



## Legislation Text

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**File #:** 17-0228, **Version:** 2

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Resolution to Approve a Professional Services Agreement with Stantec Consulting, Inc to Conduct a Cost of Services Study for Water and Wastewater - RFP 991 (\$256,975.00)

It has been over 10 years since the City of Ann Arbor has evaluated the basis for developing its water and wastewater rates. The American Water Works Association and the Water Environment Federation, the two professional associations that develop best practices for the water and wastewater industries, have determined that the cost of service study is a generally accepted practice for well-managed utilities. Given the length of time since the last cost of service study, questions of rate equity and affordability raised by City Council members, and significant capital needs for the drinking water system, it is an appropriate time to reassess the current rate structure for the City's water and wastewater customers.

In October 2016, The City issued a request for proposals from qualified firms to conduct a cost of service study. The proposed scope of services includes:

1. Rate Design Development - ensuring revenue sufficiency as well as equitable distribution of costs. This includes affordability as a component of analysis with in-depth tailoring to Ann Arbor's demographics.
2. Public Engagement - engaging customers and stakeholders to set objectives and build understanding of proposed rate structures and models.
3. Evaluation and recommendation - providing the city with a financial model that can be utilized for future rate setting with varying parameters (such as debt issuance, operating changes, capital improvement plan changes, etc.).

The City received five proposals from: Arcadis Consulting, Black and Veatch, Ltd., Jones & Henry Engineers, Ltd., Raftelis Financial Consultants, Inc., and Stantec Consulting, Inc. A selection committee comprised of Public and Financial Services staff reviewed all of the proposals. The selection committee identified two of the five firms to interview. Of the two firms interviewed, the selection committee chose Stantec to complete the study based on their approach, public engagement strategy, and experience developing financial models that both meet revenue requirements and incorporate affordability measures.

Stantec Consulting, Inc. complies with the City's Non-discrimination and Living Wage Ordinances.

**Budget impact:**

Funding is available in the approved FY2017 Operations and Maintenance Budgets of the Water Supply System and Sewage Disposal System.

Staff recommends that \$25,000.00 be made available as a contingency amount.

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Reviewed by: Craig Hupy, Public Services Area Administrator  
Approved by: Howard S. Lazarus, City Administrator

Whereas, Cost of service studies are a generally accepted approach to price utility services;

Whereas, The previous study was conducted 14 years ago and requires updating to address current City demographics and capital needs;

Whereas, The City issued a Request for Proposal (RFP 991) for professional services to perform a Water and Wastewater Cost of Service Study;

Whereas, A selection committee chose Stantec Consulting, Inc., as the most qualified firm to perform a comprehensive cost of service study;

Whereas, Stantec Consulting, Inc. complies with the City's Non-discrimination and Living Wage Ordinances; and

Whereas, Funding is available in the approved FY2017 Operations and Maintenance Budgets of the Water Supply System and the Sewage Disposal System;

RESOLVED, That Council accept the proposal and approve the Professional Services Agreement for \$256,975.00 with Stantec Consulting, Inc.;

RESOLVED, That Council approve a contingency in the amount of \$25,000.00 to finance change orders to be approved by the City Administrator;

RESOLVED, That the Mayor and City Clerk be authorized and directed to execute said agreement after approval as to form by the City Attorney and approval as to substance by the Public Services Administrator and the City Administrator;

RESOLVED, The City Administrator be authorized and directed to take the necessary administrative actions to implement this resolution; and

RESOLVED, That funding for both the contract amount and the contingency amount be made available without regard to fiscal year.