



TO: Mayor and Council

FROM: Tom Crawford, CFO
Craig Hupy, Public Services Area Administrator
Nick Hutchinson, City Engineer
Robyn Wilkerson, HR Director

CC: Steven D. Powers, City Administrator

SUBJECT: Council Agenda Responses

DATE: 6/16/14

CA -1 - Resolution to Approve Purchase Agreement with DTE to Convert 223 Mercury Vapor Cobrahead Streetlights to LED (\$69,555.00/\$55,060.00 after rebates)

Question: How many city-owned streetlights do we have in total and how many will have been converted if this 223 is approved? (Councilmember Lumm)

Response: We are billed for 7431 total streetlights. Of this total 5216 are DTE-owned lights. This project is for conversion of DTE lights, and after this conversion, 536 streetlights within their inventory will be LED. Of the 2215 City-owned lights, 1923 are LED.

Question: The cover memo indicates that the net purchase price is \$55,060 (after rebates), the annual energy savings are \$14,218 and the payback is 3.1 years. Doing the math based on those numbers, the payback is 3.87 years so can you please explain how the 3.1 is derived (must be including inflation on savings?). (Councilmember Lumm)

Response: The net purchase price noted on the cover memo should be \$58,997 rather than the \$55,060 as currently noted. This results in a calculated payback period of 4.1 years based on projected savings with the LED fixtures. These figures are being

corrected and will be included in an updated Council packet being distributed by the Clerk's Office this afternoon.

Question: The cover memo and resolution also indicate that funding is available in the FY14 budget based on savings achieved by the past LED projects. Once these are approved, don't we reflect the expected savings in our operating budgets? (Councilmember Lumm)

Response: The budget preparation process for FY14 dates back to the fall/winter of 2012-13 and the opportunity to participate in these programs arose in the spring of 2013 and again this past spring. As actual savings are realized, they will be included in future budget preparations; however budgeting for streetlight expenses also needs to account for and hedge against possible tariff/rate increases that can occur at anytime, as well as fluctuations in DTE surcharges.

CA – 4 – Resolution to Amend Service Purchase Order for Stormwater Services with the Washtenaw County Water Resources Commissioner (\$30,000.00 Annual Increase for FY14 & FY15)

Question: The proposed amendment and \$30K increase in city payment to WCWRC is 40% more than had been previously agreed to for both FY14 and FY15. The memo indicates that additional funding is necessary to compensate WCWRC for increased work – can you please provide some detail that supports the \$30K increase for the increased work (both actual services in FY14 and expected in FY15). Also, is the actual payment based on actual hours or just the PO annual amount? (Councilmember Lumm)

Response: The services provided by the WCWRC for FY14 include: both project planning and construction management efforts on several green streets projects with State Revolving Loan Funds (SRF), including: Miller Avenue Reconstruction, Madison Avenue Reconstruction, South Fourth Avenue and South Forest Avenue; the completion of the Traver Creek Streambank Stabilization project; rain garden projects in Arbor Oaks Park, and the Ann Arbor Skate Park; the SRF Street Tree Planting project; as well as the preparation of the SRF Plan for submission to the State of Michigan. Expected work in FY15 includes: additional streets projects with State Revolving Loan Funds (SRF), such as Springwater Subdivision, Stone School Road, and Geddes Avenue; the FY15 SRF Street Tree Planting project; and, adjustments/amendments to the SRF plan as project details evolve, such as for Springwater Subdivision and Geddes Avenue.

The actual payment is based on actual hours worked.

CA – 5 - Resolution to Approve Contract with Recycle Ann Arbor for Solid Waste Student Move-Out Services (\$35,000.00/year)

Question: For both CA-5 and DS 14 RFP's were issued for recycling-related services, but only one response was received. For these two RFP's who was invited to bid and can you please comment on how the city might be able to create more interest/competition in these types of bids? (Councilmember Lumm)

Response: For both RFP's, multiple vendors attended the pre-proposal meetings but chose not to submit proposals. For CA-5, 90 companies received notice and 16 accessed the RFP attachments. An intensive amount of service is required over a short duration two times per year. Both Waste Management and Republic expressed interest in providing roll-off collection services, but did not have the staffing needed for site operations and did not feel comfortable hiring temporary workers for this service.

Question: Why can we not recover this cost from the University? (Councilmember Kailasapathy)

Response: No University facilities are generating the waste. The waste is from off-campus housing, and these residents are City customers.

CA-7 – Resolution to Approve a Contract with Ann Arbor SPARK for Economic Development Services (\$75,000)

Question: What exactly are the deliverables that the City gets for this \$75,000? We also got another table from you (couple of weeks ago) regarding how much the other jurisdictions pay to SPARK for these services. They seem to be paying only a few thousand dollars each. It just seems like we are paying so much more than the others. So what extra services we are getting from SPARK for paying so much extra? (Councilmember Kailasapathy)

Response: Attached is the Memo to Council from the City Administrator dated June 11 that includes some of this information for reference.

The City receives economic development services from SPARK. SPARK is to conduct economic development efforts within the boundaries of the City of Ann Arbor concurrently with economic development efforts on a County-wide basis. SPARK attracts new industry within the boundaries of City of Ann Arbor. SPARK coordinates services for economic development to eliminate duplication of efforts. SPARK provides a continuous communications mechanism between leaders of government and the private sector in addressing economic development needs and concerns. SPARK works directly with the City Administrator, executive staff and City Council as appropriate to understand and properly serve the economic development interest of the City.

SPARK will be convening and providing staff support to an A2 Economic Health Committee. This advisory group would work to foster collaboration, share information

and seek new strategic partnerships with a goal of enhanced community prosperity within the City of Ann Arbor. A key element in the work of this new group would be the creation of additional metrics of success. The committee was a recommendation of City Council's Economic Collaborative Task Force.

The task force also provided direction on SPARK assistance to the City. The task force recommended SPARK continue its work to develop evaluation criteria by which to measure the impact of economic development in Ann Arbor and the region. The task force recommended that SPARK work with the City to find ways to encourage the development of appropriate office, research and development space, especially Class A space, in downtown and along signature Ann Arbor corridors and that SPARK help market the city-owned downtown sites.

Question: For each year since the Act 88 millage started to be levied by the county, could you kindly provide a breakdown of the Act 88 monies that have been provided to Ann Arbor SPARK that can be attributed to Ann Arbor taxes? (Councilmember Kailasapathy)

Response: Washtenaw County provided the following information: The Act 88 levy for the December 2013 was set at 0.070 of a mill which will result in approximately \$1,022,276 in collection, countywide. This means \$7 of revenue for each \$100,000 of taxable value. Of the \$1,022,276 estimated to be collected, \$200,000 is the planned allocation to Ann Arbor SPARK for 2014 (as well as 2015, 2016 & 2017). This equates to approximately 19.564% of the total collection amount. This in turn supports that 19.564% of each jurisdictions collections from the December 2013 levy would go towards Ann Arbor SPARK.

Question: Can you provide the reports providing information on job creation statistics by SPARK? (Councilmember Briere)

Response: Attached are the SPARK reports that were provided in the City Administrator's communication to City Council on June 2, 2014: 1) 2013 Ann Arbor SPARK Success and 2) 2013 ROI Ann Arbor SPARK.

SPARK's Audited Financials are provided on their website dating back to their date of inception in 2006.

<http://www.annarborusa.org/about-us/policies-and-reporting/audited-financials>

DS – 1 - Resolution to Approve a Contract with NuView, Inc. to Replace the City's Human Resource and Payroll System (\$570,900.00) and Approve a Project Budget of \$541,740.00)

Question: If approved, what is the timeline for acquiring, transitioning, and then fully implementing the new system? (Councilmember Lumm)

Response: If approved, Phase One of implementation would begin on Monday, June 30th and would consist of the following modules: payroll/core HR, employee self service, manager self service, time and attendance; followed by recruiting and compensation administration. Phase One is tentatively scheduled for a “go live” date of January 2015.

Using an end of year transition is simpler and less expensive, as there is not carry over of annual tax data for 2014. Phase Two of implementation would commence in January 2015 and would include performance management and succession planning modules.

Question: In terms of the current vendor, do we have any recourse related to their performance issues? Are there any cancellation costs associated with terminating the contract with Ultimate Software? (Councilmember Lumm)

Response: Unfortunately, there is no recourse with Ultimate concerning our customer service issues. There are no costs associated with cancellation, but there are costs of approximately \$12,500 associated with exporting data from Ultimate to the new system. These costs have already been factored into our implementation budget.

One of the issues driving our poor customer service experience has been the high turnover at Ultimate Software. In our tenure, we have been assigned over 7 different Customer Relationship Managers and at least 15 different Customer Service Representatives. The continual turnover has caused a lack of consistency and knowledge within Ultimate on our product, processes and support needs.

Question: How much is currently in the IT fund balance? (Councilmember Lumm)

Response: At the beginning of the fiscal year, the IT fund had an unassigned fund balance of \$4.9 mil. Of this amount only \$546k (9% of expenditures) was undesignated. \$4.2 mil. was set aside by the various funds as reserves to replace existing software and \$175k was utilized to support operations.

Question: Which other cities or comparable, public sector employers utilize the NuView software and have we talked with any about the system – strengths, weaknesses, etc.? (Councilmember Lumm)

Response: We contacted 3 other organizations (Generac, City of Elizabeth NJ and The Segal Group) that have been using or were in the process of implementing NuView software for their HRIS. We felt it important to include both public and private sector organizations in the reference process, as our internal HR processes are similar to those in the private sector. The strengths reported by these customers centered on system flexibility and NuView customer support. Potential weaknesses include the current state of NuView’s mobile offerings. While the current state of the mobile platform would not meet our current business needs, the Fall 2014 release will have significant mobile offerings.

In terms of overall due diligence, we did research and viewed demos from at least thirteen (13) different HRIS products. We developed over 700 distinct selection criteria

to assess each of the final RFP respondents. These final respondents were then given a specific demo script that was developed jointly by the IT and HR members of the project team. The results of these demos were used to make our final selection.

Question: Kindly provide the cumulative cost savings realized by moving to this new system in Year 1,2,3,4,&5. (Councilmember Kailasapathy)

Response:

	Ultimate*	NuView	Cost Savings	Cumulative
Implementation Cost	177,100	269,000	-91,900	
Year 1 Subscription	281,000	314,400	-33,400	-125,300
Year 2 Subscription	289,430	77,400	212,030	86,730
Year 3 Subscription	298,113	77,400	220,713	307,443
Year 4 Subscription	307,056	77,400	229,656	537,099
Year 5 Subscription	316,268	77,400	238,868	775,967
5 YEAR TOTAL	1,668,967*	893,000	775,967	
*Please note that the total listed is \$80,000 less than the original amount noted in the draft resolution. It has been updated in the official resolution that will be presented tonight.				
*These numbers are not the budgeted amount for Ultimate; they represent the implementation and operating cost increases associated with increasing the system functionality to a level comparable with NuView. Some of the specific functional items are listed below:				
<i>Data integrations to benefit providers and internal systems</i>				
<i>Adding retiree population to system</i>				
<i>Test and training environments</i>				
<i>Integrated employee on-boarding</i>				

Question: Also provide the rationale for how this system is superior in making better recruitment choices? (Councilmember Kailasapathy)

Response: Neither this system (nor our current system) make recruitment choices. The advantages of NuView in the area of recruiting are:

- the ability to configure the recruiting process to our specific organizational needs (i.e., the approval of requisitions, the flow of resumes, the scheduling of interviews, etc.)
- the ability to provide a better “candidate experience” (candidates have the ability to update their profile/resume and receive communications regarding their status)
- the reduction in manual data entry needed to get candidates hired into the organization (per the previous email, data entry would be reduced from approximately 35 fields to about 7 fields)
- the ability to “onboard” candidates online (reduction in paper forms through use of e-signature, faster onboarding, etc.)
- the ability to mass hire and terminate (this is mainly relevant to election workers)

DS – 9 – Resolution to Approve Award of a Construction Contract to Lanzo Lining Service, inc. – Michigan for the 2014 Sewer Lining Project (\$1,566,121.00; Bid No. ITB – 4322)

Question: The cover memo indicates the total project budget is \$3.0M. Can you please explain what the other elements of the project are as this contract is for about half of the total (\$1.6M)? (Councilmember Lumm)

Response: This sewer lining project utilizes funds from the FY14 and FY15 capital budgets. Once the additional funding becomes available in FY15, contingent upon the satisfactory performance of the contractor, Staff may bring an amendment to Council to extend the construction contract. This will allow the City to take advantage of favorable pricing and perform additional sewer lining up to the full budgeted amount of \$3,000,000.

DS – 11 – Resolution to Approve the Installation of Traffic Calming Devices on Larchmont Drive and Appropriate and Amend the FY 2015 Local Street Traffic Calming Budget (\$55,000.00) (8 Votes Required)

Question: The Larchmont traffic calming project is going to take \$55,000 from the traffic calming allocation of \$60,000? So would we have to postpone the Northside traffic calming project as a result of that or are these funding from different fiscal year allocations? (Councilmember Kailasapathy)

Response: The Larchmont traffic calming itself is estimated to be \$8,800. Because the construction work will not be able to be completed on this and other traffic calming projects by the end of the fiscal year (June 30), this resolution will move the previously approved Traffic Calming funding (#R-13-307) from FY14 to FY15. This will add to the budgeted amount for FY15, and will not affect the ability to do traffic calming on Northside.

DS – 14 – Resolution to Appropriate Funds and Approve Contract with Recycle Ann Arbor for Multi-Family Recycling Incentive Pilot Program (\$95,694.00)

Question: For both CA-5 and DS-14, RFP's were issued for recycling-related services, but only one response was received. For these two RFP's who was invited to bid and can you please comment on how the city might be able to create more interest/competition in these types of bids?

Response: For both RFP's, multiple vendors attended the pre-proposal meetings but chose not to submit proposals. For DS-14, 85 companies received notice and 13 accessed the RFP attachments. An intensive amount of service is required over a short duration two times per year. Both Waste Management and Republic expressed interest in providing roll-off collection services, but did not have the staffing needed for site operations and did not feel comfortable hiring temporary workers for this service.

Question: The cover memo indicates that in the 2012 waste sort it was found that 26% of the trash in multi-family locations was recyclable compared with 12% for single families. Do we have any benchmark data that would show whether that difference is typical in other communities? (Councilmember Lumm)

Response: Palo Alto, CA did a study in 2006 that found that 42.6% of the waste from multi-family/commercial locations was recyclable (p. 16), compared with 29.4% from single-family:

<http://www.cityofpaloalto.org/civicax/filebank/documents/7136>

King County Solid Waste (Seattle, WA) found that an average of 27% of the waste at the multi-family locations that they evaluated was recyclable (p. 26):

<http://your.kingcounty.gov/solidwaste/garbage-recycling/documents/KingCountyMulti-familyReport.pdf>

Question: Kindly provide the financial highlight of the incentive programs? (Councilmember Kailasapathy)

Response: The purpose of this pilot program is to identify methodologies that can effectively increase recycling at multi-family locations. The material that the City landfills currently costs \$25.87 in transfer and disposal costs for each ton of trash. In comparison, the City pays \$17.21 per ton of recyclable materials, which is at least partially offset by revenue the City receives from the sale of recyclable materials.

The first step in the program will be to survey multi-family constituents to identify needs and preferences. The methodologies to be tested could include, but not be limited to: recycling rewards programs, indoor collection bins, larger collection containers, and multi-family leader programs.