



GREAT LAKES WATER AUTHORITY

September 14, 2015

The Honorable
Board of Directors
Great Lakes Water Authority

Dear Chairman Daddow and Directors:

Regarding: Interim CEO's Report – September, 2015

Our focus continues to be on activities to assure a successful implementation of the effective date of the Lease Agreements between the City of Detroit and the Great Lakes Water Authority no later than January 1, 2016. All conditions precedent to the effective date remain in 'green-light' status with no significant identified issues or obstacles to completion. From an operating standpoint, staff continue to add detail to the Shared Services Agreement as well as to the operating vision for Day 1.

Last month we reported on Fitch, Moody's and Standard & Poor's surveillance visits as follow up from last year's bond sale. Both Moody's and Fitch have released the results of their reviews and in both cases upgraded DWSD's ratings based on continued demonstrated improvements. Though no formal rating review for GLWA has been requested, it was encouraging to note that both rating agencies recognized the GLWA opportunity as a credit positive as demonstrated by noted references and outlooks. We anticipate to hear the results of Standard and Poor's surveillance in the near future.

The favorable response from our customer communities continues in the assignment of their service contracts resulting in 99.83% of sewer contracts, by revenue assigned, with the remaining unassigned contract scheduled for consideration. Water contracts are at 82% by revenue assigned, with 17 contracts remaining to be assigned. A detailed report on contract assignments is provided separately.

The wastewater master planning initiative has launched with letters mailed out to all wholesale sewer customers and identification of key DWSD staff members. This will be a major customer and community engagement effort focused on the regional issues of how to integrate and manipulate current facilities with future installation of green and grey infrastructure across SE Michigan, cost effectively over the next 20-30 years as needed to achieve the greatest environmental result in the shortest possible time. The GLWA has the potential to bring resources and regional players to the table to help frame the next generation of wet weather controls to integrate and attack regional CSO, SSO, Storm Water, in place pollutant programs and problems. Master planning monthly meetings for the steering team are planned to begin in October.



FINANCIAL SERVICES

The Ceridian/DWSD HRIS/Payroll Project Implementation kick-off Meeting was held to meet the Implementation team members and define project goals and objectives; the 1st draft of the Ceridian/Dayforce system configuration workbook was completed and submitted to Ceridian. Workbook is essentially 80% completed with the information that is available to date; held the Ceridian Onsite, 2-Day Discovery Meeting to review the contents of the system configuration workbook and discuss alternative best in class solution. The projected HRIS/Payroll system Sandbox Testing period is 10/02 - 10/16.

Final negotiations with the finalist vendor for third-party administration (TPA) for workers' compensation negotiations will be held September 11 with the award recommendation ready for next GLWA Audit Committee consideration/approval. We are conducting a workers' compensation file review with the current City TPA (CMI-York) on or about October 1st, selecting 100% of the lost-time claims open as of today and reviewing primarily to develop a schedule of work restrictions in order to design an acceptable early return-to-work program.

Lean Update:

Total of 32 trained DWSD Lean Green Belts today with the formal Lean Wave 1 Kickoff Event scheduled for October 5th where our Green Belts will take DWSD leadership through their formal project charters and review of progress to date.

Currently 10 Lean projects planned as part of "Wave 1": 2 projects in Customer Service were completed earlier when Green Belts went through training offered by the Mayor's Office. Six (6) additional projects have started and have already realized project benefits through formal Lean "Voice of the Customer" tools and 2 are awaiting formal charter approval by project sponsors. Two additional projects are being evaluated that would need to be chartered before the October 5 Kickoff Event to be considered part of Wave 1. Projects span the organization and demonstrate both quick impact and more complex Six Sigma opportunities (like the WWTP "Furnace Efficiency" project which is targeting major reductions in fuel usage per dry tonnage)

ORGANIZATIONAL DEVELOPMENT

To date, approximately 930 employees have been placed in new classifications. An additional 100 employees have been identified for placement in the last 30 days.

To date, 10,568 training hours have been delivered to DWSD employees through Organizational Development staff and training contractors.

OD has rolled out NEOGOV, the application that will support DWSD's performance evaluation process. Training for supervisors began on August 19th and is ongoing.

OD is working with labor counsel on the reopened DWSD contracts.



WATER OPERATIONS

High Lift Automation Project: All high lift pumps at Water Works Park are now automated and can be operated from ovation. Operations will be watching in the month of September and the schedule and shift responsibilities will change for Water Technicians in the month of October, reflecting the change of High Lift automation.

DWSD Contract Number WS-681 – 42” Water Main along 24 Mile Road from Romeo Plank to Rochester: The total number of linear feet of pipes installed to date for all segments is 29,695 linear feet or 81% of total work. To date, the percentage of monies spent is 66% and the percentage of time elapsed on this contract is 56%. There are no change orders to date.

WASTEWATER OPERATIONS

The Biosolids Drying Facility continues to perform testing on trains 1, 2, and 3. Completion of demonstration testing is expected in October.

The Wastewater Operations Group (WVOG) received notice from Praxair of a curtailment the week of September 7th. Praxair has been communicating daily regarding the status of the repairs. The repair is expected to be completed September 11th with Praxair generated oxygen in the pipeline beginning the weekend of September 12th and 13th with full production the week of September 14th. The plant experienced no operational difficulties during this time period.

Statement of Qualification submittals have been received on the Rouge River Outfall Disinfection Project, PC-797. DWSD received six (6) submittal packages, well over the usual number, attributable to the nature of the project (progressive design build) and improved DWSD procedures. The request to award is expected to go to the Board for approval in November.

SYSTEMS PLANNING

Sue Coffey has been appointed as Chief Planning Officer and started employment on August 24th. She has drafted descriptions of her areas of responsibility as well as an organizational line reporting structure. These documents are currently under review. Since her hire date, she has been busy communicating with engineering and operations’ managerial staff to discuss the department’s planning needs from their perspectives. Sue has also engaged in the transition work by assisting in the development of Operations’ shared services schedules and protocols.

MARKETING & BUSINESS DEVELOPMENT

Planning has followed up with a community who requested a meeting with DWSD to discuss the option of connecting to the DWSD Water System. This municipality is interested in identifying the feasibility, capital costs and projected long-term costs of becoming a wholesale water customer. Technical information from the community has been received and is under review by Water Operations Engineering in preparation to meet with the municipality’s representatives later this month.



ASSET MANAGEMENT

The Chief Planning Officer has touched base with key staff members in Operations and Finance to discuss the continued development of the Asset Management Program and FY2017 CIP development process, both of which are underway presently. Key takeaways are:

- Finance is coordinating the CIP development process for this year. Present status is that Engineering Managers have developed project proposals which are currently being assembled for review by management;
- Some categories that have not historically been included in the CIP will be added this year. Examples of this are “Facilities” and “Vehicles and Equipment”. Because detailed project proposals have not been developed for these items, general assessments of needs will be completed and allowances for the needs will be added as individual line items in the plan. Expenditures against these allowances will be tracked by Finance;
- Finance had identified a need to rework the CIP process from plan development through capital project delivery. Planning has done an initial survey of the department’s needs and agrees with Finance’s assessment. Planning will pick up the process redesign and intends to use the modified process for FY2018 CIP development;
- Systems Planning will engage in newly established Work and Asset Management Leadership and Steering Teams both of which are led by consultant EMA.

CUSTOMER SERVICE

The Department continues to increase its collection efforts on past due commercial accounts and accounts suspected of illegal usage.

For the period of January 2015 to September 5, 2015, there were 542 commercial shut offs. Shut offs for illegal usage have been progressing. From January 2015 to September 5, 2015, 33,409 accounts were checked for possible illegal usage, and 13,409 of those accounts were found on illegally and were re-shut.

Since May 11, 2015, the Department has posted 42,414 door hangers notifying customers of pending shut off of services. A total of 12,352 of those customers have either paid their bills, or entered into a payment plan agreement. Currently, there are a total of 38,867 active payment plan agreements with the total combined balance of \$31,308,592.96.

There are 2,267 customers receiving assistance from the Detroit Water Fund (DWF) for a total liability of \$831,680.93 through September 4, 2015, and a remaining balance of \$1,136,021.07 available for assistance.



INFORMATION TECHNOLOGY

Over the last 30 days, the new AT&T-managed local network was successfully deployed at CSF for IT and Systems Control, and at the Water Board Building. Waste Water is next, to be followed by the water plants, customer service facilities and finally the 53 unmanned sites.

DWSD IT continues to work with the City IT on Financial Systems stand up for the GLWA. Alternatives and contingency plans are under development for GLWA consideration.

SECURITY

During the month(s) of August/September the security unit handled security for the August 22/23 Detroit River races and focused on filling staff vacancies. Lt. Slaughter and Sgt. Coombs attended the Executive Leadership Training at Northwestern University's School of Staff and Command (it is a yearlong program).

LEGAL

Interim General Counsel worked on the following matters:

1) New Cases:

A) Alton Homes v DWSD. This is a lawsuit challenging foreclosure of water liens and seeking injunctive relief. We have agreed to delay our Answer to determine if the matter can be resolved amicably.

2) DWSD v Highland Park: The parties are continuing to meet as a part of a confidential court ordered facilitation process. The parties are in the process of mediating issues related to the accuracy of the estimated volume attributed to Highland Park by DWSD.

3) Bormans v DWSD: This case involves a challenge to DWSD's bills for a commercial property in Detroit by the seller and a request to perform the property transfer by the buyer. A status conference with the court was scheduled last week. DWSD will meet with Plaintiff Mullins to discuss his plans for future storm water retention on the property.

4) DTE WWTP. Interim General Counsel and DTE have scheduled a September meeting regarding next steps for property acquisition for this project. DWSD was able to obtain certain parcels that may be used to facilitate the installation of the third connection through tax foreclosure and is developing alternative routes for this feed,



LEGAL (continued)

- 5) EJCDC Contract Templates: The initial review and edits of EJCDC Procurement and Construction Documents has been completed. The revised templates are being circulated for review and approval for approval by executive team.

- 6) Wholesale Customer Contract Negotiations: The contract negotiation team had a positive meeting with the City of Riverview.

Respectfully submitted,

Sue F. McCormick
Interim CEO