

March 23, 2016

The Honorable Board of Directors Great Lakes Water Authority

Dear Chairman Daddow and Directors:

Regarding: CEO's Report – March, 2016

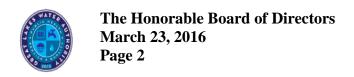
There is an old saying that March comes in like a lion and goes out like a lamb; that has certainly been the case for the GLWA this year. As discussed with your Honorable Body earlier in today's meeting, on Friday March 4, 2016, a fire started at Complex II of the Wastewater Treatment Plant. While the fire was quickly extinguished thanks to the hard work of the Detroit Fire Department, a fair amount of damage was done. We were able to begin the process of restoring the power and conducting an emergency services within 24 hours. We have been working with our insurance carrier, and while a final value of our claim has yet to be determined, we gratefully received a \$1,000,000.00 advance against the claims proceeds from XL Catlin our insurance carrier, to assist with our unforeseen emergency expenses. We are especially grateful that no one was hurt in this fire, and that our Wastewater Treatment Plant was able to continue operations without a discharge event.

As March opened, we began the process for the Board's review of the proposed rates and charges for the 2016-17 Fiscal Year, and the biennial budget for Fiscal Years 2016-17 and 2017-18. As you are aware, this is the first budget approval for the GLWA following the Effective Dates of the Leases. This is also the first budget for DWSD following the Effective Date of the Leases, and the GLWA has now received that Department's budget as approved by its Board of Water Commissioners on March 16, 2016. The receipt of this information is an important step in GLWA's budget review process, and we appreciate the information.

March also marked the first month of operations for GLWA's Water Residential Assistance Program (WRAP) program. Our program administrator has been hosting informational meetings throughout the communities we serve, and reports substantial interest in this innovative and collaborative program.

The Flint water crisis continues to make news, and GLWA has responded to many requests for information from the media and others. The concern about Flint has focused national attention on water quality issues. Last week GLWA hosted a water quality webinar for representatives from its customer communities that was presented by the Association of Metropolitan Water Agencies.

The discussion following that presentation resulted in the formation by GLWA and its customers of a work group focusing on water quality issues.



I am very pleased to report that representatives from 35 of our customer communities have already volunteered to take part in this important effort on this important issue.

The month of March provides hints of possibilities to come. So, as we approach the final days of this month of change, I am excited by the opportunities to come, the continued collaboration with our customers, and the recent expressions of interest from other potential customers who appreciate our product, and are interested in learning more about becoming a part of this regional utility.

PLANNING SERVICES

Asset Management and CIP Group

The new Asset Management and CIP Customer Outreach Work Group was held on March 22nd to have discussions on CIP prioritization and the progress of our Asset Management Program.

Progress continues to be made to advance the CIP Program Management support solicitation.

Recruitment in this group is taking off with the acceptance of two employment offers. We are pleased to announce that Mr. Jody Caldwell has been selected as the Asset Management Director. With his experience with the system and familiarity with GLWA's initiatives, we expect him to hit the ground running and have a very positive impact on the progress of the highly important Asset Management program.

Systems Planning Group

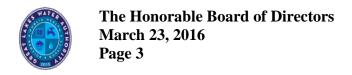
A new Water Quality Work Group has been added to water working groups under the Technical Advisory Committee (TAC) in the Customer Outreach Program. The initial focus of the group will be on lead, corrosion control and testing. The group will also focus on the new EPA voluntary guidelines and recommendations interim to development of changes in the Lead and Copper rule, which is anticipated in 2017.

The TAC and Wastewater Steering Committee have officially added DWSD to the listing of customers on the Co-Chair Committee. Ms. Palencia Mobley is DWSD's designated representative on both committees.

The wastewater master plan steering team has concluded its work on the solicitation document for a consulting engineering firm or team to support the modeling and master planning elements of the effort. A request for proposal is anticipated to be forwarded to the Procurement Group by month's end.

The working team made up of County and non-master metered wastewater customers and their consultants have continued to breakdown the work necessary to perform the updates to the wastewater shares. Sampling sites for the strength of flow elements have been selected and samplers are being installed.

Staff continues to work actively with three prospective water customers.



PLANNING SERVICES (continued)

System Analytics Group and Meter Operations Group

The Water Units of Service subcommittee continues to make progress on preparation of a solicitation document for a consultant for re-evaluation of the demands and volumes for non-metered water customers. 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 in late March or early April.

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

Energy Management Group

The Energy Management program continues to make progress working on two (2) energy savings projects. One includes a lighting fixture upgrade of both water and wastewater facilities, and another includes an upgrade to add load management to one of the water pumping stations.

GLWA's small electric accounts with DTE has been identified, and DTE is processing the account ownership changes. The Office of the General Counsel and the Procurement Group are now handling the changes in the ownership of the major electric contracts. The name change on these accounts is expected to occur by May 1, 2016.

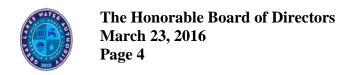
Linda Rasor, GLWA's Energy Manager, is pursuing the use of a Customer Choice Gas Program for the smaller non-contractual gas accounts. In this type of program, the smaller accounts can be aggregated and gas purchased from a Broker. Savings from a program such as this is anticipated to be significant.

WATER OPERATIONS

On February 22nd, GLWA Engineering conducted the first "plant re-sizing" meeting at the Northeast Water Treatment Plant (NEWTP) where they presented their respective views regarding water output, filter usage, chemical additions, equipment needs and various other subjects that would help reduce the costs of the NEWTP per the Water Master Plan.

On February 20th, the NEWTP maintenance crew received assistance from Systems Control electricians to complete preventative maintenance (PM) service on #10 and #16 High Lift pumps and motors. Currently, all mechanical and electrical PMs have been completed for all High Lift pumps and motors for the upcoming season.

On February 8, Judy Westrick from Wayne State University visited Water Works Park Treatment Plant as she is working with a handful of utilities on the St. Clair River. Ms. Westrick would like to pilot real time Volatile Organic Carbon (VOC) monitoring, using a Gas Chromatography Electronic Capture Detector (GC - ECD) in the pilot plant at Water Works Park.



WATER OPERATIONS (continued)

Her goal is to pilot an online VOC monitoring system to determine the efficacy and sustainability for the drinking water utilities on the Erie/Huron Corridor. The long term goal is to create an effective, robust, and affordable real-time drinking water protection network using online VOC monitoring. This six (6) month pilot includes an evaluation of the VOC monitoring system, training for the operators, determining if this system is economically feasible, and if it is an instrument the river utilities can service and maintain. She is hoping this is the first phase with instituting a robust, affordable, online VOC monitoring system for the Erie to Huron Corridor.

The plan is to pilot one (1) at Water Works Park's pilot plant and one (1) in Marysville. The GC - ECD technology is currently being used by the Ohio River Valley Water Sanitation Commission (ORSANCO).

Field Services

Capital Improvement Projects in Construction

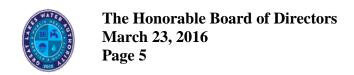
GLWA Contract No. WS-681, 42-inch water main along 24 Mile Road from Romeo Plank to Rochester, has 99% of the total water main work complete. The remaining water main work is one cross-over connection between the existing 36-inch and new 42-inch that is being tested and will then be brought into service. There is about 25% of the restoration work to complete in the spring once the asphalt plants open. To date, the percent of time elapsed is 70%, and the percent of monies expended is 90%. There are no change orders to date.

Contract No. WS-684A, 36-inch Transmission Main Replacement along Telegraph Road was rebid and construction is expected to start in late spring. There has been a request by the Michigan Department of Transportation (MDOT) for a change in the traffic control due to the M-39 MDOT Project occurring at the same time. Work is being done with MDOT and the selected contractor to revise the traffic control plan. Once we have the permit from MDOT, the job will be awarded to the contractor and the scheduling of the preconstruction meeting will occur.

GLWA Memorandum of Understanding (MOU) 4848, Wick Road Phase I, 4,000 linear feet of 48-inch water main along Wick Road west of the Wick Road Pumping Station, has had its preconstruction meeting where most submittals are in and approved, and the contractor is finalizing their schedule based upon when the pipe and valves are going to be delivered. Dewatering is expected to start about mid-April and pipe installation about mid-May, whereas, GLWA expects the water main to be complete about the end of August 2016.

Wick Road Phase II, plans are in review with the City of Romulus. The Railroad is waiting to issue a permit until they receive GLWA's updated insurance. Construction is scheduled to start in FY 2017 and finish in 2019.

The design consultant for CS-1488 - WS-699, Venoy/Dorsey Park and Merriman Road (continuation of Glenwood), is continuing to work on permit approvals and easements for the project. Construction is scheduled to start in FY 2017 and finish in 2019.



WATER OPERATIONS (continued)

With CS-1488, Schoolcraft, Middle Belt to Beech Daly, the water main design is complete and comments are currently being incorporated from MDOT, Wayne County, and Livonia. GLWA is talking with the Livonia Department of Public Works on how to work with our timeline yet collaborating regarding the project. Construction is scheduled to start in FY 2019 and end in 2020.

Damage Prevention Services

The last two (2) weeks of February and the first two (2) weeks of March, GLWA has responded to a little over 750 requests per week for onsite marking for the location of GLWA sewer or water assets through the Miss Dig One Call System. GLWA has provided two employees over the last month to assist DWSD for staking inside the City.

Engineering

WS-695 is being reviewed by staff to provide input into the request for proposal (RFP) for the valve exercising program in the City of Detroit.

Systems Control

The Detroit River Interceptor Inspection

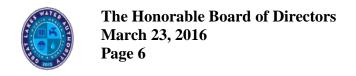
The Great Lakes Water Authority has recognized the need to determine the condition of the vital large diameter sewers and develop recommendations for a long term Capital Improvement Plan.

As a result of these needs, the GLWA has initiated a Detroit River Interceptor (DRI) inspection within the central district. The DRI is 16 feet in diameter and conveys 30% of the flows to the Wastewater Treatment Plant. To perform thorough inspection of the interceptor, lower levels and flows are essential. Systems Control Center is managing the flows daily within the DRI by operating lift stations, remote gates, and level sensors. Approximately 10,000 feet of the DRI in the central district is inspected and the final report is due by the first week of April.

WASTEWATER OPERATIONS

The WWTP is treating wastewater in compliance with the NPDES permit. All liquids handling (primary sedimentation, secondary treatment, disinfection and dechlorination) are operating normally and without incident. The Biosolids Drying Facility has been requested to operate at maximum capacity as inventory requires, and two Complex I incinerators are online. The regulatory agencies have been informed, and are being kept apprised of the situation.

The Rouge River Disinfection project, PC-797, held a launch meeting March 2nd at the WWTP, establishing goals, communication guidelines, and the time-line for project execution. An on-site inspection of conduits has begun.



WASTEWATER OPERATIONS (continued)

GLWA received notice from the U.S. Environmental Protection Agency (EPA) of a scheduled audit with a focus on the activities of the laboratory and sampling functions. The Performance Audit Inspection (PAI) has been confirmed for the week of April 11 - 15, 2016. Steve Kuplicki, Industrial Waste Control (IWC) Manager, is the contact person for the audit. Two Quality Assurance/Quality Control (QA/QC) plans have already been forwarded to the EPA for the Analytical Laboratory. One is for drinking water, and the other is for wastewater.

The IWC section has compiled most of the information requested by the EPA in advance of the April 11th audit. Although the original notice suggests that sampling and laboratory issues will be the main focus of the audit, it has recently been discussed that other areas (Pre-treatment, CSOs, WWTP) may be looked at also. IWC completed the reporting requirements as required by the Superfund Amendments and Reauthorization Act (SARA) for the 2015 reporting period and submitted them by March 1, 2016.

Mr. Bill Hansen, representing the MDOT for the Howe Bridge Project, visited the Livernois Center Building the week of March 7th for purposes of appraising the facility. He was provided with a tour of the facility and architectural prints.

On March 9th, GLWA and DWSD received a Notice of Violation (NOV) from MDEQ alleging failure to meet staffing levels as per the Administrative Consent Order (ACO) and failure to implement training programs. This NOV did not assess stipulated penalties.

FINANCIAL SERVICES GROUP

The Financial Services Group is focused on completion of the FY 2015 City of Detroit Water and Sewerage Department's audit. In addition, over the course of the past week, the team is implementing the Budget module of the BS&A system for the FY 2017 and 2018 biennial budget process.

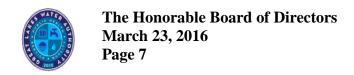
The Transformation Division is facilitating the "Cost of Clean Water" Lean project at Water Works Park, which is midway through the Improve Phase. Preliminary January/February 2016 data indicates achievement of a 15% reduction in total chemical costs, with several improvement actions still to be deployed. Results will be statistically validated at the conclusion of the Improve Phase.

Progress continues with the operational stand-up of GLWA and local DWSD. A meeting has been set for March 31, 2016 for GLWA and DWSD leadership to discuss formal "Coordinating Groups" to fully implement and measure Shared Services. A governance structure and a deployment scorecard have been drafted to support the discussion.

INFORMATION TECHNOLOGY

Applications Delivery Update:

The WAM Steering Committee approved the implementation of a recommended asset hierarchy for the FLWA's vertical assets (plant).



INFORMATION TECHNOLOGY (continued)

The same group is actively working on a linear asset (pipes) hierarchy for GLWA and DWSD.

Worked with HP to implement the WAM the changes necessary to support the City of Detroit's Oracle Cloud Fusion implementation.

Delivered training for Legistar administrators, content authors and item approvers. Related business requirements, workflows, users and configurations are being finalized.

IT Risk and Security Update

The IT Security and Risk Management team is partnering with AT&T to implement an updated distributed denial of service (DDOS) protection architecture. This change is scheduled for April 15th. DDOS is a type of internet based attack where malicious parties attempt to flood a network with so many requests that the underlying infrastructure fails. This service will identify and mitigate this type of attack.

Service Delivery Update

With the help of many staff members from IT (Service Delivery, Administration and Infrastructure), Facilities and Security planned and implemented several office moves in the Water Board Building including the relocation of GLWA's Executive and Legal staffs to the 19th floor.

LEGAL

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

Respectfully submitted,

Sue FM Cornied

Sue F. McCormick Chief Executive Officer

SFM/dlr Attachments (1)