Legislation Details (With Text)

File #:	19-0905	**Version:**	1	**Name:**	5/6/19 Resolution Directing the City Administrator to Provide a Revised Water Rate Structure
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File created:	5/6/2019			**In control:**	City Council
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Title:	Resolution Directing the City Administrator to Provide a Revised Residential Water Rate Structure				
Sponsors:	Ali Ramlawi				
Indexes:					
Code sections:					
Attachments:					

Date	Ver.	Action By	Action	Result
5/6/2019	1	City Council	Approved	Fail

Resolution Directing the City Administrator to Provide a Revised Residential Water Rate Structure
On June 18, 2018, the Ann Arbor City Council enacted changes to the structure of water rates effective July 1, 2018. This decision was made based on an extensive Water and Wastewater Cost of Service Study, the City's first in over 15 years. The study was performed to determine the costs of operating and investing in drinking water and sewer services and to set the rates customers who drive those costs should pay. The Water and Sewer Cost of Service Study Final Report, dated June 27, 2018, included a structure with four tiers, with progressive pricing including a sharp increase for the fourth and highest tier.

Subsequent to the implementation of this rate structure some City Councilmembers received concerns from their constituents about the impacts of the highest tier, and directed the City Administrator to have an independent and competent third part review the pricing structure and provide defensible alternatives to the adopted structure. Council approved a contract with Arcadis to provide this review, which was presented on March 11, 2019. One option presented, which may be a viable alternative is Option 2 for the residential user class, which combines tiers 3 and 4 into a single pricing tier.

City Council recognizes that setting the water rates is an integral part of the budgeting process, and that changing the water rate structure at this time would adversely impact adoption of the FY2020 budget. Therefore, Council is directing the City Administrator to provide a revised residential water rate structure that consists of three tiers, combining the current third and fourth tiers to Council for consideration and potential adoption in the first quarter of FY2020
Prepared by: Councilmember Ramlawi
Reviewed by: Craig Hupy, Public Services Area Administrator
Marti Praschan, Chief of Staff, Public Services
Howard S. Lazarus, City Administrator
Whereas, In 2018 the City undertook a cost of service study to determine the appropriate water rate structure to properly assess and assign cost to all classes of water users;

Whereas, Council adopted a new water rate structure effective July 1, 2018 that included a four tiered structure;

Whereas, Councilmembers received concerns from residential users about the steepness of the fourth, or highest tier and subsequently directed the City Administrator to have the initial cost of service study reviewed by an independent and competent party; and

Whereas, Council received a presentation the independent party (Arcadis) on March 11, 2019 and that presentation provided several alternatives for resident users including a three tier approach that combined and decreased the steepness of the highest consumption tiers.

RESOLVED, The City Council directs the City Administrator to present to Council a revised three-tier, residential water rate structure (Arcadis Option 2) to be incorporated into Section 2:63 of Chapter 29 of Title II of the Code of the City of Ann Arbor;

RESOLVED, That this adjustment will be revenue neutral when compared to the rates adopted with the FY2020 budget; and

RESOLVED, This structure shall be presented to Council for consideration and potential adoption not later than September 30, 2019.

Sponsored by: Councilmember Ramlawi

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