



Legislation Text

File #: 19-0075, **Version:** 1

Resolution to Approve a Professional Services Agreement with Arcadis of Michigan, LLC for Rate Study Review and Alternative Rate Design Analysis and to Appropriate Funds from the Water Supply System (\$27,495.00) **(8 Votes Required)**

In June 2018, a new rate structure was enacted based on a Cost of Service Study for Water and Wastewater Services.

Subsequent to the rate implementation, City Council adopted a “Resolution Directing the City Administrator to Develop and Present to Council by March 31, 2019 a List of Feasible Alternatives to Revise the Recently-Adopted Water Rate Restructuring Ordinance to Mitigate the Adverse Impacts of the Ordinance of Single-Family Residential Customers” (R-18-499). Due to the urgency of this task, to implement this resolution, the City selected Arcadis of Michigan, LLC as a consultant. Arcadis was a close competitor to perform the original Study, and as a well-established reputation for excellence in this arena. Arcadis’ Financial Services Practice Lead, Robert Ryall, has conducted rate studies through the United States, from California to Connecticut, and is a contributor to industry manuals of practice for rate setting, including the American Water Works M1 “Principals of Water Rates, Fees and Charges.”

To perform this agreement, Arcadis will receive data from Stantec, which performed the earlier Study, so that it may review the rate design, and its supporting data, and present alternative designs, if the data can justify them. As directed by Council, Stantec, Arcadis and City Staff will generate a report including pros/cons of any feasible, justifiable alternatives including, but not limited to:

- eliminating the 4th Tier in single-family residential
- re-instating the water rate structure in place prior to July 1, 2018 (permanently, or at least until water utility rate increases return to levels approximating inflation)
- adopting volume-based pricing tiers in the commercial customer class
- establishing potential other customer classes
- adopting a single-flat water rate Citywide.

Any alternatives will be revenue neutral and will not adversely affect the City’s ability to re-invest in our aging water utility infrastructure

Budget/Fiscal Impact: No funds were budgeted for further study related to the Cost of Service Study. Staff is requesting appropriations from the Water Supply System Fund in the amount of \$27,495.00 to fund this Contract Amendment.

The not-to-exceed proposal was submitted in the amount of \$24,995.00. Staff is also requesting contingency funds be authorized and appropriated in the amount of \$2,500.00 for any change orders that may arise.

Arcadis complies with the City of Ann Arbor's Living Wage and Non-Discrimination Ordinances.

Prepared by: Marti Praschan, Public Services Area Chief of Staff

Reviewed by: Craig Hupy, Public Services Area Administrator

Approved by: Howard S. Lazarus, City Administrator

Whereas, on December 17, 2018, City Council directed the City staff to re-visit the rates designed during Cost of Service Study for Water and Wastewater to present feasible alternatives;

Whereas, Arcadis of Michigan, LLC possesses expertise in water and wastewater rate design and analysis and is a suitable consultant to assist the City staff in this work;

Whereas, Arcadis of Michigan, LLC complies with the City of Ann Arbor's Living Wage and Non-Discrimination Ordinances; and

Whereas, Funds from the Water Supply System were not foreseen in the FY2019 budgeting process;

RESOLVED, City Council approves appropriations in the amount of \$27,495.00, which includes \$24,995.00 for the identified scope of services as well as \$2,500.00 for contingency, should additional level of effort be required;

RESOLVED, City Council approves a Professional Services Agreement with Arcadis of Michigan LLC for Rate Study Review and Alternative Rate Design Analysis;

RESOLVED, Funds be available without regard to fiscal year; and

RESOLVED, The City Administrator be authorized to take necessary actions to implement this resolution.