

The Quarterly Shared Services Report includes the following:

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5. Percentage of Final Cost of Service Paid
6. Next Steps

Key Takeaways

- All Final Cost of Services calculated by DWSD for FY 2018 has been agreed to and paid by GLWA.
- FY 2019 and FY 2020 represent 79% of the remaining balances due from DWSD for Final Cost of Service for all open years (GLWA provider).
- FY 2019 and FY 2020 represent 84% of the remaining balances due from GLWA for Final Cost of Service for all open years (DWSD provider).
- The remaining balances for FY 2021 and FY 2022 represent the difference between original billings and the estimated final costs of services for both DWSD and GLWA.

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.

Invoices are prepared monthly. While the intent is for the monthly invoices to represent actual costs, the reality is that the timing of certain vendor invoices and accumulation of internal charges requires a “True-up” process that results in an agreed upon Final Cost of Service. It is also the intent for the parties to transmit payment monthly utilizing estimates for service provided. Section 5.1 of the Agreement states, “Payments for services shall be payable monthly.”

Summary of 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 tables show the original billed amount based on budgeted amounts. The True Up column represents any adjustments made to accurately reflect the final costs for each shared service. The final column represents the balances due for the final costs of service after True Ups. Please note that the final cost of service for FY2020, FY2021 and FY2022 include estimated final costs by the shared services teams from both DWSD and GLWA. These estimates are used where there are known adjustments needed to the original billed amounts.

Table 1 – GLWA as Service Provider (FY 2022 Billings through June 30, 2022)

Fiscal Year	Billed	True Up	Final Cost of Service	Paid	Balance Due from DWSD for Final Cost of Service
FY2016	\$ 4,781,194	\$ 3,311,838	\$ 8,093,032	\$ 8,093,032	\$ -
FY2017	9,378,922	3,076,854	12,455,776	12,455,776	-
FY2018	7,477,116	171,010	7,648,126	6,768,255	879,871
FY2019	8,924,209	(2,868,239)	6,055,970	298,445	5,757,525
FY2020 (E)	5,012,664	(61,317)	4,951,347	158,789	4,792,558
FY2021 (E)	4,524,788	370,897	4,895,685	4,041,484	854,201
FY2022 (E)	2,488,898	404,943	2,893,841	1,906,792	987,049
Subtotal	\$ 42,587,791	\$ 4,405,986	\$ 46,993,777	\$ 33,722,573	\$ 13,271,204

Table 2 – DWSD as Service Provider (FY 2022 Billings through June 30, 2022)

Fiscal Year	Billed	True Up	Final Cost of Service	Paid	Balance Due from GLWA for Final Cost of Service
FY2016	\$ 2,543,735	\$ 5,004,004	\$ 7,547,739	\$ 7,547,739	\$ -
FY2017	4,722,364	(1,077,584)	3,644,780	3,644,780	-
FY2018	3,491,083	1,275,249	4,766,332	4,766,332	-
FY2019 (E)	4,130,896	701,154	4,832,050	1,133,395	3,698,655
FY2020 (E)	4,130,896	124,638	4,255,534	559,562	3,695,972
FY2021 (E)	2,004,000	526,000	2,530,000	2,058,000	472,000
FY2022 (E)	1,980,000	620,000	2,600,000	1,650,000	950,000
Subtotal	\$ 23,002,974	\$ 7,173,461	\$ 30,176,435	\$ 21,359,809	\$ 8,816,626

Final Cost of Service

The purpose of this section is to provide an analysis for the final cost of each shared service due to GLWA from DWSD for the fiscal years that GLWA and DWSD are focused on. The tables below highlight the final cost of service for GLWA provided services because there are a limited number of services that DWSD provides during FY 2019 and FY 2020.

Table 3 – FY 2019 Final Cost of Service by Shared Service (GLWA Provider) reflects all of the Shared Services, including those that have the largest cost of service for GLWA to provide

All amounts are unaudited unless otherwise noted.

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to DWSD. As you can see in the table below IT Infrastructure has a final cost of \$2,361,237 or 39% of the total final cost of services. Systems Control is the next largest final cost of service at \$1,522,410 or 25% of the total final cost of services.

Table 4 – FY 2020 Final Cost of Service by Shared Service (GLWA Provider) reflects all of the Shared Services, including those that have the largest cost of service for GLWA to provide to DWSD. As you can see in the table below IT Infrastructure has an estimated final cost of \$2,400,000 or 50% of the total final cost of services. Systems Control is the next largest estimated final cost of service at \$1,500,000 or 31% of the total final cost of services.

Table 3 – FY 2019 Final Cost of Service by Shared Service (GLWA Provider)

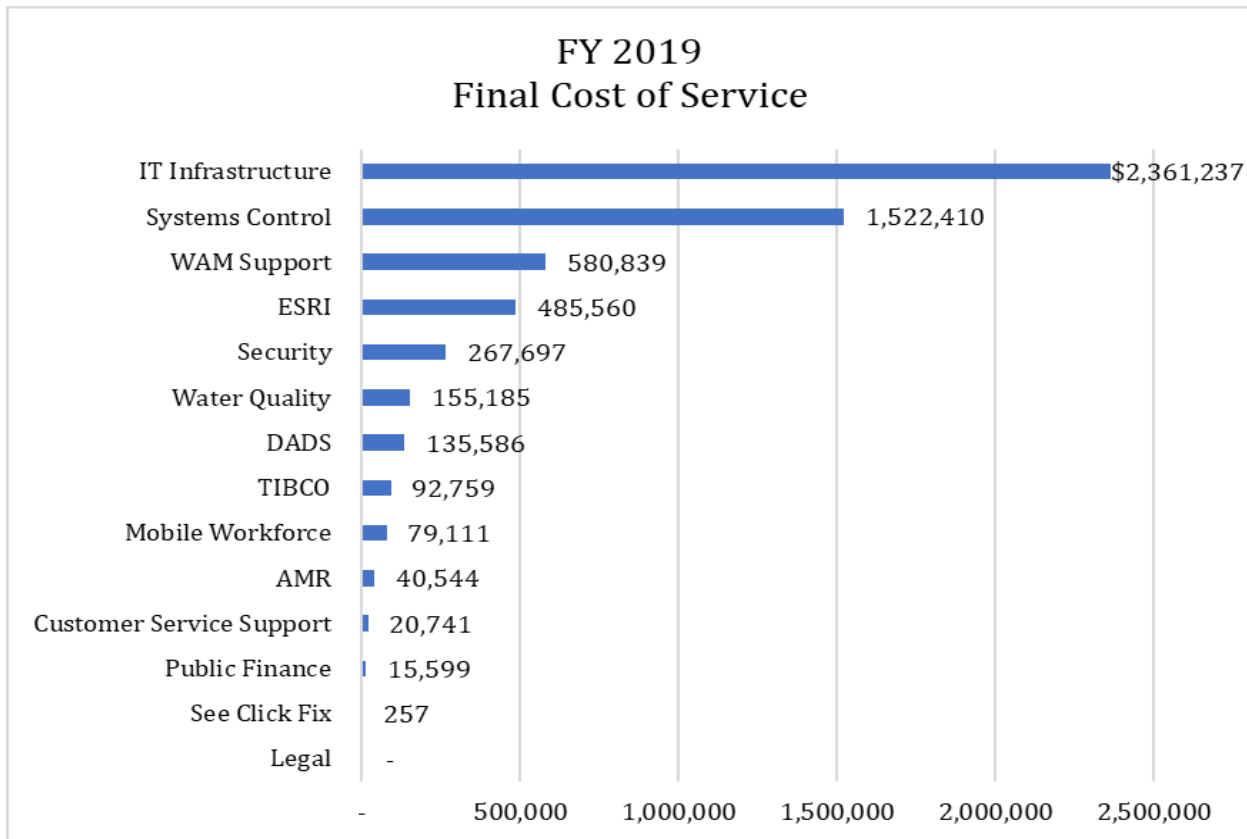
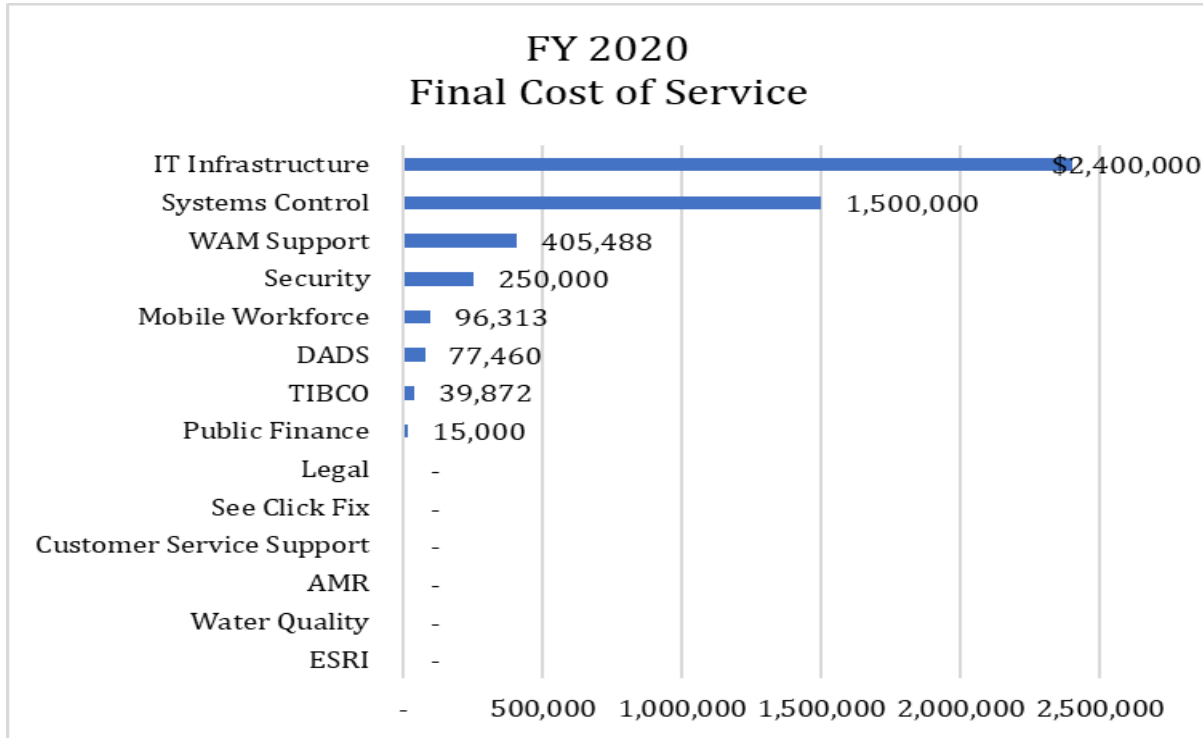


Table 4 – FY 2020 Final Cost of Service by Shared Service (GLWA Provider)


GLWA has prepared and provided DWSD a True Up for each shared service that GLWA provides for FY 2019. The True Ups were provided as they were completed, GLWA recognized that the FY 2018 negotiations impacted the FY 2019 True-Ups. As these items were agreed to, GLWA made the appropriate changes to the FY 2019 True-Ups.

The GLWA shared services team is working on the True Ups for FY 2020. The True Ups will be provided to DWSD when completed.

DWSD has provided the True Up for FY 2019 for shared Facilities. DWSD has not provided the Fleet True Up for FY 2019 or FY 2020. No payments have been made to DWSD for FY 2019 through June 30, 2022.

Percentage of Final Cost of Service Paid

During FY 2021 and FY 2022 DWSD and GLWA both made monthly payments based on invoices sent to each entity. The amounts billed by both parties are based on budgeted amounts that are determined by each entity at the beginning of the fiscal year.

GLWA has remaining payments for each year due to differences between the billed amount and the estimated final cost of service. In FY 2021 GLWA owes on two Shared Services that remain. These shared services are for costs associated with WAM invoices and shared facilities costs. In FY 2022 there is only one remaining shared service that DWSD provides. This is for the shared Facilities costs.

Table 5 – FY 2021 Percentage of Final Cost of Service Paid (GLWA Provider) reflects the percentage of expected final cost of service payments that DWSD has made to GLWA through June 30, 2022. During FY 2022 two shared services True Ups (WAM Support and TIBCO) were calculated and the final cost of service was less than the billed amount. We anticipate overpayments will be reallocated to shared services with outstanding balances.

Table 6 – FY 2022 Percentage of Final Cost of Service Paid (GLWA Provider) reflects the percentage of expected final cost of service payments that DWSD has made to GLWA through June 30, 2022.

Table 5 – FY 2021 Percentage of Final Cost of Service Paid by DWSD (GLWA Provider)

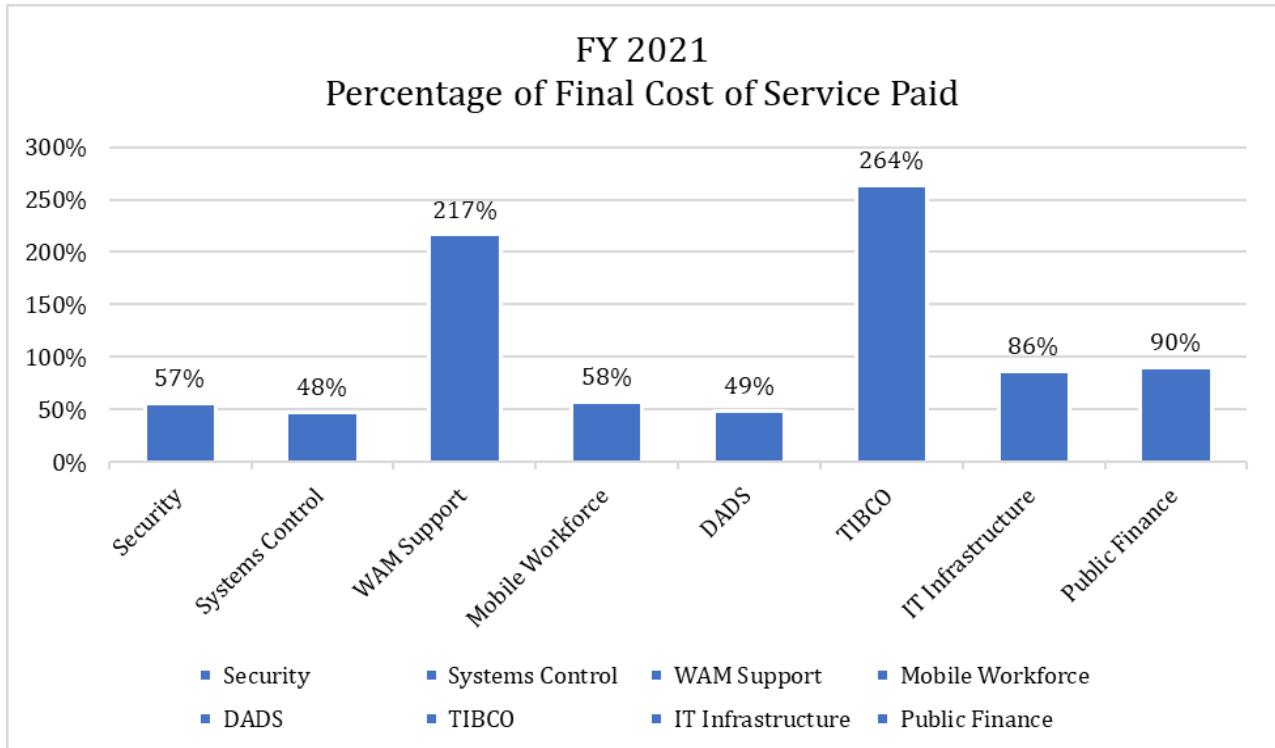
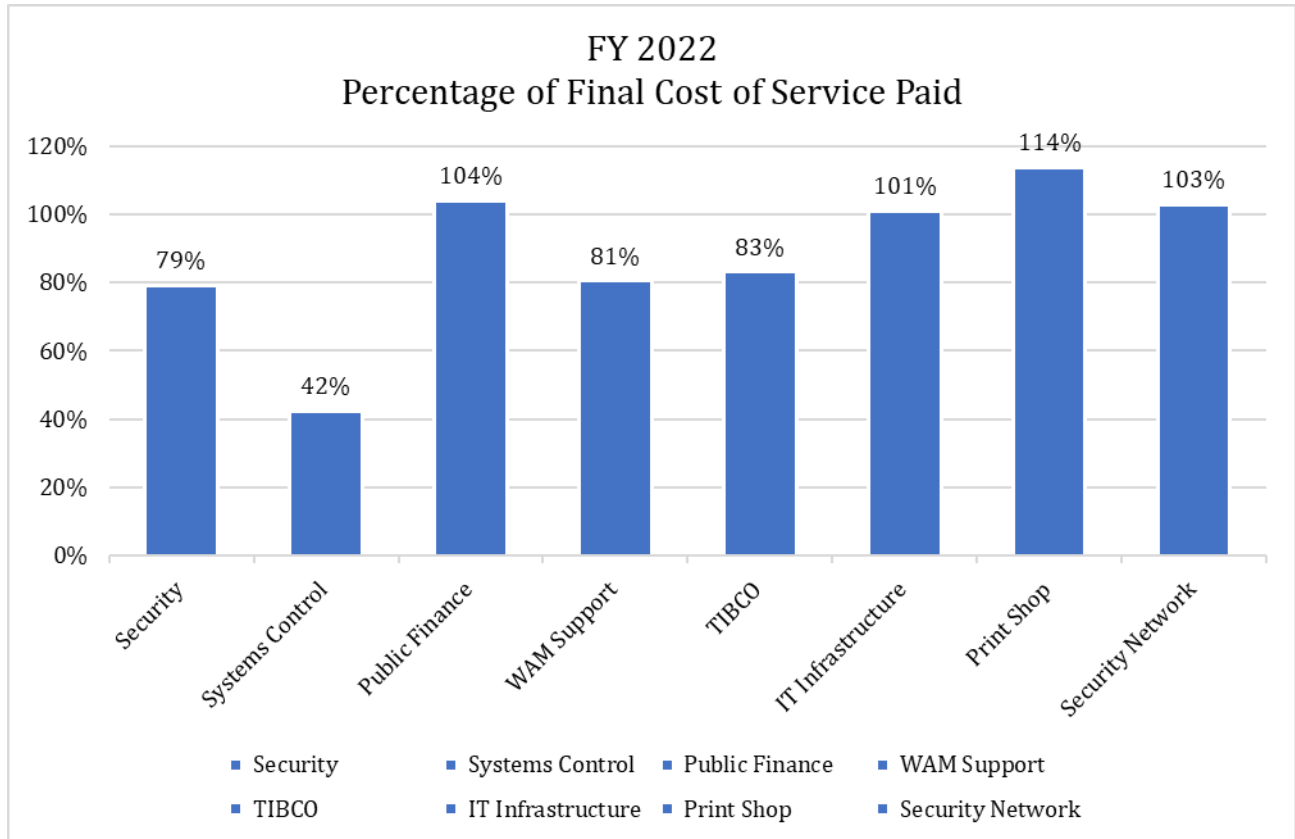


Table 6 – FY 2022 Percentage of Final Cost of Service Paid by DWSD (GLWA Provider)


Next Steps

Before the end of the next quarter GLWA and DWSD anticipate the following steps to occur:

- DWSD and GLWA shared services teams will meet weekly
- DWSD and GLWA will focus on completing analysis and payments for FY 2019 open items
- GLWA shared services team will complete FY 2020 analyses