



GREAT LAKES WATER AUTHORITY

February 24, 2016

The Honorable
Board of Directors
Great Lakes Water Authority

Dear Chairman Daddow and Directors:

Regarding: CEO's Report – February, 2016

Many would find it hard to believe that it has been less than 60 days since GLWA assumed responsibility for operating the regional water supply and wastewater disposal system from the City of Detroit. So much has happened that I thought it would be worth taking a moment to recap and highlight just a few of GLWA's initial achievements:

I start my report this month by recapping the positive credit rating agency response over the last three months to the GLWA stand up. GLWA's assumed debt was confirmed** as investment grade by Standard & Poor's and Fitch in December 2015. This month we experienced a two-step upgrade from Moody's. This means that our bonds are now rated as investment grade by all three rating agencies. This would not have occurred without the leadership shown by this Board to navigate through a complex transaction and stand-up of one of the nation's largest water utilities as an independent regional authority within the span of twelve months. This is truly remarkable. I'm quite sure this early, credit positive recognition is just the first of many GLWA benefits to come for the region.

I am also pleased to report that our Bio-Solids Dryer Facility has completed its throughput testing and has begun full time operations under the Interim Operating Agreement that we discussed with you at the February 10th Workshop Meeting. Bringing this facility on-line is an important step forward for our wastewater operations and provides another meaningful environmentally friendly alternative to incineration for sludge disposal. As you might expect, there will be additional challenges as we continue to move forward with this facility, but this is a pivotal step in the process.

Last Friday, GLWA Treasurer/CFO Nicolette Bateson briefed your Audit Committee on our progress launching Phase 1 of our Enterprise Financial System. The Financial Services Group has been working steadfastly with our vendor, BS&A to have this system up and running by March 1, 2016. This has been a challenging process, and details of some of the steps the team has completed are detailed in the Financial Services Group portion of my report. However, all-in-all, with less than two (2) weeks remaining before the March 1 date, I am pleased to report that pilot testing has gone well, and we continue to be on target for our March 1 launch.



Last week we successfully processed our first Purchase Order using BS&A software, and this week we are pilot testing our check writing module. All in all, the BS&A system used with the Procurement Policy you have adopted, promises to make Great Lakes procurement a transparent, simpler and more customer friendly process for both our internal and external customers.

Any discussion about the last 60 days would not be complete if I did not mention the controversy surrounding Flint's water quality. Like you, my heart goes out to the people of Flint. I have also heard from several of our customers about the concerns the tragic circumstance in Flint has raised in their communities with their customers. As the Water Quality presentation was presented to you today, we are prepared to offer assistance to our customers on this topic, but let's be clear on the bottom line: GLWA produces among the best tasting water in this nation, and more importantly complies with all applicable safe drinking water quality standards. GLWA remains committed to meeting both the letter as well as the intent of the laws and regulations.

I am pleased to report that this past weekend, Administration and General Counsel's staff relocated from the 5th and 7th floors respectively to the 19th floor of the Main Office Building, making way for DWSD to utilize those floors as we continue to implement the shared space plan for this building. There is still work to be done on the 19th floor, but the great news is our operations have not missed a beat during this move. I want to thank the men and women of the GLWA who have worked long and hard to make this move a success, including members of our IT and Facilities teams.

In another bit of news to celebrate in our first 60 days, I am pleased to report that last month, the GLWA's IT Service Desk was awarded the **HDI Team Certified Award**. The HDI Team Certified Award is an annual award given by the Help Desk Institute, which recognizes that at least 80% of the organization's Service Desk team possess an active HDI certification. Over 80% of GLWA's IT Service Desk hold HDI certifications as follows: HDI Support Center Manager: Daniella Okike; HDI Support Center Team Lead: Lahai Charles and Shamsur Chowdhury, HDI Desktop Support Technician: Dennis Clifton, Alan John, Yvonne Knowlton, Tarek Malek and Kevin Murphy, HDI Support Center Analyst: Frank Travis and HDI Customer Service Representative: Harry Bullard. These certifications are a positive indication of the capability of GLWA Service Desk Staff and their commitment to supporting their GLWA customers. Congratulations!

PLANNING SERVICES

Asset Management and CIP Group

In the month of February, we kicked off our new Asset Management (AM) and Capital Improvement Plan (CIP) Customer Outreach workgroup, which was well attended. A presentation of where we are with our Work and Asset Management (WAM) program and Asset Management implementation were presented. Additionally we received many comments from community customers regarding how they want to engage in the AM and CIP process going forward. This workgroup plans to meet monthly. Review of the development and progress of the CIP will be a standing agenda item for this work group.



PLANNING SERVICES (continued)

A solicitation for the CIP Program Management services is ongoing. Documents are in the preparation stage.

Monthly reports on the progress of the CIP will be presented to the Board or Board committees starting in March.

The recruitment for Group leadership is in process.

Systems Planning Group

The Wastewater Master Plan steering team continues to meet. This month the meeting centered around a presentation by MDEQ representatives on their thoughts on long term improvements, and the group continued work on the solicitation document for the Plan development. It is expected that the solicitation will be advertised in March.

One of our long-standing work groups has been renamed and its scope broadened. Formerly known as the Flow Metering Task Force, the Wastewater Analytics Task Force will now take up matters in addition to flow metering such as is done by the Water Analytical Work Group. Presently this includes an effort of sampling and analysis of sewage flows to better refine the strength of the flow for the purposes of the wastewater shares update.

A working team of the Counties and non-master metered wastewater customers and their consultants are scoping the work necessary for the update to the wastewater share calculations. This will include flow analysis as well as inclusion of strength of flow data from the sampling and analysis effort.

A Water Units of Service subcommittee has been formed as was prescribed in the Water and Sewer Services Agreement. This subcommittee will oversee the production of a group of studies performed by an independent party that verify and/or redevelops water units of service for non-master metered water customers, audit the master metered customers and perform an in-depth system water audit that will focus on quantification of non-revenue water. A solicitation document continues to be developed and it is expected that advertisement for the independent analysis will occur in March.

Staff continues to work actively with three (3) prospective water customers. Consideration is being given to the manner in which we approach marketing to new customers to join the system.

System Analytics Group

With the bifurcation of staff complete, the wholesale meter operations element of what was DWSD Customer Service previously, has been folded into the System Analytics Group. This group is now called System Analytics and Meter Operations. Mr. Chandan Sood has been selected as the Manager of this group, and has taken a lead role in the project management of the Water Units of Service Study and the Wastewater Analytics Task Force Customer Outreach Group.



PLANNING SERVICES (continued)

Recruitment of staffing for this group continues with the next emphasis to be selection of engineers with significant water and wastewater system modeling experience.

Energy Management

The Energy Management Leadership Team, led by Ms. Linda Rasor, our Certified Energy Manager, continues to have monthly meetings to discuss energy savings projects.

The WE CARE program (Water Employees Care About Reducing Energy) continues to be rolled out to employees.

A representative from USEPA Region V contacted DWSD, and a meeting with both GLWA and DWSD was held to discuss energy savings opportunities. There are many opportunities for EPA and the Department of Energy to assist in this regard. Among these opportunities, performing energy audits and consultation on the content of our Energy Management Program were discussed in detail. These discussions will continue with a focus on performance of energy audits.

Transfer of utility bills from DWSD to GLWA for regional facilities continues.

Two significant energy projects are in the scoping phase. One includes a lighting fixture upgrade of both water and wastewater facilities, and another includes an upgrade to a water pumping station to increase energy efficiency.

WATER OPERATIONS

On February 2, Basin #4 was isolated at the Springwells (SPW) Water Treatment Plant by Maintenance Team Leader, Karone Law and his team. This operation was done to prepare the basin for cleaning and was isolated by lowering a 16-ton gate at the influent and effluent areas of the basin. The caution and safety practices of the maintenance crew helped to ensure that the moving of these gates were performed in a safe and efficient manner. The current basin cleaning work at Springwells is a new process that keeps the sludge from being flushed to the Wastewater Treatment Plant (WWTP). Based on agreement with MDEQ this will minimize potential consequences of treating the sludge at the WWTP and further assure the WWTPs efforts to maintain compliance with their National Pollutant Discharge Elimination System (NPDES) Permit.

On February 6, several Water Supply Operations electricians across several facilities came together at the Northeast (NE) Water Treatment Plant to complete preventative maintenance on the pumping units for High Lift #19 and #20. This was a genuine illustration of the group's efforts to foster a culture of teamwork via consistent teambuilding efforts.

A tour was conducted at the Water Works Park (WWP) Pilot Plant for a group of Wayne State University investigators. The purpose of the visit was to introduce the investigators to the equipment and resources available at the pilot plant in order to identify specific research applications and potential collaborations using the pilot plant to advance emergent water research.



WATER OPERATIONS (continued)

Field Services

Capital Improvement Projects in Construction

- GLWA Contract Number WS-681 – 42” Water Main along 24 Mile Road from Romeo Plank to Rochester has 99% of total water main work complete. Approximately 25% of the restoration work remains for completion in the spring once the asphalt plants open, and restoration after that. To date, the percent of time elapsed is 67%, and the percent of monies expended is 87%. There are no change orders to date.
- Contract No. WS-684A, 36" Transmission Main Replacement along Telegraph Road has been re-bid, Ric-Man Contracting has been recently approved by the Board. Construction is expected to start in late spring.
- GLWA MOU 4848 – Wick Road Phase I – 4,000 feet of 48-inch water main along Wick Road is expected to begin in six (6) weeks.

Damage Prevention Services

- In the first two weeks of February, GLWA has responded to 970 requests for onsite marking for the location of GLWA sewer or water assets through the MISS DIGG one call system. Working in collaboration with the DWSD damage prevention department, GLWA has created a set of GIS shape files of the GLWA assets inside the service area, and uploaded them to the MISS DIGG mapping system to reduce the number of service tickets being received by GLWA that are within our service district, but are not affecting our utilities
- The GLWA permit team continues to respond to utility information requests. GLWA is working with the applicants to ensure their plans meet the GLWA requirements, and are coordinating inspection of their construction activities when the projects go to construction in the future.

WASTEWATER OPERATIONS

As reported last week, the Biosolids Drying Facility tested all four (4) trains for sulfur dioxide (SO₂) on February 2nd and 3rd. Trains 3 and 4 had sampling runs that exceeded the permit limit for SO₂. A meeting with MDEQ was requested and held on Feb. 12 at the Detroit MDEQ office. The verified stack test values were shared with MDEQ along with a compliance plan. The MDEQ recommended that in light of the concerns regarding SO₂ emissions in the area and that in order to demonstrate how much SO₂ the dryers were emitting during operations that CEMs (Continuous Emissions Monitors) for SO₂ be installed. Having actual operational data would enable better decision making going forward. MDEQ also stated that once they received and reviewed the stack test report, which is required to be submitted within 30 days of the stack test, they would be required to issue a Notice of Violation based upon the non-compliant test results. When asked if it would be appropriate to submit the compliance plan with the stack test report, MDEQ responded this would be proactive and may allow issuance of the NOV without a response requirement. The MDEQ would then follow the design and construction progress through monthly reports that were offered and inspection visits. Any decision on additional NOVs or escalated enforcement would be based on the performance during the period before scrubber enhancement is completed.



WASTEWATER OPERATIONS (continued)

The Environmental Protection Agency (EPA) Region V notified the WWTP in a letter received on February 9, 2016, that EPA in coordination with MDEQ would be conducting a Performance Audit Inspection (PAI) focused on the facilities and activities at the Analytical and Operations Laboratories. The PAI will be the second or third week of March, it is assumed that the date will be finalized sometime this week. The EPA requested digital copies of specific documents. Staff has started assembling the requested documents. (A .pdf of the letter is attached to this report).

The average Biosolids disposal for the month of January 2016 was 298 Dry Ton (DT)/day; during which time the average inventory was 589 DT well below the permit limit of 750 DT. The January incoming solid loading was 356 DT/day. The February incoming solids loading to February 16th has been 343 DT/day reflecting the drier, colder weather. (Please see attached graph).

There was a water main leak outside the Wastewater Plant near the Administration Building. The leak was successfully mitigated. No operations were affected by the leak or repairs.

FINANCIAL SERVICES GROUP

Financial System Implementation Team

The GLWA staff and financial system vendor, BS&A, are working steadfastly to launch the financial system Phase I in March 2016. This coincides with the City's progressive shutdown of the DRMS modules as they move forward on the launch of Oracle Cloud at the same time. The GLWA Procurement Team is two weeks ahead of schedule and began a soft launch this past week. With this new system comes a number of process improvements and simplifications which advances our transformation efforts. This has been no small task as shown by some of the data points below – all performed by in-house staff.

- Inventory item master data cleansing and purchase order validation: 10,000 items
- Number of Purchase Orders transferred/entered (primarily this past week):
 - 100+ requisitions and purchase orders entered
 - 250+ contracts entered
 - 720+ vendors entered
- Assets in Oracle WAM (work order and asset management) that were assigned to GLWA/DWSD: 400,000
- General ledger accounts regrouped and renumbered: Remapping approx. 6,000 accounts from Oracle DRMS to approximately half that amount

Phase II planning is underway which will modify the existing Oracle WAM into a two-plant configuration (one for GLWA and the other for DWSD). The approach is that DWSD will proceed first with Oracle WAM and Cloud. Once that tested and accepted, then we will proceed with Oracle WAM and BS&A testing and implementation. It is expected that all systems will be operating in June 2016. The parties are working together to minimize that timeframe as there is are some cost and inefficiencies incurred, yet those are acceptable trade-offs to endure that the Oracle two-plant configuration is rolled out successfully.



FINANCIAL SERVICES GROUP (continued)

Other Financial Services Group Activities

Audit

The GLWA staff is the lead for closing the books for FY 2015 audit for the DWSD. As we are preparing the final entries, the City is shutting Oracle DRMS to launch Oracle fusion. This provides additional challenges to meet the March 31, 2016 financial statement report date.

Budget

The new GLWA budget team is working through a previously unprecedented level of detail that aligns with budget analysis to date, and is consistent with the revenue requirement cap. Many of the budget managers are also new, so there is a lot of learning occurring as well as fresh eyes to identify a number of cost containment opportunities and business process improvements.

GLWA/DWSDR Standup & Shared Services Implementation

The former Planning Implementation Team (PIT) members have been primarily reassigned specific duties to effectuate stand-up and new technology rollout. This team is now onboarding new resources to work with DWSD and GLWA operations and administration to assess the state of standup, and develop the work plan with a goal of achieving a steady state by the end of June 2016. This timeline is consistent with our expectations and priorities.

INFORMATION TECHNOLOGY

Applications Delivery Update:

The City of Detroit is moving to a new ERP platform on March 7th and adopting a new chart of accounts format. In support of that project, GLWA IT will be providing migration support and a new integration with WAM for DWSD. However, once Oracle Cloud is live, WAM will no longer be integrated with a financial system for GLWA until a new WAM upgrade and "multi-plant" configuration can be implemented. This "multi-plant" upgrade is currently scheduled to occur between May 1st and July 1st.

Working in collaboration with BS&A, ITS and Business Teams, BS&A financial software was installed for 56 users as well as in the training facilities at Water Board and the Wastewater Treatment Plant. Additionally, a BS&A update was installed containing the GLWA customizations for Suburban Billing. The BS&A financials project is still on target for a March 1st launch.

IT Risk and Security Update

The GLWA IT Security and Risk Management team is working with the City of Detroit IT Cyber Security team to coordinate cyber security planning and incident response plans. This is essential, as the GLWA and City of Detroit share the same network, and having a common response plan in place will help both entities stay secure.



INFORMATION TECHNOLOGY (continued)

The GLWA IT Security and Risk Management team is partnering with ATT to develop an enhanced cyber security monitoring program, which will include automated, centralized management and alerting, along with a cyber security incident response program. The automation will be handled via the ATT-managed Security Event Threat Analysis (SETA) system, by notifying GLWA ITS personnel in the event of a cyber-attack or suspicious network activity.

Service Delivery Update

In an ongoing effort to improve desktop support services, installation of a new remote service management software, called Bomgar, is underway. Bomgar is a remote desktop support tool that will allow ITS analysts to remotely view, work and administer support to Department desktops and, Apple and Android mobile devices over the web. The intent is to replace as many deskside service visits as possible, saving the time and travel costs associated with support staff moving across the GLWA service area to provide services.

Service delivery is coordinating office relocations between GLWA and DWSD at various locations.

LEGAL

The General Counsel's February Report is attached to this Chief Executive Officer's report.

KUDOS AND STAFF DEVELOPMENT

Balvinder Sehgal, Water Works Park Plant Manager, received and accepted the invitation to participate on the Advisory Board for the Healthy Urban Waters (HUW) Program at Wayne State University (WSU). HUW is a program that promotes and delivers research, education, technology development and public engagement on water resources in the urban environment. This new program is funded by the Erb Family Foundation and WSU Office of the Vice President for Research. HUW is forming an Advisory Board to provide input on program activities such as, the state of the science, bi-national water resources policy agendas, and emerging issues that are relevant to HUW. Participation requires a two-year commitment to attend quarterly board meetings on Wayne State University's campus. Congratulations to Mr. Sehgal for this outstanding recognition of his expertise on water resource issues.

In Mid-January, the Management and Team Leaders of Water Operations embarked on an exciting in-depth leadership program called "The Hungry Leaders Training" which was facilitated by LaShone Bedford, Professional Administrative Analyst. The training is an eight (8) week teleconference and pre-recorded video series on managing people, team members, colleagues, staff, and employees, with making them as productive as possible. The trainer for the program has been an advisor to CEOs and leaders of all levels for more than 20 years. As we apply these management principles to our daily operations, it allows us to build a culture of teamwork and cooperation that will enhance the daily work experience of staff.



KUDOS AND STAFF DEVELOPMENT (continued)

On February 2 and 3, thirty (30) Water Operations team members attended one of the one-day sessions of the American Water Works Association “Operator’s Day” in Lansing, Michigan.

The conference held technical presentations that pertained to water and wastewater as well as vendor exhibits. The focus of the conference included cross connection, electrical maintenance, MISS DIG, backflow prevention, and laboratory equipment trouble shooting and maintenance. Each licensed operator earned up to 0.3 continuing education credits (CEUs).

Respectfully submitted,

Sue F. McCormick
CEO

SFM/dlr
Attachments (3)