



Financial Services Audit Committee Communication

Date: November 20, 2020

To: Great Lakes Water Authority Audit Committee

From: Nicolette Bateson, CPA, Chief Financial Officer & Treasurer

Re: Proposed Procurement Policy Amendment Related to a Business Inclusion & Diversity (BID) Program

Background: On September 23, 2020 the GLWA Board of Directors approved an amendment to the Chief Executive Officer's contract which included provisions to strengthen GLWA's commitment to Affordability, Equity, and Inclusion. An excerpt is provided below as it relates to GLWA's procurement efforts [emphasis added].

I. Affordability, Equity, and Inclusion

Section II of this Attachment C below indicates that GLWA's CEO, "[S]hall utilize the principles of Effective Utility Management (EUM) to carry out her responsibilities for the general supervision and management of the affairs of the utility, including establishing and delineating organizational goals and objectives which further GLWA's mission and values." Equally important to the Board is that in carrying out these duties the CEO be similarly guided by the principles of affordability, equity, and inclusion. While always present as guide stones, the principles of affordability, equity, and inclusion are especially important to the Board because of the national pandemic and its impact on individuals, families, businesses, and member-partner communities located within GLWA's territory area.

GLWA was founded upon a principle of affordability with the 4% promise contained in the initial Memorandum of Understanding that lead to GLWA's establishment. It is especially important in this time of economic uncertainty that GLWA look at strategies to contain costs while providing water of unquestionable quality to the region.

Similarly, GLWA has an opportunity and a responsibility to provide opportunities to businesses located within its service area. Historically many of those businesses have faced obstacles to participation in procurements on a competitive basis. The Board will consider revisions to the Procurement Policy, however, under the existing Policy or an amended Policy, the CEO should strive to **present opportunities for small and disadvantaged business within its service area to effectively compete and do business**

with GLWA. Over the long-term, this allows GLWA to expand its pool of skilled resources, support economic development throughout the region, and provide competitive pricing in its procurements.

The Board also believes that having a team within GLWA that is reflective of the GLWA's territory area with a diversity of perspectives is important to its long-term success. This focus on workforce recruitment, development, and retention should not be limited to existing team members. GLWA should continue and expand its outreach to the region it serves to promote opportunities through, apprenticeship programs, or other partnerships with stakeholders such as member-partners, labor unions, educational institutions, and trade groups that are focused on technical and leadership opportunities within the water service sector.

Analysis: In carrying out the Board's request, staff has drafted proposed amendments to the GLWA Procurement Policy to address the above objectives at the Audit Committee meeting on October 23, 2020 and the Board of Directors meeting on October 28, 2020. Based on feedback from those meetings, staff was asked to consider the following before a final proposed amendment is presented.

1. Evaluate whether the points allocation is enough to make a meaningful difference.

Analysis: We reached out to the Procurement Technical Assistance Centers in the area and other small business advocates who represent other public sector entities. They believe, based on their experience, that the 1% factor for each of the three designations is appropriate.

2. Determine whether there is a better criterion for defining Economically Disadvantaged Territory Area Business Enterprise.

Analysis: Those we contacted thought that using data from the U.S. Census Bureau was an appropriate way to differentiate disadvantaged eligible businesses within GLWA's Territory Area.

3. Revisit precise criteria for definition of Michigan business presence.

Analysis: The State of Michigan's Department of Technology, Management, and Budget has a certification process to determine if a business is qualified as a Michigan business. It is recommended that GLWA accept the same criteria. Note that Michigan law (MCL 18.1268) prohibits a business from submitting a false

certification. GLWA will accomplish this enforcement criteria via contract language.

Attached are the following.

- A. Presentation which highlights the proposed amendments and related next steps for implementation.
- B. Mark-up version of the Procurement Policy with the above proposed changes.
- C. Draft Board Letter for the November 25, 2020 Board meeting.

Proposed Action: The GLWA Audit Committee recommends that the proposed Procurement Policy Amendment Related to a Business Inclusion & Diversity (BID) Program be approved by the Board of Directors.