



June 27, 2016
(REVISED)

The Honorable
Board of Directors
Great Lakes Water Authority

Dear Chairman Daddow and Directors:

Regarding: CEO's Report – June, 2016

We were happy to report the final Audited DWSD results for FY15 to the Audit Committee earlier this month. The FY15 audit represents the history of DWSD as well as GLWA. While more details can be found online and in the Audit Committee minutes, there are a few items I want to highlight. Notable in the results of the audit, complicated by several significant financial events, is the continued improvements in the system's cost control and reduction efforts. The benefits of sewer rate simplification also remained apparent with delivery of revenue as budgeted, as the need for a similar revenue stability approach for the water system remained obvious. The water revenue results for FY15 confirm the logic for the water charge changes implemented for FY16. The result of those changes, which began to use more current actual sales by community and increased the percent of the charges recovered in fixed payments, will become apparent as we close the 'stub year' ending December 31, 2015. With the FY15 audit completed, we are now focused on closing the books on the consolidated water and sewer system and establish beginning balance sheets for the two new organizations.

In our continued efforts to establish and connect core enterprise systems for GLWA, the Work and Asset Management (WAM) system was successfully split into two "plants" effective June 6, 2016 allowing direct interface with GLWA's Enterprise Resource Planning system, BS&A and restoration of automated functions related to procurement and inventory control that had been suspended for several months. This is another landmark accomplishment for GLWA. Many thanks for the long hours, hard work and effort that were spent by employees across the organization to make this a success!

As we approach the end of the fiscal year, the organization is focused forward, kicking off studies and efforts identified during the transition discussions and initiating new efforts. I hope you will find much interest as you read the details in the area operating reports to follow.

PLANNING SERVICES

Asset Management and CIP Group

The Asset Management and Capital Improvement Plan Work Group (AM & CIP) spent most of the month of May working on advancing both our Asset Management software and CIP project prioritization. Both elements are presented at the ongoing AM and CIP Customer Outreach group meetings. The Work Group will host a presentation from an Asset Management analytical software company, PowerPlan (formerly known as Riva Modeling). The purpose is to provide the work group with a better understanding of the state of analytical Asset Management software systems, implementation and lessons learned.

A new prioritization methodology for both water and wastewater CIP projects has been created and rolled out to the Wastewater Engineering Group for use in the development of the 2018 CIP. This includes the development of a new Business Case Evaluation form for the compilation of more complete and consistent information provided when projects are initially developed and updated. A Prioritization Guidance Document that describes the methodology, process and evaluation criteria for the project prioritization was also rolled out. Process roll out meetings are currently being scheduled with other Authority groups.

Progress continues to be made to advance the CIP Program Management support solicitation. It is anticipated that this solicitation will be released soon.

Systems Planning Group

The wastewater master plan solicitation document has been completed, and the request for proposal is ready for release. A proposal evaluation team is currently being formed with the involvement of several customer community representatives throughout the region. We anticipate the next meeting of the Wastewater Steering Committee will occur in August 2016.

Staff continues to work actively with three prospective water customers. We are happy to announce the placement of our first employee in the Systems Planning Group. Madison Ziems is focused in Customer Outreach and will be the point of contact for existing customers and assisting with marketing efforts for potential new customers.

System Analytics Group and Meter Operations Group

The System Analytics and Meter Operations Group has been diligently working to improve its meter network. A request for proposal for a consultant to reevaluate “Units of Service for Non-Master Metered Customers of GLWA and System Water Audit” was finalized and submitted to the procurement group for their review and advertisement.

PLANNING SERVICES (continued)

As is prescribed in the Water and Sewer Services Agreement, the work is required to be performed by an independent consultant. It is expected that the solicitation will be advertised shortly.

Progress continues on a wholesale water meter upgrade program with upgrades in the metering technology at seven wholesale water meter locations, improvement of metering in Allen Park, Farmington Hills, Hamtramck, Troy, and Woodhaven. A solicitation document for rehabilitation of fifty water meter locations, which include meter replacement and general water meter site rehabilitation, remains under development.

The Wastewater Analytics Task Force continues to meet every other month, and WAMR Portal training was held for two community customers.

Energy Management Group

The Energy Management team has spent their time working on various projects, with the focus on the investment grade energy audit (IGA). The team is working on preparing documentation for the final selection.

The lighting request for proposal for the balance of the water sites, is being rewritten to include equipment specifications for each site.

The team toured all five water treatment plants and highlighted energy improvement opportunities at each site. The Water Master Plan and the Veolia Report recommendations are being reviewed to ensure identified energy efficient measures are considered, such as solar panels and other green generation options.

The Energy Management Team is looking into alternative options for the Variable Frequency Drive at the wastewater treatment plant.

WATER OPERATIONS

Representatives from Wayne State University (WSU) provided a review of the research WSU is doing for their primary funder, the Erb Family Foundation during a visit of Water Works Park Pilot Plant. The researchers presented the following projects:

1. Analysis and optimization of Emerging Contaminants (ECs) removal in drinking water treatment system. Researchers: Yongli Zhang, Michael Dunne and Vittoria Veltri

WATER OPERATIONS (continued)

2. Using aquatic organisms for the evaluation of the toxicity of Contaminants of Emerging Concern (CECs) in drinking water. Researcher: David Pitts
3. Investigating occurrence and effects of endocrine disruption due to Environmental contaminants in Detroit waterbodies. Researcher: Tracie Baker
4. A pilot study to evaluate the viability of a real-time, source water early warning system for volatile organic compounds (VOC). Researcher: Judy Westrick
5. Huron-to-Erie drinking water monitoring network. Researcher: James Olson
6. Portable ballast water automated fluorescence intensity detection device (AFIDD) for monitoring presence of viable invasive species. Researchers: Jeff Ram and Osama Alian

GLWA benefits tremendously from the research projects that are done in conjunction with the Universities and Foundations in our mission to provide water of unquestionable quality.

Ursula Gray, Water Quality Chemist, attended a Town Hall forum in Flint titled “Legionella Prevention for Complex Water Systems” offered by the Genesee County Health Department. The forum provided information about Legionnaires disease which is caused by a bacterium that occurs naturally in freshwater lakes and streams. It causes pneumonia like symptoms and can be life threatening. Transmission is through aspiration and aerosol dispersion. The most likely places to gain exposure to the organism are buildings, through decorative fountains, ice machines, hot tubs, spas, shower heads and air handling systems. According to ANSI/ASHARE (an organization founded by engineers), 80% of the outbreaks are from portable water sources and 20% from cooling sources. The information provided at the Town Hall meeting focused on closed water systems in buildings.

Water Quality Work Group

The Water Quality Report/Consumer Confidence Report (CCR) Collaborative Messaging and Water System Diagrams have been finalized and were sent to all wholesale customers. This messaging was developed by the GLWA Wholesale Customer Water Quality Work Group in response to the need for unified messaging in Water Quality Reports distributed throughout the GLWA service area. Wholesale customers are strongly encouraged to integrate the text into their community’s annual Water Quality Report. The introduction and closing text convey a shared commitment between the wholesale customer and GLWA to drinking water quality. Also, a water system diagram (different scenarios of service line ownership) is available and can be included if desired in their water quality reports.

These materials are available on the GLWA website and Customer Outreach portal and can be accessed from the following links:

WATER OPERATIONS (continued)

LWA Website

<http://www.glwater.org/water-system/water-quality-matters/>

Customer Outreach Portal

<https://outreach.glwater.org/Home/EducationalMaterials/tabid/228/Default.aspx>

The Water Quality Work Group, Water Quality Matters will meet via web conference on June 29th where updates on legislative and regulatory issues will be discussed and new public information materials will be reviewed for distribution. This group is testing the efficiency of web conferencing using “Go To Meeting”. Details of how to participate in this remote meeting are available on the Customer Outreach Portal.

Field Services

Capital Improvement Projects in Construction

GLWA Contract Number WS-681, 42-Inch Water Main along 24 Mile Road from Romeo Plank to Rochester, has 100% completion of transmission main installation with substantial completion inspection to be performed before the end of June. The restoration work for the project is complete. To date, the percent of time elapsed is 95%, and the percent of monies expended is 100%. There are no change orders to date.

GLWA MOU 4848 – Wick Road Phase I – 4000 linear feet of 48-inch water main along Wick Road west of the Wick Road Pumping Station. Construction has started and GLWA expects the transmission main to be complete around the end of August 2016.

Damage Control Group – Miss Dig

The Damage Control group is working to obtain a membership with Miss Dig that is separate from DWSD as the State Miss Dig Corporation has made a decision that GLWA as a utility operator is required under PA 174 to have its own membership. GLWA will remain an inactive member until such time that the infrastructure inside GLWA is ready to operate separate from DWSD. The operations necessary and timeframe to accomplish are being detailed.

WATER OPERATIONS (continued)

Systems Control Center

The Detroit River Interceptor (DRI) is 16 feet in diameter and conveys 30% of the flows to the Wastewater Treatment Plant (WWTP). The phase 4 of the DRI inspection from downtown to the WWTP is complete, and the final report on the assessment will be available within the next three weeks.

On June 13th, the Field Services crew investigated sewer backup at the intersection of E. Monte Vista and Roosevelt (near Lake Huron Water Treatment Plant). Work continued on June 14th with assistance from a DWSD Vactor that rodded and flushed the sewer.

Work is continuing on the flow metering project for Highland Park with OHM Advisors. As a part of the meter installations, Benesch (Contractor) closed three of seven gate valves that provide the emergency connections to the City of Highland Park. Adequate pressure to Highland Park continues to be provided through the remaining four interconnections.

WASTEWATER OPERATIONS

Fire Remediation Update

Cleaning and painting of the affected area is underway and remains on the critical path of the completion schedule.

GLWA procurement has authorized the general contractor to solicit bids for five packages: structural steel; south-side conveyors refurbishment; elevator replacement; roof demolition, and door replacement. Other bidding packages are being prepared for wall panels, additional cleaning and painting, non-fire outage work, and fire protection. GLWA representatives met with the insurance team on June 3rd and June 10th to review the respective estimates of event-related damages. Negotiations related to a settlement are underway. It is anticipated that the incinerators will be returned to service in late 2016.

Rouge River Outfall (RRO) Disinfection Project Update

The final Basis of Design Detailed Engineering Report was submitted to MDEQ on June 1st as required by the NPDES permit. On June 9th, CDM-Smith conducted a kick-off meeting with GLWA and MDEQ for the design phase. A public hearing was held on June 22nd for the State Revolving Fund (SRF) loan project plan. With Board approval on the project plan today, this will put in place the funding provisions for the remainder of this project.

WASTEWATER OPERATIONS (continued)

Bio-Solids Dryer Facility Update

Presently three dryer trains are in service, while one dryer train remains out of service. The Contractor is in the process of engineering and procuring upgraded drive systems with more robust gearboxes to be installed on all four trains. New permanent trunnions are also being designed and fabricated for installation on all four trains. The Contractor continues work to increase throughput on a continuing basis. A letter was sent to convey to the Contractor's executive management that the ongoing unreliability of the dryer trains is unacceptable and that prompt corrective action was required. A response was sent by the contractor to GLWA assuring the authority it is doing everything in its power to remediate the issues occurring with the dryers, including hiring a world-class forensic engineering firm to review the gearbox and trunnion design. Continuous emissions monitoring continues to indicate intermittent SO₂ (sulfur dioxide) emission excursions above the air permit limits, but average levels remain well below the limit. On June 8th, the Contractor discussed with GLWA its plan for bench testing and pilot testing of a ferric chloride sludge treatment option to reduce SO₂ emissions.

Industrial Waste Control (IWC) Section Update

During the period, IWC addressed two National Pollutant Discharge Elimination System (NPDES) permit response/reporting requirements as follows:

The MDEQ forwarded their findings on their audit performed in December 2015. IWC's response was submitted timely and addressed the comments on Standard Operating Procedures (SOP) for the Operations Lab. The SOPs were updated and upgraded to address the MDEQ comments. All SOPs are now consistent with EPA (Environmental Protection Agency) requirements.

U.S. EPA Region V issued correspondence asking for additional information and detail in support of WWTP staffing. The due date for this letter is as soon as practicable.

A re-evaluation report for pollutant loading local limits was submitted on time and concluded that there is no need to change provisions in the existing City of Detroit Ordinance, and the study provided a range of limits that can be considered for adoption by GLWA by ordinance or rule. A new *Sewer Use Ordinance* is being developed for adoption by GLWA as GLWA has assumed responsibility for the system's Industrial Pretreatment Program.

Wastewater Sludge Inventory and Disposal Graph is attached.

FINANCIAL SERVICES GROUP

The Financial Services Group is reaching a number of milestones which include the following:

- A Dun & Bradstreet (D&B) web hosted solution is in the implementation phase. This will allow us to monitor, assess, and mitigate supplier risk using up-to-date D&B supplier information and collaborative analysis. This includes financial and risk analytics coupled with online alerts notifying us of any changes to a supplier profile.
- Successful Vendor Outreach Event (see attachment).
- New invoice and work-order approval paths were established in GLWA's BS&A financial system. Over 55 personnel were trained in the use of this new feature. The approval structure will accelerate the vendor payment timeline. In addition, this modification will allow for a more streamlined Logistics & Materials receiving process.

SECURITY

Chief Jones and GLWA's Security Staff hosted several meet and greets with area Sheriffs relative to GLWA's Homeland Security initiatives.

Incident Command Training will begin for all GLWA staff.

The GLWA Emergency Response Plan has been updated. As such, GLWA will sponsor a **Water - Emergency Response Tabletop Exercise** August 23, 2016 at Water Works Park. This is a one (1) day event and is designed to give water sector employees and response agency partners, an overview of GLWA's Emergency Response Plan and show how they can assist with preparing for, responding to, and recovering from emergencies and disaster's that impact our water/wastewater systems.

KUDOS and STAFF ACCOLADES

Wallace Mencavage, Maintenance Team Leader at the Lake Huron Water Treatment Plant, attended the Synergy Leaders Conference. Attendees included business leaders of the Detroit area and many levels of government representatives. The conference was an effort to energize government and business leaders to come up with innovative ways to promote business ideas, develop altruistic ways to help the people in our communities and be environmentally friendly. Lake Huron is constantly looking for ways to become more efficient in its processes.

KUDOS and STAFF ACCOLADES (continued)

The Engineering team wants to acknowledge the achievement of Theresa Hall, Office Support Specialist, for obtaining a Bachelor of Science degree in Business/Small Business Management & Entrepreneurship. Theresa is a strong asset to Water Operations' Administration team and her goal to receive her degree demonstrates her commitment to the work she does for GLWA and her interest in advancing her career. Congratulations!

Kudos to Sonja Williams, Office Support Specialist at Springwells Water Treatment Plant, on obtaining her Associate's Degree in Business Administration. Sonja's new degree demonstrates her commitment to the work she does for GLWA, and her interest in advancing her career with GLWA by completing the level requirements in her classification. The challenge Sonja faced in balancing work, school, and family worked out and she is considering pursuing her bachelor's degree.

Christopher Steary, Lake Huron Water Treatment Plant Manager, has completed the "Water Treatment Plant Operation, Volume 1" program via the California State University, Sacramento, College of Engineering and Computer Science. Christopher earned 4.0 continuing education credits towards renewing his F1 State of Michigan DEQ Waterworks System Operator License.

Congratulations to Balvinder Sehgal for successfully completing the Lean Six Sigma Black Belt certification. As a result, she has earned the professional designation of Lean Six Sigma Black Belt, earning eleven (11) continuing educational units equivalent to 105 professional development units.

Congratulations to Officers John Neph and Taylor Williams for graduating from the Police Staff and Command training.

LEGAL

General Counsel's June Report will follow separate from the Chief Executive Officer's report.

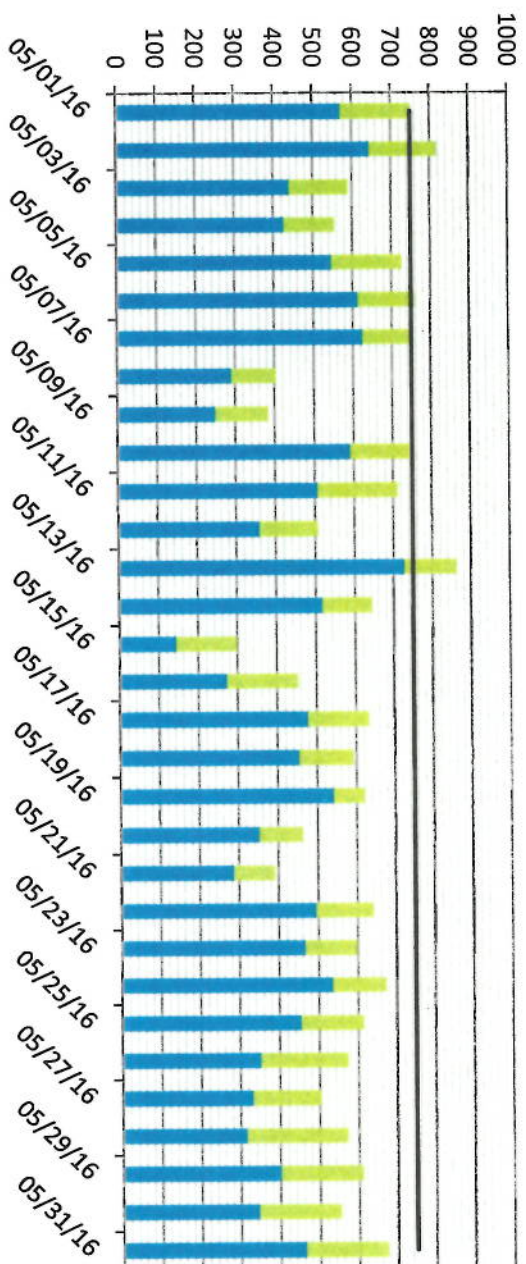
Respectfully submitted,



Sue F. McCormick
Chief Executive Officer

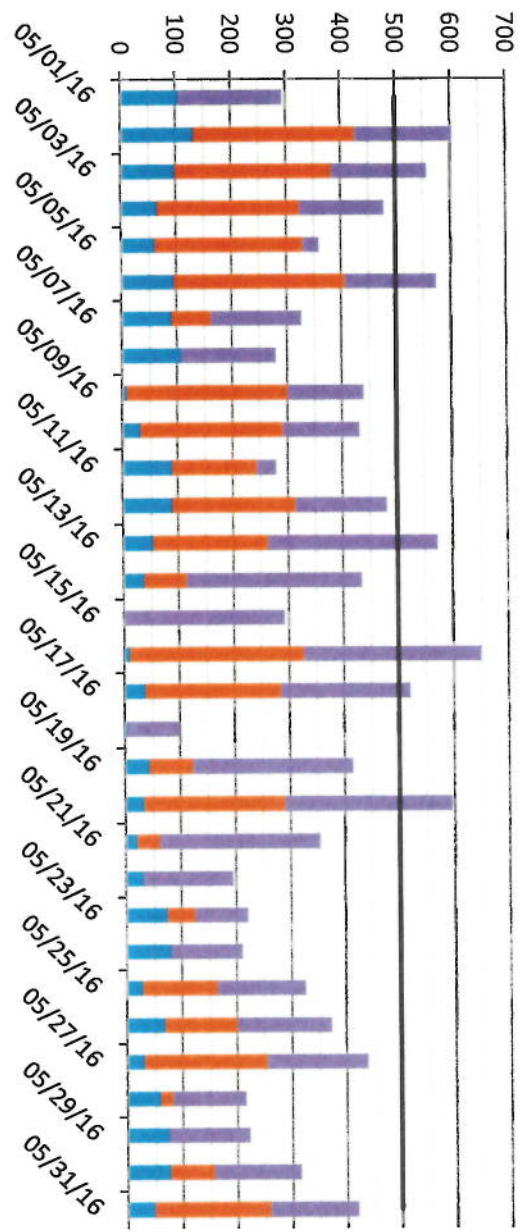
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Attachments (2)

Sludge Inventory (dry tons)



- Complex B (secondary sludge)
- Complex A (primary sludge)
- ACO Monthly Average Max 750 DT

Sludge Disposal by Method (dry tons)



- Biosolids Dryer Facility
- Central Offload Facility
- Incinerated in Complex 2
- Incinerated in Complex 1
- ACO Mon. Avg. Capacity Min 500 dtpd



Vendor Outreach

June 14, 2016
Crown Plaza Hotel
2 Washington Blvd. Detroit, MI

The Vendor Outreach event held on June 14, 2016 introduced GLWA to the vendor community. An open invitation was posted on www.glwater.org and an email was sent to 4,735 Michigan based companies via the Michigan Intergovernmental Trade Network (MITN). Over 330 participants from more than 230 vendor organizations were in attendance. This far exceeded our expectations.

GLWA leaders addressed a number of topics: Who Is The Great Lakes Water Authority, Financial Outlook, Transformation and Bifurcation, Procurement, Accounts Payable, Contracts, Bidding, and Ethics. After the general session ended at 11 am, vendors participated in one-on-one sessions with GLWA staff until 1 pm.

All materials and information from the event are posted on our website at <http://www.glwater.org/procurement/>



Special: Lean Breakout Session

The Lean Contracting Team took the opportunity to conduct a "Voice of the Vendor" focus group at the Vendor Outreach event. The project team is focusing on ways to make our contracting processes more efficient. That includes efficiencies from the point of view of the vendor community.

The one-hour breakout session included nine suppliers who represent a cross section of our contracting partners from engineering, IT, construction, chemicals, and professional services. Through a structured brainstorming and prioritization process, the focus group identified a list of opportunities, ideas, and industry practices that the Lean Contracting project team will use in the development of a more efficient process proposal.

