by residential or commercial costs. Costs are calculated per customer, inclusive of the commercial customers in addition to residential customers. Recycle Ann Arbor's

contracted collection cost equates to labor costs associated with collection. The City provides the carts, collection trucks and the costs to operate and maintain the fleet.

Table 7 provides a detailed breakdown of costs for commingled cart recycling collection and processing by cost component. Additional detail is provided in the notes to Table 7, including the calculations completed to derive the monthly cost per household contributed by each cost component. The notes correspond to the letters identified in the first column of Table 7.

TABLE 7. COMMINGLED CART RECYCLING COLLECTION AND PROCESSING COST OF SERVICE				
Note	Cost Component	Count / Unit Cost	Unit	Cost / Customer / Month
Route Parameters				
	Residential Customers	26,247	customers	
	Commercial Customers	2,539	customers	
	Total Commingled Cart Customers	28,786	customers	
Labor Cost				
A	Contracted Collection Cost	\$1,736,689	per year	
	Monthly Contracted Collection Cost	\$144,724	per month	\$5.03
City-Owned Truck Operations Cost				
B	Recycling Truck Operations	\$84,069	per year	
	Fuel	\$98,110	per year	
	Repair and Maintenance	\$517,662	per year	
	Annual Cost (subtotal)	\$699,841	per year	
	Per Route Hour Cost	\$26.78	per hour	\$2.03
Truck Cost				
C	City Fleet Charge	\$387,456	per year	\$1.12
Processing Cost				
D	Collected Recycling Tons	10,566	tons per year	
	Monthly Set Out Weight	61.4	lbs / hh / month	
	Processing and City MRF Cost	\$255.27	per ton	
	Less, Material Value	\$(53.17)	per ton	
	Net Processing Cost	\$202.10	per ton	
	Monthly Processing Cost	\$6.18	per cust. per month	\$6.18
Direct Cost, Commingled Cart Recycling				\$14.36
Allocated Administrative Costs				
E	Mgmt. & Planning	\$90,254	per year	\$0.26
	Administrative & Municipal Service	\$145,474	per year	\$0.42
	Customer Service	\$81,527	per year	\$0.24
	Outreach	\$90,837	per year	\$0.26
Allocated Administrative Cost, Commingled Cart Recycling				\$1.18
Total Commingled Cart Recycling Cost				\$15.54

Notes to Table 7 (subtotals may not sum exactly to totals due to rounding):

A	In FY2018, Recycle Ann Arbor invoiced \$1,736,689 for collection of cart recycling to residents and businesses. This includes labor but not the cost of City-provided trucks.
	Monthly cost = \$5.03/customer/month = (\$1,736,689 per year / 28,786 customers) / 12 months/year

TABLE 7. COMMINGLED CART RECYCLING COLLECTION AND PROCESSING COST OF SERVICE

B	<p>Equipment, materials and supplies, fuel, and repair and maintenance totaled \$699,841 for the year. Monthly cost = \$2.03/customer/month = (\$699,841 per year / 28,786 customers) / 12 months/year</p>
C	<p>The City incurred \$387,456 in truck costs charged by the City's fleet department for the trucks assigned to collect recycling. Monthly cost = \$1.12/customer/month = (\$387,456 per year / 28,786 customers) / 12 months/year</p>
D	<p>Processing costs for the collected materials are based on the total cost to process commingled materials (see Table 8). In addition to processing, the City also incurs costs for its MRF and the associated labor to maintain the facility. Processing costs are detailed in Section 5 and Table 8 of this report. The net cost per ton was \$204.02 and recycling collected was 10,566 tons. Avg. monthly set-out per customer = 61.2 pounds = (10,566 tons x 2,000 pounds/ton / 12 months) / 28,786 customers Monthly cost = \$6.18/customer/month = (61.2 pounds / 2,000 pounds/ton) x \$202.10/ton</p>
E	<p>Allocated administrative costs for management and planning, administrative and internal municipal services, customer service, and outreach total \$408,091. Monthly administrative cost = \$1.18/customer/month = (\$408,091 per year / 28,786 customers) / 12 months/year.</p>

SECTION 5 RECYCLABLE MATERIAL PROCESSING COST OF SERVICE

The City contracts with Recycle Ann Arbor for the processing of commingled recyclable material collected from both residents and businesses; Recycle Ann Arbor has subcontracted with Rumpke Waste and Recycling Services (Rumpke) for processing of recyclables. The contract cost is \$157.30 per ton which includes transfer haul from the City’s MRF (MRF) to Rumpke’s Cincinnati processing facility for processing. Source separated cardboard delivered to the City’s MRF is handled separately and transported to a local facility for recycling at a reduced cost per ton compared to commingled recyclables. In addition, the City incurs costs for MRF oversight, MRF repair and maintenance, utility costs, and MRF depreciation. The processing cost is reduced by the value of the sorted material, which fluctuates monthly based on market prices, and is provided to the City as a credit on Recycle Ann Arbor’s processing invoices.

Table 8 details the cost of service calculation for recycling transport and processing for commingled single-stream residential and commercial single-stream materials. Costs were allocated based on the invoiced tonnages for single-stream and commercial cardboard tons from the Recycle Ann Arbor invoices. The recyclables credit is based on the average material value per ton each month, applied to the composition of the City’s recyclables (which are audited on a periodic basis).

TABLE 8. COST OF SERVICE FOR RECYCLING PROCESSING			
Contractor Invoice Data	Single-Stream	Commercial Cardboard	Total / Weighted Average
Invoiced Processing Cost (RAA / Rumpke)	\$1,972,869	\$125,805	\$2,098,674
City MRF Cost (Depreciation, Utilities, Maintenance)	\$1,228,712	\$131,580	\$1,360,291
Gross Recycling Cost	\$3,201,581	\$257,385	\$3,458,966
<hr/>			
Annual Invoiced Material Tons	12,542	1,343	13,885
<hr/>			
Processing Cost per Ton	\$157.30	\$93.67	\$151.14
City MRF Cost per Ton	\$97.97	\$97.97	\$97.97
Gross Recycling Cost per Ton	\$255.27	\$191.63	\$249.11
<hr/>			
Recyclables Credit (FY2018 Actual)	\$(666,819)	\$(127,435)	\$(794,254)
Recyclables Credit per Ton (Average, FY2018)	\$(53.17)	\$(94.88)	\$(57.20)
<hr/>			
Net Recycling Cost	\$2,534,761	\$129,950	\$2,664,711
Net Recycling Cost per Ton	\$202.10	\$96.75	\$191.91

Table 8 presents the average cost of service for recycling processing in FY2018. However, it is important to note that the monthly material value per ton over the 12-month period declined from \$79.22 per ton in July 2017 to \$34.78 in June 2018. Table 9 summarizes the net processing cost of

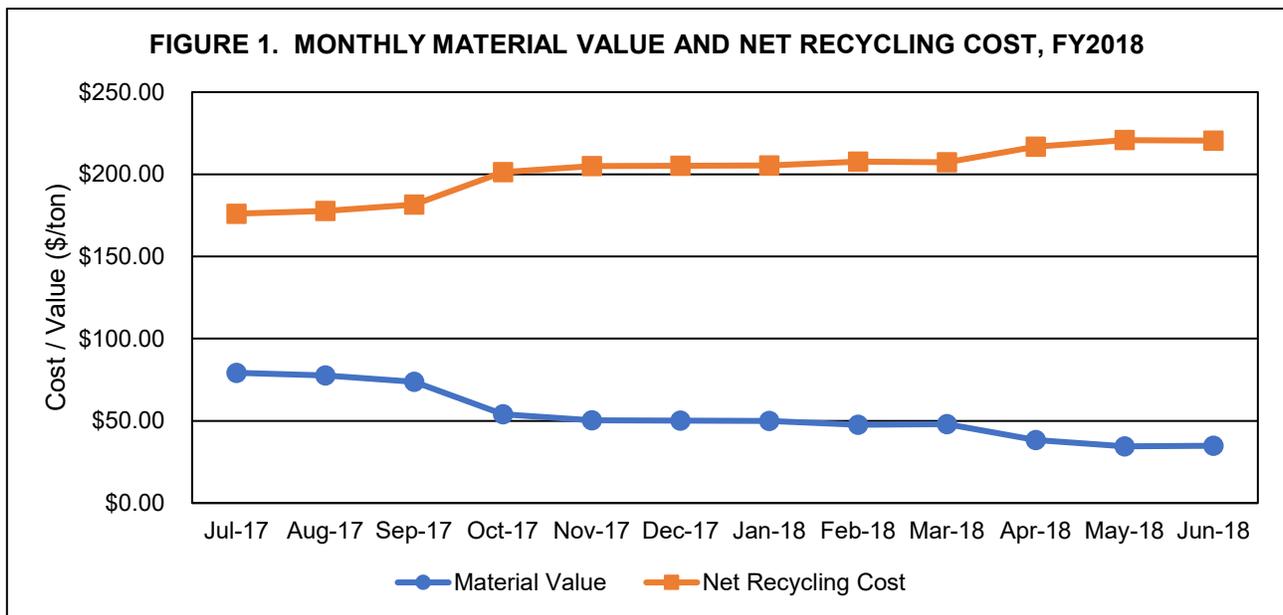
the commingled mix on a monthly basis in FY2018, and Figure 1 graphically summarizes the trends in material value and net cost per ton. Based on material value at the end of FY2018, the net cost per ton to process single stream recycling was \$220.49, approximately 10% higher than the average cost in FY2018 and 25% higher than the cost at the start of FY2018. Intra-year changes in material value can therefore have a significant impact on costs of service.

TABLE 9. MONTHLY COST OF PROCESSING SINGLE STREAM RECYCLING IN FY2018

Month	Processing Cost per Ton	City MRF Cost per Ton	Less Material Value per Ton	Net Cost per Ton
July-17	\$157.30	\$97.97	\$(79.22)	\$176.05
August-17	\$157.30	\$97.97	\$(77.66)	\$177.61
September-17	\$157.30	\$97.97	\$(73.79)	\$181.48
October-17	\$157.30	\$97.97	\$(54.00)	\$201.27
November-17	\$157.30	\$97.97	\$(50.28)	\$204.99
December-17	\$157.30	\$97.97	\$(50.06)	\$205.21
January-18	\$157.30	\$97.97	\$(49.87)	\$205.40
February-18	\$157.30	\$97.97	\$(47.64)	\$207.63
March-18	\$157.30	\$97.97	\$(47.94)	\$207.33
April-18	\$157.30	\$97.97	\$(38.39)	\$216.88
May-18	\$157.30	\$97.97	\$(34.49)	\$220.78
June-18	\$157.30	\$97.97	\$(34.78)	\$220.49

Note:

1. City MRF Cost includes MRF oversight, repair and maintenance, utility costs, and depreciation.
2. Subtotals may not sum exactly to totals due to rounding.



SECTION 6

COMMERCIAL COLLECTION COST OF SERVICE

Commercial collection includes periodic (weekly or more frequent) collection of waste and recycling from multi-family properties of 3 units or more and businesses and institutions. Commercial collection service levels vary and include differences in container size (from 64-gallon carts to 40-cubic yard containers) and collection frequency (from once per week to 6-days per week).

Commercial service consists of the following activities and related costs:

- Picking up the waste or recycling container and emptying the contents into the collection truck;
- Delivering the collected material to the City's transfer station (for waste) or material recovery facility (for recyclables); and
- Invoicing commercial customers for the service (for waste).

These three actions have unit costs that are combined to calculate an overall cost of commercial service. Service providers and the type of service provided by each were identified in Table 1 and are summarized as follows:

- City crews provide three types of commercial collection: rear-load collection of solid waste carts; front-load (dumpster) collection of solid waste from multi-family units that own their own front-load container; and, recycling collection for businesses that generate enough material to require a front-load dumpster, or are located in the downtown area.
- Waste Management, through its commercial waste collection franchise agreement with the City, provides waste collection to businesses and multi-family properties that require a front-load container and for which Waste Management provides the container.
- Recycle Ann Arbor provides recycling collection service to multi-family properties and businesses that utilize a cart for collection of commingled recyclables. These costs were calculated in Table 7.

Table 10 details the cost of service for each commercial collection function. Total commercial collection costs from Table 3 have been segregated by the specific function to calculate the cost of service. Disposal and recycling processing costs are based on the quantity of material collected, which varies based on container size and collection frequency; these costs are calculated in Table 11.

TABLE 10. DETAILED COSTS FOR COMMERCIAL COLLECTION SERVICES

Expense Type	Rear Load Waste	Multi-Family Waste	Front Load Recycling	Front Load Waste (WM)
Collection Cost				
Labor	\$187,582	\$178,286	\$298,189	
Operations	\$1,426		\$19,411	
Depreciation	\$33,780	\$68,185	\$80,052	
Vehicle Rental	\$546		\$61,240	
Vehicle Repair & Maintenance	\$12,610	\$132,832	\$93,038	
Fuel	\$6,665	\$30,798	\$21,191	
Equipment		\$4,193	\$10,629	
Utility	\$23	\$674		
Contracted Services			\$82,311	\$1,585,679
<i>Collection Cost Subtotal</i>	<i>\$242,632</i>	<i>\$414,968</i>	<i>\$666,061</i>	<i>\$1,585,679</i>
Administrative Cost				
Route Operations	\$33,895	\$34,784	\$66,844	
Mgmt. & Planning	\$8,640	\$66,341	\$9,665	\$197,745
Admin & Municipal Service	\$13,926	\$106,931	\$15,578	\$318,732
Customer Service	\$1,407	\$1,838	\$10,804	\$7,559
<i>Administrative Cost Subtotal</i>	<i>\$57,868</i>	<i>\$209,894</i>	<i>\$102,891</i>	<i>\$524,037</i>

Table 11 details the cost of service for each City-provided commercial and multi-family service. Notes providing further explanation of the calculated costs are provided following the table, with each note denoted by letter in the first column of Table 11.

TABLE 11. COMMERCIAL COLLECTION COST OF SERVICE

Note	Description / Cost	Rear Load Waste	Multi-Family Waste	Front Load Recycling	Front Load Waste (WM)
A	Collection Cost	\$242,632	\$414,968	\$666,061	\$1,585,679
B	Annual Lifts	58,292	37,284	36,556	75,838
C	Cost per Lift	\$4.16	\$11.13	\$18.22	\$9.33
D	Collected Container Tons	1,201	9,219	3,320	27,480
E	Annual Container Yards Serviced	27,567	223,756	146,224	517,903
F	Density (Pounds per Yard)	87.11	82.40	45.40	106.12
G	Disposal / Processing Cost per Yard	\$1.11	\$1.05	\$3.62	\$1.35

TABLE 11. COMMERCIAL COLLECTION COST OF SERVICE

H	Administrative Cost	\$57,859	\$209,883	\$102,822	\$523,988
I	Customer Count	150	196	703	806
J	Monthly Admin Cost per Customer	\$32.14	\$89.24	\$12.19	\$54.18
K	Monthly Cost - 96-gal Cart (1x/wk)	\$52.44			
L	Monthly Cost - 2-yard Container (1x/wk)		\$146.51	\$122.43	\$106.26

Notes to Table 11 (subtotals may not sum exactly to totals due to rounding):

A	Collection Cost is the Total Collection Cost from Table 10
B	Annual container lifts obtained from City route sheets and customer summaries
C	Cost per Lift = Collection Cost (A) divided by Annual Lifts (B)
D	Collected Container Tons obtained from City scalehouse data
E	Annual Container Yards Serviced obtained from City route sheets
F	Density (Pounds per Yard) = Collected Container Tons x 2,000 pounds per ton / Annual Container Yards (D x 2,000 / E)
G	Disposal / Processing Cost per Yard = Density (Pounds per Yard) / 2,000 pounds per ton x the SW tip fee (\$25.45) or the processing cost per ton (\$159.57; this is a blended cost based on the commercial cardboard cost and the single stream cost)
H	Administrative Cost is the Administrative Cost Subtotal from Table 10
I	Customer Counts by function were provided by City staff
J	The Monthly Admin Cost per Customer = Administrative Cost / 12 months / Customer Count (H / 12 months / I)
K	The cost of service calculation is: (Cost per Lift (C) x lifts per week x 4.33 weeks/month) + ((96 gal cart / 203 gals/yd.) x (Disposal Cost per Yard (G) x lifts per week x 4.33 weeks/month)) + Monthly Admin Cost (J)
L	The cost of service calculation is: (Cost per Lift (C) x lifts per week x 4.33 weeks/month) + (2 yds. x Disposal Cost per Yard (G) x lifts per week x 4.33 weeks/month) + Monthly Admin Cost (J)

Commercial Cost Comparisons

Excluding City administrative costs, the monthly cost of collection and disposal for commercial rear load service is \$20.30 (\$52.44 - \$32.14) per 96-gallon cart. The City’s commercial cart collection cost is higher than residential cart collection (calculated to be \$6.08 per month excluding administrative costs). The increased cost for commercial cart collection can be explained by the differences in service density, automation and access. The City’s rear-load routes outside of the downtown are less dense than the residential collection routes, resulting in greater cost per customer. Rear load collection also requires more service time per stop for the driver to start, stop, exit the truck, and dump the cart compared to an automated side load residential cart collection that does not require the driver to exit the truck. In addition, commercial rear load routes are typically in tight access areas, particularly in the downtown area, requiring more maneuvering and slower travel between stops.

Again excluding administrative costs and considering only direct costs, the collection cost for the City’s front load service is also higher than Waste Management’s rate for similar service under the commercial franchise agreement. Waste Management’s average price to the City per lift is \$9.33. This price is inclusive of Waste Management’s costs for labor, truck capital, truck operating and maintenance, administration, and profit; the cost of the container has been factored out because the container cost varies by size while the lift cost is largely constant and not dependent on container size. Excluding an assumed 15% profit margin from Waste Management’s cost, Waste Management’s estimated cost per lift for front load collection is \$7.93 ($\$9.33 \times (1 - 15\%)$). Table 12 compares Waste Management’s collection costs per lift to the City’s front load collection cost per lift.

TABLE 12. COMPARATIVE COMMERCIAL COLLECTION COSTS		
Provider	Average Cost per Lift	Variance vs. WM
Waste Management	\$9.33	
Waste Management (profit removed)	\$7.93	
City Front-Load Solid Waste	\$11.13	\$1.80 (+19%) / \$3.20 (+40%)
City Front-Load Recycling	\$18.22	\$8.89 (+90%) / \$10.29 (+130%)

The difference in the cost between the City and Waste Management can be explained by a number of reasons:

1. Waste Management’s service is provided with greater route density than the City’s services. Waste Management provides collection to 806 customers Citywide, compared to 196 customers served by the City for front-load solid waste collection. The greater route density results in more efficient, lower cost collection per lift.
2. Waste Management utilizes dynamic routing combined with on-board systems that increase collection efficiency by charting the shortest distance between each stop. The City currently uses hand-drawn maps for routing and has not optimized its routes.
3. Waste Management’s administrative costs embedded in its cost per lift are low due to consolidation of systems within the corporation and allocation of administrative costs across a large, national customer base.
4. Because of its size and the number of collection trucks and containers it purchases, Waste Management receives a substantial discount on trucks and containers compared to the costs paid by small quantity purchasers.
5. The City has not established standards or requirements for collection performance and does not measure such metrics. Private companies, including Waste Management, track and evaluate various performance metrics to optimize efficiency.

SECTION 7

PROGRAM AREA REVENUE

Revenue for the operation of the City's resource management program is generated primarily from a property tax levy, with additional revenue provided by fees for services, recyclable commodity value, royalties on third party tonnage accepted at the transfer station and compost facility, and payments on the sale of finished compost. In FY2018, the program area generated \$16,675,449 in revenue from the following sources:

- Refuse levy: \$12,635,609 of revenue (76% of total revenue), based on a FY2018 tax rate, or millage rate, of 2.4134 mills. The millage rate is applied to every \$1,000 of assessed value of each property. Based on the taxable valuation of properties in FY2018, approximately 65.5% of the taxable value was assigned to residential-classed properties² and 35.5% was assigned to commercial and industrial-classed properties. Therefore, residential property millage revenue was approximately \$8,276,000 and commercial property millage revenue was approximately \$4,486,000 in FY2018. By comparison, the cost of residential services in FY2018 was approximately \$9,500,000, and the cost of commercial services was approximately \$6,300,000.
- Fees for services: \$2,892,296 of revenue (17% of total revenue). Service fees include charges for commercial waste collection, residential cart upgrades, additional container tips, or other additional services.
- Royalties and revenue shares not covered under the levy or captured through service fees, and other miscellaneous sources: \$1,147,544 of revenue (7% of total revenue); this amount is subject to greater variability from year to year based on commodity markets and the flow of third party tonnage to the City's transfer station and compost facility.

² Owner-occupied properties typically claim the Principal Residence Exemption (PRE); properties that are not owner-occupied (such as investment and rental properties) are not eligible for the PRE. By value, residential-classed properties claiming the PRE represent 52.5% of total taxable value, and non-PRE properties represent 13% of the total taxable value.

SECTION 8 CONCLUSION

Based on total operations expenses of \$16,157,889 (Table 3) and revenues of \$16,675,449 (Section 7), the City's solid waste operations costs were covered by the various revenue streams received in FY2018, resulting in a small operations surplus (\$517,560, or approximately 3%) in FY2018. However, adjustments to the City's expenses are also made annually. Though they are not direct cash expenses, these adjustments impact the Solid Waste Fund balance equity, either positively or negatively. The adjustments may include:

- Pension (GASB) and retiree benefit (OPEB) funding based on the number and pay scale of current employees for the program area
- Landfill closure and post-closure care liability adjustments based on engineer's cost estimates
- Capital asset adjustments
- Future Generally Accepted Accounting Practices (GAAP) requirements

While these costs are not driven by current solid waste operations, they are direct obligations charged to the Solid Waste Fund equity. In recent years, large adjustments have occurred to initially fund retiree benefit accounts, recognize the pension liability, and fund the landfill closure liability, each resulting in negative impacts to the Fund balance. In FY2018 these adjustments to the Solid Waste Fund equity totaled \$2,394,035, exceeding the \$517,560 surplus noted above by \$1,876,475, resulting in a reduction in the Solid Waste Fund balance. Therefore, the program area experienced a net loss of nearly \$2 million in the Solid Waste Fund equity in FY2018. Though these adjustments may be more modest in some years, they may also be large as was experienced in FY2018.

Other factors also impact Fund sustainability. For example, during FY2018 there was a greater utilization of temporary labor than typical, evidenced by the calculated residential compost collection costs that resulted in lower program costs than can typically be anticipated. In addition, because revenues include streams that are subject to variation (such as royalties on third party waste at the transfer station and recyclables material credits), this surplus could be narrowed or negated and result in a deficit in other years. For example, the material value of single-stream recyclables declined \$44.44 per ton from the beginning to the end of FY2018. Had material value been at the lower end-of-FY2018 value all year, the recyclables credit would have been reduced by \$557,366 and a deficit in the operations portion of the Solid Waste Fund performance would have been experienced.

This cost of service analysis provides a sound understanding of costs and cost drivers within the City's current programs. It also identifies that, though there is a positive Fund balance, a number of factors impact the long-term sustainability of the Fund and limit its use. The analysis provides the basis to evaluate costs of options being considered in the Solid Waste Resources Management Plan; provides baseline data to evaluate funding methods in the Plan (including additional revenues or cost savings necessary to implement and sustain program expansions or additions); and will be a useful tool for the City when developing annual budgets, monitoring operations and financial performance, and ensuring the Solid Waste Fund is able to absorb annual adjustments.



Carlisle | Wortman
ASSOCIATES, INC.

117 NORTH FIRST STREET SUITE 70 ANN ARBOR, MI 48104 734.662.2200 734.662.1935 FAX

April 23, 2019

Derek Delacourt, Community Services Administrator
City of Ann Arbor
301 E. Huron St.
Ann Arbor, Michigan 48104

Re: Proposal of Services – Short-Term Rental Ordinance

Dear Mr. Delacourt

Thank you for the opportunity to present a scope of work to complete a Short-Term Rental ordinance for the City. Please see the next page for our proposed scope of work.

The budget for preparation, facilitation, and creation of a short-term rental ordinance will not exceed \$24,500.

It has been a pleasure working with the City of Ann Arbor for the past several years. We look forward to discussing this potential opportunity with you. Please don't hesitate to contact us at (734) 662-2200 if you have any questions.

Sincerely,

CARLISLE/WORTMAN ASSOC., INC.
Benjamin R. Carlisle, AICP, LEED AP
Principal

CARLISLE/WORTMAN ASSOC., INC.
Megan Masson-Minock, AICP
Planner

Proposed Scope of Work

We have drafted the following scope of work for the City's consideration. We'd appreciate input from the City with regards to identified tasks or additional direction.

Task 1: Existing Code Review

The consultant team will analyze existing applicable city codes including zoning ordinance and other city regulations.

Task 2: Evaluation of Similar Communities and Best Practices

The consultant team will evaluate similar communities in size and character to determine successes, issues identified, evaluate best practices, and ability to enforce ordinances. Short-term rental regulations have been passed in numerous similar communities similar to Madison, Boulder, Austin, Urbana (IL), and Grand Rapids.

Evaluation will include both internet research but also include phone conversations with similar communities.

Task 3: Public Engagement

The consultant team, in coordination with the City's Community Engagement Specialist, will lead the public engagement. Proposed engagement includes the following:

- Stakeholder meetings with rental property representatives, City's Historic District Commission, Ann Arbor Convention and Visitors Bureau, and the Ann Arbor Board of Realtors.
- Public workshop/open house to hear community concerns and suggestions (see task 4)
- Presentation to Planning Commission (see task 6)
- Presentation to City Council (see task 7)
- Public workshop/open house to consult community on proposed ordinance (see task 9)
- Public Hearing to Planning Commission (see task 10)
- City Council Adoption (see task 11)

Task 4: Open House/Public Workshop

The consultant team will hold an open house or public workshop to seek to hear community concerns and suggestions for a Short-Term Rental ordinance.

Task 5: Preparation of Report

Based upon review of similar communities, evaluation of best practices, and input received as part of the public engagement process, the consultant team will prepare a detailed report outlining considerations for both appointed and elected officials. The report will include:

- Analysis of existing codes;
- Review of similar communities and best practices;
- Issues for consideration; and
- Recommendations.

The report will be used as focus of discussion with the Planning Commission and City Council.

Task 6: Presentation to Planning Commission

The consultant team will present the report to the Planning Commission for their consideration. Consideration will include a presentation, question and answer, and discussion with the Planning Commission. The report can be amended or edited based upon Planning Commission feedback.

Task 7: Presentation to City Council

The consultant team will present the report to the City Council for their consideration. Consideration will include a presentation, question and answer, and discussion. The report can be amended or edited based upon City Council feedback.

Task 8: Drafting of Ordinance based on input received

Based upon input from the Planning Commission and City Council, the consultant team will draft the necessary ordinance for consideration.

Task 9: Open House/Public Workshop

The consultant team will hold an open house or public workshop to seek input on the drafted ordinance.

Task 10: Public Hearing with Planning Commission (if necessary)

If the proposed ordinance is an amendment to the City's Zoning Ordinance, the Planning Commission is required to hold a public hearing. The consultant team will prepare and attend the Planning Commission to present the ordinance and answer questions.

City of Ann Arbor Proposal of Services – Short-Term Rental Ordinance

Task 11: City Council Adoption

The consultant team will prepare and attend the City Council meeting to present the ordinance and answer questions.

Cost Estimate

Item	Hours	Cost
Task 1: Existing Code Review	10.0	\$1,100.00
Task 2: Evaluation of Similar Communities and Best Practices	45.0	\$4,500.00
Task 3: Conduct Public Engagement	25.0	\$3,850.00
Task 4: Open House/Public Workshop	20.0	\$1,650.00
Task 5: Prepare Report	30.0	\$3,300.00
Task 6: Present to Planning Commission	10.0	\$1,100.00
Task 7: Present to City Council	10.0	\$1,100.00
Task 8: Draft Ordinance based on Input Received	35.0	\$3,850.00
Task 9: Open House/Public Workshop	20.0	\$1,650.00
Task 10: Public Hearing with Planning Commission (if necessary)	10.0	\$1,100.00
Task 11: City Council Adoption	10.0	\$1,100.00
Estimate total of professional costs*	225.0	\$24,300

*Additional meetings will be billed at an additional rate of \$110.00/hour.

Grimston, Kerry

From: Delacourt, Derek
Sent: Monday, July 22, 2019 12:50 PM
To: Grimston, Kerry
Subject: CW PO
Attachments: Delecourt City of Ann Arbor - Proposal of Services - Short Term Rentals Ordinance.pdf

I'd like to open another PO with CW under their existing contract to do the attached work.

0010-050-3360-3360-2100

Let me know if you need anything else.

Derek

Derek L. Delacourt,
Community Services Administrator
City of Ann Arbor ~ 301 E. Huron St. ~ Ann Arbor, Michigan 48104 ~ 734-794-6000, ext 43902



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**PROFESSIONAL SERVICES AGREEMENT BETWEEN
CARLISLE/WORTMAN ASSOCIATES, INC.
AND THE CITY OF ANN ARBOR
FOR ON-CALL THIRD PARTY BUILDING, RENTAL, AND PLANNING SERVICES**

The City of Ann Arbor, a Michigan municipal corporation, having its offices at 301 E. Huron St. Ann Arbor, Michigan 48104 ("City"), and Carlisle/Wortman Associates, Inc. ("Contractor"), a Michigan Corporation with its address at 117 North First Street, Ann Arbor, Michigan 48104, agree as follows:

I. DEFINITIONS

Administering Service Area/Unit means Community Services, Building, Rental, and Planning.

Contract Administrator means Lisha Turner-Tolbert, acting personally or through any assistants authorized by the Administrator/Manager of the Administering Service Area/Unit.

Deliverables means all Plans, Specifications, Reports, Recommendations, and other materials developed for and delivered to City by Contractor under this Agreement.

Project means On-Call Building Administration, Front Counter Administration, Building and Rental Inspections, Plan Review and Planning Administration Services.

II. DURATION

Contractor shall commence performance on July 3, 2018 ("Commencement Date"). This Agreement shall remain in effect for three years unless terminated as provided for in Article XI. Thereafter, the City may renew this Agreement at its sole option for two additional one-year periods after giving written notice to Contractor of the same. The terms and conditions of this Agreement shall apply to the earlier of the Effective Date or Commencement Date.

III. SERVICES

- A. The Contractor agrees to provide Building Administration, Front Counter Administration, Building and Rental Inspections, Plan Review and Planning Administration ("Services") in connection with the Project as described in Exhibit A. The City retains the right to make changes to the quantities of service within the general scope of the Agreement at any time by a written order. If the changes add to or deduct from the extent of the services, the contract sum shall be adjusted accordingly. All such changes shall be

executed under the conditions of the original agreement. The Contractor understands that: (1) there is no guarantee or implied promise of any nature that the City will request Services pursuant to this Agreement; (2) the City is under no obligation to request Services pursuant to this Agreement; and (3) this Agreement is non-exclusive.

- B. Quality of Services under this Agreement shall be of the level of quality performed by persons regularly rendering this type of service. Determination of acceptable quality shall be made solely by the Contract Administrator.
- C. The Contractor shall perform its Services for the Project in compliance with all statutory, regulatory, and contractual requirements now or hereafter in effect. This includes ensuring that it and its employees performing pursuant to this Agreement maintain all required certifications, as well as ensuring that they meet mandated state and local guidelines.
- D. The Contractor may rely upon the accuracy of reports and surveys provided to it by the City (if any) except when defects should have been apparent to a reasonably competent professional or when it has actual notice of any defects in the reports and surveys.
- E. Contractor shall attend meetings, court hearings, and appeals, as requested by the City in connection with the Services it provides under this Agreement. Contractor shall further assist City Staff with inquiries related to its Services under this Agreement. Contractor's work described in this subsection will be compensated in accordance with Exhibit B.

IV. INDEPENDENT CONTRACTOR

The Parties agree that at all times and for all purposes under the terms of this Agreement each Party's relationship to any other Party shall be that of an independent contractor. Each Party will be solely responsible for the acts of its own employees, agents, and servants. No liability, right, or benefit arising out of any employer/employee relationship, either express or implied, shall arise or accrue to any Party as a result of this Agreement.

V. COMPENSATION OF CONTRACTOR

- A. The Contractor shall be paid in the manner set forth in Exhibit B. Payment shall be made monthly, unless another payment term is specified in Exhibit B, following receipt of invoices submitted by the Contractor, and approved by the Contract Administrator.

- B. The Contractor will be compensated for Services performed in addition to the Services described in Article III, only when the scope of and compensation for those additional Services have received prior written approval of the Contract Administrator.
- C. The Contractor shall keep complete records of work performed (e.g. tasks performed/hours allocated) so that the City may verify invoices submitted by the Contractor. Such records shall be made available to the City upon request and submitted in summary form with each invoice.

VI. INSURANCE/INDEMNIFICATION

- A. The Contractor shall procure and maintain during the life of this contract such insurance policies, including those set forth in Exhibit C, as will protect itself and the City from all claims for bodily injuries, death or property damage that may arise under this contract; whether the act(s) or omission(s) giving rise to the claim were made by the Contractor, any subcontractor or anyone employed by them directly or indirectly. Prior to commencement of work under this Agreement, Contractor shall provide to the City documentation satisfactory to the City, through City-approved means (currently myCOI), demonstrating it has obtained the policies and endorsements required by Exhibit C. Contractor shall add registration@mycoitracking.com to its safe sender's list so that it will receive necessary communication from myCOI. When requested, Contractor shall provide the same documentation for its subcontractor(s) (if any).
- B. Any insurance provider of Contractor shall be authorized to do business in the State of Michigan and shall carry and maintain a minimum rating assigned by A.M. Best & Company's Key Rating Guide of "A-" Overall and a minimum Financial Size Category of "V". Insurance policies and certificates issued by non-authorized insurance companies are not acceptable unless approved in writing by the City.
- C. To the fullest extent permitted by law, Contractor shall indemnify, defend, and hold the City, its officers, employees and agents harmless from all suits, claims, judgments and expenses, including attorney's fees, resulting or alleged to result, from any acts or omissions by Contractor or its employees and agents occurring in the performance of or breach in this Agreement, except to the extent that any suit, claim, judgment or expense are finally judicially determined to have resulted from the City's negligence or willful misconduct or its failure to comply with any of its material obligations set forth in this Agreement.

VII. COMPLIANCE REQUIREMENTS

- A. Nondiscrimination. The Contractor agrees to comply, and to require its subcontractor(s) to comply, with the nondiscrimination provisions of MCL 37.2209. The Contractor further agrees to comply with the provisions of Section 9:158 of Chapter 112 of the Ann Arbor City Code and to assure that applicants are employed and that employees are treated during employment in a manner which provides equal employment opportunity.

- B. Living Wage. If the Contractor is a "covered employer" as defined in Chapter 23 of the Ann Arbor City Code, the Contractor agrees to comply with the living wage provisions of Chapter 23 of the Ann Arbor City Code. The Contractor agrees to pay those employees providing Services to the City under this Agreement a "living wage," as defined in Section 1:815 of the Ann Arbor City Code, as adjusted in accordance with Section 1:815(3); to post a notice approved by the City of the applicability of Chapter 23 in every location in which regular or contract employees providing services under this Agreement are working; to maintain records of compliance; if requested by the City, to provide documentation to verify compliance; to take no action that would reduce the compensation, wages, fringe benefits, or leave available to any employee or person contracted for employment in order to pay the living wage required by Section 1:815; and otherwise to comply with the requirements of Chapter 23.

VIII. WARRANTIES BY THE CONTRACTOR

- A. The Contractor warrants that the quality of its Services under this Agreement shall conform to the level of quality performed by persons regularly rendering this type of service.

- B. The Contractor warrants that it has all the skills, experience, and professional licenses necessary to perform the Services specified in this Agreement.

- C. The Contractor warrants that it has available, or will engage, at its own expense, sufficient trained employees to provide the Services specified in this Agreement.

- D. The Contractor warrants that it is not, and shall not become overdue or in default to the City for any contract, debt, or any other obligation to the City including real and personal property taxes.

- E. The Contractor warrants that its proposal for services was made in good faith, it arrived at the costs of its proposal independently, without consultation, communication or agreement, for the purpose of restricting completion as to any matter relating to such fees with any competitor for these Services; and no attempt has been made or shall be made by the

Contractor to induce any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.

IX. OBLIGATIONS OF THE CITY

- A. The City agrees to give the Contractor access to the Project area and other City-owned properties as required to perform the necessary Services under this Agreement.
- B. The City shall notify the Contractor of any defects in the Services of which the Contract Administrator has actual notice.

X. ASSIGNMENT

- A. The Contractor shall not subcontract or assign any portion of any right or obligation under this Agreement without prior written consent from the City. Notwithstanding any consent by the City to any assignment, Contractor shall at all times remain bound to all warranties, certifications, indemnifications, promises and performances, however described, as are required of it under the Agreement unless specifically released from the requirement, in writing, by the City.
- B. The Contractor shall retain the right to pledge payment(s) due and payable under this Agreement to third parties.

XI. TERMINATION OF AGREEMENT

- A. If either party is in breach of this Agreement for a period of fifteen (15) days following receipt of notice from the non-breaching party with respect to a breach, the non-breaching party may pursue any remedies available to it against the breaching party under applicable law, including but not limited to, the right to terminate this Agreement without further notice. The waiver of any breach by any party to this Agreement shall not waive any subsequent breach by any party.
- B. The City may terminate this Agreement, on at least thirty (30) days advance notice, for any reason, including convenience, without incurring any penalty, expense or liability to Contractor, except the obligation to pay for Services actually performed under the Agreement before the termination date.
- C. Contractor acknowledges that, if this Agreement extends for several fiscal years, continuation of this Agreement is subject to appropriation of funds for this Project. If funds to enable the City to effect continued payment under this Agreement are not appropriated or otherwise made available, the City shall have the right to terminate this Agreement without penalty at the end of the last period for which funds have been appropriated or otherwise made

available by giving written notice of termination to Contractor. The Contract Administrator shall give Contractor written notice of such non-appropriation within thirty (30) days after it receives notice of such non-appropriation.

- D. The provisions of Articles VI and VIII shall survive the expiration or earlier termination of this Agreement for any reason. The expiration or termination of this Agreement, for any reason, shall not release either party from any obligation or liability to the other party, including any payment obligation that has already accrued and Contractor's obligation to deliver all Deliverables due as of the date of termination of the Agreement.

XII. REMEDIES

- A. This Agreement does not, and is not intended to, impair, divest, delegate or contravene any constitutional, statutory and/or other legal right, privilege, power, obligation, duty or immunity of the Parties.
- B. All rights and remedies provided in this Agreement are cumulative and not exclusive, and the exercise by either party of any right or remedy does not preclude the exercise of any other rights or remedies that may now or subsequently be available at law, in equity, by statute, in any agreement between the parties or otherwise.
- C. Absent a written waiver, no act, failure, or delay by a Party to pursue or enforce any rights or remedies under this Agreement shall constitute a waiver of those rights with regard to any existing or subsequent breach of this Agreement. No waiver of any term, condition, or provision of this Agreement, whether by conduct or otherwise, in one or more instances, shall be deemed or construed as a continuing waiver of any term, condition, or provision of this Agreement. No waiver by either Party shall subsequently effect its right to require strict performance of this Agreement.

XIII. NOTICE

All notices and submissions required under this Agreement shall be delivered to the respective party in the manner described herein to the address stated in this Agreement or such other address as either party may designate by prior written notice to the other. Notices given under this Agreement shall be in writing and shall be personally delivered, sent by next day express delivery service, certified mail, or first class U.S. mail postage prepaid, and addressed to the person listed below. Notice will be deemed given on the date when one of the following first occur: (1) the date of actual receipt; (2) the next business day when notice is sent next day express delivery service or personal delivery; or (3) three days after mailing first class or certified U.S. mail.

If Notice is sent to the CONTRACTOR, it shall be addressed and sent to:

Carlisle/Wortman Associates, Inc.
ATTN: Richard Carlisle and Craig Strong
117 North First Street
Ann Arbor, Michigan 48104

If Notice is sent to the CITY, it shall be addressed and sent to:

City of Ann Arbor
ATTN: Derek Delacourt
301 E. Huron St.
Ann Arbor, Michigan 48104

With a copy to: The City of Ann Arbor
ATTN: Office of the City Attorney
301 East Huron Street, 3rd Floor
Ann Arbor, Michigan 48104

XIV. CHOICE OF LAW AND FORUM

This Agreement will be governed and controlled in all respects by the laws of the State of Michigan, including interpretation, enforceability, validity and construction, excepting the principles of conflicts of law. The parties submit to the jurisdiction and venue of the Circuit Court for Washtenaw County, State of Michigan, or, if original jurisdiction can be established, the United States District Court for the Eastern District of Michigan, Southern Division, with respect to any action arising, directly or indirectly, out of this Agreement or the performance or breach of this Agreement. The parties stipulate that the venues referenced in this Agreement are convenient and waive any claim of non-convenience.

XV. OWNERSHIP OF DOCUMENTS

Upon completion or termination of this Agreement, all documents (i.e., Deliverables) prepared by or obtained by the Contractor as provided under the terms of this Agreement shall be delivered to and become the property of the City. Original basic survey notes, sketches, charts, drawings, partially completed drawings, computations, quantities and other data shall remain in the possession of the Contractor as instruments of service unless specifically incorporated in a deliverable, but shall be made available, upon request, to the City without restriction or limitation on their use. The City acknowledges that the documents are prepared only for the Project. Prior to completion of the contracted Services the City shall have a recognized proprietary interest in the work product of the Contractor.

Unless otherwise stated in this Agreement, any intellectual property owned by Contractor prior to the effective date of this Agreement (i.e., Preexisting Information) shall remain the exclusive property of Contractor even if such Preexisting Information is embedded or otherwise incorporated in materials or products first produced as a result of this Agreement or used to develop Deliverables. The City's right under this provision shall not apply to any Preexisting Information or any component thereof regardless of form or media.

XVI. CONFLICTS OF INTEREST OR REPRESENTATION

Contractor certifies it has no financial interest in the Services to be provided under this Agreement other than the compensation specified herein. Contractor further certifies that it presently has no personal or financial interest, and shall not acquire any such interest, direct or indirect, which would conflict in any manner with its performance of the Services under this Agreement.

Contractor agrees to advise the City if Contractor has been or is retained to handle any matter in which its representation is adverse to the City. The City's prospective consent to the Contractor's representation of a client in matters adverse to the City, as identified above, will not apply in any instance where, as the result of Contractor's representation, the Contractor has obtained sensitive, proprietary or otherwise confidential information of a non-public nature that, if known to another client of the Contractor, could be used in any such other matter by the other client to the material disadvantage of the City. Each matter will be reviewed on a case by case basis.

XVII. SEVERABILITY OF PROVISIONS

Whenever possible, each provision of this Agreement will be interpreted in a manner as to be effective and valid under applicable law. However, if any provision of this Agreement or the application of any provision to any party or circumstance will be prohibited by or invalid under applicable law, that provision will be ineffective to the extent of the prohibition or invalidity without invalidating the remainder of the provisions of this Agreement or the application of the provision to other parties and circumstances.

XVIII. EXTENT OF AGREEMENT

This Agreement, together with Exhibits A, B, and C, constitutes the entire understanding between the City and the Contractor with respect to the subject matter of the Agreement and it supersedes, unless otherwise incorporated by reference herein, all prior representations, negotiations, agreements or understandings whether written or oral. Neither party has relied on any prior representations, of any kind or nature, in entering into this Agreement. No terms or conditions of either party's invoice, purchase order or other administrative document shall modify the terms and conditions of this Agreement, regardless of the other party's failure to object to such form. This Agreement shall be binding on and shall inure to the benefit of the parties to this Agreement and their permitted successors and permitted assigns and nothing in this Agreement, express or implied, is intended to or shall confer on any other person or entity any legal or equitable right, benefit, or remedy of any nature whatsoever under or by reason of this Agreement. This Agreement may only be altered, amended or modified by written amendment signed by the Contractor and the City. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement.

XIX. ELECTRONIC TRANSACTION

The parties agree that signatures on this Agreement may be delivered electronically in lieu of an original signature and agree to treat electronic signatures as original signatures that bind them to this Agreement.

XX. EFFECTIVE DATE

This Agreement will become effective when all parties have signed it. The Effective Date of this Agreement will be the date this Agreement is signed by the last party to sign it.

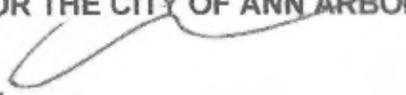
FOR CONTRACTOR

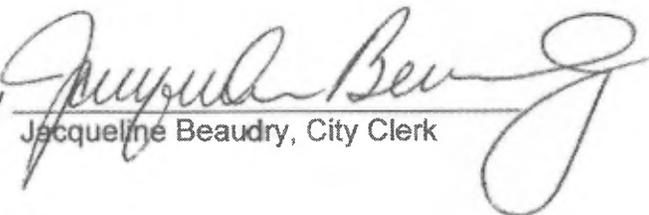
By 

Type Name Richard K Carlisle
Its President

Date: 9/19/18

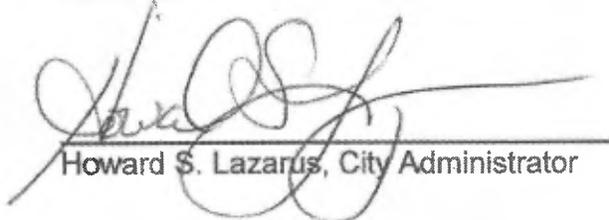
FOR THE CITY OF ANN ARBOR

By 
Christopher Taylor, Mayor

By 
Jacqueline Beaudry, City Clerk

Approved as to substance


Derek Delacourt, Service Area
Administrator


Howard S. Lazarus, City Administrator

Approved as to form and content

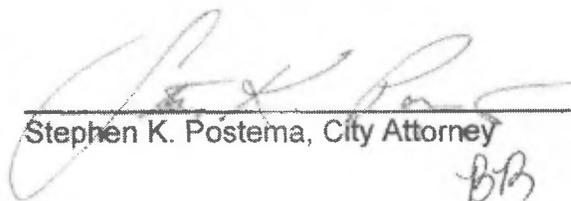

Stephen K. Postema, City Attorney
BB

EXHIBIT A SCOPE OF SERVICES

PLAN REVIEW THIRD PARTY SERVICES

Plan review workload will be determined by the City at the discretion of the Community Services Area. No advanced notice is required of plan review workload.

Plan review will be performed onsite at City Hall 2-3 days a week, depending on volume and based on the request of the Building Official.

Plans review performed off site at a Contractor location will be logged out by the City and both picked up from and returned to City Hall by Contractor approximately 2-3 times per week, depending on volume and based upon the request of the Building Official.

Contractor will perform the requested reviews in any or all categories including building, mechanical, electrical, plumbing, fire protection, accessibility, or energy code compliance.

Plans will be reviewed by registered plan reviewers using quality-control documents developed by both International Code Council and Contractor internally.

Any areas of correction, non-compliance, or deficiency will be noted, and the design professional in charge will be notified of the areas of concern or of a rejection/denial recommendation, on City-approved templates. Specific code sections will be cited and communicated for clarity with each item.

Contractor will utilize the City-developed historically adopted codes matrix as a guide to existing buildings, and the Contractor library legacy codes including the BOCA Code series.

Contractor will work with the City Building Official at the beginning of the contract period to determine the best form of feedback and communication to the public. A standard method of communication for corrective actions, denial letters, and approvals will be determined by City Staff. City Staff and Contractor will also clarify the plan submission process directly to Contractor, to the City, or to both.

Plan review turnaround time will be 2-3 days, unless corrections are needed, or for such holds as the State of Michigan or Washtenaw County Health Department.

All completed/returned plans will be stamped as "reviewed and in compliance" and will not be returned unless approval is recommended (or upon request from the Building Official). Documents will be returned referencing the same logging/tracking information used to submit them to Contractor.

INSPECTION THIRD PARTY SERVICES

Inspection workload will be determined by the City of Ann Arbor at the discretion of the Community Services Area. Inspectors will be made available upon a 24 hour notice.

Inspectors will report directly to the City Building Department for inspection assignments at an agreed-upon day/time.

Contractor will perform inspections in categories requested including building, mechanical, electrical, plumbing, and rental housing. Contractor performed inspections shall be completed by the end of the business day that they were assigned.

The City will provide the rental housing inspector the required paperwork or documentation method for recording of the inspection results and issuance of notice of violations.

Construction inspections will be made by properly registered inspection personnel and any areas of correction, non-compliance, or deficiency noted using established City of Ann Arbor procedures.

Contractor will provide inspectors with transportation and safety gear.

ADMINISTRATION/PLANNING THIRD PARTY SERVICES

Administrative and planning needs will be determined by the City at the discretion of the Community Services Area. City will attempt to give Contractor a 48-hour notice of needed services, but the parties agree that a request may be made at any time.

Contractor will provide administrative, building official, or planning personnel as appropriate to the role/function of the position to be filled, subject to the request and agreement of the City.

Such personnel will be physically present at City Hall to perform their duties unless the situation requires otherwise. The City will provide adequate workspace and communicate the role/function of the personnel to appropriate City Staff.

Such personnel will handle assigned duties with discretion and due diligence, will utilize the office of the City Attorney as needed, and endeavor to make all decisions and actions conform to all law, regulations, and City of Ann Arbor policies, as applicable.

Contractor represents that it can provide administration services at any level to the Community Service Area. Contractor further represents that it has worked within the City's Planning Department and can provide staffing with full knowledge of the City's policies and procedures.

**EXHIBIT B
COMPENSATION**

Contractor shall be paid for those Services performed pursuant to this Agreement inclusive of all reimbursable expenses, in accordance with the terms and conditions herein. The Compensation Schedule below states nature and amount of compensation the Contractor may charge the City:

CITY OF ANN ARBOR FEE PROPOSAL

RFP#18-16

BUILDING AND RENTAL THIRD PARTY SERVICES

CONSTRUCTION PLAN REVIEW PER HOUR

	2018	2019	2020
Residential Code	\$75	\$77	\$80
Building Code	\$110	\$112	\$115
MEP/Fire suppression & Alarms	\$110	\$112	\$115

BUILDING AND TRADE INSPECTIONS PER INSPECTION

	2018	2019	2020
All building and trade inspections	\$75	\$77	\$80

(Note: For multiple inspections on the same site, inspections will be billed per the City's 20 minute blocks of time)

RENTAL HOUSING INSPECTIONS PER UNIT

	2018	2019	2020
Rental Housing Inspections	\$75	\$77	\$80

(same unit price for re-inspections)

Optional Proposal: Reduce the per unit inspection cost by negotiating a minimum number/percentage of inspections per year (To be negotiated).

ADMINISTRATIVE/PLANNING SERVICES PER HOUR

As needed upon request from the City:

	2018	2019	2020
Building Official Services	\$115	\$117	\$120
Planning Services (Principal)	\$115	\$117	\$120
Planning Services (Associate)	\$95	\$97	\$100
Misc Admin Services	\$60	\$62	\$65

**EXHIBIT C
INSURANCE REQUIREMENTS**

From the earlier of the Effective Date or the Commencement Date of this Agreement, and continuing without interruption during the term of this Agreement, Contractor shall have, at a minimum, the following insurance, including all endorsements necessary for Contractor to have or provide the required coverage.

A. The Contractor shall have insurance that meets the following minimum requirements:

1. Professional Liability Insurance or Errors and Omissions Insurance protecting the Contractor and its employees in an amount not less than \$1,000,000.

2. Worker's Compensation Insurance in accordance with all applicable state and federal statutes. Further, Employers Liability Coverage shall be obtained in the following minimum amounts:

Bodily Injury by Accident - \$500,000 each accident
Bodily Injury by Disease - \$500,000 each employee
Bodily Injury by Disease - \$500,000 each policy limit

3. Commercial General Liability Insurance equivalent to, as a minimum, Insurance Services Office form CG 00 01 04 13 or current equivalent. The City of Ann Arbor shall be an additional insured. There shall be no added exclusions or limiting endorsements that diminish the City's protections as an additional insured under the policy. Further, the following minimum limits of liability are required:

\$1,000,000 Each occurrence as respect Bodily Injury Liability or
Property Damage Liability, or both combined
\$2,000,000 Per Project General Aggregate
\$1,000,000 Personal and Advertising Injury

4. Motor Vehicle Liability Insurance equivalent to, as a minimum, Insurance Services Office form CA 00 01 10 13 or current equivalent. Coverage shall include all owned vehicles, all non-owned vehicles and all hired vehicles. The City of Ann Arbor shall be an additional insured. There shall be no added exclusions or limiting endorsements that diminish the City's protections as an additional insured under the policy. Further, the limits of liability shall be \$1,000,000 for each occurrence as respects Bodily Injury Liability or Property Damage Liability, or both combined.

5. Umbrella/Excess Liability Insurance shall be provided to apply in excess of the Commercial General Liability, Employers Liability and the Motor Vehicle coverage enumerated above, for each occurrence and for aggregate in the amount of \$1,000,000.
-
- B. Insurance required under A.3 and A.4 above shall be considered primary as respects any other valid or collectible insurance that the City may possess, including any self-insured retentions the City may have; and any other insurance the City does possess shall be considered excess insurance only and shall not be required to contribute with this insurance. Further, the Contractor agrees to waive any right of recovery by its insurer against the City for any insurance listed herein.
 - C. Insurance companies and policy forms are subject to approval of the City Attorney, which approval shall not be unreasonably withheld. Documentation must provide and demonstrate an unconditional and unqualified 30-day written notice of cancellation in favor of the City of Ann Arbor. Further, the documentation must explicitly state the following: (a) the policy number(s); name of insurance company; name(s), email address(es), and address(es) of the agent or authorized representative; name and address of insured; project name; policy expiration date; and specific coverage amounts; (b) any deductibles or self-insured retentions, which may be approved by the City in its sole discretion; (c) that the policy conforms to the requirements specified. Contractor shall furnish the City with satisfactory certificates of insurance and endorsements prior to commencement of any work. Upon request, the Contractor shall provide within 30 days, a copy of the policy(ies) and all required endorsements to the City. If any of the above coverages expire by their terms during the term of this contract, the Contractor shall deliver proof of renewal and/or new policies and endorsements to the Administering Service Area/Unit at least ten days prior to the expiration date.



Carlisle | Wortman

ASSOCIATES, INC.

117 NORTH FIRST STREET SUITE 70 ANN ARBOR, MI 48104 734.662.2200 734.662.1935 FAX

May 2, 2019

Derek Delacourt, Community Services Administrator
City of Ann Arbor
301 E. Huron St.
Ann Arbor, Michigan 48104

Re: Proposal of Services – Zoning Analysis Study for Affordable Housing

Dear Mr. Delacourt

Thank you for the opportunity to present a scope of work to partner with Washtenaw County's Office of Community and Economic Development (OCED) and the Ann Arbor Housing Commission (AAHC) to complete a zoning analysis study for affordable housing of 10 selected publicly owned sites. Please see the next page for our proposed scope of work.

The budget for preparation, facilitation, and creation of this analysis will not exceed \$35,000.

It has been a pleasure working with the City of Ann Arbor for the past several years. We look forward to discussing this potential opportunity with you. Please don't hesitate to contact us at (734) 662-2200 if you have any questions.

Sincerely,

CARLISLE/WORTMAN ASSOC., INC.
Benjamin R. Carlisle, AICP, LEED AP
Principal

CARLISLE/WORTMAN ASSOC., INC.
Megan Masson-Minock, AICP
Planner

Proposed Scope of Work

We have drafted the following scope of work for the City’s consideration. We’d appreciate input from the City, OCED, or AAHC with regards to identified tasks or additional direction.

Task 1: Affordable Housing Best Practices

The consultant team will meet with OCED, AAHC, and other industry leaders to better understand considerations and limitations to affordable housing development. Such information will assist in creating realistic buildout analyses under Tasks 3 and 4.

Task 2: Code Analysis

The consultant team will analyze existing applicable city codes including the zoning ordinance and engineering standards for each site to determine buildout analysis. The team will also identify regulations and impediments in codes to affordable housing. Based upon regulations and impediments, the team will draft a list of potential rezoning opportunities or code amendments to provide for more affordable housing options on each specific site.

Task 3: Buildout Analysis Under Current Zoning

Based upon the underlying regulations, the consultant team will provide a buildout analysis of each site. The buildout analysis for each site will include:

- Zoning classification
- Zoning information and regulations
- Number of units
- Bulk
 - Height
 - Setbacks
 - FAR
- Parking demand/supply
- 3-D box model

Task 4: Buildout Analysis with Rezoning or Zoning Text Amendments

Based upon potential rezoning opportunities for rezoning or zoning amendments, the consultant team will provide a revised buildout analysis of each site. The revised buildout analysis for each site will include:

- Recommended amendments to the zoning map or ordinance, as well as other ordinances, if warranted.
- Zoning information and regulations
- Number of units
- Bulk
 - Height
 - Setbacks

City of Ann Arbor: Proposal of Services – Zoning Analysis Study for Affordable Housing

- FAR
- Parking demand/supply
- 3-D box model

Task 5: Recommended Zoning Changes

Based upon common rezoning or amendments, the team will summarize proposed zoning map amendments, zoning text amendments, or amendments to other city ordinances if needed.

Task 6: Report Preparation

The consultant team will prepare a final report:

- Executive summary
- Best Practices/Assumptions
- Buildout analysis for each site
 - Buildout Analysis Under Current Zoning
 - Buildout Analysis with Rezoning or Zoning Text Amendments
- Recommended Zoning Changes
- Conclusion and Summary

Cost Estimate*

Item	Hours	Cost
Task 1: Affordable Housing Best Practices	20.0	\$2,200.00
Task 2: Code Analysis	30.0	\$3,300.00
Task 3: Buildout Analysis Under Current Zoning	100.0	\$11,000.00
Task 4: Buildout Analysis with Rezoning or Zoning Text Amendments	100.0	\$11,000.00
Task 5: Recommended Zoning Changes	16.0	\$1,760.00
Task 6: Report Preparation	45.0	\$4,950.00
Estimate total of professional costs**	311.0	\$34,210

*Based up to 10 selected sites.

**The proposal does not include any public meetings. Meeting attendance and preparation will be billed at a rate of \$110.00/hour.