

December 18, 2013

The Honorable
Board of Water Commissioners
City of Detroit, Michigan

Dear Chairman Fausone and Commissioners:

Regarding: Director's Report – December 2013

As we bring 2013 to closure, we remain focused on organizational optimization, water master planning and coordination with the Emergency Manager's office in support of the ongoing discussions regarding the Authority concept and bankruptcy issues. This last month brought to successful closure, the tremendous effort for Sewer Rate Simplification and the Capital Improvement Plan while we continue to move through development of the budget and rates for FY 2015. More detailed comments on each of these items is included herein.

Nearly a year ago the BOWC challenged and tasked the Sewer Look-Back Committee to simplify the rate process for sewer charges. Thanks to the Board's leadership on the issue and the support and effort of many parties, including the Committee members, DWSD consultants and DWSD staff, elimination of future look-backs was accomplished in a manner that reduces volatility in the rates for sewer customers, while at the same time improves the reliability of annual sewer revenue and cash flow throughout the year. I extend my personal thanks to the Board and to everyone engaged in this process for the dedicated effort that brought this issue to closure.

As we leave 2013 behind us, I want to thank the Board for the incredible support you have provided me personally, but also your support for the customers and the organization through your efforts on the Board Committees and your ambassadorship to our customers and customer communities.

I also want to thank the DWSD organization for embracing and participating in our efforts to improve DWSD in all aspects of our business. Through design teams, pilot teams, steering teams, communication teams, you have kept the organization focused on our daily mission while taking on the additional tasks to define and realize a future state organization. I would also like to thank those across the city organization who has assisted us along the way.

I want thank our customers for encouraging us, supporting us, engaging with us on various committees and through the outreach process. The commitment of your time and efforts assist us along our improvement journey to be the Water Utility of choice in Southeast Michigan. Thank you for sharing with us your ideas for where we have improvement opportunities.

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Lastly, thank you to the many suppliers, vendors, service providers, consultants and contractors that assist us in our daily efforts to assure unquestionable quality in our products and outstanding service to our customers.

2013 was an incredible year. Together let's make 2014 even better.

Happy Holidays!

ORGANIZATION OPTIMIZATION

The configuration of the new IT Service Desk work area at Central Services Facility has been completed which will further improve Help Desk services for DWSD.

The Systems Control Center Pilot began on December 3rd, and training continues for pilot members to effectively implement the pilot. The staffing recommendation of 41 was adjusted up, to accommodate lack of automation and training expertise needed based on the "To-Be" design (e.g. do not have an Electrical Instrumentation Control Technician (EICT) -). The current staffing level in the pilot is just over 60. As automation and training needs are achieved, we fully expect that number to be reduced to the initial recommendation.

The Eastside Customer Service Center unfacilitated pilot call for volunteers opened on December 11th, and will close this Friday, December 20th. We expect to complete the selection process and begin training on January 13, 2014. The pilot calls for a staffing level of 15, and we currently have over 20 volunteers and applications which continue to come in. Our employees continue to demonstrate significant interest to participate in the pilots. The survey report on feedback from customer visits to access the pilots was given to the Board's Finance Committee on December 9th. The response was exceptional. (**See attachment**). DWSD averages over 2,000 customer visits within a month's time at all customer service centers, and we received well over 800 responses as of November 22nd. Customers continue to give valuable feedback to improve our services.

Volunteers are being sought for the Incineration and Central Offload Facility pilot which is scheduled to begin on January 6th. This is the last process area of the plant to be piloted. Part of the optimization process is an enhanced training program for DWSD employees. As part of that effort, the WWTP offered Michigan Water Environment Association (MWEA)'s classes - Maintenance Fundamentals I and II were held at the plant last week. These classes were each 8 hours of classroom training, and offered a complementary one year membership and 0.5 hours of Continuing Education Credits.

FINANCE

The FY 2015 proposed budget is now available. Highlights of the FY 2015 budget were presented to the BOWC Finance Committee on Monday, December 16, 2013, and to Wholesale Customers on Tuesday, December 17, 2013.

FINANCE (continued)

The budget will be presented to the full BOWC at today's meeting, and reviewed in detail at the BOWC workshop on Tuesday, January 7, 2014. The budget is consistent with DWSD's strategic goals of affordability (i.e. revenue requirement reflects a 4% increase) and modest increases in reserves to achieve long-term financial stability.

The Look-Back Committee met on December, 18 2013 to address final implementation issues. Since rate simplification eliminates future look-back adjustments, the committee has been re-branded as the Sewer Rates Work Group.

Members of the finance, treasury, human resources, information technology, and EMA teams are actively meeting to develop specifications for the enterprise resource planning (ERP) system. The scope of the project includes some business process redesign. The procurement, cash receipts, and steering committees met this week.

HUMAN RESOURCES

Draft job descriptions have been completed and have been placed on the DWSD's Portal.

A meeting with the Unions and a meeting with DWSD Senior Staff was held to share the new job descriptions. Both groups were asked to provide feedback within two (2) weeks.

Letters of interest were accepted for the Chief Operating Officer (COO)/Chief Customer Service Officer (CCSO), Field Services Director and Organizational Development Director.

Human Resources met with the following unions who do not currently hold contracts with DWSD. They are as follows: Teamsters, United Auto Workers, Association of Detroit Engineers and Utility Workers of America. Meetings are also scheduled this week with International Union of Operating Engineers, Senior Water Systems Chemist Association, and Association of Municipal Engineers who do not hold contracts.

An introductory meeting with the new City of Detroit Labor Relations Director, John Hill was held to discuss negotiation strategies.

INFORMATION TECHNOLOGY

IT has completed project kick-offs for the Financial System Selection, Office365 and SeeClickFix Projects.

INFORMATION TECHNOLOGY (continued)

WAM 2.0 Core Team training has been completed. This was a four-day session where core team members were immersed in WAM and given a thorough tour of the system, focusing on the core components that will be implemented during the initial phase.

WATER SUPPLY

Attached, please find the “Weekly Report Activities” for Contract No. SP-563; 1958 Filters Replacement and Facilities Rehabilitation at Springwells Water Treatment Plant, for progress in regards to the filtration project.

A Retail Steering Committee Meeting was held at Water Works Park on December 12th. The Master Planning effort continues to inform and engage our entire customer base.

PUBLIC AFFAIRS

The first phase of our “Running Water Plan of Action” has been launched, which is designed to both identify and address water loss in vacated or abandoned buildings. An emergency number has been established that customers can call 24/7 to report such incidents.

DWSD subsequently received positive coverage on the roll-out of the “Running Water Plan of Action” from Channels 4 and 7. Both channels posted the emergency number within their reports and on their respective websites. The American Water Works Association plans to include a mention of our plan in its January issue of Opflow.

We are committed to responding with a shutoff of running water in abandoned buildings within 48 hours. Crews doing work in the areas where there are abandoned houses, have been instructed to conduct a cursory check of nearby dwellings to determine whether an unreported running water situation exists. Decals with the emergency number will be posted on all of our service vehicles within two (2) weeks.

We are partnering with IT on the SeeClickFix project which is a smart phone app for reporting running water incidents. The app creates a work order with a GPS location if someone takes a photo of the house or simply clicks on the Application. The logo for the Application should be completed this week.

Beginning in January, a detailed Running Water Public Information Update will be created and publicized every two (2) months. The update will explain the origins of the running water problem, our backlog, if any, number of reported cases, as well as our response time from the point of when calls are received to the resolution. We will also include the estimated "costs and consequences associated with that flow."

WASTEWATER

WWTP received an Air Quality violation notice dated December 2, 2013, for failure to monitor Incinerators 3, 4, 8 and 14 continuously. Although there was no air quality standard violated, some newly installed monitoring equipment has been malfunctioning; the contractor and manufacturer are engaged in the resolution of this issue, which should be fully addressed by the end of December. A response to the Notice of Violation (NOV) is being prepared.

WWTP received the final draft Renewable Operating Permit. The Renewable Operating Permit sets operating criteria for all processes and air emissions control equipment at the WWTP. Plant staff has reviewed the final draft, and has notified the MDEQ that no further concerns remain. The final will be issued by MDEQ shortly.

The WWTP had a violation of the ACO and NPDES permit in November due to an average solids inventory, greater than 750 dry tons per day. The high inventory was caused by a large wet weather event, and the untimely failures of a critical belt. The plant staff is currently evaluating the belts and will be performing some belt rebuilds under the small capital program.

The WWTP received a citation and proposed penalty for not following the DWSD Process Safety Management Plan; specifically, failure to train operators assigned to the Chlorination/Dechlorination Pilot (Secondary) on safety and health hazards, emergency operations and safe work practices. The training was provided on the job; however, it was not documented as required by DWSD procedures. Re-training and documentation will be completed by January 13, 2014.

The Complex I Belt Filter Press Project began testing of the presses with sludge December 3rd. The testing will continue in January after the Holidays. The rebuilt cake pumps met all performance criteria during the December testing period. A Notice to Proceed for PC-789, Pump Station 1 Rack and Grit improvements has been issued. A Notice to Proceed for CS-1522, Green Infrastructure has been issued, and Task Order Number 1 is being prepared. Pile driving has begun on PC-792, Biosolids Dryer.

DWSD held its monthly compliance call with MDEQ on December 16th. MDEQ advised DWSD that they are in the process of considering SAW loan and grant applications and confirmed receipt of DWSD's applications. DWSD confirmed that the Asset Management Plan will be submitted by the end of December.

ASSET MAINTENANCE GROUP

Maintenance and Repair is responding to the increased number of water main breaks using both internal and contractual forces to make repairs. Crews are prioritizing work to address customer requests, main repair and vacant floodings. Metrics are being developed to more accurately describe response times.

ASSET MAINTENANCE GROUP (continued)

Mechanical Maintenance crews responded to the first heavy snowfall of the season by expeditiously removing snow from DWSD operated facilities. Emergency assistance was also provided recently to dewater the flooded Conservatory building on Belle Isle; the assistance was needed to help save the boilers, which was essential to preserve the plants and vegetation inside.

LEGAL

The last month has seen significant effort focused on Water Service contract reopeners as necessary to support development of rates for FY 2015. Twenty nine contracts had scheduled reopeners, 3 communities requested reopeners and 2 communities entered into negotiations to move to the model contract. Of the 34 negotiations, 33 negotiating teams have reached agreement. The majority of the amendments or agreements or have been approved by their respective local governing bodies and will be coming to the Board for action in January.

Staff Kudos & Customer Accolades

The Michigan Department of Community Health has awarded DWSD with the 2012 Water Fluoridation Quality Award. The Department maintained a consistent level of optimally fluoridated water for 12 consecutive months in an effort to protect dental health, especially in children. (Attachment)

Compliments to Ajitkumar Mehta, Senior Associates Civil Engineer – Systems Control, for displaying exceptional customer service in assisting Mr. Anthony Zampella of ISO with Hydrant Flow Testing. Mr. Zampella acknowledged Ajit's professionalism to Sam Smalley, Assistant Director – Wastewater Operations Group, who shared the positive email with me. Thank you to Ajit for projecting a positive image of DWSD.

Kudos to Tracy Reynolds and Marilyn Harris, Service Information Clerks in the Asset Maintenance Group for demonstrating good customer service, and achieving positive outcomes for our customers, as noted in an email I received from their supervisor Donovan Walton, Assistant Superintendent, Water Systems Maintenance and Construction. Tracy's customer service was acknowledged by a representative from Faris Property Management, and Marilyn's customer service was acknowledged by a representative from Detroit Dental Providers. Thank you for exceeding our customers' expectations and reflecting positively on all of us.

Respectfully submitted,



Sue F. McCormick
Director