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TO: Mayor and Council

FROM: Tom Crawford, Interim City Administrator  
Craig Hupy, Public Services Area Administrator

DATE: March 8, 2016

SUBJECT: Ordinance No. ORD-16-03 – Water and Sanitary Capital Recovery Charges

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We are providing this in response to questions raised on February 16, 2016 during the first reading of the above ordinance. As part of the 2015 Water and Wastewater Capital Cost Recovery Study, a benchmarking analysis was performed comparing the City's proposed capital recovery charges to those for other agencies. Although the results of this comparative analysis indicated the charges being proposed by the City are on the higher end compared to the other agencies surveyed, below are a few items that should be taken into consideration when reviewing the results from the benchmarking analysis:

- The recommendations for Ann Arbor from the study result in a full recovery of costs for the initial capital investments made to provide utility service to the connecting parcels without shifting costs to existing rate payers (i.e. raising rates).
- The above aligns with the City's past practice for special assessments which was to (1) include all costs associated with extending utility service to a property, (2) charge only the benefited property(ies) those costs, and (3) not put the burden on the existing customers who have already paid for their connection.
- The cost factors used in the analysis were based on recent Ann Arbor project costs.
- The methodology/approach used for establishing fees by the other agencies surveyed in the benchmark analysis was unclear.

Thus, Ann Arbor is proposing 100% cost recovery from benefited properties based on up to date cost data and without burdening rate payers, while some of the benchmarked communities may not be doing the same.

Both City staff and representatives of the City's financial consultant (Black and Veatch) will be available during the second reading for answering any additional questions.