

## Memorandum

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**To:** HONORABLE BOARD OF DIRECTORS

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

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

**Date:** April 18, 2019

**RE:** Questions & Answers - Capital Improvement Program Delivery (CS-272)

### QUESTIONS *(responses in bold italics)*

#### Director Robert Daddow:

1. Task 7 – the augmentation projection is \$35M and likely will be billed on a T&M basis. My preference – and I believe Dir. Hendrix has cited this as well – is to as soon as practical move what is outside the organization (i.e. AECOM) into the organization so we don't rely on vendors at a price above what we can achieve with our own staff. While I realize that this may not be possible at the outset, I'd like some reference in the resolution as to the goal of weaning off of the AECOM contract and onto a fully internal functional unit with the GLWA operations noted in the resolution itself. Hopefully it can be achieved before four years are up.

***We share this goal and offer the following amendment to the resolution.***

***The ultimate goal of GLWA is to stand-up internal resources so as to reduce our reliance on the augmented staff in Task 7 as soon as is practicable consistent with the goals of the engagement, and with an annual update on progress toward this goal.***

2. Task 4 – it looks like we are going to be seeking a new system in this task. I'd like to get it confirmed that this isn't AECOM's system (don't want a consulting vendor recommending his own system).

***AECOM is not a software developer or provider. Further, AECOM is not a reseller of software solutions. AECOM's task is to support the development of specifications for a system that will be competitively procured in the open market.***

***These specifications will be developed with a cross-functional GLWA team with full coordination of GLWA's IT Project Management Office.***

3. Somewhere in the resolution there needs to be a reporting back function to the Board/Committees on the progress of this contract with the notion that they have improved the operations and/or the pace with which the GLWA finishes its CIP efforts. Perhaps and I am not wedded to this notion that the tasks for O&M be reported to the O&M Committee and likewise the capital tasks being reported to CIP. Or, may be the whole contract quarterly to the Board. Open on this one.

***We share this goal and offer the following amendment to the resolution.***

***The GLWA Administration will report progress quarterly to the Capital Planning Committee. Those materials will be provided to the entire Board.***

4. Gary B. had a number of questions that were open. I have read the answers on this one and am looking to him to give the nod that he is satisfied with the answers.

***The responses to Director Brown's previous questions have been provided under separate cover. The response to additional questions posed by Director Brown at the Board's April 11, 2019, Operations and Resources Committee meeting are set forth below.***

5. Is the O&M in the operating budget for 2019 and 2020 (and perhaps 2021) and likewise the CIP in the capital program budget?

***The current amounts in the budget and five-year financial plan are placeholders at an intentionally conservative level. After AECOM is engaged, and kick-off and initial discovery meetings are held, the budget by task and fiscal year will be refined as necessary. It is expected that the GLWA Administration will recommend budget amendments that impact both the O&M and Improvement and Extension Funds for consulting services. Most of the O&M designated tasks are eligible for funding for either the O&M and I&E as they are related to meeting the capital needs of GLWA. Direct costs associated with specific CIP projects are an element of the specific project budget as there currently were budget assumptions included for staff and consulting fees to provide capital delivery which may be provided by AECOM.***

**Director Gary Brown:**

1. When factoring travel does the fee include day to day expenses after getting to Detroit or is the fee specific to travel from the home office to Detroit?

***There are two categories:***

***A. Yes for consultants who provide short-term services: The multiplier does not apply to these consultants. Their firm is reimbursed for travel and per diem consistent with the federal guidelines that GLWA follows and is outlined in the contract.***

***B. No for consultants assigned for the duration of the project: All travel, per diem, and potential relocation costs are included in the multiplier.***

2. What are the factors that go into indirect cost?

***Indirect costs are included in the multiplier. The following are a list of expenses to go into indirect costs; Office Rent, Equipment Leases, Office Equipment Expenses, Software License & Maintenance, Outside Services, Supplies, Postage, Reproduction, Utilities, Telephone & Data Communications, Fringe Benefits, Employee Benefits, Professional Services, Relocation, Employee Training and Technical Conferences.***

**Director Brian Baker:**

1. Provide the history of CIP spend rate since 2012 for both water and sewer.

***See attached schedule for a historical analysis.***

**Other Questions Regarding AECOM Multiplier:**

**Task 1 - AECOM Labor Fee Calculation (subs labor not included)**

	<b>Mark-up</b>	<b>Formula</b>	<b>Direct Labor (A)</b>	<b>Overhead (B)</b>	<b>Total Build-up (C)</b>
<b>Direct Labor (DL)</b>	1.0000	Hours*Rate	\$ 83,798		\$ 83,798
<b>Indirect Cost - Overhead</b>	1.5272	DL *1.5272		\$ 127,976	\$ 127,976
<b>Direct Labor Mark-up</b>	0.1000	DL * .1		\$ 8,380	\$ 8,380
<b>Indirect Labor Mark- up</b>	0.1000	Overhead *.1		\$ 12,798	\$ 12,798
<b>Total Fee</b>			<b>\$ 83,798</b>	<b>\$ 149,154</b>	<b>\$ 232,952</b>
<b>Overall Labor Multiplier Rate</b>				<b>(C) / (A) =</b>	<b>2.78</b>

Analysis of Historic Annual CIP Performance - \$ millions

Fiscal Year 1987 - 2019

Fiscal Year	Entity	Financed / Actual Expenditures						Achievement Percentage		
		Water Supply System		Sewage Disposal System		Total DWSD		Water	Sewer	Total
		Plan (a)	Actual (b)	Plan (a)	Actual (b)	Plan (a)	Actual (b)			
1987	DWSD	29.4	31.4	31.2	36.5	60.6	68.0	107%	117%	112%
1988	DWSD	49.1	23.4	25.5	29.1	74.6	52.5	48%	114%	70%
1989	DWSD	57.3	37.4	73.2	43.7	130.5	81.1	65%	60%	62%
1990	DWSD	53.9	31.5	63.6	49.2	117.5	80.7	58%	77%	69%
1991	DWSD	77.9	16.5	66.2	89.9	144.1	106.5	21%	136%	74%
1992	DWSD	98.7	18.2	72.9	73.8	171.6	92.0	18%	101%	54%
1993	DWSD	79.7	24.5	82.4	64.3	162.1	88.8	31%	78%	55%
1994	DWSD	98.9	38.5	96.6	53.7	195.5	92.2	39%	56%	47%
1995	DWSD	76.7	50.3	121.3	62.5	198.0	112.8	66%	52%	57%
1996	DWSD	84.2	51.9	100.0	74.3	184.2	126.2	62%	74%	69%
1997	DWSD	84.6	51.3	114.3	88.0	198.8	139.2	61%	77%	70%
1998	DWSD	182.3	77.6	125.0	76.5	307.3	154.1	43%	61%	50%
1999	DWSD	174.5	94.8	190.0	97.8	364.5	192.6	54%	51%	53%
2000	DWSD	178.5	180.0	274.0	130.0	452.5	310.0	101%	47%	69%
2001	DWSD	201.2	263.0	343.0	286.4	544.2	549.4	131%	83%	101%
2002	DWSD	280.8	156.3	399.3	263.5	680.1	419.8	56%	66%	62%
2003	DWSD	300.3	181.5	438.4	329.9	738.7	511.4	60%	75%	69%
2004	DWSD	245.6	155.3	470.2	373.7	715.8	529.0	63%	79%	74%
2005	DWSD	237.0	151.8	400.7	349.8	637.7	501.6	64%	87%	79%
2006	DWSD	174.3	98.1	259.2	206.8	433.5	304.9	56%	80%	70%
2007	DWSD	125.8	96.7	209.6	181.1	335.4	277.8	77%	86%	83%
2008	DWSD	164.8	135.6	175.4	156.4	340.2	292.0	82%	89%	86%
2009	DWSD	183.3	150.5	283.6	209.4	466.9	359.8	82%	74%	77%
2010	DWSD	123.3	97.0	198.9	129.7	322.2	226.7	79%	65%	70%
2011	DWSD	96.6	87.8	147.0	124.1	243.6	211.9	91%	84%	87%
2012	DWSD	91.0	72.7	125.6	97.0	216.5	169.7	80%	77%	78%
2013	DWSD	142.8	25.0	145.1	105.0	287.9	130.0	18%	72%	45%
2014	DWSD	146.3	40.0	176.1	113.7	322.4	153.7	27%	65%	48%
2015	DWSD	125.2	62.5	193.7	154.5	318.9	217.0	50%	80%	68%
2016	Transition	NA	NA	NA	NA	NA	NA	NA	NA	NA
2017	GLWA	130.2	39.5	129.0	56.8	259.2	96.3	30%	44%	37%
2018	GLWA	137.7	37.0	160.7	69.6	298.4	106.6	27%	43%	36%
2019										
(six months)	GLWA	33.0	33.1	52.5	42.1	85.5	75.2	100%	80%	88%
Total		4,264.8	2,610.8	5,744.1	4,218.6	10,008.9	6,829.4	61%	73%	68%
Average		133.3	81.6	179.5	131.8	312.8	213.4	61%	73%	68%

(a) Reflects amount financed by plan in support of proposed rates. To the extent that such financing was not required,

the general impact is to carry over financing to subsequent years and defer the need for additional financing sources.

(b) The "actual" in this data set is from subsidiary reports from CIP managers over the years, not audited financial statements.