

**GREAT LAKES WATER AUTHORITY
CHANGE ORDER NO. _1_
TO
CEO EMPLOYMENT AGREEMENT**

This Change Order No. _1_ to CEO Employment Agreement (“Change Order”) is entered into by and between the Great Lakes Water Authority, through its Board of Directors, a Michigan municipal authority and public body corporate organized pursuant to Public Act 233 of 1955, with its principal place of business located at 735 Randolph, Detroit, Michigan 48226 (“GLWA”), and Susan Faye McCormick.
 (“Employee”).

Recitals

Whereas, GLWA has engaged the Employee under the above referenced Employment Agreement (“Agreement”) to provide certain professional services (“Services”) to GLWA as its Chief Executive Officer pursuant to certain terms and conditions; and

Whereas, it is the mutual desire of the parties to enter into this Change Order to amend the Agreement as set out in detail in the following sections; and

In consideration of the foregoing, and of the benefits to accrue to the parties from this Change Order, the parties agree that the Agreement is amended as follows:

1. Section 4.1 of Article 4 “Compensation” is deleted in its entirety and replaced with the following:

Effective July 1, 2017, the Authority shall pay McCormick an annual salary of **\$240,000**, payable in accordance with the Authority's customary payroll practices, subject to customary and mandatory withholdings. Nothing in this provision shall be interpreted as guaranteeing employment or compensation for a full year or for any period of time. McCormick's salary shall be reviewed at least annually by the Board, which may increase or decrease the salary.

2. Attachment C to this Agreement is deleted in its entirety and replaced with the attached Attachment C.
3. All other terms and conditions of the Contract remain unchanged and in full force and effect.
4. The effective date of this Change Order shall be July 1, 2017

5. McCormick hereby acknowledges that she was provided with this Agreement prior to its execution, and that she has had the time and opportunity to review this Agreement with such counsel as she deems appropriate, to provide comment prior to her execution of this Agreement, and to clarify any provisions she did not understand. McCormick further acknowledges that she has read this Agreement, and by her signature below acknowledges that she fully understands and agrees to the contents, terms, and conditions of this Agreement.

Accordingly, GLWA, by and through its duly authorized officer, and the Employee have executed this Change Order.

Susan Faye McCormick

By: _____
Signature

Dated: _____

Great Lakes Water Authority:

By: _____
Robert Daddow

Title: Chairman, GLWA Board of Directors

Dated: _____

APPROVED BY GLWA
BOARD OF DIRECTORS ON:

Date

APPROVED AS TO FORM BY:

GLWA General Counsel Date

**ATTACHMENT C
TO
CEO EMPLOYMENT AGREEMENT
GREAT LAKES WATER AUTHORITY
CHANGE ORDER NO. 1__**

**GREAT LAKES WATER AUTHORITY
CHIEF EXECUTIVE OFFICER
EFFECTIVE UTILITY MANAGEMENT (EUM) POLICY GOALS
AND BONUS PLAN
FOR
FISCAL YEAR 2017-18**

A. EUM Policy Goals

1. Product Quality

A. Ensure high quality water standards and compliance with the Safe Drinking Water Act, Clean Water Act, Clean Air Act and such other environmental laws and regulations as are relevant to the operations of GLWA.

2. Employee and Leadership Development

A. Create a comprehensive training program for all management, technical and other staff necessary to ensure that they are fully trained in their current duties and aware of opportunities that contribute to continuous operational improvements.

B. Develop, direct, and guide an Executive Leadership Team that is effective in organizing, managing and developing different functions of a complex organization.

C. Encourage active involvement in regional and state-wide professional organizations by managerial and technical staff.

3. Financial Viability

A. Recommend a proposed 5-year Capital Improvement Plan (CIP), 2-year operating budget, and Schedule of Water and Sewer Customer Charge Allocations to the Board for its review and determination. Guide and support the GLWA Board's budget, CIP, and Water and Sewer Customer Charge Allocations deliberations and disposition.

Ensure that the recommended budget and CIP programs contemplate no greater than a 4% increase in the annual revenue requirement for the utility. The timeline for the budget process used in prior years should be, to the extent feasible, accelerated and agreed-upon no later than September of each year.

B. Identify and bring before GLWA Board timely remedial budgetary measures and corrective fiscal notes to be implemented in the event of 'favorable' and/or 'unfavorable' budgetary variances and / or other matters affecting the operating or capital budget as outlined in the lease agreements and shared service agreement.

C. Through the CFO's Office, regularly monitor, fully implement, and report back to the Board on issues impacting the budget including but not limited to issues involving the water and sewer lease and service agreements, Shared Services agreement, pension agreement, WRAP program, Detroit retail bad debt expense and related budget requirements reserve fund. Promptly notify board of the status of the remedial actions taken or required to be taken on all outstanding issues.

D. Pursue all pending litigation with Highland Park through resolution and, as necessary, enforcement. Work with Highland Park, the State of Michigan and other relevant stakeholders to develop a plan for Highland Park's timely and voluntary payment in full of GLWA service charges or, in the event of Highland Park's continued non-payment or underpayment to mitigate the impact of that event on other GLWA customers.

4. Operational Optimization

A. Enhance the performance measurement system to track progress in all key areas including financial, budget, rates, CIP, operations, safety, permit compliance, and water quality. Provide routine updates on the GLWA website. GLWA should benchmark its performance optimization against other similarly-sized, comparable water and sewer operations that will be used as an indicator of base performance towards GLWA optimization.

B. Guide revisions to ongoing GLWA optimization initiatives to-initiate cost-effective changes, in areas including but not limited to: (1) plant staffing and automation deployment; (2) treatment unit processes; (3) energy management; (4) water loss reduction; and (5) asset management/maintenance management. Periodically report the on-going optimization initiatives to the GLWA Board.

5. Water Resource Sustainability

A. Ensure reporting and remedial measure plans are in place and staff is trained for execution, in the event of permit excursions or other system interruptions.

B. Prepare and present any amendments to GLWA's Homeland Security plan to the Board no later than April 15, 2018. Perform no less than one exercise relating to the newly-prepared plan and no less than one exercise in each calendar year thereafter.

C. Prioritize and ensure full compliance with applicable regulatory requirements for water, wastewater and stormwater system operations.

D. Within current system "affordability" limitations, develop a strategy to minimize untreated CSO discharges.

E. In a manner satisfactory to the Board, complete the EPA permitting requirements with MDEQ for the period FY-2018 – FY-2022. Keep the GLWA Board informed of the progress of the negotiations.

6. Customer Satisfaction

A. Continue to refine the water charge allocation methodology with a goal of a more simplified approach that will be transparent and equitable as well as position the utility to further improve the economy of scale opportunities for all customers through marketing. Engage the wholesale customers in development of methodology changes and keep the Board advised of options under discussion and potential cost allocation shifts.

B. Collaborate with the Board and customers to develop a strategy for balancing equity and stability in charge allocation and implementation.

C. Provide assistance to DWSD where needed in compliance with the Shared Service Agreement and ensure coordination of project planning and service delivery with City of Detroit. Streamline the billing process for services rendered. Investigate and evaluate alternative means of providing services independent of DWSD operations ensuring benefits to both parties to the extent feasible.

7. Infrastructure Strategy and Performance

A. No later than June 30, 2018, provide the GLWA Board a comprehensive Report on progress towards finalizing a Sewer Master Plan, prepared in cooperation with the sewer customers, for consideration. At a minimum, the Plan should include: 1) mitigation of costs necessary for permit compliance with the Clean Water Act circa 2023, 2) both wholesale customer and GLWA assets and operations coordinated in a comprehensive manner, 3) 'greening' of the system, and 4) such other mutually-agreed upon goals established.

B. Assess and recommend options for enhancement of water and sewer capital program management related to: 1) project identification (informed by asset management), specification and prioritization; 2) project costing and financial

management; and 3) life-cycle project management (including risk management and projected cost savings). Provide an implementation timeline for the enhancements.

C. Through the CFO's Office, provide an estimate of projected CIP cost savings to be realized from enhanced CIP.

D. Mitigate capital write-offs by developing a process and schedule for decommissioning unnecessary and / or obsolete assets.

E. Continually monitor the long-term debt portfolio for opportunities to refinance the existing debt.

8. Enterprise Resiliency

A. Consistent with the GLWA mission and values, guide and support the GLWA Board's strategic planning and policy development. Establish and delineate organizational goals and objectives to further GLWA's mission and values as well as Board Policy objectives.

B. In connection with the preparation of the Wastewater Master Plan, prepare a work plan toward maintaining the EPA affordability waiver beyond FY-2022 and develop actions to address compliance with the EPA in the interim period.

C. Develop a marketing plan to increase awareness of GLWA, its brand quality and services to further the goal of making GLWA the provider of choice for water in Southeastern Michigan. While maintaining current service quality for existing customers, explore and further strategic opportunities to expand the footprint of the GLWA to wholesale water and sewer customers.

9. Stakeholder Understanding and Support

A. Maintain positive working relationships with the GLWA Board, regional elected officials, and regional utility leaders. Effectively and transparently communicate information on GLWA initiatives (and costs relating thereto), regulatory compliance, labor relations, community and customer service efforts and other programmatic matters as appropriate. Regularly communicate with GLWA board members and the wholesale community.

B. With the assistance of the CFO / Treasurer, prepare a plan to mitigate the reliance on the current rate consultant. Ensure uniform cost allocation and revenue/rate setting methodology among all wholesale customers arising from the plan to be provided to the GLWA Board.

C. Ensure compliance with the water and sewer lease agreements and the related service agreement signed on June 12, 2015 and as amended.

D. Engage the media to develop positive GLWA brand recognition and news stories highlighting GLWA accomplishments and performance, and effectively communicating charge information.

E. Provide for leadership interactions with the State of Michigan DEQ, Treasurer's Office, and other agencies, professional societies and other communities interested in and impacted by GLWA.

F. Ensure that the GLWA board is fully aware of pending State or Federal government legislation that might impact the operating and capital programs, provide input as appropriate in the legislation and implement any provisions of legislation passed by the State or federal government.

II. Bonus Plan

On or before June 30, 2018, the Board will meet to evaluate the CEO's progress in achieving the EUM Policy Goals set forth in Section I of this Attachment C, which are adopted by the Board as its expectations. After discussing each goal, the Board will determine by majority vote whether, taken as a whole, the CEO's performance for Fiscal Year 2017-18 has: Not met the Board's expectations, met the Board's expectations, or exceeded the Board's expectations.

<u>Board Evaluation</u>	<u>Bonus</u>
Fails to meet expectations	\$0
Meets expectations	\$5,000
Exceeds expectations	\$10,000