

## Memorandum

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**To:** Sue McCormick, Chief Executive Officer

**From:** Suzanne R. Coffey, P.E., Chief Planning Officer

**CC:** Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer  
Sonya Collins, Interim Procurement Director  
Ali Khraizat, CIP Director

**Date:** April 5, 2019

**RE:** 2-27-19 Board Questions  
Capital Improvement Program Delivery (CS-272)

### QUESTIONS

#### 1. List of subcontractors

**Response:** Metco, E Holdings, Plante Moran Cresa and DLZ.

#### 2. Is there a cap on the multiplier and mark ups?

**Response:** Yes, Exhibit B of the Contract provides the following for the term of the contract:

- a. *Labor Costs. For T&M tasks labor costs shall be compensated based upon Consultant labor hours worked directly in performing the Services multiplied by direct or "raw" labor rates multiplied by a factor of 2.78 which is inclusive of all overhead and labor profit.*
- b. *Subconsultant Costs. Subconsultant costs are determined based on the same compensation approach as the Consultant. Subconsultant costs are invoiced by the Consultant with a 1.4% markup.*

#### 3. How many mark ups on each item?

- a. Is there a mark-up (overhead) on the labor rate?

**Response:** The raw labor is marked up at a factor of 2.78.

- b. Pick one work classification and show a break down

- i. Hourly wage to the billing rate

**Response:**  $\text{Billing Rate} = \text{hourly wage (raw cost)} \times 2.78$

- ii. Billing rate plus any mark ups

**Response:** Calculation example shown below:

- $Raw\ Cost = A1$
- $OH = A1 \times 1.5272$
- $Fee = Sum(A1 + OH) \times \%profit$
- $Bill\ Rate = A1 + OH + Fee$
- $LM = 2.78 = Bill\ Rate / Raw\ Cost$

**4. Are the labor rates for staff increased for this contract?**

**Response:** The labor rates are determined by multiplying the “raw labor” or salary of the staff by the factor 2.78 which is inclusive of overhead and profit and is fixed during the Contract Term. The “raw labor” or salary of the individual staff members may be increased or decreased due to merit in accordance with annual evaluations of staff, capped at 3.5% per year.

**5. Summary of out of town/ relocation of staff cost?**

**Response:** Relocation costs for full time staff are not included in the budgeted reimbursables for the contract. These costs will be paid for by AECOM.

**6. How does the scope of this contract relate or coordinate with the newly appointed Director of CIP?**

**Response:** The work for this contract will supplement our CIP Group’s mission by assisting with the development of a new more efficient CIP process and in the execution of existing capital projects. The CIP Director, Mr. Ali Khraizat, will be the project manager of this initiative.

**7. What tasks in this contract are similar to those in previously awarded consulting contracts?**

**Response:** Similarities exist for some of the contracts as noted below.

- a. PMA contract CS-166: PMA has consulted on various CIP projects on a case by case basis or as needed. AECOM will be looking at the CIP projects as a whole and providing GLWA a systematic approach for reviewing the CIP in the future.
- b. At bifurcation a company was brought in to document GLWA's processes, how does this differ? During the bifurcation process and as a part of the bankruptcy mediation, Veolia was asked to do a peer-to-peer assessment of DWSD. That assessment represented a snapshot in time. While the current contract will initially similarly involve an assessment, the vendor will work with GLWA to develop and implement strategies to support additional efficiencies in its capital project delivery.

- c. *EMA: Put simply, one could say that EMA involved focus and the current contract involves execution. Prior to the City of Detroit's bankruptcy, EMA was retained to review DWSD operations and identify opportunities for optimization. Following that initial snapshot, EMA worked with employee led design teams to restructure jobs and certain associated operations. The EMA project was broadly based and focused on initial optimization wins. The current contract is more focused on developing and implementing a long-term strategy for GLWA capital project delivery including, as necessary, providing supplemental resources.*

**8. Has GLWA begun using WAM's PM (preventive maintenance) to drive the CIP development? (WAM-Work and Asset Management system – Note>DWSD is moving to CityWorks)**

**Response:** *We do not directly utilize outputs from WAM to inform the CIP at this time. We currently have an initiative to consider replacement or upgrade of WAM underway. We are in the “requirements gathering” stage at this time and will certainly consider how an Enterprise Asset Management System in the future will support decisions to put projects into the CIP.*

**9. Reporting**

- a. What reporting for CIP budget and actual is GLWA currently using?

**Response:**

*Internal reporting: Primavera P6 has been redeployed over the past six months to improve internal project budget management for the engineering group in addition to the use of Excel spreadsheets that have been long developed for this process.*

*External reporting: Construction Work-In-Progress (CWIP) report which is distributed to the audit committee, capital planning committee and member partners through the outreach portal.*

- b. Were consultants brought in already to help GLWA customize and establish accounting structures for reporting?

**Response:** *Process improvements have been implemented by staff and/or professionals in staff positions on an interim basis.*

**10. Staffing**

Task 6 - One objective is the validate staff expertise and resources to execute

**Response:** *Yes, this is true. The work in the contract will assist us in determining if we have the right skill-sets and numbers of team members to effectively and efficiently deliver the CIP.*

## 11. Task 7B-Planning Phase

Design task does not talk about staff training in this area, what is expected?

**Response:** *GLWA staff training is woven into Task 1, Task 2, Task 3 and Task 4. Additionally, under Task 7, Staff Augmentation provides the opportunity for GLWA staff side-by-side work with AECOM staff and this side-by-side work is the greatest opportunity for on the job training.*

## 12. Contracts

- a. Will the Vendor advertise contracts or design contracts for bid/RFP?

**Response:** *No, AECOM will not advertise contracts. This function will remain with the GLWA Procurement Group.*

- b. Are they required to be in line with GLWA's Procurement policy?

**Response:** *Yes, all projects will be in line with GLWA's procurement policy.*

## 13. How much of the workforce is outside of Michigan?

**Response:** *Noted below by Team Member.*

| Team Member        | Main Office  | % of Workforce Outside of Michigan* |
|--------------------|--------------|-------------------------------------|
| AECOM              | Michigan     | 30%                                 |
| DLZ                | Michigan     | 0%                                  |
| E. Holdings        | Pennsylvania | 0%                                  |
| Metco              | Michigan     | 0%                                  |
| Plante Moran Cresa | Michigan     | 0%                                  |

\* These responses represent the work location being here in Michigan. Some workers will pick up Michigan residency while others will come to Michigan temporarily to complete the assigned tasks.

#### 14. Termination

- a. Has the vendor every had any contracts terminated? If so why?

**Response:** *No, AECOM Great Lakes, Inc. has indicated that they have not had any contract terminated.*

- b. Has the vendor ever had to terminate a subcontractor and why?

**Response:** *AECOM Great Lakes, Inc. has indicated that they do not specifically track this information. However, in November 2018, AECOM Great Lakes, Inc. was forced to terminate a subcontractor, Jenkins Construction, Inc., for failure to complete its contractual obligations in connection with its work on the Detroit Water & Sewer Department Capital Improvement Pilot Program – Huber Facility.*

- c. What is the most common reason a staff is removed from a project and how was that corrected?

**Response:** *The most common reason staff are removed from a project is for lack of performance. Oftentimes, replacement staff are identified prior to removal of the existing staff. AECOM has indicated that changes in key contract staff and/or task-leads initiated by AECOM will not be made without communication and approval of GLWA. Changes in key contract staff and/or task-leads may be made at GLWA's request. Frequent check-ins with both staff and GLWA will monitor team member performance. Communication regarding performance will allow the team to stay on track and meet expectations of GLWA.*

- d. Why was AECOM terminated by Flint?

**Response:** *AECOM informed us that their contract was not terminated by the City of Flint. They indicated that their contracted scope of work concluded and all work for their portion of the project was officially completed. This response was confirmed by the City of Flint Mayor's office. Further the City indicated and that the work that was completed was done so satisfactorily.*

#### DOCUMENTS REQUESTED

- **Cost proposal-by task and provides cost, equipment, travel and mark ups for each task.** *See attached tables.*
- **Appendix H - Exceptions Checklist - If the vendor noted-any exceptions or just ask the question if there are any noted in Appendix H.** *See attachment.*
- **Appendix B-Work Plan – Provide a Task Hours Estimate and for each task quickly divide total cost/total hours = avg cost per hour.** *See table next page.*



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| Task Description  | Cost per Task       | Hours          | Average Cost    |
|---|---------------------|----------------|-----------------|
| Task 1 CIP Business Process Improvements                            | \$1,043,816         | 4,028          | \$259.14        |
| Task 2 Delivery Standard Operating Procedure Development            | \$1,181,756         | 4,192          | \$281.91        |
| Task 3 CIP Delivery Resource Evaluation                             | \$676,847           | 4,000          | \$169.21        |
| Task 4 Project Management Information System (PMIS)                 | \$1,493,744         | 5,054          | \$295.56        |
| Task 5 Project Controls and Reporting                               | \$12,717,520        | 49,848         | \$255.13        |
| Task 6 Review Current CIP Documentation                             | \$2,381,024         | 12,844         | \$185.38        |
| Task 7 Engineering and Construction Staff Augmentation              | \$34,782,781        | 172,800        | \$201.29        |
| Task 8 Advanced Facilities Planning                                 | \$2,006,563         | 9,400          | \$213.46        |
| Task 9 Staff Augmentation (Other than construction)                 | \$1,534,586         | 7,500          | \$209.00        |
| Task 10 Enterprise Wide Energy Optimization/Sustainability Planning | \$438,900           | 2,100          | \$209.00        |
| <b><sup>1</sup>Grand Total</b>                                      | <b>\$58,257,537</b> | <b>271,766</b> | <b>\$214.37</b> |

<sup>1</sup> Totals include project Other Direct Costs (ODC's), project average hourly rate not including ODC's is \$209/hr.