



**GREAT LAKES WATER AUTHORITY
AUDIT COMMITTEE
AND
BOARD OF WATER COMMISSIONERS
FINANCE COMMITTEE**



**JOINT MEETING
MAY 1, 2015 @ 9:00 AM
AGENDA**

1. CALL TO ORDER

- A. Board of Water Commissioners (BOWC) Finance Committee
- B. Great Lakes Water Authority (GLWA) Audit Committee

2. Roll Call

- A. BOWC Finance Committee
- B. GLWA Authority Audit Committee

3. APPROVAL OF AGENDA

- A. BOWC Finance Committee
- B. GLWA Authority Audit Committee

4. APPROVAL OF MINUTES

- A. April 1, 2015 Regular Meeting (GLWA)
- B. April 7, 2015 Regular Meeting (BOWC)

5. PUBLIC COMMENT (3 minutes per speaker)

6. OLD BUSINESS

- A. Benefits Broker Selection (BOWC Action Item)
- B. Property & Casualty Broker Selection (BOWC Action Item)
- C. Payroll/Human Resource/Timekeeping (BOWC Action Item)
- D. FY 2014 Audit and Draft Financial Reports (information/verbal)
- E. Five year financial plan update (information/report)
- F. History of Asset Write-offs (information/report)
- G. Bondholder Consent Process and Refunding Timeline (information/verbal)
- H. Appointment of Technical Financial Advisor for 2015 Bond Transactions (BOWC Action Item)
- I. Appointment of Securities Legal Advisor for 2015 Bond Transactions (BOWC Action Item)

- J. Resolution of Interagency Activity between City of Detroit and DWSD (BOWC Action Item)
- K. Chapter 9 update on Fees (information/verbal)
- L. GLWA/DWSD-R Update (information/verbal)

7. NEW BUSINESS

- A. Ernst & Young Oracle Fusion Overview (presentation/report)

8. REPORTS

- A. Customer Service Report
- B. CFO Report (verbal)
- C. Monthly Information Reports
 - Placements report (GLWA Request/pending)
 - FY 2013 Management Comment Letter from KPMG (hold)

9. LOOK AHEAD SCHEDULE

Scheduled Meetings

GLWA Audit Committee June 5, 2015

GLWA Board Facility Tours TBD

BOWC Finance Committee TBD

10. ADJOURNMENT

- A. BOWC Finance Committee
- B. GLWA Authority Audit Committee



Detroit Water and Sewerage Department Meeting Minutes - Draft Finance Committee

735 Randolph Street
Detroit, Michigan 48226
(313) 224-4704 Office
www.dwsd.legistar.com

Tuesday, April 7, 2015

7:30 AM

5th Floor Board Room, Water Board Building

Finance

1. CALL TO ORDER

Co-Chairperson Williams called the meeting to order at 7:31 A.M.

2. ROLL CALL

Present: 2 - Linda Forte and J. Bryan Williams

3. APPROVAL OF AGENDA

Co-Chairperson Williams requested approval of the agenda.

A motion was made by Co-Chairperson Forte, seconded by Co-Chairperson Williams that the agenda be approved. The motion carried by the following vote:
approved

Aye: 2 - Co-Chairperson Forte and Co-Chairperson Williams

4. APPROVAL OF MINUTES

Co-Chairperson Williams requested approval of the minutes from the meeting of March 3, 2015.

A motion was made by Co-Chairperson Forte, seconded by Co-Chairperson Williams that the minutes be approved. The motion carried by the following vote:
approved

Aye: 2 - Co-Chairperson Forte and Co-Chairperson Williams

5. PUBLIC PARTICIPATION

None.

6. OLD BUSINESS

A. FY2014 Draft Financial Reports

The committee received an overview of the draft water and sewer financial reports.

B. FY2014 Audit Update

KPMG City's Auditor - In process.

C. Chapter 9 update on Fees (verbal)

Bankruptcy fee update.

D. GLWA/ DWSD-R Update (verbal)

Study groups are progressing.

7. NEW BUSINESS**A. Benefits Broker Selection (Verbal)**

Recommendation process.

B. Property & Casualty Broker Selection (Verbal)

Recommendation process.

8. REPORTS**A. Customer Service Report - Darryl A. Latimer, Chief Customer Service Officer reported the following: Weekly Updates-Highland Park, Inkster, Melvindale, and DPS**

Highland Park - legal action
Inkster and Melvindale - settlement agreements
DPS- agreement reached

B. CFO Report - Nicolette Bateson, Chief Financial Officer reported the following:

Financial Metric Reports (Personnel Costs)
Attrition Schedule - highlight the decreased staffing level
Cumulative Annual Savings - reflect the cumulative dollar amount of the staffing reduction

Financial Operations Benchmarking (Quick Wins)
Veolia Recommendations - Proposed Immediate Initiatives
Procurement, Energy, and Network Maintenance

C. Monthly Information Reports

None.

9. Look Ahead Schedule

Scheduled Meetings
Finance Committee May 2015 Meeting-TBD
Annual Finance Committee Report to BOWC-TBD

10. OTHER MATTERS

None.

11. ADJOURNMENT

A motion was made by Co-Chairperson Forte, seconded by Co-Chairperson Williams that the meeting be adjourned. The motion carried by the following vote:
adjourned

Aye: 2 - Co-Chairperson Forte and Co-Chairperson Williams

There being no further business, the meeting adjourned at 8:50 A.M.



GREAT LAKES WATER AUTHORITY

BOARD OF DIRECTORS

APRIL 1, 2015 MONTHLY MEETING

AUDIT COMMITTEE MINUTES

1. Call to Order

Chairman Baker called the meeting to order at 11:30 A.M.

2. Quorum Call

Brian Baker, Robert Daddow, and Joseph Nardone

3. Approval of Agenda

Chairman Baker requested approval of the agenda.

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH NARDONE
ACTION:	APPROVED

4. Approval of Minutes

Chairman Baker requested approval of the minutes from the meeting of March 6, 2015.

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH NARDONE
ACTION:	APPROVED

5. Public Participation

None

6. Old Business

None

7. New Business Nicolette Bateson, Chief Financial Officer reported on the following:

A. Update: Selection of GLWA Bond Counsel and Financial Advisor

The Bond Counsel and Financial Advisor contracts are scheduled for approval at today's GLWA Board meeting at 1:00 P.M.

8. Reports

A. Status Report: City of Detroit Water and Sewerage System and City of Detroit FY 2014 Audit Update

Final audit report goal is May 31, 2015.

B. Status Report: GLWA Financial Activities in Process

Study groups are progressing.

9. Other Matters

A. Financial Metrics (Personnel Costs)

Attrition Schedule – Highlights the decreased staffing level
Cumulative Annual Savings – Reflects the dollar amount of the staffing reduction

B. Financial Operations Benchmarking (Quick Wins)

Veolia Recommendations – Proposed Immediate Initiatives
Procurement
Energy
Network Maintenance

C. Policy Discussion: Bifurcation – Net Budget Neutral

The firm of Plante & Moran will provide an assessment of the FY 2016 baseline budget and five-year forecast.

D. Audit Committee CY 2015 Work Plan

Overview of GLWA's task and timeline

10. Adjournment

Chairman Baker request a motion to adjourn.

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH ARDONE
ACTION:	APPROVED

There being no further business, the meeting was adjourned at 12:53 P.M.

TFG
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MEMORANDUM

Preliminary 5-Year Forecast Update
SECOND Public Discussion Draft

May 1, 2015

To: Sue McCormick, Nickie Bateson

From: Bart Foster

At your request we have prepared an interim update to the financial plan forecasts, which were originally published as “First Public Discussion Drafts” on February 16, 2015. The material summarized herein is intended to provide additional information and perspective on the projected financial plans being prepared in support of potential bond refinancing transactions and bondholder consent discussions. These projections remain under ongoing review and development, and this material should be viewed as a continuing work in progress.

The projections are presented in the same basic format as prior reports, with subtle modifications to reflect new developments. For purposes of this discussion draft, we have extended the “projection period” to ten years, through FY 2024. The projections have been prepared utilizing the approach and assumptions set forth below, and variations to those assumptions could obviously result in materially different projected results. ***Note – the executive summary and assumptions format and content has been repeated from the First Discussion Draft document. Pertinent changes and augmentations in assumptions and commentary are highlighted herein.***

Executive Summary

- These projections continue to reflect a “baseline” consolidated DWSD. While some of the assumptions have been modified to reflect the pending separation of DWSD into the Great Lakes Water Authority (“GLWA”) and the City of Detroit Retail Utility (“DWSD-R”), we have not yet prepared independent projections for each entity.
- The overall financial structure for the Systems presented in this material is identical with the projections contained within the Series 2014 Bond disclosure documents, except that modifications have been made to include the Lease Payment and the

Water Residential Assistance Program identified in the GLWA Memorandum of Understanding (“MOU”).

- We’ve extended the projection period through FY 2024 to fully accommodate a ten-year analysis.
- Certain of the assumptions utilized in these projections are intentionally simplistic, with the understanding that these projections are in the process of being subjected to a rigorous review.
 - *The principal changes in assumptions from the prior projections include the water sales to Suburban Wholesale Customers, and the projected revenue adjustments included in the FY 2016 BUDGET.*
- Due to the modified application of projected revenue adjustments (mentioned later) the projected results are markedly improved. For instance, total “Net Resources” and debt service coverage throughout the projection period are significantly greater than those indicated in the prior projections.

It is our understanding that the publication of these initial projections launches an intense review of the assumptions and analysis for multiple purposes, including preparation for the pursuit of bondholder consent to the “pivot” language and ongoing review of the feasibility of the lease payment envisioned by the MOU. The review will likely result in various changes to the assumptions and projections, and this document should be viewed in that light.

Approach Summary

- FY 2015 *estimate* reflects the updated forecasted financial plan, as originally presented to the Board of Water Commissioners (the “Board”) Finance Committee in a report dated January 10, 2015, and as subsequently updated to reflect additional year to date results.
- FY 2016 represents the **BUDGET** approved by the Board and supported by the approved water and sewer charges.
- FYs 2017 thru 2024 are *projected*, and do not reflect any proposals for Board consideration or action.

Assumptions

- Capital financing requirements as represented in the FY 2016 Sewer CIP approved by the Board, and by the preliminary Water CIP that emerged from the Master Plan

process. Additional Sewer CIP expenditures in the later years of the projection period have been estimated, based on an independent review conducted in 2014.

- Projected water sales volumes for FY 2016 reflect the average of the 24 months ending September 2014. Projected sales volumes for the remainder of the projection period represent the “most probable” scenario assumptions from the preliminary Master Plan findings. Under this scenario, the service population is projected to decline 3% for the Suburban Wholesale customer class and 5% for the Detroit Retail customer class during the projection period. In addition, “usage per capita” is projected to decline 5% from current levels during the projection period. The lower projected revenue reductions are less than the projected sales volume reductions due to the fixed charge element in the charge structure, which reflects 100% of Suburban Wholesale sewer revenues and 60% of Suburban Wholesale water revenues.
 - *The projected water sales volumes and revenues assume Genesee County’s departure from the water system effective July 1, 2017.*
 - *We note that these assumptions remain under review.*
- Collections for the Detroit Retail class are projected at 85% of gross billed revenues. The other 15% is assumed to be bad debt expense and netted against gross revenues.
- Collections for the Suburban Wholesale class are projected at 100% of gross billed revenues, other than those billed to Highland Park. All of the “gross” billings to Highland Park are assumed to result in bad debt expense.
- FY 2016 Operating Budget forms basis for future operating expenses.
 - *Preliminary efforts to separate the baseline FY 2016 DWSD budget into independent GLWA and DWSD-R stand alone budgets indicate potential loss of economies of scale on the order of approximately one percent of the total baseline budget. For purposes of this analysis, we’ve assumed an increase of two percent from the approved budget associated with this element.*
 - *These efforts are also identifying possible reduction of staffing levels during the projection period. Definitive projections are not yet available, and for purposes of this analysis, we’ve assumed “flat” staffing levels equivalent to the adjusted (as noted above) FY 2016 operating budget, with the exception of:*
 - *Net annual operating expense savings associated with implementation of the Biosolids project are projected at approximately \$6.2 million starting in FY*

2017, which becomes the new baseline for projections. The net savings span several cost categories.

- *In this initial projection, no other material changes in operating expenses are projected.*
- *All other operating expenses are assumed to experience inflationary increases of 2.5%.*

- **Capital Improvement Program Financing Requirements**

- *As reflected in the FY 2016 CIPs approved by the Board, adjusted to reflect:*
 - *Modified estimates for FY 2015 based on year to date performance, which has the effect of deferring certain expenditures into FY 2017;*
 - *Incorporation of newly identified Water CIP projects from the preliminary Master Plan;*
 - *Incorporation of a general increase in the Sewer CIP starting in FY 2019 to accommodate the ten year projection period.*
- *Compared to the prior draft of the projections, these modifications add over \$100 million in Water CIP expenditures and approximately \$25 million in Sewer CIP expenditures through FY 2020.*

- **Immediate Capital Improvement Program Financing**

- *We've incorporated the final figures regarding the FY 2015 Sewer SRF Loan, and pending loans for FY 2016 into the financing analysis.*
- *Existing funds on hand, coupled with the pending closure of the SRF loan, are projected to be sufficient to finance the Sewer CIP expenditures through FY 2024, augmented by a small projected debt issuance in FY 2020 or 2021.*
- *We continue to project a Water Bond Sale late in FY 2016 designed to provide funding for the Water CIP expenditures for the second half of FY 2016 and all of FY 2017. Additional bond sales are projected to finance the projected CIP requirements through the end of the projection period.*

- **Status quo borrowing costs**

- *Estimating the financing terms for external sources remains difficult in the short term given the ongoing DWSD transformation process. For purposes of these projections we have assumed any debt instruments issued would be senior lien bonds with a 30-year term at an interest rate of 5.5%.*
- *We have not reflected any refunding savings in these projections.*

- **Provision of amounts identified in the Plan of Adjustment and the MOU.**

- *The projected operating expenses contain the operating portion of the Pension Reimbursement as identified in the POA, and the fixed non-operating expenses contain the non-operating portion. None of these projected amounts have been adjusted to reflect possible refinancing.*
- *The projected fixed non-operating expenses also contain DWSD's share of the B-Note payments identified in the POA. **We note that DWSD's estimated share of the professional services for the City's bankruptcy proceedings were reserved from beginning (FY 2015) cash balances and no longer appear as a BUDGET item in these projections.***
- *The \$50 million Lease Payment and annual deposits to the Water Residential Assistance Program (equal to 0.5% of annual revenue) are included as non-operating expenses as set forth in the MOU.*
- ***This approach assumes that the Lease Payment will be utilized to cash finance DWSD-R specific capital improvements in the CIP. To the extent that it is used in other manners contemplated in the MOU, modifications to these projections will be necessary.***
- Increasing debt service coverage and liquidity balances.
 - *The plan summarized herein is designed to steadily increase operating reserves and the amount of revenue generated funds available to finance capital.*
- Annual "system" **BUDGET** increases of 4.0%.
 - ***In prior forecasts, future "revenue adjustments" reflected annual increases of 4.0% compared with those that would have been projected to result under then existing rates. In essence, the "unit cost" was projected to increase by 4.0%. For purposes of these updated projections, we have assumed that revenue adjustments will be implemented to the maximum extent permitted by the terms of the MOU, which calls for a limit of 4.0% increase in the BUDGET – not the unit cost.***
 - ***We note that due to the projected decline in baseline revenue, this approach results in annual "unit cost" increases that are greater than 4%.***
 - ***We further note that the specific revenue adjustments in future years are subject to policy considerations, particularly in light of the requirement to develop "2-Year Budgets" beginning in FY 2017.***

The accompanying exhibits are intended to serve as high-level summaries of financing plans, fund balance, and balance sheet projections. We are prepared to present more information on this topic at your direction.

Water Supply System Financial Plan Summary - \$ millions

	<i>Estimate</i> 2015	<i>Budget</i> 2016	<i>Projected</i>							
			2017	2018	2019	2020	2021	2022	2023	2024
Capital Financing Plan										
CIP Funding Requirements	80.5	132.8	181.9	179.2	127.1	169.5	119.5	118.2	113.8	117.1
CIP Funding Sources:										
Existing Funds	172.6	108.2	229.0	107.8	52.5	65.1	70.5	81.4	83.8	110.7
Net Bond Proceeds	0.0	214.6	20.0	70.6	73.7	103.1	48.4	36.4	29.6	6.3
Revenue Transfers	<u>16.1</u>	<u>39.0</u>	<u>40.7</u>	<u>53.4</u>	<u>66.1</u>	<u>71.8</u>	<u>81.9</u>	<u>84.3</u>	<u>111.1</u>	<u>150.2</u>
Total	188.7	361.8	289.7	231.7	192.2	240.0	200.8	202.1	224.6	267.3
Ending Balance (includes I&E)	108.2	229.0	107.8	52.5	65.1	70.5	81.4	83.8	110.7	150.2
Operational Financing Plan										
<u>Revenue</u>										
Rates & Charges Revenues	353.5	362.4	360.6	344.2	342.4	340.6	339.9	339.2	338.5	337.8
Revenue Adjustments (b)		9.3%	4.5%	9.0%	4.7%	4.6%	4.2%	4.2%	4.2%	4.2%
Revenue from Adjustments		33.8	51.4	84.5	104.1	123.8	143.2	163.2	184.0	205.5
Other	<u>5.5</u>	<u>7.6</u>	<u>8.0</u>	<u>8.1</u>	<u>7.8</u>	<u>8.1</u>	<u>8.3</u>	<u>8.6</u>	<u>9.0</u>	<u>9.4</u>
Total Revenue	358.9	403.9	420.0	436.8	454.3	472.4	491.3	511.0	531.4	552.7
<u>BUDGET</u>										
O&M Expense (c)	151.5	165.8	170.4	174.6	178.8	183.2	187.6	192.1	196.8	191.3
Debt Service	178.9	183.5	192.2	192.2	192.3	200.2	204.2	207.0	208.9	208.6
Fixed Non-Op Expense	12.2	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	2.1
Reserve Deposits	0.1	3.3	4.4	4.4	4.6	4.8	5.0	14.9	1.9	(2.2)
Lease Payment / WRAP	0.0	24.5	24.5	24.5	24.6	24.7	24.8	24.9	25.0	25.1
System Rev Financed CIP	<u>16.1</u>	<u>16.5</u>	<u>18.2</u>	<u>30.9</u>	<u>43.6</u>	<u>49.3</u>	<u>59.4</u>	<u>61.8</u>	<u>88.6</u>	<u>127.7</u>
Total BUDGET	358.9	403.9	420.0	436.8	454.3	472.4	491.3	511.0	531.4	552.7
<u>Debt Service Coverage</u>										
Senior Lien Bonds	154%	171%	169%	179%	201%	199%	204%	210%	218%	235%
Senior and 2nd Lien Bonds	117%	131%	132%	138%	146%	147%	152%	157%	163%	176%
All Bonds, including SRF Jr	116%	130%	130%	136%	143%	145%	149%	154%	160%	173%
Reserve Balances (d)										
Operating Reserve	12.6	13.8	17.5	21.3	25.3	29.5	33.9	48.0	49.2	47.8
ER&R Fund	22.7	24.9	25.6	26.2	26.8	27.5	28.1	28.8	29.5	28.7
I&E Fund	<u>68.3</u>	<u>107.3</u>	<u>107.8</u>	<u>52.5</u>	<u>65.1</u>	<u>70.5</u>	<u>81.4</u>	<u>83.8</u>	<u>110.7</u>	<u>150.2</u>
Total	103.6	145.9	150.8	100.0	117.3	127.5	143.4	160.7	189.5	226.7

(a) Reflects initial updated forecast for FY 2014-15, as originally presented to BOWC Finance Committee in January 2015.

(b) Reflects "unit cost adjustment" necessary to align with BUDGET increase of 4% from prior year's total BUDGET.

(c) Includes operating expense portion of Pension Reimbursement obligation.

(d) Revenue generated reserve funds only - excludes Construction Bond Funds and Bond Reserve Account.

Sewage Disposal System Financial Plan Summary - \$ millions

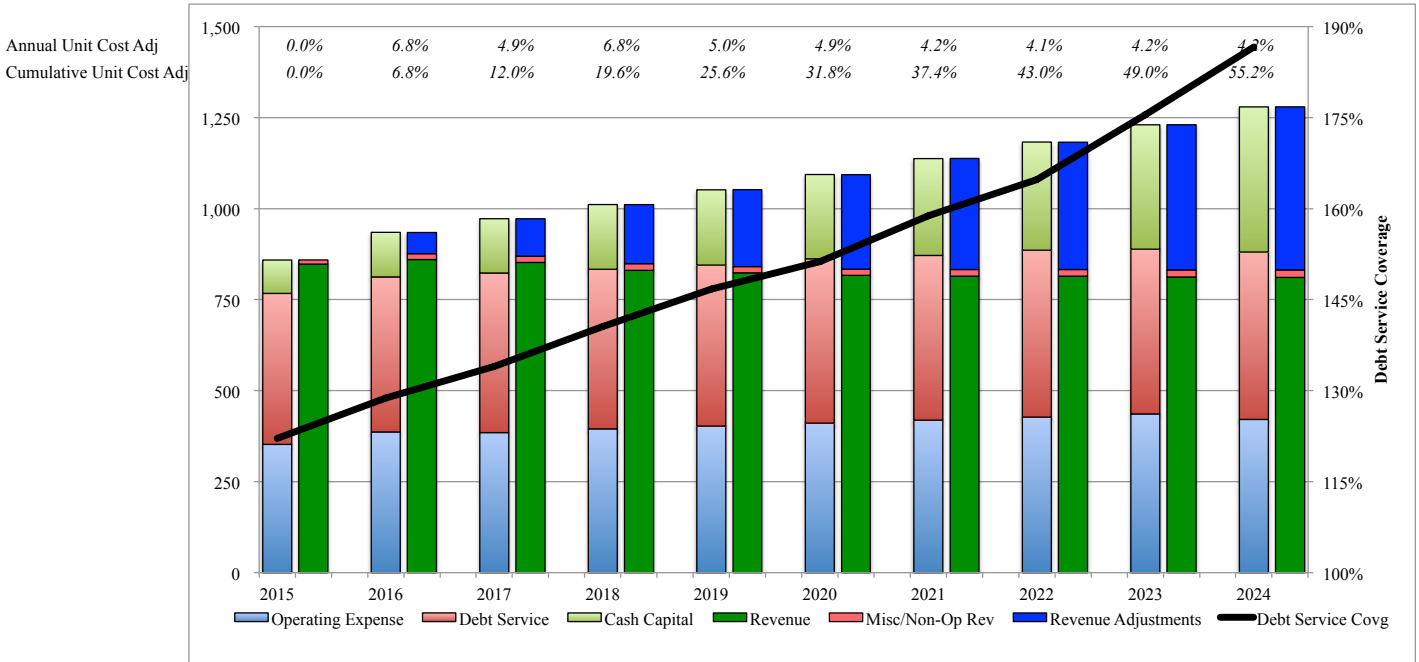
	<i>Estimate (a)</i> 2015	BUDGET 2016	<i>Projected</i>							
			2017	2018	2019	2020	2021	2022	2023	2024
Capital Financing Plan										
CIP Funding Requirements	167.7	128.3	118.8	94.5	125.0	125.0	129.3	76.6	78.9	151.5
CIP Funding Sources:										
Existing Funds	239.8	221.0	174.6	188.7	179.2	155.6	150.4	164.8	250.4	363.9
Net Bond Proceeds	103.0	36.0	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Transfers	<u>45.9</u>	<u>45.9</u>	<u>72.9</u>	<u>85.1</u>	<u>101.3</u>	<u>119.8</u>	<u>143.7</u>	<u>162.1</u>	<u>192.4</u>	<u>238.0</u>
Total	388.7	302.9	307.5	273.8	280.6	275.4	294.1	327.0	442.8	601.9
Ending Balance (includes I&E)	221.0	174.6	188.7	179.2	155.6	150.4	164.8	250.4	363.9	450.4
Operational Financing Plan										
Revenue										
Rates & Charges Revenues	494.2	497.8	492.0	486.4	481.0	475.7	474.8	474.9	474.0	473.1
Revenue Adjustments (b)		4.9%	5.2%	5.2%	5.2%	4.3%	4.3%	4.0%	4.2%	4.1%
Revenue from Adjustments		24.3	50.7	78.2	106.6	130.2	155.8	181.1	208.0	235.7
Other	<u>5.8</u>	<u>8.9</u>	<u>9.3</u>	<u>9.9</u>	<u>10.0</u>	<u>9.8</u>	<u>9.8</u>	<u>10.0</u>	<u>10.7</u>	<u>11.5</u>
Total Revenue	499.9	531.1	552.0	574.5	597.5	615.7	640.4	666.0	692.6	720.3
BUDGET										
O&M Expense (c)	200.9	220.8	214.4	220.5	224.1	227.7	231.4	235.3	239.2	229.6
Debt Service	235.9	242.5	246.3	246.2	249.8	251.2	248.3	251.4	243.8	251.4
Fixed Non-Op Expense	17.3	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	3.5
Reserve Deposits		5.3	2.2	5.9	5.4	5.5	5.7	5.9	6.1	0.8
Lease Payment / WRAP		30.1	30.1	30.2	30.3	30.4	30.6	30.7	30.8	30.9
System Rev Financed CIP	<u>45.9</u>	<u>18.4</u>	<u>45.4</u>	<u>57.6</u>	<u>73.8</u>	<u>92.3</u>	<u>116.2</u>	<u>134.6</u>	<u>164.9</u>	<u>210.5</u>
Total BUDGET	499.9	531.1	552.3	574.4	597.4	621.3	646.1	672.0	698.9	726.8
Debt Service Coverage										
Senior Lien Bonds	222%	215%	233%	245%	259%	270%	315%	304%	305%	340%
Senior and 2nd Lien Bonds	152%	156%	170%	178%	188%	194%	208%	215%	229%	236%
All Bonds, including SRF Jr	127%	128%	137%	144%	150%	154%	165%	171%	186%	195%
Reserve Balances (d)										
Operating Reserve	17.7	21.8	25.0	30.0	34.9	39.9	45.0	50.3	55.8	58.0
ER&R Fund	31.9	33.1	32.2	33.1	33.6	34.2	34.7	35.3	35.9	34.4
I&E Fund	<u>59.9</u>	<u>105.8</u>	<u>178.7</u>	<u>179.2</u>	<u>155.6</u>	<u>150.4</u>	<u>164.8</u>	<u>250.4</u>	<u>363.9</u>	<u>450.4</u>
Total	109.5	160.8	235.9	242.3	224.0	224.4	244.5	336.0	455.6	542.9

(a) Reflects initial updated forecast for FY 2014-15, as originally presented to BOWC Finance Committee in January 2015.

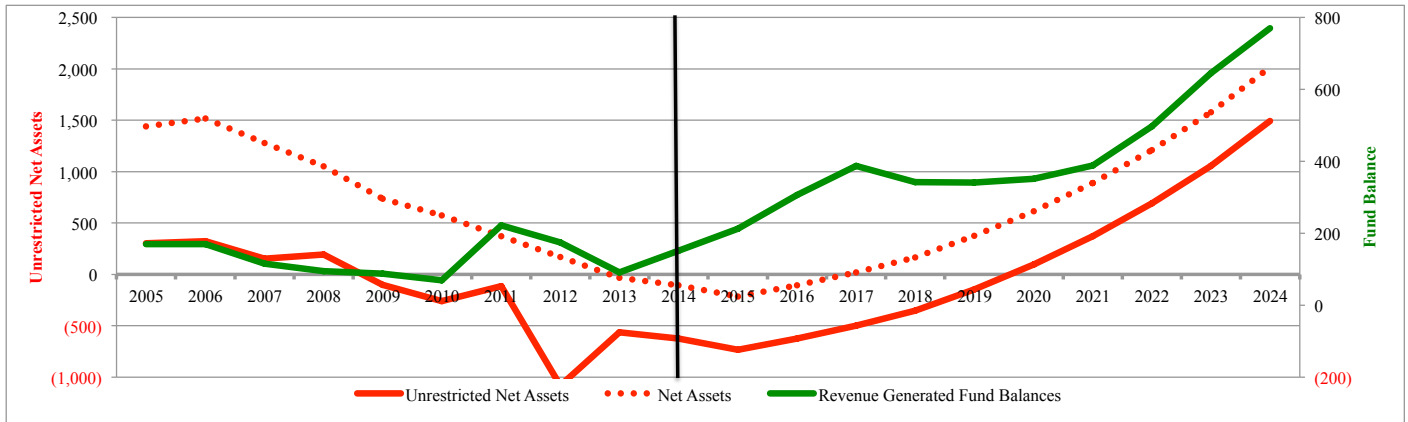
(b) Reflects "unit cost adjustment" necessary to align with BUDGET increase of 4% from prior year's total BUDGET.

(c) Includes operating expense portion of Pension Reimbursement obligation.

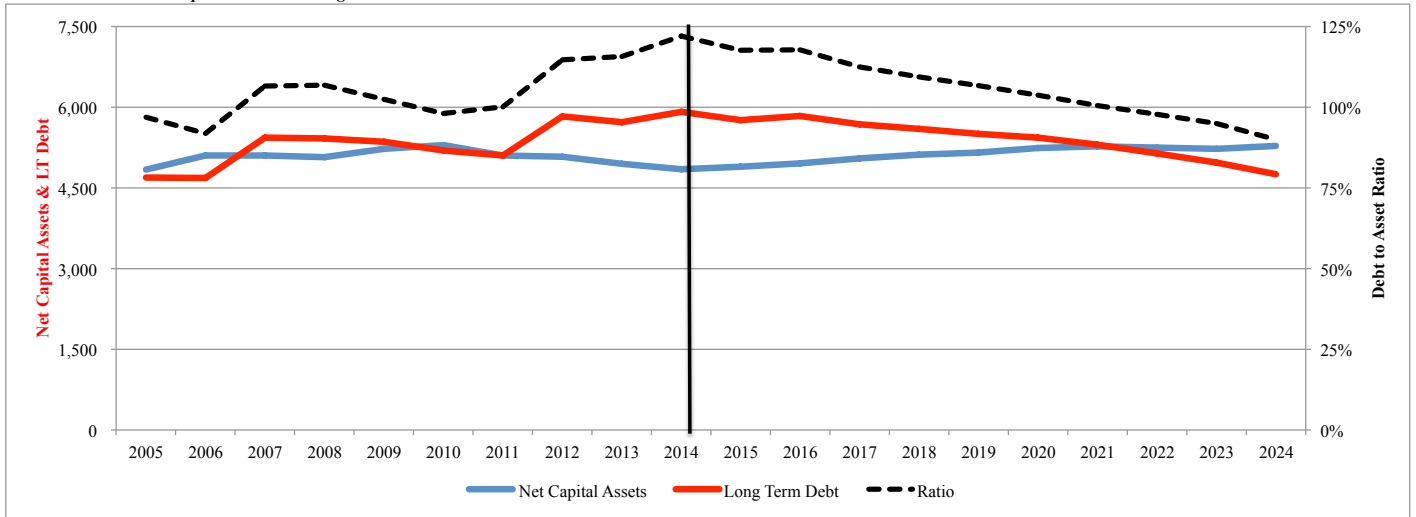
(d) Revenue generated reserve funds only - excludes Construction Bond Funds and Bond Reserve Account.

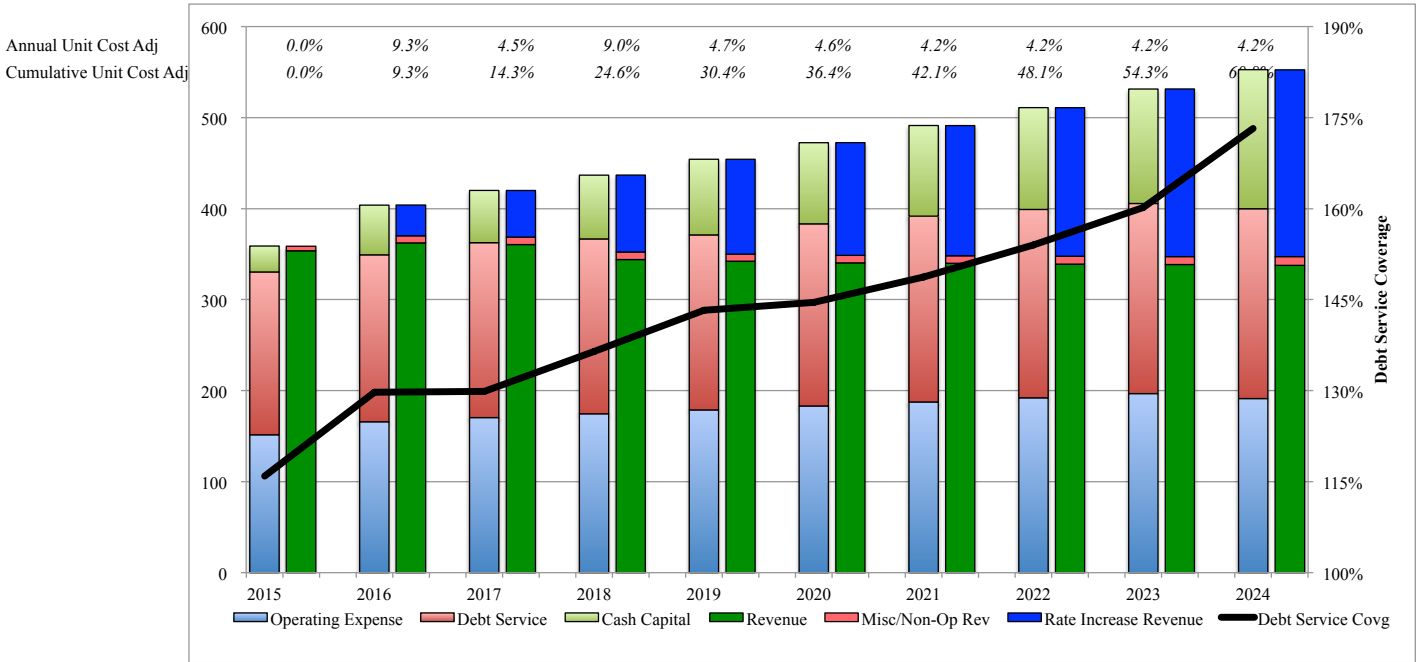


Historical / Forecasted Net Assets and Fund Balances - \$ Millions

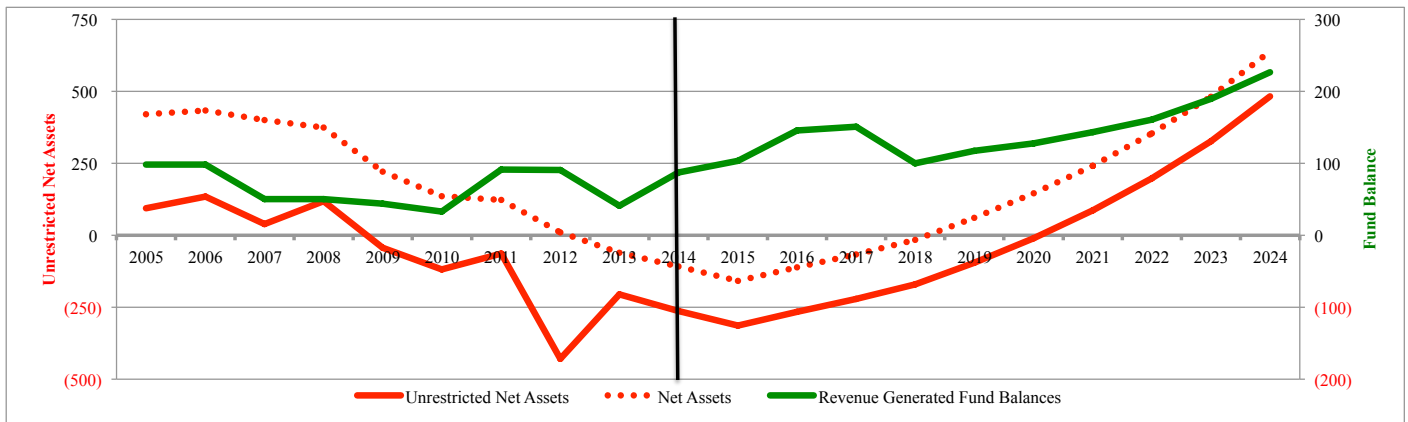


Historical / Forecasted Capital Assets and Long Term Debt - \$ Millions

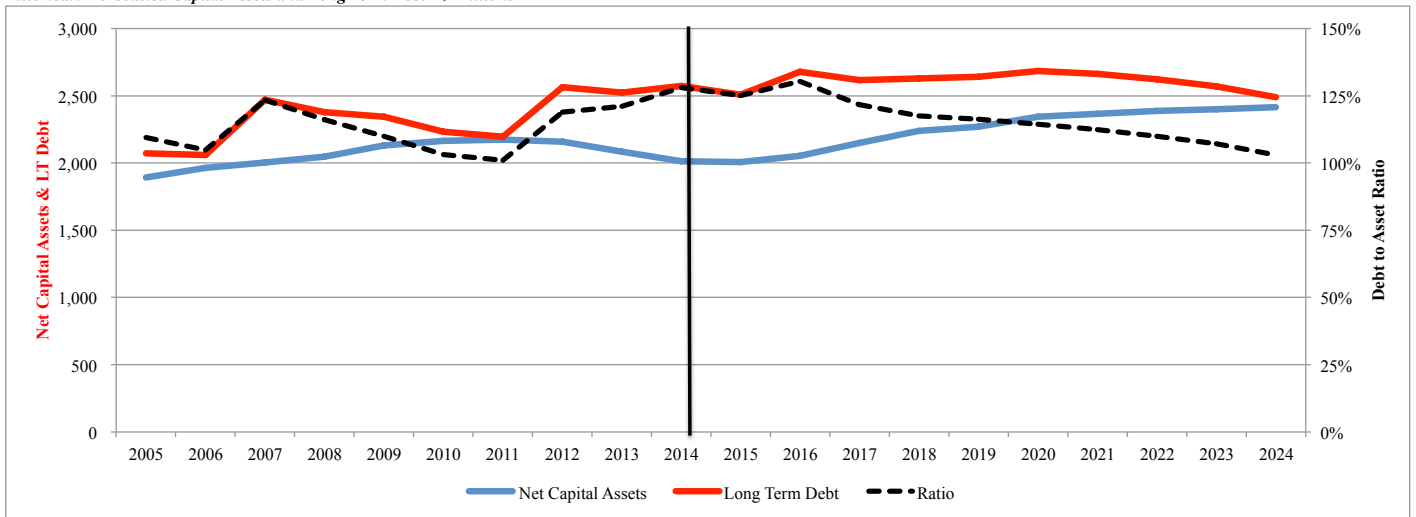


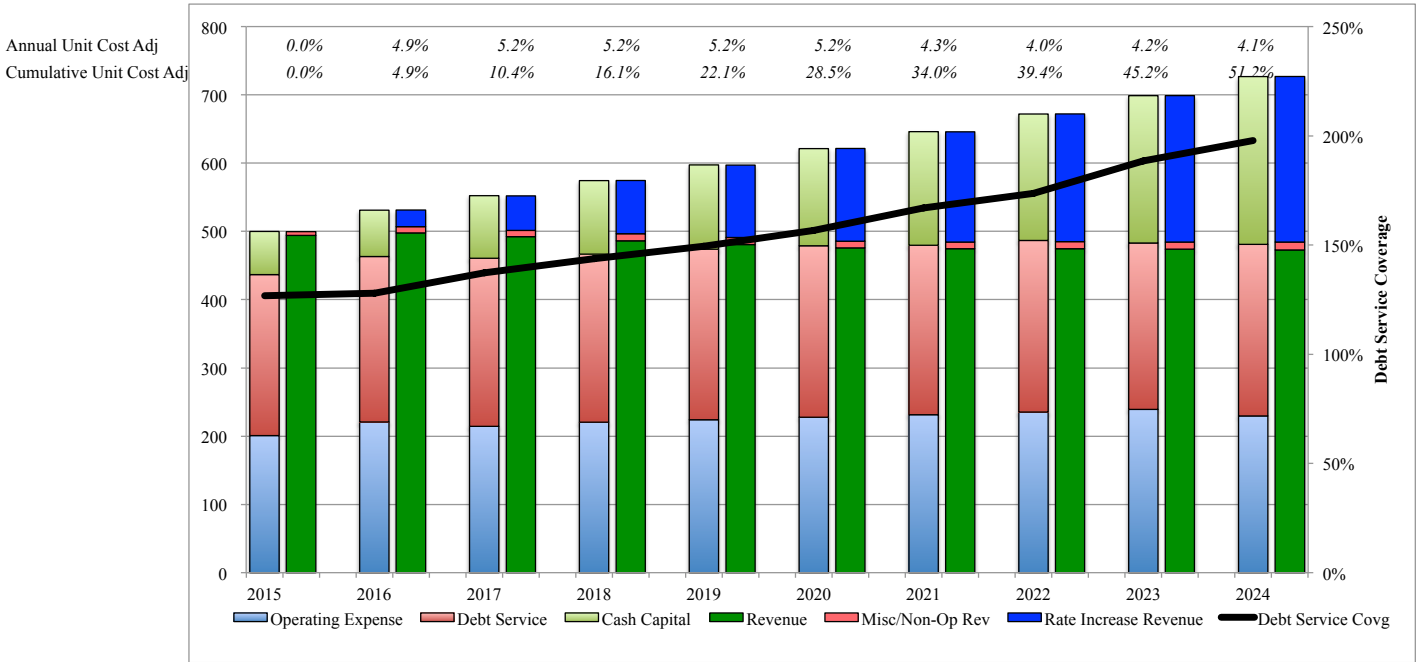


Historical / Forecasted Net Assets and Fund Balances - \$ Millions

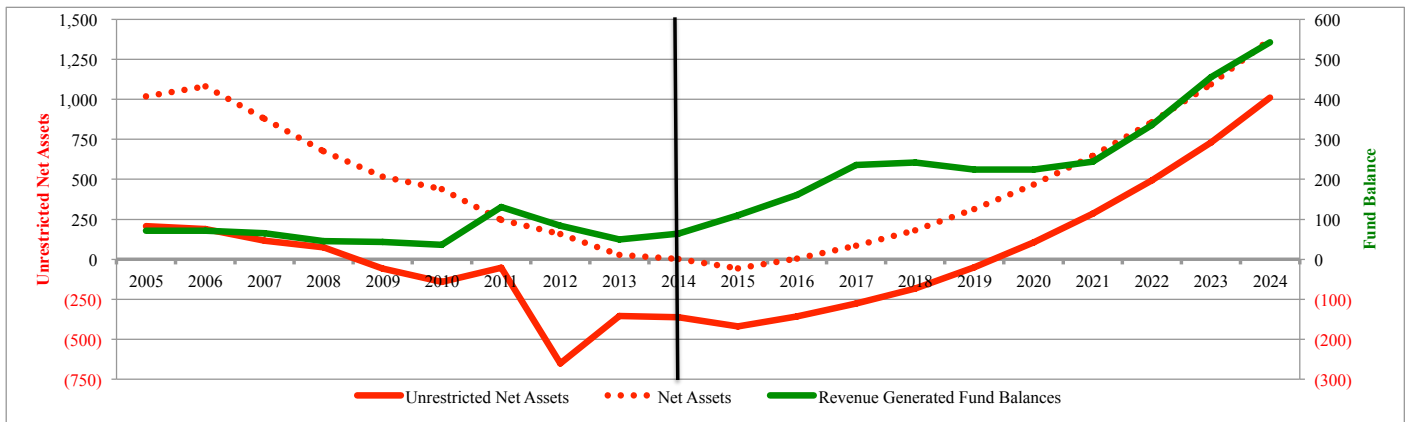


Historical / Forecasted Capital Assets and Long Term Debt - \$ Millions

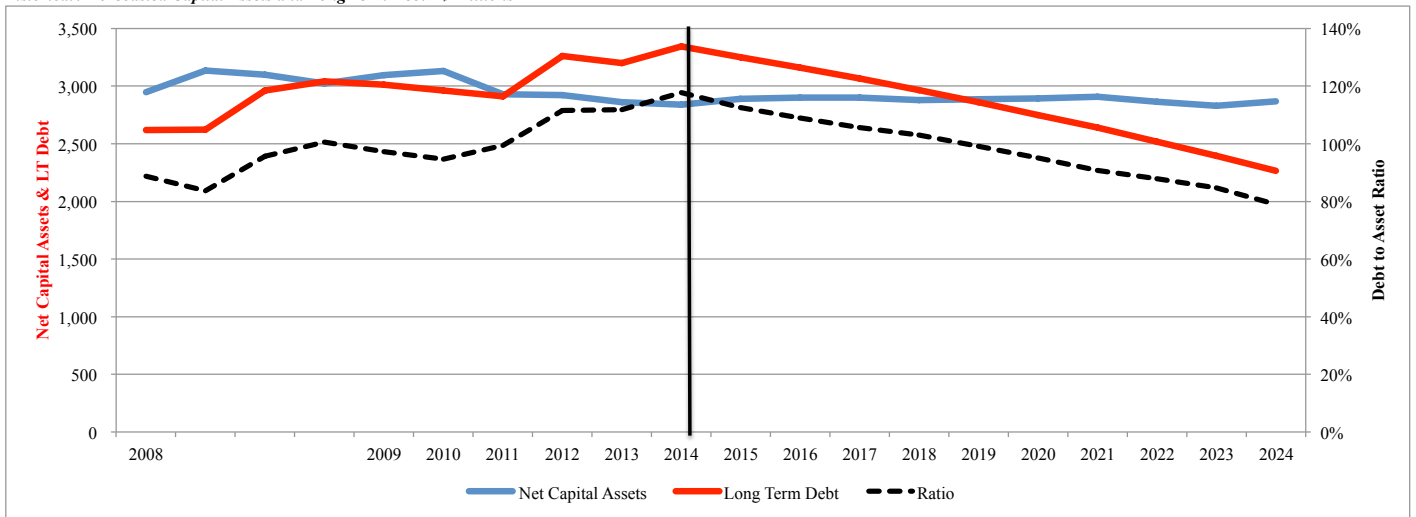




Historical / Forecasted Net Assets and Fund Balances - \$ Millions



Historical / Forecasted Capital Assets and Long Term Debt - \$ Millions



TFG
THE FOSTER GROUP

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THE FOSTER GROUP, LLC
BART FOSTER, PRESIDENT
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MEMORANDUM

Preliminary “DWSD Equity Analysis” Update

May 1, 2015

To: Nicolette Bateson

From: Bart Foster

This memorandum has been prepared to serve as a preliminary update to commentary we have provided to you each of the last two years regarding the statement of DWSD’s net asset position. We offer the following observations, which reference the attached summary exhibits, and which are based on our preliminary review of historical DWSD financial statements and the preliminary forecasted DWSD financial plans that are in the process of being updated. *We note that the qualitative commentary in this memorandum is largely unchanged from prior correspondence, but the quantitative material reflects detailed review of financial statements since FY 2005.*

Background

We note that this commentary principally addresses the recent reported financial position as expressed on the Department’s annual financial statements. The statements are designed to provide a modified accrual representation of “net fund position” (or “net assets”), which are expressed on the Department’s balance sheet, and the changes in this representation from year to year. Annual financial results expressed in this manner reflect several elements of “non-cash” and “non current cash” activity. Some of these elements may reflect the addition of long-term assets and/or liabilities, which may be recognized on the financial statements in a single year, even though any cash impacts related to such activities may not be recognized in that year. Examples include depreciation expense and the net OPEB obligation. Similarly, the balance sheet treats certain elements as effectively obligations of annual operating results, even if the cost recovery of these items is amortized over a longer period. Termination of capital projects are an example of this category.

Contrarily, DWSD financial planning philosophy has traditionally been focused on annual revenue requirements as stated on a cash basis, and in a manner that maximizes the use of debt to finance capital. *In fact, this “maximum debt financing” concept is stipulated by rate settlement agreements for the Sewer System that have been in place during this time period.* Under traditional DWSD financial planning, water and sewer rates and charges have been established to recover revenue requirements consisting of operating expenses, debt service,

and a moderate level of debt service coverage dedicated to revenue finance capital. The “non-cash” elements that impact the balance sheet have not traditionally been part of this evaluation.

Observations

- During the nine fiscal years from FY 2006 through FY 2014, the reported total fund net position¹ for the combined Water and Sewer Systems has deteriorated by approximately \$1.547 billion.
- The vast majority of this negative impact on fund net position is related to two categories of “non-current cash” elements, including:
 - *Approximately \$561 million² related to “swap losses”. Swap agreements were terminated in FY 2012, and as part of the process “soft” swap liabilities were converted to “hard” debt liabilities. The transactions allowed the liability to be amortized over a 30-year period as opposed to exposing customers to the risk of a Swap Termination Event that would have resulted in an unplanned and immediate cash call on customers of similar or possibly greater magnitude.*
 - *Approximately \$577 million related to asset write-offs. These elements were principally financed by construction bonds and are effectively funded through debt service over the life of the bonds. However accounting rules require the entire amount of the terminated investment to be reflected as an operating loss. We note that the individual projects range from termination of mandated environmental projects mandated by DEQ and EPA to cancelled extension of a second feed to Flint to various balance sheet “clean up” of engineering studies.*
 - *Additionally, changes in accounting rules resulted in additional negative impacts on net position during FY 2014. In accordance with GASB Statement No, 65, certain amounts that were previously reported as assets and liabilities were effectively reclassified as deferred outflows and inflows of resources.*

¹ The figures referenced in this commentary focus on “fund net position”. Other figures cited in recent discussions refer to the “unrestricted” portion of fund net position. Due to modifications to restricted / unrestricted allocations and definitions during this period, we believe a comparison of the total net position figures is more meaningful.

² Includes net amounts related to “changes in fair value of derivatives” and bond proceeds issued to terminate swap agreements.

The net effect of GASB 65 is to reduce reported net position by approximately \$44 million, as of the beginning of FY 2014.

- Absent occurrence of these unforeseeable events, the net position of the combined DWSD water and sewer funds would be comfortably over \$1 billion, substantially mitigating concerns regarding the financial health of the DWSD utilities.
- The remainder of the reductions (approximately \$365 million) to reported net fund position during this period are related to annual operating losses. A portion of this reduction is related to collection challenges and lower than anticipated revenues from water sales and billable wastewater volumes.
- However, it's important to recognize that certain of these operating losses are directly related to the difference between the manner by which “cash basis” financial plans are developed and “accrual basis” financial statements. In essence, these operating losses were “expected” from a planning perspective. They include:
 - *Accrual of approximately \$141 million of net OPEB obligation liability. The DWSD financial planning approach does not include such amounts in financial plans or rate revenue requirements unless and until a dedicated reserve is established for this accrued liability. **Note that this accumulated liability was extinguished by the Plan of Adjustment (POA) developed to extract the City of Detroit from the bankruptcy proceedings. This liability will be removed from the DWSD Fund balance sheets during FY 2015.***
 - *An imbalance in “asset life cycle issues”. By this we mean that the Systems are at a stage in their asset lives whereby annual depreciation expense significantly exceeds annual principal payments on revenue bonds. The maximum financing debt policies have resulted in a leveraged system that produces annual operating losses that will occur even during years that targeted policy debt service coverage ratios are achieved. We believe that approximately \$522 million of the net position decline during this period is attributable to this element, which roughly reflects the amount by which depreciation expense (and amortization of bond discounts, etc.) exceeds the combined sum of annual principal payments on debt and revenue financed capital.*

- In essence, the two immediately prior elements (totaling over \$660 million) represent operating losses that were a byproduct of financial planning and rate policies in place during this period.
- The DWSD financial planning strategy seeks to transition away from this leveraged position and rely more on revenues to finance capital improvements, and less on debt. The increased liquidity and debt service coverage ratios associated with this strategy are designed to reverse the structural aspects of recent annual operating losses, as less debt is issued and the existing “level debt service” structure relatively transitions from interest payments to principal retirement.

The accompanying exhibits to this memorandum summarize and illustrate the general discussion. The first table tabulates a high level summary and reconciliation of the various elements that impacted net position over the period, and identifies the major asset write-offs. The first two charts illustrate the annual reduction in net position and the “hypothetical” performance that may have resulted absent the extraordinary items. The final chart is designed to illustrate the “asset life cycle” topic discussed herein.

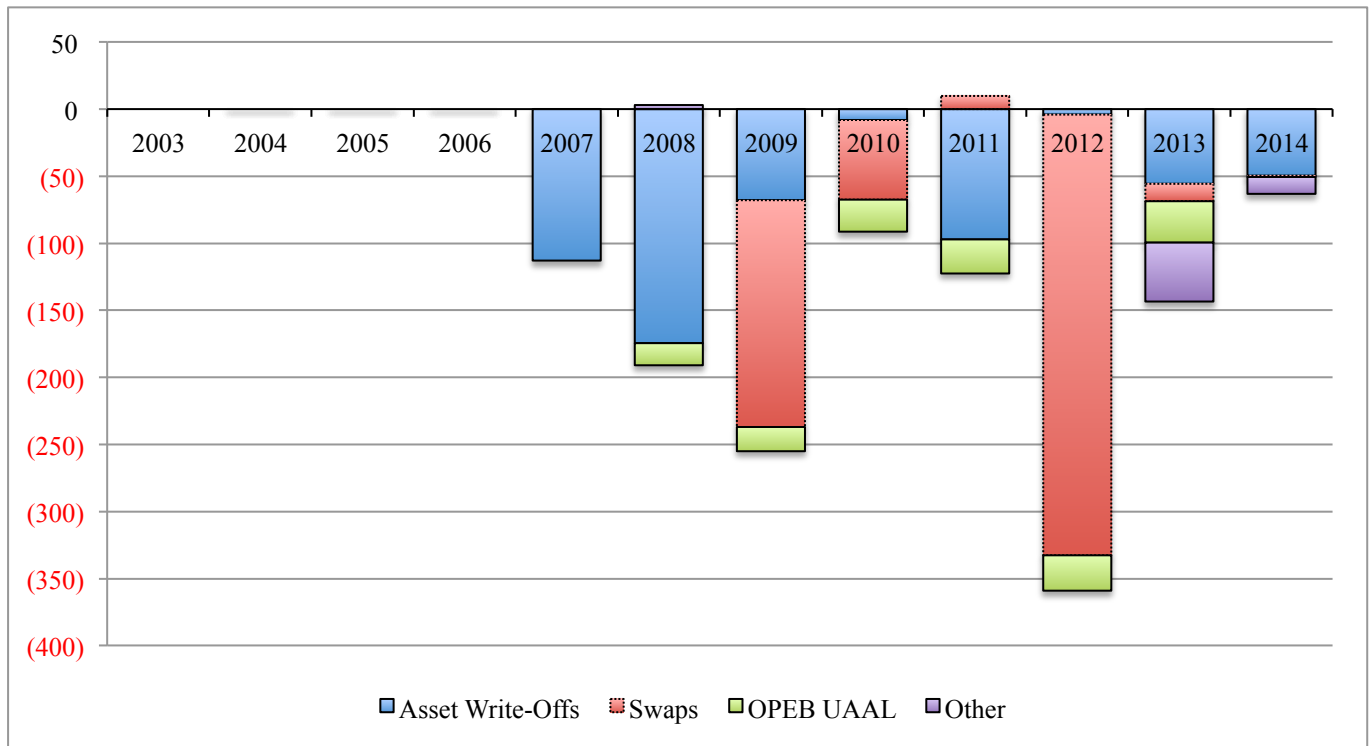
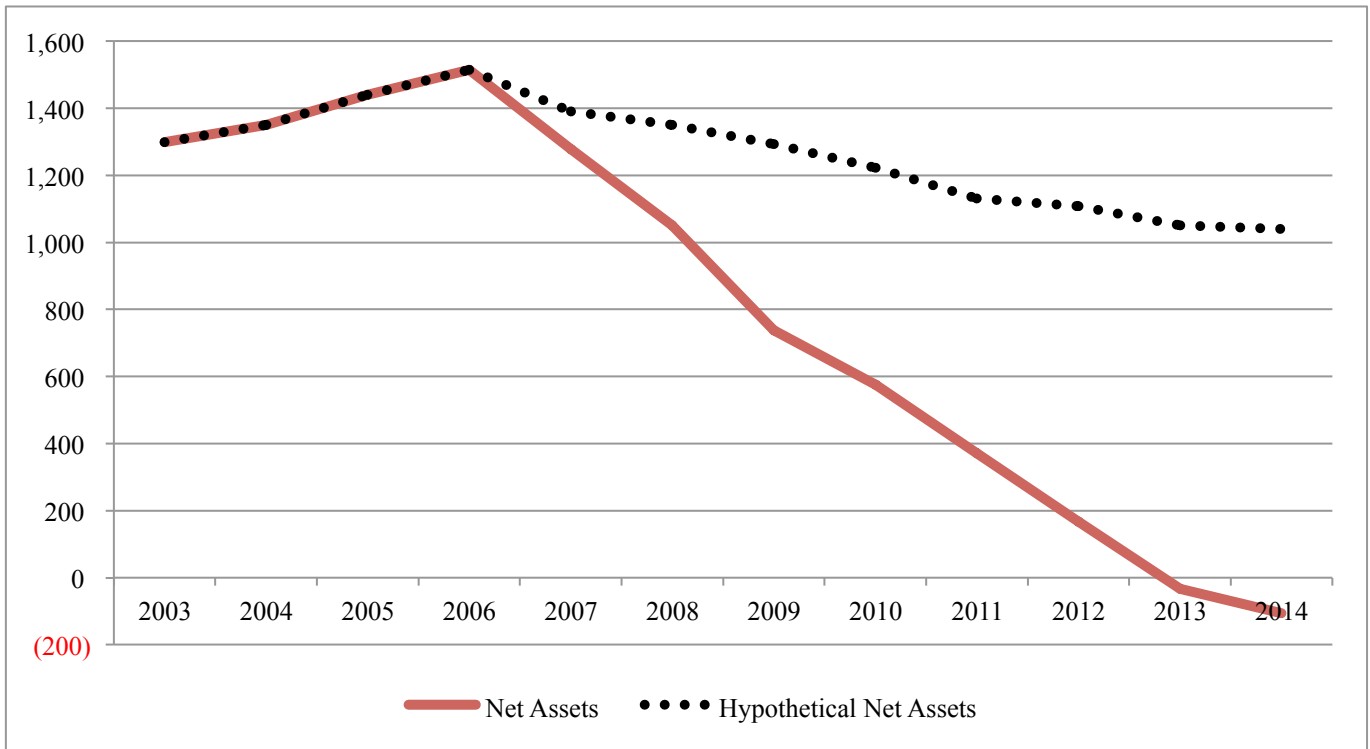
The financial forecast update being published contemporaneously under separate cover contains similar presentations, and illustrates the possible improvement in financial position in a similar format. Obviously such projections are heavily influenced by various assumptions, but the exhibits in that document illustrate that much of the recent decline in net fund position has not been “structural” but rather associated with extraordinary events summarized herein, and that the Department’s new financing strategies can have dramatic, positive impacts on the financial position of the utilities with only moderate increases in rate levels.

We recognize that this matter is more complex than the summary level observations offered herein. We are prepared to present our perspective in more depth and to discuss this matter further at your convenience.

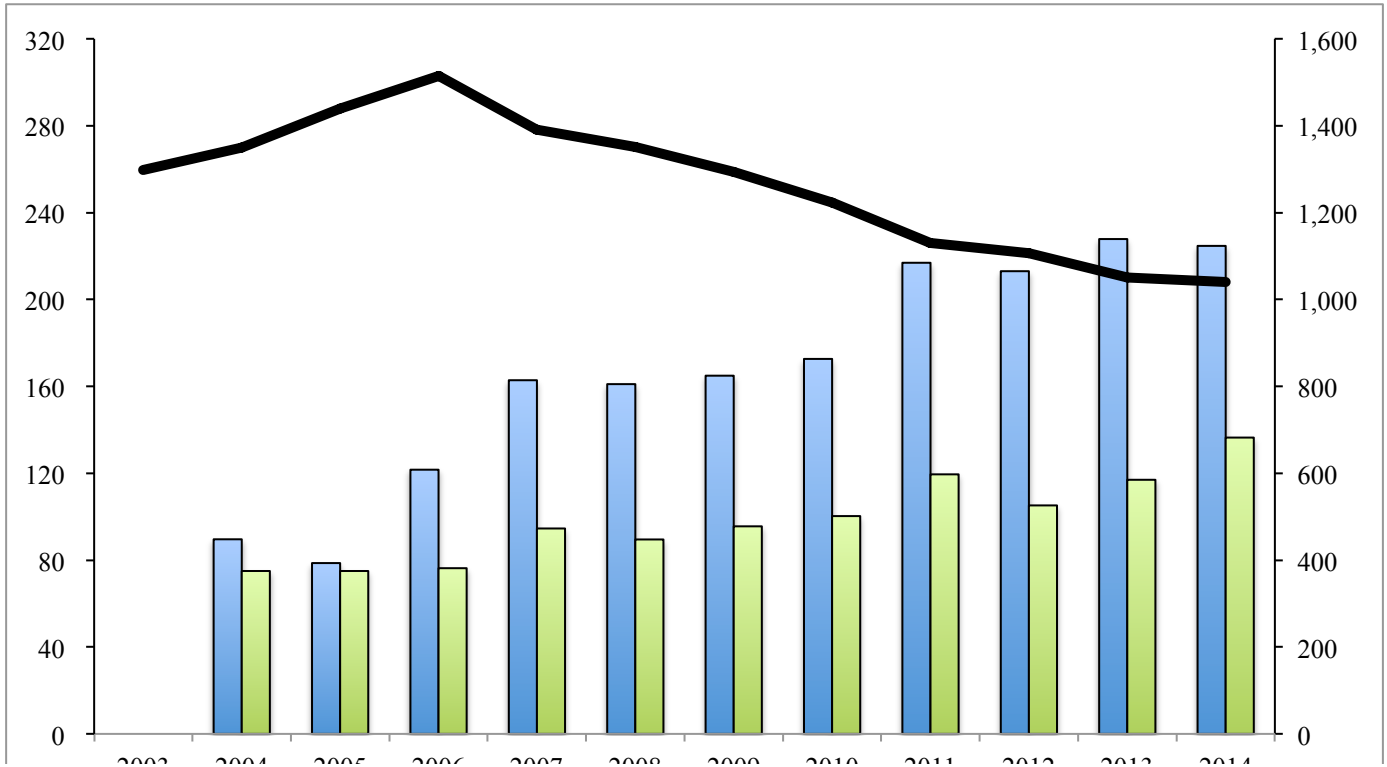
Reconciliation of DWSD Net Asset Activity - FY 2006 thru FY 2014 (\$ millions)

	<u>Combined</u>	<u>Water</u>	<u>Sewer</u>
Fund Net Assets @ 6/30/2005	1,440.1	420.4	1,019.7
Fund Net Assets @ 6/30/2014	(106.5)	(107.9)	1.3
Cumulative Decrease in Net Assets	(1,546.7)	(528.3)	(1,018.4)
Attributable to:			
Swap Termination	(561.1)	(232.1)	(329.0)
Asset Write-offs	(576.9)	(107.6)	(469.3)
GASB 65 Adjustment - 2014	(43.9)	(19.7)	(24.2)
Operating Losses	(364.7)	(168.8)	(195.9)
<u>Operating Loss Reconciliation</u>			
Unfunded OPEB UAAL	(141.0)	(70.6)	(70.4)
Asset Life Cycle Impact	(522.4)	(164.6)	(357.9)
Interest Expense Timing / Capitalization	144.0	10.9	133.0
Other	154.8	55.4	99.4
<u>Asset Write-Offs</u>			
Various projects - 2007 (2008 restate begin)	(141.2)	(28.3)	(112.9)
RRO #1 - 2008	(142.0)	0.0	(142.0)
Rouge Tunnel - 2009	(36.9)	0.0	(36.9)
OMID Sale - 2011	(91.5)	0.0	(91.5)
Rouge Tunnel - 2013	(44.7)	0.0	(44.7)
Flint Loop, etc. - 2013	(20.7)	(20.7)	0.0
Flint / North Oakland Loop - 2014	(15.7)	(15.7)	0.0
Asbestos Removal Expenditures - 2014	(15.1)	0.0	(15.1)
Other Projects	(69.1)	(42.9)	(26.2)
Subtotal	(576.9)	(107.6)	(469.3)

Historical DWSD Financial Results
Combined Water and Sewer - \$ millions



Historical DWSD Financial Results
 Combined Water and Sewer - \$ millions



**For the Joint Session of:
the Finance Committee of the Board of Water Commissioners, and
the Audit Committee of the Great Lakes Water Authority
Meeting of May 1, 2015**

Employee Benefits Broker/Benefits Consultant

Professional Service Fee: **\$435,000**

Time Duration: Three (3) years; **05/01/2015-04/30/2018**

TO: The Honorable
Board of Water Commissioners
City of Detroit, Michigan

FROM: Sue F. McCormick, Director
Detroit Water and Sewerage Department

RE: **Employee Benefits Broker/Benefits Consultant**

**May 1, 2015 Proposed Action by the
Board of Water Commissioners
Finance Committee:**

Recommend that the Board of Water Commissioners authorize the Director to execute a contract for Employee Benefits Broker/Benefits Consultant services from Aon Consulting, Inc. for three-years commencing May 15, 2015, for a fee of \$435,000 and approval to take other such action as may be necessary to accomplish the intent of this request.

I. MOTION:

Upon recommendation of Nicolette Bateson, CFO, the Board of Water Commissioners authorizes the Director to execute a contract for **Employee Benefits Broker/Benefits Consultant services from Aon Consulting, Inc. for three-years commencing May 15, 2015, for a fee of \$435,000** and approval to take other such action as may be necessary to accomplish the intent of this request.

Pro Rate of Total First Year Fee (\$185,000) Between Fiscal Years	05/15/2015 – 06/30/2015 (46 days)	07/01/2015 – 04/30/2016 (319 days)
	\$ 23,315	\$ 161,685

Engaging an employee benefits broker/consultant is a key next step in the stand-up of independent human resources, finance, law, and procurement initiative for the Detroit Water and Sewerage Department (DWSD). This initiative is within the framework established by a series of court orders from 2011 through 2013 issued by Judge Sean F. Cox of the United States District Court, Eastern District of Michigan, Southern Division in Case No. 77-71100. Currently, employees at DWSD receive health care benefits coverage through the City of Detroit Employee Health Care Plan and retirement benefits through the City's General Retirement System. By securing a benefits broker, DWSD is moving toward the ability to manage its finances and employee benefit design in a manner that allows it recruit and retain a talented workforce within its financial resources. In addition, by selecting a broker/consultant, planning for the Great Lakes Water Authority (GLWA) is advanced.

II. SOLICITATION OF QUOTES:

A Statement of Qualification (SOQ) was advertised via the Michigan Inter-Governmental Trade Network on January 16, 2015 which resulted in automated emails being sent to 105 registered vendors of which ten (10) ultimately responded on February 9.

This procurement used a Qualifications-Based Selection (QBS) process. Using QBS, the competitive contract procurement process encompasses an evaluation of a proposing firm's qualifications, then a selection of the most qualified firm and, finally, the negotiation of the firm's submitted fee.

The ten SOQ's received were evaluated by subject matter expert representatives from Wayne, Oakland, Macomb and DWSD (see Attachment A). The results of that SOQ scoring are at Attachment B. The scoring resulted in the three (3) highest scoring firms being selected to respond to a Request for Quote (see Attachment B).

Prior to the request for best-and-final quotations, each firm met with an Oral Interview Team (DWSD's Director, Chief Financial Officer, Chief Administrative & Compliance Officer and DWSD's Risk Management Consultant as an alternate). The results of their scores are shown at Attachment C.

Using QBS, and with pricing excluded, the highest score was earned by Aon Consulting, Inc. The two independent evaluation teams (the SOQ team as well as the Oral Interview team) agreed on the recommended firm.

III. RECOMMENDATION:

It is recommended that Aon Consulting, Inc. be selected as DWSDs employee benefits broker of record.

With respect to health and benefits, Aon Consulting, Inc. (Aon) is a global provider of human resources consulting with more than 70 years of experience in providing a comprehensive range of services in that space. Their client base includes the public sector at the federal, state and local government level. It was important that a firm was selected that understood the challenges public entities face in the areas of employee health care, retirement, and workforce effectiveness.

Aon demonstrated a unique understanding of the human resource challenges associated with becoming a new and separate entity by identifying the services available from Aon's Strategic Advisors and Transaction Services Group.

With respect to retirement/pensions, Aon Consulting, Inc. has significant experience providing consulting and administrative services to public sector retirement plans. Their proposal materials noted that their consultants have worked with nearly all of the 50 largest public funds in the country (with Aon Consulting or prior employer). Their services include plan design and investment advice as well as guidance on governance, policy development, operational prudence

and investment due diligence processes. Their proposal also states that they have advised on hundreds of new retirement plan design projects, many involving defined benefit (DB) pension closures and the launch of new defined contribution (DC) plans. Examples include the Carolinas Healthcare System, Virginia Port Authority, City of Beverly Hills, and Southern California Water Districts including: Irvine Ranch, Santa Margarita, and Rancho California. In Michigan, they were recently named advisor to the Michigan State Treasury Department for the State's pension funds.

It should be noted that the proposed contract award is for employee benefits broker only as noted in the scope definition below. An expanded analysis of pension/retirement plan design and stand-up of a new entity were not included in the scope as those needs have been evolving since the initial SOQ was issued in January 2015.

IV. SCOPE OF SERVICES AND FEE

The scope of this proposal includes the following mandatory services.

- a) Assist with strategic planning, plan management, vendor procurement, financial management and budgeting, compliance, and benefit delivery for a health and wellness benefit program to be provided to active employees and their eligible dependents;
- b) Assist in the overall management of the Employee Benefits Program;
- c) Assist in evaluating current practices and developing recommendations to build a benefit program and improve member and retiree access to healthcare while containing costs;
- d) Complete various tasks associated with the management, design, administration and compliance of the entity's medical, dental, vision, life, Accidental Death & Dismemberment (AD&D), long term disability, Section 125 Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), pensions and supplemental/optional employee-paid insurance offerings; and
- e) Provide additional services that will include, but not be limited to, benefit plan vendor management, vendor bidding for insurance and administrative services, compliance assistance including but not limited to Patient Protection and Affordable Care Act (PPACA), Consolidated Omnibus Budget Reconciliation Act (COBRA), PA106 of 2007 and Health Insurance Portability and Accountability Act (HIPAA), The Publicly Funded Health Care Contribution Act, financial analysis, union negotiation support, and drafting of employee/board benefit communication materials as well as open enrollment support.

First year fees are higher than successive years due to the initial marketing of this program that will not have to be repeated in years 2 and 3.

	Aon Consulting, Inc. Annual Fixed Fee
Year 1	\$185,000
Year 2	\$125,000
Year 3	\$125,000

The Summary of Fees for the three short-listed firms is at Attachment D. While the year one fee is higher for Aon Consulting, Inc. the annual fee in years two and three is within the range of the other two firms. In addition, Aon Consulting, Inc. has agreed to lower their proposed fee by \$15,000 to match the amount proposed by the firm with the most comparable fee structure.

References for all of the short-listed firms were contacted with no adverse comments received.

V. IMPACT ON GREAT LAKES WATER AUTHORITY:

The recommended brokerage/consultant relationship contemplates supporting the stand-up of GLWA. It is assumed the DWSD-Retail system employees will continue to be aligned with both the City of Detroit's Employee Health Care Plan as well as the City's General Retirement System.

**Employee Benefits Broker/Consultant Evaluation Panel
(Issued by DWSD)**

Wayne County Jim Taylor Director of Public Works Van Buren Township & TAC Co-Chair [REDACTED] jtaylor@vanburen-mi.org	Oakland County Jennifer Hain Manager, Human Resources 1200 North Telegraph Courthouse Tower Pontiac, Michigan 48341 hainj@oakgov.com																		
Macomb County Eric Herppich County of Macomb - HR and Labor Relations 120 North Main Street, 1st Floor Mt. Clemens, MI 48043 Office: (586) 469-5281 [REDACTED] Fax: (586) 469-6795 Eric.Herppich@macombgov.org	City of Detroit Note: Withdrew from participation [REDACTED] [REDACTED] [REDACTED] [REDACTED] Detroit, Michigan 48226 [REDACTED] [REDACTED] [REDACTED]																		
State of Michigan n/a	DWSD Terri Tabor Conerway Detroit Water and Sewerage Department 735 Randolph Detroit, Michigan 48226 Office: 313 964.9485 Fax: 313.964.9495 Email: tconerway@dwsd.org																		
Procurement Team Support Mike Tilley tilley@dwsd.org 313.964.9158	Project Management Office Eric Rothstein erothste@grg-ltd.com [REDACTED]																		
<table border="0"> <tr> <td>A. Advertise date for SOQ</td><td>January 16, 2015</td></tr> <tr> <td>B. Questions by (3 pm EST)</td><td>January 23, 2015</td></tr> <tr> <td>C. Proposals due not later than (2 pm EST)</td><td>February 9, 2015</td></tr> <tr> <td>D. Evaluation of proposals</td><td>February 19-20, 2015</td></tr> <tr> <td>E. RFQ issued to select few finalists</td><td>February 23, 2015</td></tr> <tr> <td>F. RFQ response due</td><td>March 6, 2015</td></tr> <tr> <td>G. Oral interviews</td><td>March 10, 2015</td></tr> <tr> <td>H. Board approval</td><td>March 18, 2015</td></tr> <tr> <td>I. Target Implementation/Enrollment</td><td>TBD (7-1-15 or 1-1-16)</td></tr> </table>		A. Advertise date for SOQ	January 16, 2015	B. Questions by (3 pm EST)	January 23, 2015	C. Proposals due not later than (2 pm EST)	February 9, 2015	D. Evaluation of proposals	February 19-20, 2015	E. RFQ issued to select few finalists	February 23, 2015	F. RFQ response due	March 6, 2015	G. Oral interviews	March 10, 2015	H. Board approval	March 18, 2015	I. Target Implementation/Enrollment	TBD (7-1-15 or 1-1-16)
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EMPLOYEE BENEFITS BROKER / BENEFITS CONSULTANT CS-1705

Tabulation of SOQ Evaluations TOP 3 BY EVALUATOR

Name of Evaluator Summary Delivery Date (Due 2/23/2015)	A	B	C	D	E	Top 3	
						Simple Average	Top 3
Aon Hewitt	61.7%	71.9%	81.0%		71.0%	71%	Shortlist
Ballard Benefits Works	51.1%	66.8%	73.2%		53.6%	61%	
Brown & Brown	50.5%	58.4%	67.1%		69.8%	61%	
Cambridge Consulting	51.4%	56.5%	52.8%		51.7%	53%	
Compass Benefits	49.7%	59.4%	32.4%	Could not participate due to work conflict	52.4%	48%	
Cornerstone Municipal	51.1%	55.0%	78.8%		70.3%	64%	
Gallagher Benefits Services	66.1%	56.9%	79.0%		72.4%	69%	Shortlist
Lovasco Consulting	58.6%	65.1%	66.9%		59.1%	62%	
Meadowbrook Insurance	64.0%	62.8%	61.3%		69.3%	64%	
Segal Consulting	51.7%	70.6%	85.2%		74.3%	70%	Shortlist

Evaluator Simple Average: 55.6% 62.3% 67.7% n/a 64.4%

Attachment B

Approved for release of RFQ to indicated short-listed vendors Sue M. Lowndes (Sue F. McCormick, Director, DWSD)



EMPLOYEE BENEFITS BROKER/BENEFITS CONSULTANT ORAL INTERVIEW SCORING

5 = EXCELLENT:

Exceeds expectations. Excellent probability of success.

4 = VERY GOOD:

Highly competent. High probability of success.

3 = GOOD:

Acceptable. No shortcomings apparent. Moderate probability of success.

2 = FAIR:

Acceptable and mainly compliant except for minor aspects and shortcomings. Low probability of success.

1 = POOR:

Marginally adequate. Concerns regarding competence or capacity and ability to successfully fulfil contract. Unlikely probability of success.

Firm	A	B	C	Avg Score
Aon Hewitt	5.0	5.0	5.0	5.0
Gallagher Benefits Svcs	3.0	4.0	4.0	3.7
Segal Consulting	4.0	4.0	4.0	4.0

MIKE DUGGAN, MAYOR

CITY OF DETROIT

PROFESSIONAL SERVICES CONTRACT

BETWEEN

CITY OF DETROIT, MICHIGAN

AND

AON CONSULTING, INC.

CONTRACT NO. CS-1705

**CITY OF DETROIT
WATER AND SEWERAGE DEPARTMENT
PROFESSIONAL SERVICES CONTRACT**

This Professional Services Contract ("Contract") is entered into by and between the City of Detroit, a Michigan municipal corporation, acting by and through its Water and Sewerage Department ("DWSD") (collectively, the "City"), and Aon Consulting, Inc., a New Jersey corporation, with a place of business located at 3000 Town Center, Southfield, Michigan 48075 ("Contractor").

Recitals:

Whereas, the City desires to engage the Contractor to render certain professional and/or technical services ("Services") as set forth in this Contract and its exhibits, which are incorporated fully by reference; and

Whereas, the Contractor represents that it is authorized and prepared to provide the qualified professional personnel with the necessary skills to perform the Services, in a manner which is responsive to the City's needs in all respects; and

Whereas, by virtue of a federal court Order issued on November 4, 2011 (the "Order"), DWSD is ordered to establish its own independent finance, human resources, and legal functions; and

Whereas, the Order further provides DWSD with the authority to contract on its own behalf and without approval by the Detroit City Council if the contract is for professional services and the contract amount is less than Two Million Dollars; and now

Accordingly, in consideration of the mutual undertakings and benefits to accrue to the parties and the public, the parties agree as follows:

**Article 1.
Definitions**

1.01 The following words and expressions or pronouns used in their stead shall be construed as follows:

"Associates" shall mean the personnel, employees, consultants, subcontractors, agents, and parent company of the Contractor or of any subcontractor, now existing or subsequently created, and their agents and employees, and any entities associated, affiliated, or subsidiary to the Contractor or to any subcontractor, now existing or subsequently created, and their agents and employees.

“Board” shall mean the City of Detroit Board of Water Commissioners.

"Contract" shall mean each of the various provisions and parts of this document, including all attached Exhibits and all amendments, as executed and approved by the DWSD Director and, if required by the terms of this Contract, by the Board and the Detroit City Council.

“Contractor” shall mean the party that contracts with the City by way of this Contract, whether an individual, sole proprietorship, partnership, corporation, or other form of business organization, and its heirs, successors, personnel, agents, employees, representatives, executors, administrators and assigns.

"Records" shall mean all books, ledgers, journals, accounts, documents, and other collected data in which information is kept regarding the performance of this Contract.

"Services" shall mean all work that is expressly set forth in Exhibit A, the Scope of Services, and all work expressly or impliedly required to be performed by the Contractor in order to achieve the objectives of this Contract.

"Unauthorized Acts" shall mean any acts by a City employee, agent or representative that are not set forth in this Contract and have not been approved as a part of this Contract by the DWSD Director, and as may be required by the terms of this Contract, the Board and City Council.

"Work Product" shall mean the originals, or copies when originals are unavailable, of all materials prepared by the Contractor under this Contract or in anticipation of this Contract, including but not limited to Technology, data, studies, briefs, drawings, maps, models, photographs, files, records, computer printouts, estimates, memoranda, computations, papers, supplies, notes, recordings, and videotapes, whether such materials are reduced to writing, magnetically or optically stored, or kept in some other form.

Article 2.

Engagement of Contractor

- 2.01 By this Contract, the City engages the Contractor and the Contractor agrees to faithfully and diligently perform the Services set forth in Exhibit A, in accordance with the terms and conditions contained in this Contract.
- 2.02 The Contractor shall perform in a satisfactory manner as shall be determined within the sole and reasonable discretion of the City. In the event that there shall be any dispute between the parties with regard to the extent, character and progress of the Services to be performed or the quality of performance under this Contract, the interpretation and determination of the City shall govern.

- 2.03 The Contractor shall confer as necessary and cooperate with the City in order that the Services may proceed in an efficient and satisfactory manner. The Services are deemed to include all conferences, consultations and public hearings or appearances deemed necessary by the City to ensure that the Contractor will be able to properly and fully perform the objectives as set forth in this Contract.
- 2.04 All Services are subject to review and approval of the City for completeness and fulfillment of the requirements of this Contract. Neither the City's review, approval nor payment for any of the Services shall be construed to operate as a waiver of any rights under this Contract, and the Contractor shall be and will remain liable in accordance with applicable law for all damages to the City caused by the Contractor's negligent performance or nonperformance of any of the Services furnished under this Contract.
- 2.05 The Services shall be performed as set forth in Exhibit A, or at such other locations as are deemed appropriate by the City and the Contractor for the proper performance of the Services.
- 2.06 The City and the Contractor expressly acknowledge their mutual understanding and agreement that the Great Lakes Water Authority is the only intended third party beneficiary to this Contract and that this Contract shall not be construed to benefit any persons other than the City, the Contractor and the Great Lakes Water Authority.
- 2.07 It is understood that this Contract is not an exclusive services contract, that during the term of this Contract the City may contract with other firms, and that the Contractor is free to render the same or similar services to other clients, provided the rendering of such services does not affect the Contractor's obligations to the City in any way.

Article 3.

Contractor's Representations and Warranties

- 3.01 To induce the City to enter into this Contract, the Contractor represents and warrants that the Contractor is authorized to do business under the laws of the State of Michigan and is duly qualified to perform the Services as set forth in this Contract, and that the execution of this Contract is within the Contractor's authorized powers and is not in contravention of federal, state or local law.
- 3.02 The Contractor makes the following representations and warranties as to any and all computer-related components and systems, including but not limited to computer software, computer code, computer programs, computer hardware, embedded integrated circuits, computer memory and data storage systems, whether in the form of read-only memory chips, random access memory chips, CD-ROMs, floppy disks, magnetic tape, or some other form, and the data retained or stored in said computer memory and data storage systems (collectively "Technology") it may provide under this Contract:

- (a) That all Technology provided to the City under this Contract shall perform according to the specifications and representations set forth in Exhibit A and according to any other specifications and representations, including any manuals, provided by the Contractor to the City;
- (b) That the Contractor shall correct all errors in the Technology provided under this Contract so that such Technology will perform according to Contractor's published specifications;
- (c) That the Contractor has the full right and power to grant the City a license to use the Technology provided pursuant to this Contract;
- (d) That any Technology provided by Contractor under this Contract is free of any software, programs or routines, commonly known as "disabling code," that are designed to cause such Technology to be destroyed, damaged, or otherwise made inoperable in the course of the use of the Technology;
- (e) That any Technology containing computer code and provided under this Contract is free of any known or reasonably discoverable computer program, code or set of instructions, commonly known as a "computer virus," that is not designed to be a part of the Work Product and that, when inserted into the computer's memory: (i) duplicates all or part of itself without specific user instructions to do so, or (ii) erases, alters or renders unusable any Technology with or without specific user instructions to do so, or (iii) that provide unauthorized access to the Technology; and
- (f) That all Technology shall be delivered new and in original manufacturer's packaging and shall be fully warranted for repair or replacement during the term of this Contract as amended or extended.
- (g) That any Technology that it is provided to the City shall:
 - (1) Accurately recognize and process all time and date data including, but not limited to, daylight savings time and leap year data, and
 - (2) Use accurate same-century, multi-century, and similar date value formulas in its calculations, and use date data interface values that accurately reflect the correct time, date and century.

Article 4.
Contract Effective Date and Time of Performance

- 4.01 This Contract shall be approved and signed by the DWSD Director. If the compensation to be paid in any given fiscal year (July 1 to June 30) under this Contract exceeds Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) it shall be approved by resolution of the Board, and if it exceeds Two Million and 00/100 Dollars (\$2,000,000.00) it shall be approved by resolution of the Detroit City Council. The effective date of this Contract shall be the date upon which the Contract has been authorized by the City as set forth in this Section 4.01.
- 4.02 Prior to the approvals set forth in Section 4.01, the Contractor shall have no authority to begin work on this Contract. The City shall not authorize any payments to the Contractor, nor shall the City incur any liability to pay for any services rendered or to reimburse the Contractor for any expenditure, prior to such award and approvals.
- 4.03 The City and the Contractor agree that the commencement and duration of the Contractor's performance under this Contract shall be as set forth in Exhibit A.

Article 5.

Data to Be Furnished Contractor

- 5.01 Copies of all information, reports, records, and data as are existing, available, and deemed necessary by the City for the performance of the Services shall be furnished to the Contractor upon the Contractor's request. With the prior approval of the City, the Contractor will be permitted access to City offices during regular business hours to obtain any necessary data. In addition, the City will schedule appropriate conferences at convenient times with administrative personnel of the City for the purpose of gathering such data.

Article 6.

Contractor Personnel and Contract Administration

- 6.01 The Contractor represents that, at its own expense, it has obtained or will obtain all personnel and equipment required to perform the Services. It warrants that all such personnel are qualified and possess the requisite licenses or other such legal qualifications to perform the services assigned. If requested, the Contractor shall supply a résumé of the managerial staff or consultants it proposes to assign to this Contract, as well as a dossier on the Contractor's professional activities and major undertakings.
- 6.02 The City may interview the Contractor's managerial staff and other employees assigned to this Contract. The Contractor shall not use any managerial staff or other employees to whom the City objects and shall replace in an expedient manner those rejected by the City. The Contractor shall not replace any of the personnel working on this Contract with new personnel without the prior written consent of the City.

- 6.03 When the City deems it reasonable to do so, it may assign qualified City employees or others to work with the Contractor to complete the Services. Nevertheless, it is expressly understood and agreed by the parties that the Contractor shall remain ultimately responsible for the proper completion of the Services.
- 6.04 The relationship of the Contractor to the City is and shall continue to be that of an independent contractor and no liability or benefits, such as workers' compensation, pension rights or liabilities, insurance rights or liabilities, or other rights or liabilities arising out of or related to a contract for hire or employer/employee relationship shall arise or accrue to either party or either party's agent, subcontractor or employee as a result of the performance of this Contract. No relationship other than that of independent contractor shall be implied between the parties or between either party's agents, employees or subcontractors. The Contractor agrees to indemnify, defend, and hold the City harmless against any claim based in whole or in part on an allegation that the Contractor or any of its Associates qualify as employees of the City, and any related costs or expenses, including but not limited to legal fees and defense costs.
- 6.05 The Contractor warrants and represents that all persons assigned to the performance of this Contract shall be regular employees or independent contractors of the Contractor, unless otherwise authorized by the City. The Contractor's employees' daily working hours while working in or about a City of Detroit facility shall be the same as those worked by City employees working in the facility, unless otherwise directed by the City.
- 6.06 The Contractor shall comply with and shall require its Associates to comply with all security regulations and procedures in effect on the City's premises.
- 6.07 The Contractor hereby waives any claim against the City and agrees not to hold the City liable for any personal injury or property damage incurred by its Associates on this Contract which is not held in a court of competent jurisdiction to be attributable to the gross negligence of an employee of the City acting within the scope of their employment and hereby agrees to hold the City harmless from any such claim by the Contractor's Associates.
- 6.08 The Contractor shall designate a project manager ("Project Manager"), acceptable to the City, to be responsible for all aspects of the Services. The duties of the Project Manager shall be:
- (a) The Project Manager will coordinate its Associates' work schedules and monitor performance goals. The Project Manager will supervise the day-to-day activities of its Associates. All Associates will report directly to the Project Manager concerning all matters related to this Contract.

- (b) The Project Manager will act as liaison between the Contractor and the City. Day-to-day services to be performed by the Contractor will be done in cooperation with the designated City representative.
 - (c) The Project Manager shall submit a written report monthly describing progress on the work of the Contract ("Report"). The Report shall indicate which activities the Contractor performed and which were performed by subcontractors. As part of the Report, the Project Manager shall inform the City as soon as the following types of conditions become known: (a) probable delays or adverse conditions which materially affect the ability to attain objectives or prevent meeting the time schedules, accompanied by a statement of any remedial actions taken or contemplated by the Contractor; and (b) favorable developments or events which enable attaining objectives or meeting time schedules sooner than anticipated. At regular intervals, the Contractor's supervisors, higher than the Project Manager (if any), will make checks and verifications on the Reports.
 - (d) The person designated as Project Manager may be changed by the Contractor upon written notice of such change being sent to the City and upon the City's approval thereof.
- 6.09 If the need arises to replace a Contractor team member, the parties will discuss any proposed changes and come to an agreement on a satisfactory replacement prior to implementation of the change to the extent practicable. Immediately upon receipt of written notification, the Contractor shall replace any Associate, including the Project Manager, who, in the City's sole opinion, unsatisfactorily performs the Services hereunder, or who is unsatisfactory for the performance of the Services hereunder, irrespective of any prior City approval.
- 6.10 In all cases in which an Associate must be replaced for any reason, the Contractor shall supply an acceptable replacement as soon as possible, and agrees not to substitute a lower classified or less qualified Associate to perform the Services without obtaining prior City approval in writing. The Contractor will furnish such replacement on a no-charge basis for that period of time necessary for any retraining or job orientation.
- 6.11 The Contractor agrees that neither it nor its employees will endeavor to influence the City's employees to seek employment with the Contractor within the duration of this Contract and shall not for a period of one (1) year thereafter employ any of the City's employees without prior written approval from the City. Proof of such activity as determined by the City may cause immediate termination of this Contract. This provision shall not apply to responses through general advertising.

Article 7. Compensation

- 7.01 The City agrees to pay the Contractor for the complete and proper performance of the Services an amount not to exceed the sum of Four Hundred Fifty Thousand and 00/100 Dollars (\$450,000.00), plus any associated out-of-pocket expenses, in the manner and at the rates set forth in Exhibit B. If reimbursable expenses are to be provided, they shall be delineated in Exhibit B. Unless this Contract is amended pursuant to Article 17, this amount shall be the entire compensation to which the Contractor is entitled for the performance of Services under this Contract.
- 7.02 The City agrees to reimburse the Contractor for the reimbursable expenses identified in Exhibit B that are actually incurred in connection with the proper performance of the Services. Expenses outside the categories enumerated in Exhibit B shall not increase the amount payable stated in Section 7.01, and shall not be reimbursed by the City unless such charges are reasonable and are incurred *after* written approval is given by the City.
- 7.03 Payment for the proper performance of the Services shall be contingent upon receipt by the City of accurate, complete and timely invoices from the Contractor and shall be made within forty-five (45) days after receipt of a proper invoice. Each invoice shall certify the cost of all Services for the subject billing period and the total cost of the Services rendered to date. Each invoice shall itemize the date of each Service performed, the name of the person who performed the Service, a brief description of the Service performed, the amount of time expended on performing the Service and each expenditure or charge for which reimbursement is sought. If the invoice requests reimbursement or payment for reimbursable expenses, the appropriate receipts shall be attached. Invoices shall be submitted monthly and must be received by the City not more than thirty (30) days after the close of each calendar month. An authorized officer or designee of the Contractor must sign each invoice.
- 7.04 The City employee responsible for accepting performance under this Contract is:
Nicolette Bateson, CFO
Detroit Water & Sewerage Department
735 Randolph Street, 16th Floor
Detroit, Michigan 48226
Email: bateson@dwsd.org
- 7.05 The City employee from whom payment should be requested is:
Mr. Daniel A. Edwards
Interim Contracts and Grants Manager
735 Randolph Street, 15th Floor
Detroit, Michigan 48226
Telephone: (313) 964-9471
Email: daedwards@dwsd.org

Article 8.

Maintenance and Audit of Records

- 8.01 The Contractor shall maintain full and complete Records reflecting all of its operations related to this Contract. The Records shall be kept in accordance with generally accepted accounting principles and maintained for a minimum of three (3) years after the Contract completion date.
- 8.02 The City and any government-grantor agency providing funding under this Contract shall have the right at any time without notice to examine and audit all Records and other supporting data of the Contractor which directly pertain to this Agreement as the City or any agency deems necessary.
- (a) The Contractor shall make all relevant Records available for examination during normal business hours at its Detroit offices, if any, or alternatively at its facility nearest Detroit. The City and any government-grantor agency providing funds for the Contract shall have this right of inspection. The Contractor shall provide copies of all relevant Records to the City or to any such government-grantor agency upon request.
 - (b) If in the course of such inspection the representative of the City or of another government-grantor agency should note any deficiencies in the performance of the Contractor's agreed upon performance or record-keeping practices, such deficiencies will be reported to the Contractor in writing. The Contractor agrees to promptly remedy and correct any such reported deficiencies within ten (10) days of notification.
 - (c) Any costs disallowed as a result of an audit of the Records shall be repaid to the City by the Contractor within thirty (30) days of notification or may be set off by the City against any funds due and owing the Contractor, provided, however, that the Contractor shall remain liable for any disallowed costs exceeding the amount of the setoff.
 - (d) Each party shall pay its own audit costs. However, if the dollar amount of the total disallowed costs, if any, exceeds three percent (3%) of the dollar amount of this Contract, the Contractor shall pay the City's audit costs.
 - (e) Nothing contained in this Contract shall be construed or permitted to operate as any restriction upon the powers granted to the Auditor General by the City Charter, including but not limited to the powers to audit all accounts chargeable against the City and to settle disputed claims.
- 8.03 The Contractor agrees to include the covenants contained in Sections 8.01 and 8.02 in any contract it has with any subcontractor, consultant or agent whose services will be charged directly or indirectly to the City for Services performed pursuant to this Contract.

Article 9. Indemnity

9.01 The Contractor agrees to indemnify, defend, and hold the City harmless against and from any and all liabilities, obligations, damages, penalties, costs, charges, losses and expenses (including, without limitation, reasonable fees and expenses for attorneys) that may be imposed upon, incurred by, or asserted against the City or its departments, officers, employees, or agents by reason of any of the following occurring during the term of this Contract:

- (a) Any negligent or tortious act, error, or omission attributable in whole or in part to the Contractor or any of its Associates; and
- (b) Any failure by the Contractor or any of its Associates to perform their obligations, either express or implied, under this Contract; and
- (c) Any and all injury to the person or property of an employee of the City where such injury arises out of the Contractor's or any of its Associates performance of this Contract.

With respect to Sections 9.01(a) and 9.01(b), Contractor's liability for indemnification shall not exceed two and a half million dollars (\$2,500,000).

9.02 The Contractor shall examine all places where it will perform the Services in order to determine whether such places are safe for the performance of the Services. The Contractor undertakes and assumes all risk of dangerous conditions when not performing Services inside City offices. The Contractor also agrees to waive and release any claim or liability against the City for personal injury or property damage sustained by it or its Associates while performing under this Contract on premises that are not owned by the City.

9.03

9.04 The Contractor agrees that it is the Contractor's responsibility and not the responsibility of the City to safeguard the property that the Contractor or its Associates use while performing this Contract. Further, the Contractor agrees to hold the City harmless for any loss of such property used by any such person pursuant to the Contractor's performance under this Contract.

9.05 The indemnification obligation under this Article 9 shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable under workers' compensation acts or other employee benefit acts.

- 9.06 The Contractor agrees that this Article 9 shall apply to all claims, whether litigated or not, that may occur or arise between the Contractor and its Associates and the City and agrees to indemnify, defend and hold the City harmless against any such claims.
- 9.07 In no event will either party be liable to the other party for incidental, consequential, special, or punitive damages (including loss of profits, data, business or goodwill, or government fines, penalties, taxes or filing fees), regardless of whether such liability is based on breach of contract, tort, strict liability, breach of warranty, failure of essential purpose or otherwise, and even if advised of the likelihood of such damages.

Article 10. Insurance

- 10.01 During the term of this Contract, the Contractor shall maintain the following insurance, at a minimum and at its expense:

<u>TYPE</u>	<u>AMOUNT NOT LESS THAN</u>
(a) Workers' Compensation	Statutory limits mandated by state and federal laws
(b) Employers' Liability	\$500,000.00 minimum each disease \$500,000.00 minimum each person \$500,000.00 minimum each accident
(c) Commercial General Liability Insurance (Broad Form Comprehensive)	\$1,000,000.00 each occurrence \$2,000,000.00 aggregate
(d) Automobile Liability Insurance (covering all owned, hired and non-owned vehicles with personal and property protection insurance, including residual liability insurance under Michigan no fault insurance law)	\$1,000,000.00 combined single limit for bodily injury and property damage
(e) Professional Liability Insurance (Errors and Omissions)	\$1,000,000.00 each occurrence \$3,000,000.00 aggregate

- 10.02 The commercial general liability insurance policy shall include an endorsement naming the "City of Detroit" as an additional insured. The additional insured endorsement shall

provide coverage to the additional insured with respect to liability arising out of the named insured's ongoing work or operations performed for the additional insured under the terms of this Contract. The commercial general liability policy shall state that the Contractor's insurance is primary and not excess over any insurance already carried by the City of Detroit and shall provide blanket contractual liability insurance for all written contracts.

- 10.03 With the exception of the worker's compensation, employer's liability and professional liability coverage, each policy shall contain a severability of interests or separation of insureds condition which provides that the policy's coverage is to apply separately to each insured against whom a claim is made.
- 10.04 All insurance required by this Contract shall be written on an occurrence-based policy form, if the same is commercially available. Notwithstanding the foregoing, the City recognizes that Contractor's Professional Liability Insurance is written on a claims-made basis.
- 10.05
- 10.06 If during the term of this Contract changed conditions or other pertinent factors should, in the reasonable judgment of the City, render inadequate the insurance limits, the Contractor shall furnish on demand such additional coverage or types of coverage as may reasonably be required under the circumstances. All such insurance shall be effected at the Contractor's expense, under valid and enforceable policies, issued by insurers authorized to conduct business in Michigan and that are otherwise acceptable to the City.
- 10.07 All insurance policies shall list the Contractor as an additional insured. Certificates of insurance evidencing the coverage required by this Article 10 shall, in a form acceptable to the City, be submitted to the City prior to the commencement of the Services and at least fifteen (15) days prior to the expiration dates of expiring policies. In the event the Contractor receives notice of any required policy cancellation, the Contractor shall immediately notify the City of said cancellation in writing.
- 10.08 If any work is subcontracted in connection with this Contract, the Contractor shall require each subcontractor to effect and maintain the types and limits of insurance set forth in this Article 10 and shall require documentation of same, copies of which documentation shall be promptly furnished the City.
- 10.09 The Contractor shall be responsible for payment of all deductibles contained in any insurance required under this Contract. The provisions requiring the Contractor to carry the insurance required under this Article 10 shall not be construed in any manner as waiving or restricting the liability of the Contractor under this Contract.

Article 11.

Default and Termination

11.01 This Contract shall remain in full force and effect until the end of its term unless otherwise terminated for cause or convenience according to the provisions of this Article 11.

11.02 The City reserves the right to terminate this Contract for cause. Cause is an event of default.

- (a) An event of default shall occur if there is a material breach of this Contract, and shall include the following:
 - (1) The Contractor fails to begin work in accordance with the terms of this Contract; or
 - (2) The Contractor, in the judgment of the City, is unnecessarily, unreasonably, or willfully delaying the performance and completion of the Work Product or Services; or
 - (3) The Contractor ceases to perform under the Contract; or
 - (4) The City is of the opinion that the Services cannot be completed within the time provided and that the delay is attributable to conditions within the Contractor's control; or
 - (5) The Contractor, without just cause, reduces its work force on this Contract to a number that would be insufficient, in the judgment of the City, to complete the Services within a reasonable time, and the Contractor fails to sufficiently increase such work force when directed to do so by the City; or
 - (6) The Contractor assigns, transfers, conveys or otherwise disposes of this Contract in whole or in part without prior approval of the City; or
 - (7) Any City officer or employee acquires an interest in this Contract so as to create a conflict of interest; or
 - (8) The Contractor violates any of the provisions of this Contract, or disregards applicable laws, ordinances, permits, licenses, instructions or orders of the City; or
 - (9) The performance of the Contract, in the sole judgment of the City, is substandard, unprofessional, or faulty and not adequate to the demands of the task to be performed; or

- (10) The Contractor fails in any of the agreements set forth in this Contract; or
 - (11) The Contractor ceases to conduct business in the normal course; or
 - (12) The Contractor admits its inability to pay its debts generally as they become due.
- (b) If the City finds an event of default has occurred, the City may issue a Notice of Termination for Cause setting forth the grounds for terminating the Contract. Upon receiving a Notice of Termination for Cause, the Contractor shall have ten (10) calendar days within which to cure such default. If the default is cured within said ten (10) day period, the right of termination for such default shall cease. If the default is not cured to the satisfaction of the City, this Contract shall terminate on the thirtieth calendar day after the Contractor's receipt of the Notice of Termination for Cause, unless the City, in writing, gives the Contractor additional time to cure the default. If the default is not cured to the satisfaction of the City within the additional time allowed for cure, this Contract shall terminate for cause at the end of the extended cure period.
- (c) If, after issuing a Notice of Termination for Cause, the City determines that the Contractor was not in default, the rights and obligations of the parties shall be the same as if the Notice of Termination had been issued as a Notice of Termination for Convenience. Alternatively, in the City's discretion, the Notice of Termination for Cause may be withdrawn and the Contract, if terminated, may be reinstated.
- (d) The Contractor shall be liable to the City for any damages it sustains by virtue of the Contractor's breach or any reasonable costs the City might incur in enforcing or attempting to enforce this Contract. Such costs shall include reasonable fees and expenses for attorneys. However, if the Contractor makes a written offer prior to the initiation of litigation or arbitration, then the City shall not be entitled to such attorney fees unless the City declines the offer and obtains a verdict or judgment for an amount more than ten percent (10%) above the amount of the Contractor's last written offer prior to the initiation of litigation or arbitration. The City may withhold any payment(s) to the Contractor, in an amount not to exceed the amount claimed in good faith by the City to represent its damages, for the purpose of setoff until such time as the exact amount of damages due to the City from the Contractor is determined. It is expressly understood that the Contractor shall remain liable for any damages the City sustains in excess of any setoff. All obligations of Contractor under this Section are subject to the limitation of liability contained in Section 9.

- (e) The City's remedies outlined in this Article 11 shall be in addition to any and all other legal or equitable remedies permissible.
- 11.03 The City shall have the right to terminate this Contract at any time at its convenience by giving the Contractor five (5) business days written Notice of Termination for Convenience. As of the effective date of the termination, the City will be obligated to pay the Contractor the following: (a) the fees or commissions for Services completed and accepted in accordance with Exhibit A in the amounts provided for in Exhibit B; (b) the fees for Services performed but not completed prior to the date of termination in accordance with Exhibit A in the amounts set forth in the Contractor's rate schedule as provided in Exhibit B; and (c) the Contractor's costs and expenses incurred prior to the date of the termination for items that are identified in Exhibit B. The amount due to the Contractor shall be reduced by payments already paid to the Contractor by the City. In no event shall the City pay the Contractor more than maximum price, if one is stated, of this Contract.
- 11.04 The Contractor may terminate this Agreement, or any Exhibit (or any part thereof), for cause upon (30) days prior written notice to the other party, provided that such other party shall have the opportunity to cure any ~~may~~ breach within such thirty (30) days.
- 11.05 After receiving or delivering a Notice of Termination for Cause or Convenience and except as otherwise directed by the City, the Contractor shall:
- (a) Stop work under the Contract on the date and to the extent specified in the Notice of Termination;
 - (b) Obligate no additional Contract funds for payroll costs and other costs beyond such date as the City shall specify, and place no further orders on subcontracts for material, services, or facilities, except as may be necessary for completion of such portion of the Services under this Contract as is not terminated;
 - (c) Terminate all orders and subcontracts to the extent that they relate to the portion of the Services terminated pursuant to the Notice of Termination;
 - (d) Preserve all Records and submit to the City such Records and reports as the City shall specify, and furnish to the City an inventory of all furnishings, equipment, and other property purchased for the Contract, if any, and carry out such directives as the City may issue concerning the safeguarding or disposition of files and property; and
 - (e) Submit within thirty (30) days a final report of receipts and expenditures of funds relating to this Contract, and a list of all creditors, subcontractors, lessors and other parties, if any, to whom the Contractor has become financially obligated pursuant to this Contract.

- 11.05 After termination of the Contract, each party shall have the duty to assist the other party in the orderly termination of this Contract and the transfer of all rights and duties arising under the Contract, as may be necessary for the orderly, un-disrupted continuation of the business of each party.

Article 12. Assignment

- 12.01 The Contractor shall not assign, transfer, convey or otherwise dispose of any interest whatsoever in this Contract without the prior written consent of the City; however, claims for money due or to become due to the Contractor may be assigned to a financial institution without such approval. Notice of any assignment to a financial institution or transfer of such claims of money due or to become due shall be furnished promptly to the City. If the Contractor assigns all or any part of any monies due or to become due under this Contract, the instrument of assignment shall contain a clause stating that the right of the assignee to any monies due or to become due shall be subject to prior liens of all persons, firms, and corporations for Services rendered or materials supplied for the performance of the Services called for in this Contract. Notwithstanding the foregoing, Contractor may assign the performance of services under this Agreement to one of its licensed brokerage affiliates.
- 12.02 The City, through its DWSD, shall be permitted to assign this Contract to any successor in interest without the prior consent of the Contractor. Thereafter, and as soon as practicable, the City shall provide written notice to Contractor of the assignment.

Article 13. Subcontracting

- 13.01 None of the Services covered by this Contract shall be subcontracted without the prior written approval of the City and, if required, any grantor agency. The City reserves the right to withhold approval of subcontracting such portions of the Services where the City determines that such subcontracting is not in the City's best interests.
- 13.02 Each subcontract entered into shall provide that the provisions of this Contract shall apply to the subcontractor and its Associates in all respects. The Contractor agrees to bind each subcontractor and each subcontractor shall agree to be bound by the terms of the Contract insofar as applicable to the work or services performed by that subcontractor.
- 13.03 The Contractor and the subcontractor jointly and severally agree that no approval by the City of any proposed subcontractor, nor any subcontract, nor anything in the Contract, shall create or be deemed to create any rights in favor of a subcontractor and against the City, nor shall it be deemed or construed to impose upon the City any obligation, liability

or duty to a subcontractor, or to create any contractual relation whatsoever between a subcontractor and the City.

- 13.04 The provisions contained in this Article 13 shall apply to subcontracting by a subcontractor of any portion of the work or services included in an approved subcontract.
- 13.05 The Contractor agrees to indemnify, defend, and hold the City harmless against any claims initiated against the City pursuant to any subcontracts the Contractor enters into in performance of this Contract. The City's approval of any subcontractor shall not relieve the Contractor of any of its responsibilities, duties and liabilities under this Contract. The Contractor shall be solely responsible to the City for the acts or defaults of its subcontractors and of each subcontractor's Associates, each of whom shall for this purpose be deemed to be the agent or employee of the Contractor.

Article 14. Conflict of Interest

- 14.01 The Contractor covenants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of the Services under this Contract. The Contractor further covenants that in the performance of this Contract no person who performs services under this Agreement shall have any such interest.
- 14.02 The Contractor further covenants that no officer, agent, or employee of the City and no other public official who exercises any functions or responsibilities in the review or approval of the undertaking or performance of this Contract has any personal or financial interest, direct or indirect, in this Contract or in its proceeds, whether such interest arises by way of a corporate entity, partnership, or otherwise.
- 14.03 The Contractor warrants (a) that it has not employed and will not employ any person to solicit or secure this Contract upon any agreement or arrangement for payment of a commission, percentage, brokerage fee, or contingent fee, other than bona fide employees working solely for the Contractor either directly or indirectly, and (b) that if this warranty is breached, the City may, at its option, terminate this Contract without penalty, liability or obligation, or may, at its option, deduct from any amounts owed to the Contractor under this Contract any portion of any such commission, percentage, brokerage, or contingent fee.
- 14.04 The Contractor covenants not to employ an employee of the City for a period of one (1) year after the date of termination of this Contract without written City approval. This provision shall not apply to responses through general advertising.

Article 15.

Confidential Information

- 15.01 In order that the parties may effectively fulfill its covenants and obligations under this Contract, it may be necessary or desirable for the one party to disclose confidential and proprietary information to the other or its Associates pertaining to the its past, present and future activities. Since it is difficult to separate confidential and proprietary information from that which is not, the receiving party shall regard, and shall instruct its Associates to regard, all information gained as confidential and such information shall not be disclosed to any organization or individual without the prior consent of the other party. The above obligation shall not apply to information already in the public domain or information required to be disclosed by a court order. Notwithstanding the foregoing, Contractor may use City's confidential Information in combination with other data, including the disclosure of such information to third parties, provided that no such City Confidential Information is identifiable by City or City employee and that either party may disclose the other party's Confidential Information to its legal counsel and auditors.
- 15.02 The Contractor agrees to take appropriate action with respect to its Associates to ensure that the foregoing obligations of non-use and non-disclosure of confidential information shall be fully satisfied.

Article 16.

Compliance with Laws

- 16.01 The Contractor shall comply with and shall require its Associates to comply with all applicable federal, state and local laws.
- 16.02 The Contractor shall hold the City harmless with respect to any damages arising from any violation of law by it or its Associates. The Contractor shall commit no trespass on any public or private property in performing any of the Services encompassed by this Contract. The Contractor shall require as part of any subcontract that the subcontractor comply with all applicable laws and regulations.

Article 17.

Amendments

- 17.01 The City may consider it in its best interest to change, modify or extend a covenant, term or condition of this Contract or require the Contractor to perform additional Services that are not contained within the Scope of Services as set forth in Exhibit A. Any such change, addition, deletion, extension or modification of Services may require that the compensation paid to the Contractor by the City be proportionately adjusted, either increased or decreased, to reflect such modification. If the City and the Contractor mutually agree to any changes or modification of this Contract, the modification shall be incorporated into this Contract by written amendment.

- 17.02 Compensation shall not be modified unless there is a corresponding modification in the Services sufficient to justify such an adjustment. If there is any dispute as to compensation, the Contractor shall continue to perform the Services under this Contract until the dispute is resolved.
- 17.03 No amendment to this Contract shall be effective and binding upon the parties unless it expressly makes reference to this Contract, is in writing, is signed and acknowledged by duly authorized representatives of both parties, and is approved by the City as set forth in Section 4.01.
- 17.04 The City shall not be bound by Unauthorized Acts of its employees, agents, or representatives with regard to any dealings with the Contractor and any of its Associates.

Article 18.
Fair Employment Practices

- 18.01 The Contractor shall comply with, and shall require any subcontractor to comply with, all federal, state and local laws governing fair employment practices and equal employment opportunities.
- 18.02 The Contractor agrees that it shall, at the point in time it solicits any subcontract, notify the potential subcontractor of their joint obligations relative to non-discrimination under this Contract, and shall include the provisions of this Article 18 in any subcontract, as well as provide the City a copy of any subcontract upon request.
- 18.03 Breach of the terms and conditions of this Article 18 shall constitute a material breach of this Contract and may be governed by the provisions of Article 11, "Default and Termination."

Article 19.
Notices

- 19.01 All notices, consents, approvals, requests and other communications ("Notices") required or permitted under this Contract shall be given in writing, mailed by postage prepaid, certified or registered first-class mail, return receipt requested, and addressed as follows:

If to DWSD on behalf of the City:

Director
Detroit Water and Sewerage Department
735 Randolph Street, 5th Floor
Detroit, Michigan 48226
Attention: Nicolette Bateson, CFO

If to the Contractor:

Mr. Paul Barbick
Partner / Michigan Market Leader
Aon Hewitt
3000 Town Center, Suite 3000
Southfield, Michigan 48075

- 19.02 All Notices shall be deemed given on the day of mailing. Either party to this Contract may change its address for the receipt of Notices at any time by giving notice of the address change to the other party. Any Notice given by a party to this Contract must be signed by an authorized representative of such party.
- 19.03 The Contractor agrees that service of process at the address and in the manner specified in this Article 19 shall be sufficient to put the Contractor on notice of such action and waives any and all claims relative to such notice.

Article 20.

Proprietary Rights and Indemnity

- 20.01 The Contractor shall not relinquish any proprietary rights in its intellectual property (copyright, patent, and trademark), trade secrets or confidential information as a result of the Services provided under this Contract ("Contractor Information"). Any Work Product provided to the City under this Contract shall not include the Contractor's proprietary rights, except to the extent licensed to the City. Contractor hereby grants to City a paid-up, royalty-free, nonexclusive license to use such Contractor Information solely for City's internal use.
- 20.02 The City shall not relinquish any of its proprietary rights, including, but not limited to, its data, privileged or confidential information, or methods and procedures, as a result of the Services provided under this Contract.
- 20.03 The parties acknowledge that should the performance of this Contract result in the development of new proprietary and secret concepts, methods, techniques, processes, adaptations, discoveries, improvements and ideas ("Discoveries"), and to the extent said Discoveries do not include modifications, enhancements, configurations, translations, derivative works, and interfaces from the Contractor's intellectual property, trade secrets or confidential information, said Discoveries shall be deemed "Work(s) for Hire" and shall be promptly reported to the City and shall belong solely and exclusively to the City without regard to their origin, and the Contractor shall not, other than in the performance of this Contract, make use of or disclose said Discoveries to anyone. At the City's request, the Contractor shall execute all documents and papers and shall furnish all reasonable assistance requested in order to establish in the City all right, title and interest

in said Discoveries or to enable the City to apply for United States patents or copyrights for said Discoveries, if the City elects to do so.

20.04

- 20.05 The Contractor warrants that the performance of this Contract shall not infringe upon or violate any patent, copyright, trademark, trade secret or proprietary right of any third party. In the event of any legal action related to the above obligations of the Contractor filed by a third party against the City, the Contractor shall, at its sole expense, indemnify, defend and hold the City harmless against any loss, cost, expense or liability arising out of such claim, whether or not such claim is successful.
- 20.06 The making of payments, including partial payments by the City to the Contractor, shall vest in the City title to, and the right to take possession of, all Works Made for Hire reproduced by the Contractor up to the time of such payments, and the City shall have the right to use said Works Made for Hire for public purposes without further compensation to the Contractor or to any other person.
- 20.07 Upon the completion or other termination of this Contract, all finished or unfinished Works Made For Hire prepared by the Contractor shall, at the option of the City, become the City's sole and exclusive property whether or not in the Contractor's possession. Such Works Made For Hire shall be free from any claim or retention of rights on the part of the Contractor and shall promptly be delivered to the City upon the City's request. The City shall return all of the Contractor's Information to it. The Contractor acknowledges that any intentional failure or unreasonable delay on its part to deliver the Works Made for Hire to the City will cause irreparable harm to the City not adequately compensable in damages and for which the City has no adequate remedy at law. The Contractor accordingly agrees that the City may in such event seek and obtain injunctive relief in a court of competent jurisdiction to compel delivery of the Work Product, to which injunctive relief the Contractor consents, as well as seek and obtain all applicable damages and costs. The City shall have full and unrestricted use of the Work Product for the purpose of completing the Services.

Article 21.

Force Majeure

- 21.01 No failure or delay in performance of this Contract, by either party, shall be deemed to be a breach thereof when such failure or delay is caused by a force majeure event including, but not limited to, any Act of God, strikes, lockouts, wars, acts of terrorism, riots, epidemics, explosions, sabotage, breakage or accident to equipment, the binding order of any court or governmental authority, or any other cause, whether of the kind herein enumerated or otherwise, not within the control of a party. In the event of a dispute between the parties with regard to what constitutes a force majeure event, the City's reasonable determination shall be controlling.

Article 22.
Waiver

- 22.01 Neither party shall be deemed to have waived any of its rights under this Contract unless such waiver is in writing and signed by the party.
- 22.02 No delay or omission on the part of a party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one (1) occasion shall not be construed as a waiver of any right on any future occasion.
- 22.03 No failure by a party to insist upon the strict performance of any covenant, agreement, term or condition of this Contract or to exercise any right, term or remedy consequent upon its breach shall constitute a waiver of such covenant, agreement, term, condition, or breach.

Article 23.
Miscellaneous

- 23.01 If any provision of this Contract or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Contract shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law.
- 23.02 This Contract contains the entire agreement between the parties and all prior negotiations and agreements are merged into this Contract. Neither the City nor the City's agents have made any representations except those expressly set forth in this Contract, and no rights or remedies are, or shall be, acquired by the Contractor by implication or otherwise unless expressly set forth in this Contract. The Contractor waives any defense it may have to the validity of the execution of this Contract.
- 23.03 Unless the context otherwise expressly requires, the words "herein," "hereof," and "hereunder," and other words of similar import, refer to this Contract as a whole and not to any particular section or subdivision.
- 23.04 The headings of the sections of this Contract are for convenience only and shall not be used to construe or interpret the scope or intent of this Contract or in any way affect the same.
- 23.05 This Contract and all actions arising under it shall be governed by, subject to, and construed according to the law of the State of Michigan. The Contractor consents and submits to the exclusive personal jurisdiction of any state or federal court of competent jurisdiction in Wayne County, Michigan, for any action arising out of this Contract. The Contractor also agrees that it shall not commence any action against the City because of any matter whatsoever arising out of or relating to the validity, construction,

interpretation and enforcement of this Contract in any state or federal court of competent jurisdiction other than one in Wayne County, Michigan.

- 23.06 If any Associate of the Contractor shall take any action that, if done by a party, would constitute a breach of this Contract, the same shall be deemed a breach by the Contractor.
- 23.07 The rights and remedies set forth in this Contract are not exclusive and are in addition to any of the rights or remedies provided by law or equity.
- 23.08 For purpose of the hold harmless and indemnity provisions contained in this Contract, the term "City" shall be deemed to include the City of Detroit and all other associated, affiliated, allied or subsidiary entities or commissions, now existing or subsequently created, and their officers, agents, representatives, and employees.
- 23.09 The Contractor covenants that it is not, and shall not become, in arrears to the City upon any contract, debt, or other obligation to the City including, without limitation, real property, personal property and income taxes, and water, sewage or other utility bills.
- 23.10 This Contract may be executed in any number of originals, any one of which shall be deemed an accurate representation of this Contract. Promptly after the execution of this Contract, the City shall provide a copy to the Contractor.
- 23.11 As used in this Contract, the singular shall include the plural, the plural shall include the singular, and a reference to either gender shall be applicable to both.
- 23.12 The rights and benefits under this Contract shall inure to the City of Detroit and its agents, successors, and assigns.
- 23.13 The City shall have the right to recover by setoff from any payment owed to the Contractor all delinquent withholding, income, corporate and property taxes owed to the City by the Contractor, any amounts owed to the City by the Contractor under this Contract or other contracts, and any other debt owed to the City by the Contractor.
- 23.14 This Agreement is subject to OFAC compliance (i.e. the laws and regulations enforced by the United States Office of Foreign Assets Control and each party's compliance policies relating thereto). Since Contractor can be held accountable under such laws and regulations in connection with its provision of the Services, City agrees not to cause Contractor to violate any applicable OFAC requirements, including those prohibiting dealings with parties on OFAC's list of Specially Designated Nationals and Blocked Persons, in providing the Services.

(Signatures appear on next page)

The City and the Contractor, by and through their duly authorized officers and representatives, have executed this Contract as follows:

Aon Consulting, Inc.:

By: _____
Signature

Print Name

Its: _____
Title

City of Detroit:

By: _____
Sue F. McCormick

Its: Director, Water and Sewerage Department

Dated: _____

APPROVED BY
BOARD OF WATER COMMISSIONERS ON:

Date

APPROVED AS TO FORM BY DWSD
GENERAL COUNSEL:

General Counsel Date

EXHIBIT A

SCOPE OF SERVICES

I. Contract Term

A. The term of this Contract shall be for three (3) year(s) (the "Initial Term"). ~~The City shall have two (2) options to renew this Contract (collectively, the "Renewals") at the City's sole discretion and at the terms and conditions specified in this Contract.~~ The Contractor shall commence performance of this Contract upon receipt of a written "Notice to Proceed" from the City and in the manner specified in the Notice to Proceed.

B. The Initial Term shall begin on May 1, 2015 and terminate on April 30, 2018 and compensation therefor shall be as set forth in Exhibit B.

~~C. If so exercised by the City, the first optional term shall begin on May 1, 2018 and terminate on April 30, 2019 (the "First Renewal Term") and compensation therefor shall be as set forth in Exhibit B.~~

~~D. If so exercised by the City, the second optional term shall begin on May 1, 2019 and terminate on April 30, 2020 (the "Second Renewal Term") and compensation therefor shall be as set forth in Exhibit B.~~

~~E. The City may authorize the exercise of the Renewals in the discretion of the DWS.~~

II. Services to be Performed

Contractor shall perform the following mandatory Services:

- assist with strategic planning, plan management, vendor procurement, financial management and budgeting, compliance, and benefit delivery for a health and wellness benefit program to be provided to active employees and their eligible dependents.
- assist in the overall management of the Employee Benefits Program;
- assist in evaluating current practices and developing recommendations to build a benefit program and improve member and retiree access to healthcare while containing costs;
- complete various tasks associated with the management, design, administration and compliance of the entity's medical, dental, vision, life, Accidental Death &

Dismemberment (AD&D), long term disability, Section 125 Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), pensions and supplemental/optional employee-paid insurance offerings.

- services will include, but are not limited to, benefit plan vendor management, vendor bidding for insurance and administrative services, compliance assistance including but not limited to Patient Protection and Affordable Care Act (PPACA), Consolidated Omnibus Budget Reconciliation Act (COBRA), PA106 of 2007 and Health Insurance Portability and Accountability Act (HIPAA), The Publically Funded Health Care Contribution Act, financial analysis, union negotiation support, and drafting of employee/board benefit communication materials as well as open enrollment support.

(End Exhibit A)

EXHIBIT B

FEE SCHEDULE

I. General

The Contractor shall be paid, in equal monthly installments, for those Services performed pursuant to this Contract, inclusive of all reimbursable expenses, as set forth below:

a. For the Initial Term, an amount not to exceed the sum of Four Hundred Fifty
Thousand and 00/100 Dollars (\$435,000.00).

b. *OPEN: INSERT ANNUAL ALLOCATION*

II. Reimbursable Expenses

Reimbursable expenses provided for in this Contract are limited to reasonable out-of-pocket expenses. Out-of-pocket expenses that may exceed \$500 in any one month must be discussed with and approved by DWSD in advance.

(End Exhibit B)

CITY ACKNOWLEDGMENT

STATE OF MICHIGAN)
)SS.
COUNTY OF WAYNE)

The foregoing contract was acknowledged before me the _____ day of _____,
20 _____, by Sue F. McCormick, the Director of the Detroit Water and Sewerage Department,
on behalf of the City.

Notary Public, County of _____

State of _____

My commission expires: _____

CORPORATE ACKNOWLEDGMENT

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing contract was acknowledged before me the _____ day of _____ ,
20 ____, by _____ ,
(name of person who signed the contract)
the _____ ,
(title of person who signed the contract as it appears on the contract)
of _____ ,
(complete name of the corporation)
on behalf of the Corporation.

Notary Public, County of _____

State of _____

My commission expires: _____

STATE OF _____)
)SS.
COUNTY OF _____)

My commission expires: _____

PARTNERSHIP
ACKNOWLEDGMENT

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing contract was acknowledged before me the _____ day of _____ ,
20 ____, by _____ ,
(name of person who signed the contract)
the _____ ,
(title of person who signed the contract as it appears on the contract)
of _____ ,
(complete name of the partnership)
on behalf of the partnership.

Notary Public, County of _____

State of _____

My commission expires: _____

UNINCORPORATED ASSOCIATION
ACKNOWLEDGMENT

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing contract was acknowledged before me the _____ day of _____ ,
20 ____, by _____ ,
(name of person who signed the contract)
the _____ ,
(Title of person who signed the contract as it appears on the contract)
of _____ ,
(complete name of the unincorporated association)
on behalf of the unincorporated association.

Notary Public, County of _____

State of _____

My commission expires: _____

SOLE PROPRIETOR ACKNOWLEDGMENT

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing contract was acknowledged before me the _____ day of _____ ,
20 ____, by _____ ,
(name of person who signed the contract)

to me known to be the person described in and who executed the foregoing instrument and
acknowledged that he (she) executed the same as his (her) free and voluntary act and deed.

Notary Public, County of _____
State of _____
My commission expires: _____

INDIVIDUAL ACKNOWLEDGMENT

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing contract was acknowledged before me the _____ day of _____ ,
20 ____, by _____ ,
(name of person who signed the contract)

to me known to be the person described in and who executed the foregoing instrument and
acknowledged that he (she) executed the same as his (her) free and voluntary act and deed.

Notary Public, County of _____
State of _____
My commission expires: _____

CORPORATION CERTIFICATE OF AUTHORITY

I, _____, Corporate Secretary of
(name of corporate secretary)

_____, a _____
(complete name of corporation) (state of incorporation)

_____ corporation (the "Corporation"), **DO HEREBY CERTIFY** that the
(non-profit or for profit)

following is a true and correct excerpt from the minutes of the meeting of the Board of

Directors duly called and held on _____, and that the same is now in full force and
(date of meeting)
effect:

"RESOLVED, that the Chairman, the President, each Vice President, the Treasurer, and the Secretary and each of them, is authorized to execute and deliver, in the name of and on behalf of the Corporation and under its corporate seal or otherwise, any agreement or other instrument or document ('Contract') in connection with any matter or transaction that shall have been duly approved; and the execution and delivery of any Contract by any of the aforementioned officers shall be conclusive evidence of such approval."

FURTHER, I CERTIFY that _____ is Chairman,
_____ is President,
_____ is (are) Vice President(s),
_____ is Treasurer,
_____ is Secretary,
_____ is Executive Director, and
_____ is _____.

FURTHER, I CERTIFY that any of the aforementioned officers or employees of the Corporation are authorized to execute and commit the Corporation to the conditions, obligations, stipulations and undertakings contained in Contract No. _____ between the City and the above-referenced Corporation and that all necessary corporate approvals have been obtained in relationship thereto.

IN WITNESS THEREOF, I have set my hand this ____ day of _____, 20____.
CORPORATE SEAL
(if any)

Corporation Secretary

LIMITED LIABILITY COMPANY
CERTIFICATE OF AUTHORITY

I, _____, a Manager or Member of
(name of manager)
_____, L.L.C., a limited liability company (the "Company"), **DO**
(name of company)

HEREBY CERTIFY that I am a Manager or Member of the Company who has the authority to act as an agent of the Company in executing this Certificate of Authority. I further certify that the following individuals are Managers or Members of the Company who have the authority to execute and commit the Company to the conditions, obligations, stipulations and undertakings contained in Contract No. _____ between the City and the Company:

_____	_____
_____	_____
_____	_____
_____	_____

FURTHER, I CERTIFY that all necessary approvals by the Managers or Members of the Company have been obtained with respect to the execution of said Contract.

IN WITNESS THEREOF, I have set my hand this ____ day of _____, 20 ____.

COMPANY SEAL
(if any)

Manager or Member

I, _____, a General Partner in _____,
 (name of general partner) (complete name of partnership)
 a _____ County, _____ Partnership (the "Partnership")
 (county of registration) (state in which county lies)

"RESOLVED, that each General Partner is authorized to execute and deliver, in the name and on behalf of the Partnership, any agreement or other instrument or document ('Contract') in connection with any matter or transaction that shall have been duly approved; and the execution and delivery of any Contract by a general partner shall be conclusive evidence of such approval."



IN WITNESS THEREOF, I have set my hand this ____ day of _____, 20 ____.

PARTNERSHIP SEAL

(if any)

General Partner

UNINCORPORATED ASSOCIATION
CERTIFICATE OF AUTHORITY

I, _____, Secretary of _____ ,
(name of association secretary) (complete name of association)

an unincorporated association (the "Association"), **DO HEREBY CERTIFY** that the following is a true and correct excerpt from the minutes of the meeting of the Board of Directors duly called and held on _____, and that the same is now in full force and effect:
(date of meeting)

"RESOLVED, that the Chairman, the President, each Vice President, the Treasurer, and the Secretary and each of them, is authorized to execute and deliver, in the name of and on behalf of the Association and under its Association seal or otherwise, any agreement or other instrument or document ('Contract') in connection with any matter or transaction that shall have been duly approved; and the execution and delivery of any Contract by any of the aforementioned officers shall be conclusive evidence of such approval."

FURTHER, I CERTIFY that _____ is Chairman,
_____ is President,
_____ is (are) Vice President(s),
_____ is Treasurer,
_____ is Secretary,
_____ is Executive Director, and
_____ is _____

FURTHER, I CERTIFY that any of the aforementioned officers of the Association are authorized to execute or guarantee and commit the Association to the conditions, obligations, stipulations, and undertakings contained in Contract No. _____ between the City and the above-referenced Association and that all necessary Association approvals have been obtained in relationship thereto.

IN WITNESS THEREOF, I have set my hand this _____ day of _____ 20, ____.
ASSOCIATION SEAL
(if any)

Association Secretary

**For the Joint Session of:
the Finance Committee of the Board of Water Commissioners, and
the Audit Committee of the Great Lakes Water Authority
Meeting of May 1, 2015**

Property & Casualty Insurance Brokerage Services

Professional Service Fee: **\$608,000**

Time Duration: Three (3) years; **06/01/2015-05/31/2018**

TO: The Honorable
Board of Water Commissioners
City of Detroit, Michigan

FROM: Sue F. McCormick, Director
Detroit Water and Sewerage Department

RE: **“Property & Casualty Insurance Brokerage Services”**

**May 1, 2015 Proposed Action by the
Board of Water Commissioners
Finance Committee:**

Recommend that the Board of Water Commissioners authorize the Director to execute a contract for Property & Casualty Insurance Brokerage Services from Aon Risk Services Central, Inc. (Aon) for three-years commencing May 15, 2015 for a fee of \$608,000, and approval to take other such action as may be necessary to accomplish the intent of this request.

I. MOTION:

Upon recommendation of Nicolette Bateson, CFO, the Board of Water Commissioners authorizes the Director to **execute a contract for Property & Casualty Insurance Brokerage Services from Aon Risk Services Central, Inc. (Aon) for three-years commencing June 1, 2015 for a fee of \$608,000**, and approval to take other such action as may be necessary to accomplish the intent of this request.

Pro Rate of Total First Year Fee (\$223,000) Between Fiscal Years	06/01/2015 – 06/30/2015 (30 days)	07/01/2015 – 04/30/2016 (335 days)
	\$ 18,328	\$ 204,762

Engaging a property and casualty broker/consultant is a key next step in the stand-up of independent human resources, finance, law, and procurement initiative for the Detroit Water and Sewerage Department (DWSD). This initiative is within the framework established by a series of court orders from 2011 through 2013 issued by Judge Sean F. Cox of the United States District Court, Eastern District of Michigan, Southern Division in Case No. 77-71100. The procurement objective of this engagement was to obtain a greater level of service and expertise for an annual fee that would be less than the sum total of all annual commissions. That objective will be achieved under this new proposed model.

In addition, by selecting a broker/consultant, planning for the Great Lakes Water Authority (GLWA) is advanced.

II. BUDGET IMPACT:

By way of example, significant savings will come from the avoidance of broker commissions on DWSD's property coverage. Last year, those commissions totaled just over \$344,000 for that one

policy. In the first twelve months under this proposed arrangement, a guaranteed minimum savings of just over \$121,000 will be realized (\$344,000 less \$223,000) all else equal such as limits, coverage, and deductibles.

III. HISTORY:

Historically, there has been no dedicated broker for DWSD. Prior to selecting their own dedicated broker earlier this year, the City was using six (6) separate insurance brokerage firms for the procurement of a variety of policies and DWSD was working with two (2) firms.

In the past, the City of Detroit produced RFP's for various insurance purchases. Those RFP's were then advertised by DWSD procurement and those advertisements were responded to by brokers – not insurance companies. Each policy purchase included a significant rate for broker commissions (~ 15% on the last property renewal) that served to gross up the cost of each policy.

By selecting a dedicated and independent broker, DWSD is engaging a professional insurance advisor who will work with the organization to obtain multiple lines of coverage at competitive prices from a variety of insurance carriers via an aggressive marketing effort. Paying commissions versus an annual fee-for-service presents an inherent conflict, whether real or in appearance, where broker commissions are a function of the base policy premium. Lines of coverage are identified in the table below.

Evaluation and Potential Placement of Coverage for the Following Lines of Coverage:			
Current for DWSD		Future Additional for GLWA	
1. Public Officials and Employment Practices Liability	5. Property (all other locations)	9. Umbrella and Excess Liability	13. Cyber Liability
2. Property (WWTP only); Boiler & Machinery	6. General Liability	10. Crime	14. Builder's Risk
3. Commercial General Liability	7. Commercial Auto	11. Professional (E&O)	15. Environmental / Pollution Liability
4. Underground Storage Tanks	8. Workers' Compensation	12. Fiduciary Liability / Treasurers' Bond	16. Terrorism (to the extent not already included in others)

IV. SOLICITATION OF QUOTES:

This procurement utilized a Qualifications-Based Selection (QBS) process. Using QBS, the competitive contract procurement process encompasses an evaluation of qualifications, then a selection of the most qualified firm and, finally, the negotiation of the firm's submitted fee.

This broker selection process began with a Statement of Qualification (SOQ) advertised via Michigan Inter-Governmental Trade Network (MITN) on November 24, 2014 which resulted in automated emails being sent to 65 registered vendors. Eighteen (18) firms viewed the advertisement and five (5) ultimately responded. Those five SOQ's responses were evaluated by an internal DWSD team and the results of their scoring resulted in three (3) firms making the short-list for an RFP (see Attachments A-1, A-2).

The three short-listed RFP's, in turn, were evaluated by risk management subject matter experts from Wayne, Oakland, and Macomb counties plus the Chief Procurement Officer from the City of Detroit. Their participation extended to oral interviews and the opening of each firm's fee proposal. The results of their scores are shown at Attachment B along with the proposed fees.

The firm with the highest score was Aon and the firm who scored second place was Alliant Insurance Services (Alliant). Alliant's fees are substantially lower than the other two qualified vendors (Aon and Meadowbrook). Given the complex nature of DWSD and marketing efforts for a newly independent insured entity, staff requested a further analysis of the estimated hours for this engagement as a measure of effort from both Aon and Alliant. Alliant estimates 620 hours in total will be needed on this account, while Aon estimates 1,200 hours. The allocation of hours by major task for the two firms is shown on the page 5.

The hours allocated by Alliant for core brokerage work alone equal only 150 hours – less than 19 equivalent days. Those 150 hours represent less than 25% of Alliant's total hourly commitment. Aon's 700 hours for brokerage work is nearly 60% of their total budgeted hours which seems more reasonable for the "deep dive" on more than a dozen policies that will be required from a dedicated broker on a \$900 million organization.

In mid-April, we approached Aon with a request for more aggressive pricing following their initial quote. The results of those negotiations, also reflected in the matrix on page 5, resulted in a reduction of \$42,000 (-6.5%) over the three year period while maintaining their initial level of estimated hours. The RFP does state: "To be clear, DWSD is not bound to select the proposer who presents the lowest fee or most benefits for services."

V. RECOMMENDATION:

Aon Risk Services Central, Inc. is recommended as DWSD/GLWA's new broker of record. Using the qualification-based selection criteria and with pricing excluded they received the highest simple average score.

The **Aon Risk Services Central, Inc.** local office has been involved in the placement of insurance coverage's for other entities including: the Detroit Transportation Corporation; the Counties of Wayne and Macomb; the Cities of Ann Arbor, Muskegon, Sterling Heights and Detroit; the Ohio Municipal League (a pool of 122 cities and townships); Michigan State University; SMART; the Wayne County Detroit Metropolitan Airport; and the Detroit College of Law. The parent company, Aon, is a publicly traded worldwide risk management, reinsurance brokerage, and human resource consulting firm with more than 500 offices in 120 countries.

Aon Risk Services Central, Inc. references were contacted and the responses were an unwavering score of "10" (on a 10-point scale) in the areas of overall satisfaction, understanding the scope of the firms insurance brokerage needs, aggressiveness in marketing various programs, diligence in negotiations, and availability of the account executive. Alliant's references scored

the firm above average (“7-8” and “9” on a 10-point scale from two different references) and they were generally pleased with the services provided.

The final negotiated fees, by year, are shown in the table below.

Annual Fees:	Year 1	Year 2	Year 3
	\$223,000	\$190,000	\$195,000

Given the amount of work to be done in the first year, and also considering there is no incumbent broker upon whose work a successor could mimic, it does not seem reasonable that Alliant’s quote - based on hours - would provide the best service level to DWSD or its potential successor entity, the Great Lakes Water Authority. Based on the difference in the level of effort, combined with the proposal response, interviews and reference checks, it was determined that **Aon Risk Services Central, Inc.** was a better fit for DWSD as it moves toward independence.

- continued on next page -

VI. HOURS/COST MATRIX:

	Alliant Insurance Services			Aon Risk Services Central, Inc.		
	Hours	Rate	Extension	Hours	Rate	Extension
Account Executive (client point-of-contact; stewardship meetings; total cost of risk analysis, key deliverables, etc.)	150	\$190	\$28,500	120	\$200	\$24,000
Account Specialist (exposure data analysis, assembles submissions, supports renewal process, certificate management, etc.)	120	\$165	\$19,800	120	\$150	\$18,000
Administration (other support)	110	\$80	\$8,800	60	\$100	\$6,000
Broker (aggressively market policies; arrange insurance cover; negotiate best deals; evaluate renewals, bind coverage, etc.)	150	\$190	\$28,500	700	\$200	\$140,000
Claims (obtain/review annual loss runs; negotiate/navigate entire claim process, etc.)	30	\$165	\$4,950	50	\$175	\$8,750
Risk Control (loss prevention services)	30	\$165	\$4,950	50	\$175	\$8,750
Consulting/Special Projects	30	\$150	\$4,500	100 ^a	\$175	\$17,500
Loss Control, Engineering, or Appraisal Services	-	-	\$10,000	-	-	-
Grand Totals:	620	Average \$177 Per Hour	\$110,000	1,200	Average \$186 Per Hour	\$223,000

Note a: "To be determined based on creative recommendations presented to avoid, mitigate and control exposures to claims and [to] promote a culture of safety throughout the organization."

VII. IMPACT ON GREAT LAKES WATER AUTHORITY:

The recommended brokerage relationship contemplates an eventual move to GLWA. This recommendation assumes DWSD-R will continue to be aligned with the City of Detroit's risk management group and the City's insurance broker (Alliant).

INTEROFFICE



MEMORANDUM

TO: SUE F. MCCORMICK, DIRECTOR

FROM: MIKE TILLEY, RISK MANAGEMENT CONSULTANT *MT*

SUBJECT: **BID TABULATION FOR INSURANCE BROKERAGE SERVICES**

DATE: JANUARY 9, 2015

CC:

Please find attached a bid tabulation related to the scoring of responses to our recently issued SOQ for Property & Casualty Insurance Brokerage Services. The SOQ, as you may recall, was the first phase of our broker selection process.

The second phase calls for issuing an RFP to the top scoring firms. The bid tabulation reflects the scores of the six individual evaluators as well as a summary score for each respondent brokerage firm.

I recommend we issue an RFP to those firms who scored at least 80 average points. If you concur, please sign the bid tabulation sheet at the bottom and I will issue the RFP's on Monday morning, January 12, 2015.

RECEIVED D.W.S.D.
DIRECTOR'S OFFICE
15 JAN -9 PM 2:07

ATTACHMENT A1

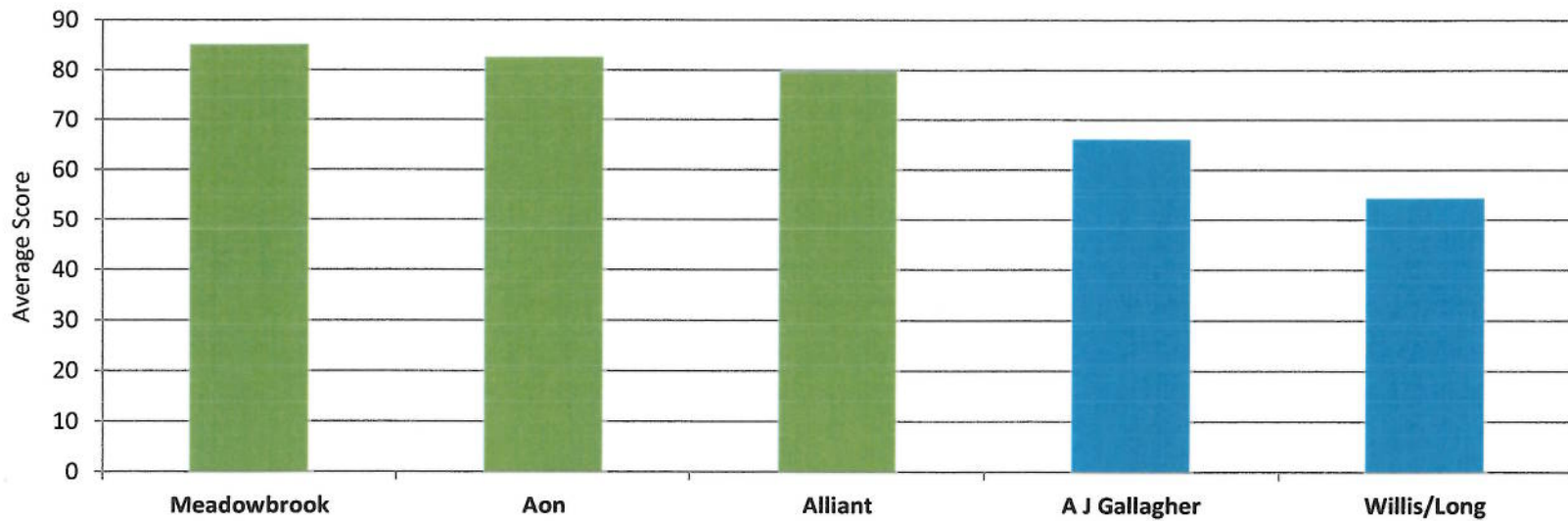
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Bid Tabulation

SOQ for Insurance Brokerage Services

	A		B		C		D		E		F					
Vendor													Total	Ranking	Name	Simple Avg
E	97.0	1	76.0	2	88.0	2	86.0	2	88.0	2	65.0	2	511.0	1	Meadowbrook	85
B	83.0	3	65.5	3	95.0	1	87.0	1	91.0	1	61.0	4	495.5	2	Aon	83
A	89.0	2	79.5	1	55.0	3	73.0	4	84.0	3	84.0	1	478.5	3	Alliant	80
D	78.0	4	41.5	4	34.0	5	82.0	3	75.0	4	63.0	3	396.5	4	A J Gallagher	66
C	49.0	5	37.5	5	48.0	4	65.0	5	62.0	5	36.0	5	326.5	5	Willis/Long	54



Approved for release of RFP to Vendors Scoring at least 80 average points.

Sue McCormick (Sue McCormick, Director, DWSD)

BID TABULATION FOR CS-1695
Property & Casualty Insurance Brokerage Services

With Pricing Score Excluded								
	A	B	C	D	E	Simple Average	Remuneration (first-year)	Remuneration (three-years)
Alliant	66.0	53.0	66.0	Unavailable	66.0	62.8	\$110,000	\$330,000
Aon	64.0	54.5	68.0		66.5	63.3	\$223,000	\$608,000
Meadowbrook	54.5	52.2	62.0		39.5	52.1	\$250,000	\$750,000

Property & Casualty Brokerage Services Evaluation Panel (Issued by DWSD)

Wayne County
 Mary Anna Daskas
 Department of Management and Budget
 Director of Administration/Risk Management
 500 Griswold, 20th Floor
 Detroit, MI 48226
 313-224-1329
mdaskas@waynecounty.com

Oakland County
 Robert Erlenbeck
 Risk Management
 Office: 248-858-1694
 [REDACTED]

Possible Alternate:
 Julie Secontine
secontinej@oakgov.com

~~**Macomb County**
 John P. Anderson, Esq.
 Finance Department
 Risk & Insurance Manager
 120 North Main Street, 2nd Floor
 Mount Clemens, MI 48043
john.anderson@macombgov.org
 Office: 586.469.6349~~

Not available to
 participate -
 Alternate found

AND
 Mark Carufel
 City Clerk/Risk Manager
 City of Sterling Heights
mcarufel@sterling-heights.net

City of Detroit
 Boysie Jackson
 Chief Procurement Officer
 Finance Dept. - Purchasing Division
 Coleman A. Young Municipal Ctr.
 2 Woodward Ave., Ste. 1008
 Detroit, Michigan 48226
 Office: 313-224-4619
 [REDACTED]

Fax: 313-628-1160
jacksonbo@detroitmi.gov

State of Michigan
 n/a

DWSD

Procurement Team Support
 Joan Byrne Mike Tilley (alternate)
byrne@dwsd.org tilley@dwsd.org
 313.964.9384 313.964.9158

Project Management Office
 Eric Rothstein
erothste@grg-ltd.com
 [REDACTED]

- | | |
|---|---------------------|
| A. RFP issue date (direct to finalists based on SOQ evaluation) | January 12, 2015 |
| B. Mandatory pre-bid conference call at (11 am EST) | January 20, 2015 |
| C. Response to questions emailed by (5 pm EST) | January 20, 2015 |
| D. Sealed proposals due not later than (2 pm (EST) | February 2, 2015 |
| E. Oral presentations and evaluation of proposals | February 9-11, 2015 |
| F. DWSD Risk Committee presentation | February 12, 2015 |
| G. DWSD Finance Committee presentation (if required) | February 17, 2015 |
| H. DWSD Board of Water Commissioners presentation (if required) | February 25, 2015 |
| I. Award | March 2, 2015 |
| J. Expected service commencement | April 1, 2015 |

MIKE DUGGAN, MAYOR

CITY OF DETROIT

PROFESSIONAL SERVICES CONTRACT

BETWEEN

CITY OF DETROIT, MICHIGAN

AND

AON RISK SERVICES CENTRAL, INC.

CONTRACT NO. CS-1695

CPO NO. _____

SPO NO. _____

**CITY OF DETROIT
WATER AND SEWERAGE DEPARTMENT
PROFESSIONAL SERVICES CONTRACT**

This Professional Services Contract ("Contract") is entered into by and between the City of Detroit, a Michigan municipal corporation, acting by and through its Water and Sewerage Department ("DWSD") (collectively, the "City"), and Aon Risk Services Central, Inc., a Michigan corporation, with its principal place of business located at 3000 Town Center, Southfield, Michigan 48075 ("Contractor").

Recitals:

Whereas, the City desires to engage the Contractor to render certain professional and/or technical services ("Services") as set forth in this Contract and its exhibits, which are incorporated fully by reference; and

Whereas, the Contractor represents that it is authorized and prepared to provide the qualified professional personnel with the necessary skills to perform the Services, in a manner which is responsive to the City's needs in all respects; and

Whereas, by virtue of a federal court Order issued on November 4, 2011 (the "Order"), DWSD is ordered to establish its own independent finance, human resources, and legal functions; and

Whereas, the Order further provides DWSD with the authority to contract on its own behalf and without approval by the Detroit City Council if the contract is for professional services and the contract amount is less than Two Million Dollars; and now

Accordingly, in consideration of the mutual undertakings and benefits to accrue to the parties and the public, the parties agree as follows:

**Article 1.
Definitions**

1.01 The following words and expressions or pronouns used in their stead shall be construed as follows:

"Associates" shall mean the personnel, employees, consultants, subcontractors, agents, and parent company of the Contractor or of any subcontractor, now existing or subsequently created, and their agents and employees, and any entities associated, affiliated, or subsidiary to the Contractor or to any subcontractor, now existing or subsequently created, and their agents and employees.

"Board" shall mean the City of Detroit Board of Water Commissioners.

"Contract" shall mean each of the various provisions and parts of this document, including all attached Exhibits and all amendments, as executed and approved by the DWSD Director and, if required by the terms of this Contract, by the Board and the Detroit City Council.

"Contractor" shall mean the party that contracts with the City by way of this Contract, whether an individual, sole proprietorship, partnership, corporation, or other form of business organization, and its heirs, successors, personnel, agents, employees, representatives, executors, administrators and assigns.

"Records" shall mean all books, ledgers, journals, accounts, documents, and other collected data in which information is kept regarding the performance of this Contract.

"Services" shall mean all work that is expressly set forth in Exhibit A, the Scope of Services, and all work expressly or impliedly required to be performed by the Contractor in order to achieve the objectives of this Contract.

"Unauthorized Acts" shall mean any acts by a City employee, agent or representative that are not set forth in this Contract and have not been approved as a part of this Contract by the DWSD Director, and as may be required by the terms of this Contract, the Board and City Council.

"Work Product" shall mean the originals, or copies when originals are unavailable, of all materials prepared by the Contractor under this Contract or in anticipation of this Contract, including but not limited to Technology, data, studies, briefs, drawings, maps, models, photographs, files, records, computer printouts, estimates, memoranda, computations, papers, supplies, notes, recordings, and videotapes, whether such materials are reduced to writing, magnetically or optically stored, or kept in some other form.

Article 2.

Engagement of Contractor

- 2.01 By this Contract, the City engages the Contractor and the Contractor agrees to faithfully and diligently perform the Services set forth in Exhibit A, in accordance with the terms and conditions contained in this Contract.
- 2.02 The Contractor shall perform in a satisfactory manner as shall be determined within the sole and reasonable discretion of the City. In the event that there shall be any dispute between the parties with regard to the extent, character and progress of the Services to be performed or the quality of performance under this Contract, the interpretation and determination of the City shall govern.
- 2.03 The Contractor shall confer as necessary and cooperate with the City in order that the Services may proceed in an efficient and satisfactory manner. The Services are deemed to include all conferences, consultations and public hearings or appearances deemed

necessary by the City to ensure that the Contractor will be able to properly and fully perform the objectives as set forth in this Contract.

- 2.04 All Services are subject to review and approval of the City for completeness and fulfillment of the requirements of this Contract. Neither the City's review, approval nor payment for any of the Services shall be construed to operate as a waiver of any rights under this Contract, and the Contractor shall be and will remain liable in accordance with applicable law for all damages to the City caused by the Contractor's negligent performance or nonperformance of any of the Services furnished under this Contract.
- 2.05 The Services shall be performed as set forth in Exhibit A, or at such other locations as are deemed appropriate by the City and the Contractor for the proper performance of the Services.
- 2.06 The City and the Contractor expressly acknowledge their mutual understanding and agreement that the Great Lakes Water Authority is the only intended third party beneficiary to this Contract and that this Contract shall not be construed to benefit any persons other than the City, the Contractor and the Great Lakes Water Authority.
- 2.07 It is understood that this Contract is not an exclusive services contract, that during the term of this Contract the City may contract with other firms, and that the Contractor is free to render the same or similar services to other clients, provided the rendering of such services does not affect the Contractor's obligations to the City in any way.

Article 3.

Contractor's Representations and Warranties

- 3.01 To induce the City to enter into this Contract, the Contractor represents and warrants that the Contractor is authorized to do business under the laws of the State of Michigan and is duly qualified to perform the Services as set forth in this Contract, and that the execution of this Contract is within the Contractor's authorized powers and is not in contravention of federal, state or local law.
- 3.02 The Contractor makes the following representations and warranties as to any and all computer-related components and systems, including but not limited to computer software, computer code, computer programs, computer hardware, embedded integrated circuits, computer memory and data storage systems, whether in the form of read-only memory chips, random access memory chips, CD-ROMs, floppy disks, magnetic tape, or some other form, and the data retained or stored in said computer memory and data storage systems (collectively "Technology") it may provide under this Contract:
 - (a) That all Technology provided to the City under this Contract shall perform according to the specifications and representations set forth in Exhibit A and according to any other specifications and representations, including any manuals, provided by the Contractor to the City;

- (b) That the Contractor shall correct all errors in the Technology provided under this Contract so that such Technology will perform according to Contractor's published specifications;
- (c) That the Contractor has the full right and power to grant the City a license to use the Technology provided pursuant to this Contract;
- (d) That any Technology provided by Contractor under this Contract is free of any software, programs or routines, commonly known as "disabling code," that are designed to cause such Technology to be destroyed, damaged, or otherwise made inoperable in the course of the use of the Technology;
- (e) That any Technology containing computer code and provided under this Contract is free of any known or reasonably discoverable computer program, code or set of instructions, commonly known as a "computer virus," that is not designed to be a part of the Work Product and that, when inserted into the computer's memory: (i) duplicates all or part of itself without specific user instructions to do so, or (ii) erases, alters or renders unusable any Technology with or without specific user instructions to do so, or (iii) that provide unauthorized access to the Technology; and
- (f) That all Technology shall be delivered new and in original manufacturer's packaging and shall be fully warranted for repair or replacement during the term of this Contract as amended or extended.
- (g) That any Technology that it is provided to the City shall:
 - (1) Accurately recognize and process all time and date data including, but not limited to, daylight savings time and leap year data, and
 - (2) Use accurate same-century, multi-century, and similar date value formulas in its calculations, and use date data interface values that accurately reflect the correct time, date and century.

Article 4.
Contract Effective Date and Time of Performance

- 4.01 This Contract shall be approved and signed by the DWSD Director. If the compensation to be paid in any given fiscal year (July 1 to June 30) under this Contract exceeds Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) it shall be approved by resolution of the Board, and if it exceeds Two Million and 00/100 Dollars (\$2,000,000.00) it shall be approved by resolution of the Detroit City Council. The effective date of this Contract shall be the date upon which the Contract has been authorized by the City as set forth in this Section 4.01.

- 4.02 Prior to the approvals set forth in Section 4.01, the Contractor shall have no authority to begin work on this Contract. The City shall not authorize any payments to the Contractor, nor shall the City incur any liability to pay for any services rendered or to reimburse the Contractor for any expenditure, prior to such award and approvals.
- 4.03 The City and the Contractor agree that the commencement and duration of the Contractor's performance under this Contract shall be as set forth in Exhibit A.

Article 5.
Data to Be Furnished Contractor

- 5.01 Copies of all information, reports, records, and data as are existing, available, and deemed necessary by the City for the performance of the Services shall be furnished to the Contractor upon the Contractor's request. With the prior approval of the City, the Contractor will be permitted access to City offices during regular business hours to obtain any necessary data. In addition, the City will schedule appropriate conferences at convenient times with administrative personnel of the City for the purpose of gathering such data.

Article 6.
Contractor Personnel and Contract Administration

- 6.01 The Contractor represents that, at its own expense, it has obtained or will obtain all personnel and equipment required to perform the Services. It warrants that all such personnel are qualified and possess the requisite licenses or other such legal qualifications to perform the services assigned. If requested, the Contractor shall supply a résumé of the managerial staff or consultants it proposes to assign to this Contract, as well as a dossier on the Contractor's professional activities and major undertakings.
- 6.02 The City may interview the Contractor's managerial staff and other employees assigned to this Contract. The Contractor shall not use any managerial staff or other employees to whom the City objects and shall replace in an expedient manner those rejected by the City. The Contractor shall not replace any of the personnel working on this Contract with new personnel without the prior written consent of the City.
- 6.03 When the City deems it reasonable to do so, it may assign qualified City employees or others to work with the Contractor to complete the Services. Nevertheless, it is expressly understood and agreed by the parties that the Contractor shall remain ultimately responsible for the proper completion of the Services.
- 6.04 The relationship of the Contractor to the City is and shall continue to be that of an independent contractor and no liability or benefits, such as workers' compensation, pension rights or liabilities, insurance rights or liabilities, or other rights or liabilities arising out of or related to a contract for hire or employer/employee relationship shall arise or accrue to either party or either party's agent, subcontractor or employee as a result of the performance of this Contract. No relationship other than that of independent

contractor shall be implied between the parties or between either party's agents, employees or subcontractors. The Contractor agrees to indemnify, defend, and hold the City harmless against any claim based in whole or in part on an allegation that the Contractor or any of its Associates qualify as employees of the City, and any related costs or expenses, including but not limited to legal fees and defense costs.

- 6.05 The Contractor warrants and represents that all persons assigned to the performance of this Contract shall be regular employees or independent contractors of the Contractor, unless otherwise authorized by the City. The Contractor's employees' daily working hours while working in or about a City of Detroit facility shall be the same as those worked by City employees working in the facility, unless otherwise directed by the City.
- 6.06 The Contractor shall comply with and shall require its Associates to comply with all security regulations and procedures in effect on the City's premises.
- 6.07 The Contractor hereby waives any claim against the City and agrees not to hold the City liable for any personal injury or property damage incurred by its Associates on this Contract which is not held in a court of competent jurisdiction to be attributable to the gross negligence of an employee of the City acting within the scope of their employment and hereby agrees to hold the City harmless from any such claim by the Contractor's Associates.
- 6.08 The Contractor shall designate a project manager ("Project Manager"), acceptable to the City, to be responsible for all aspects of the Services. The duties of the Project Manager shall be:
 - (a) The Project Manager will coordinate its Associates' work schedules and monitor performance goals. The Project Manager will supervise the day-to-day activities of its Associates. All Associates will report directly to the Project Manager concerning all matters related to this Contract.
 - (b) The Project Manager will act as liaison between the Contractor and the City. Day-to-day services to be performed by the Contractor will be done in cooperation with the designated City representative.
 - (c) The Project Manager shall submit a written report monthly describing progress on the work of the Contract ("Report"). The Report shall indicate which activities the Contractor performed and which were performed by subcontractors. As part of the Report, the Project Manager shall inform the City as soon as the following types of conditions become known: (a) probable delays or adverse conditions which materially affect the ability to attain objectives or prevent meeting the time schedules, accompanied by a statement of any remedial actions taken or contemplated by the Contractor; and (b) favorable developments or events which enable attaining objectives or meeting time schedules sooner than anticipated. At regular intervals, the Contractor's supervisors, higher than the Project Manager (if any), will make checks and verifications on the Reports.

- (d) The person designated as Project Manager may be changed by the Contractor upon written notice of such change being sent to the City and upon the City's approval thereof.
- 6.09 If the need arises to replace a Contractor team member, the parties will discuss any proposed changes and come to an agreement on a satisfactory replacement prior to implementation of the change to the extent possible. Immediately upon receipt of written notification, the Contractor shall replace any Associate, including the Project Manager, who, in the City's sole opinion, unsatisfactorily performs the Services hereunder, or who is unsatisfactory for the performance of the Services hereunder, irrespective of any prior City approval.
- 6.10 In all cases in which an Associate must be replaced for any reason, the Contractor shall supply an acceptable replacement as soon as possible, and agrees not to substitute a lower classified or less qualified Associate to perform the Services without obtaining prior City approval in writing. The Contractor will furnish such replacement on a no-charge basis for that period of time necessary for any retraining or job orientation.
- 6.11 The Contractor agrees that neither it nor its employees will endeavor to influence the City's employees to seek employment with the Contractor within the duration of this Contract and shall not for a period of one (1) year thereafter employ any of the City's employees without prior written approval from the City. Proof of such activity as determined by the City may cause immediate termination of this Contract. This provision shall not apply to responses through general advertising.

Article 7. Compensation

- 7.01 The City agrees to pay the Contractor for the complete and proper performance of the Services an amount not to exceed the sum of Six Hundred Eight Thousand and 00/100 Dollars (\$608,000.00), inclusive of any reimbursable expenses, in the manner and at the rates set forth in Exhibit B. If reimbursable expenses are to be provided, they shall be delineated in Exhibit B. Unless this Contract is amended pursuant to Article 17, this amount shall be the entire compensation to which the Contractor is entitled for the performance of Services under this Contract.
- 7.02 The City agrees to reimburse the Contractor for the reimbursable expenses identified in Exhibit B that are actually incurred in connection with the proper performance of the Services. Expenses outside the categories enumerated in Exhibit B shall not increase the amount payable stated in Section 7.01, and shall not be reimbursed by the City unless such charges are reasonable and are incurred *after* written approval is given by the City.
- 7.03 Payment for the proper performance of the Services shall be contingent upon receipt by the City of accurate, complete and timely invoices from the Contractor and shall be made within forty-five (45) days after receipt of a proper invoice. Each invoice shall certify the

cost of all Services for the subject billing period and the total cost of the Services rendered to date. Each invoice shall itemize the date of each Service performed, the name of the person who performed the Service, a brief description of the Service performed, the amount of time expended on performing the Service and each expenditure or charge for which reimbursement is sought. If the invoice requests reimbursement or payment for reimbursable expenses, the appropriate receipts shall be attached. Invoices shall be submitted monthly and must be received by the City not more than thirty (30) days after the close of each calendar month. An authorized officer or designee of the Contractor must sign each invoice.

- 7.04 The City employee responsible for accepting performance under this Contract is:

Nicolette Bateson, CFO
Detroit Water & Sewerage Department
735 Randolph Street, 16th Floor
Detroit, Michigan 48226
Email: bateson@dwsd.org

- 7.05 The City employee from whom payment should be requested is:

Daniel A. Edwards
Interim Contracts and Grants Manager
Detroit Water and Sewerage Department
735 Randolph Street, 15th Floor
Detroit, Michigan 48226
Telephone: (313) 964-9471
Email: daedwards@dwsd.org

Article 8.

Maintenance and Audit of Records

- 8.01 The Contractor shall maintain full and complete Records reflecting all of its operations related to this Contract. The Records shall be kept in accordance with generally accepted accounting principles and maintained for a minimum of three (3) years after the Contract completion date.
- 8.02 The City and any government-grantor agency providing funding under this Contract shall have the right at any time without notice to examine and audit all Records and other supporting data of the Contractor as the City or any agency deems necessary.
- (a) The Contractor shall make all Records available for examination during normal business hours at its Detroit offices, if any, or alternatively at its facility nearest Detroit. The City and any government-grantor agency providing funds for the Contract shall have this right of inspection. The Contractor shall provide copies of all Records to the City or to any such government-grantor agency upon request.

- (b) If in the course of such inspection the representative of the City or of another government-grantor agency should note any deficiencies in the performance of the Contractor's agreed upon performance or record-keeping practices, such deficiencies will be reported to the Contractor in writing. The Contractor agrees to promptly remedy and correct any such reported deficiencies within ten (10) days of notification.
 - (c) Any costs disallowed as a result of an audit of the Records shall be repaid to the City by the Contractor within thirty (30) days of notification or may be set off by the City against any funds due and owing the Contractor, provided, however, that the Contractor shall remain liable for any disallowed costs exceeding the amount of the setoff.
 - (d) Each party shall pay its own audit costs. However, if the dollar amount of the total disallowed costs, if any, exceeds three percent (3%) of the dollar amount of this Contract, the Contractor shall pay the City's audit costs.
 - (e) Nothing contained in this Contract shall be construed or permitted to operate as any restriction upon the powers granted to the Auditor General by the City Charter, including but not limited to the powers to audit all accounts chargeable against the City and to settle disputed claims.
- 8.03 The Contractor agrees to include the covenants contained in Sections 8.01 and 8.02 in any contract it has with any subcontractor, consultant or agent whose services will be charged directly or indirectly to the City for Services performed pursuant to this Contract.

Article 9. Indemnity

- 9.01 The Contractor agrees to indemnify, defend, and hold the City harmless against and from any and all liabilities, obligations, damages, penalties, claims, costs, charges, losses and expenses (including, without limitation, fees and expenses for attorneys, expert witnesses and other consultants) that may be imposed upon, incurred by, or asserted against the City or its departments, officers, employees, or agents by reason of any of the following occurring during the term of this Contract:
- (a) Any negligent or tortious act, error, or omission attributable in whole or in part to the Contractor or any of its Associates; and
 - (b) Any failure by the Contractor or any of its Associates to perform their obligations, either express or implied, under this Contract; and
 - (c) Any and all injury to the person or property of an employee of the City where such injury arises out of the Contractor's or any of its Associates performance of this Contract.

- 9.02 The Contractor shall examine all places where it will perform the Services in order to determine whether such places are safe for the performance of the Services. The Contractor undertakes and assumes all risk of dangerous conditions when not performing Services inside City offices. The Contractor also agrees to waive and release any claim or liability against the City for personal injury or property damage sustained by it or its Associates while performing under this Contract on premises that are not owned by the City.
- 9.03 In the event any action shall be brought against the City by reason of any claim covered under this Article 9, the Contractor, upon notice from the City, shall at its sole cost and expense defend the same.
- 9.04 The Contractor agrees that it is the Contractor's responsibility and not the responsibility of the City to safeguard the property that the Contractor or its Associates use while performing this Contract. Further, the Contractor agrees to hold the City harmless for any loss of such property used by any such person pursuant to the Contractor's performance under this Contract.
- 9.05 The indemnification obligation under this Article 9 shall not be limited by any limitation on the amount or type of damages, compensation, or benefits payable under workers' compensation acts or other employee benefit acts.
- 9.06 The Contractor agrees that this Article 9 shall apply to all claims, whether litigated or not, that may occur or arise between the Contractor or its Associates and the City and agrees to indemnify, defend and hold the City harmless against any such claims.

Article 10. Insurance

- 10.01 During the term of this Contract, the Contractor shall maintain the following insurance, at a minimum and at its expense:

<u>TYPE</u>	<u>AMOUNT NOT LESS THAN</u>
(a) Workers' Compensation	Statutory limits mandated by state and federal laws
(b) Employers' Liability	\$500,000.00 minimum each disease \$500,000.00 minimum each person \$500,000.00 minimum each accident
(c) Commercial General Liability Insurance (Broad Form Comprehensive)	\$1,000,000.00 each occurrence \$2,000,000.00 aggregate

- | | | |
|-----|---|--|
| (d) | Automobile Liability Insurance (covering all owned, hired and non-owned vehicles with personal and property protection insurance, including residual liability insurance under Michigan no fault insurance law) | \$1,000,000.00 combined single limit for bodily injury and property damage |
| (e) | Professional Liability Insurance (Errors and Omissions) | \$1,000,000.00 each occurrence
\$3,000,000.00 aggregate |

- 10.02 The commercial general liability insurance policy shall include an endorsement naming the "City of Detroit" as an additional insured. The additional insured endorsement shall provide coverage to the additional insured with respect to liability arising out of the named insured's ongoing work or operations performed for the additional insured under the terms of this Contract. The commercial general liability policy shall state that the Contractor's insurance is primary and not excess over any insurance already carried by the City of Detroit and shall provide blanket contractual liability insurance for all written contracts.
- 10.03 Each policy shall contain a severability of interests or separation of insureds condition which provides that the policy's coverage is to apply separately to each insured against whom a claim is made.
- 10.04 All insurance required by this Contract shall be written on an occurrence-based policy form, if the same is commercially available.
- 10.05 The Commercial General Liability policy shall be endorsed to have the general aggregate apply to the Services provided under this Contract only.
- 10.06 If during the term of this Contract changed conditions or other pertinent factors should, in the reasonable judgment of the City, render inadequate the insurance limits, the Contractor shall furnish on demand such additional coverage or types of coverage as may reasonably be required under the circumstances. All such insurance shall be effected at the Contractor's expense, under valid and enforceable policies, issued by insurers licensed to conduct business in Michigan and that are otherwise acceptable to the City.
- 10.07 All insurance policies shall name the Contractor as the insured. Certificates of insurance evidencing the coverage required by this Article 10 shall, in a form acceptable to the City, be submitted to the City prior to the commencement of the Services and at least fifteen (15) days prior to the expiration dates of expiring policies. In the event the Contractor receives notice of any required policy cancellation, the Contractor shall immediately notify the City of said cancellation in writing.

- 10.08 If any work is subcontracted in connection with this Contract, the Contractor shall require each subcontractor to effect and maintain the types and limits of insurance set forth in this Article 10 and shall require documentation of same, copies of which documentation shall be promptly furnished the City.
- 10.09 The Contractor shall be responsible for payment of all deductibles contained in any insurance required under this Contract. The provisions requiring the Contractor to carry the insurance required under this Article 10 shall not be construed in any manner as waiving or restricting the liability of the Contractor under this Contract.

Article 11. Default and Termination

- 11.01 This Contract shall remain in full force and effect until the end of its term unless otherwise terminated for cause or convenience according to the provisions of this Article 11.
- 11.02 The City reserves the right to terminate this Contract for cause. Cause is an event of default.
- (a) An event of default shall occur if there is a material breach of this Contract, and shall include the following:
- (1) The Contractor fails to begin work in accordance with the terms of this Contract; or
 - (2) The Contractor, in the judgment of the City, is unnecessarily, unreasonably, or willfully delaying the performance and completion of the Work Product or Services; or
 - (3) The Contractor ceases to perform under the Contract; or
 - (4) The City is of the opinion that the Services cannot be completed within the time provided and that the delay is attributable to conditions within the Contractor's control; or
 - (5) The Contractor, without just cause, reduces its work force on this Contract to a number that would be insufficient, in the judgment of the City, to complete the Services within a reasonable time, and the Contractor fails to sufficiently increase such work force when directed to do so by the City; or
 - (6) The Contractor assigns, transfers, conveys or otherwise disposes of this Contract in whole or in part without prior approval of the City; or
 - (7) Any City officer or employee acquires an interest in this Contract so as to create a conflict of interest; or

- (8) The Contractor violates any of the provisions of this Contract, or disregards applicable laws, ordinances, permits, licenses, instructions or orders of the City; or
 - (9) The performance of the Contract, in the sole judgment of the City, is substandard, unprofessional, or faulty and not adequate to the demands of the task to be performed; or
 - (10) The Contractor fails in any of the agreements set forth in this Contract; or
 - (11) The Contractor ceases to conduct business in the normal course; or
 - (12) The Contractor admits its inability to pay its debts generally as they become due.
- (b) If the City finds an event of default has occurred, the City may issue a Notice of Termination for Cause setting forth the grounds for terminating the Contract. Upon receiving a Notice of Termination for Cause, the Contractor shall have ten (10) calendar days within which to cure such default. If the default is cured within said ten (10) day period, the right of termination for such default shall cease. If the default is not cured to the satisfaction of the City, this Contract shall terminate on the thirtieth calendar day after the Contractor's receipt of the Notice of Termination for Cause, unless the City, in writing, gives the Contractor additional time to cure the default. If the default is not cured to the satisfaction of the City within the additional time allowed for cure, this Contract shall terminate for cause at the end of the extended cure period.
- (c) If, after issuing a Notice of Termination for Cause, the City determines that the Contractor was not in default, the rights and obligations of the parties shall be the same as if the Notice of Termination had been issued as a Notice of Termination for Convenience. Alternatively, in the City's discretion, the Notice of Termination for Cause may be withdrawn and the Contract, if terminated, may be reinstated.
- (d) The Contractor shall be liable to the City for any damages it sustains by virtue of the Contractor's breach or any reasonable costs the City might incur in enforcing or attempting to enforce this Contract. Such costs shall include reasonable fees and expenses for attorneys, expert witnesses and other consultants. However, if the Contractor makes a written offer prior to the initiation of litigation or arbitration, then the City shall not be entitled to such attorney fees unless the City declines the offer and obtains a verdict or judgment for an amount more than ten percent (10%) above the amount of the Contractor's last written offer prior to the initiation of litigation or arbitration. The City may withhold any payment(s) to the Contractor, in an amount not to exceed the amount claimed in good faith by the City to represent its damages, for the purpose of setoff until such time as the

exact amount of damages due to the City from the Contractor is determined. It is expressly understood that the Contractor shall remain liable for any damages the City sustains in excess of any setoff.

- (e) The City's remedies outlined in this Article 11 shall be in addition to any and all other legal or equitable remedies permissible.

11.03 The City shall have the right to terminate this Contract at any time at its convenience by giving the Contractor five (5) business days written Notice of Termination for Convenience. As of the effective date of the termination, the City will be obligated to pay the Contractor the following: (a) the fees or commissions for Services completed and accepted in accordance with Exhibit A in the amounts provided for in Exhibit B; (b) the fees for Services performed but not completed prior to the date of termination in accordance with Exhibit A in the amounts set forth in the Contractor's rate schedule as provided in Exhibit B; and (c) the Contractor's costs and expenses incurred prior to the date of the termination for items that are identified in Exhibit B. The amount due to the Contractor shall be reduced by payments already paid to the Contractor by the City. In no event shall the City pay the Contractor more than maximum price, if one is stated, of this Contract.

11.04 After receiving a Notice of Termination for Cause or Convenience and except as otherwise directed by the City, the Contractor shall:

- (a) Stop work under the Contract on the date and to the extent specified in the Notice of Termination;
- (b) Obligate no additional Contract funds for payroll costs and other costs beyond such date as the City shall specify, and place no further orders on subcontracts for material, services, or facilities, except as may be necessary for completion of such portion of the Services under this Contract as is not terminated;
- (c) Terminate all orders and subcontracts to the extent that they relate to the portion of the Services terminated pursuant to the Notice of Termination;
- (d) Preserve all Records and submit to the City such Records and reports as the City shall specify, and furnish to the City an inventory of all furnishings, equipment, and other property purchased for the Contract, if any, and carry out such directives as the City may issue concerning the safeguarding or disposition of files and property; and
- (e) Submit within thirty (30) days a final report of receipts and expenditures of funds relating to this Contract, and a list of all creditors, subcontractors, lessors and other parties, if any, to whom the Contractor has become financially obligated pursuant to this Contract.

- 11.05 After termination of the Contract, each party shall have the duty to assist the other party in the orderly termination of this Contract and the transfer of all rights and duties arising under the Contract, as may be necessary for the orderly, un-disrupted continuation of the business of each party.

Article 12. Assignment

- 12.01 The Contractor shall not assign, transfer, convey or otherwise dispose of any interest whatsoever in this Contract without the prior written consent of the City; however, claims for money due or to become due to the Contractor may be assigned to a financial institution without such approval. Notice of any assignment to a financial institution or transfer of such claims of money due or to become due shall be furnished promptly to the City. If the Contractor assigns all or any part of any monies due or to become due under this Contract, the instrument of assignment shall contain a clause stating that the right of the assignee to any monies due or to become due shall be subject to prior liens of all persons, firms, and corporations for Services rendered or materials supplied for the performance of the Services called for in this Contract.
- 12.02 The City, through its DWSD, shall be permitted to assign this Contract to any successor in interest without the prior consent of the Contractor. Thereafter, and as soon as practicable, the City shall provide written notice to Contractor of the assignment.

Article 13. Subcontracting

- 13.01 None of the Services covered by this Contract shall be subcontracted without the prior written approval of the City and, if required, any grantor agency. The City reserves the right to withhold approval of subcontracting such portions of the Services where the City determines that such subcontracting is not in the City's best interests.
- 13.02 Each subcontract entered into shall provide that the provisions of this Contract shall apply to the subcontractor and its Associates in all respects. The Contractor agrees to bind each subcontractor and each subcontractor shall agree to be bound by the terms of the Contract insofar as applicable to the work or services performed by that subcontractor.
- 13.03 The Contractor and the subcontractor jointly and severally agree that no approval by the City of any proposed subcontractor, nor any subcontract, nor anything in the Contract, shall create or be deemed to create any rights in favor of a subcontractor and against the City, nor shall it be deemed or construed to impose upon the City any obligation, liability

or duty to a subcontractor, or to create any contractual relation whatsoever between a subcontractor and the City.

- 13.04 The provisions contained in this Article 13 shall apply to subcontracting by a subcontractor of any portion of the work or services included in an approved subcontract.
- 13.05 The Contractor agrees to indemnify, defend, and hold the City harmless against any claims initiated against the City pursuant to any subcontracts the Contractor enters into in performance of this Contract. The City's approval of any subcontractor shall not relieve the Contractor of any of its responsibilities, duties and liabilities under this Contract. The Contractor shall be solely responsible to the City for the acts or defaults of its subcontractors and of each subcontractor's Associates, each of whom shall for this purpose be deemed to be the agent or employee of the Contractor.

Article 14. Conflict of Interest

- 14.01 The Contractor covenants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of the Services under this Contract. The Contractor further covenants that in the performance of this Contract no person having any such interest shall be employed by it.
- 14.02 The Contractor further covenants that no officer, agent, or employee of the City and no other public official who exercises any functions or responsibilities in the review or approval of the undertaking or performance of this Contract has any personal or financial interest, direct or indirect, in this Contract or in its proceeds, whether such interest arises by way of a corporate entity, partnership, or otherwise.
- 14.03 The Contractor warrants (a) that it has not employed and will not employ any person to solicit or secure this Contract upon any agreement or arrangement for payment of a commission, percentage, brokerage fee, or contingent fee, other than bona fide employees working solely for the Contractor either directly or indirectly, and (b) that if this warranty is breached, the City may, at its option, terminate this Contract without penalty, liability or obligation, or may, at its option, deduct from any amounts owed to the Contractor under this Contract any portion of any such commission, percentage, brokerage, or contingent fee.
- 14.04 The Contractor covenants not to employ an employee of the City for a period of one (1) year after the date of termination of this Contract without written City approval. This provision shall not apply to responses through general advertising.

Article 15. Confidential Information

- 15.01 In order that the Contractor may effectively fulfill its covenants and obligations under this Contract, it may be necessary or desirable for the City to disclose confidential and proprietary information to the Contractor or its Associates pertaining to the City's past, present and future activities. Since it is difficult to separate confidential and proprietary information from that which is not, the Contractor shall regard, and shall instruct its Associates to regard, all information gained as confidential and such information shall not be disclosed to any organization or individual without the prior consent of the City. The above obligation shall not apply to information already in the public domain or information required to be disclosed by a court order.
- 15.02 The Contractor agrees to take appropriate action with respect to its Associates to ensure that the foregoing obligations of non-use and non-disclosure of confidential information shall be fully satisfied.

Article 16. Compliance with Laws

- 16.01 The Contractor shall comply with and shall require its Associates to comply with all applicable federal, state and local laws.
- 16.02 The Contractor shall hold the City harmless with respect to any damages arising from any violation of law by it or its Associates. The Contractor shall commit no trespass on any public or private property in performing any of the Services encompassed by this Contract. The Contractor shall require as part of any subcontract that the subcontractor comply with all applicable laws and regulations.

Article 17. Amendments

- 17.01 The City may consider it in its best interest to change, modify or extend a covenant, term or condition of this Contract or require the Contractor to perform additional Services that are not contained within the Scope of Services as set forth in Exhibit A. Any such change, addition, deletion, extension or modification of Services may require that the compensation paid to the Contractor by the City be proportionately adjusted, either increased or decreased, to reflect such modification. If the City and the Contractor mutually agree to any changes or modification of this Contract, the modification shall be incorporated into this Contract by written amendment.
- 17.02 Compensation shall not be modified unless there is a corresponding modification in the Services sufficient to justify such an adjustment. If there is any dispute as to compensation, the Contractor shall continue to perform the Services under this Contract until the dispute is resolved.
- 17.03 No amendment to this Contract shall be effective and binding upon the parties unless it expressly makes reference to this Contract, is in writing, is signed and acknowledged by

duly authorized representatives of both parties, and is approved by the City as set forth in Section 4.01.

- 17.04 The City shall not be bound by Unauthorized Acts of its employees, agents, or representatives with regard to any dealings with the Contractor and any of its Associates.

Article 18.
Fair Employment Practices

- 18.01 The Contractor shall comply with, and shall require any subcontractor to comply with, all federal, state and local laws governing fair employment practices and equal employment opportunities.
- 18.02 The Contractor agrees that it shall, at the point in time it solicits any subcontract, notify the potential subcontractor of their joint obligations relative to non-discrimination under this Contract, and shall include the provisions of this Article 18 in any subcontract, as well as provide the City a copy of any subcontract upon request.
- 18.03 Breach of the terms and conditions of this Article 18 shall constitute a material breach of this Contract and may be governed by the provisions of Article 11, "Default and Termination."

Article 19.
Notices

- 19.01 All notices, consents, approvals, requests and other communications ("Notices") required or permitted under this Contract shall be given in writing, mailed by postage prepaid, certified or registered first-class mail, return receipt requested, and addressed as follows:
If to DWSD on behalf of the City:

Director
Detroit Water and Sewerage Department
735 Randolph Street, 5th Floor
Detroit, Michigan 48226
Attention: Nicolette Bateson, CFO

If to the Contractor:

Mr. Kevin Pastoor, Managing Director
Aon Risk Services Central, Inc.
3000 Town Center, Suite 3000
Southfield, Michigan 48075

- 19.02 All Notices shall be deemed given on the day of mailing. Either party to this Contract may change its address for the receipt of Notices at any time by giving notice of the

address change to the other party. Any Notice given by a party to this Contract must be signed by an authorized representative of such party.

- 19.03 The Contractor agrees that service of process at the address and in the manner specified in this Article 19 shall be sufficient to put the Contractor on notice of such action and waives any and all claims relative to such notice.

Article 20.

Proprietary Rights and Indemnity

- 20.01 The Contractor shall not relinquish any proprietary rights in its intellectual property (copyright, patent, and trademark), trade secrets or confidential information as a result of the Services provided under this Contract. Any Work Product provided to the City under this Contract shall not include the Contractor's proprietary rights, except to the extent licensed to the City.
- 20.02 The City shall not relinquish any of its proprietary rights, including, but not limited to, its data, privileged or confidential information, or methods and procedures, as a result of the Services provided under this Contract.
- 20.03 The parties acknowledge that should the performance of this Contract result in the development of new proprietary and secret concepts, methods, techniques, processes, adaptations, discoveries, improvements and ideas ("Discoveries"), and to the extent said Discoveries do not include modifications, enhancements, configurations, translations, derivative works, and interfaces from the Contractor's intellectual property, trade secrets or confidential information, said Discoveries shall be deemed "Work(s) for Hire" and shall be promptly reported to the City and shall belong solely and exclusively to the City without regard to their origin, and the Contractor shall not, other than in the performance of this Contract, make use of or disclose said Discoveries to anyone. At the City's request, the Contractor shall execute all documents and papers and shall furnish all reasonable assistance requested in order to establish in the City all right, title and interest in said Discoveries or to enable the City to apply for United States patents or copyrights for said Discoveries, if the City elects to do so.
- 20.04 Any Work Product provided by the Contractor to the City under this Contract shall not be disclosed, published, copyrighted or patented, in whole or in part, by the Contractor. The right to the copyright or patent in such Work Product shall rest exclusively in the City. Further, the City shall have unrestricted and exclusive authority to publish, disclose, distribute and otherwise use, in whole or in part, any of the Work Product. If Work Product is prepared for publication, it shall carry the following notation on the front cover or title page: "This document was prepared for, and is the exclusive property of, the City of Detroit, Michigan, a municipal corporation."
- 20.05 The Contractor warrants that the performance of this Contract shall not infringe upon or violate any patent, copyright, trademark, trade secret or proprietary right of any third party. In the event of any legal action related to the above obligations of the Contractor

filed by a third party against the City, the Contractor shall, at its sole expense, indemnify, defend and hold the City harmless against any loss, cost, expense or liability arising out of such claim, whether or not such claim is successful.

- 20.06 The making of payments, including partial payments by the City to the Contractor, shall vest in the City title to, and the right to take possession of, all Work Product produced by the Contractor up to the time of such payments, and the City shall have the right to use said Work Product for public purposes without further compensation to the Contractor or to any other person.
- 20.07 Upon the completion or other termination of this Contract, all finished or unfinished Work Product prepared by the Contractor shall, at the option of the City, become the City's sole and exclusive property whether or not in the Contractor's possession. Such Work Product shall be free from any claim or retention of rights on the part of the Contractor and shall promptly be delivered to the City upon the City's request. The City shall return all of the Contractor's property to it. The Contractor acknowledges that any intentional failure or unreasonable delay on its part to deliver the Work Product to the City will cause irreparable harm to the City not adequately compensable in damages and for which the City has no adequate remedy at law. The Contractor accordingly agrees that the City may in such event seek and obtain injunctive relief in a court of competent jurisdiction to compel delivery of the Work Product, to which injunctive relief the Contractor consents, as well as seek and obtain all applicable damages and costs. The City shall have full and unrestricted use of the Work Product for the purpose of completing the Services.

Article 21. Force Majeure

- 21.01 No failure or delay in performance of this Contract, by either party, shall be deemed to be a breach thereof when such failure or delay is caused by a force majeure event including, but not limited to, any Act of God, strikes, lockouts, wars, acts of terrorism, riots, epidemics, explosions, sabotage, breakage or accident to equipment, the binding order of any court or governmental authority, or any other cause, whether of the kind herein enumerated or otherwise, not within the control of a party. In the event of a dispute between the parties with regard to what constitutes a force majeure event, the City's reasonable determination shall be controlling.

Article 22. Waiver

- 22.01 Neither party shall be deemed to have waived any of its rights under this Contract unless such waiver is in writing and signed by the party.
- 22.02 No delay or omission on the part of a party in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one (1) occasion shall not be construed as a waiver of any right on any future occasion.

- 22.03 No failure by a party to insist upon the strict performance of any covenant, agreement, term or condition of this Contract or to exercise any right, term or remedy consequent upon its breach shall constitute a waiver of such covenant, agreement, term, condition, or breach.

Article 23.
Miscellaneous

- 23.01 If any provision of this Contract or its application to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Contract shall not be affected and shall remain valid and enforceable to the fullest extent permitted by law.
- 23.02 This Contract contains the entire agreement between the parties and all prior negotiations and agreements are merged into this Contract. Neither the City nor the City's agents have made any representations except those expressly set forth in this Contract, and no rights or remedies are, or shall be, acquired by the Contractor by implication or otherwise unless expressly set forth in this Contract. The Contractor waives any defense it may have to the validity of the execution of this Contract.
- 23.03 Unless the context otherwise expressly requires, the words "herein," "hereof," and "hereunder," and other words of similar import, refer to this Contract as a whole and not to any particular section or subdivision.
- 23.04 The headings of the sections of this Contract are for convenience only and shall not be used to construe or interpret the scope or intent of this Contract or in any way affect the same.
- 23.05 This Contract and all actions arising under it shall be governed by, subject to, and construed according to the law of the State of Michigan. The Contractor consents and submits to the exclusive personal jurisdiction of any state or federal court of competent jurisdiction in Wayne County, Michigan, for any action arising out of this Contract. The Contractor also agrees that it shall not commence any action against the City because of any matter whatsoever arising out of or relating to the validity, construction, interpretation and enforcement of this Contract in any state or federal court of competent jurisdiction other than one in Wayne County, Michigan.
- 23.06 If any Associate of the Contractor shall take any action that, if done by a party, would constitute a breach of this Contract, the same shall be deemed a breach by the Contractor.
- 23.07 The rights and remedies set forth in this Contract are not exclusive and are in addition to any of the rights or remedies provided by law or equity.
- 23.08 For purpose of the hold harmless and indemnity provisions contained in this Contract, the term "City" shall be deemed to include the City of Detroit and all other associated,

affiliated, allied or subsidiary entities or commissions, now existing or subsequently created, and their officers, agents, representatives, and employees.

- 23.09 The Contractor covenants that it is not, and shall not become, in arrears to the City upon any contract, debt, or other obligation to the City including, without limitation, real property, personal property and income taxes, and water, sewage or other utility bills.
- 23.10 This Contract may be executed in any number of originals, any one of which shall be deemed an accurate representation of this Contract. Promptly after the execution of this Contract, the City shall provide a copy to the Contractor.
- 23.11 As used in this Contract, the singular shall include the plural, the plural shall include the singular, and a reference to either gender shall be applicable to both.
- 23.12 The rights and benefits under this Contract shall inure to the City of Detroit and its agents, successors, and assigns.
- 23.13 The City shall have the right to recover by setoff from any payment owed to the Contractor all delinquent withholding, income, corporate and property taxes owed to the City by the Contractor, any amounts owed to the City by the Contractor under this Contract or other contracts, and any other debt owed to the City by the Contractor.

Article 24.
ARS US Business Terms

- 24.01 The Contractor's business terms are attached to this Contract as Exhibit C and incorporated by reference.

(Signatures appear on next page)

The City and the Contractor, by and through their duly authorized officers and representatives, have executed this Contract as follows:

Aon Risk Services Central, Inc.:

By: _____
Signature

Print Name

Its: _____
Title

City of Detroit:

By: _____
Sue F. McCormick

Its: Director, Water and Sewerage Department

Dated: _____

APPROVED BY
BOARD OF WATER COMMISSIONERS ON:

Date

APPROVED AS TO FORM BY DWSD
GENERAL COUNSEL:

General Counsel Date

EXHIBIT A

SCOPE OF SERVICES

I. Contract Term

The term of this Contract shall be for three (3) years and shall begin on May 1, 2015 and terminate on April 30, 2018. The Contractor shall commence performance of this Contract upon receipt of a written "Notice to Proceed" from the City and in the manner specified in the Notice to Proceed.

II. Services to be Performed

In addition to the placement of insurance, Contractor shall perform the following mandatory Services:

- a. Initiate and maintain a participatory relationship with DWSD's interim or permanent risk manager, various insurance company underwriters, and in-house or independent claims management personnel;
- b. Evaluate existing insurance contracts and claims history and make recommendations concerning changes, modifications, and/or additions in the terms, conditions and coverage limits thereof;
- c. Monitor DWSD's operations and loss exposures and recommend appropriate coverage changes or cost containment methods that will enhance DWSD's risk retention and/or self-funded insurance programs and to ensure optimal protection of DWSD;
- d. Prepare a strategic plan prior to entering the insurance market at each major renewal. The analysis should address historical claim trends, retention analysis, exposures, and make recommendations based on pricing, expectations, service trends, market conditions, along with a plan to promote interest in and competition for DWSD's insurance programs;
- e. Ensure that insurance, bonds and/or fiduciary coverage is placed with financially responsible insurers (A.M. Best's rating of A-VII, or better) preferably admitted to do business in the State of Michigan. Assist in fostering business relationships directly with insurance carriers to better convey DWSD's risk needs;
- f. Verify the accuracy of all rates and premiums charged and provide written verification to the risk manager or designated representative;
- g. Review policies and other documents in detail within 14 calendar days of receipt of the documents. Check the wording and accuracy of each policy, binder, certificate, endorsement or other document received from insurers. Ensure that the intended

coverage is provided, all coverage, terms, conditions and other wording is complete and accurate, and in compliance with financial arrangements and administrative procedures acceptable to DWSD;

- h. Provide a comparative analysis for variances in cost, coverage, exposure data, and a comparison of insurance specifications vs. insurance policies, including endorsements and coverage exceptions to be included in issued policies;
- i. Assist, as needed, in the preparation of insurance applications. Compile and format support information needed and requested by insurance company underwriters. Compile and maintain historical underwriting information. Obtain insurance market coverage options and premium quotes. Present market coverage options and premium quotes to DWSD at least 30 calendar days before the requested coverage date, acknowledging that some policies may require more extensive lead times. Presentations will include an outline of insurance policy (endorsement) coverage and exclusions and a summary report of all marketing activity;
- j. Submit promptly, without reminders by DWSD, the original and one complete copy of all policies and endorsements to DWSD no later than 30 calendar days after the requested coverage date;
- k. Provide copies, if requested by DWSD, of all declination letters and all premium quotations received with a summary of coverage explaining deficiencies or benefits of those quotes compared to the recommended insurance program;
- l. Review, validate, and approve all premium invoices and billings regarding insurance policies and endorsements;
- m. Assist DWSD in handling any large complex or catastrophic losses;
- n. Provide immediate notification to DWSD of any local, state, or Federal legislative activity or any insurance industry activity or changes that might impact DWSD's operations;
- o. Provide annual loss run reports, a total cost of risk analysis, and a summary of services performed to DWSD. These reports must be in a format suitable for consumption by DWSD leadership and the Board of Water Commissioners (e.g., devoid of jargon and acronyms). The report shall include insurance industry conditions, trends, benchmarks, and anticipated changes;
- p. Assist in obtaining loss control/prevention services that are offered by its various insurance companies or as requested by DWSD in cooperation with its Safety Managers. These services should include but not be limited to premises and operations inspections, safety recommendations, and training and assistance in the design of specialized programs that are tailored to DWSD's needs;

- q. Issue, record, and track insurance certificates and endorsements requested or issued on behalf of DWSD. Insurance certificates are to be issued only with the approval of DWSD's risk manager or designated individual;
- r. Be available to meet periodically as requested with Risk Management or other authorized personnel. Annual strategy sessions for the larger insurance policies (e.g., Property) will be mandatory;
- s. Assist DWSD staff, as necessary, with filing claims. Work with outside claim adjusters as necessary. Represent the interests of DWSD in policy interpretation and other negotiations with insurance carriers;
- t. Comply with all State and Federal laws and regulations pertaining to insurance brokers licensed in the State of Michigan; and

(End Exhibit A)

EXHIBIT B

FEE SCHEDULE

I. General

The Contractor shall, in accordance with the terms and conditions of this Contract, be paid for those Services performed, inclusive of any reimbursable expenses, an amount not to exceed the sum of Six Hundred Eight Thousand and 00/100 Dollars (\$608,000.00) as follows:

Year 1: an amount not to exceed the sum of Two Hundred Twenty Three Thousand and 00/100 Dollars (\$223,000.00); and

Year 2: an amount not to exceed the sum of One Hundred Ninety Thousand and 00/100 Dollars (\$190,000.00); and

Year 3: an amount not to exceed the sum of One Hundred Ninety-Five Thousand and 00/100 Dollars (\$195,000.00).

II. Reimbursable Expenses

There are no reimbursable expenses provided for in this Contract.

(End Exhibit B)

EXHIBIT C

ARS US BUSINESS TERMS

For the purposes of this Exhibit C, Contractor shall be referred to as “ARS”, “We”, “Us” or “Our”, and the City shall be referred to as “Client”, “You” or “Your”.

As Your broker of record, We commit to the timely and thorough disclosure of placement strategies, marketing options and broking results. The services We provide to You, Our client will be subject to these ARS U.S. Business Terms which, unless You and We agree in writing otherwise, are applicable to Our services to You.

Our Services

We deliver Our services based on the information You give Us or which is given to Us expressly on Your behalf. In preparation for placing or renewing Your insurance coverage, We will consult with You regarding insurance market conditions, the insurers We suggest be approached, Our recommended program options to pursue, and Our marketing strategy on Your behalf. By the conclusion of the marketing process, We will provide You with written information regarding the coverage details, policy terms and conditions provided by the markets.

We will assist You in gathering and preparing the underwriting information and completing insurance applications. We rely on You for the accuracy and completeness of any information You or anyone else provides to Us on Your behalf. We will also rely on You to provide Us promptly with the information needed to deliver the services and to update any information provided where there has been a material change to that information that may affect the scope of delivery of the services, such as the nature of the risk, the insured entities, property values and descriptions of persons to be covered. Applications requiring signature will be signed by You.

We will obtain Your instructions to Us to bind specific programs based on the program proposal We provide. We expect You to carefully review all documents We give You, including binders, policies and endorsements, and to advise Us immediately if You detect any mistakes or believe the contents do not address Your needs or instructions.

ARS will administer Your relationship with insurance companies including, where applicable, issues such as billings in connection with selected programs, data reporting, and compliance with negotiated requirements.

Surplus Lines and Other Government Taxes

Insurance may not be available in the admitted marketplace for the terms and conditions specified by the Client. In such event, ARS’s insurance proposal may include one or more insurers not licensed to transact insurance in the states of exposure and such coverage may be

placed as surplus lines coverage pursuant to applicable insurance laws governing the placement of insurance with non-admitted insurers. Persons and entities insured by surplus lines insurers cannot avail themselves of the protection and recovery afforded by the state insurance guaranty funds in the event the surplus lines insurer should become insolvent. The states do not audit the finances or review the solvency of surplus lines insurers.

In some instances, these insurance placements made by ARS or its affiliates on the Client's behalf may require the payment of state surplus lines, excise or other taxes and/or fees in addition to the premium itself. ARS will endeavor to identify any such tax and/or fee in advance, but in all instances the payment of these taxes and/or fees will remain the responsibility of the Client. ARS will invoice the Client for the payment of such taxes and fees where it is ARS's responsibility to do so.

Client Responsibilities

ARS will deliver the Services based upon the information that the Client and its representatives provide. The Client is responsible for the accuracy and completeness of the information and ARS accepts no responsibility arising from the Client's failure to provide such information to ARS. ARS must receive promptly the information to deliver the Services as well as the Client's prompt updates to any information where there has been a material change which may affect the scope or delivery of the Services, such as a change in the nature of the risk, insured entities, property values and persons or entities to be covered.

To the extent that any portion of ARS's compensation, by operation of law, agreement or otherwise, becomes adjusted or credited to the Client, it is the Client's responsibility to disclose the actual net cost of the brokerage and insurance costs You have incurred to third party(ies) having an interest in such amounts.

Claims Notification to Insurers

Unless ARS has a specific signed agreement with the Client to the contrary, it is the Client's responsibility to take such steps as are necessary to notify directly those insurers whose policies may apply to any circumstances, occurrences, claims, suits, demands and losses in accordance with the terms and conditions of Your policies. ARS assumes no duty or responsibility with respect to such notifications or monitoring the Client's obligation to place insurers on notice unless undertaken in a separate written agreement. The Client may send copies of such notices to members of ARS staff for informational purposes only, but the receipt of such notice by ARS shall not create additional duties or obligations owed by ARS to the Client nor constitute notice to Your insurers.

Contract and Lease Review; General Advice

In instances where ARS provides summaries of contractual requirements or provisions, or any suggested additional or alternative wordings to any contract or lease at the Client's request, such language must be reviewed by the Client's legal advisor before You take action based upon ARS's statements. ARS does not and cannot provide legal advice as to whether the Client's insurance program covers legal obligations contained in the Client's contracts or leases. All descriptions of the insurance coverages are subject to the terms, conditions, exclusions and other provisions of the policies or any applicable regulations, rating rules or plans. Furthermore, it is understood that none of the services provided by ARS are of a legal nature and ARS shall not give legal opinions or provide legal advice or representations.

Confidentiality

ARS takes client confidentiality seriously. We have established controls to protect Your information. In addition to the terms and conditions of Article 15 of the Contract, We are willing to enter into any additional agreements as You may require for the protection of Your confidential data. The Client acknowledges and agrees that the work products provided by ARS are not to be distributed, used or relied upon by third parties without the written consent of both ARS and the Client, except as may be required by Your legal, accounting and non-insurance financial advisors who agree to be bound by this confidentiality agreement.

Intermediaries

ARS encourages its retail brokers to approach markets directly (without an intermediary) wherever possible. However, where ARS believes it is in the Client's best interest, We may recommend the use of intermediaries, including but not limited to co-brokers, sub-brokers, managing general agents/managing general underwriters, wholesale brokers, or reinsurance brokers (collectively, "Intermediary") to assist in the procurement and servicing of the Client's insurance. ARS prefers, wherever possible, to use the services of an ARS-affiliated Intermediary and ARS shall not be responsible for a non-ARS affiliated Intermediary's actual or alleged acts, errors, or omissions or those of its officers, directors or employees. Any and all compensation earned by an Intermediary in connection with the programs shall be in addition to the compensation paid to ARS and shall not be credited against the annual fee paid by the Client to ARS.

Collection and Use of Client Information

ARS gathers data containing information about Our customers and their insurance placements, as well as information about the insurance companies that provide coverage to Our customers or compete for Our customers' insurance placements. In addition to the information provided by Our customers, ARS may collect information from commercially available sources. Such information may include name, address, email address and demographic data.

This information may be shared among ARS affiliated businesses, as well as with third-party service providers acting on Our behalf. In addition to being used to provide services to ARS customers, the information may be used for business administration, business reporting, statistical analysis, marketing of ARS products or services and providing consulting or other services to insurance companies for which ARS or its affiliates may receive remuneration. ARS takes appropriate measures to protect the privacy and confidentiality of Our customers as well as to comply with applicable laws and regulations. ARS may use or disclose information about Our customers if We are required to do so by law, ARS policy, pursuant to legal process or in response to a request from law enforcement authorities or other government officials.

Due to the global nature of services provided by ARS, the personal information You provide may be transmitted, used, stored and otherwise processed outside of the country where You submitted that information. If You have questions about ARS data processing, please contact Your ARS account executive.

Use of Logos

Unless otherwise instructed by the Client, ARS will use the Client's logo, pictures, and other publicly available information to effectively market the Client's insurance programs or for use in ARS's business records.

Jury Waiver

You and We, on behalf of our parent(s), affiliates, subsidiaries, successors-in-interest, and their respective directors, officers, employees and agents ("Group(s)"), waive our rights to a trial by jury in any lawsuit or other legal proceeding against the other Group arising out of any of Our services provided to You. You and We also will not name as a defendant any individual employee, officer or director of the other Group in any lawsuit or legal proceeding.

Insurance Proposals and Summaries

ARS's insurance documents containing proposals to bind coverage, summaries of coverages, and certificates of insurance placed are furnished to clients as a matter of information for Our clients' convenience. These documents summarize proposed and placed policies and are not intended to reflect all the terms, conditions and exclusions of such policies. Moreover, the information contained in these documents reflects proposed or placed coverage as of the effective dates of the proposed policies or the date of the summaries and does not include subsequent changes. These documents are not themselves insurance policies and do not amend, alter or extend the coverages afforded by the proposed or placed policies. The insurance afforded by the proposed or placed policies is subject to all the terms, conditions and exclusions contained in such policies as they are issued by the insurers.

Insurer Solvency

While ARS only engages insurers who meet certain requirements as established by Us from time to time, We make no representation, guarantee or warranty as to the solvency or ability of any insurer to pay any amounts for insurance claims or otherwise.

Foreign Account Tax Compliance Act (FATCA)

Client acknowledges that ARS is required to act as a withholding agent on any FATCA eligible premium payments when ARS or its US licensed affiliates are responsible for the remittance of premium payments to insurers and in such instances, ARS will be responsible for gathering and validating appropriate FATCA form(s) from carriers and intermediaries involved in FATCA eligible premium payments. ARS will not act as withholding agent on premium remitted by you to any other party, including premiums paid directly to insurers, to non-US intermediaries, or to non-US Aon entities. Further, ARS will not knowingly place business with or through carriers or intermediaries that do not provide valid FATCA form(s), without your prior approval.

If Client insists on using a carrier or intermediary that is unable or unwilling to provide FATCA forms, Client will be responsible for paying any additional sums so that the mandated FATCA withholdings can be made while concurrently fulfilling Client's obligation to remit the full premium amounts necessary to effect coverage.

ARS will provide ARS's US W-9 form(s) to Client via Aon.com as directed to Client on invoices. Client agrees with and accepts delivery of such form(s) via Aon.com. ARS will not be responsible for issues arising from ARS withholding 30% of premium payments in connection with its FATCA obligations. Client agrees to work with ARS to provide information required to meet FATCA obligations.

Pricing

ARS does not and cannot guarantee the availability or price of insurance for Your risks and will not be responsible for fluctuation in the premiums charged by insurers. We will rely on You to review and approve calculation or estimation of premium and ARS is not responsible for any loss occasioned as a result of Our calculation or estimation of premium and statutory charges that may apply to Your insurance.

Mutual Limited Waiver of Liability

Neither ARS nor You, nor either of our Groups will be liable to the other Group for any indirect, incidental, special, consequential, exemplary, punitive or reliance damages (including, without limitation, lost or anticipated revenues, lost business opportunities or lost sales or profits, whether or not either Group has been advised of the likelihood of such damages) or for any attorney's fees (whether incurred in a dispute or an action against the other, or as alleged

damages that any party incurred in any insurance coverage dispute, or otherwise) arising out of services provided by ARS or any of its Group.

Standard Terms and Conditions

ARS assumes no responsibility for the adequacy or effectiveness of programs or coverages that We did not implement or place.

Any loss control services, summaries and/or surveys performed by ARS are advisory in nature and are for the sole purpose of assisting the Client in Your development of Your risk control and safety procedures. Such services and/ or surveys are limited in scope and do not constitute a safety inspection nor verify that the Client is in compliance with federal, state and local laws, statutes, ordinances, recommendations, regulations, consensus codes or other standards.

Your Limitation of Our Liability

Notwithstanding Section 2.04 and 9.01, Our liability to You, in total, for the duration of our business relationship for any and all damages, costs, and expenses (including but not limited to attorneys' fees), whether based on contract, tort (including negligence), or otherwise, in connection with or related to Our services (including a failure to provide a service) that We provide shall be limited to an aggregate amount of \$3,000,000.00.

This liability limitation applies to You, Our client, and extends to Our client's parent(s), affiliates, subsidiaries, and their respective directors, officers, employees and agents and the Great Lakes Water Authority (each a "Client Group Member" of the "Client Group") wherever located that seek to assert claims against ARS, and its parent(s), affiliates, subsidiaries and their respective directors, officers, employees and agents (each an "Aon Group Member" of the "Aon Group"). Nothing in this liability limitation section implies that any Aon Group Member owes or accepts any duty or responsibility to any Client Group Member.

Our Limitation of Your Liability

Your liability to Us, in total, for the duration of our business relationship for any and all damages, costs, and expenses (including but not limited to attorneys' fees), whether based on contract, tort (including negligence), or otherwise, in connection with or related to Your responsibilities under this Contract shall be limited to an aggregate amount of \$1,000,000.00.

This liability limitation applies to Us, ARS, and extends to Our parent(s), affiliates, subsidiaries, and their respective directors, officers, employees and agents (each an "Aon Group Member" of the "Aon Group") wherever located that seek to assert claims against You, Our Client, and Your parent(s), affiliates, subsidiaries, successors-in-interest, and their respective directors, officers, employees and agents (each a "Client Group Member" of the "Client Group"). Nothing in this

liability limitation section implies that any Client Group Member owes or accepts any duty or responsibility to any Aon Group Member.

DRAFT

CITY ACKNOWLEDGMENT

STATE OF MICHIGAN)
)SS.
COUNTY OF WAYNE)

The foregoing contract was acknowledged before me the _____ day of _____,
20 _____, by Sue F. McCormick, the Director of the Detroit Water and Sewerage Department,
on behalf of the City.

Notary Public, County of _____

State of _____

My commission expires: _____

CORPORATE ACKNOWLEDGMENT

STATE OF _____)
)SS.
COUNTY OF _____)

The foregoing contract was acknowledged before me the _____ day of _____ ,
20____, by _____ ,
(name of person who signed the contract)
the _____ ,
(title of person who signed the contract as it appears on the contract)
of _____ ,
(complete name of the corporation)
on behalf of the Corporation.

Notary Public, County of _____

State of _____

My commission expires: _____

CORPORATION CERTIFICATE OF AUTHORITY

I, _____, Corporate Secretary of
(name of corporate secretary)

_____, a _____
(complete name of corporation) (state of incorporation)

_____ corporation (the "Corporation"), **DO HEREBY CERTIFY** that the
(non-profit or for profit)

following is a true and correct excerpt from the minutes of the meeting of the Board of

Directors duly called and held on _____, and that the same is now in full force and
(date of meeting)
effect:

"RESOLVED, that the Chairman, the President, each Vice President, the Treasurer, and the Secretary and each of them, is authorized to execute and deliver, in the name of and on behalf of the Corporation and under its corporate seal or otherwise, any agreement or other instrument or document ('Contract') in connection with any matter or transaction that shall have been duly approved; and the execution and delivery of any Contract by any of the aforementioned officers shall be conclusive evidence of such approval."

FURTHER, I CERTIFY that _____ is Chairman,
_____ is President,
_____ is (are) Vice President(s),
_____ is Treasurer,
_____ is Secretary,
_____ is Executive Director, and
_____ is _____.

FURTHER, I CERTIFY that any of the aforementioned officers or employees of the Corporation are authorized to execute and commit the Corporation to the conditions, obligations, stipulations and undertakings contained in Contract No. _____ between the City and the above-referenced Corporation and that all necessary corporate approvals have been obtained in relationship thereto.

IN WITNESS THEREOF, I have set my hand this ____ day of _____, 20____.
CORPORATE SEAL
(if any)

Corporation Secretary

**For the Joint Session of:
the Finance Committee of the Board of Water Commissioners, and
the Audit Committee of the Great Lakes Water Authority**

Agenda of May 1, 2015

Item No. TBD

Meeting of May 1, 2015

Proposed Contract No. TBD

**Project Length: Three (3) Years with three (3),
one (1) year renewal options**

Amount: \$ 3,217,779 for Three (3) Years

TO: The Honorable
Board of Water Commissioners
City of Detroit, Michigan

FROM: Sue F. McCormick, Director
Water and Sewerage Department

**RE: DWSD Proposed Contract No. TBD
Human Resources Information System (HRIS)**

**May 1, 2015 Proposed Action by the
Board of Water Commissioners**

Finance Committee:

Recommend that the Board of Water Commissioners authorize the Director to execute a contract for “Human Resource Information System Software as a Service (HRIS SAS) with Ceridian (Consultant) to provide HRIS SAS at a cost not-to-exceed \$1,328,993.00 for a duration of three (3) years with three (3), one (1) year renewal options, and also authorizes the Director to take such other action as may be necessary to accomplish the intent of this vote.

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer, Terri Conerway, Organizational Development Director, and Dan Rainey, Information Technology Director, the Board of Water Commissioners authorizes the Director to **enter into Contract No. TBD, “Human Resource Information System Software as a Service (HRIS SAS) with Ceridian (Consultant) to provide HRIS SAS at a cost not-to-exceed \$3,217,779 for a duration of three (3) years with three (3), one (1) year renewal options,** and also authorizes the Director to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

Implementing the proposed payroll, timekeeping, and human resource information system is a key next step in the stand-up of the independent human resources and finance for the Detroit Water and Sewerage Department (DWSD). This initiative is within the framework established by a series of court orders from 2011 through 2013 issued by Judge Sean F. Cox of the United States District Court, Eastern District of Michigan, Southern Division in Case No. 77-71100.

This proposal completes the project initiated with staff and EMA, Inc. in 2013/14 which was paused due to staff resource commitments while the City of Detroit was in Chapter 9 bankruptcy. The proposed SAS solution combines DWSD’s unique needs for its major time, payroll, human resources, and other operational applications with a packaged software system combined with the adoption of best-practice business processes.

In addition, by selecting an independent HRIS system, planning and preparation for the Great Lakes Water Authority (GLWA) is advanced.

PROCUREMENT METHOD

As a department of the City of Detroit, the DWSD does not have many of the basic finance functions one would expect for an organization the size of DWSD. In addition, citywide HRIS systems are nonexistent, or where they do exist, are decades old and do not provide for extraction of reliable data for the most basic inquiries. While EMA, Inc. assisted DWSD with the development of system specifications in 2013/14, there was no staff capability or resources to carry out the project because that capability has never existed within DWSD. This is because the payroll function and related human resource systems are centralized within the City.

To move this project forward, an Experis consultant, Ms. Mary Pellegrino, was engaged in late September 2014 to assist the DWSD with the HRIS/payroll/timekeeping function. She worked closely with stakeholders in DWSD administrative and operating divisions and served as the project manager for understanding the needs, refining the specifications, and executing a process to select a system that employs best practices, is cost-effective, provides flexibility, allows DWSD to better manage its financial and human resources, and could be implemented in a relatively short period of time with minimal reliance on citywide resources.

From October 2014 through January 2015, research was completed, demonstrations were conducted, and customer reference calls were made for ten HRIS/Payroll vendors. It was determined that three firms best fit the needs of DWSD. After specific requirements were distributed and a formal question and answer session was held on March 4th, 2015, one (1) vendor withdrew from the project. The remaining two (2) vendors performed extensive operational demos that showcased their ability to perform the hire to retire requirements presented to them. Both firms are highly regarded and are utilized by public sector clients, including water and wastewater utilities.

On March 25, 2015 proposals were received from two (2) firms.

EVALUATIONS

Following the signing of an Ethics and Confidentiality Agreement, the evaluation teams (identified below) performed independent evaluations on the formal demonstrations performed on March 30th and 31st, 2015 and the technical proposals submitted on March 25, 2015.

The evaluation criteria consisted of technical proposals (experience, qualifications, hosting approach, implementation plan and support), functional requirements (vendor self-scoring), system demonstrations and cost.

HRIS Evaluation Panel

Technical Proposal Evaluators		
<u>Last Name</u>	<u>First Name</u>	<u>Organization</u>
Arnold	Jo	DWSD
Brinker	Janet	Oakland County
Broegman-Stinde	Angie	Oakland County
Dunlap	Isaiah	DWSD
Haves	Kathy	DWSD
King	Leslie	DWSD
Makie	Nick	Macomb County
Rainey	Dan	DWSD
Sommers	Debbie	DWSD

Demonstration Evaluators		
<u>Last Name</u>	<u>First Name</u>	<u>Organization</u>
Alexander	Tiffany	DWSD
Arnold	Jo	DWSD
Brinker	Janet	Oakland County
Broegman-Stinde	Angie	Oakland County
Clinkscales	Tina	DWSD
Conerway	Terri	DWSD
Dunlap	Isaiah	DWSD
Haves	Kathy	DWSD
King	Leslie	DWSD
LeMaster	Julie	Wayne County
Makie	Nick	Macomb County
Pellegrino	Mary	DWSD
Porter	Cheryl	DWSD
Rainey	Dan	DWSD
Sommers	Debbie	DWSD
Young	Maria	DWSD

The following table indicates the firm's scores in each category:

<u>Consultant</u>	<u>System Demonstration</u>	<u>Technical Proposal</u>	<u>Functional Requirements</u>	<u>Total Score</u>
*Maximum Points	168	1,820	1,363	3,351
Ceridian	127	968	1,259	2,354
ADP	120	873	1,196	2,189
Weights applied:	30%	35%	35%	100%

**Maximum points are based on maximum highest score multiplied by the number of evaluators with weights applied. The disparity in actual scores versus the total accounts for a combination of evaluators with information technology versus subject matter expert expertise in payroll or human resources. Evaluators were asked to not score items that were outside their scope of knowledge.*

The Technical Evaluation Committee recommends that Ceridian, the number one ranked proposer, be named as the consultant for negotiations on this contract.

PROJECT TASKS/COSTS

Pricing for SAS depends on the number of employees. Today, DWSD has approximately 1,400 employees. Preliminary, high-level estimates indicate that a bifurcated DWSD system would result in approximately 400 employees remaining with the DWSD-Retail system and approximately 1,000 employees with the Great Lakes Water Authority to operate the regional system.

Once the Technical Evaluation Team identified Ceridian as the preferred vendor, negotiations began to evaluate favorable pricing and terms. A key area identified for negotiation was the ongoing per employee per month (PEPM) fee. Ceridian was accommodating in DWSD's requests, and on April 29, 2015, agreed to a reduction from \$54.42 PEPM to \$49.92 PEPM. Using the 1,000 employee level, this is a savings of \$55,200 per year ($\$54.42 - \$49.92 \times 12 \text{ months} \times 1,000 \text{ employees}$) or 8.3% from the original proposal pricing or a total of \$165,600 over three years. In exchange, Ceridian did request an increase in implementation cost of \$35,000 as the timeline has slid. Given that the deadline is fixed, this was a reasonable request as additional resources will be needed. The PEPM is presented in the following tables.

Table 1: Original Proposal Pricing

Per Employee Per Month Cost Headcount				Next Break Point
	Scenario 1	Scenario 2	Scenario 3	
	@ 1,400	@ 1,000	@ 980	@749
Ceridian Dayforce	\$54.42	\$54.42	\$54.42	\$54.42
ADP Solution	\$51.10	\$53.16	\$53.27	\$54.84
Difference	\$3.32	\$1.26	\$1.15	(\$0.42)

Table 2: Revised Ceridian Pricing

Per Employee Per Month Cost Headcount				Next Break Point
	Scenario 1	Scenario 2	Scenario 3	
	@ 1,400	@ 1,000	@ 980	@749
Ceridian Dayforce	\$49.92	\$49.92	\$49.92	\$49.92
ADP Solution	\$51.10	\$53.16	\$53.27	\$54.84
Difference	(\$1.18)	(\$3.24)	(\$3.35)	(\$4.92)

The full cost for implementation costs of the three staffing level scenarios is attached to this report.

The Ceridian per employee per month price structure does not have a break point until a headcount of less than 500 is reached and scheduling and payroll rules remain uncomplicated.

The pricing for Ceridian has been benchmarked against DC Water Authority. That client has used Ceridian for many years and provided an unsolicited recommendation to consider Ceridian. Given that the nature of our operations is very similar, their experiences were helpful in evaluating features and implementation needs. The ADP pricing was benchmarked against a recent proposal to the City of Detroit. Both vendors provided consistent pricing structures.

HRIS PROJECT SCHEDULE/STATUS

The project schedule is outlined below. Time is critical to meet an October 1, 2015 implementation date. In particular, staff is seeking Commissioner feedback to align the new Financial Review Commission (FRC) timeline with the next scheduled Board of Water Commissioner meeting. These dates are highlighted in the table below.

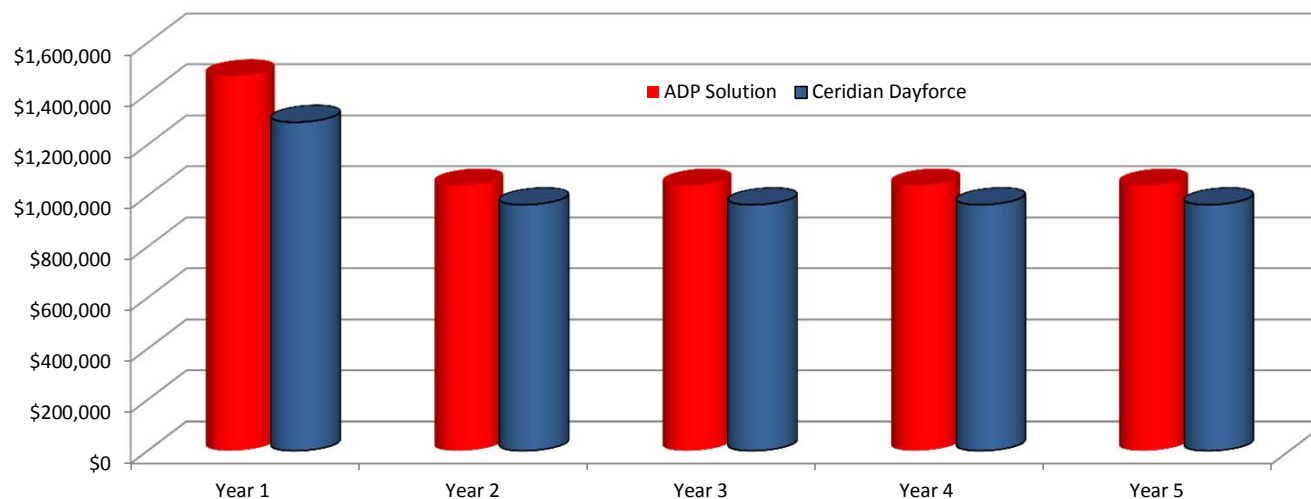
Dates (2015)	Action
Feb 23	Requirements release via Request for information (RFI) distributed to qualified vendors.
Mar 2	Deadline for firms to e-mail written questions seeking clarification of RFI, if any.
Mar 4	Mandatory pre-proposal meeting (Q & A session concurrent for all participating vendors.)
Mar 25	Vendor proposals due
Mar 26	After demonstration evaluation panel members submit signed Evaluation Team Ethics and Confidentiality Statement, Procurement personnel distributed proposals in their entirety - except for the cost matrix (i.e. fee) portion – and demonstration score sheets for preview of qualifications and technical content. Demonstration evaluation panel consisted of sixteen (16) evaluators.
Mar 30 & 31	Demonstration of software, Vendor presentations.
Apr 2	Demonstration evaluation panel submitted scores for the demonstration portion of the evaluation.
Apr 17	Technical evaluation panel submitted scores for the technical proposals submitted by vendors. The technical evaluation panel consisted of eleven (11) evaluators.
Apr 27	Procurement tabulated the completed evaluation forms and distributed summary scores to the evaluation panel. Procurement opened, tabulated, and distributed fee proposals to the evaluation panel.
Apr 29	Evaluation panel reviewed summary scores and fee proposals to achieve consensus and formulate a recommendation for Ceridian.
May 1	BOWC Finance and GLWA Audit Committee meeting
May 6	DWSD conduct negotiations
May 12	Financial Review Committee – DATE TO BE CONFIRMED
May 13	BOWC Approval
May 13	Contract issuance
May 15	Planned start work
Oct 1	Available to “Go Live”

IMPACT ON GREAT LAKES WATER AUTHORITY

This procurement contemplates assumption of the implementation activities and contract by the GLWA. This recommendation assumes DWSD-Retail System will continue to be aligned or supported by the City of Detroit’s new or existing payroll system. Both vendors committed to the creation of a general interface with the City of Detroit’s new Oracle Fusion system and/or future GLWA financial systems.

Scenario 1: DWSD TODAY @ 1,400 Headcount w/ Revised Ceridian Pricing

TCO Model @ Headcount of 1,400						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total Investment
Ceridian Dayforce	\$1,288,393	\$964,693	\$964,693	\$964,693	\$964,693	\$5,147,163
ADP Solution	\$1,469,955	\$1,041,305	\$1,041,305	\$1,041,305	\$1,041,305	\$5,635,173
Difference	\$ (181,562)	\$ (76,612)	\$ (76,612)	\$ (76,612)	\$ (76,612)	\$ (488,010)



Three year cost
for Ceridian =
\$3,217,779

Ceridian

5 Year TCO - Ceridian (1,400 Employees)

Investment Summary	Monthly Fee	Year 1	Year 2	Year 3	Year 4	Year 5	TCO
Dayforce HCM @ \$49.92 PEPM	\$69,888	\$838,656	\$838,656	\$838,656	\$838,656	\$838,656	\$4,193,280
Time Clocks	\$7,250	\$87,000	\$87,000	\$87,000	\$87,000	\$87,000	\$435,000
W2s, Interfaces, Delivery, AdminFee, Elected Benefits (HSA/FSA), Desire2Learn	NA	\$39,037	\$39,037	\$39,037	\$39,037	\$39,037	\$195,183
Implementation Fees	NA	\$323,700	\$0	\$0	\$0	\$0	\$323,700
Annual Investment	\$77,138	\$1,288,393	\$964,693	\$964,693	\$964,693	\$964,693	\$5,147,163

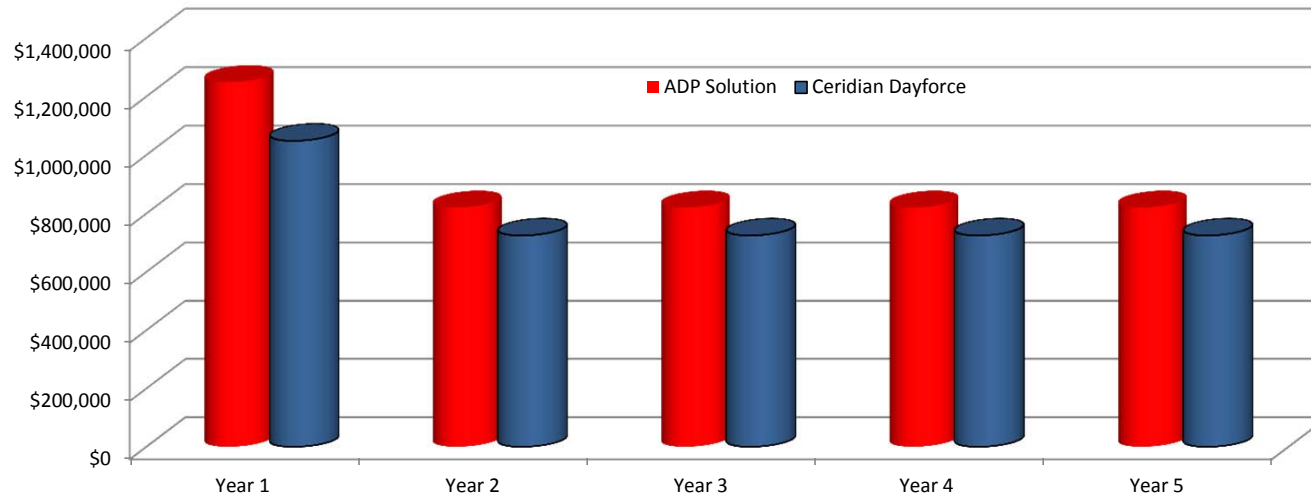
ADP

5 Year TCO ADP (1,400 Employees)

Investment Summary	Monthly Fee	Year 1	Year 2	Year 3	Year 4	Year 5	TCO
ADP Comprehensive @ \$51.10 PEPM	\$71,540	\$858,515	\$858,515	\$858,515	\$858,515	\$858,515	\$4,292,575
Time Clocks	\$8,815	\$105,780	\$105,780	\$105,780	\$105,780	\$105,780	\$528,900
W2s, Interfaces, Delivery, AdminFee, Elected Benefits (HSA/FSA), Cornerstone and Resource Navigation Position Control Suite	NA	\$77,010	\$77,010	\$77,010	\$77,010	\$77,010	\$385,048
Implementation Fees	NA	\$428,650	\$0	\$0	\$0	\$0	\$428,650
Annual Investment	\$80,355	\$1,469,955	\$1,041,305	\$1,041,305	\$1,041,305	\$1,041,305	\$5,635,173

Scenario 2: Price Break-point @ 1,000 Headcount w/ Revised Ceridian Pricing

TCO Model @ Headcount of 1,000	Year 1	Year 2	Year 3	Year 4	Year 5	Total Investment
Ceridian Dayforce	\$1,048,378	\$724,678	\$724,678	\$724,678	\$724,678	\$3,947,088
ADP Solution	\$1,249,395	\$820,745	\$820,745	\$820,745	\$820,745	\$4,532,373
Difference	\$ (201,017)	\$ (96,067)	\$ (96,067)	\$ (96,067)	\$ (96,067)	\$ (585,285)



Ceridian

5 Year TCO - Ceridian (1,000 Employees)

Investment Summary	Monthly Fee	Year 1	Year 2	Year 3	Year 4	Year 5	TCO
Dayforce HCM @ \$49.92 PEPM	\$49,920	\$598,641	\$598,641	\$598,641	\$598,641	\$598,641	\$2,993,205
Time Clocks	\$7,250	\$87,000	\$87,000	\$87,000	\$87,000	\$87,000	\$435,000
W2s, Interfaces, Delivery, AdminFee, Elected Benefits (HSA/FSA), Desire2Learn	NA	\$39,037	\$39,037	\$39,037	\$39,037	\$39,037	\$195,183
Implementation Fees	NA	\$323,700	\$0	\$0	\$0	\$0	\$323,700
Annual Investment	\$57,170	\$1,048,378	\$724,678	\$724,678	\$724,678	\$724,678	\$3,947,088

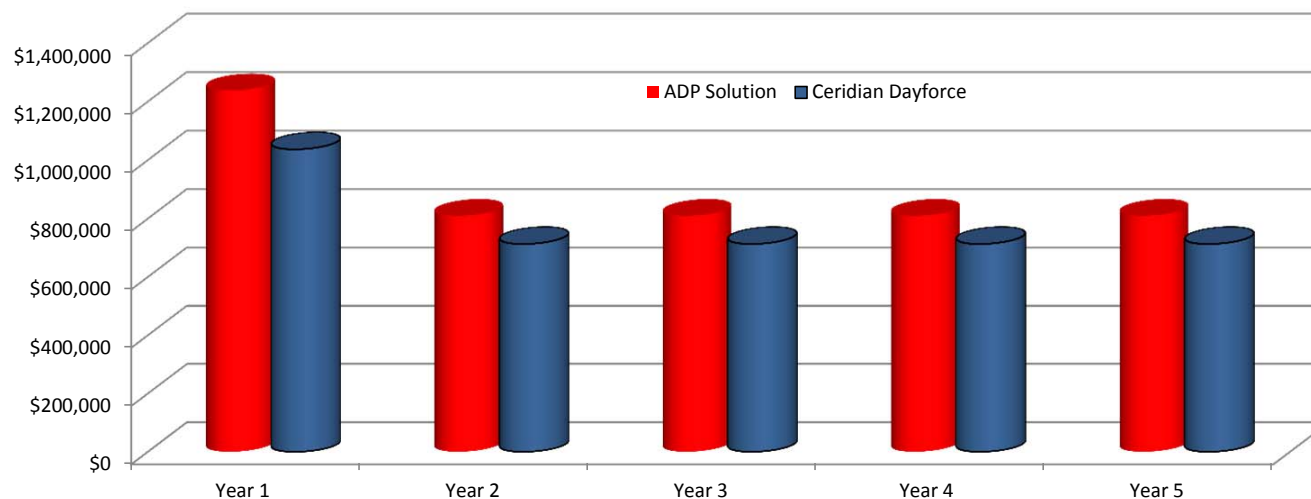
ADP

5 Year TCO ADP (1,000 Employees)

Investment Summary	Monthly Fee	Year 1	Year 2	Year 3	Year 4	Year 5	TCO
ADP Comprehensive @ \$53.16 PEPM	\$53,160	\$637,955	\$637,955	\$637,955	\$637,955	\$637,955	\$3,189,775
Time Clocks	\$8,815	\$105,780	\$105,780	\$105,780	\$105,780	\$105,780	\$528,900
W2s, Interfaces, Delivery, AdminFee, Elected Benefits (HSA/FSA), Cornerstone and Resource Navigation Position Control Suite	NA	\$77,010	\$77,010	\$77,010	\$77,010	\$77,010	\$385,048
Implementation Fees	NA	\$428,650	\$0	\$0	\$0	\$0	\$428,650
Annual Investment	\$61,975	\$1,249,395	\$820,745	\$820,745	\$820,745	\$820,745	\$4,532,373

Scenario 3: Estimated Likely Scenario @ 980 Headcount w/ Revised Ceridian Pricing

TCO Model @ Headcount of 980						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total Investment
Ceridian Dayforce	\$1,036,377	\$712,677	\$712,677	\$712,677	\$712,677	\$3,887,084
ADP Solution	\$1,237,895	\$809,245	\$809,245	\$809,245	\$809,245	\$4,474,874
Difference	\$ (201,518)	\$ (96,568)	\$ (96,568)	\$ (96,568)	\$ (96,568)	\$ (587,790)



Ceridian

5 Year TCO - Ceridian (980 Employees)

Investment Summary	Monthly Fee	Year 1	Year 2	Year 3	Year 4	Year 5	TCO
Dayforce HCM @ \$49.92 PEPM	\$48,922	\$586,640	\$586,640	\$586,640	\$586,640	\$586,640	\$2,933,201
Time Clocks	\$7,250	\$87,000	\$87,000	\$87,000	\$87,000	\$87,000	\$435,000
W2s, Interfaces, Delivery, AdminFee, Elected Benefits (HSA/FSA), Desire2Learn	NA	\$39,037	\$39,037	\$39,037	\$39,037	\$39,037	\$195,183
Implementation Fees	NA	\$323,700	\$0	\$0	\$0	\$0	\$323,700
Annual Investment	\$56,172	\$1,036,377	\$712,677	\$712,677	\$712,677	\$712,677	\$3,887,084

ADP

5 Year TCO ADP (980 Employees)

Investment Summary	Monthly Fee	Year 1	Year 2	Year 3	Year 4	Year 5	TCO
ADP Comprehensive @ \$53.27 PEPM	\$52,205	\$626,455	\$626,455	\$626,455	\$626,455	\$626,455	\$3,132,276
Time Clocks	\$8,815	\$105,780	\$105,780	\$105,780	\$105,780	\$105,780	\$528,900
W2s, Interfaces, Delivery, AdminFee, Elected Benefits (HSA/FSA), Cornerstone and Resource Navigation Position Control Suite	NA	\$77,010	\$77,010	\$77,010	\$77,010	\$77,010	\$385,048
Implementation Fees	NA	\$428,650	\$0	\$0	\$0	\$0	\$428,650
Annual Investment	\$61,020	\$1,237,895	\$809,245	\$809,245	\$809,245	\$809,245	\$4,474,874

COD & DWSD – CLOUD ERP TIMELINE, INTEGRATIONS & ASSUMPTIONS

ASTCORPORATION

Specialized. Recognized. Preferred.



AGENDA ITEM 7A

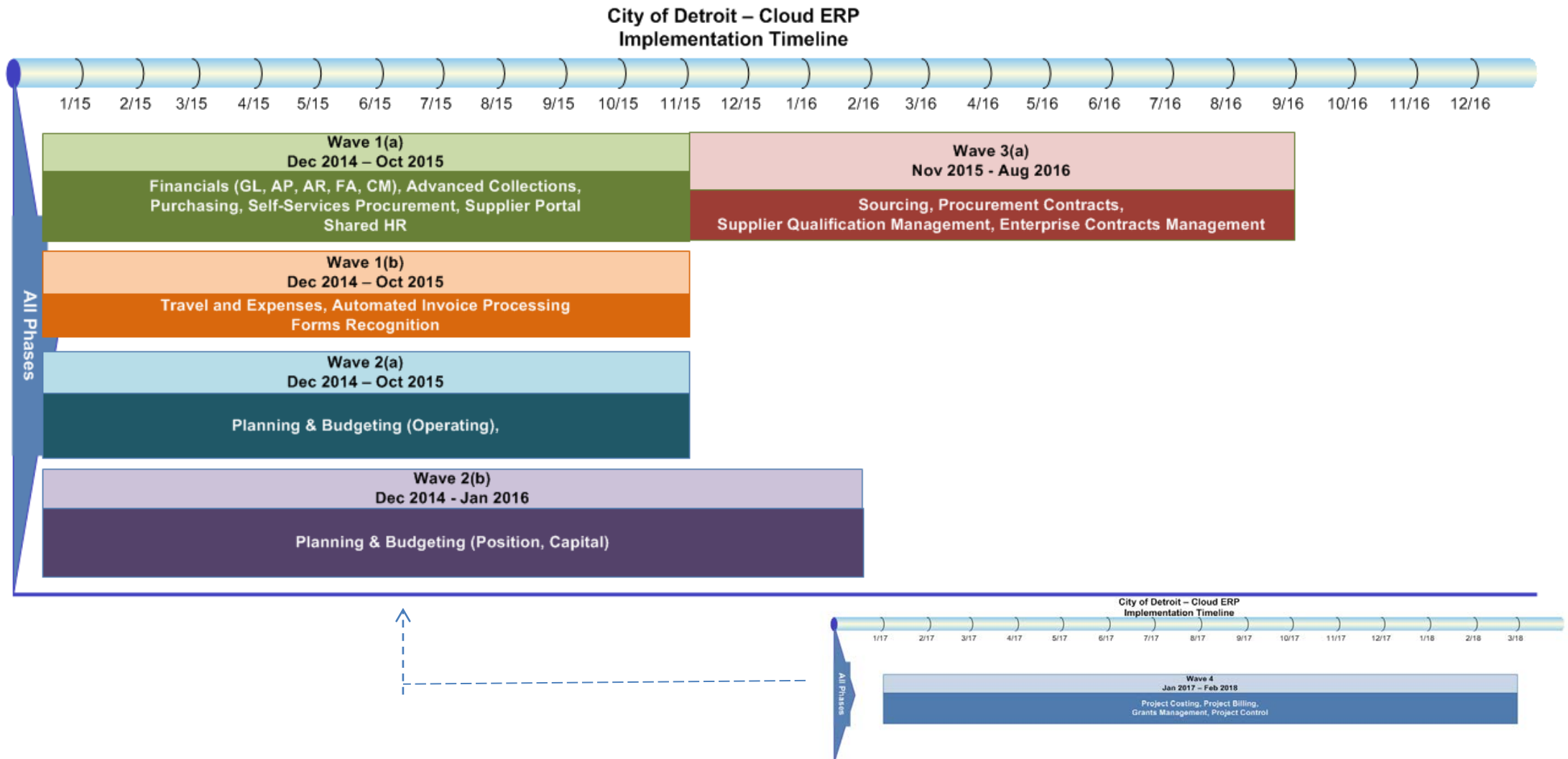
May 01, 2015



Agenda

- CoD ERP Timeline (Original)
- CoD – Cloud ERP Integrated Timeline
- Scope of this presentation
- Oracle Cloud ERP Fusion Introduction
- Options for separate GLWA & DWSD-R and implications

CoD – Cloud ERP Timeline



Projects & Grants is also moved to the current Oct-15 time line with two pilot departments Public Works and Recreation. Remaining departments will be phased in after Oct-15

CoD – Cloud ERP Integrated Timeline

DOMAIN	2015											2016				
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Q2	Q3
DRMS legacy Data Cleanup		City of Detroit and Pierce Monroe – A/R Balances, Customer Master, Fixed Assets Inventory, Vendor Master and Fixed Asset Register <i>*New activity – timing TBD</i>														
Oracle Cloud ERP Budgeting		AST Corporation - Hyperion Planning / operational budgeting (OCT 2015) <i>*Per original plan</i>														
Oracle Cloud ERP Core Financials		AST Corporation - (G/L, A/P, FA, A/R) plus Purchasing, Self-Service Procurement, Supplier Portal, Travel & Expenses, Automated Invoice Processing (OCT 2015) <i>*Per original plan</i>														
Oracle Cloud ERP Project Portfolio Management		AST Corporation - Project Costing, Project Billing, Grants Management, Project Control (OCT 2015) Pilot for selected Department (TBD) <i>*Moving forward from 2018</i>														
UltiPro / HR Recruiting, Core, T&A		Ultimate Software – Recruiting / Onboarding, Core HRIS, Time & Attendance (DEC 2015) <i>*Per original plan</i>														
UltiPro / HR Payroll		Ultimate Software - Payroll (JAN 2016) <i>*Per original plan</i>														
Oracle Cloud ERP Budgeting		AST Corporation - Hyperion Planning / Position Budgeting and Capital Expense Budgeting (JAN 2016) <i>*Per original plan</i>														
UltiPro / HR Performance Management		Ultimate Software – Performance and Compensation Management, Training (APR 2016) <i>*Per original plan</i>														
Oracle Cloud ERP Sourcing, Procurement												AST Corporation - Sourcing, Procurement Contracts, Supplier Qualification Management, Enterprise Contracts Management (SEP 2016) <i>*Per original plan</i>				

Scope of this presentation

- Interim solution for GLWA-W & DWSD-R post Oct-15 until a new system is determined
- Interim Approach to include DWSD in CoD Cloud ERP system Post Split (July-15)

Oracle Cloud ERP

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DRMS to Cloud ERP Transformation

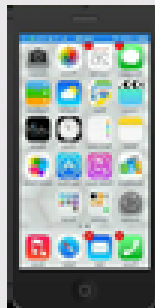
- User Interface
- Implementation Life Cycle
 - Guided Process Implementation
 - Functional Setup Manager
- Implementation Offerings for financials configurations
- Configuration Templates
- EBS Components vs. Cloud ERP
- EBS Chart of Accounts vs. Cloud ERP
- EBS GL vs. Cloud ERP
- EBS Operating Unit vs. Cloud ERP Business Units

DRMS to Cloud ERP Transformation

User Interface & User Experience

User Interface

The look and feel of an application, including the layout and interaction model.



User Experience

A complete contextual experience—an understanding of *everything* that makes up an experience for a user who works with an application: technologies, tools, business processes and flows, tasks, interactions with others, physical and cultural work environments.



Options for separate GLWA and DWSD-R Reporting

Option-1: Maintain Separate Funds(Balancing Segment), Cost Center & Activity in the COA to be used in CoD Cloud ERP leveraging one ledger and LE for GLWA, DWSD-R & CoD

Option-2: Establish a separate Legal Entity & Ledger for GLWA in CoD Cloud ERP

Option-3: Establish separate Cloud Instances for GLWA & CoD

Option-4: Establish separate Cloud Instances for GLWA/DWSD-R & CoD leveraging separate Legal Entities, Business Units and Ledgers

Option-1 IMPLICATIONS FOR GLWA

- GLWA and CoD will be in the same enterprise structure and Business Unit. What this means is that GL, AP and AR are common for both organizations
- Going forward, financial statements that need to be run separately for these two entities need a way of identifying balancing segments that corresponds to each entity
- Since AR and AP are the same, cash flow and disbursements can only be reported if the GL String is considered as part of reporting (custom reports may need to be configured)
- Based on Floyd's research and communication with John Naglick, there are no GASB implications for keeping two separate organizations in the same software
- Approx. 15 Interfaces with DRMS are being re-purposed into Cloud ERP from DWSD systems including WAM
- DWSD will continue to send GL transactions to Cloud ERP from PPS. No project info is required in the interim



Questions



Thank You!



City of Detroit
Water & Sewerage Department
Financial Services Group

Date: April 30, 2015

To: Board of Water Commissioners (BOWC) Finance Committee

From: Nicolette Bateson, CPA, Chief Financial Officer

Re: Agenda # 7H - Appointment of Technical Financial Advisor for 2015 Bond Transactions
Agenda # 7I - Appointment of Securities Legal Advisor for 2015 Bond Transactions

A key precedent to the stand-up of the Great Lakes Water Authority (GLWA) is achieving bondholder consent to pivot the obligor of DWSD bonds to the GLWA. In addition, DWSD is contemplating the issuance of refunding bonds before the close of FY 2015. Given the unique circumstances surrounding these transactions, it is recommended that the BOWC avail itself of both legal and financial advisors outside of those engaged in the transaction.

Staff has reached out to the two advisors who served the BOWC in this manner related to 2014 bond transactions. Both have indicated an interest and availability to again serve in that capacity.

Proposed Action: The Finance Committee recommends that the Board of Water Commissioners engage Mr. Ted Sobel of Ramirez & Company as technical financial advisor to the Board of Water Commissioners for the 2015 bond transactions and authorize staff to execute a contract through the Office of the Chief Compliance & Administrative Officer and General Counsel.

Proposed Action: The Finance Committee recommends that the Board of Water Commissioners engage Mr. D. Richard McDonald of Dykema as technical financial advisor to the Board of Water Commissioners for the 2015 bond transactions and authorize staff to execute a contract through the Office of the Chief Compliance & Administrative Officer and General Counsel.



City of Detroit
Water & Sewerage Department
Financial Services Group

Date: April 30, 2015

To: Board of Water Commissioners (BOWC) Finance Committee

From: Nicolette Bateson, CPA, Chief Financial Officer

Re: Resolution of Interagency Activity between City of Detroit and DWSD

During the course of the past two years, the DWSD has addressed a number of long-standing, unresolved matters in the accounting books and records. One of the more challenging issues is several years of interagency activity between the City of Detroit general and other funds with the water and sewer funds. With the final entries for FY 2014 being entered, both City and DWSD teams have met to address a long list of unresolved interagency activity matters. There were two material issues. For DWSD it was central staff services and for the City it was an allocation for the WorkBrain payroll system implementation cost of \$8,162,024 from FY 2011.

WorkBrain: Attached is a memo and analysis from Mr. Roger Short, CPA which addresses the WorkBrain matter. There were no memos or documents in DWSD files that indicate that DWSD objected to this interagency charge. Institutional memory within DWSD indicates that there was a hesitancy related to the WorkBrain allocation that centered on the time clock component of the project. Review of the supporting documentation does not indicate that these costs include time clocks.

Central Services Staff: In an effort to resolve the central staff services cost allocation, the City engaged E&Y in January 2015 to perform an analysis. The result was a reduction of the FY 2014 allocation to approximately \$5.4 million which is lower than the prior year and appears reasonable given the data limitations. With this revised analysis and a sundry list of other items, the proposal from the City on resolution of these matters is reasonable.

Net effect: The impact to DWSD as of June 30, 2014 is a net expense of \$1.3 million which will be record for FY 2014. Further, the City and DWSD are willing to record both the revenue and expense as well as clear out the balance sheet accounts at June 30, 2014. This will ensure that FY 2015 starts with a clean slate. Given the materiality and nature of the WorkBrain purchase, DWSD requests authorization from the BOWC to finalize this matter.

Going Forward: The several years' backlog of interagency reconciliations is symptomatic of the lack of qualified staff and/or staff that is authorized to resolve matters when they arise at both

the DWSD and the City. With the DWSD Finance Transformation and the City of Detroit's Office of the Chief Financial Officer restructuring, both entities will be poised for improved record keeping and financial management. Given the potential for expanded shared services in the future and cost sharing, it is critical that these matters be addressed in a timely manner.

Proposed Action: The Finance Committee recommends that the Board of Water Commissioners authorize the Chief Financial Officer of the Water & Sewerage Department to clear aged interagency activity with the City of Detroit, including an allocation of \$8,162,024 from FY 2011 for the purchase of the WorkBrain payroll and timekeeping system which will be recorded in FY 2014 and other actions necessary to resolve this matter.



1301 Third Street • Suite 328 • Detroit, MI 48226 • 313-224-7238 phone • 313-224-4998 fax

April 30, 2015

To: Nicolette N. Bateson, CPA
Chief Financial Officer
Detroit Water & Sewerage Department

From: Roger Short, CPA
Working on Behalf of Gary Brown

A handwritten signature in black ink, appearing to be 'Roger Short', is written over the 'From' line and extends into the 'Re' line.

Re: Workbrain Allocation Methodology

One of the outstanding issues related to the preparation and release of the City's Comprehensive Annual Finance Report for the fiscal year ending June 30, 2014 was the allocation of the cost of installation of Oracle's 11i. The City proposed that the allocation of the cost be based on the number of employees in each department in the fiscal year 2011 when 11i was installed.

DWSD had 2,123 employees out of a total city workforce of 11,824 or approximately 17.96% of the total work force population. I have attached the documentation that supports the allocation.

Based on these calculations DWSD was allocated \$8,162,024 of the \$45,458,204 total cost of installation.

I hope this information provides adequate support for you and your Financial Team.

Thank you and your staff for their assistance in resolving this issue.

Hardware/Software Costs

Capital Costs¹
Worktrain (hardware and software)
Total

Department	Cost of Asset	DWSD Portion	Allocation Methodology
HR/ITS	\$ 18,140,718	\$ 3,257,167	Number of Employees
	\$ 18,140,718	\$ 3,257,167	

Upgrade Costs²

Oracle (HRMS)
Oracle (DRMS)
Total

Department	Upgrade Cost	DWSD Portion	Allocation Methodology
HR	\$ 19,376,868	\$ 3,479,118	Number of Employees
Finance	7,940,618	1,425,738	Number of Employees
	\$ 27,317,486	\$ 4,904,856	

Total DWSD Transition Payment

\$ 8,162,024

$$0.1796 \times 18,140,718 \approx 3,257,167$$

$$0.1796 \times 27,317,486 \approx 4,904,856$$

Schedule 16
City of Detroit, Michigan
Operating Information - Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

FUNCTION/PROGRAM	FTE Employees as of June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Governmental Agencies										
Executive Agencies										
Arts	-	-	-	-	-	1	1	1	1	1
Budget	16	20	23	22	23	23	28	28	31	29
Building and Safety	235	258	276	296	296	299	294	302	302	285
Civic Center	-	-	33	35	35	59	70	89	85	84
Consumer Affairs	-	-	-	-	-	14	13	17	18	20
Cultural Affairs	-	-	-	-	-	-	10	14	5	5
Public Works	639	649	737	750	748	873	1,226	1,314	1,420	1,290
Workforce Development	73	113	99	91	98	90	79	81	83	82
Environmental	3	10	51	53	51	21	23	29	27	10
Finance	266	285	310	327	310	298	402	506	525	498
Fire-Civilian	7	7	18	6	-	442	442	440	426	413
Fire-Uniform	1,323	1,348	1,388	1,438	1,479	1,069	1,281	1,286	1,368	1,374
General Services	447	481	528	676	670	-	-	-	-	-
Health & Wellness Promotion	243	262	317	348	335	434	505	568	579	552
Historical	-	-	-	-	-	6	24	39	41	33
Human Resources	176	171	168	175	179	174	232	266	285	361
Human Rights	8	-	12	13	7	7	19	25	21	25
Human Services	85	95	91	117	122	128	145	142	149	138
Information Technology Services	46	65	92	99	105	94	112	124	139	133
Law	105	113	122	127	134	140	180	195	191	206
Mayor's Office	52	63	74	108	107	59	97	100	96	86
Planning and Development	154	160	173	172	181	197	239	255	253	265
Police-Civilian	305	317	309	387	373	427	445	514	542	567
Police-Uniform	2,890	2,971	3,379	3,034	3,126	3,162	3,658	3,867	3,981	4,243
Communication and Creative Services	-	-	-	-	-	-	21	17	17	18
Public Lighting	123	160	206	225	217	228	254	281	299	279
Recreation	510	508	385	471	464	399	465	638	728	513
Senior Citizens	-	-	3	-	-	5	8	9	11	9
Youth	-	-	-	-	1	-	-	-	-	4
Zoological Institute	-	-	-	1	-	86	194	213	223	151
Administrative Hearings	6	9	6	6	5	5	4	-	-	-
Homeland Security	2	1	5	5	5	4	6	-	-	-
Housing	3	3	3	3	3	3	3	179	246	314
Legislative Agencies										
Auditor General	15	17	18	21	18	18	16	26	19	10
Board of Zoning Appeals	12	12	12	13	15	11	13	15	15	7
City Council	61	74	97	90	91	92	104	108	106	98
Ombudsman	7	11	11	10	7	6	9	11	13	10
City Clerk	20	22	23	25	25	27	30	31	27	28
Elections	51	55	102	68	60	65	74	75	83	70
Judiciary Agency										
36th District Court	35	33	33	32	31	31	31	31	31	31
Other Agencies										
Non-Departmental	20	21	33	44	37	41	44	29	26	28
Library	371	450	466	460	457	457	463	457	477	362
Total General Governmental Agencies	8,309	8,764	9,603	9,748	9,815	9,495	11,264	12,322	12,889	12,632
Enterprise Agencies										
Airport	8	9	10	11	11	13	22	26	39	33
Department of Transportation	1,292	1,351	1,514	1,512	1,562	1,530	1,588	1,748	1,779	1,750
Municipal Parking	92	97	104	109	114	108	108	118	123	119
Water and Sewage Disposal	2,123	2,081	2,189	2,260	2,224	2,311	2,592	2,735	2,942	2,946
Total Enterprise Agencies	3,515	3,538	3,817	3,892	3,911	3,962	4,310	4,627	4,883	4,848
Grand Total	11,824	12,302	13,420	13,640	13,726	13,457	15,574	16,949	17,772	17,480

Source: City of Detroit, Michigan, Human Resources Department

$$\frac{2,123}{11,824} = .1796$$

CITY OF DETROIT
 Book: CITY OF DETROIT
 From Date Placed in Service: 01-JUL-2007
 To Date Placed in Service: 01-APR-2013
 Starting COST CENTER: 359950
 Ending COST CENTER: 359950
 FUND: 1095
 COST CENTER: 359950

Asset Inventory Report

Report Date: 04-APR-2013 13:52
 Page: 2 of 4

Initials: _____

Owner	Location	Asset - Description	Units	Serial Number	Tag Number	Net Book Value	Current Cost	New
		DATA FOR LOCAL NETWORK CHANNELS 10 AND 22.						
		084906 - Adobe Software-Windows/MAC, Media Kits, Monitors, Keyboard, Mouse	1		084906	7,474.11	9,152.00	New
		084907 - EQUIPMENT-full monitoring capability-Ch 10 & 22 via runs from 8th-3rd floors.	1		084907	4,764.00	4,764.00	New E
		084908 - 2 Black magic Analog to Digital Mini Converters	1		084908	1,571.00	1,571.00	New E
		084928 - SD VIDEO INTERFACE MODULE FOR STREAMING SERVER AND FUNCTIONAL	1	SN0013341	084928	1,270.94	1,510.00	New
		84910 - Monitor	1	V-R171-IMD-HDS	84910	2,413.85	2,413.85	New E
		Location COLEMAN A YOUNG MUNICIPAL CTR-2 WOODWARD AVENUE-333-N				49,152.59	57,921.19	
COLEMAN A YOUNG MUNICIPAL CTR-2		082409 - WORKERRAIN TIME CAPTURE PORTION OF ORACLE PAYROLL SYSTEM	1		082409	1,511,726.50	18,140,718.00	New
WOODWARD AVENUE-N/A-N/A-NON DEPARTMENTAL		082410 - ORACLE PAYROLL	1		082410	7,427,799.40	19,376,868.00	New
		Location COLEMAN A YOUNG MUNICIPAL CTR-2 WOODWARD AVENUE-N/A-N				8,939,525.90	37,517,586.00	
COLEMAN A YOUNG MUNICIPAL CTR-333-N/A-		084732 - TEMPORARILY DISMANTLE BROADCAST SYSTEM - INVOICE # 4762	1		084732	16,443.95	23,215.00	New
		Location COLEMAN A YOUNG-COLEMAN A. YOUNG MUNICIPAL CTR-333-N				16,443.95	23,215.00	

Book: CITY OF DETROIT
 From Date Placed in Service:
 To Date Placed in Service:
 Starting Cost Center: 359950
 Ending Cost Center: 359950
 FUND: 1095
 COST CENTER: 359950

Initials: _____

Owner	Location	Asset - Description	Units Serial Number	Tag Number	Net Book Value	Current Cost	New
DEPARTMENTAL							
-CABLE							
COMMISSION							
COLERAN A.		019996 - PROJECTOR, LCD	1 00001544	019996	0.00	9,260.94	New
YOUNG-							
COLERAN A.		Location COLERAN A. YOUNG-COLERAN A. YOUNG MUNICIPAL CTR-526-N			0.00	9,260.94	
YOUNG							
MUNICIPAL							
CTR-526-N/A-							
INFORMATION							
TECHNOLOGY							
SERVICE-N/A							
COLERAN A.		011055 - LABOR COSTS ONLY	1	011055	0.00	7,940,617.62	New
YOUNG-		FOR DRMS 111					
COLERAN A.		UPGRADE/CAPITAL ASSETS					
YOUNG		INSTALLATION					
MUNICIPAL		011056 - DRMS NOTEX	1	011056	0.00	515,000.00	New
CTR-628-N/A-		SOFTWARE, FINANCIAL					
MCN		REPORTING ANALYSIS					
DEPARTMENTAL		APPLICATION					
-DRMS							
		Location COLERAN A. YOUNG-COLERAN A. YOUNG MUNICIPAL CTR-628-N			0.00	8,455,617.62	
COLERAN A.		022306 - SYSTEM, COMPUTER	1 602030711AY	022306	1,121.00	1,121.00	New E
YOUNG-							
COLERAN A.		Location COLERAN A. YOUNG-COLERAN A. YOUNG MUNICIPAL CTR-628			1,121.00	1,121.00	
YOUNG							
MUNICIPAL							
CTR-628							
1-N/A-MCN							
DEPARTMENTAL							

0.00 7,940,617.62 New



City of Detroit
Water & Sewerage Department
Customer Service

DT: April 29, 2015

TO: Board of Water Commissioners (BOWC) Finance Committee

FM: Darryl Latimer, Deputy Director/Chief Customer Service Officer

RE: March 2015 Customer Service Division Report

Update - Accounts Turned Off / On (894 Contractor and DWSD Staff)

- April 1, 2014 through March 31, 2015 --- 38,109 accounts have been turned off and 21,469 accounts were turned on.
- March 1, 2015 through March 31, 2015 --- 2,675 accounts have been turned off and 1,416 accounts were turned on.

The Department increased its efforts of collecting on past due commercial accounts and accounts suspected of illegal usage. For the period of January 2015 to April 18, 2015, 338 commercial shut offs were completed, and an additional 439 are facing possible shut off this month. Shut offs for illegal usage have been progressing. From January 2015 to April 11, 2015, a total of 5,794 accounts were shut off for illegal usage.

DWSD Assistance Programs

The following are assistance programs available for residential customers with affordability issues:

The **Detroit Water Fund Program** is a partnership between DWSD and United Way for Southeastern Michigan. There are 1,856 approved applicants to receive assistance with a total fund liability of \$602,173.

Enrollment in the Detroit Water Fund is temporarily on hold until the Mayor's new "Detroit Water Fund" is launched. Eligibility in the new program remains the same; however, the fund will now pay 50% of arrears and 25% towards future bills of eligible customers who have balances of \$300 - \$2,000. Also, those customers that were previously enrolled in the DWF and defaulted out of the program are eligible to re-apply for assistance.

The **Detroit Residential Water Assistance Program (DRWAP)** is a joint venture between DWSD and The Heat and Warmth Fund (THAW). There are 792 customers enrolled in DRWAP with allocated funding of \$763,664.00 of the \$800,000 available. Funds left for distribution are \$36,336.00.

In addition to the two joint assistance programs, DWSD has 31,244 active **Payment Plan Agreements** with a combined balance of \$25,822,284.07.



City of Detroit
Water & Sewerage Department
Customer Service

Storm Water Drainage Update

DWSD will be developing a comprehensive program for managing storm water drainage issues, including modification to the existing storm water drainage charges and the addition of green credits. The Storm Water Drainage Program Team is being led by DWSD Executive Management and assisted by departmental support staff and technical consultants.

The Storm Water Drainage Program Team working groups were assigned the task of developing at least two alternative rate models by January 2015. Additionally, this working group also has the task of resolving current storm water drainage related issues for major DWSD retail customers.

DWSD will seek guidance from the Mayor's Office and input from the Retail Steering Committee. DWSD's plan is to have a revised storm water rate methodology completed in time for the FY 2015/16 rate year.

A draft Storm Water Launch Plan has been developed and is being updated. Next steps include engaging individual team members for review and feedback. There is a collaborative effort between the Mayor's Office staff and Tetra Tech that is leading this effort. During the month of February 2015, the final storm water data clean-up requirements and resource assignment took place. Project Innovations will continue facilitating the process, along with other related tasks.

Tetra Tech has developed a work plan to assist the department in addressing the remaining data clean-up issues, and has begun assisting in that effort. The Storm Water Team, facilitated by Project Innovations, continues to meet and is making progress in addressing issues and clarifying the roll-out strategy.

The Storm Water Team continues to meet and discuss various storm water related issues. Progress is being made in the development of the proposed rate methodology, customer engagement and outreach, along with the project roll-out plan.