Ann Arbor Stormwater Level of Service and Rate Analysis Advisory Group Meeting Summary
Friday, December 2, 2016 – 10:00 a.m. to 12:00 p.m.

1. **Participants (Attachment #1)**

2. **Welcome and Introductions – Jennifer Lawson**
   a. The Yard demonstration wasn't held because the crews were already out working.
   b. We have a 90% finished product with plenty to discuss today related to Level of Service.

3. **Level of Service and Rate Option Discussion – Andy Burnham**
   a. Recap of the components included in the forecasting model.
      i. LOS and non-LOS options can be toggled to show impact to the cost when enhancements are added and deleted. Enhancements include Non-LOS: BMP maintenance, tree pruning, CCTV Freq, Field Ops. Customer Service, Green infrastructure maintenance. LOS: Admin, Public Engagement, OHM options.
         - "Desired" Capital Improvements Plan (CIP) is in the base model. The current proposed CIP for the City of Ann Arbor does not include many stormwater projects, as the is no funding.
         - The base model assumes 25-year financing at 3% but the source of CIP funding is not identified in this project.
         - The reserve level for stormwater is set a minimum of six months of operations and maintenance expenses.
         - The "Desired" CIP is the largest driver for the increases in stormwater charges.
         - The Ann Arbor Green Streets Policy does drive a certain amount of the future stormwater projects. The foreseeable road projects are included in the "Desired" CIP projections.
      ii. What happens if all enhancements are added at one time? The consequence to the fund would be a use of operating reserves in order to fund the CIP and operating budget and require higher user fees to be adopted. Phasing the enhancements in over a four-year period would allow for lower user fees. Feedback from the group regarding a phase-in approach included:
         - Phasing in over 4 years doesn't seem like a very long time.
         - Doubtful that the public would realize it.
         - Is it even possible from an operations perspective to do it all at once?
      iii. Feedback on prioritization of enhancements:
         - Green infrastructure maintenance should start now.
         - Public engagement – including launching projects to raise awareness and communicate community values.
            o Show a map that shows normal CIP projects in one color and add unidentified CIP projects in another color to show the breadth of the stormwater capital improvements.

- CCTV – televised first strategy that includes cleaning and televising every year. 20% would happen every 5 years and everything else on a 20-year cycle. The data would be used to schedule preventive maintenance versus emergency repairs that are more expensive. This could be phased in.
- The asset management plan will delay the CCTV and the OHM identified maintenance.
- There is still discussion regarding the tree pruning budget and timing. The community has voiced their desire for a higher level of care for the tree stock. Trees absorb a tremendous amount of stormwater. The Street Tree Program (trees that are in the right of way) was moved to stormwater program because there was a perceived benefit of having Street Canopy to control stormwater. There are 43,000 street trees in Ann Arbor. The State of MI began offering grants and loans for street tree planting. There is a strong correlation between a healthy tree canopy and stormwater management. The state funding and grants has diminished over time.

iv. Reduction of the CIP projects by 20% results in about a 10% decrease in stormwater fees. This would be about an annual reduction of $1.2M of CIP funding. Comments included:
- It is important to remember that it will impact the level of service. It would be helpful to show how LOS is impacted. Also, identifying the specific projects.
- The critical message to get across is that the infrastructure was subsidized by federal dollars and developer investments and are now being maintained and replaced by the municipalities.

4. **Review Cost of Service Results for Identified LOS Scenario**
   a. See Schedule 1 – Attachment #2

   b. Key Points

      i. FY18 Enterprise Fund Budget serves as the basis for the cost of service analysis model. The model was recalculated based on updated information.
      - FTE Allocation
      - Units of Service for residential and non-residential
        o Billable Impervious Area (BIA) and Total Impervious Area (TIA) was analyzed.
        o Cost of Service analysis revealed that the current customer charge cannot be supported at its current level and updated billable impervious area analysis indicates that non- residential customers should be allocated additional runoff related cost as compared to the current cost recovery.
        o Reactions to reallocation of costs within the customer classes:
          ▪ Public education is so important. Residents will be surprised that they have been carrying the bill. Non-residential customers will push back with the increases.

- Show FY18 rates with cost of service adjustments and separately with the identified revenue requirement increase from FY17 to FY18.
- Previous rate modifications were done in two phases. July showed normal rate updates, in January the rate methodology modification was rolled out to differentiate between normal rate updates and methodology changes.
- Suggest that a comparison of costs of a large non-residential customer that have added stormwater management to their property.

5. **Review Credit Calculations**
    a. Credits monetarily recognize a reduction to the city's cost to provide stormwater service

    i. Residential – One year rain event (1")
    - Note: the previous study was based on a ½" rain event standard.
    - Rain barrels that retain water. 10% volume reduction going into the system. $2.38 quarterly credit.
    - Cistern/Dry Wells – 28% volume reduction - $4.93 quarterly credit.
    - Detention Basin – reduction in discharge rate to the stormwater system - $13.13 quarterly credit.
    - RiverSafe Home – reduction in a portion of public education cost - $1.01 quarterly credit.
    - Green Roof – adjustment to billed impervious area. It was suggested that a public engagement credit be included.
    - Treebate program encourages tree planting and provides a credit. Audits and follow-up would be necessary. Comments:
        o Smaller plant material should be included.
        o Canopy spread is the most advantageous.

    ii. Non-residential
    - Detention Basin – 29.04% recalculated from 29.5%
    - Quality Control Structural BMP – 8.17% + $1.01 currently 6.4% + $1.17
    - Community Partners for Clean Streams – $1.01 credit currently $1.17
    - School Based Education – 8.17% + $1.01 currently 6.4% + $1.17
    - Tree Canopy Credit – BIA reduction
        o Credit for impervious area for trees within 20 feet or less of surface. Can't be right of way tree and must be on the approved species list.
        o Existing and new trees are differentiated.
        o Important to set-up so that it can be administered by the city.
        o Used in D.C., Portland OR, Seattle WA currently and not being taken advantage of yet.
        o Property owner would need to provide all information for verification purposes.
    - Green Roof – BIA reduction + $1.01

6. **Closing Comments**
    a. Feedback on meeting content
        - The group confirmed their comfort with the process and progress.
        - What is the output needed from this group? Advisory Group is responsible for providing insight and comment related to the work being performed.
    b. Topics/content for next meeting on January 6
        - Discuss the period that the model will cover.
        - Public outreach strategy approaches with key messages.
        - Drafts of graphics that will be used in the Council presentation.

ATTACHMENT #1

Last Name	First Name	Organization	Email
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ATTACHMENT #2