



## GREAT LAKES WATER AUTHORITY

January 27, 2016

The Honorable  
Board of Directors  
Great Lakes Water Authority

Dear Chairman Daddow and Directors:

**Regarding: CEO's Report – January, 2016**

I am pleased to report that the standup of GLWA as the new operating entity for the regional water and sewer systems effective January 1, 2016 was successful. As you will note throughout the report, we continue to work through transition issues as anticipated with any organizational changes of this magnitude.

With the focus on the water quality issues in Flint, I want to take this opportunity to assure all of our customers throughout the GLWA service area that we have and will continue to provide water of unquestionable quality to your community and further assure you that the water quality experience in Flint is a localized issue not impacting water quality anywhere else in the GLWA service area. For the Board's information, I have attached the Emergency Administrative Order issued by the U.S. EPA Office of Enforcement and Compliance Assurance on January 21<sup>st</sup> detailing their findings on the Flint water quality issues. Additionally, staff is preparing a presentation for the Board regarding GLWA's water quality assurance approach for the February 10<sup>th</sup> Board Workshop.

In January, we have quickly turned our attention to the work before us as we deliver GLWA's first Capital Improvement Plan and two year budget proposal and the resulting service charges for FY 2017, beginning July 1, 2016. With Board Committee discussions ongoing regarding various aspects of two year financial plan, tomorrow we are also conducting the final "rollout" meeting with representatives of the wholesale customer communities regarding our Proposed FY 2017 Financial Plan and Service Charges. The proposed Financial Plan and Service Charges reflect the application of a 4% annual increase in the GLWA System revenue requirement, applied to the FY 2016 Budget approved by the DWSD Board of Water Commissioners in March 2015.

As also set forth in the Lease, the service charges and percentage increases (or decreases) vary for different customers in order to meet their specific revenue requirements. We look forward to presenting additional material to you as you deliberate on our recommendations for the FY 2017 Financial Plan and supporting Service Charges.



At tomorrow's customer meeting we will be presenting proposed service charges for FY 2017 for each community. The proposed charges are set forth in a memorandum report from The Foster Group, a copy of which you have at your table. This report will be posted on the customer outreach portal of the GLWA web site, along with additional support materials. In addition, we will be delivering individual customer community reports showing the specifics regarding their proposed service charges. The individual community service charge reports will also be mailed to all customer communities on Friday, providing notice to all customers of their "proposed service charges" at least 30 days in advance of the March 2nd public hearing, to consider our recommendations.

## **PLANNING SERVICES AREA**

### ***Asset Management and CIP Group***

In the last month we received robust comments from customers on the preliminary water and sewer CIP plans. Many of the questions were simple suggestions to improve the format of the plans, while others were substantive. Staff members have compiled responses to the questions and in some cases general responses to customers were communicated. The responses were presented in the Analytical Work Group Committee meeting as well as to the Board CIP Committee, both on January 26, 2016.

We received a large number of responses to the CIP Program Management Services - Request for Expression of Interest (RFEI) that was posted to the Michigan Inter-governmental Trade Network (MITN) website last month. Submittals are being reviewed and approaches compiled for consideration.

### ***Systems Planning Group***

The monthly meeting of the Wastewater Master Plan Steering Committee is scheduled for January 27, 2016.

The Customer Outreach program continues to hold regular meetings. A subcommittee of the Technical Advisory Committee has been formed, as is required in the Water and Sewer Services Agreement, to commission a study for an independent technical and financial review of the units of service for our non-metered water customers. A large group of customer representatives attended the first meeting where the topic was a historical review of the units of service for non-metered customers was presented and committee members brainstormed ideas for the upcoming solicitation for the professional firm or team to perform the study.

On the sewer side, a historical review of the development of the 83%/17% split of Combined Sewer Overflow facility costs is being prepared for presentation tomorrow at the next Roll Out meeting.

Staff continues to work with several prospective water customer communities, discussing the mechanics of how connections may be made, what the costs would be and who would be responsible for such costs.



## **PLANNING SERVICES AREA** (continued)

### *System Analytics Group*

The Leadership Team of the Energy Management Program will hold its second monthly meeting later this month. Linda Rasor, our Energy Manager, is working with our Wastewater Operations Group to develop a solicitation for an energy service partnering arrangement. As part of the transition, transfer of utility bills to the GLWA is in process with an expected completion date for Consumers Energy accounts by the end of the month, and DTE and the State of Michigan by the end of March.

## **WATER OPERATIONS**

Lake Huron, Northeast, and the Southwest Water Treatment Plants will be eligible to receive the Partnership for Safe Water 10-Year Directors Award this year. These three (3) water treatment plants are considered to be Phase III Directors Award-winning facilities in the Partnership for Safe Water program. The Partnership's award-winning utilities demonstrate an outstanding commitment to delivering superior quality drinking water to customers. Utilities that subscribe to the Partnership are dedicated to providing high-quality water to customer's even beyond regulatory requirements.

The first Directors Award was originally achieved by successfully completing a comprehensive water treatment plant self-assessment and peer-review process. This Directors Award is maintained by submitting annual turbidity data and optimization reports to the Partnership for Safe Water; making the plant eligible to receive longevity awards such as the program's 5, 10, and 15-Year Directors Awards. The 2016 date for the 10-Year Directors Award will be used as the basis for eligibility for all future Directors Awards, provided annual data and reports are received each year.

## **WASTEWATER OPERATIONS**

The written reports regarding the results of the MACT emissions testing on incinerators 9 and 10 have been received. Those two upgraded incinerators met all the requirements of the new emissions standards for hazardous air pollutants that will become effective March 21, 2016.

The MACT operator certification review was held the week of January 4<sup>th</sup>, and the state approved test was administered on January 7<sup>th</sup>. Five (5) of the nine (9) GLWA employees who took the test passed.

On January 15<sup>th</sup>, a meeting was held to review and discuss the Interim Operating Agreement (IOA) with NEFCO regarding the Biosolids Drying Facility (PC-792) and difficulty in meeting the throughput requirements of the contract. The IOA will provide additional time to achieve the contractually required throughput while meeting the solids disposal requirements of the National Pollutant Discharge Elimination System (NPDES) permit.



## **FINANCE**

### ***General Ledger (“GL”) Account Setup***

After experiencing several weeks of delays due to City resources and technical issues, the new general ledger accounts and stub-year budgets for GLWA and DWSD-R were made available in the financial system as of December 29th. The Financial Planning & Analysis team sent out communications, answered one-on-one questions, and facilitated a handful of meetings with GLWA’s Departments to assist in transitioning to the new accounts for the two “new” entities. This is a monumental organizational change from an accounting perspective as account numbers touch every aspect of cash receipts and disbursements. Populating other forms, systems, and processes will continue to rollout in a deliberate manner over the next 30 days.

### ***Risk Management***

As calendar year 2015 came to a close, casualty insurance coverage was bound for workers’ compensation, general liability, commercial automobiles, and excess liability as is required by the regional water supply system and regional sewage disposal system leases. In support of the program, GLWA signed a three-year service agreement with a third-party administrator (Broadspire) who will adjust all reported casualty claims.

Finally, the Risk Management Department began to build out its organizational structure by hiring another well-experienced Environmental Health & Safety (EH&S) Coordinator with a start date of February 1, 2016.

### ***Capital Management Group***

The Capital Management Group supported DWSD as the first participant in the City of Detroit’s City-Wide Physical Asset Inventory project which began January 5, 2016. This is a milestone activity as the GLWA team is supporting the DWSD-R and Oracle Fusion implementation. Working with the City’s contracted vendor, Asset Works, the group scanned equipment and computers in the Water Board Building, Central Services Facility assets and the DWSD-R pump stations, CSO basins and other facilities in addition to 90% of the combined DWSD/GLWA fleet vehicles. This effort will also serve as a key data source in the effort to account for the bifurcated balance sheet as of December 31, 2015. Staff worked long days and in inclement weather to meet the due date and ensure accuracy (even when the computer tablets froze!). Many thanks to Monica Daniels, Mike Gould, Joseph McMichael, Corey Thomas, Letyoa Abney, Isaiah Dunlap, Craig Rice, Darryl Roberts, Steve Kosanke for their diligent efforts.

### ***Procurement***

The new Michigan Intergovernmental Trade Network (MITN) site for GLWA has been created, users trained, and it is now live. MITN is an online system for managing, posting, and distributing bid solicitations and vendor communications during the bidding process.

With the number of changes that impact the vendor community, staff is beginning to plan a vendor outreach event in late March/early April 2016.



## **FINANCE (continued)**

The timing will be finalized once we are farther along with the BS&A implementation as that system has a number of implications for vendors throughout the entire procure-to-pay cycle.

### ***Logistics & Materials***

The Logistics and Materials Group is starting to reconfigure Wastewater Warehouse and McKinstry Warehouse to capture the full capacity of GLWA's operational needs. These reconfigurations will include some capital improvement for security and storage of inventory items.

### ***Purchasing***

On December 21, 2015, letters were mailed to vendors advising them of changes to invoicing and purchase orders as a result of the stand-up of GLWA and DWSD-R. As of January 6, 2016, all existing requisitions have been reassigned to one entity. As of January 8, 2016, new General Ledger (GL) account strings have been assigned to purchase orders (POs) and we are now able to issue POs for both GLWA and DWSD-R with the new GL strings. New PO terms and conditions have been developed, entered into the PO template in the computer system, and have been uploaded to the GLWA website.

### ***Contracted Services***

The Procurement Team is working closely with Legal Counsel, in particular Ms. Cheryl Jordan, for the piloting of the Engineers Joint Construction Documents Committee (EJCDC) RF(x) procurement documents. The significance of this effort is moving toward industry best practices and an opportunity for expanded competition and improved bid responses.

The bifurcation effort is significantly more complicated for the contracts team than it is for the Purchasing team. In particular where a contract is applicable to both entities, the parties are working closely together during the transition to share services.

### ***ERP***

The BS&A implementation continues at an impressive pace to achieve the March 2016 milestones for Procurement, Accounts Payable, and General Ledger. The vendor is onsite this week for three (3) days for implementation meetings.

### ***Ceridian Update***

On January 1<sup>st</sup>, GLWA began using Ceridian Dayforce as its Human Resource / Payroll and Timekeeping System. The launch was not without its issues, but the project staff was able to successfully work through these issues with Ceridian and our customers.



## **INFORMATION TECHNOLOGY**

In less than six months, the project team successfully configured and implemented Dayforce, enrolled over 700 GLWA staff into new benefit plans through Benefit Express, implemented the ICMA-RC program, replaced 35 timeclocks and successfully issued the first two payrolls.

There are 10-15 outstanding issues that still need to be resolved prior to the beginning of Phase II. Phase II is more HR focused and includes Advanced Workforce Management Modules, Recruiting, Document Management, Dashboards and Performance Management.

### ***BS&A Update***

GLWA and DWSD have set up a common program management team, led by Denis DesRosiers, to shepherd in the complex web of systems encompassed by the two plant implementation of WAM (which serves both GLWA and DWSD), the BS&A financial system for GLWA, and the integration of Oracle Cloud ERP for DWSD.

The plan is for a March 1<sup>st</sup> launch of BS&A financials. The reason we are shooting for such an aggressive date is that the City is scheduled to replace DRMS on March 7<sup>th</sup>, and that will leave GLWA with two options – continue using DRMS, with functional support provided by the City, or moving to BS&A. Obviously the best option is a BS&A launch, eliminating the need to continue using DRMS past March for GLWA's financial operations.

The BS&A software is installed in its initial environment, and is undergoing configuration for utility billing, cash receipting, general ledger and miscellaneous receivables.

There is an effort underway to ensure that a comprehensive applications systems environment is established for the complete suite of critical applications, so that proper change management, IT controls and auditing processes can be established for the Production, Training, Testing and Development system environments.

### ***GLWA Day One***

A number of IT focused activities occurred on or near January 1, 2016 to mark the standup of the GLWA.

GLWA websites were upgraded to a common look and feel and naming standard. Primary email addresses switched to [firstname.lastname@glwater.org](mailto:firstname.lastname@glwater.org). A toll-free customer service number, 844-455-GLWA, was turned on and it is staffed daily.

The GL Account string structure for DWSD and GLWA was modified to allow for separate tracking of expenses back to DRMS. Changes were made to three segments of the GL Account: Fund, Appropriation, and Cost Center, and the new accounts were set up in the DRMS environment and then sent to WAM.



## **INFORMATION TECHNOLOGY (continued)**

### *Cyber Security Update*

The GLWA IT Security and Risk Management team has initiated a project to decommission workstations and servers running obsolete operating systems, such as Windows XP and Windows 2003 server. Workstations and servers running these operating systems are vulnerable to security breaches, as they are no longer supported by Microsoft, and security patches are no longer available for them. When compared with January 2015, we have reduced the number of GLWA/DWSD Windows XP workstations by 63%, and reduced the number of Windows 2003 servers by 19%. For those obsolete systems that cannot be decommissioned due to application requirements, we will document them via an IT security waiver process.

## **TRAINING AND STAFF DEVELOPMENT**

On January 14<sup>th</sup>, LaShone Bedford, Professional Administrative Analyst, conducted a plant tour for members of her Leadership Detroit Class of XXXVII (an initiative of the Detroit Regional Chamber) as part of her contribution to educate them on clean water processing and the histories of Great Lakes Water Authority, formerly the Detroit Water and Sewerage Department. With the assistance of several Water Works team members, the tour was very interactive with various demonstrations or discussions related to operational efficiencies and water processing.

Feedback from the tour:

*“LaShone, on behalf of Leadership Class 37 (Best Class Ever!), let me send out a heartfelt THANK YOU to you and your team for all the hard work you do for the City of Detroit and beyond! We truly take for granted the blessing we have in turning on our faucets and getting clean, fresh water!! THANK YOU!!!”*

~ Tiffany M. Jones, Senior Director  
Lambert, Edwards & Associates  
Leadership Detroit XXXVII Member

*“Thank you LaShone for arranging this for us. You are an amazing tour guide. This was an amazing learning experience and I will forever appreciate the quality of Detroit Water.”*

~Mary Stahl, RN, MHSA  
Director, Quality Improvement and Clinical Outcomes  
Oakwood Healthcare, Inc.  
Leadership Detroit XXXVII Member

Respectfully submitted,

  
Sue F. McCormick  
CEO