



TO: Mayor and Council

FROM: Milton Dohoney Jr., City Administrator

CC: Nick Hutchinson, City Engineer
Shoshannah Lenski, SEU Executive Director
Marti Praschan, CFO
Jordan Roberts, Public Services Area Administrator
Skye Stewart, Chief of Staff, Public Services
Mariah Walton, Deputy City Administrator

SUBJECT: May 4, 2026 Council Agenda Response Memo

DATE: April 30, 2026

CA-11: Resolution to Establish the 2026 Affordable Housing CI Bonds Fund and Appropriate Funding (\$35,000,000.00) (8 Votes Required)

Question: On CA-11, it is stated that 350 South Fifth is to be all electric and "net-zero ready"? What is meant by "net-zero ready" (Councilmember Disch)

Response: The property is planned to be fully electric and will be a very high performing building, but due to site limitations, the plan to achieve net zero by 2030 includes off-site clean energy generation.

PH-6: Resolution to Approve Fiscal Year 2027 Fee Adjustments for the Public Services Area

Question: Many of our public services fees increased by 10% or more. What is our process for determining these increases and how are we working to reduce these increases which often serve only to make development more expensive in our city? (Councilmember Briggs)

Response: Public Services fees are reviewed and adjusted annually to target full cost recovery. It varies by fee, but updated labor, equipment, material, contracted services, and overhead costs typically drive the necessary increases. If fees related to development

do not recover their full cost, the variance either results in reduced level of service, or potentially increasing rates to subsidize when applicable. In short, the fees are based on what it costs to do the work.

B-2 - An Ordinance to Amend Section 2:63 of Chapter 29 (Water Rates) of Title II of the Code of the City of Ann Arbor

B-3 - An Ordinance to Amend Section 2:69 of Chapter 29 (Stormwater Rates) of Title II of the Code of the City of Ann Arbor

B-4 - An Ordinance to Amend Section 2:64 of Chapter 29 (Sewer Rates) of Title II of the Code of the City of Ann Arbor

Question: Can you please share how much water, sewer, and stormwater rates have increased (on average) as compared to 5 years ago? I know there has been a phased in approach to adjusting rates to align with cost of service. Can you share where the City is in that cycle and if this year over year increase is anticipated to continue? Based on the messages I'm receiving, these rate increases are becoming increasingly untenable for many in our community. (Councilmember Briggs)

Response: Below are two charts, the first showing the history of rate changes per utility per year, the second showing the impact those rate changes have had on a single-family residential account with e 5/8ths meter utilizing 18CCFs of water per quarter in the 2nd tier of the Stormwater impervious surface structure. Individual accounts will vary based on water usage, meter size, impervious surface, and account classification. For the five-year period below, rates for this comparative account increased by a compounded 17%. Between June of 2021 and July of 2025 inflation was 18.9% per the consumer price index (CPI). If rates had been raised by CPI, the current Fiscal Year 2026 the annual amount would be \$1,112.68 rather than \$1,094.47.

A cost-of-service study analyzing the rate plan and structure is planned for Fiscal Year 2028, until completion of the study, revenue requirements and proposed rate adjustments will be analyzed on an annual basis. At this time, it is anticipated that similar annual increases will be necessary through that period.

Rate History						
	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	5 Year Average
Water	6.5%	6%	6%	6%	6%	6.1%
Sanitary	0%	0%	0%	3%	3%	1.2%
Stormwater	5%	4%	4%	3%	3%	3.8%

Average Residential Property (18 CCF, Tier 2 of Stormwater Impervious Area Structure)						
	FY22	FY23	FY24	FY25	FY26	Average
Water	\$ 75.27	\$ 79.84	\$ 84.68	\$ 89.71	\$ 95.02	\$ 84.90
Sanitary	\$ 129.90	\$ 129.90	\$ 129.90	\$ 133.80	\$ 137.89	\$ 132.28
Stormwater	\$ 62.21	\$ 64.61	\$ 67.11	\$ 69.08	\$ 71.11	\$ 66.82
Subtotal	\$ 267.38	\$ 274.35	\$ 281.69	\$ 292.59	\$ 304.02	\$ 284.01
On Time Discount	\$ (26.74)	\$ (27.44)	\$ (28.17)	\$ (29.26)	\$ (30.40)	\$ (28.40)
Quarterly Total	\$ 240.64	\$ 246.92	\$ 253.52	\$ 263.33	\$ 273.62	\$ 255.61
Annual Total	\$ 962.57	\$ 987.66	\$ 1,014.08	\$ 1,053.32	\$ 1,094.47	\$ 1,022.42
Annual Change	\$ 26.76	\$ 25.09	\$ 26.42	\$ 39.24	\$ 41.15	\$ 31.73
% Change	2.9%	2.6%	2.7%	3.9%	3.9%	3.2%

C-3: An Ordinance to Amend Sections 2:402, 2:408, and 2:410 and to Add Section 2:413 (Rate Schedules) to Chapter 35 (Sustainable Energy Utility) of Title II (Utilities and Services) of the Code of the City of Ann Arbor

Question #1 (Briggs): How many customers are anticipated in the Bryant pilot? (Councilmember Briggs)

Response: We have sufficient grant funding to support approximately 100-150 installations and hope to be able to enroll that many customers

Question #2 (Briggs): For the Municipal Solar Pilot, once the assets are transferred from the City to the SEU, City departments will pay the SEU for the energy they utilize. How will the City's expenses shift as compared to when all our energy needs were provided by DTE? (Councilmember Briggs)

Response: The A2SEU pilot rates for municipal solar energy are designed to collect approximately the same amount as the energy would have cost if purchased from DTE.

Question #3 (Briggs): Does implementation of these rates depend upon Council approval of the \$1 million recurring contribution from the general fund? (Councilmember Briggs)

Response: No, these are independent requests. However, without additional city funding support, the SEU will not collect enough revenue from the pilot rates alone to sustain operations.

Question #1 (Mallek): Who (or rather, which department) currently "owns" the various municipal solar systems? (Councilmember Mallek)

Response: Current municipal solar systems are recorded as assets of the funds that originally acquired them. In conjunction with the utilization of American Rescue Plan

Funding, The Office of Sustainability and Innovations has spearheaded efforts to obtain further grant funds for the initial installations, along with their implementation and the maintenance thus far. It was anticipated, prior to the establishment of the SEU, that the departments accountable for the properties housing these installations would oversee the long-term operations and maintenance of the solar assets at their respective facilities.

Question #2 (Mallek): The proposed ordinance addition, Section 2:413, contains Section (2) “Tariff No. P-2: Municipal Solar and Battery Service Pilot Rate”. Part d describes the nature of service for municipal systems to be owned and operated by the SEU, installed at participating facilities. (Councilmember Mallek)

A. Does staff envision all municipal systems participating?

Response: Staff envisions all municipal systems that are located within City limits, and were funded with grant and/or climate action millage dollars, participating

B. What determines whether an existing or future municipal system will participate or not in the SEU?

Response: Similar to current systems, only systems in City limits and developed with grant and/or climate action millage dollars would participate under this pilot rate.

C. What is the mechanism that will prompt the actual transfer of municipal solar and battery assets to the SEU?

Response: The existing assets will be transitioned manually to the newly established Sustainable Energy Utility Enterprise Fund Asset Listing upon the conclusion of the FY26 financials. As new installations are finalized, operating effectively, and after final invoices are settled, each asset will be transferred to the new newly established Sustainable Energy Utility Enterprise Fund Asset Listing.

Question #3 (Mallek): Proposed ordinance addition Section 2:413, Section 2, Part e states that “participating departments will be charged a monthly fee for service based on the installed capacity of the solar system or solar and battery storage system at each facility.”

Between the time of installation and today, how have municipal departments with installed solar or battery capacity accounted for their systems? Asked another way, have departments with installed solar or battery storage been paying for their solar/battery capacity between the time of installation and today or has it simply offset that department’s energy costs, to the (sole financial) benefit of that department? (Councilmember Mallek)

Response: Departments have not paid for the solar/battery capacity. Any energy savings accrued to date have benefited the individual department that is responsible for their utility bills.

DS-4 – Resolution of Intent on the Use and Administration of the New Sidewalk Millage Funds

Question #1: The use resolution adds new language not included in the 2021 use resolution, *"with the exception of City-owned parcels, which will be eligible to receive funding from this millage."*

According to the City's website, there are 144 miles of "gaps" in the city as defined by locations in the public right-of-way adjacent to a street that do not currently have sidewalks. Between 2021-2025, the previous millage only generated enough revenue to fill 6.8 miles of new sidewalks. These was good, but slow progress towards our goals. At this rate, assuming voters continue to renew the millage, a hundred years from now, we will still be working on filling our sidewalk gaps. What other funding strategies is City staff exploring to fill these gaps? (Councilmember Briggs)

Response: The City regularly uses County Road Millage funds to supplement sidewalk construction projects. In the past, sidewalk gap projects have been programmed using Federal Surface Transportation Program (STP) funds, however that has proven challenging due to all the additional requirements that comes with Federal aid. For some of the larger and more expensive sidewalk gap projects, staff will need to seek out additional fundings sources, such as Transportation Alternatives Program (TAP) grants.

Question #2: What is the reasoning on allowing funding to be used to fill gaps on city-owned parcels, when so much need exists on privately owned parcels. Do we have other millages (e.g. parks) that can be used to address gaps on Parks land? (Councilmember Briggs)

Response: This category primarily applies to Parks land. While the Parks millage has been used to fill gaps adjacent to parks in the past, those funds are already stretched very thin with their core purpose of maintaining, repairing, and improving parks and its amenities, and therefore this has become a barrier to constructing sidewalks in those locations. Thus, the purpose of adding this language is to remove a funding constraint to completing sidewalk gap filling projects.

Question #3: The use resolution uses the terminology "sidewalk." As written, can the millage be used to fund multi-use paths when that would be a more appropriate facility or is additional language needed to authorize that in the use resolution? (Councilmember Briggs)

Response: A multi-use path in the public right-of-way meets the definition of a "sidewalk", therefore we do not believe that any additional language is needed.