

Legislation Text

File #: 2024-164, Version: 1

GLWA Costs for DWSD Shared Services for Capital Improvements

Agenda of: May 22, 2024

Item No.: **2024-164**

Amount: \$3,922,486.00

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: April 26, 2024

RE: GLWA Costs for DWSD Shared Services for Capital Improvements
Vendor: DWSD for Capital Improvements (Shared Services)

MOTION

Upon recommendation of Cheryl Porter, Chief Operating Officer - Water and Field Services, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), authorizes the Chief Executive Officer (CEO) to **approve payment for, “GLWA Costs for Detroit Water and Sewerage Department (DWSD) Shared Services Capital Improvements” with DWSD, at a cost not to exceed \$3,922,486.00;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

GLWA and DWSD have a Shared Services Agreement (SSA) to facilitate and enhance the efficiency of operations. One of the services was for Shared Facilities Cost (OPS-006). This agreement was for shared costs associated with GLWA’s use of the Main Office Building (MOB) and Central Services Facility (CSF). GLWA’s share of costs at MOB is 50% and at CSF is 33%.

In April 2023, DWSD provided GLWA with the costs of the Shared Facilities for Fiscal Year (FY) 2021 and 2022. Included in these costs were three (3) capital improvements. These improvements were heating ventilation and air conditioning (HVAC) units, partial roof replacement at CSF, and elevator

replacement at MOB.

As soon as it was identified that there were capital improvements, GLWA requested additional information about the costs. In October 2023, full costs and documentation were provided to GLWA.

Per this SSA (OPS-006) “Any capital improvements to the Randolph and Huber facilities...that exceed \$100,000.00 shall be approved by the Director and the CEO.” GLWA had not received any notice nor given approval for these capital improvements before they began.

Capital Improvement Costs:

Capital Improvement Project	Total Cost	DWSD	GLWA
HVAC (66% DWSD/33% GLWA)	\$2,799,302.00	\$1,875,532.00	\$923,770.00
Roof (66% DWSD/33% GLWA)	5,276,138.00	3,535,013.00	1,741,125.00
Elevators (50% DWSD/50% GLWA)	2,515,182.00	1,257,591.00	1,257,591.00
Totals	\$10,590,622.00	\$6,668,136.00	\$3,922,486.00

GLWA would like to proceed with paying for these capital improvements costs.

JUSTIFICATION

Although GLWA did not formally approve of the capital improvements prior to them beginning, GLWA was made aware of the improvements. At this time, it is imperative that GLWA and DWSD follow the SSA and get approval before proceeding with improvements at MOB or CSF.

Due to the nature of the close connection between GLWA and DWSD operations, a new process has been put into place to share cost sharing for upcoming or unexpected costs. This process is completed through the Financial Services area of both GLWA and DWSD. The two financial teams meet regularly to review and complete the cost sharing agreements referred to as Exhibit A.

Exhibits A-2, A-15, and A-35 (see attached) are provided to each entity with all applicable costs and documentation to show the breakdown of costs. Approval of the Director of DWSD and CEO of GLWA is required to proceed with payment of costs.

GLWA requests that DWSD use this process for capital improvements of more than \$100,000.00 as required by OPS-006 of the Shared Services Agreement. Moving forward the costs will be provided to the GLWA Finance team, shared with the GLWA Facilities team for review of costs, and will go to

GLWA Chief Executive Officer for final approval.

FINANCIAL PLAN IMPACT

The proposed payment of the capital improvement costs to MOB and CSF were not included in the budget for Operations and Maintenance as GLWA was not aware of actual costs during the budget development.

COMMITTEE REVIEW

This item was presented to the Operations and Resources Committee at its meeting on May 8, 2024.

SHARED SERVICES IMPACT

The proposed payment of these items will be shared as stated above by the GLWA and DWSD as outlined in the Shared Services Agreement.