

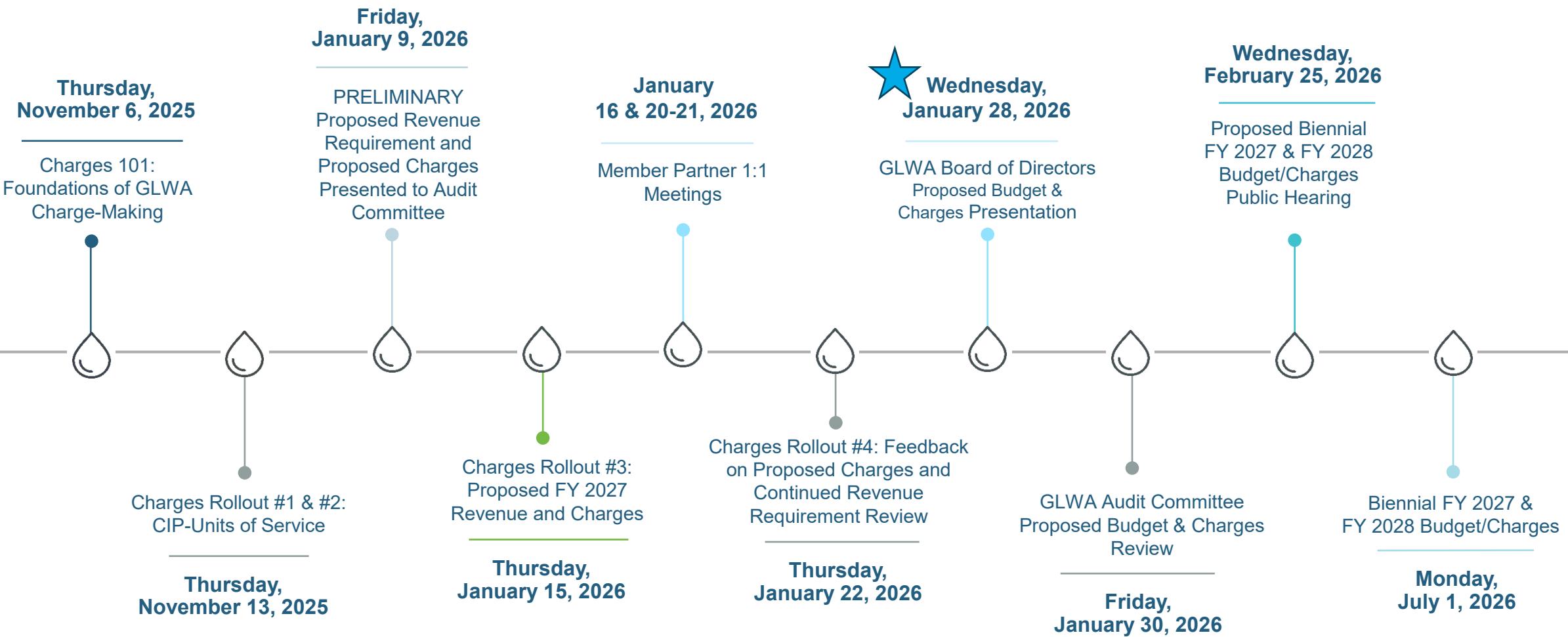


FY 2027 Proposed Service Charges

Matt Lane, GLWA and Erik Johnson, Willdan

Board of Directors Meeting
January 28, 2026

FY 2027 Charges Rollout Timeline



Charge Methodology is Stable

- ◆ The charge methodology determines how charges are allocated among Member Partners.
- ◆ FY 2027 proposed charges reflect GLWA's and Member Partners' efforts in achieving stability in charge methodology for multiple years.
- ◆ Any deviation from system averages are due to assumption/data anomalies for a few communities based on known circumstances rather than the charge allocation methodology.
- ◆ Most communities remain close to the system-wide average, with a small number of communities showing different changes due to unique, documented circumstances.
- ◆ Note for next year: water system contract reopeners and sewer system flow balance updates will re-allocate each Member's Partner's respective shares.

Member Partner Engagement

💧 Events

- 💧 January 13, 2026 – “Preliminary” Proposed Calculation Worksheets were *emailed* to each Member Partner with a cover letter from CEO highlighting key considerations
- 💧 January 15, 2026 – Charges Rollout #3 via Zoom
- 💧 January 16, 20, and 21, 2026 – One-on-One Member Partner Meetings
- 💧 January 22, 2026 – Charges Rollout #4 via Zoom
- 💧 January 26, 2026 - Proposed Calculation Worksheets were mailed and emailed to each Member Partner along with a cover letter from CEO

💧 Outcome

- 💧 90 Member Partner participants from 55 unique communities participated in Rollout #3 and #4 in total
- 💧 One-on-One Meetings - 12 with Water Member Partners of which 3 are also Wastewater Member Partners
- 💧 Rollout #4 covered topics from one-on-one meetings
- 💧 Every Member Partner has received two written communications within two weeks
- 💧 All presentations were posted on Outreach Portal; Link emailed to Member Partner

FY 2027 Charges Metrics

Water Supply System

- 💧 Revenue Requirements (Total Budget) Adjustment: 5.40%
- 💧 Revenues from Charges (Charges Budget): 6.55%
- 💧 Wholesale Average Charge Adjustment: 6.41%
- 💧 *Average System Charge Adjustment: 6.83%*

Sewage Disposal System

- 💧 Revenue Requirements (Total Budget) Adjustment : 5.00%
- 💧 Revenues from Charges (Charges Budget): 5.93%
- 💧 Wholesale Average Charge Adjustment: 5.68%
- 💧 *Average System Charge Adjustment: 5.98%*

Average System Charge Adjustments		
Year	Water	Sewer
2018	1.80%	-0.70%
2019	1.80%	0.10%
2020	0.60%	0.80%
2021	3.20%	2.00%
2022	1.50%	-0.60%
2023	3.70%	2.40%
2024	2.75%	2.75%
2025	3.25%	3.00%
2026	5.90%	4.50%
2027 Proposed	6.83%	5.98%
10-Year Average	3.13%	2.02%

Definitions of the above terms on the next page.

Budget vs. Charges Increase

- While the budget increase is 5.4% for water; average system charge adjustment is 6.83%
- Similarly, budget for sewer system is 5% increase while average system charge adjustment is 5.98%
- The **charge** revenue increase is higher than the **budget** increase because there is a greater reliance on charges for FY 2027 due to decreased investment earnings
 - Note: the rate of return on public investment portfolios, like GLWA's, are down as a result of federal rate cuts

FY 2027 Proposed Charges		
Category	Water Supply	Sewage Disposal
Revenue Requirements (Total Budget) Adjustment	5.40%	5.00%
Revenues from Charges (Charges Budget)	6.55%	5.93%
Wholesale Average Charge Adjustment	6.41%	5.68%
Average System Charge Adjustment ★	6.83%	5.98%

★ The “average system charge adjustment” is the most quoted percentage when discussing charges

Charge Adjustment Definitions

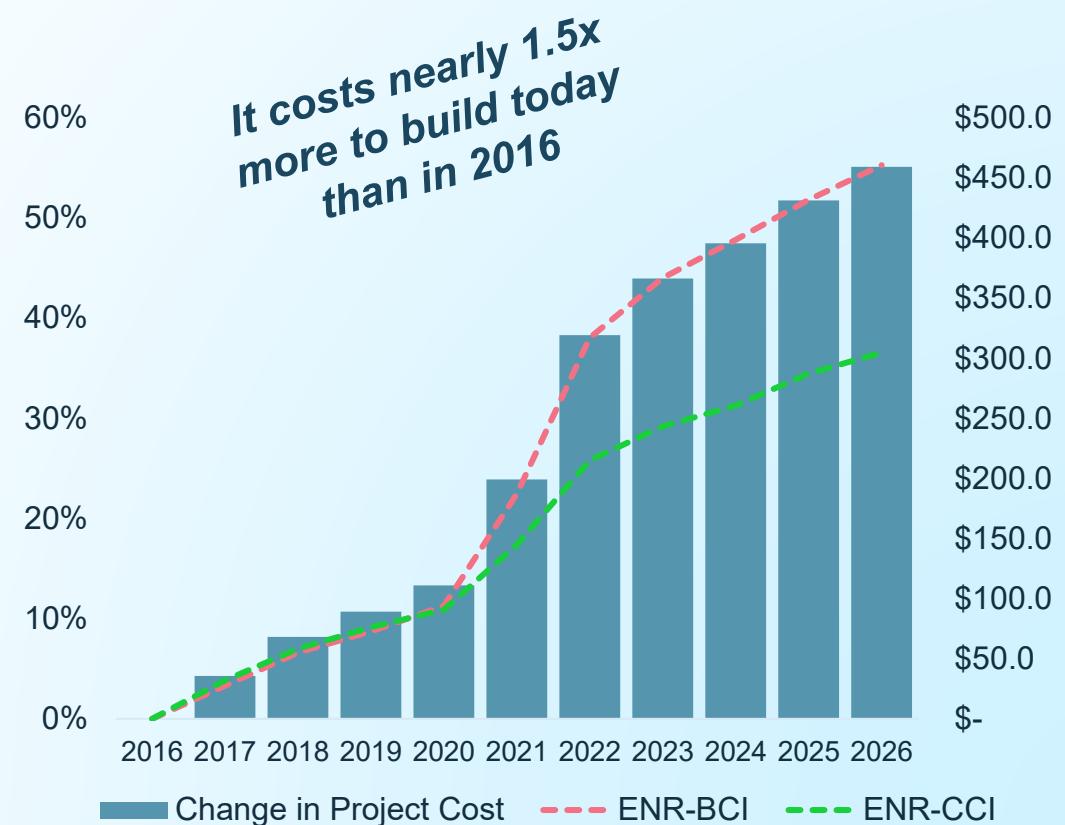
- ◆ Revenue Requirements (Total Budget) Adjustment: This is the increase in the overall total budget including all line items of revenues and financial commitments.
- ◆ Revenues from Charges (Charges Revenue): This represents the year over year dollar amount increase, shown as a percentage, in “Charges Revenues” as shown in the balanced budget document.
 - ◆ For FY 2027, there is less investment revenue, so as a percentage, the increase in charges is higher than the total budget increase.
- ◆ Average System Charge Adjustment: This is the simple average of each Member Partners charge adjustment
 - ◆ Some Member Partners were close to the average, some had higher increases, and some had decreases
- ◆ Wholesale Average Charge Adjustment: This is the simple average of each Member Partner excluding the local system charge for DWSD

Willdan Group - Service Sector Overview

- Willdan Group provides financial, rate, and capital planning for communities nationwide with over 30 years of experience.
- Across the sector, water and sewer utility rates have consistently outpaced inflation with national averages increasing between 3.5% and 5.0% annually
 - Since 2016, combined rates have increased by approximately 56%
- Key drivers include
 - Addressing system maintenance needs
 - Meeting regulatory mandates
 - Improving system resiliency

Willdan's Observations – Sector Cost Challenges

- Multiple factors drive charge adjustments, but the biggest are Capital costs, Operating costs, Labor costs
- Utility age also impacts revenue requirements
 - older legacy providers in the East and Midwest are often maintaining old assets and addressing deferred maintenance without the benefit of growth
- \$1M project cost in 2016, now costs \$1.46M, almost a 1.5x increase in construction (ENR)
- Chart notes the (Building Cost Index) BCI and Construction Cost Index (CCI) as tracked by the (Engineering News Record) ENR



FY 2027 Charge Increase Perspective

- How the charge increases impact end consumer is dependent on local rate setting
- However, as an example to provide perspective, based on the population in our service area, and a census validated factor of 2.5 people per household, **the relative monthly, per household, share of increase is:**
 - *Water - \$1.50 per month per household*
 - *Sewer - \$2.00 per month per household*



Addendum – Background Information



Water System

Water Supply System

Summary of Preliminary FY 2027 Revenue Requirement and Charge Adjustment

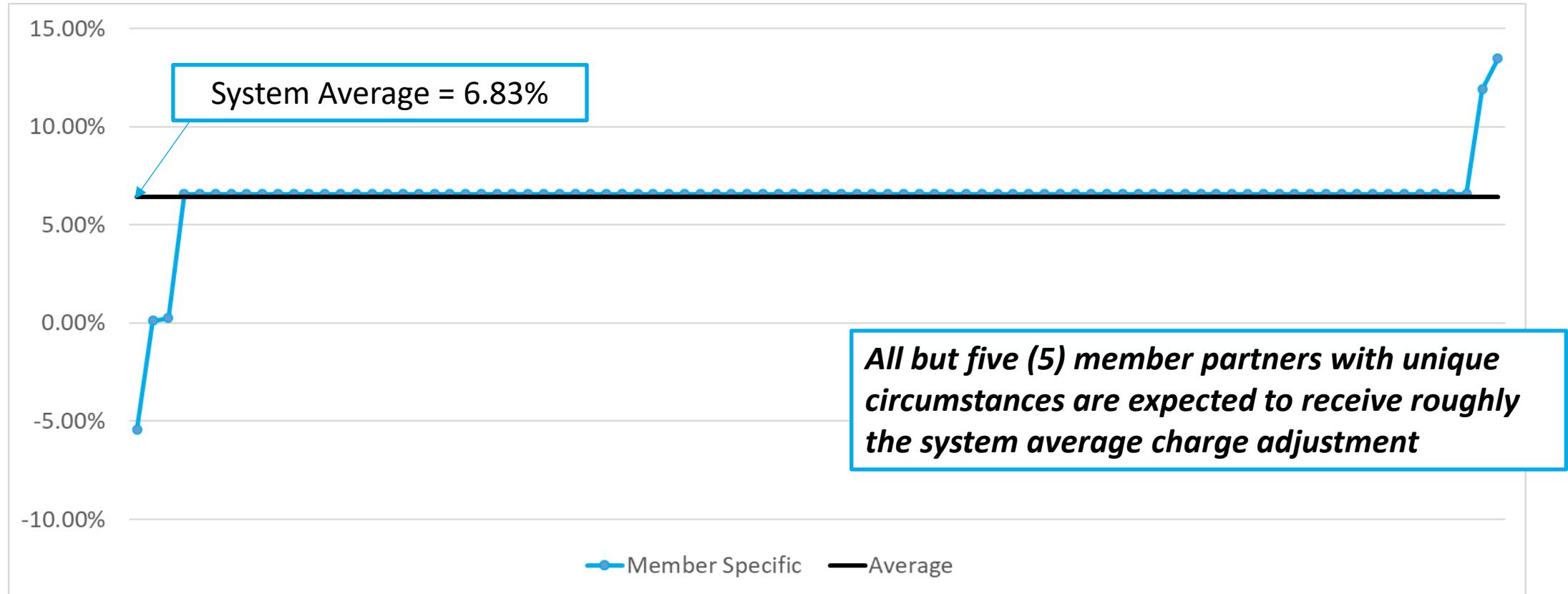
Budget Adjustment	Budget (1,000s)		Budget Adjustment	
	Approved 2026	Preliminary 2027	\$	%
Total Revenue Requirements (Budget)	\$408,761	\$430,845	(B) \$22,084	5.40%
Less: Investment Earnings and Other Operating Revenues	13,087	9,257	(C) -3,829	-29.26%
= Revenue from Charges	(A) \$395,675	\$421,588	\$25,913	6.55%

Charge Adjustment

Percentages below are calculated as a percentage of Pro Forma Revenue

Pro Forma Revenue <i>FY 2026 charges revenue (A) \$395,675 minus sales volume variance (D) \$1,042</i>		\$394,633		
Change in Annual Revenue Requirement	(B)	\$22,084	5.60%	
Change Attributable to Non-Charge Revenue <i>(primarily decrease in investment earnings)</i>	(C)	3,829	0.97%	
Change Attributable to Sales Volumes	(D)	1,042	0.26%	
Average System Charge Adjustment		\$26,954	6.83%	

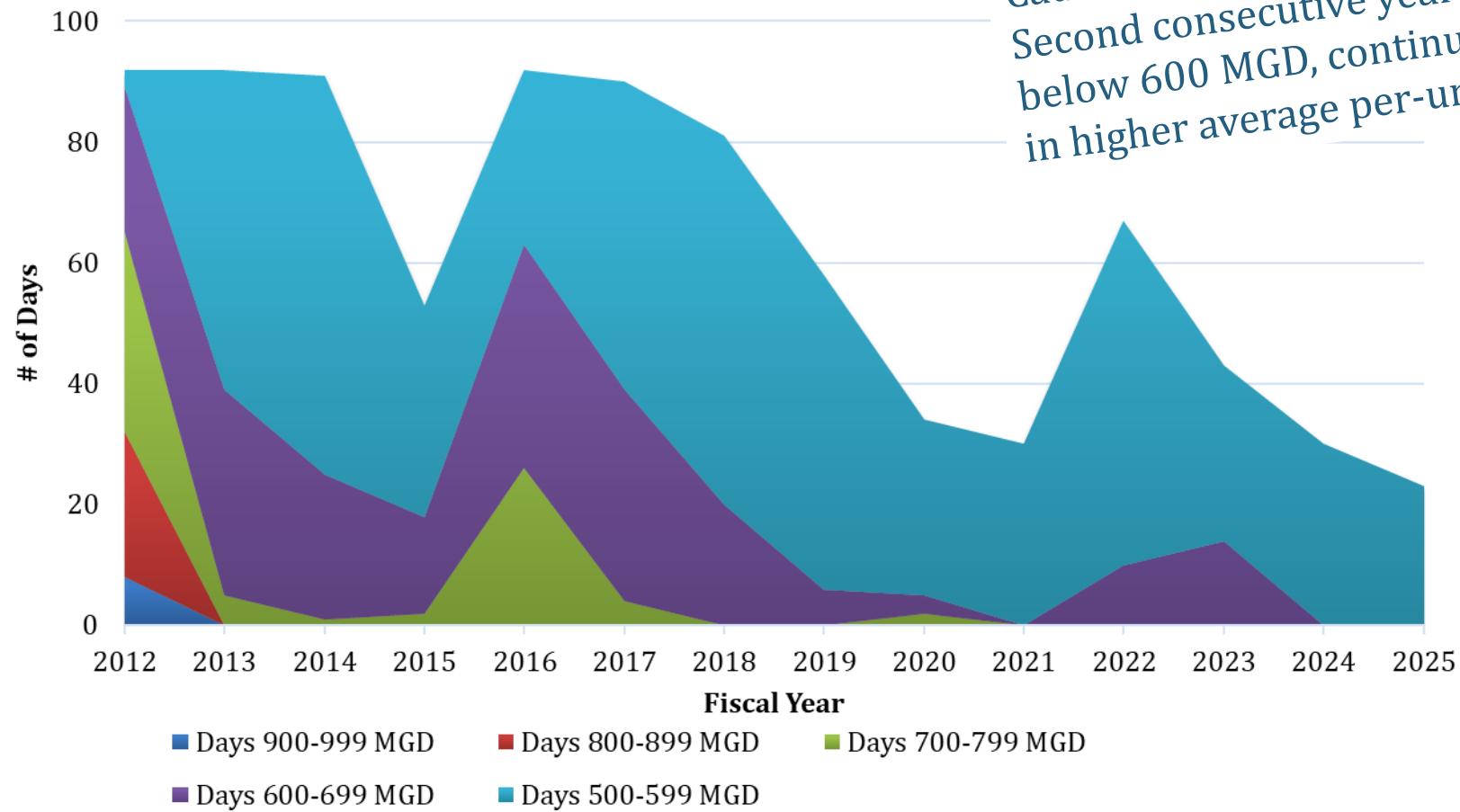
FY 2027 Proposed Water Charge Adjustment Summary



Declining Water Demands

Declining
Water
Demand

Peak Demand Profile
2012-2025

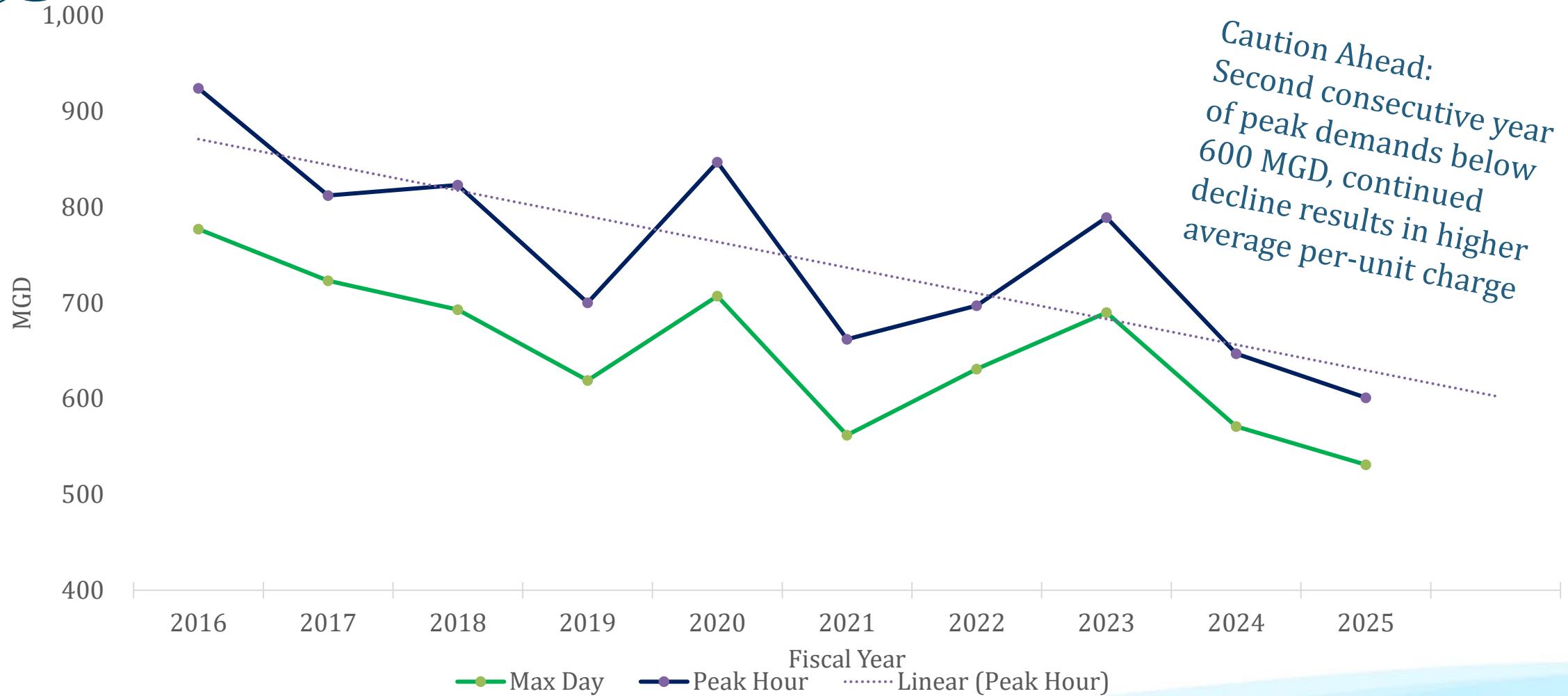


Caution Ahead:

Second consecutive year of peak demands
below 600 MGD, continued decline results
in higher average per-unit charge

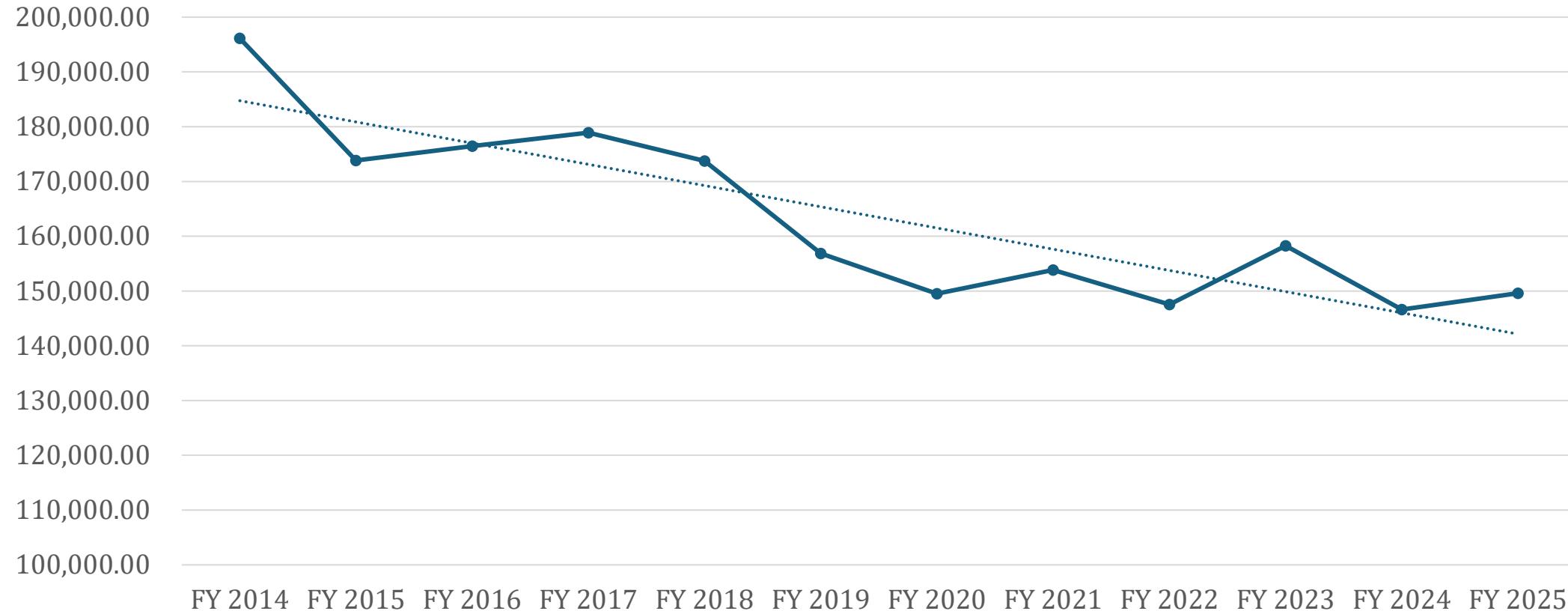


System Max Day and Peak Hour Values 2016-2025



Declining
Water
Demand

Annual Wholesale Pumpage 2016-2025 (Million Gallons)





Water Sales Decline ...

- FY 2019 - Basis for Charges Sales Volume ~18,827,840 Mcf
 - 141,000 million gallons
- FY 2027 - Basis for Charges Sales Volume ~17,194,135 Mcf
 - 129,000 million gallons
 - Variance of ~1,633,705 Mcf, 12,000 million gallons, or ~8.7%
- FY 2027 - Charges Revenue (same \$ amount) \$421,587,500
- Illustration of "Per Unit" Impact
 - FY 2019 = \$22.39
 - FY 2027 = \$24.52
 - Difference = \$2.13 or 9.50%

Reduced sales volumes make each unit of water more costly

Unique this Year: Greenwood Township (DTE)

- The DTE Greenwood Township Energy Center had a contract exceedance during the peak season of calendar year 2025.
- This exceedance was discussed with Member Partners at the Water Analytical Work Group on October 28, 2025
- As result of this exceedance, DTE Greenwood and GLWA have developed a corrective action plan which includes modification to their peak hour and max day demands.
- The resulting outcome increases the demands as shown below.
 - Average Day from 32,600 MCF to 42,600 MCF
 - Max day from 2.24 MGD to 2.40 MGD
 - Peak hour from 2.24 MGD to 2.40 MGD

Unique this Year – City of Highland Park

- 💧 In accordance with the Highland Park settlement agreement and model contract, the possibility of an adjustment was expected using best available metering data at this time.
- 💧 Accordingly, modified sets of units of service for both water and sewer have been developed.
- 💧 As it relates to water, this approach results in adjustments for calculating Highland Park's revenue requirements as shown below.
 - 💧 Avg Day from 77,200 MCF to 56,600 MCF
 - 💧 Max Day from 2.40 MGD to 1.62 MGD
 - 💧 Peak Hour from 2.46 MGD to 2.83 MGD

Unique this Year- City of Dearborn

- GLWA and the City of Dearborn continue to make progress towards resolving long term matters.
- It is feasible that the resolution of those matters could occur before charges are approved - resulting in the City of Dearborn becoming a model contract member partner by the end of FY 2026.
- In demonstrating good faith of this progress, the operational buffer for their max day and peak hour demands for FY 2027 will be reduced from 20% to 10%.
- The resulting outcome decreases the demands as shown below.
 - Max day from 23.70 to 21.80 MGD
 - Peak hour from 32.90 to 30.20 MGD

Annual Reminder – Detroit - Base vs. Effective Water System Charge Adjustment

- Annually, the City of Detroit's revenue requirement is calculated consistent with the water charge methodology for all Member Partners.
- An "Ownership Credit" is then provided to the City of Detroit's charges (and reallocated among Member Partners).
 - The authorization for the credit comes from the water system lease agreement between GLWA and the City of Detroit.
 - The amount of the annual adjustment, based upon that agreement, is exactly \$20.7 million per year, each year.

Detroit Water	FY 2027	FY 2027	Variance	Variance
	Proforma	Proposed	(\$)	(%)
Revenue Requirement	\$ 49,990	\$ 53,525	\$ 3,535	7.07%
Flint/KWA Adjustment	739	779	40	5.47%
Wholesale Requirement	50,729	54,304	3,575	7.05%
DWSD Ownership Credit	(20,700)	(20,700)	-	0.00%
Revenue Requirement	\$ 30,029	\$ 33,604	\$ 3,575	11.91%

All \$ amounts are in \$1,000s
Preliminary Proposed as of 01/21/2026. Subject to final review of individual member partner charge sheets.

The above table illustrates the overall effective percentage increase for the City of Detroit before and after the ownership credit.

- The revenue requirement increase of 7.07% before the KWA adjustment and the DWSD ownership credit is consistent with the increase to the proforma revenue for all Member Partners
- After the credit of \$20.7 million, the net wholesale revenue requirement variance reported is 11.91%.

Annual Reminder - City of Flint - Base vs. Effective Water System Charge Adjustment

- Annually, the City of Flint's wholesale revenue requirement is calculated consistent with the water charge methodology.
- A "Flint/KWA Credit" is then provided to the City of Flint's charges (and reallocated among Member Partners).
 - The credit is based upon a Master Agreement with the City of Flint, Genessee County Drain Commission (GCDC) and the Karegnondi Water Authority (KWA).
 - Under this agreement, the GLWA receives rights to the raw water that Flint has through the KWA. In exchange, GLWA provides a credit to the City of Flint equal to the corresponding annual KWA debt service that Flint is obligated to pay.
 - The debt service, and therefore the amount of the credit, varies each year.
 - The benefit of this arrangement is that redundancy of service can be provided to GLWA Member Partners along the main that goes to the City of Flint (including Flint) without incurring significant capital investment.

Flint Water	FY 2027	FY 2027	Variance	Variance
	Proforma	Proposed	(\$)	(%)
Revenue Requirement	\$ 11,313	\$ 12,113	\$ 800	7.07%
DWSD Ownership Adjustment	669	681	12	1.78%
Wholesale Requirement	11,983	12,794	812	6.77%
Flint/KWA Credit	(5,959)	(5,959)	-	0.00%
Revenue Requirement	\$ 6,023	\$ 6,835	\$ 812	13.48%

All \$ amounts are in \$1,000s
Preliminary Proposed as of 01/21/2026. Subject to final review of individual member partner charge sheets.

The above table illustrates the overall effective percentage increase for the City of Flint before and after the Flint/KWA credit.

- The revenue requirement increase of 7.07% before the DWSD ownership adjustment and the KWA credit is consistent with the increase to the proforma revenue for all Member Partners
- After the credit of \$5.9 million, the net wholesale revenue requirement variance reported is 13.48%



Sewer System

Sewage Disposal System

Summary of Preliminary FY 2027 Revenue Requirement and Charge Adjustment

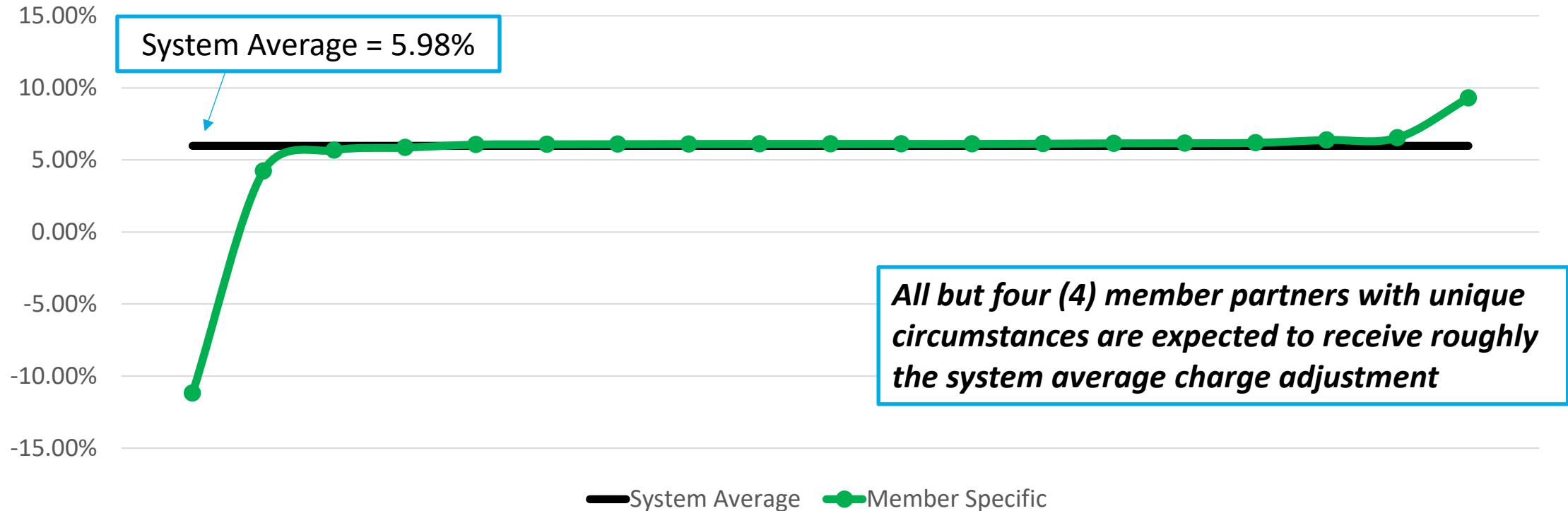
Budget Adjustment	Budget (1,000s)		Variance	
	Approved 2026	Preliminary 2027	\$	%
Total Revenue Requirements (Budget)	\$544,962	\$572,230	(B) \$27,268	5.00%
Less: Investment Earnings and Other Operating Revenues	15,058	10,916	(C) -4,141	-27.50%
= Revenue from Charges	(A) \$529,904	\$561,313	\$31,409	5.93%

Charge Adjustment

Percentages below are calculated as a percentage of Pro Forma Revenue

Pro Forma Revenue	\$529,653			
<i>FY 2026 charges revenue (A) \$529,904 minus sales volume variance (D) \$251</i>				
Change in Annual Revenue Requirement	(B)	\$27,268	5.15%	
Change Attributable to Non-Charge Revenue <i>(primarily decrease in investment earnings)</i>	(C)	4,141	0.78%	
Change Attributable to Sales Volumes	(D)	251	0.05%	
Average System Charge Adjustment		\$31,660	5.98%	

FY 2027 Proposed Sewer Charge Adjustment Summary



Unique this Year - City of Highland Park

- In accordance with the Highland Park settlement agreement and model contract, the possibility of an adjustment was expected using best available metering data at this time.
- Accordingly, a modified set of units of service for both water and sewer has been developed.
- As it relates to sewer, this approach results in adjustments to calculating Highland Park's revenue requirements as shown below.
 - Total Flow from 5.254 MGD to 2.891 MGD
 - Sanitary Flow from 0.567 MGD to 1.017
 - Equivalent SHARE % from 0.987 to 0.827

Unique this Year - City of Grosse Pointe

- The City of Grosse Pointe recently transitioned from being a D+ sewer member partner to a fully metered customer.
- The city and GLWA agreed to “phase in” the new metered data over a 5-year period starting by using 5 years of D+ and 5 years of meter data to establish their SHAREs. This is the third year of the phase-in which began with FY 2025.
- Updates are regularly discussed at the Wastewater Analytics Task Force in conjunction with updates on the annual flow balance
- The outcome of that phase based on the FY 2025 updated flow balance report is depicted below
 - Total Flow from 1.389 MGD to 1.288 MGD
 - Sanitary Flow from 0.334 to 0.360 MGD
 - Equivalent SHARE % from 0.244 to 0.240

Annual Reminder – Detroit – Base vs. Effective Charge Adjustment

- Annually, the City of Detroit's revenue requirement is calculated consistent with the water charge methodology for all Member Partners.
- An "Ownership Credit" is then provided to the City of Detroit's charges (and reallocated among Member Partners).
 - The authority for the credit comes from the water system lease agreement between GLWA and the City of Detroit.
 - The amount of the annual adjustment, based upon that agreement, is exactly \$5.516 million per year, each year.

Detroit Sewer	FY 2027	FY 2027	Variance	Variance
	Proforma	Proposed	(\$)	(%)
Revenue Requirement	\$ 221,123	\$ 234,869	\$ 13,746	6.22%
Green Infrastructure Adjustment	(282)	(282)	-	0.00%
Wholesale Requirement	220,840	234,587	13,746	6.22%
DWSD Ownership Credit	(5,516)	(5,516)	-	0.00%
Revenue Requirement	\$ 215,324	\$ 229,071	\$ 13,746	6.38%

All \$ amounts are in \$1,000s

Preliminary Proposed as of 01/07/2026. Subject to final review of individual member partner charge sheets.

The above table illustrates the overall effective percentage increase for the City of Detroit before and after the ownership credit.

- The revenue requirement increase of 6.22% before the Green Infrastructure adjustment and the DWSD ownership credit is consistent with other Member Partners that did not have a unique adjustment to their share
- After the credit of \$5.516 million, the net wholesale revenue requirement variance reported is 6.38%.