



**Great Lakes Water Authority
Audit Committee**

Meeting Agenda

Friday, October 16, 2015 at 11:00 a.m.

5th Floor Board Room, Water Board Building
735 Randolph Street, Detroit, Michigan 48226
GLWater.org

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
 - A. October 2, 2015
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
 - A. Presentation of Proposed Bifurcated FY 2016 Budget for GLWA
Presenter: Jenny Casler, CPA, Financial Planning & Analysis Manager, DWSD
Proposed Action: Receive report and schedule second review.
 - B. Presentation of Second Review Draft Procurement Policy
Presenter: Butch Johnson, Procurement Director, DWSD and Joan Byrne, Procurement Management Professional, DWSD
Proposed Action: Recommend that the Great Lakes Water Authority Board adopt the procurement policy with an immediate effective date.
 - C. Presentation of Second Review Draft Investment Policy
Presenter: Cynthia Kushner, CPA, Treasury Manager, DWSD
Proposed Action: Recommend that the Great Lakes Water Authority Board adopt the investment policy with an immediate effective date.
7. NEW BUSINESS
 - A. Presentation of Risk Management Standup Activities for GLWA
Presenter: Michael Tilley, CPA, Risk Manager, DWSD
Proposed Action: Receive report.
 - B. Proposed Procurement of Utility Billing and Cash Receipting Software
Presenter: Cindy Cezat, CPA, Financial management Professional, DWSD
Proposed Action: Motion that the Audit Committee recommend to the Great Lakes Water Authority Board to authorize staff to negotiate a contract with

BS&A in an amount not to exceed \$63,280 for Utility Billing and Cash Receipting modules including implementation and training and to authorize the Interim Chief Executive Officer to execute that contract and take any other steps necessary to carry out this action, and further, to authorize the expenditure for the additional server and database licenses of \$9,000 for a total allocation of transitional services costs of \$72,280.

C. Proposed Position Statement Regarding FY 2015 Audit

Presenter: Nicolette Bateson, CPA, Interim GLWA Treasurer/CFO & DWSD CFO

Proposed Action: Audit Committee recommends that the Great Lakes Water Authority Board approve the Position Statement Regarding FY 2015 Audit.

8. COMMUNICATIONS

A. ERP and HRIS/Payroll Implementation Verbal Update

– Dan Rainey, IT Director, DWSD

B. Chief Financial Officer Verbal Update

- Work Plan Review; Schedule Future Committee Meeting Dates

9. OTHER MATTERS

10. ADJOURNMENT



**Great Lakes Water Authority
Audit Committee**

Meeting Agenda

Friday, October 2, 2015 at 8:00 a.m.

5th Floor Board Room, Water Board
Building 735 Randolph Street, Detroit,
Michigan 48226 GLWater.org

MINUTES

1. CALL TO ORDER

A. Chairman Brian Baker called the meeting to order at 8:01 AM.

2. ROLL CALL

A. Brian Baker, Robert Daddow, and Joseph Nardone

3. APPROVAL OF AGENDA

A. Chairman Baker requested approval of the agenda.

MOTION BY:

ROBERT DADDOW

SUPPORT:

JOSEPH NARDONE

ACTION:

APPROVED

4. APPROVAL OF MINUTES

A. Chairman Baker requested approval of the minutes of July 31, 2015.

MOTION BY:

ROBERT DADDOW

SUPPORT:

JOSEPH NARDONE

ACTION:

APPROVED

5. PUBLIC PARTICIPATION

A. None

6. OLD BUSINESS

A. Bondholder Consents Process and Refunding Calendar (verbal report from
Lee Donner First Southwest, DWSD Financial Adviser)

7. NEW BUSINESS

A. Customer Service Report (includes Highland Park update) (verbal
update) Presenter: Constance Williams-Levy, Customer Service
Manager, (verbal)

DWSD has 40,601 customers in active installment agreements that represents \$35,393,090.46. Customers receiving assistance from the Detroit Water Fund 2,390 customers; DWSD has over \$1 million available for assistance. Suburban communities are current or in payment plan agreements. Redford Township is 60 days past due, but there is no cause for concern. Pollutant surcharge active accounts are fine. Highland Park is with the Law Department – note, there were three payments made in the month of September totaling \$900,000.00.

B. Proposal for Financial Consulting Services

Presenter: Nicolette Bateson, Chief Financial Officer, DWSD

Chairman Baker requested a motion to recommend proposal award by GLWA Board

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

C. Presentation of Bifurcated FY 2016 Budget Methodology

Presenter: Jenny Casler, Financial Planning & Analysis Manager, DWSD

Chairman Baker requested a motion to receive report.

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

D. Presentation of Draft Procurement Policy

Presenter: Procurement Policy Committee facilitated by Joan Byrne, Procurement Management Professional and Gaylor Johnson, Procurement Manager, DWSD

Chairman Baker requested a motion to receive draft report.

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

E. Presentation of Draft Investment Policy (approved by the BOWC)

Presenter: Cynthia Kushner, Treasury Manager, DWSD

Chairman Baker requested a motion to receive draft report.

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

8. COMMUNICATIONS

- A. Recap: DWSD Financial Performance Report Presented to DWSD Audit Committee
- Sales activity and production levels report by The Foster Group

Chairman Baker requested a motion to receive report.

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

- B. ERP and HRIS/Payroll Implementation Verbal Update
- Dan Rainey, IT Director, DWSD
- C. Chief Financial Officer Update
- Nicolette Bateson, CFO, DWSD
- D. GLWA/DWSD-R Stand-up Monthly Update
- Nicolette Bateson, CFO, DWSD

Chairman Baker requested a motion to receive report.

MOTION BY:	ROBERT DADDOW
SUPPORT:	JOSEPH NARDONE
ACTION:	RECEIVE AND FILE

- E. GLWA Audit Committee Work plan and BOWC Finance Committee Coordination
- Nicolette Bateson, CFO, DWSD
- F. Update- Wholesale Customer Contract Assignments
- Jon Wheatley, Public Finance Manager

Chairman Baker requested a motion to receive report.

MOTION BY:	JOSEPH NARDONE
SUPPORT:	ROBERT DADDOW
ACTION:	RECEIVE AND FILE

9. OTHER MATTERS

- A. Public Comment reopened to the public
 - Cindy Darrah stated citizens attending Board meetings should be allowed to park for free in the DWSD Customer Service lot; she expressed concern over the amount of money spent on Security versus water quality, layoffs of chemists, and dependency on contractors.
- B. Scheduled Meetings
 - October 16, 2015 at 11:00 AM, Audit Committee
 - November 5, 2015 1:00 PM, GLWA Workshop

10. ADJOURNMENT

- A. Chairman Baker requested a motion to adjourn.

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

There being no further business, the meeting adjourned at 10:10 AM.

Date: October 16, 2015

To: Audit Committee

From: Jenny Casler, CPA

Re: GLWA FY 2016 Operational Budget (January 1, 2016 to June 30, 2016)

Background: In preparation for adopting a six-month stub-year budget for the Great Lakes Water Authority (“GLWA”), we are presenting an update and additional details in regards to the bifurcation of the fiscal year (“FY”) 2016 budget. Initial assumptions and potential modifications to the Operation and Maintenance (“O&M”) budget were presented to the Audit Committee at its October 2, 2015 meeting. Since that time, assumptions and potential modifications were presented to the Detroit Water and Sewerage Department’s (“DWSD-R”) Board of Water Commissioner’s (“BOWC”) Finance Committee at its October 12, 2015 meeting. The presentation included the entire FY 2016 budget, beyond the O&M component, as well as a request that the Finance Committee approve a budget amendment to establish a bifurcated O&M budget for DWSD-R of \$39.4M for January 1 – June 30, 2016, based on the initial combined budget allocation for the water and sewer retail funds.

Analysis: Numerous resources are working collaboratively to establish a bifurcated mid-year budget, recognizing that there are a number of fluid, concurrent work streams. For that reason, the proposed approach is to use the initial FY 2016 budget approved by the BOWC as the baseline for the bifurcated budget. There will be proposed amendments to that budget which are quantifiable to varying degrees.

The Foster Group (“TFG”) prepared the accompanying tables that illustrate the initial / approved FY 2016 budget (Table 1), adjustments to the budget based on final lease negotiations and rate design (Table 2), adjustments based on additional potential amendments that were discussed at the October 2 GLWA Audit Committee meeting (Table 3), and a stub-year budget based on six months of operations assuming equal distribution of operations on a monthly basis (Table 4).

The adjustments based on final lease negotiations and rate design (Table 2) include:

1. Modified charge structures for “non-contract” wholesale customers (GCDC and Highland Park) – *These modifications have the impact of increasing expected revenue and amounts available for revenue financed capital and/or reserve funds*

2. Negotiation of the GLWA / DWSD-R Lease, which resulted in establishment of the Budget Stabilization Fund – *Revenues from Detroit Retail customers originally targeted for revenue financed capital were effectively diverted to the Budget Stabilization Fund*
3. The City of Detroit opted to apply a portion of the Lease Payment to fund their allocated share of debt service – *This had the effect of reducing the Lease Payment targeted for funding DWSD-R capital projects.*

The stub-year budget based on the budget initially approved by the BOWC (Table 4) continues to assume that DWSD-R's portion of the combined O&M budget will be \$39.4M. As noted in our October 2 meeting, a pledge was made to stay true to the FY 2016 revenue requirement allocation. For that reason, proposed amendments are shown as impacting only the GLWA budget. Potential charges to DWSD-R for shared services are still under development, but could be a source for offsetting expenses related to DWSD-R.

Next Steps: DWSD staff, its advisors, and the DWSD-R leadership continue their weekly meetings to refine the methodology of bifurcating the budget, the potential amendments, opportunities to balance the budget, and a proposed budget amendment document. BOWC approval is expected to occur during their October 28th meeting, after which DWSD leadership will seek approval from other applicable governing bodies, including City Council and the City's Financial Review Committee ("FRC"), which is expected to be completed by November 23rd. GLWA approval of the bifurcated budget is expected to occur at its November 5th meeting.

Given the nature of the refinements underway, we ask that the Audit Committee review the initial stub-year FY 2016 budget at this time, recognizing that there will be subsequent proposed amendments when they become both known and quantifiable.

Proposed Action: Receive report and schedule a second review session by the Audit Committee prior to recommendation for adoption by the Great Lakes Water Authority Board.

FY 2016 DWSD Budget Impact Analysis (Combined Water and Sewer - \$ millions)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Baseline (Annual)			Rate Design Modifications (c)			Restated (Annual)		
Consolidated Presentation (a)	Total BUDGET \$ millions	GLWA Wholesale \$ millions	Detroit Retail \$ millions	Total BUDGET \$ millions	GLWA Wholesale \$ millions	Detroit Retail \$ millions	Total BUDGET \$ millions	GLWA Wholesale \$ millions	Detroit Retail \$ millions
Revenue									
1 Suburban Wholesale Class	569.12	569.12		2.73	2.73	-	571.85	571.85	-
2 Detroit Retail Class	349.28	206.06	143.23	(14.38)	(14.38)	-	334.90	191.68	143.23
3 Subtotal	918.41	775.18	143.23	(11.65)	(11.65)	-	906.75	763.53	143.23
4 Misc & Non-Op Revenue	14.84	5.09	9.75	-	-	-	14.84	5.09	9.75
5 Total Revenue	933.24	780.27	152.98	(11.65)	(11.65)	-	921.59	768.61	152.98
BUDGET									
6 Direct O&M Expense	355.46	276.67	78.79	-	-	-	355.46	276.67	78.79
7 Shared Services	-	-	-	-	-	-	-	-	-
8 Total "Normal" O&M Expense	355.46	276.67	78.79	-	-	-	355.46	276.67	78.79
9 Operating Pension Reimbursement	24.00	16.88	7.12	-	-	-	24.00	16.88	7.12
10 Total Operation and Maintenance	379.46	293.55	85.91	-	-	-	379.46	293.55	85.91
11 Debt Service	422.51	369.39	53.12	-	-	-	422.51	369.39	53.12
12 Non-Operating Expense	24.32	17.13	7.19	-	-	-	24.32	17.13	7.19
13 Budget Stabilization Fund	-	-	-	7.92	7.92	-	7.92	7.92	-
13 WRAP Deposit	4.59	4.59	-	(0.06)	(0.06)	-	4.53	4.53	-
14 Lease Payment	50.00	50.00	-	(22.32)	(22.32)	-	27.68	27.68	-
15 Revenue Financed Capital / Reserves	52.36	45.61	6.75	2.81	2.81	-	55.17	48.42	6.75
16 Total BUDGET Items	933.24	780.27	152.98	(11.65)	(11.65)	-	921.59	768.61	152.98
17 Balance	-	-	-	-	-	-	-	-	-
Consolidated Presentation (b)									
Revenue									
18 Suburban Wholesale Class	569.12	569.12		2.73	2.73	-	571.85	571.85	-
19 Detroit Retail Class	349.28	273.50	75.79	(14.38)	(14.38)	-	334.90	259.11	75.79
20 Subtotal	918.41	842.62	75.79	(11.65)	(11.65)	-	906.75	830.97	75.79
21 Misc & Non-Op Revenue	14.84	5.09	9.75	-	-	-	14.84	5.09	9.75
22 Total Revenue	933.24	847.71	85.54	(11.65)	(11.65)	-	921.59	836.05	85.54
BUDGET									
23 Direct O&M Expense	355.46	276.67	78.79	-	-	-	355.46	276.67	78.79
24 Shared Services	-	-	-	-	-	-	-	-	-
25 Total "Normal" O&M Expense	355.46	276.67	78.79	-	-	-	355.46	276.67	78.79
26 Operating Pension Reimbursement	24.00	24.00	-	-	-	-	24.00	24.00	-
27 Total Operation and Maintenance	379.46	300.67	78.79	-	-	-	379.46	300.67	78.79
28 Debt Service	422.51	422.51	-	-	-	-	422.51	422.51	-
29 Non-Operating Expense	24.32	24.32	-	-	-	-	24.32	24.32	-
30 Budget Stabilization Fund	-	-	-	7.92	7.92	-	7.92	7.92	-
30 WRAP Deposit	4.59	4.59	-	(0.06)	(0.06)	-	4.53	4.53	-
31 Lease Payment	50.00	50.00	-	(22.32)	(22.32)	-	27.68	27.68	-
32 Revenue Financed Capital / Reserves	52.36	45.61	6.75	2.81	2.81	-	55.17	48.42	6.75
33 Total BUDGET Items	933.24	847.71	85.54	(11.65)	(11.65)	-	921.59	836.05	85.54
34 Balance	-	-	-	-	-	-	-	-	-

(a) Reflects elements allocated to DWSD-R in the Detroit Retail column, even if they are essentially "paid" by GLWA

(b) Detroit Retail column only reflects elements to be "paid" by DWSD-R

(c) Reflects modified charges for GDCD and Highland Park, and final Lease elements and decisions by City of Detroit regarding application of Lease Payment

FY 2016 DWSD Budget Impact Analysis (Combined Water and Sewer - \$ millions)

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
	Forecast / Budget Modifications (d)			Restated (Annual)			Restated (Half-Year)		
Consolidated Presentation (a)	Total BUDGET \$ millions	GLWA Wholesale \$ millions	Detroit Retail \$ millions	Total BUDGET \$ millions	GLWA Wholesale \$ millions	Detroit Retail \$ millions	Total BUDGET \$ millions	GLWA Wholesale \$ millions	Detroit Retail \$ millions
1 Suburban Wholesale Class	-	-	-	571.85	571.85	-	285.93	285.93	-
2 Detroit Retail Class	-	-	-	334.90	191.68	143.23	167.45	95.84	71.61
3 Subtotal	-	-	-	906.75	763.53	143.23	453.38	381.76	71.61
4 Misc & Non-Op Revenue	1.60	1.60	-	16.44	6.69	9.75	8.22	3.35	4.88
5 Total Revenue	1.60	1.60	-	923.19	770.22	152.98	461.60	385.11	76.49
BUDGET									
6 Direct O&M Expense	9.25	18.98	(9.73)	364.71	295.65	69.06	182.35	147.82	34.53
7 Shared Services	-	(9.73)	9.73	-	(9.73)	9.73	-	(4.86)	4.86
8 Total "Normal" O&M Expense	9.25	9.25	-	364.71	285.92	78.79	182.35	142.96	39.39
9 Operating Pension Reimbursement	-	-	-	24.00	16.88	7.12	12.00	8.44	3.56
10 Total Operation and Maintenance	9.25	9.25	-	388.71	302.80	85.91	194.35	151.40	42.96
11 Debt Service	2.21	2.21	-	424.72	371.59	53.12	212.36	185.80	26.56
12 Non-Operating Expense	-	-	-	24.32	17.13	7.19	12.16	8.57	3.60
13 Budget Stabilization Fund	-	-	-	7.92	7.92	-	3.96	3.96	-
13 WRAP Deposit	-	-	-	4.53	4.53	-	2.27	2.27	-
14 Lease Payment	-	-	-	27.68	27.68	-	13.84	13.84	-
15 Revenue Financed Capital / Reserves	(9.86)	(9.86)	-	45.31	38.56	6.75	22.66	19.28	3.37
16 Total BUDGET Items	1.60	1.60	-	923.19	770.22	152.98	461.60	385.11	76.49
17 Balance	-	-	-	-	-	-	-	-	-
Consolidated Presentation (b)									
Revenue									
18 Suburban Wholesale Class	-	-	-	571.85	571.85	-	285.93	285.93	-
19 Detroit Retail Class	-	-	-	334.90	259.11	75.79	167.45	129.56	37.89
20 Subtotal	-	-	-	906.75	830.97	75.79	453.38	415.48	37.89
21 Misc & Non-Op Revenue	1.60	1.60	-	16.44	6.69	9.75	8.22	3.35	4.88
22 Total Revenue	1.60	1.60	-	923.19	837.66	85.54	461.60	418.83	42.77
BUDGET									
23 Direct O&M Expense	9.25	18.98	(9.73)	364.71	295.65	69.06	182.35	147.82	34.53
24 Shared Services	-	(9.73)	9.73	-	(9.73)	9.73	-	(4.86)	4.86
25 Total "Normal" O&M Expense	9.25	9.25	-	364.71	285.92	78.79	182.35	142.96	39.39
26 Operating Pension Reimbursement	-	-	-	24.00	24.00	-	12.00	12.00	-
27 Total Operation and Maintenance	9.25	9.25	-	388.71	309.92	78.79	194.35	154.96	39.39
28 Debt Service	2.21	2.21	-	424.72	424.72	-	212.36	212.36	-
29 Non-Operating Expense	-	-	-	24.32	24.32	-	12.16	12.16	-
30 Budget Stabilization Fund	-	-	-	7.92	7.92	-	3.96	3.96	-
30 WRAP Deposit	-	-	-	4.53	4.53	-	2.27	2.27	-
31 Lease Payment	-	-	-	27.68	27.68	-	13.84	13.84	-
32 Revenue Financed Capital / Reserves	(9.86)	(9.86)	-	45.31	38.56	6.75	22.66	19.28	3.37
33 Total BUDGET Items	1.60	1.60	-	923.19	837.66	85.54	461.60	418.83	42.77
34 Balance	-	-	-	-	-	-	-	-	-

(a) Reflects elements allocated to DWSD-R in the Detroit Retail column, even if they are essentially "paid" by GLWA

(b) Detroit Retail column only reflects elements to be "paid" by DWSD-R

(d) Reflects adjustments in Consent forecast and preliminary O&M budget modifications, as noted in Ms. Casler's 9/29 memorandum.

FY 2016 Comprehensive BUDGET Analysis
1 - Original BUDGET Approved by Board of Water Commissioners

	Consolidated DWSD BUDGET			BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Operation & Maintenance Expense									
1 Salaries/Wages	25,350,500	36,096,800	61,447,300	14,942,200	28,391,900	43,334,100	10,408,300	7,704,900	18,113,200
2 Overtime	5,332,200	8,023,100	13,355,300	3,027,500	6,649,300	9,676,800	2,304,700	1,373,800	3,678,500
3 Pension & Fringes	10,606,900	15,251,300	25,858,200	5,797,800	11,745,400	17,543,200	4,809,100	3,505,900	8,315,000
4 Subtotal Personnel	41,289,600	59,371,200	100,660,800	23,767,500	46,786,600	70,554,100	17,522,100	12,584,600	30,106,700
5 Contractual/Purchased Services	52,049,300	66,629,400	118,678,700	31,341,100	52,658,700	83,999,800	20,708,200	13,970,700	34,678,900
Utilities									
6 Electric	33,418,400	18,316,400	51,734,800	33,357,500	15,566,000	48,923,500	60,900	2,750,400	2,811,300
7 Gas	1,457,200	9,897,600	11,354,800	1,451,900	9,873,300	11,325,200	5,300	24,300	29,600
8 Other	763,500	3,806,500	4,570,000	756,300	3,736,300	4,492,600	7,200	70,200	77,400
9 Subtotal	35,639,100	32,020,500	67,659,600	35,565,700	29,175,600	64,741,300	73,400	2,844,900	2,918,300
10 Chemicals	8,174,500	22,284,300	30,458,800	8,173,500	22,283,800	30,457,300	1,000	500	1,500
11 Supplies & Other	15,312,900	22,688,400	38,001,300	8,728,300	18,190,500	26,918,800	6,584,600	4,497,900	11,082,500
12 Shared Services	0	0	0	0	0	0	0	0	0
13 Subtotal Non-Personnel	111,175,800	143,622,600	254,798,400	83,808,600	122,308,600	206,117,200	27,367,200	21,314,000	48,681,200
14 Subtotal O&M	152,465,400	202,993,800	355,459,200	107,576,100	169,095,200	276,671,300	44,889,300	33,898,600	78,787,900
15 Pension Reimbursement - Operating	10,300,000	13,700,000	24,000,000	10,300,000	13,700,000	24,000,000	0	0	0
16 Total O&M	162,765,400	216,693,800	379,459,200	117,876,100	182,795,200	300,671,300	44,889,300	33,898,600	78,787,900

FY 2016 Comprehensive BUDGET Analysis
1 - Original BUDGET Approved by Board of Water Commissioners

	Consolidated DWSD BUDGET			BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
<u>Debt Service</u>									
17 Senior Lien - Existing	134,908,700	144,633,400	279,542,100	134,908,700	144,633,400	279,542,100	0	0	0
18 Senior Lien - Projected	4,193,800	0	4,193,800	4,193,800	0	4,193,800	0	0	0
19 Second Lien	42,185,200	54,206,900	96,392,100	42,185,200	54,206,900	96,392,100	0	0	0
20 SRF Junior Lien - Existing	1,777,900	37,877,100	39,655,000	1,777,900	37,877,100	39,655,000	0	0	0
21 SRF Junior Lien - New	0	2,725,000	2,725,000	0	2,725,000	2,725,000	0	0	0
22 Total Debt Service	183,065,600	239,442,400	422,508,000	183,065,600	239,442,400	422,508,000	0	0	0
<u>Fixed Non-Operating Expense</u>									
23 Non-Op Pension Reimburse	9,200,000	12,200,000	21,400,000	9,200,000	12,200,000	21,400,000	0	0	0
24 B/C Note Payments	1,097,200	1,826,000	2,923,200	1,097,200	1,826,000	2,923,200	0	0	0
25 Professional Svc BK Fees	0	0	0	0	0	0	0	0	0
26 Total Fixed Non-Op Exp	10,297,200	14,026,000	24,323,200	10,297,200	14,026,000	24,323,200	0	0	0
27 Budget Stabilization Fund	0	0	0	0	0	0	0	0	0
28 WRAP Deposit	1,981,200	2,610,800	4,592,000	1,981,200	2,610,800	4,592,000	0	0	0
29 Lease Payment	22,500,000	27,500,000	50,000,000	22,500,000	27,500,000	50,000,000	0	0	0
30 Revenue Financed Capital	23,190,800	29,170,700	52,361,500	19,403,500	26,208,900	45,612,400	3,787,300	2,961,800	6,749,100
31 Total BUDGET Items	403,800,200	529,443,700	933,243,900	355,123,600	492,583,300	847,706,900	48,676,600	36,860,400	85,537,000
<u>Revenue</u>									
32 Suburban Wholesale Class	301,603,700	267,516,800	569,120,500	301,603,700	267,516,800	569,120,500	0	0	0
33 Detroit Retail Class	94,641,200	254,643,600	349,284,800	50,714,600	222,783,200	273,497,800	43,926,600	31,860,400	75,787,000
34 Subtotal	396,244,900	522,160,400	918,405,300	352,318,300	490,300,000	842,618,300	43,926,600	31,860,400	75,787,000
35 Misc & Non-Op Revenue	7,555,300	7,283,300	14,838,600	2,805,300	2,283,300	5,088,600	4,750,000	5,000,000	9,750,000
36 Total Revenue	403,800,200	529,443,700	933,243,900	355,123,600	492,583,300	847,706,900	48,676,600	36,860,400	85,537,000
<u>Debt Service Coverage</u>									
37 Senior Lien Bonds	1.73	2.16	1.95	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
38 Senior & 2nd Lien Bonds	1.33	1.57	1.46	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
39 All Bonds, Including SRF Junior	1.32	1.32	1.32	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

* Original BUDGET was not assigned to individual entities, but rather allocated to wholesale (Common-to-All) and retail (Detroit only) cost pools

Includes amounts allocable to DWSD-R in the cost allocation plan, but which remain in GLWA Funds

FY 2016 Comprehensive BUDGET Analysis

2 - Adjusted BUDGET Plan Based on Final Charge Development / Lease Negotiation

	Consolidated DWSD BUDGET			BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Operation & Maintenance Expense									
1 Salaries/Wages	25,350,500	36,096,800	61,447,300	14,942,200	28,391,900	43,334,100	10,408,300	7,704,900	18,113,200
2 Overtime	5,332,200	8,023,100	13,355,300	3,027,500	6,649,300	9,676,800	2,304,700	1,373,800	3,678,500
3 Pension & Fringes	10,606,900	15,251,300	25,858,200	5,797,800	11,745,400	17,543,200	4,809,100	3,505,900	8,315,000
4 Subtotal Personnel	41,289,600	59,371,200	100,660,800	23,767,500	46,786,600	70,554,100	17,522,100	12,584,600	30,106,700
5 Contractual/Purchased Services	52,049,300	66,629,400	118,678,700	31,341,100	52,658,700	83,999,800	20,708,200	13,970,700	34,678,900
Utilities									
6 Electric	33,418,400	18,316,400	51,734,800	33,357,500	15,566,000	48,923,500	60,900	2,750,400	2,811,300
7 Gas	1,457,200	9,897,600	11,354,800	1,451,900	9,873,300	11,325,200	5,300	24,300	29,600
8 Other	763,500	3,806,500	4,570,000	756,300	3,736,300	4,492,600	7,200	70,200	77,400
9 Subtotal	35,639,100	32,020,500	67,659,600	35,565,700	29,175,600	64,741,300	73,400	2,844,900	2,918,300
10 Chemicals	8,174,500	22,284,300	30,458,800	8,173,500	22,283,800	30,457,300	1,000	500	1,500
11 Supplies & Other	15,312,900	22,688,400	38,001,300	8,728,300	18,190,500	26,918,800	6,584,600	4,497,900	11,082,500
12 Shared Services	0	0	0	0	0	0	0	0	0
13 Subtotal Non-Personnel	111,175,800	143,622,600	254,798,400	83,808,600	122,308,600	206,117,200	27,367,200	21,314,000	48,681,200
14 Subtotal O&M	152,465,400	202,993,800	355,459,200	107,576,100	169,095,200	276,671,300	44,889,300	33,898,600	78,787,900
15 Pension Reimbursement - Operating	10,300,000	13,700,000	24,000,000	10,300,000	13,700,000	24,000,000	0	0	0
16 Total O&M	162,765,400	216,693,800	379,459,200	117,876,100	182,795,200	300,671,300	44,889,300	33,898,600	78,787,900

FY 2016 Comprehensive BUDGET Analysis

2 - Adjusted BUDGET Plan Based on Final Charge Development / Lease Negotiation

	Consolidated DWSD BUDGET			BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Debt Service									
17 Senior Lien - Existing	134,908,700	144,633,400	279,542,100	134,908,700	144,633,400	279,542,100	0	0	0
18 Senior Lien - Projected	4,193,800	0	4,193,800	4,193,800	0	4,193,800	0	0	0
19 Second Lien	42,185,200	54,206,900	96,392,100	42,185,200	54,206,900	96,392,100	0	0	0
20 SRF Junior Lien - Existing	1,777,900	37,877,100	39,655,000	1,777,900	37,877,100	39,655,000	0	0	0
21 SRF Junior Lien - New	0	2,725,000	2,725,000	0	2,725,000	2,725,000	0	0	0
22 Total Debt Service	183,065,600	239,442,400	422,508,000	183,065,600	239,442,400	422,508,000	0	0	0
Fixed Non-Operating Expense									
23 Non-Op Pension Reimburse	9,200,000	12,200,000	21,400,000	9,200,000	12,200,000	21,400,000	0	0	0
24 B/C Note Payments	1,097,200	1,826,000	2,923,200	1,097,200	1,826,000	2,923,200	0	0	0
25 Professional Svc BK Fees	0	0	0	0	0	0	0	0	0
26 Total Fixed Non-Op Exp	10,297,200	14,026,000	24,323,200	10,297,200	14,026,000	24,323,200	0	0	0
27 Budget Stabilization Fund	2,327,000	5,591,500	7,918,500	2,327,000	5,591,500	7,918,500	0	0	0
28 WRAP Deposit	1,995,000	2,538,800	4,533,800	1,995,000	2,538,800	4,533,800	0	0	0
29 Lease Payment	20,173,000	7,508,500	27,681,500	20,173,000	7,508,500	27,681,500	0	0	0
30 Revenue Financed Capital	25,922,100	29,244,500	55,166,600	22,134,800	26,282,700	48,417,500	3,787,300	2,961,800	6,749,100
31 Total BUDGET Items	406,545,300	515,045,500	921,590,800	357,868,700	478,185,100	836,053,800	48,676,600	36,860,400	85,537,000
Revenue									
32 Suburban Wholesale Class	304,333,800	267,517,200	571,851,000	304,333,800	267,517,200	571,851,000	0	0	0
33 Detroit Retail Class	94,656,200	240,245,000	334,901,200	50,729,600	208,384,600	259,114,200	43,926,600	31,860,400	75,787,000
34 Subtotal	398,990,000	507,762,200	906,752,200	355,063,400	475,901,800	830,965,200	43,926,600	31,860,400	75,787,000
35 Misc & Non-Op Revenue	7,555,300	7,283,300	14,838,600	2,805,300	2,283,300	5,088,600	4,750,000	5,000,000	9,750,000
36 Total Revenue	406,545,300	515,045,500	921,590,800	357,868,700	478,185,100	836,053,800	48,676,600	36,860,400	85,537,000
Debt Service Coverage									
37 Senior Lien Bonds	1.75	2.06	1.91	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
38 Senior & 2nd Lien Bonds	1.34	1.50	1.43	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
39 All Bonds, Including SRF Junior	1.33	1.26	1.29	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

* Original BUDGET was not assigned to individual entities, but rather allocated to wholesale (Common-to-All) and retail (Detroit only) cost pools

Includes amounts allocable to DWSD-R in the cost allocation plan, but which remain in GLWA Funds

Reflects modified items from prior versions

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THE FOSTER GROUP

PRELIMINARY

10/14/15

FY 2016 Comprehensive BUDGET Analysis

3 - Initial Annual Bifurcated BUDGET

	Consolidated DWSD BUDGET			BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Operation & Maintenance Expense									
1 Salaries/Wages	25,350,500	36,096,800	61,447,300	14,942,200	28,391,900	43,334,100	10,408,300	7,704,900	18,113,200
2 Overtime	5,332,200	8,023,100	13,355,300	3,027,500	6,649,300	9,676,800	2,304,700	1,373,800	3,678,500
3 Pension & Fringes	10,606,900	15,251,300	25,858,200	5,797,800	11,745,400	17,543,200	4,809,100	3,505,900	8,315,000
4 Subtotal Personnel	41,289,600	59,371,200	100,660,800	23,767,500	46,786,600	70,554,100	17,522,100	12,584,600	30,106,700
5 Contractual/Purchased Services	55,129,300	70,949,400	126,078,700	34,421,100	56,978,700	91,399,800	20,708,200	13,970,700	34,678,900
Utilities									
6 Electric	34,418,400	19,166,400	53,584,800	34,357,500	16,416,000	50,773,500	60,900	2,750,400	2,811,300
7 Gas	1,457,200	9,897,600	11,354,800	1,451,900	9,873,300	11,325,200	5,300	24,300	29,600
8 Other	763,500	3,806,500	4,570,000	756,300	3,736,300	4,492,600	7,200	70,200	77,400
9 Subtotal	36,639,100	32,870,500	69,509,600	36,565,700	30,025,600	66,591,300	73,400	2,844,900	2,918,300
10 Chemicals	8,174,500	22,284,300	30,458,800	8,173,500	22,283,800	30,457,300	1,000	500	1,500
11 Supplies & Other	15,312,900	22,688,400	38,001,300	8,728,300	18,190,500	26,918,800	6,584,600	4,497,900	11,082,500
12 Shared Services	0	0	0	0	0	0	0	0	0
13 Subtotal Non-Personnel	115,255,800	148,792,600	264,048,400	87,888,600	127,478,600	215,367,200	27,367,200	21,314,000	48,681,200
14 Subtotal O&M	156,545,400	208,163,800	364,709,200	111,656,100	174,265,200	285,921,300	44,889,300	33,898,600	78,787,900
15 Pension Reimbursement - Operating	10,300,000	13,700,000	24,000,000	10,300,000	13,700,000	24,000,000	0	0	0
16 Total O&M	166,845,400	221,863,800	388,709,200	121,956,100	187,965,200	309,921,300	44,889,300	33,898,600	78,787,900

FY 2016 Comprehensive BUDGET Analysis

3 - Initial Annual Bifurcated BUDGET

	Consolidated DWSD BUDGET			BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Debt Service									
17 Senior Lien - Existing	134,908,700	147,907,200	282,815,900	134,908,700	147,907,200	282,815,900	0	0	0
18 Senior Lien - Projected	4,193,800	0	4,193,800	4,193,800	0	4,193,800	0	0	0
19 Second Lien	42,185,200	49,837,300	92,022,500	42,185,200	49,837,300	92,022,500	0	0	0
20 SRF Junior Lien - Existing	2,165,400	41,955,023	44,120,423	2,165,400	41,955,023	44,120,423	0	0	0
21 SRF Junior Lien - New	0	1,562,477	1,562,477	0	1,562,477	1,562,477	0	0	0
22 Total Debt Service	183,453,100	241,262,000	424,715,100	183,453,100	241,262,000	424,715,100	0	0	0
Fixed Non-Operating Expense									
23 Non-Op Pension Reimburse	9,200,000	12,200,000	21,400,000	9,200,000	12,200,000	21,400,000	0	0	0
24 B/C Note Payments	1,097,200	1,826,000	2,923,200	1,097,200	1,826,000	2,923,200	0	0	0
25 Professional Svc BK Fees	0	0	0	0	0	0	0	0	0
26 Total Fixed Non-Op Exp	10,297,200	14,026,000	24,323,200	10,297,200	14,026,000	24,323,200	0	0	0
27 Budget Stabilization Fund	2,327,000	5,591,500	7,918,500	2,327,000	5,591,500	7,918,500	0	0	0
28 WRAP Deposit	1,995,000	2,538,800	4,533,800	1,995,000	2,538,800	4,533,800	0	0	0
29 Lease Payment	20,173,000	7,508,500	27,681,500	20,173,000	7,508,500	27,681,500	0	0	0
30 Revenue Financed Capital	21,527,700	23,783,200	45,310,900	17,740,400	20,821,400	38,561,800	3,787,300	2,961,800	6,749,100
31 Total BUDGET Items	406,618,400	516,573,800	923,192,200	357,941,800	479,713,400	837,655,200	48,676,600	36,860,400	85,537,000
Revenue									
32 Suburban Wholesale Class	304,333,800	267,517,200	571,851,000	304,333,800	267,517,200	571,851,000	0	0	0
33 Detroit Retail Class	94,656,200	240,245,000	334,901,200	50,729,600	208,384,600	259,114,200	43,926,600	31,860,400	75,787,000
34 Subtotal	398,990,000	507,762,200	906,752,200	355,063,400	475,901,800	830,965,200	43,926,600	31,860,400	75,787,000
35 Misc & Non-Op Revenue	7,628,400	8,811,600	16,440,000	2,878,400	3,811,600	6,690,000	4,750,000	5,000,000	9,750,000
36 Total Revenue	406,618,400	516,573,800	923,192,200	357,941,800	479,713,400	837,655,200	48,676,600	36,860,400	85,537,000
Debt Service Coverage									
37 Senior Lien Bonds	1.72	1.99	1.86	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
38 Senior & 2nd Lien Bonds	1.32	1.49	1.41	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
39 All Bonds, Including SRF Junior	1.31	1.23	1.26	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

* Initial bifurcated BUDGET holds constant the amounts assigned to DWSD-R, so as to honor commitment to maintain revenues (and rates) at approved levels

Includes amounts allocable to DWSD-R in the cost allocation plan, but which remain in GLWA Funds

Reflects modified items from prior version

Shared Services concept still under development

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10/14/15

FY 2016 Comprehensive BUDGET Analysis

4 - Initial Stub Year Bifurcated BUDGET

	Consolidated DWSD BUDGET			BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Operation & Maintenance Expense									
1 Salaries/Wages	12,675,300	18,048,400	30,723,700	7,471,100	14,196,000	21,667,100	5,204,200	3,852,500	9,056,700
2 Overtime	2,666,100	4,011,600	6,677,700	1,513,800	3,324,700	4,838,500	1,152,400	686,900	1,839,300
3 Pension & Fringes	5,303,500	7,625,700	12,929,200	2,898,900	5,872,700	8,771,600	2,404,600	1,753,000	4,157,600
4 Subtotal Personnel	20,644,900	29,685,700	50,330,600	11,883,800	23,393,400	35,277,200	8,761,200	6,292,400	15,053,600
5 Contractual/Purchased Services	27,564,700	35,474,700	63,039,400	17,210,600	28,489,400	45,700,000	10,354,100	6,985,400	17,339,500
Utilities									
6 Electric	17,209,200	9,583,200	26,792,400	17,178,800	8,208,000	25,386,800	30,500	1,375,200	1,405,700
7 Gas	728,600	4,948,800	5,677,400	726,000	4,936,700	5,662,700	2,700	12,200	14,900
8 Other	381,800	1,903,300	2,285,100	378,200	1,868,200	2,246,400	3,600	35,100	38,700
9 Subtotal	18,319,600	16,435,300	34,754,900	18,283,000	15,012,900	33,295,900	36,800	1,422,500	1,459,300
10 Chemicals	4,087,300	11,142,200	15,229,500	4,086,800	11,141,900	15,228,700	500	300	800
11 Supplies & Other	7,656,500	11,344,200	19,000,700	4,364,200	9,095,300	13,459,500	3,292,300	2,249,000	5,541,300
12 Shared Services	0	0	0	0	0	0	0	0	0
13 Subtotal Non-Personnel	57,628,100	74,396,400	132,024,500	43,944,600	63,739,500	107,684,100	13,683,700	10,657,200	24,340,900
14 Subtotal O&M	78,273,000	104,082,100	182,355,100	55,828,400	87,132,900	142,961,300	22,444,900	16,949,600	39,394,500
15 Pension Reimbursement - Operating	5,150,000	6,850,000	12,000,000	5,150,000	6,850,000	12,000,000	0	0	0
16 Total O&M	83,423,000	110,932,100	194,355,100	60,978,400	93,982,900	154,961,300	22,444,900	16,949,600	39,394,500

FY 2016 Comprehensive BUDGET Analysis

4 - Initial Stub Year Bifurcated BUDGET

Consolidated DWSD BUDGET				BUDGET Allocated to GLWA *			BUDGET Allocated to DWSD-R *		
	Water	Sewer	Total	Water	Sewer	Total	Water	Sewer	Total
Debt Service									
17 Senior Lien - Existing	67,454,400	73,953,600	141,408,000	67,454,400	73,953,600	141,408,000	0	0	0
18 Senior Lien - Projected	2,096,900	0	2,096,900	2,096,900	0	2,096,900	0	0	0
19 Second Lien	21,092,600	24,918,700	46,011,300	21,092,600	24,918,700	46,011,300	0	0	0
20 SRF Junior Lien - Existing	1,082,700	20,977,500	22,060,200	1,082,700	20,977,500	22,060,200	0	0	0
21 SRF Junior Lien - New	0	781,200	781,200	0	781,200	781,200	0	0	0
22 Total Debt Service	91,726,600	120,631,000	212,357,600	91,726,600	120,631,000	212,357,600	0	0	0
Fixed Non-Operating Expense									
23 Non-Op Pension Reimburse	4,600,000	6,100,000	10,700,000	4,600,000	6,100,000	10,700,000	0	0	0
24 B/C Note Payments	548,600	913,000	1,461,600	548,600	913,000	1,461,600	0	0	0
25 Professional Svc BK Fees	0	0	0	0	0	0	0	0	0
26 Total Fixed Non-Op Exp	5,148,600	7,013,000	12,161,600	5,148,600	7,013,000	12,161,600	0	0	0
27 Budget Stabilization Fund	1,163,500	2,795,800	3,959,300	1,163,500	2,795,800	3,959,300	0	0	0
28 WRAP Deposit	997,500	1,269,400	2,266,900	997,500	1,269,400	2,266,900	0	0	0
29 Lease Payment	10,086,500	3,754,300	13,840,800	10,086,500	3,754,300	13,840,800	0	0	0
30 Revenue Financed Capital	10,763,500	11,891,300	22,654,800	8,869,800	10,410,300	19,280,100	1,893,400	1,480,600	3,374,000
31 Total BUDGET Items	203,309,200	258,286,900	461,596,100	178,970,900	239,856,700	418,827,600	24,338,300	18,430,200	42,768,500
Revenue									
32 Suburban Wholesale Class	152,166,900	133,758,600	285,925,500	152,166,900	133,758,600	285,925,500	0	0	0
33 Detroit Retail Class	47,328,100	120,122,500	167,450,600	25,364,800	104,192,300	129,557,100	21,963,300	15,930,200	37,893,500
34 Subtotal	199,495,000	253,881,100	453,376,100	177,531,700	237,950,900	415,482,600	21,963,300	15,930,200	37,893,500
35 Misc & Non-Op Revenue	3,814,200	4,405,800	8,220,000	1,439,200	1,905,800	3,345,000	2,375,000	2,500,000	4,875,000
36 Total Revenue	203,309,200	258,286,900	461,596,100	178,970,900	239,856,700	418,827,600	24,338,300	18,430,200	42,768,500
Debt Service Coverage									
37 Senior Lien Bonds	1.72	1.99	1.86	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
38 Senior & 2nd Lien Bonds	1.32	1.49	1.41	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
39 All Bonds, Including SRF Junior	1.31	1.23	1.26	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A

* Stub Year bifurcated BUDGET simply reflects 50% of each line item

Includes amounts allocable to DWSD-R in the cost allocation plan, but which remain in GLWA Funds

Shared Services concept still under development

Date: October 16, 2015

To: GLWA Audit Committee

From: Butch Johnson, Procurement Director, DWSD
and Joan Byrne, Procurement Management Professional, DWSD

Re: Presentation of Second Review Draft Procurement Policy

Background: In December 2014, one of the Great Lakes Water Authority's initial actions was to adopt an interim procurement policy. Given that this was a new stand-up entity, the interim procurement policy adopted mirrored the policy in place for one of the incorporating municipalities. During the planning phase, the parties agreed that a better long-term solution would be a policy drafted by a team of subject matters experts including a member from each of the incorporating municipalities. That team met several times to work through the challenges and opportunities of creating a best practice policy for a new water utility. Attached is that draft policy and related presentation that is the result of their efforts.

Analysis: The Interim General Counsel for the GLWA has reviewed the Procurement policy. His comments and edits are incorporated into the attached draft document. Those edits and comments were circulated to the Procurement Policy Committee.

The Procurement Policy was then reviewed at the GLWA Audit Committee meeting on October 2, 2015. The GLWA Audit Committee Members provided comments and recommended edits. The revised, proposed policy is attached. The following edits have been incorporated to reflect the following:

1. In Section 1.6 Ethics and Code of Conduct to add: Annually, the members of the GLWA Board of Directors, Chief Procurement Officer and all Procurement personnel, the CEO and the CFO / Treasurer will confirm any known conflict of interests involving current GLWA operations.
Members of the GLWA Board of Directors should be discouraged in attending meetings with potential vendors in order to avoid the appearance of providing undue pressures on GLWA administration in the selection of that vendor. In the event a meeting is held, the GLWA Board member is obligated to report that vendor meeting at the next regularly scheduled Board meeting. The GLWA Board shall not have involvement in the development of solicitations and shall not participate in the selection of any vendor(s).

Once a request for goods or services has been released by the Chief Procurement Officer, ALL vendor contact shall solely be with the Procurement Office. GLWA employees providing information relative to the request for goods or services to vendors during the period that a request for goods or services is outstanding will be subject to disciplinary actions and the vendor potentially disqualified from that competitive bid.

2. In Section 2.1 Contracting Authority - Note that Chief Procurement Officer duties are assigned by the Chief Executive Officer (i.e. "Chief Procurement Officer" is not a new job title but defines an authority granted to an existing position such as the Procurement Director).
3. In Section 2.2 Delegation of Authority to remove: The Chief Procurement Officer may also permit those designees to further delegate authority to other designees. Added - To ensure compliance with this Policy, all approved delegations and limits of authority shall be documented and submitted to the Board as a communication.
4. In Section 3.3 Exceptions to Competitive Bidding to add: with subsequent notice to the Board relating to the justification for the action taken and to remove: Categories in which purchase orders may be awarded to persons or vendors on a non-competitive basis when Procurement determines that any of the following circumstances exist:
 - a) Emergency Procurement
 - b) Sole source procurements
 - c) Single source procurements
 - d) Specialized Services
 - e) Contract renewals
 - f) Small purchases
 - g) Cooperative Purchases
 - h) Unsolicited proposals
5. In Section 7.1 Approval Levels - Revise amounts in table from \$3,000,000 to \$2,500,000 for Levels 4 and 5.
6. Added Sections:
 - 3.4 Vendor Involvement in Proposal Requests - Added
Vendors who assist in the preparation of a scope of work shall be precluded from bidding on the underlying goods or services sought by GLWA.
 - 3.5 Contract Length and Renewals - Added
Excluding contracts involving capital improvements, the initial contract period shall be no greater than three (3) years with two (2) one-year renewal options to be reviewed annually if the Chief Procurement Officer is satisfied with the value

of the goods and / or services received during the original contract period. Contracts exceeding five (5) years must be approved by the Board prior to entering into the contract.

3.6 Blanket Purchase Orders - Added

Blanket purchase orders for pre-qualified vendors should be encouraged for emergency services (electrical failures; distribution network repairs; technology needs; etc.). Pre-qualification of vendors would permit a shortened period of vendor response for services whereby a limited response to the underlying scope of work and cost need be supplied by the vendor.

7. In Section 6.2 Bid Protest revised to add: Opportunity to appeal Chief Procurement Officer's decision to Chief Administrative Officer.

The procurement policy was drafted to reflect an appropriate scope for a board level policy. Inherent in execution of the board policy are the set of administrative procedures to carry out the policy and connect it with other key documents such as the budget and capital improvement plans. Given the time and resource constraints for GLWA launch, the Procurement team is following a phased approach to develop procedures that are most critical to conducting Procurements for the operational effective date of January 1, 2016. The success of this change management effort is identifying and engaging procurement staff dedicated to GLWA to garner their input and ownership in effective policy implementation.

The internal team supporting this effort is appreciative of the dedication and expertise provided by the distinguished members of the Procurement Policy Committee.

Macomb County - John Anderson - Risk Management/Safety Director
Oakland County - Scott Guzzy - Purchasing Administrator
Wayne County - Kevin Kavanagh - Principal Attorney, Monica Jackson – Department Administrator, and Jean Mira - Senior Purchasing Agent
City of Detroit - Boysie Jackson, Chief Procurement Officer
Farmington Hills - Mike Lasley, Director of Central Services
Wayne County Airport Authority - Ron Evans - Procurement Deputy Director/DBE Liaison Officer
Facilitator – Charlie Fleetham, Project Innovations

Proposed Action: Recommend that the Great Lakes Water Authority Board adopt the procurement policy with an immediate effective date.

GLWA Board Policy

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PROCUREMENT POLICY

Section 1 – Introduction

1.1 Purpose

The purpose of the Great Lakes Water Authority (GLWA) Procurement Policy (“Policy”) is to provide an overview of GLWA procurement activities. Procedures can be located via hyperlink as follows: www.glwater.org/GLWAProcurementPolicy/Procedures.

1.2 Application

This Policy shall govern all procurement activities for members of the GLWA and their Representatives. It shall not apply to matters involving the procurement of goods and/or services that are specifically excluded within this Policy or to procurements involving GLWA’s investment activities.

1.3 Scope

The Scope of this Policy is broad and includes procurement activities during every phase of the procurement process (as more fully reflected in the Procedures). These activities include, without limitation, purchase order issuance, bid development, bid solicitation, bid evaluation, awards and notifications, contract formation, contract management and enforcement.

1.4 Responsibility

The GLWA Chief Executive Officer (CEO) and Chief Procurement Officer are responsible for guaranteeing the effective implementation of this Policy. Specifically, the Chief Procurement Officer is responsible for establishing procedures in accordance with this Policy and training Representatives accordingly. The GLWA CEO is responsible for enforcing this Policy by taking all necessary measure to guarantee its purpose is accomplished.

1.5 Revisions

Revisions to the elements of this policy will be made from time to time as appropriate by the Chief Procurement Officer with the CEO and may be subject to the approval of the GLWA Board of Directors (Board). Approved revisions shall be incorporated by the Chief Procurement Officer and communicated to all Representatives and made available to the public. A history of revisions, with dates and reasons for the same, shall be maintained by the Chief Procurement Officer.

1.6 Ethics and Code of Conduct

At every level of procurement, this Policy shall preserve public trust by establishing, maintaining and enforcing business practices that promote fair, ethical and financially sound procurement practices.

Representatives shall perform GLWA procurement activities with integrity by utilizing financially responsible methods, uncompromising ethics, and fair business practices to promote vendor participation and provide the public with outstanding services and products.

While performing in their official capacities, Representatives shall be free from real or perceived conflicts of interest that could adversely impact GLWA's reputation or influence and their judgment, objectivity, responsibilities or loyalty to the GLWA and the public. GLWA business dealings shall be conducted in compliance with GLWA Policies and Procedures, GLWA Articles of Incorporation, and applicable laws.

Representatives shall immediately report any real or perceived conflict of interest to the Chief Procurement Officer, CEO, and General Counsel.

Annually, the members of the GLWA Board of Directors, Chief Procurement Officer and all Procurement personnel, the CEO and the CFO / Treasurer will confirm any known conflict of interests involving current GLWA operations.

Members of the GLWA Board of Directors should be discouraged in attending meetings with potential vendors in order to avoid the appearance of providing undue pressures on GLWA administration in the selection of that vendor. In the event a meeting is held, the GLWA Board member is obligated to report that vendor meeting at the next regularly scheduled Board meeting. The GLWA Board shall not have involvement in the development of solicitations and shall not participate in the selection of any vendor(s).

Once a request for goods or services has been released by the Chief Procurement Officer, ALL vendor contact shall solely be with the Procurement Office. GLWA employees providing information relative to the request for goods or services to vendors during the period that a request for goods or services is outstanding will be subject to disciplinary actions and the vendor potentially disqualified from that competitive bid.

1.7 Competency

The Chief Procurement Officer shall ensure Representatives are competent, knowledgeable about the Procurement Policy and Procedures, engaged in continuous professional development, and qualified to implement procurement activities efficiently, objectively and accurately.

1.8 Definitions

- a) Administrative Revision – A revision to the Procurement Procedures document.
- b) Authorized Sub-Contractor - A person or business which has a contract with a Vendor to provide some portion of the work or services on a project which the Vendor has agreed to perform for GLWA and which does not hold a suspended or debarred status.
- c) Board – The Board of Directors of the GLWA and governing body to which the CEO and Procurement Officer are accountable for establishing, maintaining and monitoring procurement activities within the parameters of this policy.
- d) Competitive Bids or Bidding – A transparent procurement method by which competing Vendors are invited to bid in an open advertisement of the scope, specifications, evaluation criteria, and terms and conditions of a proposed contract.
- e) Competitive Quotations – A procurement method in which pricing is requested from several Vendors and the most competitive one is chosen. Competitive Quotations are generally used for smaller purchases where Competitive Bidding is impractical.
- f) Conflict of Interest – A situation that has the potential to undermine the impartiality of a person because of the possibility of a divergence between the person's self-interest and professional interest or public interest.
- g) Contract - A written agreement in which GLWA agrees to acquire goods or services from a Vendor in exchange for consideration. These written agreements specify each party's obligations in relation to the transaction including but not limited to the scope of work, payment information, duration of the agreement, prices, and other legal terms and conditions applicable to the transaction.
- h) Contract Renewals - The exercise of a Contract renewal option where continuation of existing services or goods from an existing Vendor is desirable for purposes of continuity or compatibility. Procurement staff will supply market test data or key performance indicators to support continuation of existing goods or services from an incumbent Vendor.
- i) Cooperative Purchases – An agreement for the procurement of goods, supplies, professional services or construction services with one or more Public Procurement Units (e.g. local, state or federal) in accordance with an agreement entered into between the participants. It may consist of joint or multi-party contracts between Public Procurement Units.
- j) Emergency Procurement – A procurement method available when there exists an imminent threat to public health and welfare or to prevent an imminent violation of a required environmental permit or Administrative Consent Order under emergency conditions where Competitive Bidding and prior authorization would be impossible or impractical under the circumstances.
- k) Goods – Any fixtures, items of furniture, supplies, materials, equipment, other personal property, and other items of a similar nature.
- l) Initial Term – The initial length of the Contract or Purchase Order excluding renewals and/or extensions.

- m) P-Card – A purchasing card is a form of company credit card that allows goods and services to be procured pursuant to the Procurement Card Policy [Insert hyperlink here] without using a traditional purchasing process.
- n) Purchase Order or PO - A Purchase Order is a short form of contract issued by GLWA to a Vendor indicating types, quantities, payment terms and prices for goods or services the Vendor will provide to GLWA.
- o) Public Procurement Unit - A Public Procurement Unit is defined as any local government or state government, whether or not located in the State of Michigan, or federal agencies of the United States.
- p) Qualified Vendor - A Vendor that meets or exceeds the standards prescribed in the Solicitation and has not defaulted on a previous GLWA Contract or Purchase Order.
- q) Representatives – include authorized individuals acting on behalf of GLWA including, but not limited to management, employees, agents and evaluators.
- r) Responsible Vendor – A status achieved when a business meets each and every minimum qualification or other requirement set forth in the applicable Solicitation and does not hold a status of debarred or suspended.
- s) Responsive Vendor – A status achieved when a timely submitted Bid, Proposal or Response conforms to all material requirements of the Solicitation in response to which it was submitted.
- t) Single Source Procurement - A procurement in which there are multiple sources of supply, but for specific reasons including but not limited to: compatibility, equipment for which there is no comparable competitive product, technology requirements or uniqueness of the service, the item or service must be purchased from a single, specified vendor.
- u) Small Purchases - A procurement that does not exceed \$50,000 and may be accomplished without securing competitive quotations if the prices are considered to be fair and reasonable. Procurement requirements shall not be artificially divided so as to constitute a small purchase.
- v) Sole Source Procurements – A procurement in which the Chief Procurement Officer (or designate) certifies that only one (1) source of supply is available.
- w) Solicitation – A manner of requesting goods and services including but not limited to a Request for Quote, Request for Information, Statement of Qualifications, or Request for Proposal.
- x) Specialized Services – A unique expertise provided by an individual or firm and unattainable in the market in a competitive environment.
- y) Surplus goods – Goods owned by the GLWA that have been determined to be unusable, defective (vendor will not accept return), obsolete (no longer conforms to local, State or Federal requirements), in excess quantity (one or more years of stock at normal or projected usage) and is not scrap. Scrap means any personal property owned by the GLWA that has little or no value and is uneconomical to store or offer for sale.
- z) Vendor – A contractor, supplier, affiliate, subsidiary, parent company or other business entity that seeks to conduct or does conduct business with the GLWA.

Section 2 – Authority

2.1 Contracting Authority

The Chief Procurement Officer (or designated manager) is the only recognized Representative to enter into a contract or issue a purchase order on behalf of GLWA for the procurement of goods, services, construction, leases or agreements for the disposal of surplus goods.

2.2 Delegation of Authority

The Chief Procurement Officer may delegate in writing to his/her designee(s) the authority to procure goods, services, surplus goods and construction (excluding the disposal of surplus goods). To ensure compliance with this Policy, all approved delegations and limits of authority shall be documented and submitted to the Board as a communication.

2.3 Authorization to Supply Goods/Services/Construction

The Chief Procurement Officer shall communicate the authorization to supply goods/services in the form of a written and fully approved Purchase Order except in extenuating circumstances including without limitation, emergency purchases, power outages and building closures. In those instances, a Vendor shall be given an informal authorization from the Chief Procurement Officer the written commitment that a Purchase Order will be issued as soon as circumstances allow. GLWA is not financially or otherwise responsible for goods, services or labor performed without proper authorization.

Section 3 – Procurement

3.1 Procurement of Goods and Services

GLWA procurement activities shall be performed using financially responsible methods, ethics, and fair business practices. Procurement shall not enter into a procurement contract for goods or services with a person who has been convicted of a criminal offense incident to the application for or performance of a contract or subcontract with a local government, state or federal governmental entity or with a person who has been held liable in a civil proceeding or has been convicted of a criminal offense that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes, or similar laws.

3.2 Methods of Procurement

GLWA shall procure all goods and services through the use of competitive bidding as outlined in this policy, unless an express exception is indicated within this policy. The GLWA Chief Procurement Officer shall take all necessary measures to ensure adherence to this policy. Competitive bidding includes but is not limited to: Statement of Qualifications (SOQ), Request for Information (RFI), Request for Proposals (RFP), and Request for Quotes (RFQ).

3.3 Exceptions to Competitive Bidding

The Authority shall not be required to use competitive bidding when acquiring proprietary goods, services, equipment or information available from a single source, including but not limited to software license agreement, emergency repairs or to respond to a declared state of emergency or if procurement is necessary for the imminent protection of or mitigation of an imminent threat to public health or safety with subsequent notice to the Board relating to the justification for the action taken.

3.4 Vendor Involvement in Proposal Requests

Vendors who assist in the preparation of a scope of work shall be precluded from bidding on the underlying goods or services sought by GLWA.

3.5 Contract Length and Renewals

Excluding contracts involving capital improvements, the initial contract period shall be no greater than three (3) years with two (2) one-year renewal options to be reviewed annually if the Chief Procurement Officer is satisfied with the value of the goods and / or services received during the original contract period. Contracts exceeding five (5) years must be approved by the Board prior to entering into the contract.

3.6 Blanket Purchase Orders

Blanket purchase orders for pre-qualified vendors should be encouraged for emergency services (electrical failures; distribution network repairs; technology needs; etc.). Pre-qualification of vendors would permit a shortened period of vendor response for services whereby a limited response to the underlying scope of work and cost need be supplied by the vendor.

Section 4 – Solicitation

4.1 Solicitation development and advertisement

Competitive solicitations shall be prepared in a manner that allows and promotes open competition. Solicitations shall be advertised electronically and/or through newspaper or other media determined by GLWA that promotes vendor participation in the bid process.

Section 5 – Bidding

5.1 General

GLWA reserves the right to cancel or amend a solicitation prior to contract or purchase order issuance or reject any or all bids if it is determined that such action is in the best interests of GLWA. GLWA may allow a vendor to withdraw a bid if requested at any time prior to the bid opening.

5.2 Bid Submission

To participate in the bidding process, vendors shall submit bids/proposals/quotes in the method, format, and time frame specified in the solicitation. The bid shall be signed by an individual within the bidding firm that has the authority to bind the Company or individual to a contract. Bids received after the due date and time will be rejected, will not be evaluated, will not be opened, will not be considered for award of contract, and will be returned to the vendor unopened.

5.3 Risk Management

GLWA shall mitigate risks such as limitations of liability, retainage, indemnities, warranties, terms of payment, termination, insurance and bonding requirements through contract or purchase order terms. Risks not addressed in the contract or purchase order are the sole responsibility of the vendor. Deviations to risk responsibility will not be accepted without specific approval by the GLWA CEO prior to contract award.

5.4 Insurance

Contract insurance requirements will be detailed in each solicitation request. In order to be considered a responsible vendor, vendor shall possess and maintain the required insurances which meets or exceeds the terms and conditions for each such policy during the term of the contract at its sole expense. In some instances, a vendor must also maintain specified policies after the conclusion of a contract for the duration as specified in the contract.

5.5 Bonds

To protect GLWA from bidders withdrawing their bids prior to the end of their bid validity period, refusing to sign the contract, failure to perform, failing to pay sub-contractors, or providing faulty workmanship/materials, bonds may be required. Bond requirements (bid, warranty, performance or payment) shall be indicated in the solicitation.

5.6 Alternative Technical Proposals

Where appropriate, the proposing vendor is required to comply with the submission of a technical proposal in accordance with the scope of work in the request for goods and / or services, but should also be encourage to and in addition provide an alternative proposal for goods and / or services that would better meet the needs of GLWA in the opinion of the vendor.

Section 6 – Evaluation of Competitive Bids

GLWA shall assess competitive solicitation responses in order to determine in its sole discretion, the most capable vendor(s) that will meet or exceed the requirements of the solicitation while providing the most value.

6.1 Evaluation Team

The Procurement Division shall nominate evaluators who shall be approved by the Chief Procurement Officer. The drafter of the solicitation and GLWA Board members shall not evaluate proposals. Where possible, at least one (1) evaluator shall be technically proficient in the field that is the subject of the procurement. GLWA will strive to include evaluators from the customer base. To participate in the evaluations of proposals, each nominated evaluator shall sign an Ethics and Confidentiality agreement. [\[Insert hyperlink here\]](#)

The evaluation scoring mechanism shall be completed and made available prior to the opening of the vendor proposals.

6.2 Bid Protest

A potential vendor, who has submitted a proposal and who is not awarded a contract after participating in GLWA's competitive solicitation process, may protest the award of the contract by filing a written notice of protest with the Chief Procurement Officer within seven (7) calendar days after the award. The written notice of protest shall reference the solicitation number and the basis for the protest.

- a) Upon receiving a Bid Protest, the GLWA Chief Procurement Officer shall immediately suspend the contract award process and activities until the protest has been resolved.
- b) The Bid Protest shall be reviewed by the Chief Procurement Officer in an expeditious manner. The Chief Procurement Officer shall make a determination to either accept or reject the bid protest within seven (7) calendar days after the date the protest was received.
- c) If the Chief Procurement Officer accepts the bid protest, the Chief Procurement Officer shall carry out actions accordingly. If the Chief Procurement Officer rejects the Bid Protest, the Chief Procurement Officer shall notify the protestor of that decision and advise the protestor of their opportunity to appeal to the Chief Administrative Officer. The protestor will have three (3) calendar days from the notification of the bid protest to appeal the decision.
- d) Upon receiving an appeal to a bid protest, the Chief Administrative Officer shall review the appeal and make a determination to either accept or reject the bid protest within fourteen (14) calendar days after the date when the appeal was received. If the Chief Administrative Officer accepts the bid protest, the Chief Procurement Officer shall act in accordance with the Chief Administrative Officer's findings. If the Chief Administrative Officer rejects the

Bid Protest, the Chief Procurement Officer shall notify the protestor of the decision. The Chief Administrative Officer's determination shall be final.

- e) Items excluded from Bid Protests and Appeals include:
 - i. Bids/proposals under \$50,000;
 - ii. Failure of a potential vendor to submit bid by the date and time specified;
 - iii. Failure of a potential vendor to provide documents required to accompany a bid or proposal;
 - iv. Failure to have a required bid bond accompany a bid;
 - v. Failure to submit an appeal within the time defined in this policy;
 - vi. Failure of a potential vendor to meet minimum or mandatory requirements;
 - vii. A vendor that has a performance rating of unacceptable; and
 - viii. A vendor that has a status of debarred or suspended during any stage of the contract award process (advertisement of solicitation through the award of the contract) or at the time of the bid protest.

Section 7 – Approvals

Whether a contract or purchase order is awarded through competitive bidding or a permitted non-competitive process, approval levels listed below are required. In the absence of appropriate approval levels, no contract or purchase order exists between GLWA and any vendor. Prior to request for approval, all contracts shall be evaluated by the GLWA Risk Manager as to insurance requirements and by General Counsel for other terms and conditions.

7.1 Approval Levels

Procurements for goods, services and construction shall be recognized as "Authorized" where approval requirements listed below have been met. Amounts below represent the value for the initial contract or purchase order term and amendment/change order value (excluding the value of renewal options). Contracts and purchase orders shall not be artificially divided to bypass required approvals. All contract terms shall be defined. Contracts and purchase orders in which the initial term is equivalent to or exceeds three (3) years shall be reviewed every year by the GLWA Chief Procurement Officer to ensure contract and purchase order compliance. The GLWA Chief Procurement Officer shall submit to the GLWA CEO and the Board a contract and purchase order compliance review report. Procurement requirements shall not be artificially divided or fragmented so as to constitute a small purchase or to circumvent the approval levels listed below.

Description	Total value including contract renewals and change orders	Authority to encumber funds
1) Initial Contract of Purchase Order having a duration of one (1) year or less for goods or services (excluding construction, disposal of surplus goods, assets or real estate).	< \$ 250,000.	Procurement Specialist
2) Initial Contract of Purchase Order having a duration of one (1) year or less for goods or services (excluding construction, disposal of surplus goods, assets or real estate).	< \$ 750,000.	Procurement Manager
3) Initial Contract or Purchase Order having a duration of three (3) years or less for: a) goods, services, b) disposal of surplus goods or assets, c) construction (excluding real estate)	< \$ 1,500,000.	*Chief Procurement Officer
4) Initial Contract or Purchase Order having a duration of three (3) years or less for: a) goods, services, b) disposal of surplus goods or assets, c) leases	< \$ 2,500,000.	*GLWA CEO
5) Initial Contract or Purchase Order for: a) goods, services, b) disposal of surplus goods or assets, c) leases	> 3 years and/or \$ 2,500,000.	GLWA Board of Directors
6) Sale or purchase of Real Estate	Unlimited	GLWA Board of Directors
Contract renewals For <u>approved</u> contracts or purchase orders where prior approval included renewal options. Total contract term cannot be beyond five (5) years including contract renewals. Initial contract term cannot be beyond three (3) years.	Unlimited	Chief Procurement Officer and GLWA CEO
<u>Emergency procurements</u>	Unlimited authority – <u>The authorized approver of an emergency procurement must generate a report to include details surrounding the emergency procurement and submit it to the GLWA Board within 7 calendar days of the procurement.</u>	Chief Procurement Officer and GLWA CEO

7.2 Unauthorized Purchases

GLWA shall not be liable financially or otherwise responsible for the unauthorized performance of services, shipment of goods or completion of construction projects.

Section 8 – Contract/Purchase Order Administration**8.1 Required Documents**

Prior to the notice to proceed ("start of work" meeting, issuance of purchase order or contract) and in addition to providing evidence of the required insurance, the successful vendor shall produce required documents including but not limited to performance bonds and licenses. If the vendor is unwilling or unable to produce required documents in the time frame required by GLWA, GLWA may immediately revoke the award of business without financial or legal obligation to the vendor.

8.2 Change Orders/Extensions

In circumstances where the scope of work, services, materials or term of contract or purchase order requires a deviation from the contract or purchase order terms, an appropriately approved and budget verified change order shall be issued to the vendor. GLWA shall not be responsible for work, services or materials provided outside of an approved change order.

8.3 Contract Renewals

GLWA is not obligated to exercise contract or purchase order renewal options referenced in the contract. Prior to exercising a renewal option, GLWA Procurement shall consider the vendor's performance against the initial contract or purchase order. Vendors shall not provide goods, services, or materials against a contract or purchase order renewal option prior to GLWA's approval of the contract or purchase order renewal.

Section 9 – Contract/Purchase Order Compliance**9.1 Contract Performance**

A contractor shall supply goods and services conforming to the specifications of the solicitation and award. Failure to perform within the specification and stated time of the contract or purchase order may result in contract or purchase order termination.

9.2 Vendor Suspension and Debarment

It is the policy of GLWA to solicit offers from, award contracts and purchase orders to and consent to subcontracts with responsible vendors only. Suspensions or debarments may be imposed at the discretion of the GLWA for purposes related to the good of the public interest, including maintaining the integrity of the bidding, contracting and procurement processes and protecting public trust and confidence in GLWA's operations. Suspensions and debarments will not be imposed as punitive measures. GLWA may suspend or debar a vendor based on a finding that the vendor is not a responsible vendor and shall report said finding to the Legal Committee. Causes which may result

in a finding that a vendor is not a responsible vendor include, but are not limited to, any of the following:

- a) An indictment or conviction of the vendor under any federal, state or local law for any offense indicating a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct;
- b) An indictment or conviction of the vendor under any federal, state or local law for any serious criminal offense that affects the vendor's responsibility as a GLWA vendor;
- c) Judgment of civil liability entered against the vendor in any federal, state or local proceeding based upon facts indicating a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct;
- d) Results or preliminary findings of an investigation of the vendor initiated by the GLWA, federal, state or local law enforcement department, municipality or agency involving allegations of a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering, fraudulent conduct or any other serious misconduct;
- e) Use of an un-authorized subcontractor;
- f) A preliminary finding that the vendor engaged in theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct in connection with a GLWA contract;
- g) A preliminary finding that the vendor submitted, made or caused to be made a false, deceptive or fraudulent material statement in connection with a bid, certification, proposal, application, change order, charge, invoice, cost estimate, or payment request related to a GLWA contract;
- h) Refusal by the vendor to reasonably cooperate with the GLWA in connection with an investigation related to a GLWA contract;
- i) The vendor's failure to report to the Chief Procurement Officer, CEO, or the Chairperson of the GLWA Board any activity by elected officials, employees, or persons acting on their behalf related to a GLWA contract or purchase order that the vendor reasonably suspects to be improper, unethical or illegal;
- j) Demonstrated discrimination on the basis, including but not limited to race, religion, sexual orientation, marital status, gender, national origin or military status.
- k) Unlawful restraint or limitation on competition by the vendor;
- l) The vendor's violation of a material term of a GLWA contract, subcontract or purchase order;
- m) The vendor's history of documented unsatisfactory performance; and
- n) Any other conduct or activity by the vendor that has a harmful impact upon the integrity of the bidding, contracting or procurement processes of the GLWA or public trust and confidence in the operations of the GLWA.

Section 10 – Review of Procurement Policies

No later than December 31, 2017 and two years thereafter, the GLWA administration and GLWA Audit Committee shall review the content of the purchasing policies and affirm or revise the policies based on the GLWA conditions then present involving the financial policies, procedures and such other matters that may be pertinent under the circumstance impacting GLWA's procurement needs.

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PROCUREMENT POLICY

Section 1 Introduction

1.1 Purpose

The purpose of the Great Lakes Water Authority (GLWA) Procurement Policy ("Policy") is to provide an overview of GLWA procurement activities. Procedures can be located via hyperlink as follows: www.glwater.org/GLWAProcurementPolicy/Procedures.

1.2 Application

This Policy shall govern all procurement activities for members of the GLWA and their Representatives. It shall not apply to matters involving the procurement of goods and/or services that are specifically excluded within this Policy or to procurements involving GLWA's investment activities.

1.3 Scope

The Scope of this Policy is broad and includes procurement activities during every phase of the procurement process (as more fully reflected in the Procedures). These activities include, without limitation, purchase order issuance, bid development, bid solicitation, bid evaluation, awards and notifications, contract formation, contract management and enforcement.

1.4 Responsibility

The GLWA Chief Executive Officer (CEO) and Chief Procurement Officer are responsible for guaranteeing the effective implementation of this Policy. Specifically, the Chief Procurement Officer is responsible for establishing procedures in accordance with this Policy and training Representatives accordingly. The GLWA CEO is responsible for enforcing this Policy by taking all necessary measure to guarantee its purpose is accomplished.

1.5 Revisions

Revisions to the elements of this policy will be made from time to time as appropriate by the Chief Procurement Officer with the CEO and may be subject to the approval of the GLWA Board of Directors (Board). Approved revisions shall be incorporated by the Chief Procurement Officer and communicated to all Representatives and made available to the public. A history of revisions, with dates and reasons for the same, shall be maintained by the Chief Procurement Officer.

1.6 Ethics and Code of Conduct

At every level of procurement, this Policy shall preserve public trust by establishing, maintaining and enforcing business practices that promote fair, ethical and financially sound procurement practices.

Representatives shall perform GLWA procurement activities with integrity by utilizing financially responsible methods, uncompromising ethics, and fair business practices to promote vendor participation and provide the public with outstanding services and products.

While performing in their official capacities, Representatives shall be free from real or perceived conflicts of interest that could adversely impact GLWA's reputation or influence and their judgment, objectivity, responsibilities or loyalty to the GLWA and the public. GLWA business dealings shall be conducted in compliance with GLWA Policies and Procedures, GLWA Articles of Incorporation, and applicable laws.

Representatives shall immediately report any real or perceived conflict of interest to the Chief Procurement Officer, CEO, and General Counsel.

Annually, the members of the GLWA Board of Directors, Chief Procurement Officer and all Procurement personnel, the CEO and the CFO / Treasurer will confirm any known conflict of interests involving current GLWA operations.

Comment [BJ1]: Expanded to all procurement staff

Members of the GLWA Board of Directors should be discouraged in attending meetings with potential vendors in order to avoid the appearance of providing undue pressures on GLWA administration in the selection of that vendor. In the event a meeting is held, the GLWA Board member is obligated to report that vendor meeting at the next regularly scheduled Board meeting. The GLWA Board shall not have involvement in the development of solicitations and shall not participate in the selection of any vendor(s).

Comment [BJ2]: Added additional language

Once a request for goods or services has been released by the Chief Procurement Officer, ALL vendor contact shall solely be with the Procurement Office. GLWA employees providing information relative to the request for goods or services to vendors during the period that a request for goods or services is outstanding will be subject to disciplinary actions and the vendor potentially disqualified from that competitive bid.

Comment [BJ3]: Changed from 'should'

Comment [BJ4]: Modified to allow contact with existing vendors on current contracts but not concerning the request for goods or services

1.7 Competency

The Chief Procurement Officer shall ensure Representatives are competent, knowledgeable about the Procurement Policy and Procedures, engaged in continuous professional development, and qualified to implement procurement activities efficiently, objectively and accurately.

1.8 Definitions

- a) Administrative Revision – A revision to the Procurement Procedures document.
- b) Authorized Sub-Contractor - A person or business which has a contract with a Vendor to provide some portion of the work or services on a project which the Vendor has agreed to perform for GLWA and which does not hold a suspended or debarred status.
- c) Board – The Board of Directors of the GLWA and governing body to which the CEO and Procurement Officer are accountable for establishing, maintaining and monitoring procurement activities within the parameters of this policy.
- d) Competitive Bids or Bidding – A transparent procurement method by which competing Vendors are invited to bid in an open advertisement of the scope, specifications, evaluation criteria, and terms and conditions of a proposed contract.
- e) Competitive Quotations – A procurement method in which pricing is requested from several Vendors and the most competitive one is chosen. Competitive Quotations are generally used for smaller purchases where Competitive Bidding is impractical.
- f) Conflict of Interest – A situation that has the potential to undermine the impartiality of a person because of the possibility of a divergence between the person's self-interest and professional interest or public interest.
- g) Contract - A written agreement in which GLWA agrees to acquire goods or services from a Vendor in exchange for consideration. These written agreements specify each party's obligations in relation to the transaction including but not limited to the scope of work, payment information, duration of the agreement, prices, and other legal terms and conditions applicable to the transaction.
- h) Contract Renewals - The exercise of a Contract renewal option ~~or~~ where continuation of existing services or goods from an existing Vendor is desirable for purposes of continuity or compatibility. ~~If required,~~ Procurement staff will supply market test data or key performance indicators to support continuation of existing goods or services from an incumbent Vendor.
- i) Cooperative Purchases – An agreement for the procurement of goods, supplies, professional services or construction services with one or more Public Procurement Units (e.g. local, state or federal) in accordance with an agreement entered into between the participants. It may consist of joint or multi-party contracts between Public Procurement Units.
- j) Emergency Procurement – A procurement method available when there exists an imminent threat to public health and welfare or to prevent an imminent violation of a required environmental permit or Administrative Consent Order under emergency conditions where Competitive Bidding and prior authorization would be impossible or impractical under the circumstances.
- k) Goods – Any fixtures, items of furniture, supplies, materials, equipment, other personal property, and other items of a similar nature.
- l) Initial Term – The initial length of the Contract or Purchase Order excluding renewals and/or extensions.
- m) P-Card – A purchasing card is a form of company credit card that allows goods and services to be procured pursuant to the Procurement Card Policy [Insert hyperlink here] without using a traditional purchasing process.

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- | ~~m)n)~~ Purchase Order or PO - A Purchase Order is a short form of contract issued by GLWA to a Vendor indicating types, quantities, payment terms and prices for goods or services the Vendor will provide to GLWA.
- | ~~m)o)~~ Public Procurement Unit - A Public Procurement Unit is defined as any local government or state government, whether or not located in the State of Michigan, or federal agencies of the United States.
- | ~~o)p)~~ Qualified Vendor - A Vendor that meets or exceeds the standards prescribed in the Solicitation and has not defaulted on a previous GLWA Contract or Purchase Order.
- | ~~p)q)~~ Representatives – include authorized individuals acting on behalf of GLWA including, but not limited to management, employees, agents and evaluators.
- | ~~q)r)~~ Responsible Vendor – A status achieved when a business meets each and every minimum qualification or other requirement set forth in the applicable Solicitation and does not hold a status of debarred or suspended.
- | ~~r)s)~~ Responsive Vendor – A status achieved when a timely submitted Bid, Proposal or Response conforms to all material requirements of the Solicitation in response to which it was submitted.
- | ~~s)t)~~ Single Source Procurement - A procurement in which there are multiple sources of supply, but for specific reasons including but not limited to: compatibility, equipment for which there is no comparable competitive product, technology requirements or uniqueness of the service, the item or service must be purchased from a single, specified vendor.
- | ~~t)u)~~ Small Purchases - A procurement that does not exceed ~~\$25,000~~\$50,000 and may be accomplished without securing competitive quotations if the prices are considered to be fair and reasonable. Procurement requirements shall not be artificially divided so as to constitute a small purchase.
- | ~~u)v)~~ Sole Source Procurements – A procurement in which the Chief Procurement Officer (or designate) certifies that only one (1) source of supply is available.
- | ~~v)w)~~ Solicitation – A manner of requesting goods and services including but not limited to a Request for Quote, Request for Information, Statement of Qualifications, or Request for Proposal.
- | ~~w)x)~~ Specialized Services – A unique expertise provided by an individual or firm and unattainable in the market in a competitive environment. Examples include but are not limited to legal services and expert witnesses.
- | ~~x)y)~~ Surplus goods – Goods owned by the GLWA that have been determined to be unusable, defective (vendor will not accept return), obsolete (no longer conforms to local, State or Federal requirements), in excess quantity (one or more years of stock at normal or projected usage) and is not scrap. Scrap means any personal property owned by the GLWA that has little or no value and is uneconomical to store or offer for sale.
- | ~~y)~~ Unsolicited Proposal – A form of procurement which meets the following criteria:
 - ~~a) The proposal was independently originated and developed by the offeror; and~~
 - ~~b) The proposal was prepared without GLWA's active input or supervision; and~~
 - ~~c) The proposal presents an innovative concept, idea or process.~~

- z) Vendor – A contractor, supplier, affiliate, subsidiary, parent company or other business entity that seeks to conduct or does conduct business with the GLWA.

Section 2 – Authority

2.1 Contracting Authority

The Chief Procurement Officer (or designated d manager) is the only recognized Representative to enter into a contract or issue a purchase order on behalf of GLWA for the procurement of goods, services, construction, leases or agreements for the disposal of surplus goods.

2.2 Delegation of Authority

The Chief Procurement Officer may delegate in writing to his/her designee(s) the authority to procure goods, services, surplus goods and construction (excluding the disposal of surplus goods). ~~The Chief Procurement Officer may also permit those designees to further delegate authority to other designees.~~ To ensure compliance with this Policy, all approved delegations and limits of authority shall be documented and submitted to the Board as a communication.

2.3 Authorization to Supply Goods/Services/Construction

The Chief Procurement Officer shall communicate the authorization to supply goods/services in the form of a written and fully approved Purchase Order except in extenuating circumstances including without limitation, emergency purchases, power outages and building closures. In those instances, a Vendor shall be given an informal authorization from the Chief Procurement Officer the written commitment that a Purchase Order will be issued as soon as circumstances allow. GLWA is not financially or otherwise responsible for goods, services or labor performed without proper authorization.

Section 3 – Procurement

3.1 Procurement of Goods and Services

GLWA procurement activities shall be performed using financially responsible methods, ethics, and fair business practices. Procurement shall not enter into a procurement contract for goods or services with a person who has been convicted of a criminal offense incident to the application for or performance of a contract or subcontract with a local government, state or federal governmental entity or with a person who has been held liable in a civil proceeding or has been convicted of a criminal offense that negatively reflects on the person's business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes, or similar laws.

3.2 Methods of Procurement

GLWA shall procure all goods and services through the use of competitive bidding as outlined in this policy, unless an express exception is indicated within this policy. The GLWA Chief Procurement Officer shall take all necessary measures to ensure adherence to this policy. Competitive bidding includes but is not limited to: Statement of Qualifications (SOQ), Request for Information (RFI), Request for Proposals (RFP), and Request for Quotes (RFQ).

3.3 Exceptions to Competitive Bidding

The Authority shall not be required to use competitive bidding when acquiring proprietary goods, services, equipment or information available from a single source, including but not limited to software license agreement, emergency repairs or to respond to a declared state of emergency or if procurement is necessary for the imminent protection of or mitigation of an imminent threat to public health or safety with subsequent notice to the Board relating to the justification for the action taken. ~~Categories in which purchase orders may be awarded to persons or vendors on a non-competitive basis when Procurement determines that any of the following circumstances exist:~~

- ~~a) Emergency Procurement~~
- ~~b) Sole source procurements~~
- ~~c) Single source procurements~~
- ~~d) Specialized Services~~
- ~~e) Contract renewals~~
- ~~f) Small purchases~~
- ~~g) Cooperative Purchases~~
- ~~h) Unsolicited proposals~~

3.4 Vendor Involvement in Proposal Requests

Vendors who assist in the preparation of a scope of work shall be precluded from bidding on the underlying goods or services sought by GLWA.

3.5 Contract Length and Renewals

Excluding contracts involving capital improvements, the initial contract period shall be no greater than three (3) years with two (2) one-year renewal options to be reviewed annually if the Chief Procurement Officer is satisfied with the value of the goods and / or services received during the original contract period. Contracts exceeding five (5) years must be approved by the Board prior to entering into the contract.

3.6 Blanket Purchase Orders

Blanket purchase orders for pre-qualified vendors should be encouraged for emergency services (electrical failures; distribution network repairs; technology needs; etc.). Pre-qualification of vendors would permit a shortened period of vendor response for

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services whereby a limited response to the underlying scope of work and cost need be supplied by the vendor.

Section 4 – Solicitation

4.1 Solicitation development and advertisement

Competitive solicitations shall be prepared in a manner that allows and promotes open competition. Solicitations shall be advertised electronically and/or through newspaper or other media determined by GLWA that promotes vendor participation in the bid process.

Section 5 – Bidding

5.1 General

GLWA reserves the right to cancel or amend a solicitation prior to contract or purchase order issuance or reject any or all bids if it is determined that such action is in the best interests of GLWA. GLWA may allow a vendor to withdraw a bid if requested at any time prior to the bid opening.

5.2 Bid Submission

To participate in the bidding process, vendors shall submit bids/proposals/quotes in the method, format, and time frame specified in the solicitation. The bid shall be signed by an individual within the bidding firm that has the authority to bind the Company or individual to a contract. Bids received after the due date and time will be rejected, will not be evaluated, will not be opened, and will not be considered for award of contract, and will be returned to the vendor unopened.

5.3 Risk Management

GLWA shall mitigate risks such as limitations of liability, retainage, indemnities, warranties, terms of payment, termination, insurance and bonding requirements through contract or purchase order terms. Risks not addressed in the contract or purchase order are the sole responsibility of the vendor. Deviations to risk responsibility will not be accepted without specific approval by the GLWA CEO prior to contract award.

5.4 Insurance

Contract insurance requirements will be detailed in each solicitation request. In order to be considered a responsible vendor, vendor shall possess and maintain the required insurances which meets or exceeds the terms and conditions for each such policy during the term of the contract at its sole expense. In some instances, a vendor must also maintain specified policies after the conclusion of a contract for the duration as specified in the contract.

5.5 Bonds

To protect GLWA from bidders withdrawing their bids prior to the end of their bid validity period, refusing to sign the contract, failure to perform, failing to pay sub-contractors, or providing faulty workmanship/materials, bonds may be required. Bond requirements (bid, warranty, performance or payment) shall be indicated in the solicitation.

5.6 Alternative Technical Proposals

Where appropriate, the proposing vendor is required to comply with the submission of a technical proposal in accordance with the scope of work in the request for goods and / or services, but should also be encourage to and in addition provide an alternative proposal for goods and / or services that would better meet the needs of GLWA in the opinion of the vendor.

Comment [BJ5]: Added the word 'technical'

Section 6 – Evaluation of Competitive Bids

GLWA shall assess competitive solicitation responses in order to determine in its sole discretion, the most capable vendor(s) that will meet or exceed the requirements of the solicitation while providing the most value.

6.1 Evaluation Team

The Procurement Division shall nominate evaluators who shall be approved by the Chief Procurement Officer. The drafter of the solicitation and GLWA Board members shall not evaluate proposals. Where possible, at least one (1) evaluator shall be technically proficient in the field that is the subject of the procurement. GLWA will strive to include ~~as many~~ evaluators from the customer base ~~as practical~~. To participate in the evaluations of proposals, each nominated evaluator shall sign an Ethics and Confidentiality agreement. [Insert hyperlink here](#)

The evaluation scoring mechanism shall be completed and made available prior to the opening of the vendor proposals.

6.2 Bid Protest

A potential vendor, who has submitted a proposal and who is not awarded a contract after participating in GLWA's competitive solicitation process, may protest the award of the contract by filing a written notice of protest with the Chief Procurement Officer within seven (7) calendar days after the award. The written notice of protest shall reference the solicitation number and the basis for the protest.

- a) Upon receiving a Bid Protest, the GLWA Chief Procurement Officer shall immediately suspend the contract award process and activities until the protest has been resolved.

- b) The Bid Protest shall be reviewed by the Chief Procurement Officer in an expeditious manner. The Chief Procurement Officer shall make a determination to either accept or reject the bid protest within seven (7) calendar days after the date the protest was received.
- c) If the Chief Procurement Officer accepts the bid protest, the Chief Procurement Officer shall carry out actions accordingly. If the Chief Procurement Officer rejects the Bid Protest, the Chief Procurement Officer shall notify the protestor of that decision and advise the protestor of their opportunity to appeal to the Chief ~~Financial-Administrative~~ Officer. The protestor will have three (~~7~~3) calendar days from the notification of the bid protest to appeal the decision.
- d) Upon receiving an appeal to a bid protest, the Chief ~~Administrative Financial~~ Officer shall review the appeal and make a determination to either accept or reject the bid protest within fourteen (14) calendar days after the date when the appeal was received. If the Chief ~~Administrative Financial~~ Officer accepts the bid protest, the Chief Procurement Officer shall act in accordance with the Chief ~~Administrative Financial~~ Officer's findings. If the Chief ~~Administrative Financial~~ Officer rejects the Bid Protest, the Chief Procurement Officer shall notify the protestor of the decision. The Chief ~~Administrative Financial~~ Officer's determination shall be final.
- e) Items excluded from Bid Protests and Appeals include:
 - i. Bids/proposals under ~~\$25,000-00~~50,000;
 - ii. Failure of a potential vendor to submit bid by the date and time specified;
 - iii. Failure of a potential vendor to provide documents required to accompany a bid or proposal;
 - iv. Failure to have a required bid bond accompany a bid;
 - v. Failure to submit an appeal within the time defined in this policy;
 - vi. Failure of a potential vendor to meet minimum or mandatory requirements;
 - vii. A vendor that has a performance rating of unacceptable; and
 - viii. A vendor that has a status of debarred or suspended during any stage of the contract award process (advertisement of solicitation through the award of the contract) or at the time of the bid protest.

Section 7 – Approvals

Whether a contract or purchase order is awarded through competitive bidding or a permitted non-competitive process, approval levels listed below are required. In the absence of appropriate approval levels, no contract or purchase order exists between GLWA and any vendor. Prior to request for approval, all contracts shall be evaluated by the GLWA Risk Manager as to insurance requirements and by General Counsel for other terms and conditions.

7.1 Approval Levels

Procurements for goods, services and construction shall be recognized as "Authorized" where approval requirements listed below have been met. Amounts below represent the value for the

initial contract or purchase order term and amendment/change order value (excluding the value of renewal options). Contracts and purchase orders shall not be artificially divided to bypass required approvals. All contract terms shall be defined. Contracts and purchase orders in which the initial ~~length-term~~ is equivalent to or exceeds ~~threetwo~~ (32) years shall be reviewed every year by the GLWA Chief Procurement Officer to ensure contract and purchase order compliance. The GLWA Chief Procurement Officer shall submit to the GLWA CEO and the Board a contract and purchase order compliance review report. Procurement requirements shall not be artificially divided or fragmented so as to constitute a small purchase or to circumvent the approval levels listed below.

Description	Total value Contract or Purchase Order value for initial term or cumulative value including contract renewals and change orders	Authority to encumber funds
1) Initial Contract of Purchase Order having a duration of one (1) year or less for goods or services (excluding construction, disposal of surplus goods, assets or real estate).	< \$ 250,000.	Procurement Specialist
2) Initial Contract of Purchase Order having a duration of one (1) year or less for goods or services (excluding construction, disposal of surplus goods, assets or real estate).	< \$ 750,000.	Procurement Manager
3) Initial Contract or Purchase Order having a duration of three (3) years or less for: a) goods, services, b) disposal of surplus goods or assets, c) construction (excluding real estate)	< \$ 1,500,000.	*Chief Procurement Officer
4) Initial Contract or Purchase Order having a duration of three (3) years or less for: a) goods, services, b) disposal of surplus goods or assets, c) leases	< \$ 3,000,000 2,500,000.	*GLWA CEO
5) Initial Contract or Purchase Order for: a) goods, services, b) disposal of surplus goods or assets, c) leases	> 3 years and/or \$ 3,000,000 2,500,000.	GLWA Board of Directors

6) Sale or purchase of Real Estate	Unlimited	GLWA Board of Directors
<u>Contract renewals</u> For <u>approved</u> contracts or purchase orders where prior approval included renewal options. <u>Total contract term cannot be beyond five (5) years including contract renewals. Initial contract term cannot be beyond three (3) years.</u>	Unlimited	Chief Procurement Officer and GLWA CEO
<u>Emergency procurements</u>	Unlimited authority – <u>The authorized approver of an emergency procurement must generate a report to include details surrounding the emergency procurement and submit it to the GLWA Board within 7 calendar days of the procurement.</u>	Chief Procurement Officer and GLWA CEO

7.2 Unauthorized Purchases

GLWA shall not be liable financially or otherwise responsible for the unauthorized performance of services, shipment of goods or completion of construction projects.

Section 8 – Contract/Purchase Order Administration

8.1 Required Documents

Prior to the notice to proceed ("start of work" meeting, issuance of purchase order or contract) and in addition to providing evidence of the required insurance, the successful vendor shall produce required documents including but not limited to performance bonds and licenses. If the vendor is unwilling or unable to produce required documents in the time frame required by GLWA, GLWA may immediately revoke the award of business ~~and void the contract or purchase order~~ without financial or legal obligation to the vendor.

8.2 Change Orders/Extensions

In circumstances where the scope of work, services, materials or term of contract or purchase order requires a deviation from the contract or purchase order terms, an appropriately approved and budget verified change order shall be issued to the vendor. GLWA shall not be responsible for work, services or materials provided outside of an approved change order.

8.3 Contract Renewals

GLWA is not obligated to exercise contract or purchase order renewal options referenced in the contract. Prior to exercising a renewal option, GLWA Procurement shall consider the vendor's performance against the initial contract or purchase order. Vendors shall not provide goods,

services, or materials against a contract or purchase order renewal option prior to GLWA's approval of the contract or purchase order renewal.

Section 9 – Contract/Purchase Order Compliance

9.1 Contract Performance

A contractor shall supply goods and services conforming to the specifications of the solicitation and award. Failure to perform within the specification and stated time of the contract or purchase order may result in contract or purchase order termination.

9.2 Vendor Suspension and Debarment

It is the policy of GLWA to solicit offers from, award contracts and purchase orders to and consent to subcontracts with responsible vendors only. Suspensions or debarments may be imposed at the discretion of the GLWA for purposes related to the good of the public interest, including maintaining the integrity of the bidding, contracting and procurement processes and protecting public trust and confidence in GLWA's operations. Suspensions and debarments will not be imposed as punitive measures. GLWA may suspend or debar a vendor based on a finding that the vendor is not a responsible vendor and shall report said finding to the Legal Committee. Causes which may result in a finding that a vendor is not a responsible vendor include, but are not limited to, any of the following:

- a) An indictment or conviction of the vendor under any federal, state or local law for any offense indicating a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct;
- b) An indictment or conviction of the vendor under any federal, state or local law for any serious criminal offense that affects the vendor's responsibility as a GLWA vendor;
- c) Judgment of civil liability entered against the vendor in any federal, state or local proceeding based upon facts indicating a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct;
- d) Results or preliminary findings of an investigation of the vendor initiated by the GLWA, federal, state or local law enforcement department, municipality or agency involving allegations of a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering, fraudulent conduct or any other serious misconduct;
- e) Use of an un-authorized subcontractor;
- f) A preliminary finding that the vendor engaged in theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct in connection with a GLWA contract;
- g) A preliminary finding that the vendor submitted, made or caused to be made a false, deceptive or fraudulent material statement in connection with a bid, certification, proposal,

application, change order, charge, invoice, cost estimate, or payment request related to a GLWA contract;

- h) Refusal by the vendor to reasonably cooperate with the GLWA in connection with an investigation related to a GLWA contract;
- i) The vendor's failure to report to the Chief Procurement Officer, CEO, or the Chairperson of the GLWA Board any activity by elected officials, employees, or persons acting on their behalf related to a GLWA contract or purchase order that the vendor reasonably suspects to be improper, unethical or illegal;
- j) ~~Use by the vendor of an unauthorized subcontractor or supplier; Demonstrated discrimination on the basis, including but not limited to race, religion, sexual orientation, marital status, gender, national origin or military status.~~
- k) Unlawful restraint or limitation on competition by the vendor;
- l) The vendor's violation of a material term of a GLWA contract, subcontract or purchase order;
- m) The vendor's history of documented unsatisfactory performance; and
- n) Any other conduct or activity by the vendor that has a harmful impact upon the integrity of the bidding, contracting or procurement processes of the GLWA or public trust and confidence in the operations of the GLWA.

Section 10 – Review of Procurement Policies

No later than December 31, 2017 and two years thereafter, the GLWA administration and GLWA Audit Committee shall review the content of the purchasing policies and affirm or revise the policies based on the GLWA conditions then present involving the financial policies, procedures and such other matters that may be pertinent under the circumstance impacting GLWA's procurement needs.

Comment [BJ6]: Audit Committee versus full Board

GLWA Board Policy

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At every level of procurement, this Policy shall preserve public trust by establishing, maintaining and enforcing business practices that promote fair, ethical and financially sound procurement practices.

Representatives shall perform GLWA procurement activities with integrity by utilizing financially responsible methods, uncompromising ethics, and fair business practices to promote vendor participation and provide the public with outstanding services and products.

While performing in their official capacities, Representatives shall be free from real or perceived conflicts of interest that could adversely impact GLWA's reputation or influence and their judgment, objectivity, responsibilities or loyalty to the GLWA and the public. GLWA business dealings shall be conducted in compliance with GLWA Policies and Procedures, GLWA Articles of Incorporation, and applicable laws.

Representatives shall immediately report any real or perceived conflict of interest to the Chief Procurement Officer, CEO, and General Counsel.

Annually, the members of the GLWA Board of Directors, Chief Procurement Officer and Procurement supervision, the CEO and the CFO / Treasurer will confirm any known conflict of interests involving current GLWA operations.

Members of the GLWA Board of Directors should be discouraged in attending meetings with potential vendors in order to avoid the appearance of providing undue pressures on GLWA administration in the selection of that vendor. In the event a meeting is held, the GLWA Board member is obligated to report that vendor meeting at the next regularly scheduled Board meeting.

Once a request for goods or services has been released by the Chief Procurement Officer, ALL vendor contact should solely be with the Procurement Office. GLWA employees providing information to vendors during the period that a request for goods or services is outstanding will be subject to disciplinary actions and the vendor potentially disqualified from that competitive bid.

Comment [RJD1]: Periodically, the board members should sign a document (perhaps once per year) identifying any outside conflicts that might exist relating to the activities of GLWA. The conflict statements should be included in the board package for posting on the web. Language is suggested below.

Comment [JB2]: Agree

Comment [JB3]: Agreed to addition

1.7 Competency

The Chief Procurement Officer shall ensure Representatives are competent, knowledgeable about the Procurement Policy and Procedures, engaged in continuous professional development, and qualified to implement procurement activities efficiently, objectively and accurately.

1.8 Definitions

- a) Administrative Revision – A revision to the Procurement Procedures document.

- b) Authorized Sub-Contractor - A person or business which has a contract with a Vendor to provide some portion of the work or services on a project which the Vendor has agreed to perform for GLWA and which does not hold a suspended or debarred status.
- c) Board – The Board of Directors of the GLWA and governing body to which the CEO and Procurement Officer are accountable for establishing, maintaining and monitoring procurement activities within the parameters of this policy.
- d) Competitive Bids or Bidding – A transparent procurement method by which competing Vendors are invited to bid in an open advertisement of the scope, specifications, evaluation criteria, and terms and conditions of a proposed contract.
- e) Competitive Quotations – A procurement method in which pricing is requested from several Vendors and the most competitive one is chosen. Competitive Quotations are generally used for smaller purchases where Competitive Bidding is impractical.
- f) Conflict of Interest – A situation that has the potential to undermine the impartiality of a person because of the possibility of a divergence between the person's self-interest and professional interest or public interest.
- g) Contract - A written agreement in which GLWA agrees to acquire goods or services from a Vendor in exchange for consideration. These written agreements specify each party's obligations in relation to the transaction including but not limited to the scope of work, payment information, duration of the agreement, prices, and other legal terms and conditions applicable to the transaction.
- h) Contract Renewals - The exercise of a Contract renewal option or where continuation of existing services or goods from an existing Vendor is desirable for purposes of continuity or compatibility. If required, Procurement staff will supply market test data or key performance indicators to support continuation of existing goods or services from an incumbent Vendor.
- i) Cooperative Purchases – An agreement for the procurement of goods, supplies, professional services or construction services with one or more Public Procurement Units (e.g. local, state or federal) in accordance with an agreement entered into between the participants. It may consist of joint or multi-party contracts between Public Procurement Units.
- j) Emergency Procurement – A procurement method available when there exists an imminent threat to public health and welfare or to prevent an imminent violation of a required environmental permit or Administrative Consent Order under emergency conditions where Competitive Bidding and prior authorization would be impossible or impractical under the circumstances.
- k) Goods – Any fixtures, items of furniture, supplies, materials, equipment, other personal property, and other items of a similar nature.
- l) Initial Term – The initial length of the Contract or Purchase Order excluding renewals and/or extensions.
- m) Purchase Order or PO - A Purchase Order is a short form of contract issued by GLWA to a Vendor indicating types, quantities, payment terms and prices for goods or services the Vendor will provide to GLWA.

- n) Public Procurement Unit - A Public Procurement Unit is defined as any local government or state government, whether or not located in the State of Michigan, or federal agencies of the United States.
- o) Qualified Vendor - A Vendor that meets or exceeds the standards prescribed in the Solicitation and has not defaulted on a previous GLWA Contract or Purchase Order.
- p) Representatives - include authorized individuals acting on behalf of GLWA including, but not limited to management, employees, agents and evaluators.
- q) Responsible Vendor - A status achieved when a business meets each and every minimum qualification or other requirement set forth in the applicable Solicitation and does not hold a status of debarred or suspended.
- r) Responsive Vendor - A status achieved when a timely submitted Bid, Proposal or Response conforms to all material requirements of the Solicitation in response to which it was submitted.
- s) Single Source Procurement - A procurement in which there are multiple sources of supply, but for specific reasons including but not limited to: compatibility, equipment for which there is no comparable competitive product, technology requirements or uniqueness of the service, the item or service must be purchased from a single, specified vendor.
- t) Small Purchases - A procurement that does not exceed \$25,000 and may be accomplished without securing competitive quotations if the prices are considered to be fair and reasonable. Procurement requirements shall not be artificially divided so as to constitute a small purchase.
- u) Sole Source Procurements - A procurement in which the Chief Procurement Officer (or designate) certifies that only one (1) source of supply is available.
- v) Solicitation - A manner of requesting goods and services including but not limited to a Request for Quote, Request for Information, Statement of Qualifications, or Request for Proposal.
- w) Specialized Services - A unique expertise provided by an individual or firm. Examples include but are not limited to legal services and expert witnesses.
- x) Surplus goods - Goods owned by the GLWA that have been determined to be unusable, defective (vendor will not accept return), obsolete (no longer conforms to local, State or Federal requirements), in excess quantity (one or more years of stock at normal or projected usage) and is not scrap. Scrap means any personal property owned by the GLWA that has little or no value and is uneconomical to store or offer for sale.
- y) Unsolicited Proposal - A form of procurement which meets the following criteria:
 - a) The proposal was independently originated and developed by the offeror; and
 - b) The proposal was prepared without GLWA's active input or supervision, and
 - c) The proposal presents an innovative concept, idea or process.
- z) Vendor - A contractor, supplier or other business entity that seeks to conduct or does conduct business with the GLWA.

Comment [RJD4]: Increase to \$50K, but between \$25K and \$50K allow for the Procurement office to secure verbal quotes for goods or services of not less than three vendors; document. Could eliminate some effort here. Likely raise it later on.

Comment [JB5]: Agree.

Comment [RJD6]: Unique needs to be better defined as unique and unattainable from the market in a competitive environment. Many have expertise and are unique, but their goods or services can be provided by others well.

Comment [JB7]: Not sure how to better define

Comment [RJD8]: Recipe for problems. If a vendor brings a product / service that is of interest and triggers an unmet need, great, but it should be competitively bid and follow the Procurement policies. Don't like unsolicited proposals in the least.

Comment [JB9]: Agreed, the experience is that the proposals are not independently originated without DWSD input.

Section 2 – Authority

2.1 Contracting Authority

The Chief Procurement Officer (or designate) is the only recognized Representative to enter into a contract or issue a purchase order on behalf of GLWA for the procurement of goods, services, construction, leases or agreements for the disposal of surplus goods.

Comment [RJD10]: Should be a limited number – board approved individual by function. Entering contracts should be tightly controlled.

Comment [JB11]: If required, Procurement staff bearing the title of “manager”.

2.2 Delegation of Authority

The Chief Procurement Officer may delegate in writing to his/her designee(s) the authority to procure goods, services, surplus goods and construction (excluding the disposal of surplus goods). ~~The Chief Procurement Officer may also permit those designees to further delegate authority to other designees.~~ To ensure compliance with this Policy, all approved delegations and limits of authority shall be documented and submitted to the Board as a communication.

Comment [RJD12]: Nope – don’t want finger pointing if something goes wrong. The Chief is responsible for all of the operations – he / she should be the only one who delegates authority and responsibility within his / her department.

Comment [JB13]: Agreed

2.3 Authorization to Supply Goods/Services/Construction

The Chief Procurement Officer shall communicate the authorization to supply goods/services in the form of a written and fully approved Purchase Order except in extenuating circumstances including without limitation, emergency purchases, power outages and building closures. In those instances, a Vendor shall be given an informal authorization from the Chief Procurement Officer the written commitment that a Purchase Order will be issued as soon as circumstances allow. GLWA is not financially or otherwise responsible for goods, services or labor performed without proper authorization.

Section 3 – Procurement

3.1 Procurement of Goods and Services

GLWA procurement activities shall be performed using financially responsible methods, ethics, and fair business practices. Procurement shall not enter into a procurement contract for goods or services with a person who has been convicted of a criminal offense incident to the application for or performance of a contract or subcontract with a local government, state or federal governmental entity or with a person who has been held liable in a civil proceeding or has been convicted of a criminal offense that negatively reflects on the person’s business integrity, based on a finding of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property, or violation of state or federal antitrust statutes, or similar laws.

3.2 Methods of Procurement

GLWA shall procure all goods and services through the use of competitive bidding as outlined in this policy, unless an express exception is indicated within this policy. The GLWA Chief Procurement Officer shall take all necessary measures to ensure adherence to this policy. Competitive bidding includes but is not limited to: Statement of Qualifications (SOQ), Request for Information (RFI), Request for Proposals (RFP), and Request for Quotes (RFQ).

3.3 Exceptions to Competitive Bidding

The Authority shall not be required to use competitive bidding when acquiring proprietary goods, services, equipment or information available from a single source, including but not limited to software license agreement, emergency repairs or to respond to a declared state of emergency or if procurement is necessary for the imminent protection of or mitigation of an imminent threat to public health or safety. Categories in which purchase orders may be awarded to persons or vendors on a non-competitive basis when Procurement determines that any of the following circumstances exist, with subsequent notice to the Board relating to the justification for the action undertaken:

- a) Emergency Procurement
- b) Sole source procurements
- c) Single source procurements
- d) Specialized Services
- e) Contract renewals, with notice to the Board for those renewals considered at the time of contract award
- f) Small purchases
- g) Cooperative Purchases
- h) ~~Unsolicited proposals~~

3.4 Vendor Involvement in Proposal Requests

Vendors who assist in the preparation of a scope of work shall be precluded from bidding on the underlying goods or services sought by GLWA.

3.5 Contract Length and Renewals

Excluding contracts involving capital improvements, the initial contract period shall be no greater than three (3) years with two (2) one-year renewal options to be reviewed annually if the Chief Procurement Officer is satisfied with the value of the goods and / or services received during the original contract period. Contracts exceeding five (5) years must be approved by the Board prior to entering into the contract.

3.6 Blanket Purchase Orders

Blanket purchase orders for pre-qualified vendors should be encouraged for emergency services (electrical failures; distribution network repairs; technology needs; etc.). Pre-qualification of vendors would permit a shortened period of vendor response for services whereby a limited response to the underlying scope of work and cost need be supplied by the vendor.

Comment [RJD14]: Really need to tighten this up – don't agree that, without specific parameters, the CPO should have the authority without noticing the Board. Perhaps at the next round of review and if the Board is comfortable, this can be changed to lighten up a bit, but not now.

Comment [JB15]: The Board would receive notice within 7 days as outlined in approval levels table.

Comment [RJD16]: What are 'specialized services' – taking the rate consultant as an example, specialized services, yes; unique and not obtainable elsewhere or in a different format, absolutely not.

Comment [JB17]: Agreed, meaning only those contracts approved by the Board that contain renewal options are exempt from competitive bidding.

Comment [RJD18]: Need to define what 'small' is.

Comment [JB19]: As defined under "e" in definitions

Comment [JB20]: I believe this should remain in.

Comment [JB21]: Agreed

Comment [JB22]: Agreed

Comment [JB23]: Types of contracts, including blanket purchase orders would fall under "procedures", just like P-Cards. Emergency purchases are covered under types of procurements not requiring competitive bids.

Section 4 – Solicitation

4.1 Solicitation development and advertisement

Competitive solicitations shall be prepared in a manner that allows and promotes open competition. Solicitations shall be advertised electronically and/or through newspaper or other media determined by GLWA that promotes vendor participation in the bid process.

Section 5 – Bidding

5.1 General

GLWA reserves the right to cancel or amend a solicitation prior to contract or purchase order issuance or reject any or all bids if it is determined that such action is in the best interests of GLWA. GLWA may allow a vendor to withdraw a bid if requested at any time prior to the bid opening.

5.2 Bid Submission

To participate in the bidding process, vendors shall submit bids/proposals/quotes in the method, format, and time frame specified in the solicitation. The bid shall be signed by an individual within the bidding firm that has the authority to bind the Company or individual to a contract. Bids received after the due date and time will be rejected, will not be evaluated, will not be opened, and will not be considered for award of contract and will be returned to the vendor unopened.

Comment [JB24]: agreed

5.3 Risk Management

GLWA shall mitigate risks such as limitations of liability, retainage, indemnities, warranties, terms of payment, termination, insurance and bonding requirements through contract or purchase order terms. Risks not addressed in the contract or purchase order are the sole responsibility of the vendor. Deviations to risk responsibility will not be accepted without specific approval by the GLWA CEO prior to contract award.

5.4 Insurance

Contract insurance requirements will be detailed in each solicitation request. In order to be considered a responsible vendor, vendor shall possess and maintain the required insurances which meets or exceeds the terms and conditions for each such policy during the term of the contract at its sole expense. In some instances, a vendor must also maintain specified policies after the conclusion of a contract for the duration as specified in the contract.

5.5 Bonds

To protect GLWA from bidders withdrawing their bids prior to the end of their bid validity period, refusing to sign the contract, failure to perform, failing to pay sub-contractors, or providing faulty

workmanship/materials, bonds may be required. Bond requirements (bid, warranty, performance or payment) shall be indicated in the solicitation.

5.6 Alternative Proposals

Where appropriate, the proposing vendor is required to will comply with the submission of a proposal in accordance with the scope of work in the request for goods and / or services, but should also be encouraged to and in addition provide an alternative proposal for goods and / or services that would better meet the needs of GLWA in the opinion of the vendor.

Comment [JB25]: I would prefer to change the language to "when required, the proposing vendor submit a proposal in accordance with the scope of work in the RFx and will provide an alternative proposal that may better meet the needs of GLWA in the opinion of the vendor."

Section 6 – Evaluation of Competitive Bids

GLWA shall assess competitive solicitation responses in order to determine in its sole discretion, the most capable vendor(s) that will meet or exceed the requirements of the solicitation while providing the most value.

6.1 Evaluation Team

The Procurement Division shall nominate evaluators who shall be approved by the Chief Procurement Officer. The drafter of the solicitation and GLWA Board members shall not evaluate proposals. Where possible, at least one (1) evaluator shall be technically proficient in the field that is the subject of the procurement. GLWA will strive to include as many evaluators from the customer base as practical. To participate in the evaluations of proposals, each nominated evaluator shall sign an Ethics and Confidentiality agreement.

Comment [RJD26]: Really need to soften this a bit – who determines what is practical, from what county area, etc. What is the relationship of the number of voting members from the communities versus that of GLWA administration.

The evaluation scoring mechanism shall be completed and made available prior to the opening of the vendor proposals.

Comment [JB27]: Would recommend staying with original language. We may not be able to pull an evaluation team together on every occasion that includes an exact relationship as mentioned above.

Comment [RJD28]: Draft copy of the Ethics and Confidentiality agreement should be attached.

6.2 Bid Protest

A potential vendor, who has submitted a proposal and who is not awarded a contract after participating in GLWA's competitive solicitation process, may protest the award of the contract by filing a written notice of protest with the Chief Procurement Officer within seven (7) calendar days after the award. The written notice of protest shall reference the solicitation number and the basis for the protest.

Comment [JB29]: Will be in "procedures" under evaluation process and also contained in the "ethics" procedures.

- a) Upon receiving a Bid Protest, the GLWA Chief Procurement Officer shall immediately suspend the contract award process and activities until the protest has been resolved.
- b) The Bid Protest shall be reviewed by the Chief Procurement Officer in an expeditious manner. The Chief Procurement Officer shall make a determination to either accept or reject the bid protest within seven (7) calendar days after the date the protest was received.
- c) If the Chief Procurement Officer accepts the bid protest, the Chief Procurement Officer shall carry out actions accordingly. If the Chief Procurement Officer rejects the Bid Protest, the Chief Procurement Officer shall notify the protestor of that decision and advise the

protestor of their opportunity to appeal to the Chief Financial Officer. The protestor will have three (73) calendar days from the notification of the bid protest to appeal the decision.

- d) Upon receiving an appeal to a bid protest, the Chief Financial Officer shall review the appeal and make a determination to either accept or reject the bid protest within fourteen (14) calendar days after the date when the appeal was received. If the Chief Financial Officer accepts the bid protest, the Chief Procurement Officer shall act in accordance with the Chief Financial Officer's findings. If the Chief Financial Officer rejects the Bid Protest, the Chief Procurement Officer shall notify the protestor of the decision. The Chief Financial Officer's determination shall be final.

- e) Items excluded from Bid Protests and Appeals include:

- i. Bids/proposals under ~~\$25,000.00;~~\$50,000;
- ii. Failure of a potential vendor to submit bid by the date and time specified;
- iii. Failure of a potential vendor to provide documents required to accompany a bid or proposal;
- iv. Failure to have a required bid bond accompany a bid;
- v. Failure to submit an appeal within the time defined in this policy;
- vi. Failure of a potential vendor to meet minimum or mandatory requirements;
- vii. A vendor that has a performance rating of unacceptable; and
- viii. A vendor that has a status of debarred or suspended during any stage of the contract award process (advertisement of solicitation through the award of the contract) or at the time of the bid protest.

Comment [RJD30]: If Procurement reports to the CFO who would then be ultimately responsible for the Procurement operations, does it make sense to have the decision appealed to the same person who is responsible? Or, should it be independent – Counsel or CEO for example. Or perhaps the audit committee.

Comment [JB31]: I believe they are separate enough to leave the CFO as the area in which a protesting vendor can escalate.

Comment [RJD32]: See above.

Comment [RJD33]: See above.

Comment [JB34]: Agreed

Section 7 – Approvals

Whether a contract or purchase order is awarded through competitive bidding or a permitted non-competitive process, approval levels listed below are required. In the absence of appropriate approval levels, no contract or purchase order exists between GLWA and any vendor. Prior to request for approval, all contracts shall be evaluated by the GLWA Risk Manager as to insurance requirements and by General Counsel for other terms and conditions.

7.1 Approval Levels

Procurements for goods, services and construction shall be recognized as “Authorized” where approval requirements listed below have been met. Amounts below represent the value for the initial contract or purchase order term and amendment/change order value (excluding the value of renewal options). Contracts and purchase orders shall not be artificially divided to bypass required approvals. All contract terms shall be defined. Contracts and purchase orders in which the initial length is equivalent to or exceeds ~~two-three~~ (23) years shall be reviewed every year by the GLWA Chief Procurement Officer to ensure contract and purchase order compliance. The GLWA Chief Procurement Officer shall submit to the GLWA CEO and the Board a contract and purchase order compliance review report. Procurement requirements shall not be artificially divided or fragmented so as to constitute a small purchase or to circumvent the approval levels listed below.

Comment [RJD35]: What would be included in the report?

Comment [JB36]: This will be determined when the report is developed.

Description	Contract or Purchase Order value for initial term or cumulative value including contract renewals and change orders	Authority to encumber funds
1) Initial Contract or Purchase Order having a duration of one (1) year or less for goods or services (excluding construction, disposal of surplus goods, assets or real estate).	< \$ 250,000.	Procurement Specialist
2) Initial Contract or Purchase Order having a duration of one (1) year or less for goods or services (excluding construction, disposal of surplus goods, assets or real estate).	< \$ 750,000.	Procurement Manager
3) Initial Contract or Purchase Order having a duration of three (3) years or less for: a) goods, services, b) disposal of surplus goods or assets, c) construction (excluding real estate)	< \$ 1,500,000.	*Chief Procurement Officer
4) Initial Contract or Purchase Order having a duration of three (3) years or less for: a) goods, services, b) disposal of surplus goods or assets, c) leases	< \$ 3,000,000.	*GLWA CEO
5) Initial Contract or Purchase Order for: a) goods, services, b) disposal of surplus goods or assets, c) leases	> 3 years and/or \$ 3,000,000.	GLWA Board of Directors
6) Sale or purchase of Real Estate	Unlimited	GLWA Board of Directors
Contract renewals For approved contracts or purchase orders where prior approval included renewal options.	Unlimited	Chief Procurement Officer and GLWA CEO
Emergency procurements	Unlimited authority – The authorized approver of an emergency procurement must generate a report to include details surrounding the emergency procurement	Chief Procurement Officer and GLWA CEO

Comment [RJD37]: Note quite sure what this chart represents and its purpose needs to be clarified.

Comment [JB38]: Authorized approval levels

Comment [RJD39]: Needs to be modified to indicate that it can be done but not beyond 5 years – a 3 / 1 / 1 – 3 years initially and two one year extensions.

Comment [JB40]: Agreed

	and submit it to the GLWA Board within 7 calendar days of the procurement.	
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7.2 Unauthorized Purchases

GLWA shall not be liable financially or otherwise responsible for the unauthorized performance of services, shipment of goods or completion of construction projects.

Section 8 – Contract/Purchase Order Administration

8.1 Required Documents

Prior to the notice to proceed ("start of work" meeting, issuance of purchase order or contract) and in addition to providing evidence of the required insurance, the successful vendor shall produce required documents including but not limited to performance bonds and licenses. If the vendor is unwilling or unable to produce required documents in the time frame required by GLWA, GLWA may immediately revoke the award of business and void the contract or purchase order without financial or legal obligation to the vendor.

8.2 Change Orders/Extensions

In circumstances where the scope of work, services, materials or term of contract or purchase order requires a deviation from the contract or purchase order terms, a change order shall be issued to the vendor. GLWA shall not be responsible for work, services or materials provided outside of an approved change order.

8.3 Contract Renewals

GLWA is not obligated to exercise contract or purchase order renewal options referenced in the contract. Prior to exercising a renewal option, GLWA Procurement shall consider the vendor's performance against the initial contract or purchase order. Vendors shall not provide goods, services, or materials against a contract or purchase order renewal option prior to GLWA's approval of the contract or purchase order renewal.

Comment [RJD41]: Oakland uses a "P" card for minor purchases that results in a fair amount of savings in administrative time for those individuals out of the office and in immediate need of parts or services – if not being used, then it might be something that could be considered for the field crew. It's useful in travel efforts as well.

Comment [JB42]: P-Card was taken out as this is policy. P-Cards will be covered under "procedures".

Comment [RJD43]: ??? How would a contract have been signed in the first place if it is missing data? Don't understand this one.

Comment [JB44]: I believe this is referring to "notice to proceed" or a notice of award letter.

Comment [RJD45]: Who issues / approves it? What documentation is required to justify the change? Is it within the budget or will a budget amendment be sought as the change is outside of the budgeted amount for the good and / or service – re, fiscal notes.

Comment [JB46]: Please see approval levels in matrix.

Section 9 – Contract/Purchase Order Compliance

9.1 Contract Performance

A contractor shall supply goods and services conforming to the specifications of the solicitation and award. Failure to perform within the specification and stated time of the contract or purchase order may result in contract or purchase order termination.

9.2 Vendor Suspension and Debarment

It is the policy of GLWA to solicit offers from, award contracts and purchase orders to and consent to subcontracts with responsible vendors only. Suspensions or debarments may be imposed at the discretion of the GLWA for purposes related to the good of the public interest, including maintaining the integrity of the bidding, contracting and procurement processes and protecting public trust and confidence in GLWA's operations. Suspensions and debarments will not be imposed as punitive measures. GLWA may suspend or debar a vendor based on a finding that the vendor is not a responsible vendor. Causes which may result in a finding that a vendor is not a responsible vendor include, but are not limited to, any of the following:

- a) An indictment or conviction of the vendor under any federal, state or local law for any offense indicating a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct;
- b) An indictment or conviction of the vendor under any federal, state or local law for any serious criminal offense that affects the vendor's responsibility as a GLWA vendor;
- c) Judgment of civil liability entered against the vendor in any federal, state or local proceeding based upon facts indicating a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct;
- d) Results or preliminary findings of an investigation of the vendor initiated by the GLWA, federal, state or local law enforcement department, municipality or agency involving allegations of a lack of business integrity, dishonesty, theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering, fraudulent conduct or any other serious misconduct;
- e) Use of an un-authorized subcontractor;
- f) A preliminary finding that the vendor engaged in theft, bribery, extortion, bid rigging, contract or purchase order rigging, money laundering or fraudulent conduct in connection with a GLWA contract;
- g) A preliminary finding that the vendor submitted, made or caused to be made a false, deceptive or fraudulent material statement in connection with a bid, certification, proposal, application, change order, charge, invoice, cost estimate, or payment request related to a GLWA contract;
- h) Refusal by the vendor to reasonably cooperate with the GLWA in connection with an investigation related to a GLWA contract;
- i) The vendor's failure to report to the Chief Procurement Officer, CEO, or the Chairperson of the GLWA Board any activity by elected officials, employees, or persons acting on their behalf related to a GLWA contract or purchase order that the vendor reasonably suspects to be improper, unethical or illegal;
- j) Use by the vendor of an unauthorized subcontractor or supplier;
- k) Unlawful restraint or limitation on competition by the vendor;
- l) The vendor's violation of a material term of a GLWA contract, subcontract or purchase order;
- m) The vendor's history of documented unsatisfactory performance; and

Comment [RJD47]: If they occur, should it be reported to the Board as well at some time?

Comment [JB48]: Yes, and it will be covered in procedures under vendor suspension and debarment.

Comment [RJD49]: Don't have a disqualification for demonstrated discrimination on the basis of race, sex, etc.

Comment [JB50]: Agreed to add

Comment [RJD51]: Duplicate with "j" below?

Comment [JB52]: E & J are two separate issues.

Comment [RJD53]: Duplicate with the one above?

~~a)m~~) Any other conduct or activity by the vendor that has a harmful impact upon the integrity of the bidding, contracting or procurement processes of the GLWA or public trust and confidence in the operations of the GLWA.

Section 10 – Review of Procurement Policies

No later than December 31, 2017 and two years thereafter, the GLWA administration and Board of Directors shall review the content of the purchasing policies and affirm or revise the policies based on the GLWA conditions then present involving the financial policies, procedures and such other matters that may be pertinent under the circumstance impacting GLWA's procurement needs.

Comment [JB54]: Recommend that the CPO reviews as listed and makes recommendation to Board to revise or keep.

Date: October 16, 2015

To: Great Lakes Water Authority Audit Committee

From: Cynthia Kushner, CPA, Treasury Manager, DWSD

Re: Investment Policy for the Great Lakes Water Authority

Background: In preparing for the operational stand-up of the Great Lakes Water Authority (GLWA) on January 1, 2016, it is necessary for the GLWA Board to adopt an investment policy in accordance with state law. As the City of Detroit Water & Sewerage Department recently adopted its own initial investment policy on January 21, 2014, the existing policy is current and was well vetted by a number of industry professionals. The policy was subsequently amended on June 17, 2014 to allow for Certificates of Deposit Account Registry Service (CDARS). To date, the DWSD has not used that investment option.

Analysis: On October 2, 2015, the investment policy referenced above was presented to the GLWA Audit Committee as the basis for first review. As a result of that review, attached is a revised draft which reflects the following three revisions.

1. Section 7(D) has been edited to remove the schedule of maximum percentages to allow for unforeseen market conditions which could alter the intended portfolio allocation. The topic will be addressed in the related investment management administrative procedures under development.
2. Section 8 has been amended to include a description of how financial institutions will be evaluated on an annual basis.
3. Section 9 has been amended to automatically incorporate any amendments to PA 20.

Budget Impact: None.

Proposed Action: Recommend that the Great Lakes Water Authority Board adopt the investment policy with an immediate effective date.

GREAT LAKES WATER AUTHORITY INVESTMENT POLICY

SECTION 1 – PURPOSE

The purpose of this Investment Policy Statement is to establish a clear understanding of the philosophy and the investment objectives for Financial Assets (the Assets) (defined under section, “Scope”) of the Great Lakes Water Authority (the GLWA). This document will further describe the standards that will be utilized by the GLWA’s Board in monitoring investment performance of the Assets, as well as, serve as a guideline for the GLWA’s Finance Officers, any investment manager retained by the GLWA, or financial institution(s) utilized by the GLWA in its routine financial activities.

The investment purpose of the GLWA is to endeavor to accumulate a pool of assets sufficient to build capital for future use with the corresponding obligations to support near-term and long-term needs of the GLWA. The Assets are to be invested consistent with the policies of the GLWA’s Board and this policy document, as amended from time to time.

SECTION 2 – GLWA CHIEF FINANCIAL OFFICER

The Great Lakes Water Authority Board hereby delegates to the Chief Financial Officer (the CFO), and such delegates as the CFO may designate from time-to-time, primary responsibility for recommending investment policies and strategies, trustees, investment managers and/or advisors, and other fiduciaries, and monitoring the performance of the Financial Services Group’s Managers, including but not limited to the Treasury Manager and Finance Director, advisors and other fiduciaries of the GLWA. This delegation is not intended to conflict with the Great Lakes Water Authority Board’s ultimate authority and responsibility for the Financial Assets of the GLWA. The Great Lakes Water Authority Board may at its discretion set policy and practices for periodic reporting of the results of investment performance, review of market conditions and other such information as it may require.

This Investment Policy Statement and the policies and guidance herein are not intended to substitute or conflict with routine treasury reporting duties and practices of the Financial Services Group and the Chief Financial Officer as managed for the Great Lakes Water Authority.

SECTION 3 – DELEGATION OF AUTHORITY

The Chief Financial Officer delegates management responsibility for the day to day or routine activities of the investment program with the Treasury Manager, under the supervision of the Chief Financial Officer. The Treasury Manager shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials, and their procedures in the absence of the Treasury Manager with the approval of the Chief Financial Officer.

The Treasury Manager shall establish written investment policy procedures for the operation of the investment program consistent with this Investment Policy Statement. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Treasury Manager.

SECTION 4 – SCOPE

This Investment Policy Statement applies to the Financial Assets, all transactions and investment decisions and practices for which the Treasury Manager has authority and oversight. Such assets shall include funds classified in the audited financial statements of the GLWA as Current Assets and Long Term Assets.

This policy does not cover investment activities of pension fund or deferred compensation programs.

SECTION 5 – THE PRUDENT INVESTOR STANDARD

The Assets are to be invested and managed with judgment and care; under circumstances then prevailing; which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by the GLWA's Treasury Manager will be the "prudent person" and / or "prudent investor" standard and shall be applied in the context of managing the overall portfolio of assets. The Treasury Manager acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

SECTION 6 – ETHICS

Officers and employees involved in the investment process shall refrain from personal business activity that would conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with which business is conducted on behalf of GLWA.

SECTION 7 – INVESTMENT OBJECTIVES

The investment policies of the GLWA will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, judgment regarding the allocation of the GLWA's assets among different kinds of investment opportunities, identification of appropriate investment vehicles, and the making of specific investment decisions.

The objective of the investments will be to provide for the GLWA's continued operations on a reasonably consistent basis and to achieve income and growth of principal without undue exposure to risk. Therefore, the primary focus will be preservation of principal, income generation and capital appreciation a secondary consideration together with the current spending requirements and short and intermediate term capital requirements of GLWA. The Assets of GLWA will be managed in accordance with the following objectives, in priority order:

- A. Safety – Safety of principal is the foremost objective of the GLWA's investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate risk.
 - 1. Credit Risk – The GLWA will minimize credit risk, the risk of loss due to the failure of the security issuer or backer, by:
 - i. Limiting investments to the safest types of securities
 - ii. Pre-qualifying the financial institutions, broker/dealers, and intermediaries with which the GLWA will do business
 - iii. Diversifying the portfolio so that the potential losses on individual securities will be minimized
 - 2. Interest Rate Risk - The GLWA will minimize the risk that market value of the securities in the portfolio will fall due to changes in the general interest rates, by:
 - i. Structuring maturities of the portfolio to meet cash requirements of ongoing operations, thereby minimizing the need to liquidate securities prior to maturity
 - ii. Investing operating funds primarily in short-term securities or investment pools
 - iii. Purchasing securities with the intent to hold until maturity and matched to mature with consideration for capital improvement plans
 - 3. Custodial credit risk – The GLWA will minimize custodial risk by:
 - i. Using only financial institutions and brokers meeting pre-established criteria.
 - ii. Holding all securities in the name of Great Lakes Water Authority.
- B. Liquidity – The investment portfolio of the GLWA will remain sufficiently liquid to enable the GLWA to meet all operating requirements that may be reasonably anticipated. Investment maturities for operating funds shall be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures (such as payroll and debt service), as well as considering sizable blocks of anticipated revenue (water and sewerage fee collections).
 - 1. Time horizon for operating cash investments average life shall not exceed 270-days.
 - 2. Time horizon for long-term capital investments average life shall not exceed 36-months
 - 3. Time horizon for long-term debt service reserves average life shall not exceed 60-months

- C. Return on Investments – The investment portfolio of the GLWA shall be designed and managed with the objective of attaining a benchmark rate of return throughout the budgetary and economic cycles, commensurate with GLWA’s investment risk constraints, operating cash flow and long-term capital needs. The predominant investment strategy of the GLWA is passive. Performance standards for:
1. Short-term assets: yields of the portfolio will be the average of U.S. Treasury Bills most closely commensurate with the average life of the portfolio.
 2. Long-term assets: yields of the portfolio will be the average of U.S. Treasury Bills and Notes most closely commensurate with the average life of the portfolio.
- D. Diversification - It is the policy of the GLWA to maintain a diversified investment portfolio. Assets held in a common fund or concentration account and other investment funds will be diversified to reduce the risk of loss resulting from over concentration of assets in a specific maturity, individual financial institution(s) or a specific class of securities. Diversification strategies will be determined and revised by the Treasury Manager, from time to time to meet diversification objectives while seeking to attain market rates of return or the benchmark index standards, set out herein.

It is also understood that temporary deviations from this objective may be necessary from time to time in order to accommodate certain financial goals and obligations.

SECTION 8 – AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The Treasury Manager shall maintain a listing of financial institutions and broker/dealers authorized to provide investment services. The Treasury Manager will actively monitor and will conduct an annual evaluation of each financial institution and broker/dealer for credit worthiness to determine whether it should be on the “Qualified Institutions” listing. The evaluation will include review of the financial conditions and registrations of each financial entity using audited financial statements, proof of NASD certification, proof of Michigan registration and a signed investment policy certification. The authorized listing of institutions, approved depositories, and / or broker/dealers shall be approved periodically by the Great Lakes Water Authority Audit Committee or as may be amended.

SECTION 9 – AUTHORIZED INVESTMENTS

In accordance with Michigan Public Act 20 of 1943, as it is currently written and as it automatically incorporates future amendments to the ACT, and consistent with GLWA’s bond indentures, State authorizing bond statutes and ordinances, the surplus funds of GLWA will be invested as follows:

- A. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- B. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank or a savings and loan association which is a member of the Federal Deposit Insurance Corporation or a credit union which is insured by the National Credit Union Administration. The bank, savings and loan association or credit union must be eligible

- to be a depository of surplus funds belonging to the State.
- C. Commercial paper rated at the time of purchase within the highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
 - D. United States government or federal agency obligation repurchase agreements. Repurchase agreements shall be negotiated only with dealers or financial institutions with which GLWA has negotiated a Master Repurchase Agreement. Repurchase Agreements must be signed with the bank or dealer and must contain provisions similar to those outlined in the Public Security Association's (or successor Association) model Master Repurchase Agreement.
 - E. Bankers' acceptances of United States banks.
 - F. Obligations of the state of Michigan or any of its political subdivisions that at the time of purchase are rated no lower than a single-A rating category and by not less than one (1) rating agency, see Addendum A.
 - G. Mutual funds registered under the investment company act of 1940, title I of Michigan chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. Included in this authorization are mutual funds that have net asset values (NAV) that fluctuate or can fluctuate on a periodic basis. A mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 1. The purchase of securities on a when-issued or delayed delivery basis;
 2. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned;
 3. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes; and,
 4. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
 - H. Obligations described in (A) through (G) if purchased through an inter-local agreement under the urban cooperation act of 1967, 1967(Ex Sess) P.A. 7, MCL 124.501 to 124.512. For purposes of this section, the objectives listed in Section 7 shall be altered in that the return on investment shall be of primary concern, followed by safety of capital and liquidity.

Although permitted under state law, collateralization will not be required on all investments with the exception of repurchase or reverse repurchase agreements. Repurchase and reverse repurchase agreements must be collateralized at not less than 102% of the market value of principal and accrued interest. All other investments will be looked at on a case-by-case basis taking into account liquidity, safety and yield.

- I. Investment Pools -Any investment into a pooled type account can only be made after the Treasury Manager has completed a thorough investigation. After the initial investment has been approved, the Treasury Manager must continue to monitor the account, at least annually, by reviewing the account's suitability as an investment vehicle. When

reviewing the pooled account, the Treasury Manager shall take into account the following:

1. Detailed description of eligible investments made by the pool or fund;
2. A written statement of the investment policy and the pool or fund objectives;
3. A description of interest calculations and how interest is distributed;
4. An explanation on how the fund will handle gains and losses within the fund;
5. A description on how the funds will be safeguarded, and how often the underlying securities will be marked-to-market;
6. Who will audit the fund or pool and how often;
7. An explanation of who will be able to invest in the fund, how often investments can be made, and what size limitations, if any, will be in effect for the fund;
8. A schedule for receiving statements and portfolio listings;
9. A fee schedule, explaining how and when the fees will be assessed;
10. Whether the fund will be able to receive bond proceeds, and whether they will accept bond proceeds; and,
11. Does the pool or fund utilize any type of reserves or a retained earnings account? If so, how does this affect the interest earnings of the participants?

SECTION 10 – MUTUAL / COLLECTIVE INVESTMENT FUNDS

The Treasury Manager is authorized to invest in mutual / collective investment funds (for purposes of investing in bonds, money market instruments, and other securities) after investigation of the prospectus and the following:

- A. The investment policy and objectives of the fund
- B. A description of Authorized Investment securities
- C. A description of interest calculation and distribution of income or dividends
- D. A description of how funds are safeguarded and securities priced
- E. How often the fund is audited and by who
- F. A description of any limitations on the size and frequency of deposits or withdrawals
- G. A fee schedule, break points, including assessments of such
- H. Frequency and delivery of statements and portfolio of securities in the fund

After the initial investment has been approved, the Treasury Manager must continue to monitor the account, at least annually, by reviewing the account's suitability as an investment vehicle.

SECTION 11 – SAFE KEEPING AND CUSTODY

All securities purchased by the GLWA under this section will be properly designated as an asset of the GLWA and shall be conducted on a delivery versus payment (DVP) basis. Certificates of Deposit purchased from financial institutions or brokers shall be held in a safe keeping account and evidenced by safe keeping receipt. Securities purchased from broker – dealers will be held by a third party custodian in a safe keeping account designated by the GLWA Treasury Manager and evidenced by safekeeping receipts.

For purposes of this Policy, third party custodians shall be defined as a separate financial institution or a separate and distinct division or department of the same institution whose

function is safe keeping and / or trust services. No withdrawal of such securities, in whole or in part, shall be made from safe keeping except by the GLWA Finance Officers as authorized herein, or by its designee.

The GLWA will execute third party custodial agreement(s) with its bank(s) and depository institution(s). Such agreements will include letters of authority from the GLWA, details as to responsibilities of each party, notification of securities purchases, sales, delivery, repurchase agreements, wire transfers, safe keeping and transaction costs, procedures in case of wire failure or other unforeseen mishaps including the liability of each party.

SECTION 12 – INTERNAL CONTROLS & PRACTICES

The Treasury Manager shall maintain a system of internal controls and practices which shall be designed, in addition to conforming to generally accepted accounting principles, to minimize losses of funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of GLWA.

SECTION 13 – REPORTING

The Treasury Manager shall generate a quarterly investment report that provides a clear picture of the status of the current investment portfolio. Each quarterly report will indicate any areas of policy concern and suggested or planned revisions of investment strategies. The report shall include:

- A. A summary of investments by type
- B. A summary of available funds and percentage invested
- C. A summary of interest income and average invested balances by financial asset classifications
- D. An analysis of investments by maturity dates
- E. A detailed report of all investments by type including fund, investment amount, rate, purchase date and maturity date and market price

SECTION 14 -INVESTMENT POLICY ADOPTION

The GLWA's Investment Policy shall be adopted by resolution of the Great Lakes Water Authority Board. The Policy shall be reviewed periodically by the Great Lakes Water Authority Audit Committee. Any modifications made to the Investment Policy must be approved by the Great Lakes Water Authority Board.

Addendum A - Investment Grade Classifications

Long-Term Ratings

	Standard & Poor's	Moody's Investors Service	Fitch Investors Service	Capacity to repay debt
	AAA	Aaa	AAA	Extremely strong capacity
	AA+	Aa1	AA+	Very strong capacity
	AA	Aa2	AA	
	AA-	Aa3	AA-	
Investment Grade Debt	A+	A1	A+	Strong capacity; some susceptibility to adverse economic circumstances or effects
	A	A2	A	
	A-	A3	A-	
	BBB+	Baa1	BBB+	Adequate capacity; however <i>more likely</i> to be weakened due to adverse economic circumstances or effects
	BBB	Baa2	BBB	
	BBB-	Baa3	BBB-	
<hr/>				
Non-Investment	BB+	Ba1	BB+	Vulnerable to default; faces <i>major</i> ongoing uncertainties or exposure
Grade or	BB	Ba2	BB	
Speculative	BB-	Ba3	BB-	

Short Term Note Ratings

<u>S & P</u>	<u>Moody's</u> (Moody's investment grade)
SP-1+	MIG-1
SP-1	-
SP-2	MIG-2
SP-3	MIG-3

Commercial Paper Ratings

An Issuer's ability to honor its' short term obligations

<u>S&P</u>	<u>Moody's</u> (Prime)
A1	P1
A2	P2
A3	P3

Addendum B

Glossary of Terms

Average Life

An estimate of the number of terms to maturity, taking the possibility of early payments into account. Average life is calculated using the weighted average time to the receipt of all future cash flows.

Agency Bond

A bond issued by a government sponsored enterprise (GSE) or agency. These bonds are not fully guaranteed in the same way as U.S. Treasury and municipal bonds. Examples include Fannie Mae, (FNMA) Federal National Mortgage Association; Freddie Mac (FHLMC) Federal Home Loan Mortgage Corporation, Sallie Mae Student Loan Marketing Association; Ginnie Mae (GNMA) Government National Mortgage Association.

Asked

The price at which securities are offered.

Banker's Acceptance (BA)

A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. Acceptances are traded at a discount from face value on the secondary market. Banker's acceptances are very similar to T-bills and are often used in money market funds.

Benchmark

A comparative base for measuring the performance of risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

Bid

The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.)

Bond

A debt investment in which an investor loans money to an entity (corporate or governmental) that borrows the funds for a defined period of time at a fixed interest rate. Bonds are used by companies, municipalities, states and U.S. and foreign governments to finance a variety of projects and activities.

Broker

A Broker brings buyers and sellers together for a commission.

Certificate of Deposit

A time deposit with a specific maturity evidenced by a Certificate. Large denomination CDs are typically negotiable.

Collateral

Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits.

Collective Investment Fund

A fund that is operated by a trust company or a bank and handles a pooled group of trust accounts. Collective investment funds combine the assets of various individuals and organizations to create a larger, well-diversified portfolio.

Commercial Paper

An unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities. Maturities on commercial paper rarely range any longer than 270 days. The debt is usually issued at a discount, reflecting prevailing market interest rates.

Commercial paper is not usually backed by any form of collateral, so only firms with high-quality debt ratings will easily find buyers without having to offer a substantial discount (higher cost) for the debt issue.

A major benefit of commercial paper is that it does not need to be registered with the Securities and Exchange Commission (SEC) as long as it matures before nine months (270 days), making it a very cost-effective means of financing. The proceeds from this type of financing can only be used on current assets (inventories) and are not allowed to be used on fixed assets, such as a new plant, without SEC involvement.

Coupon

The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. Also a certificate attached to a bond evidencing interest due on a payment.

Dealer

A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for their own account.

Discount

The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

Discount securities

Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, e.g. US Treasury Bills.

Diversification

Dividing investment funds among a variety of securities offering independent returns.

Delivery versus Payment – DVP

A securities industry procedure in which the buyer's payment for securities is due at the time of delivery. Security delivery and payment are simultaneous. Also known as delivery against payment, delivery against cash, or from the sell side.

Federal Deposit Insurance Corporation (FDIC)

A federal agency that insure bank deposits, currently up to \$250,000 per deposit account. (If a depositor wants an FDIC insured account, the desired bank must be a participant in the FDIC program. Banks that are participants of the FDIC are required to display an official sign at each teller window or station where deposits are regularly received. The maximum dollar amount that is insured in a qualified account is \$250,000 per bank. In other words, it is possible for a depositor to deposit \$1 million in four different banks and each account will be fully insured.) (The different accounts that can be FDIC insured are NOW, checking, savings, Certificate of Deposits (CD) and money market deposit accounts.)

Federal Funds Rate

The rate of interest at which Fed Funds are traded. The Federal Reserve through open-market operations currently pegs this rate.

Federal Open Market Committee

The branch of the Federal Reserve Board that determines the direction of monetary policy. The FOMC is composed of the board of governors, which has seven members, and five reserve bank presidents. The president of the Federal Reserve Bank of New York serves continuously, while the presidents of the other reserve banks rotate their service of one-year terms.

Federal Reserve System

The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., twelve regional banks in major cities around the country.

Government-Sponsored Enterprise - GSE

Privately held corporations with public purposes created by the U.S. Congress to reduce the cost of capital for certain borrowing sectors of the economy. Members of these sectors include students, farmers and homeowners.

GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries. Examples of GSEs include: Federal Home Loan Bank, Federal Home Loan Mortgage Corporation

(Freddie Mac), Federal Farm Credit Bank and the Resolution Funding Corporation.

Investment Grade

A rating that indicates that a municipal or corporate bond has a relatively low risk of default. Bond rating firms, such as Moody's, use different designations consisting of upper- and lower-case letters 'A' and 'B' to identify a bond's credit quality rating. 'AAA' and 'AA' (high credit quality) and 'A' and 'BBB' (medium credit quality) are considered investment grade. Credit ratings for bonds below these designations ('BB', 'B', 'CCC', etc.) are considered low credit quality, and are commonly referred to as "junk bonds".

Liquidity

1. The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterized by a high level of trading activity. Assets that can be easily bought or sold are known as liquid assets. 2.) The ability to convert an asset to cash quickly, also known as, "marketability".

Market Value

The price at which a security is trading and could presumably be purchased or sold.

Master Trust

A collection of funds from individual investors that are pooled together in order to obtain wholesale prices and rates unavailable for regular investors.

Master Repurchase Agreement

A written contract covering all future transactions between the parties to a repurchase – reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller-borrower.

Maturity

The date upon which the principal or stated value of an investment becomes due and payable.

Money Market

A segment of the financial market in which financial instruments with high liquidity and very short maturities are traded. The money market is used by participants as a means for borrowing and lending in the short term, from several days to just under a year. Money market securities consist of negotiable certificates of deposit (CDs), bankers acceptances, U.S. Treasury bills, commercial paper, municipal notes, federal funds and repurchase agreements (repos).

Municipal Bond

A debt security issued by a state, municipality or county to finance its capital expenditures. Municipal bonds are exempt from federal taxes and from most state and local taxes, especially if you live in the state in which the bond is issued. At times taxable municipal bonds are issued to

finance a project or activity that does not provide a major benefit to the public. In such cases, the federal government will not permit the tax-exemption that is a prominent feature of most municipal bonds.

Mutual Fund

An investment vehicle that is made up of a pool of funds collected from many investors for the purpose of investing in securities such as, bonds, money market instruments and similar assets. Mutual funds are operated by money managers, who invest the fund's capital and attempt to produce capital gains and income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

Each shareholder participates proportionally in the gain or loss of the fund. Mutual fund units, or shares, are issued and can typically be purchased or redeemed as needed at the fund's current net asset value (NAV) per share.

Offer

The price asked by a seller of securities. (When you are buying securities, you ask for an offer.)

Open Market Operations

Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank, as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Portfolio

Collection of securities held by an investor.

Rate of return

The gain or loss on an investment over a specified period, expressed as a percentage increase over the initial investment cost. Gains on investments are considered to be any income received from the security plus realized capital gains.

Repurchase Agreement - Repo

A form of short-term borrowing for dealers in government securities. The dealer sells the government securities to investors, usually on an overnight basis, and buys them back the following day.

For the party selling the security (and agreeing to repurchase it in the future) it is a repo; for the party on the other end of the transaction, (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement.

Securities & Exchange Commission (SEC)

An agency created by Congress to protect investors in securities transactions by administering

securities legislation.

SEC Rule 15C3-1

Requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called the net capital ratio.

Structured Notes

Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and corporations, which have imbedded options (e.g. call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure.

Total Return

When measuring performance, the actual rate of return of an investment or a pool of investments over a given evaluation period. Total return includes interest, capital gains, dividends and distributions realized over a given period of time.

Total return accounts for two categories of return: income and capital appreciation.

Income includes interest paid by fixed-income investments, distributions or dividends.

Capital appreciation represents the change in the market price of an asset.

Treasury Bills

A non-interest bearing deposit security issued by the U.S. Treasury to finance national debt.

Most bills are issued to mature in three months, six months or one-year.

Treasury Bonds

Long-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S.

Government and having final maturities of more than ten years.

Treasury Notes

Medium-term coupon bearing U.S. Treasury securities issued as direct obligations of the U.S.

Government and having initial maturities from two to ten years.

Yield

The rate of annual income return on an investment, expressed as a percentage. 1.) Income yield is obtained by dividing the current dollar income by the current market price for the security. 2.)

Net yield or Yield to Maturity is the current income yield minus any premium above par plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Date: October 16, 2015

To: Audit Committee

From: Michael J. Tilley, CPA, Risk Manager
Detroit Water & Sewerage Department

Re: Risk Management Milestones – A Forward Look at Key Initiatives

Background: The attached schedule illustrates the proposed timing for achieving important milestones in the Risk Management (RM) space prior to and immediately after the GLWA operational effectiveness target date of January 1, 2016.

Issues for Consideration: The following key tasks from that schedule are of significant importance. For that reason I propose they be included on the agenda for action during the next GLWA Audit Committee meeting on November 6:

- (line 3) Risk Management Committee Resolution - includes creation of a RM Fund
- (line 4) Risk Management Organizational Structure for GLWA

The other items on the schedule – currently shown as Audit Committee assignments - may more appropriately be in the purview of either the Legal or Operations & Resources Committees and would be rescheduled to those Committees on dates yet to be determined.

Suggested Committee assignments are shown in the table at the lower left of the schedule.

Budget Impact: There is currently no budget for risk management activities for GLWA

Proposed Action: No action is proposed at this time.



Risk Management Program

Draft as of October 16, 2015

Schedule of Short Term Forward-Looking Milestones

		October				November				December				January 2016				February			
1	Risk Management (RM) Plan Design Initial Discussion w/Leadership Team	8																			
2	GLWA Board "Risk Appetite" Survey (introduce on 10/21; receive by email)			21																	
3	Risk Management Committee Resolution (includes creation of RM Fund)					6		19													
4	Risk Management Organization Structure for GLWA					6		19													
5	Property Insurance Program			22		6		19													
6	Contract for Third-Party Administrator for Casualty Program	9/24				6		19													
7	Environmental (Pollution Legal Liability)						10			4		17									
8	Crime / Security Insurance Coverage						10			4		17									
9	Fiduciary / Crime / Treasurers' Bond / Cyber/Privacy						10			4		17									
10	Commercial General Liability								30	4		17									
11	Presentation of "Total Cost of Risk" (TCOR) Baseline Analysis for 2015																	5		18	

Color Key:

	Internal Leadership Meeting Date
	GLWA Board Meeting Date
	GLWA Audit Committee Scheduled Meeting

	GLWA Operations & Resources Committee Scheduled Meeting
	GLWA Legal Committee Scheduled Meeting
	Effective date or "must meet" deadline

Suggested Assignments (subject to Board Approval):

GLWA Audit Committee: Board policy re: establishment of Risk Committee and funding of / creation of committed funds.
GLWA Legal Committee: loss exposures, claims, redemptions and other legal related items
GLWA Operations Committee: contracts for brokers and third-party administrators, carrier selections, policy procurements, and other general risk management matters.

For more information, contact: Michael J. Tilley, Risk Manager
 Direct Phone: 313-964-9158 Email: tilley@dwsd.org

Date: October 16, 2015

To: Audit Committee

From: Cindy Cezat, CPA, Financial Management Professional,
Detroit Water & Sewerage Department

Re: Proposed Procurement of Utility Billing and Cash Receipting Software (BS&A)

Background: The target date for the Great Lakes Water Authority (GLWA) to assume operation of the regional water system operations is January 1, 2016. A key activity in the successful stand-up is a billing system for the wholesale customers for water, sewer, industrial waste charge (IWC), and pollutant surcharges.

Justification/Analysis: The complexity of the billing system needs for GLWA are relatively low when compared to a large retail and wholesale system such as the Detroit Water & Sewerage System (DWSD). Accordingly, an analysis was performed of a lower cost, quick win solution to stand-up a wholesale billing system for GLWA. Of the lower cost, off-the-shelf solutions, the BS&A utility and cash receipt system is recommended for the following reasons.

1. BS&A has a high level of subject matter expertise and support for public utility billing. Other off-the-shelf programs are generic billing systems and would require additional implementation and training resources to customize for GLWA's needs.
2. While January 1, 2016 is a stretch goal, BS&A could accommodate an implementation and training in the beginning of calendar year 2016. Billing would continue in the current system until that date.
3. A number of individuals in the organization have previous experience with the BS&A systems thereby shortening the learning curve and implementation time. In addition, those resources have had positive experiences with implementation and subsequent customer service and support.
4. Can be easily accommodated with existing information technology structure. There is no need for an additional server; however there will be additional server and database licensing that will be needed. The Information Technology department estimates these costs to be around \$9,000.
5. GLWA's billing needs have been reviewed with BS&A. Their system can handle the different types of billing that will be done by GLWA.

Accordingly, BS&A has provided the attached proposal to provide Utility Billing and Cash Receipt software. Also attached is a spreadsheet breaking down the cost by module. The total estimated cost for the software, including setup and training, is \$63,280. Annual service fees after the first year will be \$5,250.

BS&A is known in the municipal software arena as having a lower cost of acquisition. We attempted to benchmark the proposed BS&A cost by contacting Bay County and Rochester Hills that recently put out requests for proposals. Their pricing was much higher and really couldn't be used for comparison pricing. That being said, in one instance, BS&A was the lowest cost solution among six proposals. In addition, BS&A provided a utility billing pricing comparison which supports the application price of \$26,225. Given this scenario, it was determined that there would be no cost/benefit to an expanded request proposal process.

Budget Impact: It is recommended that funding for the BS&A system be provided by the GLWA/DWSDR transitional services budget as this is an incremental cost incurred as a result of the bifurcation effort.

Proposed Action: Motion that the Audit Committee recommend to the Great Lakes Water Authority Board to authorize staff to negotiate a contract with BS&A in an amount not to exceed \$63,280 for Utility Billing and Cash Receipting modules including implementation and training and to authorize the Interim Chief Executive Officer to execute that contract and take any other steps necessary to carry out this action, and further, to authorize the expenditure for the additional server and database licenses of \$9,000 for a total allocation of transitional services costs of \$72,280.

Summary of Costs - BS&A Software

BS&A Software	Cash Receipting	Utility Billing	Total
Application	\$ 11,230	\$ 14,995	\$ 26,225
Database setup/imports	2,000		2,000
Contingency		5,000	5,000
Project Management	2,000	4,740	6,740
Implementation and Training	2,200	14,300	16,500
Implementation and Training		4,400	4,400
Travel		2,415	2,415
Total BS&A Costs	<u>\$ 17,430</u>	<u>\$ 45,850</u>	\$ 63,280

Other IT needs

Server and database licenses	<u>\$ 9,000</u>
Total estimated costs	<u>\$ 72,280</u>

BS&A Utility Billing Pricing Comparisons provided by BS&A
Pricing only includes pricing of the Applications

Municipality	Utility Software Pricing*	Year	Was Project Competitively Bid
City of Birmingham, MI	\$ 38,985	2010	Yes
Royal Oak	\$ 64,455	2011	Yes
Cooper City, FL	\$ 34,145	2012	Yes
City of Portage, MI	\$ 39,695	2013	Yes
Clinton Charter Twp	\$ 69,995	2013	No, they based decision on City of Royal Oak's RFP.
City of Ferndale	\$ 29,535	2014	It was originally bid in 2010, they chose another vendor. They replaced that vendor with BS&A in 2014, without bid.
Plymouth Charter Twp	\$ 27,535	2014	No, they based decision on a price comparison table similar to this one.
Mount Dora, FL	\$ 31,745	2014	No, they based decision on RFP for City of Eustis's FL.
West Melbourne, FL	\$ 28,920	2015	Yes - BS&A has been selected, but not yet implemented.
* Includes Cash Receipting			

Budgetary Estimate for Software and Services, Presented to...

Great Lakes Water Authority, Wayne County MI

October 14, 2015

Quoted by: Steve Rennell



Thank you for the opportunity to quote our software and services.

At BS&A, we are focused on delivering unparalleled service, solutions, support, and customer satisfaction. You'll see this in our literature, but it's not just a marketing strategy... it's a mindset deeply embedded in our DNA. Our goal is to provide such remarkable customer service that our customers feel compelled to remark about it.

*We are extremely proud of the many long-term customer relationships we have built. Our success is directly correlated with putting the customer first and consistently choosing to **listen**. Delivering unparalleled customer service is the foundation of our company.*

Contents

Please return all pages, retaining a copy for your records.

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Attachments

Please retain for your records.

- Hardware Requirements
- SQL Server Pricing



Cost Summary

Software is licensed for use only by municipality identified on the cover page. If used for additional entities or agencies, please contact BS&A for appropriate pricing.

Prices subject to change if the actual count is significantly different than the estimated count.

Applications, New Purchase

Cash Receipting .NET	\$11,230
Utility Billing .NET	\$14,995
Subtotal	\$26,225

Database Setup

Cash Receipting (Setup of Receipt Items/Tender Types)	\$2,000
No conversion to be performed for:	
Utility Billing .NET	

Customizations Contingency

Significant efforts are made by both parties to ensure that the scope of a project such as this is well-defined. Occasionally, unforeseen situations occur, such as customization requests for non-standard functionality, reporting or integration with a third-party system, or the need for additional training due to process changes, staff changes, etc. In order to easily accommodate these situations during your project, BS&A recommends the establishment of a 10% Contingency budget. The Contingency budget allows for unexpected situations to be addressed efficiently, without the need for additional council approval.

Recommended Contingency	\$5,000
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Project Management and Implementation Planning

Services include:

- Analyzing customer processes to ensure all critical components are addressed.
- Creating and managing the project schedule in accordance with the customer's existing processes and needs.
- Planning and scheduling training around any planned process changes included in the project plan.
- Modifying the project schedule as needed to accommodate any changes to the scope and requirements of the project that are discovered.
- Providing a central contact between the customer's project leaders, developers, trainers, IT staff, conversion staff, and other resources required throughout the transition period.
- Installing the software and providing IT consultation for network, server, and workstation configuration and requirements.
- Reviewing and addressing the specifications for needed customizations to meet customer needs (when applicable).

\$6,740

Implementation and Training

- \$1,100/day
- Days quoted are estimates; you are billed for actual days used

Services include:

- Setting up users and user security rights for each application
- Performing final process and procedure review
- Configuring custom settings in each application to fit the needs of the customer
- Setting up application integration and workflow methods
- Onsite verification of converted data for balancing and auditing purposes
- Training and Go-Live

Software Setup	Days: 1	\$1,100
Onsite UB Database Setup	Days: 3	\$3,300
Cash Receipting .NET	Days: 2	\$2,200
Utility Billing .NET	Days: 13	\$14,300
	Total: 19	Subtotal \$20,900

Cost Totals

Not including Annual Service Fees

Applications	\$26,225
Database Setups/Imports	\$2,000
Customizations Contingency	\$5,000
Project Management and Implementation Planning	\$6,740
Implementation and Training	\$20,900

Total Proposed	\$60,865
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Travel Expenses	\$2,415
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Grand Total (with Travel Expenses)	\$63,280
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Payment Schedule

1st Payment: **\$8,740** to be invoiced upon execution of this agreement.

2nd Payment: **\$26,225** to be invoiced at start of training.

3rd Payment: **\$28,315** to be invoiced upon completion of training.

Annual Service Fees, New Purchases

Unlimited service and support during your first year with the program are included in your purchase price. Thereafter, Service Fees are billed annually. BS&A Software reserves the right to increase the Annual Service Fee by no more than the yearly Consumers Price Index (CPI).

Cash Receipting .NET	\$2,250
Utility Billing .NET	\$3,000
Total Annual Service, New Purchases	\$5,250



Optional Item(s)

Cash Receipting Hardware

		Quantity		Cost
Epson Series Receipt Printer*	\$750	x	_____	= \$_____
Epson Series Receipt Printer* w/Check Scan	\$1,100	x	_____	= \$_____
APG Cash Drawer**	\$250	x	_____	= \$_____
Honeywell Hyperion 1300g Linear-Imaging Scanner	\$250	x	_____	= \$_____
Credit Card Reader	\$75	x	_____	= \$_____

This will add \$_____ to the Total Proposed.

**IMPORTANT. The receipt printer must be plugged into the USB port on one workstation (not your server). This printer is not to be shared with other workstations. If more than one workstation will be used for receipting, please consider purchasing more than one receipt printer. Ithaca receipt printers are not compatible with Vista or Windows 7. The Epson Series replaces the Ithaca brand and is fully compatible with those operating systems.*

***If using a previously-purchased receipt printer with the APG Cash Drawer, which brand will be used with the drawer?*
 ___Epson ___Ithaca ___Other (please specify)_____

Please provide the number of cash drawers that will be hooked up to the printer_____

Program Customization

BS&A strives to provide a flexible solution that can be tailored to each municipality's needs. However, in some cases, custom work may be required. Typical examples include:

- ` custom payment import/lock box import
- ` custom OCR scan-line
- ` custom journal export to an outside accounting system
- ` custom reports

If you require any custom work, please let us know so that we can better understand the scope of your request and include that in a separate proposal.

Acceptance

Signature constitutes...

1. An order for products and services as quoted
Quoted prices do not include Program Customization or training beyond the estimated number of days
2. Agreement with the proposed Annual Service Fees
3. Acceptance of BS&A's hardware recommendations required to efficiently run the .NET applications

Signature

Date

BS&A PLEDGE. We offer a one-year, risk-reversal pledge on our software. If, up to a year after installation, you are not happy with our software and service, you can return our software for a full refund.

Returning Accepted Proposal to BS&A

Please return the entire proposal, with signature/date (this page) and contact information (next page) filled out, by any of these methods:

Mail: BS&A Software
14965 Abbey Lane
Bath, MI 48808

Fax: (517) 641-8960

Email: srennell@bsasoftware.com

Once your proposal is received, a BS&A representative will contact you to begin the scheduling process.

Contact Information

If any mailing addresses are PO Boxes, please also provide a Street Address for UPS/Overnight mail.

If additional contacts need to be submitted, please make a copy of this page.

Key Contact for Implementation and Project Management

Name _____ Title _____

Phone/Fax _____ Email _____

Mailing Address _____

City, State, Zip _____

IT Contact

Name _____ Title _____

Phone/Fax _____ Email _____

Mailing Address _____

City, State, Zip _____

Date: October 16, 2015

To: Audit Committee

From: Nicolette Bateson, CPA, Interim GLWA Treasurer/CFO & DWSD CFO

Re: Proposed Position Statement Regarding FY 2015 Audit

Background: The GLWA Articles of Incorporation were effective on November 25, 2014. The Board has been meeting regularly since December 2014. The GLWA Articles of Incorporation set the fiscal year of the Authority as July 1 to June 30 (Article 6) and requires an annual audit (Article 15). Since the target effective operating date January 1, 2016, there has been no financial activities to record for the Authority for the fiscal year ended June 30, 2015. Costs related to the stand-up for FY 2015 have been paid by either 1) the incorporating municipalities (and reimbursed by the State of Michigan Competitive Assistance Grant Program, CGAP) or 2) a budgetary allocation from the Detroit Water & Sewerage Department's transition services budget. Therefore, there are no financial activities for the short fiscal year ending June 30, 2015. The matter under consideration is: what is the appropriate course of action when audited financial reports are required, yet there is no financial information to report?

Analysis: To develop a position statement related to this topic, three resources were consulted in addition to in-house technical accounting resources.

1. The State of Michigan Department of Treasury Local Unit Audit Section was first contacted and provided the background information. Mr. Cary Jay Vaughn, CPA, Audit Manager, stated that "We will not require an audit report for the first year, but will review the report for 2016 in order to confirm that there were no beginning balances. If there were beginning balances, then a report for the first year would be required."
2. Next, Plante Moran was contacted to confirm that the "noncash" activity represented by payments made on behalf of GLWA by others would not be required to be recorded. Ms. Michelle Watterworth, Partner, provided the technical accounting references to validate that there are "... no amounts to report on an income statement or balance sheet for the FY 14-15 reporting period, we concur with the Authority's assessment that no audit would be required for that time period." (See attached memo.)

3. Lastly, the counsel of William M. Wolfson, GLWA Interim General Counsel, was sought to reconcile the requirements of the Articles of Incorporation with the accounting realities. Mr. Wolfson states; "It is my opinion that for Fiscal Year 2014-15, the October 14, 2015, Plante Moran Letter satisfies the audit requirements of the Articles. As specified by Article 15, two copies of the Plante Moran letter should be forwarded to each GLWA incorporating municipality to satisfy the legal requirements of the Articles." (See attached memo.)

The following "Position Statement Regarding the FY 2015 Audit" is recommended.

There is no financial activity for the Great Lakes Water Authority's (GLWA) initial fiscal year ended June 30, 2015. Therefore there are no financial statements to prepare. Consequently, there is no need for a financial statement audit for FY 2015. This position is consistent with the counsel of internal and external subject matter experts. In order to satisfy the annual audit requirement of the GLWA Articles of Incorporation, two copies of the Plante Moran letter noting concurrence with staff's assessment will be provided to each GLWA incorporating municipality to satisfy the legal requirements of the Articles as recommended by the Interim General Counsel.

Proposed Action: Audit Committee recommends to the Great Lakes Water Authority Board approve the Position Statement Regarding FY 2015 Audit and that that the audit requirement, as required by the Articles of Incorporation, be waived for the period November 25, 2014 through June 30, 2015.

October 14, 2015

Nicolette Bateson
CFO – Detroit Water and Sewerage Department
Transmitted via email: bateson@dwsd.org

Dear Nickie:

You have asked us to address whether or not, in our professional judgment, the Great Lakes Water Authority (“GLWA”) is required to have an audit for FY 14-15.

The GLWA Articles of Incorporation set the fiscal year of the Authority as July 1 through June 30 (Article 6) and contains an annual audit requirement (Article 15). Although the GLWA Articles of Incorporation were effective on November 25, 2014 and the GLWA Board has been meeting regularly since December 2014, the only financial activities for GLWA for FY 14-15 relate to stand-up costs paid through the CGAP grant awarded to Oakland County and by DWSD. In addition, as of June 30, 2015, GLWA has no reportable amounts on its balance sheet.

The GASB has not established standards that would require a government to gross up its income statement (i.e. to recognize a revenue and expense) for what the GASB calls contributed services. (See paragraph 6.45 in the AICPA State and Local Government Audit & Accounting Guide). This would include payments by other organizations on-behalf of another government, such as is the case here. Therefore, we believe that, in addition to a zero balance sheet, GLWA also has no reportable amounts on an income statement for FY 14-15.

With no amounts to report on an income statement or balance sheet for the FY 14-15 reporting period, we concur with the Authority’s assessment that no audit would be required for that time period.

We also understand that Cary Vaughn, at the Michigan Department of Treasury, had provided feedback that, based on the same facts as outlined above, the State will not require an audit for this time period.

Sincerely,

PLANTE & MORAN, PLLC

A handwritten signature in black ink that reads "Michelle Watterworth".

Michelle M. Watterworth, CPA



GREAT LAKES WATER AUTHORITY

INTERIM COUNSEL

Nicolette Bateson
Interim Treasurer/ CFO
Great Lakes Water Authority
735 Randolph, 5th Floor
Detroit MI 48227

RE: GLWA Annual Audit Requirement and October 14, 2015, letter from Plante Moran regarding FY 14-15 audit.

Dear Ms. Bateson:

As you are aware Article 9, Section G of the Great Lakes Water Authority's (GLWA) Articles of Incorporation (Articles) provides as follows:

G. The Board shall provide for a system of accounts for the Authority to conform to a uniform system required by law and for the auditing of the accounts of an authority. The Board shall obtain an annual audit of the Authority by an independent certified public accountant and report on the audit and auditing procedures in the manner provided by sections 6 to 13 of the uniform budgeting and accounting act, 1968 PA 2, MCL 141.426 to 141.433. **The audit also shall be in accordance with generally accepted government auditing standards** and shall satisfy federal regulations relating to federal grant compliance audit requirements.

(Emphasis added.)

Article 15 of the GLWA Articles also states:

The Board shall cause an annual audit to be made of its financial statements, including such federal and state audits as may be required relating to grants and awards, by a certified public accountant, and shall furnish at least two copies to each Incorporating Municipality. The books and records of the Authority shall be open for inspection by any Incorporating Municipality at all reasonable times upon reasonable notice.

You have asked whether an audit is required for the 2014-15 Fiscal Year in which the GLWA began operations. You also point out that the GLWA handled no funds and had no accounts during this Fiscal Year.

The purpose of an audit is to obtain an independent review of an organization's financial statements to ensure that they are both fairly presented, reliable, and free of material misstatements. Article 9, G of GLWA's Articles indicates that the GLWA's audit shall be in accordance with generally accepted government auditing standards. In this case, GLWA has received an October 14, 2015, letter from Plante Moran that indicates that in light of GLWA's unique circumstance in FY 2014-15 an audit is not required by generally accepted government auditing standards.

It is my opinion that for Fiscal Year 2014-15, the October 14, 2015, Plante Moran Letter satisfies the audit requirements of the Articles. As specified by Article 15, two copies of the Plante Moran letter should be forwarded to each GLWA incorporating municipality to satisfy the legal requirements of the Articles.

Please advise if you require any further assistance or explanation with regard to this matter.

Sincerely,

William M. Wolfson

William M. Wolfson
Interim General Counsel