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TO: Mayor and Council

FROM: Howard S. Lazarus, City Administrator

CC: Tom Crawford, CFO  
Derek Delacourt, Community Services Area Administrator  
John Fournier, Assistant City Administrator  
Raymond Hess, Transportation Manager  
Craig Hupy, Public Services Area Administrator  
Nick Hutchinson, City Engineer  
Earl Kenzie, Wastewater Treatment Plant Manager  
Brett Lenart, Planning Manager  
Marti Praschan, Chief of Staff, Public Services  
Missy Stults, Sustainability & Innovations Manager  
Debra Williams, Office Manager, Community Services

SUBJECT: January 21 Council Agenda Responses

DATE: January 16, 2020

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**CA-2 – Resolution to Approve Street Closures for the Ann Arbor Downtown Jazz Festival on Friday, June 19, 2020 at 7:00 PM to Saturday, June 20, 2020 at 9:00 PM**

**Question:** Regarding CA-2, the cover memo indicates there was some opposition to this new event. Are the Kerrytown business folks OK with this now that the footprint has been reduced? Also, since the event starts at Noon on Saturday, why is it necessary to begin the closure Friday at 7PM (if there's setup, couldn't that be in the morning)? (Councilmember Lumm)

**Response:** The smaller footprint was recommended by the area representative and no negative feedback has been received since that change was made. The stage is currently scheduled to be set up on Friday evening. Sound check and vendor set up will occur Saturday morning.

**CA-8 - Resolution to Approve Onboarding Supplement to the Agreement with Ultimate Software Group, Inc.**

**Question:** The memo says that in 2018 the City hired and on-boarded 1124 employees, including 523 temporary employees. On May 21, 2018, in resolution R-18-194, Council directed the City Administrator “to end the practice of using temporary employees on a long-term basis to forestall the hiring of permanent employees”. Please provide an update on how many temporary employees are currently working for the City and what progress has been made to reduce the City’s reliance on temporary employment. (Councilmember Eaton)

**Response:** Resolution [R-18-194](#) is a Council resolution titled “Resolution to Provide Direction to the City Administrator on the Provision of Solid Waste Services,” and directs the administrator not to privatize solid waste services that were not at that time already privatized, to communicate this directive to the contractor conducting the solid waste resource management plan, and also not to utilize temporary employees to provide these services. The city is in complete compliance with this resolution at this point in time.

Separate from the council resolution, and looking more broadly across the city at our staffing practices, the city is in compliance with all labor laws that delineate the difference between a full-time position and the requisite benefits that accompany it, and the various classes of temporary employees. We do not believe the city hires temporary employees for the expressed purpose of forestalling the hiring of permanent employees, but uses temporary employees for truly seasonal or less than full-time working needs.

**Question:** Regarding CA-8, the 2<sup>nd</sup> whereas clause indicates that UltiPro is the sole source to provide this onboarding solution, but I’d think there are other vendors with onboarding modules – did we look at other vendors for this solution? (Councilmember Lumm)

**Response:** We contacted other vendors to view their products, though a formal Request for Proposals was not issued because it was evident very early on that the Ultipro solution was the only option that would achieve seamless integration into the rest of our HR information systems—ultimately this is what makes this a sole source procurement. Additionally, the cost would be significantly lower because of our existing contract with them. We are in the process of renegotiating our contract with Ultipro and we expect that we will be able to absorb a good portion of the \$1.60 per employee software fee into our existing costs. We are not asking for a budget adjustment as we believe we will be able to absorb the cost of this in our existing budget.

The sole source designation comes from the fact that Ultipro is the only provider who can seamlessly integrate a digital on boarding solution into their existing software. Consider the following workflow as an example:

Recruitment > Onboarding > Benefits Administration > Payroll

Currently we use Ultipro for our recruitment functions (job posting, resume collection and review), our benefits administration, and payroll. We are proposing to acquire the onboarding software from Ultipro as well. If we don't acquire the Ultipro software there will be a step in this HR information system workflow where we have to step out of the Ultipro system and route our data to a third party software provider. That data link will be a custom designed piece of software that will add additional cost. This third party software would create the need for additional log-in credentials as well, and would direct employees away from the Ultipro portal. Once there, they would interact with the third party software, entering data, watching videos, taking trainings, etc. Once they are complete, the third party software would have to communicate whatever relevant data was collected back to Ultipro, which would require an additional custom piece of software to integrate into the workflow. Once the data came back to Ultipro it would have to be validated and then entered properly back into the employee's digital file. Then work could continue within the Ultipro system in benefits administration and in payroll.

In this example, it simply doesn't make sense to contract with a third party software provider because of the additional complication and cost to achieve an outcome that is not seamless integration and that provides a much poorer user experience. In reality, a third party software provider isn't providing the same service, they are providing a much different and inferior service. That is what makes this a sole source procurement.

**Question:** Also on CA-8, this reminded me that the city was working to recover money from the HR software the city purchased that failed. What's the status of that recovery effort? (Councilmember Lumm)

**Response:** As this matter is in litigation, the City Attorney will provide an update.

### **CA-10 - Resolution to Approve a Professional Services Agreement with GÜD Marketing for Utilities Outreach and Engagement Support (\$150,000.00/year)**

**Question:** The memo says that the City received two bids, but does not provide the price from each vendor. The memo also does not include the scoring for each bid. Please provide this information. (Councilmember Eaton)

**Response:** The pricing schedules are as followings; Van-Dyke Horn - \$165/billable hour \$100,680 for year 1, \$90,612 for year 2 and GÜD Marketing- \$85 - \$150/billable hour \$157,055 for 1,422 hours. With price being allocated by task, not year.

The scoring sheet has been attached to the Legistar file and is attached to this memo as well.

**Question:** Regarding CA-10, it's not clear to me what the public outreach will be under this \$300K agreement – can you please provide examples of the public outreach that's

contemplated? Also, what was the bid amount from VanDyke & Horn? (Councilmember Lumm)

**Response:** Examples of outreach would be annual open houses, (social, paid and earned) annual media campaigns, annual partnership events (Earth Day, Green Fair). Also, implementation of increased annual outreach and education, including the stormwater smart campaign, as recommended in our Stormwater Level-of-Service Study.

Pricing schedules:

Van-Dyke Horn - \$165/billable hour \$100,680 for year 1, \$90,612 for year 2.

Güd Marketing- \$85 - \$150/billable hour \$157,055 for 1,422 hours. Price allocated by task, not year. (Maximum of \$300,000 over 2 years).

The scoring sheet has been attached to the Legistar file and is attached to this memo as well.

**CA-11 - Resolution to Appropriate \$35,000.00 from the General Fund and Approve a Professional Services Agreement with SmithGroup for Treeline Alignment Study (RFP #19-21, \$74,850.00) (8 Votes Required)**

**Question:** Regarding CA-11, the cover memo mentions that a “greater variety of funding sources will be available to fund final design and construction.” Can you please elaborate on that including the status of fundraising for the Treeline from other sources (public and private)? (Councilmember Lumm)

**Response:** For this segment of the trail, the Alignment Study will provide us a more accurate and comprehensive cost estimate, the property information we need to determine the exact route, and a better understanding of construction needs. Most, if not all, funders of final design and construction require this kind of detail during the application process.

Current and anticipated near term fundraising efforts include:

- DTE Foundation grant of \$10,000 (received)
- Sponsor and Donor Campaign (ongoing)
- Ralph Wilson Foundation Request
- Buhr Foundation Request
- Michigan Department of Natural Resources Trust Fund Request

In addition, we have received a grant of services from the National Park Service Rivers, Trails, and Conservation Assistance program where a national expert will be working with the City and the Treeline Conservancy to develop a funding strategy.

The Treeline Conservancy has also just hired an Executive Director who has fundraising expertise and will be working to increase fundraising efforts.

**CA-13 - Resolution to Appropriate \$5,000.00 from General Fund to Fund Additional Tasks Associated with the Comprehensive Transportation Plan Update Project and to Approve an Amendment to the Professional Services Agreement with Sam Schwartz Consulting, LLC (\$356,670.00) (8 Votes Required)**

**Question:** The FY 2020 budget included funding for the addition of a senior level traffic engineer with vision zero experience. Please provide an update on the status of that position. (Councilmember Eaton)

**Response:** The Transportation Engineer III/IV position was posted on December 2, 2019. The posting is open until January 31, 2020. Interviews will be scheduled soon thereafter.

**Question:** Resolution R-19-460 provided:

“RESOLVED, That the City Council directs the City Administrator to negotiate with Sam Schwartz Consulting to amend the existing contract to include an assessment of our pedestrian and cycling environment before December 31, 2019.”

The memo describes the work to be done under this contract as:

“Scope: Sam Schwartz will conduct a staffing resources gap analysis to identify gaps in the current structure and opportunities to strengthen the City’s ability to respond to safety concerns. Sub-tasks will include:

- “ Review of current staff structure
- “ Series of key staff interviews to understand job responsibilities
- “ Peer city interviews
- “ Comparative analysis of Ann Arbor to peer and/or aspirational cities

“Deliverable: Memorandum (up to 5 pages) summarizing findings and recommendations.”

How does the scope of work identified in the memo attached to this resolution achieve the direction of the Council resolution R-19-460 to perform “an assessment of our pedestrian and cycling environment”? (Councilmember Eaton)

**Question:** Regarding CA-13, it isn’t clear to me which of the options staff prefers – this one for \$5K or the other option shared with the Transportation Commission for \$26K. Can you please clarify? (Councilmember Lumm)

**Combined Response:** Item CA-13 is responsive to Council direction contained in Resolution R-19-460. At the direction of Council, staff negotiated with Sam Schwartz to “include and assessment of pedestrian and cycling environment.” The original proposal was available in early December to meet the Council response date of December 31<sup>st</sup>, however a Councilmember expressed some concerns (specifically about the cost and the scope of work) at that time. My December 3<sup>rd</sup> communication advised the following:

“I have forwarded the scope of work for Sam Schwartz to Mr. Hupy concerning your concerns on transportation staffing. Per our conversation, this is a much simpler request

than what staff was working on, and with the revisions we believe we can proceed more quickly. Kindly note the Transportation Engineer position focusing on pedestrian and bicycle safety (Vision Zero) has been posted.”

Subsequent to this communication, I asked staff to restructure the proposal scope from Sam Schwartz into the following three options:

1. Review the recruitment effort underway for the Transportation Engineer position and provide guidance on the skills and/or job responsibilities that will be important in the candidate for the City to achieve success in Vision Zero. This work has no additional cost.
2. Conduct a staffing resources gap analysis to identify gaps in the current structure and opportunities to strengthen the City’s ability to respond to safety concerns. This work includes a review of current staff structure, staff interviews, peer city interviews, and a comparative analysis of Ann Arbor to peer and/or aspirational cities. This work requires a contract amendment of \$5,000, and is reflective of our conversations after you expressed your concerns about the cost of the initially proposed amendment.
3. Assess the procedures and practices of the operations and maintenance of the City’s pedestrian infrastructure. This work includes an inventory of current resources and processes, documentation of current status, identification of best practices, development of an operations and maintenance report, and collaboration with staff and the appropriate City commissions. The work requires an amendment of \$26,200. This approach is more comprehensive than the thought that an assessment could be performed via a half-day “windshield” tour of the City, but carries the recommendation of staff that if Council feels this level of diligence is necessary to achieve the intent of Council to “include an assessment of our pedestrian and cycling environment,” then Council should amend the resolution to expand the scope of work and funding available.

**Question:** Also, did the Transportation Commission discuss the \$26K option and recommend it (or was it just shared with them in passing? (Councilmember Lumm)

**Response:** The information was shared with the Transportation Commission but they were not asked to take a formal action (Council Resolution R-19-460 did not request that of them).

**CA-14 – Resolution to Approve Amendment No. 2 to Contract with HDR Michigan, Inc. for the Wastewater Treatment Plant Area Odor Study, RFP No. 18-26 (\$34,349.00)**

**Question:** Regarding CA-14, if Scio Township is collecting data at this site, why is it necessary for the City to perform an independent evaluation (won’t Scio Township share their data or are we testing for something else)? (Councilmember Lumm)

**Response:** The data collected by the City is to verify data reported by Scio Township at a single location where the Scio sewage flow is discharged into the City sewer system. Scio has been sharing their hydrogen sulfide monitoring results from their discharge manhole with the City for several years. The testing performed by HDR was also designed to evaluate whether sanitary sewage contributed downstream of the Scio discharge is the source of odors in the City sewer system. To address these goals, testing performed by HDR included testing sewer pressure and hydrogen sulfide at the Scio discharge manhole and other manholes in the City sewer system to measure odor intensity and evaluate the likelihood for odors to be emitted from City sanitary sewers.

**CA-16 – Resolution to Approve Amendment No. 4 for the Professional Services Agreement with Stantec Consulting Michigan, Inc., for Water Treatment Professional Engineering Services (\$150,000.00)**

**Question:** Regarding CA-16, the original contract was approved in 2016 for \$200K and with this 4<sup>th</sup> amendment, the total is now almost six times that (or \$1.2M). What is staff's view on whether the per hour fees would have been lower in the original bid responses if this much higher contract amount was used? Also, have the hourly rates been increased over the period, and if so, by how much? (Councilmember Lumm)

**Response:** Staff does not believe that rates would have been lower if a higher contract amount was used. The original rates were in effect until April 15, 2019 when they were increased by 7% as part of Amendment No. 3. Amendment No. 3 also included a one-year extension through June 30, 2020, which was permitted as part of the original resolution [R-16-213](#). The Water Treatment Services Unit has three active Professional Services Agreements for engineering support and regularly requests proposals from each consultant as new tasks arise to maintain competitive pricing. These engineering services contracts will be rebid before the end of this fiscal year.

**CA-18 – Resolution to Approve Amendment No. 1 to the Professional Services Agreement with Wolverine Engineers & Surveyors, Inc. for Construction Inspection Services (\$250,000.00)**

**CA-19 – Resolution to Authorize Professional Services Agreements with Fishbeck, Thompson, Carr & Huber, Inc. for \$300,000.00; Wade Trim Associates, Inc. for \$400,000.00; and Stantec Consulting Michigan, Inc. for \$400,000.00 for General Civil Engineering and Surveying Services**

**Question:** Regarding CA-18 and CA-19, Wolverine Engineers ranked very low (11 of 12) in the scoring for CA-19, but we are adding to the existing contract with Wolverine in CA-18 for what seems to be similar work. Can you please reconcile these two apparently contradictory actions? (Councilmember Lumm)

**Response:** The work in these two items is substantially different. CA-18 is related to construction inspection services; whereas CA-19 is related to professional engineering services. These services are typically performed by different staff and often different

departments within a consulting firm. Thus, a firm can be rated favorably in one area while being less so in other areas of the organization.

**C-1 - An Ordinance to Add a New Chapter 122 (Historic Entertainment Sound District) to Title IX of the Code of the City of Ann Arbor**

**Question:** Please provide an update of the meetings and discussions staff has had with arts organizations and downtown business associations regarding expanding the area covered by this ordinance. I am interested in knowing who has been contacted, when they were contacted and a summary of the substance of the discussions. (Councilmember Eaton)

**Response:** Unfortunately to date there have been little to no discussions regarding the proposed ordinance. Attempting to schedule the meetings through the holiday period proved to be more difficult than expected. Staff hopes to have those meetings through the last part of January and early February and requests this item be postponed again until the second meeting in February. We have looked at alternatives, staff just has not had the opportunity to review with the appropriate stakeholders.

**Question:** Regarding C-1, the December 16<sup>th</sup> discussion focused on potentially including other areas (or even all of downtown) in this ordinance and my takeaway was that staff was going to consider alternatives to address the feedback provided council. The version in the packet is unchanged, however. Did staff evaluate alternatives/other areas and decide to continue recommend just this specific area, or has staff not looked at alternatives? If the former, please provide the rationale? (Councilmember Lumm)

**Response:** Unfortunately to date there have been little to no discussions regarding the proposed ordinance. Attempting to schedule the meetings through the holiday period proved to be more difficult than expected. Staff hopes to have those meetings through the last part of January and early February and requests this item be postponed again until the second meeting in February.

**C-2 – An Ordinance to Amend Section 1:237 of Chapter 8 (Organization of Boards and Commissions) of the Code of the City of Ann Arbor**

**Question:** I am inquiring about the legality of having a voting member on the Environmental Commission who is under 18; is this consistent with other boards and commissions we have? (Councilmember Ramlawi)

**Response:** Upon initial review, it appears that two City boards and commissions specifically reserve a spot for youth members - a voting youth member on the Independent Community Police Oversight Commission and a nonvoting youth member on the Housing and Human Services Advisory Board. Neither provides a required age. However, in general, the positions on City boards and commissions are not age-restricted, so a member could be appointed at any age provided they met applicable qualifications for that commission, including the charter requirement that they be a



registered elector in the City (unless that requirement is waived by a vote of 7 members of City Council).

**Question:** Regarding C-2, has the Energy Commission discussed adding youth members as well (as suggested in the cover memo)? Also, what was the discussion/rationale around the age range (including setting the lower limit at 14)? (Councilmember Lumm)

**Response:** Yes, the Energy Commission has requested adding two voting youth members as well – that change is scheduled to come before Council on February 3. Fourteen was proposed as generally being the first year of high school and 25 as an upper end to include some typical ages for graduate-level college students.

### **DC-2 – Resolution in Support of the Governor's Initiative to Create a Regional Mobility Corridor**

**Question:** Regarding DC-2, the second resolved clause references executing a Memorandum of Agreement with the stakeholders to establish a Mobility Corridor. Who are the participants and stakeholders and what commitments (financial and/or staff time) from the City are anticipated under the agreement? (Councilmember Lumm)

**Response:** The participating entities are still being identified, but will most likely include the jurisdictions with rights of way along the corridor (primarily MDOT), private firms with mobility practices, and other interested entities. There are no direct commitments at this time, and the only staff involvement at this time is with the City Administrator. I will certainly keep Council informed as the initiative develops, and all agreements that require significant financial impact or policy determination will be brought to Council for deliberation.

**Question:** Also on DC-2, two of the whereas clauses indicate that, “Transit along the Mobility Corridor retains the first priority and first claims on built environment” and that “the Mobility Corridor will be pursued without expectation of new public funding.” Can you please elaborate on what those two whereas clauses mean? (Councilmember Lumm)

**Response:** It is important to bear in mind that this is an initiative that has technological and economic development potential with the intent of retaining and regaining the region’s leadership in the mobility industry, and many outcomes may not be well-defined at the starting point. To the extent that the proposed mobility corridor supports transit, it will continue to do so. There may be some places where allocation of lanes and signal priority may be provided to transit, but that is speculative at this point. The initiative anticipates that there will be private investment, and that MDOT will not be making special allocations for this project. There is no expectation of investment from the City of Ann Arbor at this time.

## **DS-1 – Resolution to Prohibit On-Street Parking on Both Sides of Barton Drive from Longshore Drive to Pontiac Trail**

**Question:** Regarding DS-1, perhaps I'm wrong, but my recollection was that council postponed this on November 18<sup>th</sup> in order to get a better sense of the preferences of impacted neighbors given the pushback/opposition raised. Is that correct and if so, what was the additional feedback? (Councilmember Lumm)

**Response:** It was staff's understanding that the item was postponed on November 18<sup>th</sup> in order to perform additional polling of the neighborhood in light of opposition that was raised around that time. Staff had already performed extensive polling of a larger area, and was able to break down the results by neighborhood, ward, and City-wide responses. To add an additional level of detail, staff performed a postcard survey of the properties immediately adjacent to the proposed parking removal area. The results of this survey, along with the complete results of all the polling, are shown in the table on page two of the memo titled "Memo to City Council Re Elimination of On Street Parking Barton Drive", attached to this Resolution.

**Question:** Also on DS-1, the petition opposing the resolution submitted by about 20 neighbors on November 18<sup>th</sup> argued that adding bike lanes (1) would intensify the bottleneck of vehicular traffic, (2) wasn't safe for cyclists, and (3) that there are other nearby alternative bike routes that are safer and are used by cyclists. Can staff please respond to those arguments? (Councilmember Lumm)

**Response:** (1) Would intensify the bottleneck of vehicular traffic - The western leg of the Barton Drive/Pontiac Trail intersection currently has two 14-foot lanes. The eastbound approach lane does not have enough width to provide two vehicles lanes. Staff is aware that some "sneaking" does currently occur on this approach (through traffic "sneaking" around left turning traffic), which is contributing to an observed pattern of side-swipe crashes on this approach. The "sneaking" that currently occurs by people turning right is not significantly increasing the capacity of the intersection, and is a demonstrated safety concern. Therefore, the proposed design will not significantly increase the amount of delay experienced by drivers, and will help reduce a documented crash pattern at the intersection.

(2) Wasn't safe for cyclists - Bike lanes are recognized by the Federal Highway Administration (FHWA), the American Association of State Highway and Transportation Officials (AASHTO), and the National Association of City Transportation Officials (NACTO) as being a valuable tool for improving safety for people riding bicycles. The Crash Modification Factors (CMF) Clearinghouse, FHWA's online resources for CMFs, shows that US-based research finds that vehicle/pedestrian crashes are reduced by 58-60% when bike lanes are installed and that all crash types are reduced by 27%. More recent research, covering multiple US cities, has validated the finding that investing in bicycling infrastructure improves safety outcomes for all transportation users regardless of the way they travel.

(3) That there are other nearby alternative bike routes that are safer and are used by cyclists - The bicycle lanes proposed on Barton Drive would fill a gap in the current bicycling infrastructure. We know that there is a desire line from Pontiac Trail to locations west of the project area. People riding their bicycles from the project area to downtown have a variety of on-street routes to choose; however, people riding their bicycle from east of the project to locations west of the project have no other parallel route to choose. Even cyclists currently utilizing Chandler as an alternative route need to use part of this section of Barton Drive to access that route.

**Question:** Also, can you please provide a sense of how many folks use this parking and whether vehicle speeds are likely to increase or decrease by eliminating the parking and substituting bike lanes? (Councilmember Lumm)

**Response:** Staff's observation is that the on-street parking along Barton Drive is not heavily used. As such, the traffic calming effect that is sometimes experienced with the presence of on-street parking is probably not fully realized along Barton Drive. Consequently, staff does not anticipate a notable difference in speeds as a result of replacing the on-street parking with bike lanes. The bike lane will have the effect of narrowing the vehicular travel lane, which may also provide traffic calming effects.

**DS-3 – Resolution to Approve a Purchase Order with DTE Energy (DTE) to Conduct Initial Engineering and Distribution Studies Regarding a Potential Solar Energy Facility On and Surrounding the Ann Arbor Landfill (not to exceed \$90,000)**

**Question:** Q1. At the meeting, it was indicated the projected cost of the solar facility would be \$40-\$50M and that DTE would not be participating in the funding. Can you please confirm that's accurate and if so, both of those are pretty important pieces of information/context so can you please explain why they were not included in the resolution for tonight or in the December 30<sup>th</sup> memo on the topic? (Councilmember Lumm)

**Response:** The cost for the solar installation has not been determined as it is highly dependent on the results of the various technical and engineering studies that need to be completed. DTE contracted with Black & Veatch for a technical feasibility study which provided a +/- 30% cost estimate for the project, which is where the \$40-50M figure came from. The actual cost will be dependent on a number of factors, including grid upgrades required for interconnection and the cost of technology at time of competitive procurement.

Additionally, how the project will be financed and what the final ownership arrangement will be has not been settled. Up to this point there has been an assumption that DTE would own the facility as this is their standard arrangement, however the city has made no commitments on this issue and has also made it clear to DTE's executive leadership that we are not ready to commit to an ownership arrangement or a financing structure at this point. These are discussions that have yet to begin in earnest.

It is important to note that the request before Council today does not involve any commitment by the City to build or pay for the construction of the project. Today we are only asking to proceed with engineering that would allow us to put together a detailed project plan and a more reliable cost estimate. The council memo focuses on the step at hand, rather than speculation about unsettled issues that will come before Council at a later date. However, staff is always ready to discuss the project more broadly if asked to do so.

**Question: Q2.** It was mentioned that DTE will own the asset. Can you please confirm that as well and if so, why would DTE own the asset when DTE's not paying to construct it? (Councilmember Lumm)

**Response:** We began discussions about this project on the assumption that DTE would own it, however the city has made no commitments on this issue and has also made it clear to DTE's executive leadership that we are not ready to commit to an ownership arrangement or a financing structure at this point.

The benefit of the City's ownership of the facility may be our lower cost of borrowing and our tax exempt status. The benefit of DTE retaining ownership may be their technical expertise in maintaining and operating a facility such as this. There are many joint-ownership arrangements that exist between these two concepts that have yet to be explored as well. But these conversations have yet to begin in earnest. When a proposal is crafted that the City and DTE believe is maximally beneficial for both parties, it will be brought forth for Council's consideration and approval.

However, it is important to note that DTE's rate payers pay for the total cost to generate energy through electricity rates in all circumstances. There is no other source of income for DTE. Every dollar they spend has to be met by an equal dollar amount paid by consumers through energy rates, and so when costs can be disambiguated they are assigned to the consumers responsible for them. There are a lot of details involved in these calculations that are arguable, but the basic concept remains the same and all energy rates paid by consumers are approved by the Michigan Public Services Commission with this concept in mind.

**Question: Q3.** It was also indicated at that meeting that the General Fund would bear the cost. Please confirm that as well, and assuming bonds would be issued, would those be general obligation bonds and what would be the approximate annual debt service amount? (Councilmember Lumm)

**Response:** It is very likely that we will integrate the cost of this project into our monthly energy bills, paying what is known as a levelized cost of energy. The levelized cost of energy is the average revenue per unit of electricity generated that would be required to recover the costs of building and operating a generating plant during an assumed financial

life and duty cycle.<sup>1</sup> This, however, will be something we'd bring to Council for consideration once we know what the costs for development are.

It is too early in the process to determine how the debt would be structured for this project. Bonds could be floated by DTE, or by the City, or in combination. If they are floated by the City it is too early to determine what kind of bonds they would be, what the coupon rate would be, how the debt would be structured, and therefore what the debt service schedule would be.

**Question: Q4.** It was suggested at the Pittsfield meeting that the payback on this investment would be over 20 years. Is that directionally accurate? Also, how much are the energy costs annually now for the City's municipal facilities? (Councilmember Lumm)

**Response:** That is directionality accurate although the specifics would be determined once we more fully understand the costs and viability of the project. The payoff period could be sooner than 20 years, depending on project costs and inflation in the cost of energy in later years. As this project will contract for a fixed price, it will serve as an energy hedge against future increases in energy prices. In terms of municipal energy usage we currently spend just over \$3.9 million per year on energy.

**Question: Q5.** At the meeting, it was stated in response to a question about the amount of sun in Michigan that the facility would operate about 18% of the time. Can you also please confirm that and have there been other solar facilities of this size (24MW) constructed (in Michigan or elsewhere) that are able to operate just 18% of the time? (Councilmember Lumm)

**Response:** The technical feasibility study estimated a capacity factor of approximately 18.5% for the project. This number is consistent with what DTE would expect for a project of this nature. Both Demille and Turrill solar farms in Lapeer perform at approximately this capacity factor. This number will be dependent on the final design configuration, which could include technology such as single-axis tracking, which would likely increase the capacity factor. These final designs will be decided on during the competitive bidding process for the engineering, procurement, and construction (EPC) contract.

The 18.5% capacity factor does not mean that the solar panels are only generating electricity 18.5% of the time. It means that the panels would produce 18.5% of the energy that they would otherwise produce if they were angled at the sun optimally for 24 hours a day. The US average capacity factor is 24.7%, with southwestern states enjoying higher capacity factors and northeastern states having lower capacity factors. With this in mind, 18.5% is not abnormally low considering our northern position globally, our shorter days, and our weather patterns, and is still sufficient to generate enough electricity to satisfy 100% of our electricity usage in the municipal footprint.

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<sup>1</sup> U.S. Energy Information Administration's Levelized Cost and Levelized Avoided Cost of New Generation Resources in the Annual Energy Outlook 2019: [https://www.eia.gov/outlooks/aeo/pdf/electricity\\_generation.pdf](https://www.eia.gov/outlooks/aeo/pdf/electricity_generation.pdf).

Per the Solar Energy Industries Association, as of 3<sup>rd</sup> quarter 2019, Michigan has 176.47MW of installed solar.<sup>2</sup> Some examples are:

1. DTE-owned Demille Solar Farm in Lapeer County (28.4MW)
2. Delta Solar I and II in Eaton County (24MW)
3. DTE-owned Turrill Solar Farm in Lapeer County (19MW)
4. Spartan PV 1 in East Lansing (10.5MW)

**Question: Q6.** The cover memo indicated that funding is available in the Sustainability Office FY20 budget for the \$90K cost of these studies and that was a bit surprising to me given the carbon neutrality declaration and added FTE council approved in November. Can you please provide an updated FY20 spending forecast for the Sustainability Office by major program and cost category? (Councilmember Lumm)

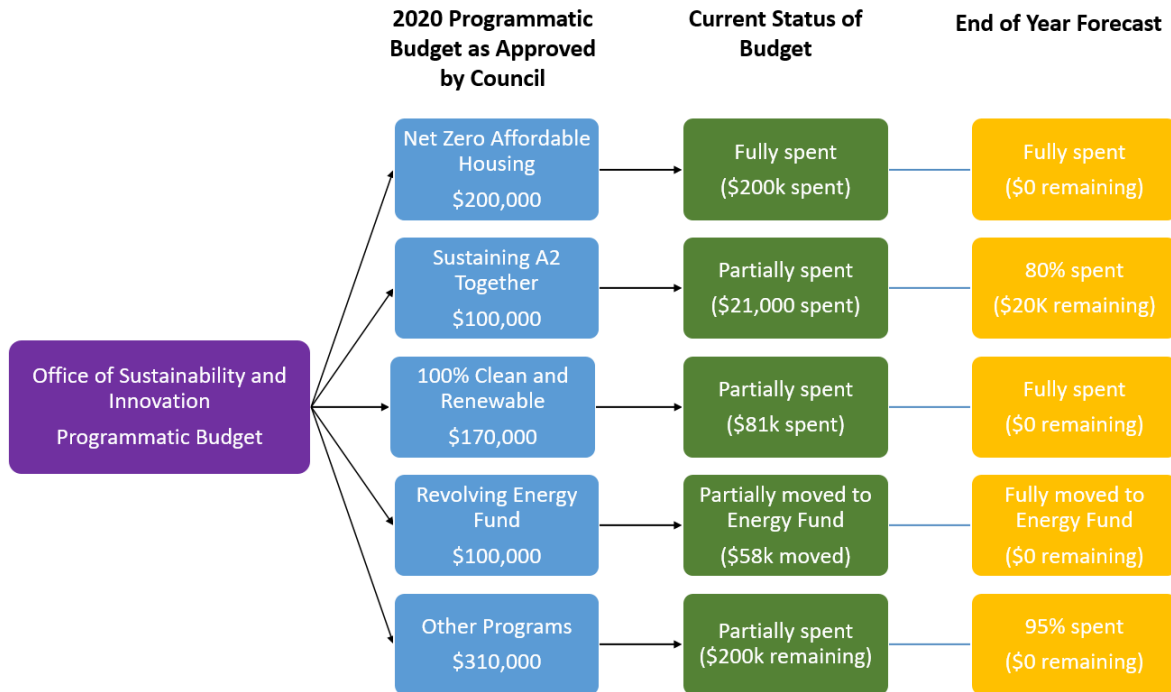
**Response:** When the Office of Sustainability and Innovations did our FY20 budget, we anticipated the potential of this project and included \$100,000 in funding under the auspices of advancing our goal of powering municipal operations with 100% clean and renewable energy. This project represents the most ambitious strategy we have for meeting our carbon neutrality commitment, so the expenditure of these funds is directly related to achieving Council's declaration on this topic.

In terms of programmatic funding available for OSI, we have been able to make modest adjustments to our work to align with the priorities as determined by Council, including our carbon neutrality work. Since the carbon neutrality work was already directionally aligned with the work of the Office, the adjustments needed were fairly modest. Because of this, we have been able to stay within the programmatic budget allocated in FY20.

More specifically, our budget forecast shows that we are within the total programmatic budget adopted by Council for FY20. In addition, the Office remains committed to seek external funding (i.e., grants) to help support some of the additional work of the Office, such as fast charging infrastructure. Below is an image that represents the programmatic budget that as presented to Council when preparing our FY 20 budget, where we are today, and where we are likely to be at the end of the year.

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<sup>2</sup> Solar Energy Industries Association: <https://www.seia.org/state-solar-policy/michigan-solar>.



**Question:** Q7. Can you please outline the pros and cons of the two alternatives referenced in the cover memo (DTE or MISO)? (Councilmember Lumm)

**Response:** Below is a table that compares the pros and the cons of the two options identified:

	PROS	CONS
DTE	<ul style="list-style-type: none"> <li>• Shorter timeline</li> <li>• Studies are significantly less expensive</li> <li>• Less expensive interconnection costs</li> </ul>	<ul style="list-style-type: none"> <li>• System can be more sensitive to injection of additional generation</li> </ul>
MISO	<ul style="list-style-type: none"> <li>• System typically able to accept small amounts of generation with minimal network impacts</li> </ul>	<ul style="list-style-type: none"> <li>• Costly interconnection studies</li> <li>• More expensive interconnection costs</li> <li>• Backlogged study process; minimum 2.5 years</li> </ul>

**Question:** Q8. If both the City of Ann Arbor and Pittsfield Township will use the power generated for municipal operations (as indicated at Jan 7 meeting), how will the cost sharing (both up-front construction and ongoing operations) be determined? (Councilmember Lumm)

**Response:** If a levelized cost of energy tariff is used, Pittsfield Township, just like the City of Ann Arbor, would pay a levelized cost of energy directly to DTE that accounts for

the proportional cost of energy each municipality takes from the system. DTE has a monopoly on electricity distribution, therefore we must purchase the energy from them. There is no other legal way to access it unless all of the electricity is used on site (which it cannot be).

**Question:** Q9. Once constructed, who will be responsible for operations (managing and maintaining the facility)? (Councilmember Lumm)

**Response:** While this hasn't been definitely determined at this point, there is a highly likelihood DTE would be responsible for operations and maintenance for the facility. The costs for the ongoing operations of the solar facility will be included in the levelized cost of energy that Pittsfield Township and the City of Ann Arbor would pay on a monthly basis. This would be the basis of an agreement with DTE that determines how the facility is financed and built, how ownership is handled, and how operations and maintenance are handled. This agreement would come to City Council for its approval at a future date yet to be determined.



**Gud Marketing**

	Score 1	Score 2	Score 3	Average Score
Professional Qualification	5	5	5	5
Past Involvement with Similar Project	5	4	4	4.33
Proposed Work Plan	5	4	4	4.33
Fee Proposal	5	4	4	4.33
				18

**Van-Dyke Horn**

	Score 1	Score 2	Score 3	Average Score
Professional Qualification	4	4	4	4
Past Involvement with Similar Project	4	4	4	4
Proposed Work Plan	3	3	3	3
Fee Proposal	4	4	3	3.67
				15