

Memorandum

To: HONORABLE BOARD OF DIRECTORS

From: Sue McCormick, CEO

CC: William M. Wolfson, CACO

Date: February 7, 2020

RE: EXPLANATION OF CEO March 2020 KPIs – “RED, YELLOW, GREEN” REPORT

OVERVIEW Last month there was two “red” and two “yellow” indicators. This month there are two “red” and one “yellow” indicator.

Our Capital Improvement Program (CIP) spending rate remains “red” as we continue to search out the causes and correct this performance lag. We have identified last summer’s wet weather as a major contributor to this lag, here are a few examples: In December 2019 you approved change order 3 to GLWA- CON-109 “*Emergency Refurbishment of Storm Pumps 5 and 7 Upgrade of Pump 5 and Motor Control Center Upgrade for Eight Storm Pumps for Freud Sanitary Pump Station*” (2019-944); substantial time and spending delay in this project was caused by wet weather. Similarly, wet weather also caused delays and a required modification to GLWA-CON-297 “*Fairview Sewage Pump Station Improvements*” (2019-367) which you approved in October 2019. Another example of capital underspending we have identified is GLWA-CON-149 “*Emergency Sewer Repair.*” At this point we have not yet fully determined whether the underspend is due to lessened emergencies or wet weather concealing and delaying our ability to address such conditions. As most of these large dollar weather delays are on wastewater system project we are seeing a greater spending lag associated with those portions of the Capital Improvement Plan.

Another of the “red” and the sole “yellow” indicator relate to our valve exercising and rehabilitation program: The number of valves assessed has turned “red” in large part due to the weather. In addition, as we previously indicated, the percentage of operational valves remains consistently “yellow” at approximately 83% . A presentation regarding this program is one the Board’s Agenda today. However, as we stated last month, we do not anticipate substantial changes in this performance until the weather changes.

SPECIFIC MEASURES ON FOLLOWING PAGE

EUM Attribute	Measure	Significance	Criteria	Status
Financial Viability	FY 2019 Total CIP Spend	Method for establishing spending is aligned with budgeted revenue	Green= >80% Yellow= 70-80% Red = < 70%	Red

Explanation and Responsive Actions: GLWA’s CIP spending rate continues to lag causing the metric to remain “red.” GLWA is focused on determining the root cause and has established a series of monthly meetings to address the challenge. Wet weather experienced in 2019 has been identified as a major contributor to the underspending in the capital program. These wet weather delays will take some time to overcome and are dependent on the weather faced by the system in the remaining portions of the fiscal year.

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Water - 25 or more valves exercised per month	Reduced risk of unplanned downtime or emergency repairs	Green = 25 or more per month Yellow= 21 - 24 per month Red = 20 or less per month	RED

Explanation and Responsive Actions: The initial “pilot” phase of our valve assessment project underscores the need for focused valve exercising as a component of optimized system operations. Unfortunately, particularly in the winter season the opportunities to exercise valves can be limited by the weather. While GLWA will continue to monitor this progress, it does not believe that additional action is required at this time.

EUM Attribute	Measure	Significance	Criteria	Status
Infrastructure Strategy and Performance	Water - 100% of GLWA valves assessed are operational.	Reduced risk of unplanned downtime and service interruption	Green = 90-100% Yellow = 80 - ,90% Red = <80%	YELLOW

Explanation and Responsive Actions: Following the initial “pilot” phase of our valve assessment project, this metric remains “yellow.” Under this project, valves are currently defined in one of three categories – minor repair, rehabilitation or replacement. Where the

valve ultimately ends up is determined at the end of the project which means that a valve can go from minor repair to rehabilitated during the contract and may be operational by the end of the contract period. The fact that the metric remains “yellow” and the percentage of operational valves remains relatively constant at approximately 83%, suggests a continued need for focused valve assessment, rehabilitation and repair throughout the system.