

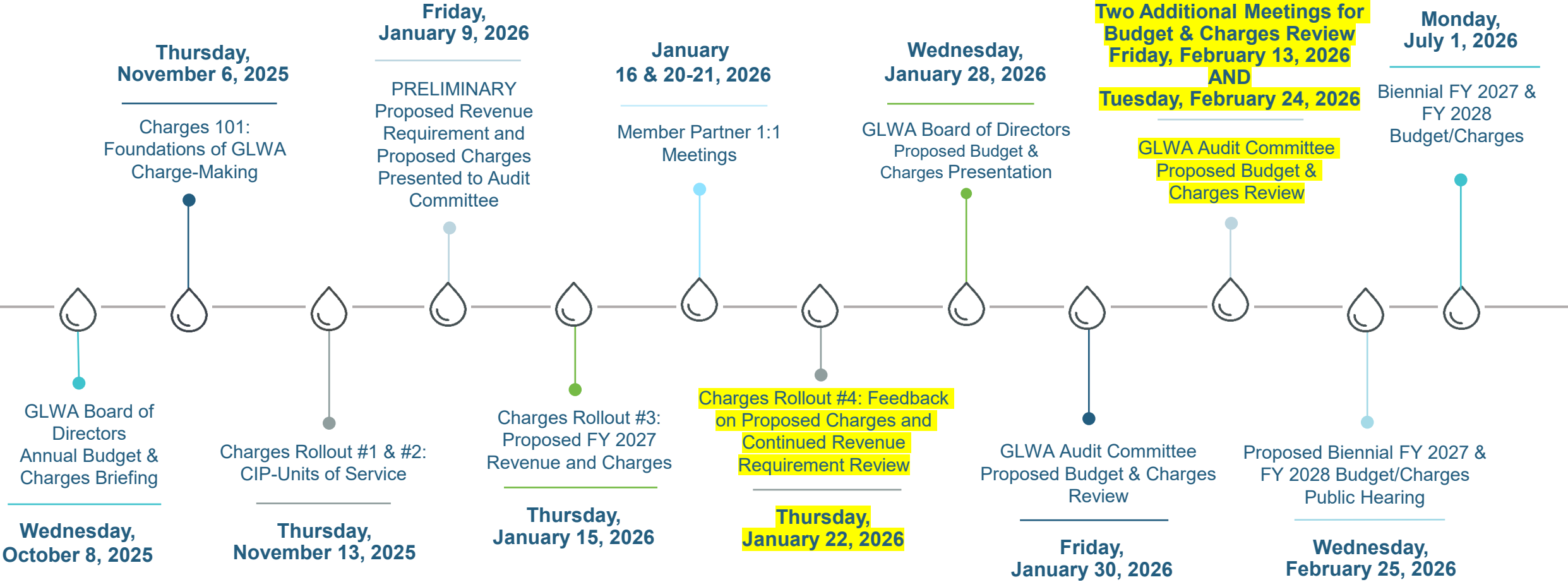


Approved Budget & Charges

One Partnership Meeting

March 12, 2026

Budget & Charges Activity Since Rollout #4



Budget Presentations & Review Sessions

- ◆ During the course of January 2026 through February 24, 2026, many budget and charges scenarios have been evaluated
- ◆ The goal was to achieve a lower charge increase
- ◆ Scenario D
 - ◆ Reduction of nearly \$13 million original proposed budget and charges
 - ◆ Approximately \$4 million for water and \$9 million for sewer
 - ◆ Reduced the wholesale average system charge adjustment
 - ◆ Water system – from 6.83% to 5.8% (*reduction of 1.03%*)
 - ◆ Sewer system – from 5.98% to 4.26% (*reduction of 1.72%*)
- ◆ Reviewed by the Audit Committee on February 24, 2026

Board Action: Scenario D

Leverages anticipated refunding savings and slows down capital program funding to ease affordability concerns.

Water System	Charge Percentage	Estimated \$ Reduction (millions)	Sewer System	Charge Percentage	Estimated \$ Reduction (millions)
Average System Charge Adjustment			Average System Charge Adjustment		
1) As proposed January 9, 2026 "A"	6.83%		1) As proposed January 9, 2026 "A"	5.98%	
2) Align budget with forecasted debt savings "B"	-0.93%	\$ (3,653)	2) Align budget with forecasted debt savings "B"	-1.08%	\$ (5,571)
Revised Average System Charge Adjustment "B"	5.90%		Revised Average System Charge Adjustment "B"	4.90%	
3) Audit Committee Review February 13, 2026 "C"	-0.40%	(1,587)	3) Audit Committee Review February 13, 2026 "C"	-0.40%	(2,068)
Revised Average System Charge Adjustment "C"	5.50%	(5,240)	Revised Average System Charge Adjustment "C"	4.50%	(7,639)
4) Prioritize Water System February 20, 2026 "D"	0.30%	1,172	4) Requested Realignment February 20, 2026 "D"	-0.23%	(1,168)
Total Average System Charge Adjustment	5.80%	\$ (4,068)	Total Average System Charge Adjustment	4.27%	\$ (8,807)
Net Decrease in Water Charge Adjustment (A to D)		-1.03%	Net Decrease in Sewer Charge Adjustment		-1.71%

Total Systemwide Estimated Dollar Reduction in Charges \$12.875 million

(\$4.068 million water and \$8.807 million sewer)

FY 2027 Charges Metrics

Water Supply System

- ◆ Revenue Requirements (Total Budget) Adjustment: 4.40%
- ◆ Revenues from Charges (Charges Budget): 5.52%
- ◆ Wholesale Average Charge Adjustment: 5.44%
- ◆ *Average System Charge Adjustment: 5.80%*

Sewage Disposal System

- ◆ Revenue Requirements (Total Budget) Adjustment : 3.34%
- ◆ Revenues from Charges (Charges Budget): 4.21%
- ◆ Wholesale Average Charge Adjustment: 4.00%
- ◆ *Average System Charge Adjustment: 4.26%*

Definitions of the above terms on the next page.

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	5.80%	4.26%
10-Year Average	3.03%	1.85%

Budget vs. Charges Increase

- While the budget increase is 4.40% for the water system; the average system charge adjustment is 5.80%
- Similarly, the budget increase for the sewer system is 3.34% while the average system charge adjustment is 4.26%

FY2027 Proposed Charges		
Category	Water Supply	Sewage Disposal
Revenue Requirements (Total Budget) Adjustment:	4.40%	3.34%
Revenues from Charges (Charges Budget):	5.52%	4.21%
Wholesale Average Charge Adjustment:	5.44%	4.00%
Average System Charge Adjustment: ★	5.80%	4.26%

- 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

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

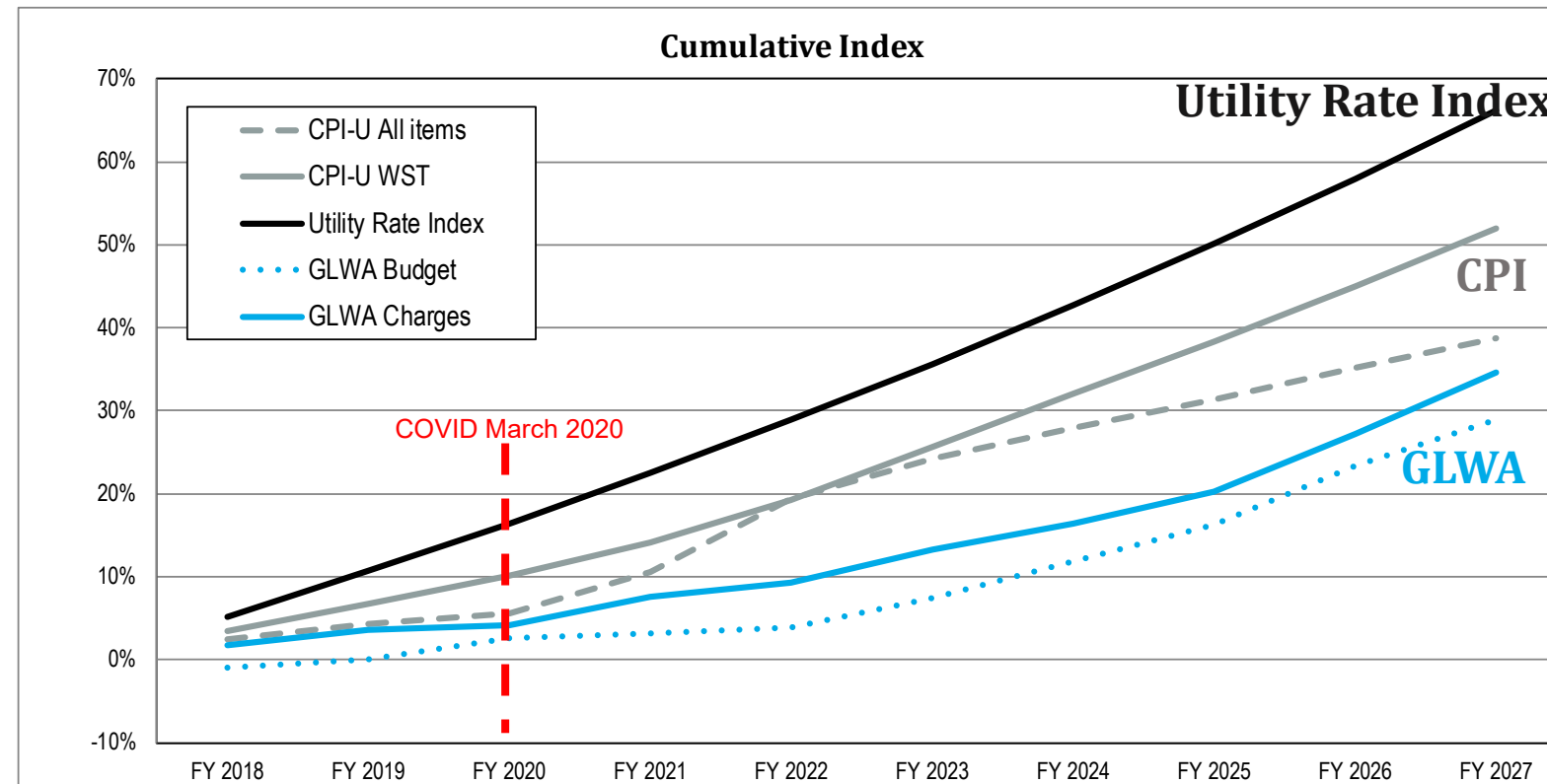
Charge Adjustment Definitions (Prior Slides)

- ◆ 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

Water CPI Comparison-Cumulative Change

Cumulative Historical "Water System Budget & Charge" Adjustments

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Average Annual
(a) CPI-U All items	2.4%	4.3%	5.6%	10.5%	19.4%	24.3%	28.0%	31.3%	35.1%	38.8%	3.3%
(b) CPI-U WST	3.5%	6.8%	10.2%	14.1%	19.2%	25.7%	32.0%	38.3%	45.0%	51.9%	4.3%
(c) Utility Rate Index	5.2%	10.7%	16.5%	22.5%	28.9%	35.6%	42.7%	50.1%	57.9%	66.2%	5.2%
GLWA Budget	-0.9%	0.1%	2.6%	3.1%	3.9%	7.5%	11.8%	16.3%	23.4%	28.9%	2.6%
GLWA Charges	1.8%	3.6%	4.2%	7.6%	9.3%	13.3%	16.4%	20.2%	27.3%	34.7%	3.0%



- 💧 Budget and Charges below CPI and Utility Rate Index for 10+ years
- 💧 Adjustments trailed far behind economic realities of COVID era cost increases

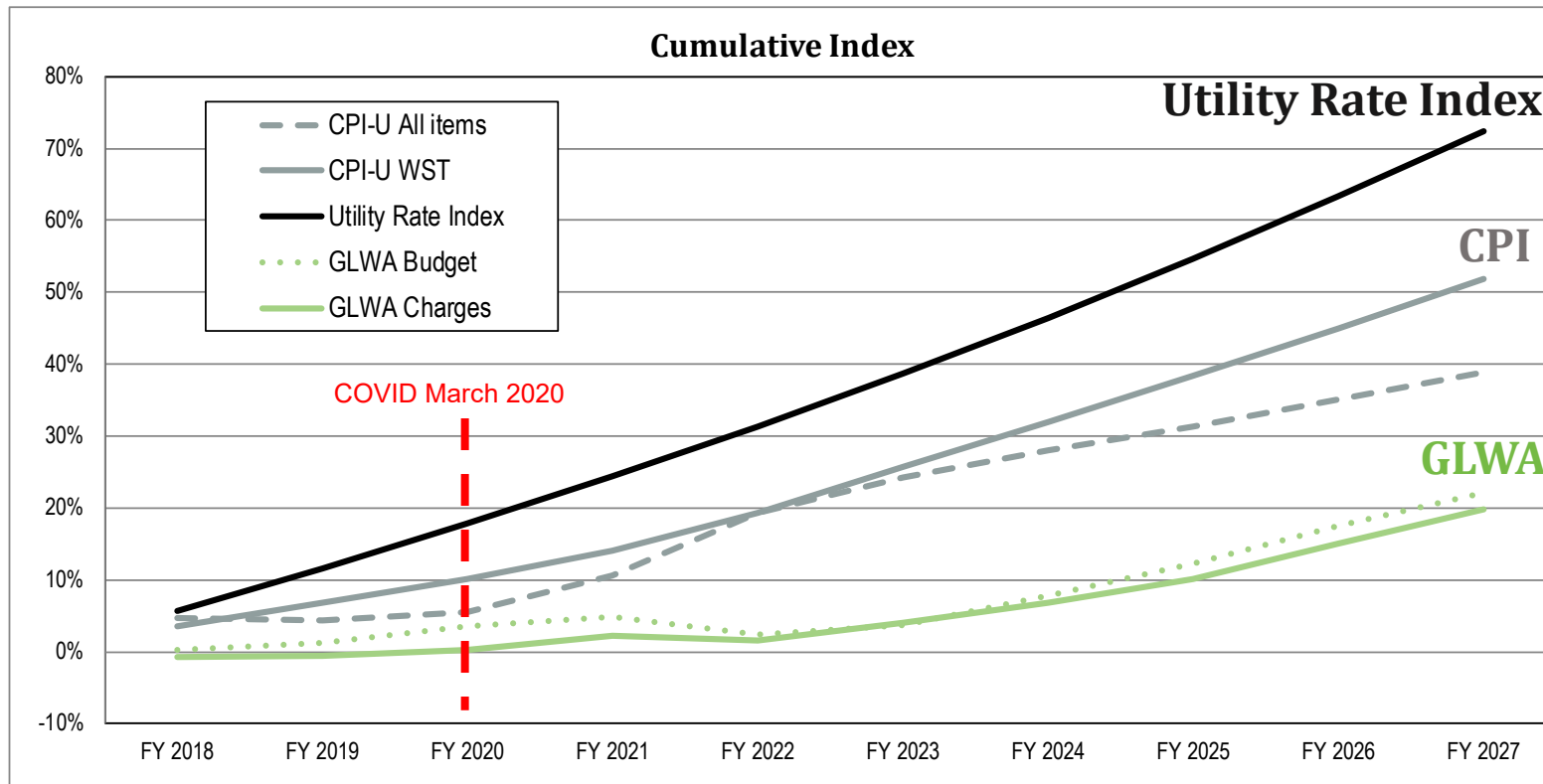
Data Sources:

- FY 2018 - FY 2025 Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year). FY 2026 and FY 2027 estimated based on Public Sector Consultants Economic Task Force Update presented to the Audit Committee on December 19, 2025
- Bureau of Labor Statistics, CPI-U, Water and sewer and trash collection services in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2026 and FY 2027 based on FY 2025
- Black & Veatch 2024 50 Largest Cities Rate Survey Average rate of change water bills 2001-2024. The average was used for all years.

Sewer CPI Comparison-Cumulative Change

Cumulative Historical "Sewage Disposal System Budget & Charge" Adjustments

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Average Annual
(a) CPI-U All items	4.6%	4.3%	5.6%	10.5%	19.4%	24.3%	28.0%	31.3%	35.1%	38.8%	3.3%
(b) CPI-U WST	3.5%	6.8%	10.2%	14.1%	19.2%	25.7%	32.0%	38.3%	45.0%	51.9%	4.3%
(c) Utility Rate Index	5.6%	11.5%	17.8%	24.4%	31.3%	38.7%	46.4%	54.6%	63.3%	72.4%	5.6%
GLWA Budget	0.3%	1.3%	3.6%	4.9%	2.4%	3.7%	7.9%	12.2%	17.5%	22.1%	2.0%
GLWA Charges	-0.7%	-0.6%	0.2%	2.2%	1.6%	4.0%	6.8%	10.0%	15.0%	19.9%	1.8%



- 💧 Budget and Charges below CPI and Utility Rate Index for 10+ years
- 💧 Adjustments trailed far behind economic realities of COVID era cost increases


Data Sources:

- FY 2018 - FY 2025 Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year). FY 2026 and FY 2027 estimated based on Public Sector Consultants Economic Task Force Update presented to the Audit Committee on December 19, 2025
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- Black & Veatch 2024 50 Largest Cities Rate Survey Average rate of change water bills 2001-2024. The average was used for all years.

What is the Impact to the 10 Year Plan?

- 💧 Sewer System, for now, is within acceptable range
- 💧 Water System financial resiliency needs to be a top priority
 - 💧 Reduced Charges Today = Greater Long-term Cost Tomorrow
 - 💧 Intent of financial plan was to smooth out increases – a best practice
 - 💧 Proactive, specific plans are in place – need funding to put into meaningful action
 - 💧 GLWA established with financial measure (4% Promise); no capital/operational measure
 - 💧 Water System now at 100% debt financing- which was not the objective when GLWA was established
 - 💧 More charge revenues will be spent on interest expense versus capital needs
 - 💧 Key financial metrics to *maintain* credit rating are slim
 - 💧 2 of 3 rating agencies have water system in AA category; one is lower single A category
 - 💧 This year brings serious – and growing – infrastructure funding gap

Schedule 5A - Five Year Plan– Water Construction Fund

Water Construction Fund	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Inflows								
Transfers in from Water I&E Fund								
Revenue Financed Capital	\$ 171,562	\$ 9,250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in from Water Operations Fund								
Bond Proceeds	231,833,814	222,000,000	158,000,000	243,000,000	228,000,000	188,000,000	82,000,000	150,000,000
State Revolving Loans	56,270,485	1,369,200	6,742,400	-	-	-	-	-
Grants and Capital Contributions	3,348,636	2,300,000	2,197,100	1,154,900	-	-	-	-
Investment Earnings	5,248,342	5,565,100	4,294,800	3,828,400	3,658,500	3,703,200	3,490,800	2,155,900
Total Inflows	296,872,839	240,484,300	171,234,300	247,983,300	231,658,500	191,703,200	85,490,800	152,155,900
Outflows								
Capital Program	156,209,178	185,000,000	165,000,000	245,000,000	245,000,000	230,000,000	190,000,000	85,000,000
Transfers out to Water Operations Fund								
Bond Cost of Issuance	1,812,585	1,665,000	1,185,000	1,822,500	1,710,000	1,410,000	615,000	1,125,000
Total Outflows	158,021,763	186,665,000	166,185,000	246,822,500	246,710,000	231,410,000	190,615,000	86,125,000
Net Inflow (Outflow) - Use of Construction Funds	\$ 138,851,076	\$ 53,819,300	5,049,300	1,160,800	(15,051,500)	(39,706,800)	(105,124,200)	66,030,900
Beginning Net Position			270,178,200	275,227,500	276,388,300	261,336,800	221,630,000	116,505,800
Projected Ending Net Position			\$ 275,227,500	\$ 276,388,300	\$ 261,336,800	\$ 221,630,000	\$ 116,505,800	\$ 182,536,700
Capital Improvement Plan		\$ 183,064,000	\$ 183,743,000	\$ 302,768,000	\$ 372,646,000	\$ 246,750,000	\$ 186,818,000	\$ 82,080,000
Capital Spending Ratio		100%	88%	80%	65% 	93%	100%	100%
Capital Financing Plan		\$ 185,000,000	\$ 165,000,000	\$ 245,000,000	\$ 245,000,000	\$ 230,000,000	\$ 190,000,000	\$ 85,000,000

Final adjustment for budget and charges adopted dropped funding for water CIP for FY 2028 to 65%

CIP being evaluated

Water System at 100% Debt Funded CIP

Fiscal Year	Bond Proceeds	Capital Financing Plan	Capital Improvement Plan
FY 2027	\$ 243,000,000	\$ 245,000,000	\$ 302,768,000
FY 2028	228,000,000	245,000,000	372,646,000
FY 2029	188,000,000	230,000,000	246,750,000
FY 2030	82,000,000	190,000,000	186,818,000
FY 2031	150,000,000	85,000,000	82,080,000
	<u>\$ 891,000,000</u>	<u>\$ 995,000,000</u>	<u>\$ 1,191,062,000</u>

Five Year Capital Spending Ratio (Funded) 84%

Percent of CIP Unfunded 16%

- ◆ Simple excerpt from financial plan to illustrate 100% debt financing
- ◆ Bond transactions occur at end of fiscal year for upcoming year's capital program needs
- ◆ For simplicity, beginning and ending cash from borrowing not shown

Where do we go from here?

💧 Key Action Items

- 💧 Next 10 year focus of what should be accomplished and how that aligns with financial needs
- 💧 Start talking about next year's budget, capital funding, and charges now
- 💧 Advocate for the complex matters surrounding ALL water utilities and customers needs

💧 Communication is Key

- 💧 Educate stakeholders - without alarming the public
- 💧 What can we do better?

EPA Guidance on Affordability

- ◆ Affordability is commonly referenced, but what does it mean?
- ◆ Source: [Water Affordability Landscape](#) (EPA website, update June 5, 2025)
- ◆ **Household:** Water affordability refers to the *ability of an individual household to pay for essential water services bills, including drinking water, wastewater, and stormwater, without sacrificing other household needs.*
- ◆ **Utility:** Water utilities across the U.S. also face significant water affordability challenges. *Many utilities struggle to meet rising costs for operations and maintenance, upgrading aging infrastructure, and protecting public health and the environment, while facing difficult decisions about raising rates.*

Tension Between Affordability & Service Level



Common Interests – Different Conversations

💧 **Household Affordability**

- 💧 Health & Human Services Expertise
- 💧 Service Provider Resiliency
- 💧 Funding

💧 **GLWA actively engaged in workgroup efforts**

- 💧 Weekly Workgroup Meetings and Collaboration
- 💧 GLWA Affordability & Assistance Workshop on April 30, 2026

💧 **Reliable Utility Service Level**

- 💧 Regional & Local System Utility Operator & Engineer Expertise
- 💧 System Resiliency
- 💧 Funding

💧 **GLWA actively engaged with Lansing, MI and Washington DC leadership**

💧 **Water Funding Task Force work is underway –**

WaterFunding@glwater.org

Utility Sector Rate Setting Focus

- ◆ [AWWA](#) (American Water Works Association) rate-setting methodologies focus on developing **defendable, fair, and equitable rates that cover the full cost of service**—including operations, maintenance, and capital improvements—while minimizing "rate shock". Key approaches include cost-of-service analysis (allocating fixed/variable costs) and using models to ensure financial sustainability.
- ◆ Suggest “**reasonable**” as a proxy for “**defendable, fair, and equitable rates**”.
- ◆ Future exercise: identifying the full cost of service

Table Topic: Words are Important

💧 **Household:** Water affordability refers to the *ability of an individual household to pay for essential water services bills, including drinking water, wastewater, and stormwater, without sacrificing other household needs.*

💧 [Water Affordability Landscape](#) (EPA website, update June 5, 2025)

💧 Discussion

1. **Suggest a refocus on long established charge language around what is “reasonable” to better describe the balance between household affordability concerns (as defined above) with providing a reliable level of service level**
2. **Other feedback on what you have heard today so far**

Annual Charges Booklet

- 💧 Posted [Online](#)
- 💧 Emailed to Member Partners with Final Calculation Worksheets
- 💧 Contains Charge Schedules and information to share with your communities



FY 2027 Schedule of Charges
As Approved

February 25, 2026

www.glwa.org

