



Financial Services Audit Committee Communication

Date: December 6, 2019

To: Great Lakes Water Authority Audit Committee

From: Alicia Haskin, Management Professional – Intergovernmental Relations

Re: Shared Services Update

Background: The Great Lakes Water Authority (GLWA) and the Detroit Water and Sewerage Department (DWSD) are parties to a Shared Services Agreement (the Agreement) dated December 1, 2015. This agreement provides the framework for shared services for the efficient operation of both entities.

On a monthly basis, an invoice is prepared. While the intent is for the monthly invoice to represent actual costs, the reality is that the timing of certain vendor invoices and accumulation of internal charges requires a “True-up” process. Furthermore, the intent is to condense the True-up timeline each fiscal year.

The Shared Service Agreement (Section 5.1) states that:

“Each invoice, whether for Services provided regularly or “as-needed,” shall itemize the costs and charges by Services provided under each Service Delivery Schedule and shall provide sufficient detail to the Subscribing Party to identify the Services performed and the basis for the charges. A Performing Party may only charge the Service Costs for Services provided.”

In addition, the parties have come to realize that in most cases an exact itemization generates a level of detailed analysis that is not cost effective to produce. The data and experience garnered from the first three years of the program are leading a more efficient method of calculating costs while staying true to the intent of Section 5.1 above.

Analysis: The following is an update of the FY 2018 True-Up and FY 2019 and beyond.

FY 2017 Payment Update and Summary of Shared Services Billings and Payments

GLWA and DWSD have been exchanging invoices for services since January 1, 2016, the start of the Agreement. A history of this activity and applicable payments is summarized in two tables. **Table 1 – GLWA as a Service Provider** reflects activity in which GLWA is the provider

and is billing DWSD for services and **Table 2 – DWSD as a Service Provider** reflects activity in which DWSD is the provider and is billing GLWA for services.

The Shared Service Agreement (Section 5.2) states that:

“Payments for Services shall be payable monthly. Unless other specified in a Service Delivery Schedule, payment of each invoice shall be due no later than thirty (30) days after the date of delivery of the Invoice...”.

This provision has not been followed to date due to significant efforts to implement the Shared Services agreement and related business processes and operating protocols.

On July 31, 2019 GLWA and DWSD exchanged payments for the agreed-upon FY 2017 True-Up. Payments of \$12.5 million from DWSD to GLWA and \$3.6 million from GLWA to DWSD are reflected in **Table 1** and **Table 2** below.

Table 1 – GLWA as Service Provider (FY 2020 Billings through September 2019)

Summary of Shared Services Billings and Payments				
Year	Total Billings	True Up Amount Actual/Potential	Total Payments	Unpaid Amount
FY2016	\$ 4,781,194	\$ 3,311,838	\$ 8,093,032	\$ -
FY2017	\$ 9,378,922	\$ 3,076,854	\$ 12,455,776	\$ -
FY2018*	\$ 7,477,571	\$ -	\$ -	\$ 7,477,571
FY2019*	\$ 8,924,209	\$ -	\$ -	\$ 8,924,209
FY2020*	\$ 1,366,425	\$ -	\$ -	\$ 1,366,425
Subtotals	\$ 31,928,321	\$ 6,388,692	\$ 20,548,809	\$ 17,768,205

* These calculations are estimates at this time.

Table 2 – DWSD as Service Provider (FY 2020 Billings through September 2019)

Summary of Shared Services Billings and Payments				
Year	Total Billings	True Up Amount Actual/Potential	Total Payments	Unpaid Amount
FY2016	\$ 2,543,735	\$ 5,003,644	\$ 7,547,379	\$ -
FY2017	\$ 4,722,364	\$ (1,077,584)	\$ 3,644,780	\$ -
FY2018	\$ 5,255,347	\$ -	\$ -	\$ 5,255,347
FY2019	\$ 2,675,695	\$ -	\$ -	\$ 2,675,695
FY2020	\$ 1,169,339	\$ -	\$ -	\$ 1,169,339
Subtotals	\$ 16,366,480	\$ 3,926,060	\$ 11,192,159	\$ 9,100,381

FY 2018 True-Up Status Update

The FY 2018 True-Up process has begun for both GLWA and DWSD Shared Services teams. The FY 2018 True-Up process will follow the same approach as FY 2017. Per the Agreement, each entity will prepare an analysis for each shared service to calculate the proposed billings for FY 2018. For those Shared Services where there may be differences, an amount will be negotiated to settle on the billing that was reasonable and agreed to by both parties.

Table 3 - FY 2018 GLWA as a Service Provider lists the status of each Shared Service based upon GLWA's staff analysis. True-Ups are provided to DWSD as they are completed. As of November 7, 2019, GLWA has completed True-Up analysis on 16 of the 17 services. The last analysis is expected to be sent to DWSD by November 15, 2019.

The update in **Table 3** represents the progress that GLWA has made on the True-Ups related to GLWA-provided services. DWSD and GLWA Shared Service Teams will continue to meet and work on a timeline for the completion of the FY 2018 True-up. Meetings are held regularly to discuss the status of the completion and resolution of the True-Ups.

Table 3 – FY 2018 GLWA as Service Provider

FY 2018 True-Up Status

GLWA Provider Shared Service Description	GLWA Progress (1-3)	Date Sent to DWSD OR Expected Date to be Sent to DWSD
OPS-002 Miss Dig		
OPS-004 Water Quality	3	8/9/2019
OPS-005 Security	3	8/5/2019
OPS-005 Security Training	3	8/5/2019
OPS-006 Facilities		
OPS-008 Systems Control Center	2	12/13/2019
ITS-001 Retail AMR	3	10/29/2019
ITS-002 Customer Service Tech Suite	3	10/29/2019
ITS-003 See Click Fix	3	10/29/2019
ITS-004 WAM	3	10/29/2019
ITS-005 Mobile Work Force	3	11/6/2019
ITS-006 ESRI-GIS	3	10/29/2019
ITS-007 DADS	3	10/29/2019
ITS-008 TIBCO	3	10/29/2019
ITS-009 IT Infrastructure	3	11/6/2019
LS-001-A Joint Litigation and Defense, LS-001-B Environment, LS-002 Environment, LS-003 Contract Drafting	3	8/9/2019

Other items to bill not a defined shared service code		
Staff Training	3	11/6/2019
Bank Fees	3	8/9/2019
Public Finance	3	11/4/2019

Provider status:

1	True-up calculation not completed by Shared Services team.
2	True-up calculation completed by Shared Services team; under review by Executive Leadership team.
3	True-up calculation provided to subscriber.

Table 4 – FY 2018 DWSD as a Service Provider lists the status of each Shared Service based upon GLWA’s knowledge of True Ups received from DWSD.

Table 4 – FY 2018 DWSD as Service Provider

FY 2018 True-Up Status

DWSD Provider Shared Service Description	DWSD Progress (1-3)
OPS-001 Fleet	1
OPS-002 MISS DIG	1
OPS-003 As Needed Field Services	1
OPS-006 Shared Facilities	1
DoIT-001 IT Infrastructure	N/A
DoIT-002 Radios	N/A
DoIT-003 Customer Service Technology Support	1
Other items to bill not a defined shared service code	
Fuel	1
WAM Invoices	1
Oracle Invoices	1

Provider Status

1	True-up calculation not completed by Shared Services team.
2	True-up calculation completed by Shared Services team; under review by Executive Leadership team.
3	True-up calculation provided to subscriber.
	Not Billing for this Shared Service at this time.

Fiscal Year 2019 and Beyond Update

Table 5 – Shared Services Terminations and Updated Scope of Service lists the scope of each Shared Service based upon GLWA’s analysis. There have been five Shared Services that have terminated and another five that will be terminating by the end of FY 2020 if the transitions go as planned by DWSD.

Table 5 – Shared Service Terminations and Updated Scope of Service

Shared Service	Description	Provider	Scope of Service
ITS-004	WAM	GLWA	**Partially Terminating on 6/30/20
ITS-005	Mobile Workforce Management	GLWA	**Terminating on 6/30/20
ITS-007	DADS	GLWA	**Terminating on 6/30/20
ITS-008	Tibco	GLWA	**Terminating on 6/30/21
ITS-009	Infrastructure	GLWA	**Partial 3/1/19; Final on 6/30/20
OPS-005	Security and Integrity	GLWA	*Badging and Fusion Center
OPS-001	Fleet	DWSD	No changes
OPS-002	MISS DIG	DWSD	No changes
OPS-003	As Needed Field Service	DWSD	No changes
OPS-006	Facilities	DWSD	No changes
OPS-008	Systems Control	GLWA	No changes
DoIT-001	Financial Information System	City of Detroit	No changes
DoIT-002	Radios	City of Detroit	No changes
DoIT-003	Customer Service Tech Suite	City of Detroit	No changes
Training	Training	GLWA	No changes
LS-001 - LS-003	Legal Services	Both	No changes
ITS-002	Customer Service Tech Suite	GLWA	Terminated on 10/1/18
ITS-001	Retail AMR	GLWA	Terminated on 6/30/19
ITS-003	See Click Fix	GLWA	Terminated on 12/31/18
ITS-006	ESRI GIS	GLWA	Terminated on 6/30/19
OPS-004	Water Quality	GLWA	Terminated on 6/30/19
OPS-007	WWTP IWC Underground Storage Tank	N/A – not needed	
PRO-001	Applications Analyst	N/A – not needed	

*OPS-005 Terminated on 6/30/17. However, Badging and Fusion Center costs continue to be provided.

**Formal termination notice has not been received. However, the DWSD CIO has provided these termination dates to GLWA CIO.

New Shared Services

The original Shared Service Agreement did not anticipate all Shared Services. There are several new Shared Services that will need to be formalized in writing. Pursuant to Section 2.1 of the Shared Service Agreement, DWSD and GLWA may mutually agree to adopt new or modified Service Delivery Schedules as the need of such services occurs. As the new schedules are written they will be reviewed by both parties for approval.

Proposed Action: Receive and file this report.