Audit Committee Meeting
Friday, December 19, 2025 at 8:00 a.m.
www.glwater.org

Join Zoom Meeting

Meeting ID: **864 7216 3574** Passcode: **884245**
US Toll-free: **877 853 5247 or 888 788 0099**

AGENDA

Note: Binders 1 and 2 have been combined and PDF was renumbered

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
   A. December 3, 2025 (Page 1)
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
7. NEW BUSINESS
   A. Proposed Revenue Requirement & Charges and Review Proposed (Page 4) FY 2027 and FY 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan
   B. Proposed FY 2027 Charges Analysis (Page 5)
   C. *Action Item:* FY 2026 First Quarter Budget Amendments through (Page 6) September 30, 2025, and Proposed Budget Amendment Resolution
   D. *Action Item:* Resolution Authorizing Publication of Notice of Intent (Page 39) to Issue Sewage Disposal System Revenue Bonds
   E. *Action Item:* Resolution Authorizing Publication of Notice of Intent (Page 46) to Issue Water Supply Revenue Bonds
   F. 2026 Municipal Market Outlook and GLWA Debt Management (Page 53) Considerations
8. REPORTS
   A. CFO Report (Page 124)
   B. Monthly Financial Report (Page 126)
   C. Gifts, Grants & Other Resources Report Through November 30, 2025 (Page 127)
   D. Quarterly Economic Outlook Task Force Update (Page 135)
9. COMMUNICATIONS
   A. The Procurement Pipeline for December 2025 (Page 145)
10. LOOK AHEAD
    A. Next Audit Committee Meeting: Special Meeting January 9, 2026, at 8:00 a.m. Regular Meeting on January 30, 2026, at 8:00 a.m.
11. OTHER MATTERS
12. ADJOURNMENT

Great Lakes Water Authority

735 Randolph Street
Detroit, Michigan 48226
glwater.legistar.com

Meeting Minutes - Draft

Audit Committee

Wednesday, December 3, 2025 | **8:00 AM** | **Zoom Telephonic Special Meeting**

Join Zoom Meeting:
https://glwater.zoom.us/j/87542684472?pwd=RmZoKHGFdmXkbR97ndgXaw7pezpNRD.1

Join by Telephone
US Toll-Free:
877 853 5247; or 888 788 0099
Meeting ID: 875 4268 4472 Passcode: 580972

1. Call To Order

Chairperson Baker called the meeting to order at 8:01 a.m.

2. Quorum Call

Present: 3 - Chairperson Brian Baker, Director Gary Brown, and Director Jaye Quadrozzi

3. Approval of Agenda

Chairperson Baker requested a Motion to Approve the Agenda.

Motion By: Gary Brown
Support By: Jaye Quadrozzi
Action: Approved
The motion carried by a unanimous vote.

4. Approval of Minutes

A. 2025-404 Minutes of November 21, 2025

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: 4A Minutes - November 21, 2025 Audit Committee Meeting.pdf

Chairperson Baker requested a Motion to Approve the November 21, 2025 Audit Committee Meeting Minutes.

Motion By: Jaye Quadrozzi
Support By: Gary Brown
Action: Approved
The motion carried by a unanimous vote.

5. Public Comment

There were no public comments.

6. Old Business

A. 2025-403 Approval of Audit and Related Financial Reports Pertaining to the Fiscal Year Ended June 30, 2025

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments:
- 6A 1 FY 2025 Annual Audit Financial Update.pdf
- 6A 1.2 Baker Tilly FY 2025 GLWA Audit Presentation.pdf
- 6A 1.3 Great Lakes Water Authority AUD 06-30-2025 - Audit Results - DRAFT 11.25.25.pdf
- 6A 1.4 GLWA Informal Management Comments Summary.pdf
- 6A 1.5 Gen-07.FY 2025 Annual Audit & Financial Results.pdf
- 6A 1.6 One-Pager Series FY 2025 Key Takeaways.pdf
- 6A1.7 FY 2025 GLWA Annual Comprehensive Financial Report
- 6A1.8 GLWA Single Audit 06-30-2025 - Report - Final Version

Motion By: Jaye Quadrozzi
Support By: Gary Brown
Action: Recommended for Approval to the Board of Directors Workshop Meeting Agenda of December 10, 2025
The motion carried by a unanimous vote.

7. New Business

None

8. Reports

None

9. Communications

None

10. Look Ahead

A. Next Audit Committee Meeting: December 19, 2025, at 8:00 a.m.

11. Other Matters

There were no other matters.

12. Adjournment

Chairperson Baker requested a Motion to Adjourn.

Motion By: Gary Brown
Support By: Jaye Quadrozzi
Action: Approved
The motion carried by a unanimous vote.

There being no further business, the meeting was adjourned at 8:37 a.m.

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

Re: Proposed Revenue Requirement & Charges and Review Proposed FY 2027 and FY 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan

Background: The preparation for the Proposed Revenue Requirement & Charges and Review Proposed FY 2027 and FY 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan is under way.

The headline challenge this year is the reduction in the investment earnings forecast due to economic conditions. A reduction was expected, but the magnitude was recently recalculated for a total of $8 million – with $4 million impact for each system. Translating that loss in revenue to charges, $4 million equates to approximately a 1% charge adjustment for each system.

Analysis: A special meeting for review of the Proposed Revenue Requirement & Charges and Review Proposed FY 2027 and FY 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan has been scheduled for January 9, 2026 at 8 am.

Recommended action: Receive and file.

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

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Background: The preparation for the Proposed Revenue Requirement & Charges and Review Proposed FY 2027 and FY 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan is under way.

The headline challenge this year is the reduction in the investment earnings forecast due to economic conditions. A reduction was expected, but the magnitude was recently recalculated for a total of $8 million – with $4 million impact for each system. Translating that loss in revenue to charges, $4 million equates to approximately a 1% charge adjustment for each system.

Analysis: A special meeting for review of the Proposed Revenue Requirement & Charges and Review Proposed FY 2027 and FY 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan has been scheduled for January 9, 2026 at 8 am.

Recommended action: Receive and file.

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Cindy Cezat, Director, Financial Management & Planning
Robert Arbaugh, Manager, Financial Planning & Analysis

Re: FY 2026 First Quarter Budget Amendments through September 30, 2025, and Proposed Budget Amendment Resolution

Background: In accordance with the budget amendment policy, articles, and by-laws for the Great Lakes Water Authority, a quarterly budget amendment report is presented for review by the Audit Committee. When budget amendments are required at the appropriation level as defined by the fiscal year budget adoption resolution, the Audit Committee reviews the proposed budget amendments and forwards them to the Board of Directors with a recommendation.

Analysis: See attached report.

Proposed Action: The Audit Committee recommends that the Board of Directors for the Great Lakes Water Authority adopt the proposed FY 2026 first quarter budget amendments as presented.

..Title

FY 2026 First Quarter Budget Amendments through September 30, 2025 and Proposed Budget Resolution

..Body

Agenda of: January 28, 2026
Item No.: **2025-414**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: January 28, 2026

RE: **FY 2026 First Quarter Budget Amendments through September 30, 2025 and Proposed Budget Amendment Resolution**

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), adopts the **proposed FY 2026 First Quarter Budget Amendments as presented**; and authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The founding legal documents for the Great Lakes Water Authority (GLWA) provide a structure for budget preparation, adoption, and amendment. The Board of Directors adopts a biennial budget by resolution which specifies appropriation amounts which may

be modified through budget amendments. To the extent that there is a proposed amendment of the budget among the appropriation categories, the matter is brought to the Audit Committee for review and consideration of a recommendation to the Board of Directors for their consideration for approval.

JUSTIFICATION

Attached is the communication to the Audit Committee, dated December 19, 2025 which presents the proposed budget amendments for the first quarter of FY 2026. The reports included in this communication include the following.

1. Quarterly Budget Amendment Report for FY 2026 ending September 30, 2025.

2. Resolution Adopting the Budget Amendments through the first quarter of FY 2026.

BUDGET IMPACT

The overall budget, despite amendment, continues to be balanced.

COMMITTEE REVIEW

This matter was reviewed by the Audit Committee at its meeting on December 19, 2025. The Audit Committee *[insert action]* that the Board of Directors for the Great Lakes Water Authority adopt the proposed FY 2026 first quarter budget amendments.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.

FY 2026 First Quarter Budget Amendment Report Through September 30, 2025 & Proposed Budget Amendment Resolution

Presented to the Audit Committee
December 19, 2025

GLWA
Great Lakes Water Authority

Quarterly Budget Amendment Report
FY 2026 Ending September 30, 2025

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Executive Summary

In accordance with the budget amendment policy, articles, and by-laws for the Great Lakes Water Authority, a quarterly budget amendment report is presented in addition to a corresponding budget amendment resolution. This budget amendment report is presented with tables followed by commentary

Water System Executive Summary - Year-to-Date

For the first quarter FY 2026 budget amendment, the focus is on updating the debt payments for the June 2025 bond transactions as well as other items that changed since the FY 2026 budget was presented in December 2024 and subsequently adopted in February 2025. Further details are provided in the accompanying budget analysis.

Revenue Requirement Adopted (Original Plan) vs. Forecasted Actual - Table 1A

Positive Variances

- ✓ $1.4 million debt service reduction due to June 2025 refunding transaction
- ✓ $0.6 million working capital requirement reduction due to actual financial performance

Negative Variances

- ✓ $1.5 million operations and maintenance expense due to increased allocation for centralized and administrative expenses most of which is related to increase in costs for facilities shared with DWSD

The net impact of the above is positive with a $0.5 million increase in the Improvement & Extension Transfer pending year-end close for future paygo capital funding. There are increasing capital program needs for aging infrastructure, especially linear assets, which has been communicated over the last few months.

Improvement & Extension Adopted (Original Plan) vs. Forecasted Actual - Table 3A

Aside from the transfer in of $0.5 million from operations noted above, the other amendment is to decrease the use of I&E funds for construction in FY 2026. The original adopted budget for FY 2026 targeted a five percent use of I&E funds for construction. With an underspend in budget for the capital program in FY 2025 (capital spend ratio of 77%) the targeted use of of I&E for construction this year was adjusted to zero.

Construction Fund Adopted (Original Plan) vs. Forecasted Actual - Table 4A

The FY 2026 capital spending rate assumption is 100% of the $183 million CIP value. The proposed amendments are for the decrease in targeted I&E funding noted above, and an update to the inflows based on current information.

Sewer System Executive Summary - Year-to-Date

For the first quarter FY 2026 budget amendment, the focus is on updating the debt payments for the June 2025 bond transactions as well as other items that changed since the FY 2026 budget was presented in December 2024 and subsequently adopted in February 2025. Further details are provided in the accompanying budget analysis.

Revenue Requirement Adopted (Original Plan) vs. Forecasted Actual - Table 1B
Positive Variances

- ✓ $4.6 million debt service reduction due to June 2025 refunding

Negative Variances

- ✓ $1.5 million operations and maintenance expense due to increased allocation for centralized and administrative expenses most of which is related to increase in costs for facilities shared with DWSD

The net impact of the above is positive with a $3.2 million increase in the Improvement & Extension Transfer pending year-end close for future paygo capital funding. The headwind, however, is increasing capital program needs for aging infrastructure which has been communicated over the last few months.

Improvement & Extension Adopted (Original Plan) vs. Forecasted Actual - Table 3B
Aside from the transfer in of $3.2 million from operations noted above, there is one other amendment proposed. That is an increase in the amount of the transfer to the construction fund. The target of I&E funding for capital projects was 15% for the adopted budget. With the increase in the expected spend for construction, additional use of I&E in FY 2026 for construction is included in the amendment.

Construction Fund Adopted (Original Plan) vs. Forecasted Actual - Table 4B
The capital spending rate assumption is 90% of the $193 million CIP value. The proposed amendments are for the increase in targeted I&E funding noted above, an increase in capital expenditure based on state revolving fund loans recently granted for projects nearing construction start. This allows for a faster pace of spend and an increase in funding inflows.

First Quarter Revenue Requirement Budget Amendment Analysis

Section 1 - Revenue Requirement - Water and Sewer Systems

GLWA
Great Lakes Water Authority

Quarterly Budget Amendment Report
FY 2026 Ending September 30, 2025

Table 1A - Water System Revenue Requirement – Appropriation Level

Water System	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Revenues				
Revenue from Charges				
Wholesale Customers	$ 365,646,100	$ -	$ 365,646,100	$ 103,211,898
Less: Bad Debt Expense	-	-	-	-
Charges to Local System	30,028,800	-	30,028,800	7,507,200
Total Revenue from Charges	395,674,900	-	395,674,900	110,719,098
Investment Earnings				
Unrestricted	4,654,800	-	4,654,800	1,663,764
I&E Fund Unrestricted	4,868,800	-	4,868,800	1,592,045
Restricted for Debt Service	3,260,100	-	3,260,100	513,131
Total Investment Earnings	12,783,700	-	12,783,700	3,768,940
Other Revenue	302,800	-	302,800	143,564
Total Revenues	$ 408,761,400	$ -	$ 408,761,400	$ 114,631,602
Revenue Requirements				
Operations & Maintenance Expense	$ 182,456,000	$ 1,453,400	$ 183,909,400	$ 47,233,008
Debt Service	179,082,200	(1,395,800)	177,686,400	44,770,539
General Retirement System Pension	2,730,800	-	2,730,800	682,701
Water Residential Assistance Program Contribution	1,970,000	-	1,970,000	492,501
Extraordinary Repair & Replacement Deposit	320,000	-	320,000	-
Regional System Lease	22,500,000	-	22,500,000	5,625,000
Working Capital Requirement	600,000	(600,000)	-	-
Improvement & Extension Fund Transfer Pending	19,102,400	542,400	19,644,800	4,775,601
Total Revenue Requirements	$ 408,761,400	$ -	$ 408,761,400	$ 103,579,350
Net Actual to Date				$ 11,052,252

Table 1A Commentary - Water System Revenue Requirement – Appropriation Level

Revenue Requirements

Net increase to the Revenue Requirements of $0.5 million is net of the following.

- *Increase of $1.5 million in Operation & Maintenance Expense* – See Table 1H Supplemental Information - Operations & Maintenance by Expense Category for a detailed explanation of the operations and maintenance budget amendments.
- *$1.4 million Debt Service decrease* – Related to the refunding savings in the June 2025 bond transaction. Table 2A has the detail by lien.

- *$0.6 million decrease in the Working Capital Requirement* – Adjustment is based on current analysis of working capital requirements for the O&M and receiving accounts.
- The overall net increase to the revenue and revenue requirements results in an increase to the Improvement & Extension Fund of $0.5 million.

Table 1B - Sewer System Revenue Requirement – Appropriation Level

	FY 2026			
Sewer System	Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Revenues				
Revenue from Charges				
Wholesale Customers	$ 300,316,800	$ -	$ 300,316,800	$ 74,997,168
Less: Bad Debt Expense	-	-	-	-
Charges to Local System	215,324,400	-	215,324,400	53,831,100
Industrial Waste Control	9,150,300	-	9,150,300	2,309,835
Pollutant Surcharges	5,112,700	-	5,112,700	1,234,087
Total Revenue from Charges	529,904,200	-	529,904,200	132,372,190
Investment Earnings				
Unrestricted	5,087,300	-	5,087,300	2,532,091
I&E Fund Unrestricted	5,451,500	-	5,451,500	1,485,291
Restricted for Debt Service	4,076,400	-	4,076,400	669,140
Total Investment Earnings	14,615,200	-	14,615,200	4,686,522
Other Revenue	442,600	-	442,600	114,927
Total Revenues	$ 544,962,000	$ -	$ 544,962,000	$ 137,173,639
Revenue Requirements				
Operations & Maintenance Expense	$ 236,098,700	$ 1,453,300	$ 237,552,000	$ 57,479,610
Debt Service	220,884,500	(4,610,700)	216,273,800	55,221,123
General Retirement System Pension	5,632,800	-	5,632,800	1,408,200
Water Residential Assistance Program Contribution	2,638,500	-	2,638,500	659,625
Extraordinary Repair & Replacement Deposit	-	-	-	-
Regional System Lease	27,500,000	-	27,500,000	6,875,001
Working Capital Requirement	-	-	-	-
Improvement & Extension Fund Transfer Pending	52,207,500	3,157,400	55,364,900	13,051,875
Total Revenue Requirements	$ 544,962,000	$ -	$ 544,962,000	$ 134,695,434
Net Actual to Date				$ 2,478,205

Table 1B Commentary - Sewer System Revenue Requirement – Appropriation Level

Revenue Requirements

Net increase to the Revenue Requirements of $3.2 million is the result of the following.

- *Increase in Operations & Maintenance Expense of $1.5 million* – See Table 1H Supplemental Information - Operations & Maintenance by Expense Category for a detailed explanation of the operations and maintenance budget amendments.
- *$4.6 million Debt Service decrease* – Related to the June 2025 bond transaction. Table 2A has the detail by lien.
- The overall net increase to the revenue and revenue requirements results in an increase to the Improvement & Extension Fund of $3.2 million.

Section 1 - Supplemental Information

Table 1C - Historical I&E Funding – Water and Sewer System

The current FY 2026 budget amendment results in additional funds available for I&E purposes assuming there will be no additional increases in operations and maintenance expenses for the rest of the fiscal year. It should be noted that these increases help to offset the declining nature of the funds set aside to reduce capital financing.

Table 1D - Operations & Maintenance by Fund

This table summarizes the total Operations and Maintenance Expense for each System.

System	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Water System	$ 182,456,000	$ 1,453,400	$ 183,909,400	$ 47,233,008
Sewer System	236,098,700	1,453,300	237,552,000	57,479,610
Total	**$ 418,554,700**	**$ 2,906,700**	**$ 421,461,400**	**$ 104,712,618**

Totals may be off due to rounding.

Table 1E - Operations and Maintenance by Service Area

Operating Area	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
A Water System Operations	$ 101,500,700	$ -	$ 101,500,700	$ 25,420,137
B Wastewater System Operations	156,572,600	-	156,572,600	37,994,511
C Centralized Services	117,387,600	2,860,200	120,247,800	28,517,201
D Administrative Services	43,093,800	46,500	43,140,300	11,761,089
Employee Benefits	-	-	-	1,019,680
Total	**$ 418,554,700**	**$ 2,906,700**	**$ 421,461,400**	**$ 104,712,618**

Totals may be off due to rounding.

The $2.9 million increase in FY 2026 Q1 budget amendments is attributable) increase in centralized services (e.g., systems resiliency, field services, security, information technology, facilities, and fleet), D) increase in administrative services (e.g., financial services, public affairs, general counsel, and organizational development). The costs of the latter two categories, centralized and administrative, are allocated to the water and sewer systems based upon an internal cost allocation plan that is performed on an annual basis.

Table 1F - Unallocated Reserve by Service Area

O&M Unallocated Reserves	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget
Water System Operations	$ 2,113,200	$ (1,625,300)	$ 487,900
Wastewater System Operations	3,176,400	(692,800)	2,483,600
Centralized Services	2,388,800	(2,388,800)	-
Administrative & Other Services	847,800	(847,800)	-
Total	**$ 8,526,200**	**$ (5,554,700)**	**$ 2,971,500**

Totals may be off due to rounding.

An Unallocated Reserve account is established for each of the four service areas. A budget is assigned to these accounts to cover expenditures not known or quantifiable at the time the budget is developed (merit increases, fluctuations within maintenance contracts and usage of utilities and chemicals, projects and initiatives not planned at the time the initial budget was developed, etc.). It is GLWA's internal budget directive for each area, group, and team to manage their needs to an amount within the initial budget. If required, an amendment is made from the unallocated reserve. If a service area does not require as much funding as was established in the original budget, that department's budgeted expenses are reduced, and the unallocated reserve is increased. A portion of the unallocated reserves were used to offset the increase in costs for operations and maintenance for the first quarter.

Table 1G - Enterprise-wide Operations & Maintenance by Expense Category

	FY 2026			
O&M Expense Categories	Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Personnel Costs	$ 138,905,400	$ 5,228,700	$ 144,134,100	$ 39,860,930
Utilities	73,078,800	-	73,078,800	17,302,353
Chemicals	38,364,600	(1,175,600)	37,189,000	7,798,289
Supplies & Other	45,211,200	304,800	45,516,000	10,672,770
Contractual Services	120,208,200	4,058,200	124,266,400	30,440,750
Capital Program Allocation	(3,430,600)	-	(3,430,600)	(790,824)
Shared Services	(2,309,100)	45,300	(2,263,800)	(571,650)
Intergovernmental Agreement	-	-	-	-
Unallocated Reserve	8,526,200	(5,554,700)	2,971,500	-
Total	**$ 418,554,700**	**$ 2,906,700**	**$ 421,461,400**	**$ 104,712,618**

Totals may be off due to rounding.

The table above presents the Operations & Maintenance budget by the major expense categories enterprise wide. Further explanation of the proposed amendment is shown in Table 1H and explained by the four service areas: A - Water System Operations, B - Sewer System Operations, C – Centralized Services, and D – Administrative & Other Services.

GLWA
Great Lakes Water Authority

Quarterly Budget Amendment Report
FY 2026 Ending September 30, 2025

Table 1H -Operations & Maintenance Expense by Service Area and Expense Category

Operating Area	FY 2026 Adopted Budget	Amendment 1st Quarter	Amended Budget	Activity Thru 9/30/2025
A Water System Operations	**$ 101,500,700**	**$ -**	**$ 101,500,700**	**$ 25,420,137**
Personnel Costs	27,021,300	1,097,300	28,118,600	8,161,601
Utilities	33,668,800	528,000	34,196,800	7,659,941
Chemicals	14,904,300	-	14,904,300	3,285,109
Supplies & Other	6,117,900	-	6,117,900	1,963,620
Contractual Services	19,295,100	-	19,295,100	4,765,137
Capital Program Allocation	(1,619,900)	-	(1,619,900)	(415,272)
Unallocated Reserve	2,113,200	(1,625,300)	487,900	-
B Wastewater System Operations	**$ 156,572,600**	**$ -**	**$ 156,572,600**	**$ 37,994,511**
Personnel Costs	44,276,900	1,363,400	45,640,300	12,111,287
Utilities	39,029,400	(528,000)	38,501,400	9,592,696
Chemicals	23,460,300	(1,175,600)	22,284,700	4,513,180
Supplies & Other	19,286,600	304,800	19,591,400	4,779,827
Contractual Services	29,655,800	728,200	30,384,000	7,431,050
Capital Program Allocation	(1,598,500)	-	(1,598,500)	(269,032)
Shared Services	(714,300)	-	(714,300)	(164,496)
Unallocated Reserve	3,176,400	(692,800)	2,483,600	-
C Centralized Services	**$ 117,387,600**	**$ 2,860,200**	**$ 120,247,800**	**$ 28,517,201**
Personnel Costs	43,371,200	1,883,700	45,254,900	11,786,912
Utilities	174,400	-	174,400	33,846
Supplies & Other	17,139,900	-	17,139,900	3,240,934
Contractual Services	55,935,900	3,330,000	59,265,900	13,928,716
Capital Program Allocation	(212,200)	-	(212,200)	(106,519)
Shared Services	(1,410,400)	35,300	(1,375,100)	(366,687)
Unallocated Reserve	2,388,800	(2,388,800)	-	-
D Administrative & Other Services	**$ 43,093,800**	**$ 46,500**	**$ 43,140,300**	**$ 11,761,089**
Personnel Costs	24,236,000	884,300	25,120,300	6,781,450
Utilities	206,200	-	206,200	15,870
Supplies & Other	2,666,800	-	2,666,800	688,389
Contractual Services	15,321,400	-	15,321,400	4,315,847
Shared Services	(184,400)	10,000	(174,400)	(40,467)
Unallocated Reserve	847,800	(847,800)	-	-
Employee Benefits				**$ 1,019,680**
Grand Total	**$ 418,554,700**	**$ 2,906,700**	**$ 421,461,400**	**$ 104,712,618**

Table 1H Commentary – Operations & Maintenance Expense by Service Area and Expense Category

A – Water System Operations – Net decrease = $0.0 million

- Personnel – Increase of $1.1 million – Due to annual wage adjustments and the corresponding benefits which would not have been determined at the time the FY 2026 budget was created. This is budgeted as an intended use of unallocated reserves.
- Utilities – Increase of $0.5 million – Correction due to billing percentage issue in Capturis between Northeast Water Plant and Northeast Sewer pumping station that was identified in November 2025.
- Unallocated Reserve - Decrease $1.6 million – Adjusted down to offset the Water O&M cost increases.

B – Wastewater System Operations – Net decrease = $0.0 million.

- Personnel - $1.4 million increase – Due to annual wage adjustments and the corresponding benefits which would not have been determined at the time the FY 2026 budget was created. This is budgeted as an intended use of unallocated reserves. Utilities – Decrease of $0.5 million - Correction due to billing percentage issue in Capturis between Northeast Water Plant and Northeast Sewer pumping station that was identified in November 2025.
- Chemicals - $1.2 million decrease – Adjusted for a new contract for sodium hypochlorite that has a lower price than previous contract at time of FY 2026 budget development
- Supplies & Other – Increase of $0.3 million – For purchase of new 800 Mhz radios for wastewater and licensing of radios.
- Contractual Services – Increase of $0.7 million – For contracted boiler operators due to delay in moving boiler operators in-house from what was expected at time of FY 2026 budget preparation.
- Unallocated Reserve - Decrease of $0.7 million – Adjusted down to offset the Wastewater O&M cost increases of .

C – Centralized Services – Net Increase = $2.9 million

- Personnel – Increase of $1.9 million – Due to annual wage adjustments and the corresponding benefits which would not have been determined at the time the FY 2026 budget was created. This is budgeted as an intended use of unallocated reserves.
- Contractual Services – Increase of $3.3 million – Due to increase charge to GLWA for DWSD improvements on shared facilities.
- Shared Services – Decrease reimbursement by $35.3 thousand – Per updated schedule of expected services for security.
- Unallocated Reserve - Decrease $2.4 million – Adjusted down to a $0 balance to offset the increased of Centralized Services O&M costs.

D – Administrative & Other Services – Net increase = $46.5 thousand

- Personnel - Increase $0.9 million – Due to annual wage adjustments and the corresponding benefits which would not have been determined at the time the FY 2026 budget was created. This is budgeted as an intended use of unallocated reserves.
- Shared Services – Decrease reimbursement by $10 thousand – Per updated schedule of expected bank fees
- Unallocated Reserve - Decrease $0.8 million – Adjusted down to a $0 balance to offset the net increase in O&M.

Section 2 - Debt Service – Water and Sewer Systems

For purposes of Debt Service coverage, we look at the combined Regional and Local (DWSD) revenue less operations & maintenance (O&M) expense to determine net revenues to calculate the Debt Service Coverage. The Board adopts the Total Debt Service** amount shown on the Water System Debt Service Coverage Calculation Table 2A and the Sewer System Debt Service Coverage Calculation Table 2B. This is the amount necessary to pay the principal and interest on all Regional Sewer System bonds.

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Table 2A– Debt Service Coverage Calculation – Water System- Appropriation Level

Water System Debt Service Coverage Calculation	FY 2026 Adopted Budget	Amendments 1st Quarter Regional System	Amendments 1st Quarter Local System	Amendments 1st Quarter Adjustment to Adopted Local System	FY 2026 Amended Budget
Revenues					
GLWA Revenues					
Wholesale Charges	$ 365,646,100	$ -			$ 365,646,100
Local System Charges	30,028,800	-			30,028,800
Invesment Earnings & Other Revenues	13,086,500	-			13,086,500
Total GLWA Revenues	408,761,400	-		-	408,761,400
Local System Revenues	94,132,300		-	(100)	94,132,200
Miscellaneous Revenue (Local System)	5,124,000		-	-	5,124,000
Total Revenues	**508,017,700**	**-**	**-**	**(100)**	**508,017,600**
Operations & Maintenance Transfers					
GLWA Regional System	182,456,000	1,453,400		-	183,909,400
DWSD Local System	49,661,500		-	1,200,000	50,861,500
Total Operations & Maintenance Transfers	**232,117,500**	**1,453,400**	**-**	**1,200,000**	**234,770,900**
Pledged Revenue	**$ 275,900,200**	**$(1,453,400)**	**$ -**	**$ (1,200,100)**	**$ 273,246,700**
Debt Service by Lien					
Senior Lien Bonds	$ 153,735,500	$(6,752,700)	$ -	$ -	$ 146,982,800
Second Lien Bonds	50,697,200	5,548,200	-	-	56,245,400
Junior Lien Bonds	19,843,600	(191,300)	(40,900)	-	19,611,400
Total Debt Service **	**$ 224,276,300**	**$(1,395,800)**	**$ (40,900)**	**$ -**	**$ 222,839,600**
Debt Service Coverage					
Senior Lien Bonds	1.79				1.86
Senior and Second Lien Bonds	1.35				1.34
All bonds, including SRF Junior Lien Bonds	1.23				1.23

* *Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The adopted GLWA budget was based on preliminary DWSD budget information. The first quarter Adjustment to Adopted Local System column is to align the schedule with the DWSD budget which was adopted on March 19, 2025.*

** *Total Debt Service, highlighted in dark grey in the above table, is adopted by the GLWA Board.*

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Table 2B– Debt Service Coverage Calculation – Sewer System- Appropriation Level

Sewer System Debt Service Coverage Calculation	FY 2026 Adopted Budget	Amendments 1st Quarter Regional System	Amendments 1st Quarter Local System	Amendments 1st Quarter Adjustment to Local System	FY 2026 Amended Budget
Revenues					
GLWA Revenues					
Wholesale Charges	$ 300,316,800	$ -			$ 300,316,800
Local System Charges	215,324,400	-			215,324,400
Invesment Earnings & Other Revenues	15,057,800	-			15,057,800
Total GLWA Revenues	530,699,000	-			530,699,000
Local System Revenues	90,218,500		-	(2,160,600)	88,057,900
Miscellaneous Revenue (Local System)	8,320,000		-	-	8,320,000
Total Revenues	**629,237,500**	**-**	**-**	**(2,160,600)**	**627,076,900**
Operations & Maintenance Transfers					
GLWA Regional System	236,098,700	1,453,300			237,552,000
DWSD Local System	61,426,900		-	(100)	61,426,800
Total Operations & Maintenance Transfers	**297,525,600**	**1,453,300**	**-**	**(100)**	**298,978,800**
Pledged Revenue	**$ 331,711,900**	**$(1,453,300)**	**$ -**	**$ (2,160,500)**	**$ 328,098,100**
Debt Service by Lien					
Senior Lien Bonds	$ 158,579,500	$(4,318,500)	$ -	$ -	$ 154,261,000
Second Lien Bonds	56,447,200	144,000	-	-	56,591,200
Junior Lien Bonds	38,107,400	(436,200)	(90,600)	-	37,580,600
Total Debt Service **	**$ 253,134,100**	**$(4,610,700)**	**$ (90,600)**	**$ -**	**$ 248,432,800**
Debt Service Coverage					
Senior Lien Bonds	2.09				2.13
Senior and Second Lien Bonds	1.54				1.56
All bonds, including SRF Junior Lien Bonds	1.31				1.32

* *Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The adopted GLWA budget was based on preliminary DWSD budget information. The first quarter Adjustment to Adopted Local System column is to align the schedule with the DWSD budget which was adopted on March 19, 2025.*

** *Total Debt Service, highlighted in dark grey in the above table, is adopted by the GLWA Board.*

Section 2 – Supplemental Information

Tables 2C and 2D are provided to demonstrate compliance with the pledge of establishing sufficient regional and local system revenues to service financial commitments consistent with the Master Bond Ordinance flow of funds.

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Table 2C – Water System Flow of Funds Basis

Water System Flow of Funds Basis	Adopted Budget	Amendments 1st Quarter: Regional System	Local System	Adjustment to Adopted Local System	Amended Budget
Revenues					
Regional System Revenues					
Wholesale Charges	$ 365,646,100	$ -			$ 365,646,100
Charges to Local System	30,028,800	-			30,028,800
Total Regional System Wholesale Revenues	**395,674,900**	**-**			**395,674,900**
DWSD Local System Revenues - Detroit Customers	94,132,300		-	(100)	94,132,200
Miscellaneous Revenue (Local System)	5,124,000		-	-	5,124,000
Investment Earnings & Other Revenues (Regional System)	13,086,500	-		-	13,086,500
Total Revenues	**$ 508,017,700**	**$ -**	**$ -**	**$ (100)**	**$ 508,017,600**
Revenue Requirements					
Operations & Maintenance Expense					
Regional System	$ 182,456,000	$ 1,453,400			$ 183,909,400
Local System	49,661,500		-	1,200,000	50,861,500
Less Shared Service Revenue	(1,177,500)		-	-	(1,177,500)
Net Local System O&M Transfer	48,484,000			1,200,000	49,684,000
Total Operations & Maintenance Expense	**230,940,000**	**1,453,400**	**-**	**1,200,000**	**233,593,400**
Nonoperating Requirements					
Allocable Debt Service					
Regional System	179,082,200	(1,395,800)			177,686,400
Local System	45,194,100		(40,900)	-	45,153,200
GRS Pension					
Regional System	2,730,800	-			2,730,800
Local System	1,928,400		-	-	1,928,400
WRAP Contribution					
Regional System	1,970,000	-			1,970,000
Local System	945,400		-	-	945,400
Regional System					
ER&R Fund Deposit	320,000	-			320,000
Working Capital Requirement	600,000	(600,000)			-
Lease Payment to Local System I&E Account	22,500,000	-			22,500,000
Reserve for Revenue Financed Capital from Net Revenues					
Regional System	19,102,400	542,400			19,644,800
Local System	2,704,400		40,900	(1,200,100)	1,545,200
Total Revenue Requirements	**$ 508,017,700**	**$ -**	**$ -**	**$ (100)**	**$ 508,017,600**

* *Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The adopted GLWA budget was based on preliminary DWSD budget information. The first quarter Adjustment to Adopted Local System column is to align the schedule with the DWSD budget which was adopted on March 19, 2025.*

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Table 2D – Sewer System Flow of Funds Basis

Sewer System Flow of Funds Basis	FY 2026 Adopted Budget	Amendments 1st Quarter Regional System	Amendments 1st Quarter Local System	Amendments 1st Quarter Adjustment to Adopted Local System	FY 2026 Amended Budget
Revenues					
Regional System Revenues					
Wholesale Charges	$ 300,316,800	$ -			$ 300,316,800
Charges to Local System	215,324,400	-			215,324,400
Industrial Waste Control	9,150,300	-			9,150,300
Pollutant Surcharges	5,112,700	-			5,112,700
Total Regional System Wholesale Revenues	**529,904,200**	**-**			**529,904,200**
DWSD Local System Revenues - Detroit Customers	90,218,500		-	(2,160,600)	88,057,900
Miscellaneous Revenue (Local System)	8,320,000		-	-	8,320,000
Other Revenues & Investment Earnings (Regional System)	15,057,800	-			15,057,800
Total Revenues	**$ 643,500,500**	**$ -**	**$ -**	**$ (2,160,600)**	**$ 641,339,900**
Revenue Requirements					
Operations & Maintenance Expense					
Regional System	$ 236,098,700	$ 1,453,300			$ 237,552,000
Local System	61,426,900		-	(100)	61,426,800
Less Shared Service Revenue	(1,322,500)		-	-	(1,322,500)
Net Local System O&M Transfer	60,104,400		-	(100)	60,104,300
Total Operations & Maintenance Expense	**296,203,100**	**1,453,300**	**-**	**(100)**	**297,656,300**
Nonoperating Requirements					
Allocable Debt Service					
Regional System	220,884,500	(4,610,700)			216,273,800
Local System	32,249,600		(90,600)	-	32,159,000
GRS Pension					
Regional System	5,632,800	-			5,632,800
Local System	1,487,400		-	-	1,487,400
WRAP Contribution					
Regional System	2,638,500	-			2,638,500
Local System	1,433,200		-	(5,700)	1,427,500
Regional System					
ER&R Fund Deposit	-	-			-
Working Capital Requirement	-	-			-
Lease Payment to Local System I&E Account	27,500,000	-	-		27,500,000
Reserve for Revenue Financed Capital from Net Revenues					
Regional System	52,207,500	3,157,400			55,364,900
Local System	3,263,900		90,600	(2,154,800)	1,199,700
Total Revenue Requirements	**$ 643,500,500**	**$ -**	**$ -**	**$ (2,160,600)**	**$ 641,339,900**

* *Rows highlighted in light grey in the above table are designed to align with the DWSD Budget. The adopted GLWA budget was based on preliminary DWSD budget information. The first quarter Adjustment to Adopted Local System column is to align the schedule with the DWSD budget which was adopted on March 19, 2025.*

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Section 3 - Improvement & Extension Funds

Table 3A - Water System Improvement & Extension Fund - Appropriation Level

Water Improvement & Extension Fund	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Inflows				
Transfer from Water Operations Fund - Revenue Transfers	$ 19,102,400	$ 542,400	$ 19,644,800	$ 4,775,601
Grant Revenues & Capital Contributions	-	-	-	-
Investment Earnings (a)	4,868,800	-	4,868,800	1,592,045
Total Inflows	23,971,200	542,400	24,513,600	6,367,646
Outflows				
Capital Outlay	11,691,400	-	11,691,400	1,553,584
Transfer to Water Operations Fund - Investment Earnings (a)	4,868,800	-	4,868,800	938,425
Capital Improvement Plan funded by I&E	-	-	-	-
Transfer to Construction Fund- Revenue Financed Capital	9,250,000	(9,250,000)	-	-
Total Outflows	25,810,200	(9,250,000)	16,560,200	2,492,009
Net Increase (Use) of Reserves	(1,839,000)	9,792,400	7,953,400	3,875,637
Non-budgeted Inflows (Outflows)				
Unrealized gain on investments	-	-	-	149,201
Change in Net Position	(1,839,000)	9,792,400	7,953,400	4,024,838
Beginning Net Position	147,797,600		147,797,600	147,797,649
Projected Ending Net Position	$ 145,958,600	$ 9,792,400	$ 155,751,000	$ 151,822,487

a) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.

Table 3A Commentary – Water System Improvement & Extension Fund - Appropriation Level

Inflows

- *Transfers from Water Operations Fund – Revenue Transfers* - The proposed budget amendment is to match the amount available for transfer from the FY 2026 revenue requirement based upon general operating fund performance. (see Table 1A - Appropriation Level - Water System Revenue Requirement line item I&E Fund Transfer Pending).
- *Grant Revenues & Capital Contributions* – There is no change in the budget for this quarter related to grant funds.
- *Investment Earnings* - There is no change in the budget for this quarter related to investment earnings.

Outflows

- *Capital Improvement Plan funded by I&E* - No budget amendment is required. This line represents the target use of I&E for capital as well as an adjustment to the projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing.
- *Transfer to Construction Fund - Revenue Financed Capital* – Decrease $9.3 million - There are adequate bond funds for the current year, and the target I&E funding being used is zero, decreasing from five percent that was used when the budget was adopted.

Net Increase (Use) of Reserves - This amount represents the net amount of the inflows less the outflows.

Table 3B - Sewer System Improvement & Extension Fund - Appropriation Level

Sewer Improvement & Extension Fund	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Inflows				
Transfer from Sewer Operations Fund - Revenue Transfers	$ 52,207,500	$ 3,157,400	$ 55,364,900	$ 13,051,875
Grant Revenues & Capital Contributions	-	-	-	-
Investment Earnings (a)	5,451,500	-	5,451,500	1,485,291
Total Inflows	57,659,000	3,157,400	60,816,400	14,537,166
Outflows				
Capital Outlay	11,779,500	-	11,779,500	1,203,543
Transfer to Sewer Operations Fund - Investment Earnings (a)	5,451,500	-	5,451,500	924,566
Capital Spending Other (net of ILAG)	-	-	-	197
Capital Improvement Plan funded by I&E	-	-	-	-
Transfer to Construction Fund- Revenue Financed Capital	26,250,000	9,750,000	36,000,000	-
Total Outflows	43,481,000	9,750,000	53,231,000	2,128,306
Net Increase (Use) of Reserves	14,178,000	(6,592,600)	7,585,400	12,408,860
Non-budgeted Inflows (Outflows)				
Unrealized gain on investments	-	-	-	171,901
Change in Net Position	14,178,000	(6,592,600)	7,585,400	12,580,761
Beginning Net Position	173,729,100		173,729,100	173,729,094
Projected Ending Net Position	$ 187,907,100	$ (6,592,600)	$ 181,314,500	$ 186,309,855

(a) Note: As outlined in the Master Bond Ordinance, the investment earnings in the I&E Fund are transferred to the Receiving Fund. The impact is to reduce revenue required from charges when calculating the annual Revenue Requirement budget.

Table 3B Commentary- Sewer System Improvement & Extension Fund - Appropriation Level

Inflows

- *Transfer from Sewer Operations Fund – Revenue Transfers* - The proposed budget amendment is to match the amount available for transfer from the FY 2026 revenue requirement based upon general operating fund performance. (see Table 1B -

Appropriation Level - Sewer System Revenue Requirement line item I&E Fund Transfer Pending).

- *Grant Revenues & Capital Contributions* – There is no change in the budget for this quarter related to grant funds.
- *Investment Earnings* - There is no change in the budget for this quarter related to investment earnings.

Outflows

- *Capital Improvement Plan funded by I&E* - No budget amendment is required. This line represents the target use of I&E for capital as well as an adjustment to the projects in the Board adopted capital improvement plan (CIP) that do not meet the criteria for debt financing.
- *Capital Outlay* - There are no proposed budget amendments for this quarter.
- *Transfer to Construction Fund - Revenue Financed Capital* – Increase $9.8 million - The target I&E funding used was 15% in the adopted budget. With the amendment of the increase in capital expenditures the result is and increase in this revenue category to reduce the amount needed in revenue bonds.

Net Increase (Use) of Reserves - This amount represents the net amount of the inflows less the outflows.

Section 4 – Construction Funds

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Table 4A - Water System Construction Fund – Appropriation Level

Water Construction Fund	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Inflows				
Transfer from Water Improvement & Extension Fund	$ 9,250,000	$ (9,250,000)	$ -	$ -
Transfers in from Water Operations Fund				
Bond Proceeds	222,000,000	(20,000,000)	202,000,000	-
SRF loan proceeds	1,369,200	5,000,000	6,369,200	4,954,296
Grant Revenues & Capital Contributions	2,300,000	2,000,000	4,300,000	298,168
Investment Earnings	5,565,100	(2,000,000)	3,565,100	2,928,891
Total Inflows	240,484,300	(24,250,000)	216,234,300	8,181,355
Outflows				
Capital Program	185,000,000	-	185,000,000	19,309,813
Transfer to Water Operations Fund				
Bond Cost of Issuance	1,665,000	-	1,665,000	(27,279)
Total Outflows	186,665,000	-	186,665,000	19,282,534
Net Increase (Use) of Reserves	53,819,300	(24,250,000)	29,569,300	(11,101,179)
Beginning Net Position	270,178,200		270,178,200	270,178,152
Projected Ending Net Position	$ 323,997,500	$ (24,250,000)	$ 299,747,500	$ 259,076,973
CIP Plan				
Capital Improvement Plan	$ 183,064,000		$ 183,064,000	$ 183,064,000
Capital Spend Rate Assumption	*100%*		*100%*	
Actual Capital Spend to CIP Ratio				*11%*
CIP Financial Plan				
CIP Expenditures paid through Construction Fund	$ 185,000,000	$ -	$ 185,000,000	$ 19,309,813
CIP Expenditures paid through I&E Fund	-	-	-	-
Financial Plan (Budgeted) CIP Expenditures	$ 185,000,000	$ -	$ 185,000,000	$ 19,309,813
Actual Capital Spend to Amended Financial Plan Ratio				*10%*

Table 4A Commentary - Water System Construction Fund – Appropriation Level

Inflows

- *Transfers from Water Improvement & Extension Fund* - Decrease $9.3 million - There are adequate bond funds for the current year therefore the targeted use of I&E funds was set to zero instead of five percent that was used when the budget was developed.
- *Bond Proceeds* – Amendment is based on current expected needs.
- *State Revolving Fund Loans* – Amendment is based on current activity. State Revolving Fund (SRF) loan disbursements are on a reimbursement basis. The amount and timing of revenues fluctuate based on when project expenditures are incurred. Details related to the SRF projects are presented in the semiannual debt report. The most recent semiannual debt report is presented in the October 2025 Audit Committee binder which provides details related to the SRF funding and associated projects.
- *Grant Revenues & Capital Contributions* - The budget increase is related to anticipated grant funds and loan forgiveness through the State Revolving Fund.
- *Investment Earnings* - The proposed budget amendment reflects a decrease based on a projected arbitrage accrual on the 2023 bond issue.

Outflows

- *Bond Cost of Issuance* - There is no proposed budget amendment for this quarter.
- *Capital Program* - This line represents the anticipated CIP spend for the current year. No budget amendment is being proposed for this quarter.

Net Increase (Use) of Reserves - This amount represents the net amount of the inflows less the outflows.

CIP Plan

- *Capital Improvement Plan* - This line represents the original CIP Plan approved by the Board for FY 2026.
- *Capital Spend Rate Assumption* - The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA's control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts.

CIP Financial Plan

- The financial plan applies the SRA to the amount of capital expenditures in the CIP and then rounds the result up to the nearest $5 million. This is to recognize the dynamic nature of the CIP.

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Table 4B - Sewer System Construction Fund – Appropriation Level

Sewer Construction Fund	FY 2026 Adopted Budget	Amendments 1st Quarter	Amended Budget	Activity Thru 9/30/2025
Inflows				
Transfer from Sewer Improvement & Extension Fund	$ 26,250,000	$ 9,750,000	$ 36,000,000	$ -
Transfers in from Sewer Operations Fund				
Bond Proceeds	101,000,000	(75,000,000)	26,000,000	-
SRF loan proceeds	52,936,600	49,696,300	102,632,900	15,211,157
Grant Revenues & Capital Contributior	23,191,650	10,431,350	33,623,000	-
Investment Earnings	3,936,400	(1,825,150)	2,111,250	1,683,347
Total Inflows	207,314,650	(6,947,500)	200,367,150	16,894,504
Outflows				
Capital Program	175,000,000	65,000,000	240,000,000	69,265,263
Transfer to Sewer Operations Fund				
Bond Cost of Issuance	757,500	-	757,500	(27,561)
Total Outflows	175,757,500	65,000,000	240,757,500	69,237,702
Net Increase (Use) of Reserves	31,557,150	(71,947,500)	(40,390,350)	(52,343,198)
Beginning Net Position	149,360,300		149,360,300	149,360,302
Projected Ending Net Position	$ 180,917,450	$ (71,947,500)	$ 108,969,950	$ 97,017,104
CIP Plan				
Capital Improvement Plan	$ 193,221,000		$ 193,221,000	$ 193,221,000
Capital Spend Rate Assumption	*90%*		*90%*	
Actual Capital Spend to CIP Ratio				*36%*
CIP Financial Plan				
CIP Expenditures paid through Construction Fund	$ 175,000,000	$ 65,000,000	$ 240,000,000	$ 69,265,263
CIP Expenditures paid through I&E Fund	-	-	-	-
Financial Plan (Budgeted) CIP Expenditures	$ 175,000,000	$ 65,000,000	$ 240,000,000	$ 69,265,263
Actual Capital Spend to Amended Financial Plan Ratio				29%

Table 4B Commentary - Sewer System Construction Fund – Appropriation Level

Inflows

- *Transfers from Sewer Improvement & Extension Fund* - The proposed budget amendment is to match the amount available for transfer from the FY 2026 Improvement & Extension Fund (see Table 3B - Appropriation Level - Sewer System Improvement & Extension Fund line item Revenue Financed Capital - Transfer to Construction Fund). The increase is to keep the target I&E funding at the 15% of capital expenditures which was used when the budget was adopted.
- *Bond Proceeds* - Amendment is based on current expected needs. The large decrease is due to an increase in State Revolving Fund (SRF) loans awarded.
- *State Revolving Fund Loans* - State Revolving Fund (SRF) loan disbursements are on a reimbursement basis. The amount and timing of revenues fluctuate based on when project expenditures are incurred. Details related to the SRF projects are presented in the semiannual debt report. The most recent semiannual debt report is presented in the October 2025 Audit Committee binder which provides details related to the SRF funding and associated projects.
- *Investment Earnings* - The proposed budget amendment reflects a decrease based on a projected arbitrage accrual on the 2023 bond issue.
- *Grant Revenues & Capital Contributions* - The budget increase is related to anticipated grant funds and loan forgiveness through the State Revolving Fund.

Outflows

- *Bond Cost of Issuance* - There is no proposed budget amendment for this quarter.
- *Capital Program* - This line represents the anticipated CIP spend for the current year based on Draft #2 of the 2027-2031 CIP plan.

Net Increase (Use) of Reserves - This amount represents the net amount of the inflows less the outflows.

CIP Plan

- *Capital Improvement Plan* - This line represents the original CIP Plan approved by the Board for FY 2026.
- *Capital Spend Rate Assumption* - The Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA's control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established. Amendments to the spend rate assumption are made to align the projected financial use of resources with revised capital improvement plan spending forecasts.

CIP Financial Plan

- The financial plan applies the SRA to the amount of capital expenditures in the CIP and then rounds the result up to the nearest $5 million. This is to recognize the dynamic nature of the CIP.

Section 5 – Proposed Budget Amendment Resolution

Great Lakes Water Authority

Resolution 2025-414
Resolution Adopting the Budget Amendments through the First Quarter of FY 2026

By Board Member:

WHEREAS The Great Lakes Water Authority ("GLWA" or the "Authority") assumed the operation of the regional water and sewer systems on January 1, 2016 (the "Effective Date") pursuant to Water System and Sewer System Lease Agreements between the GLWA and the City of Detroit dated June 12, 2015; and

WHEREAS In accordance with the by-laws of the GLWA, further defined by its budget amendment policy, the Board shall amend the budget as needed based upon a quarterly report from the Chief Financial Officer; and

WHEREAS The GLWA Board adopted the FY 2026 budget on February 26, 2025, for the twelve-month fiscal year beginning July 1, 2025;

WHEREAS Following a review of the budget amendment report through the FY 2026 First Quarter, the appropriations established with the adoption of the general operating budget for the water system and the sewer system are amended as shown in the table below;

General Operating	Water System		Sewer System	
Appropriation Category	Adopted	Amended	Adopted	Amended
Revenues				
Wholesale Customers	$ 365,646,100	No Change	$ 300,316,800	No Change
Less: Bad Debt	-	No Change	-	No Change
Charges to Local System	30,028,800	No Change	215,324,400	No Change
Industrial Waste Control	NA	NA	9,150,300	No Change
Pollutant Surcharges	NA	NA	5,112,700	No Change
Investment Earnings - Unrestricted	4,654,800	No Change	5,087,300	No Change
Investment Earnings - I&E Fund Unrestricted	4,868,800	No Change	5,451,500	No Change
Investment Earnings - Restricted for Debt Service	3,260,100	No Change	4,076,400	No Change
Other Revenue	302,800	No Change	442,600	No Change
Total Revenues	**$ 408,761,400**	**$ 408,761,400**	**$ 544,962,000**	**$ 544,962,000**
Revenue Requirements				
Operations & Maintenance Expense	$ 182,456,000	$ 183,909,400	$ 236,098,700	$ 237,552,000
Debt Service	179,082,200	$ 177,686,400	220,884,500	$ 216,273,800
General Retirement System Pension	2,730,800	No Change	5,632,800	No Change
Water Residential Assistance Program Contribution	1,970,000	No Change	2,638,500	No Change
Extraordinary Repair & Replacement Deposit	320,000	No Change	-	No Change
Regional System Lease	22,500,000	No Change	27,500,000	No Change
Working Capital Requirement	600,000	$ -	-	No Change
Improvement & Extension Fund Transfer	19,102,400	$ 19,644,800	52,207,500	$ 55,364,900
Total Revenue Requirements	**$ 408,761,400**	**$ 408,761,400**	**$ 544,962,000**	**$ 544,962,000**

WHEREAS Following a review of the budget amendment report through the FY 2026 First Quarter, the appropriations established with the adoption of the amounts necessary to pay the principal of and interest on all Regional bonds and to restore any reserves therefore established in the Master Bond Ordinance for the water system and the sewer system are amended as shown in the table below;

Debt Service Coverage Calculation	Water System		Sewer System	
Appropriation Category	**Adopted**	**Amended**	**Adopted**	**Amended**
Debt Service by Lien				
Senior Lien Bonds	$ 153,735,500	$ 146,982,800	$ 158,579,500	$ 154,261,000
Second Lien Bonds	50,697,200	56,245,400	56,447,200	56,591,200
SRF Junior Lien Bonds	19,843,600	19,611,400	38,107,400	37,580,600
Total Debt Service	**$ 224,276,300**	**$ 222,839,600**	**$ 253,134,100**	**$ 248,432,800**

WHEREAS Following a review of the budget amendment report through the FY 2026 First Quarter, the appropriations established with the adoption of the improvement and extension fund budget for the water system and the sewer system are amended as shown in the table below;

Improvement & Extension Fund	Water System		Sewer System	
Appropriation Category	**Adopted**	**Amended**	**Adopted**	**Amended**
Inflows				
Transfers In from Operating	$ 19,102,400	$ 19,644,800	$ 52,207,500	$ 55,364,900
Grant Revenues & Capital Contributions	-	No Change	-	No Change
Investment Earnings	4,868,800	No Change	5,451,500	No Change
Total Inflows	**23,971,200**	**24,513,600**	**57,659,000**	**60,816,400**
Outflows				
Transfer out Investment Earnings	4,868,800	No Change	5,451,500	No Change
Capital Improvement Plan funded by I&E	-	No Change	-	No Change
Capital Outlay	11,691,400	No Change	11,779,500	No Change
Transfer out Revenue Financed Capital	9,250,000	-	26,250,000	36,000,000
Total Outflows	**25,810,200**	**16,560,200**	**43,481,000**	**53,231,000**
Net Increase (Use) of Reserves	**$ (1,839,000)**	**$ 7,953,400**	**$ 14,178,000**	**$ 7,585,400**

WHEREAS Following a review of the budget amendment report through the FY 2026 First Quarter, the appropriations established with the adoption of the construction fund budget for the water system and the sewer system are amended as shown in the table below;

Construction Fund	Water System		Sewer System	
Appropriation Category	**Adopted**	**Amended**	**Adopted**	**Amended**
Inflows				
Transfer from Improvement & Extension Fund	$ 9,250,000	$ -	$ 26,250,000	$ 36,000,000
Bond Proceeds	222,000,000	202,000,000	101,000,000	26,000,000
SRF loan proceeds	1,369,200	6,369,200	52,936,600	102,632,900
Grant Revenues & Capital Contributions	2,300,000	4,300,000	23,191,650	33,623,000
Investment Earnings	5,565,100	3,565,100	3,936,400	2,111,250
Total Inflows	**$ 240,484,300**	**$ 216,234,300**	**$ 207,314,650**	**$ 200,367,150**
Outflows				
Bond Cost of Issuance	1,665,000	No Change	757,500	No Change
Capital Program	185,000,000	No Change	175,000,000	240,000,000
Total Outflows	**$ 186,665,000**	**$ 186,665,000**	**$ 175,757,500**	**$ 240,757,500**
Net (Use) Increase of Reserves	**53,819,300**	**29,569,300**	**31,557,150**	**(40,390,350)**

WHEREAS The GLWA Audit Committee reviewed the budget amendments at its meeting on December 19, 2025; and

WHEREAS An affirmative vote of five Board Members is necessary for the adoption of this Resolution,

NOW THEREFORE BE IT:

RESOLVED That the GLWA Board approves the FY 2026 First Quarter Budget Amendments; and be it finally

RESOLVED That the Chief Executive Officer, and the Chief Financial Officer/Treasurer are authorized to take such other action as may be necessary to accomplish the intent of this resolution.

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Nicholas Fedewa, CPA, Public Finance Manager

Re: Resolution Authorizing Publication of Notices of Intent to Issue Sewage Disposal System Revenue Bonds

Background & Analysis: GLWA is currently preparing for future bond transactions and state revolving fund loan programs. A key step in the process is to ensure that GLWA has available funds authorized to issue debt. If it is determined that additional funds need to be authorized then the process begins with the publication of the Notices of Intent (NOI) to Issue Revenue Bonds.

Proposed Action: Audit Committee recommends that the Great Lakes Water Authority Board approve the Resolution Authorizing Publication of Notices of Intent to Issue Sewage Disposal System Revenue Bonds.

..Title

Resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds

..Body

Agenda of: January 28, 2026
Item No.: **2025-384**
Amount: Not to Exceed $400,000,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: January 28, 2026

RE: **Resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds**

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer & Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), approve the Resolutions Authorizing Publication of Notices of Intent to Issue Sewage Disposal System Revenue Bonds in the amounts of not to exceed $400,000,000 as presented, and authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

GLWA is presently preparing for future bond transactions and state revolving fund loan programs for the regional system as well as conferring with the Detroit Water & Sewerage

Department (DWSD) related to local system debt needs. This process begins with the publication of the Notices of Intent (NOI) to Issue Sewage Disposal System Revenue Bonds. The NOI is required pursuant to Section 33 of Public Act 94 of 1933 to begin the 45-day referendum period as noted below.

> "If within 45 days after the publication of the [applicable] notice a petition, signed by not less than 10% or 15,000 of the registered electors, whichever is less, residing within the limits of the borrower, is filed with the clerk, or other recording officer, of the borrower, requesting a referendum upon the question of the issuance of the bonds, then the bonds shall not be issued until approved by the vote of a majority of the electors of the borrower qualified to vote and voting on the bonds at a general or special election."

If the 45-day referendum period expires without a petition requesting a referendum, then the Authority may authorize and issue such bonds in one or more series.

JUSTIFICATION

Attached to this memo is a proposed resolution authorizing the publication of a Notice of Intent to issue sewage disposal system revenue bonds in the amounts of not to exceed $400,000,000. This authorization would provide for continued funding for improvements to the systems that includes the following.

1. GLWA and DWSD projects through subsidized State and federal funding programs such as the State Revolving Fund and Water Infrastructure Finance and Innovation Act (WIFIA) Loan Program; and

2. GLWA and DWSD projects through revenue bonds sold as public offerings.

BUDGET IMPACT

There is no budget impact from issuing the Notices of Intent. The budget impact will be determined at the time debt is issued.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on December 19, 2025. The Audit Committee [*insert action taken*] the Board of Directors approve the

resolution authorizing publication of Notices of Intent to Issue Sewage Disposal System Revenue Bonds of not to exceed $400,000,000 as presented.

Great Lakes Water Authority
Resolution 2025-384
RE: Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds

By Board Member: _____

Whereas The Great Lakes Water Authority (the "Authority") is authorized to issue revenue bonds pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended ("Act 94") for the purpose of paying all or part of the costs of purchasing, acquiring, constructing, improving, enlarging, extending and repairing the Sewer System as defined in the Regional Sewage Disposal System Lease, dated June 12, 2015, between the City of Detroit and the Authority; and

Whereas The Authority intends to issue one or more series of revenue bonds for the purposes hereinafter set forth; and

Whereas Section 33 of Act 94 requires the publication of a notice of intent to issue bonds at least 45 days prior to the issuance of such bonds.

Now, Therefore Be It:

Resolved That the Chief Financial Officer and Treasurer is hereby instructed to cause the publication of a notice of intent to issue bonds with respect to the hereinafter-described bonds once in the *Detroit Free Press* or the *Detroit News*, so as to be prominently displayed therein, and it is hereby found that each such newspaper has general circulation in the territory of the Authority;

And Be it Further

Resolved That the notice of intent to issue bonds shall be in substantially the following form with such necessary or desirable changes as may be approved by the Chief Financial Officer and Treasurer, her approval to be conclusively evidenced by the publication of the notice of intent to issue bonds:

NOTICE OF INTENT TO ISSUE SEWAGE DISPOSAL SYSTEM
REVENUE BONDS BY THE GREAT LAKES WATER AUTHORITY

TO THE ELECTORS OF THE CHARTER COUNTY OF MACOMB, THE COUNTY OF OAKLAND AND THE CHARTER COUNTY OF WAYNE:

NOTICE IS HEREBY GIVEN, that the Great Lakes Water Authority (the "Authority"), a municipal authority organized and existing under the provisions of Act No. 233, Public Acts of Michigan, 1955, as amended, intends to issue its sewage disposal system revenue bonds in one or more series in the aggregate principal amount of not to exceed $400,000,000 for the purpose of paying all or part of the cost of acquiring and constructing facilities, replacements, extensions, improvements and repairs to the City of Detroit's sewage disposal system (the "Sewer System"), which Sewer System is described and defined in the Regional Sewage Disposal System Lease dated June 12, 2015, between the City of Detroit (the "City") and the Authority (the "Lease"). As set forth in the Lease, the Sewer System consists of (i) the Regional Sewer System, which is that portion of the Sewer System that provides sewer service to wholesale customers thereof and to individual customers within and outside the City ("Retail Sewer Customers") that receive sewer service directly from the hereinafter described Local Sewer System up to the point of connection to the Local Sewer System and (ii) the Local Sewer System, which is that portion of the Sewer System that provides service directly to Retail Sewer Customers. Pursuant to the Lease, the City has leased the Regional Sewer System to the Authority for a period of forty (40) years and the Authority is authorized to issue revenue bonds under Act No. 94, Public Acts of Michigan, 1933, as amended ("Act 94") for the foregoing purposes.

The bonds of each series will mature in not to exceed forty (40) years after the original issuance date of the respective series of bonds, and will bear interest at rates to be determined upon the sale thereof but in no event to exceed such rates as may be permitted by law.

SOURCE OF PAYMENT OF REVENUE BONDS

The bonds will be issued under and pursuant to the provisions of Act 94 and a resolution or ordinance of the Board of Directors of the Authority and will be payable from the net revenues of the Sewer System and any improvements, enlargements and extensions thereto, and a statutory lien on said revenues will be established by said resolution or ordinance. The Authority will covenant and agree to fix and maintain, or cause to be fixed and maintained, at all times while any of the bonds shall be outstanding such rates and charges for service furnished by the Sewer System as shall be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the Sewer System and of the principal of and interest on the bonds when due, and to provide for such other expenditures, accounts and funds for the Sewer System as are required by the resolution or ordinance authorizing the issuance of bonds.

RIGHT TO PETITION FOR REFERENDUM

This notice is given, by order of the Board of Directors of the Authority, to and for the benefit of the electors of the Charter County of Macomb, the County of Oakland and the Charter County of Wayne (collectively, the "Authority District") in order to inform them of their right to petition for a referendum upon the question of the issuance of the aforesaid bonds. The bonds will be issued, without submitting such a question to a vote of the electors, unless within 45 days after the date of publication of this notice, a petition requesting a referendum upon such question, signed by not less than 15,000 of the registered electors residing in the Authority District shall have been filed with the Secretary of the Authority. The address of the Secretary of the Authority is 735 Randolph, Detroit, Michigan 48226. In the event that such a petition is filed, the bonds will not be issued unless and until the issuance thereof shall have been approved by the vote of a majority of the electors of the Authority District qualified to vote and voting thereon at a general or special election.

FURTHER INFORMATION

Further information relative to the issuance of said bonds, the Lease and the subject matter of this notice may be secured at the office of the Chief Financial Officer and Treasurer of the Great Lakes Water Authority, 735 Randolph, Room 1608, Detroit, Michigan 48226.

This notice is given pursuant to the provisions of Section 33 of Act 94.

Nicolette N. Bateson
Chief Financial Officer and Treasurer
Great Lakes Water Authority

And Be it Further

Resolved That it is hereby determined that the foregoing form of notice of intent to issue bonds and the manner of publication so directed are adequate notice to the electors of the constituent public corporations of the Authority and are well calculated to inform them of the intention of the Authority to issue the revenue bonds, the source of payment therefor, and the right of referendum on the revenue bonds;

And Be it Further

Resolved That all resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

Adopted by the Great Lakes Water Authority Board on: January 28, 2026

4921-3663-1160 v2 [63818-1]

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Nicholas Fedewa, CPA, Public Finance Manager

Re: Resolution Authorizing Publication of Notice of Intent to Issue Water Supply Revenue Bonds

Background & Analysis: GLWA is currently preparing for future bond transactions and state revolving fund loan programs. A key step in that process is to ensure that GLWA has available funds authorized to issue debt. If it is determined that additional funds need to be authorized then the process begins with the publication of the Notices of Intent (NOI) to Issue Revenue Bonds.

Proposed Action: Audit Committee recommends that the Great Lakes Water Authority Board approve the Resolution Authorizing Publication of Notice of Intent to Issue Water Supply Revenue Bonds.

..Title

Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds

..Body

Agenda of: January 28, 2026
Item No.: **2025-383**
Amount: Not to Exceed $400,000,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: January 28, 2026

RE: **Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds**

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer & Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), approve the Resolution Authorizing Publication of Notices of Intent to Issue Water Supply System Revenue Bonds in the amount not to exceed $400,000,000 as presented, and authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

GLWA is presently preparing for future bond transactions and state revolving fund loan programs for the regional system as well as conferring with the Detroit Water & Sewerage

Department (DWSD) related to local system debt needs. This process begins with the publication of the Notices of Intent (NOI) to Issue Water Supply System Revenue Bonds. The NOI is required pursuant to Section 33 of Public Act 94 of 1933 to begin the 45-day referendum period.

> "If within 45 days after the publication of the [applicable] notice a petition, signed by not less than 10% or 15,000 of the registered electors, whichever is less, residing within the limits of the borrower, is filed with the clerk, or other recording officer, of the borrower, requesting a referendum upon the question of the issuance of the bonds, then the bonds shall not be issued until approved by the vote of a majority of the electors of the borrower qualified to vote and voting on the bonds at a general or special election."

If the 45-day referendum period expires without a petition requesting a referendum, then the Authority may authorize and issue such bonds in one or more series.

JUSTIFICATION

Included with this memo is a proposed resolution authorizing the publication of a Notice of Intent to issue water supply system revenue bonds in the amounts of not to exceed $400,000,000. This authorization would provide for continued funding for improvements to the systems that includes the following.

1. GLWA and DWSD projects through subsidized State and federal funding programs such as the State Revolving Fund and Water Infrastructure Finance and Innovation Act (WIFIA) Loan Program; and

2. GLWA and DWSD projects through revenue bonds sold as public offerings.

BUDGET IMPACT

No budget impact from the Notices of Intent. The budget impact will be determined at the time debt is issued.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on December 19, 2025. The Audit Committee [*insert action taken*] the Board of Directors approve the

resolution authorizing publication of a Notice of Intent to Issue Water Supply System Revenue Bonds not to exceed $400,000,000 as presented.

Great Lakes Water Authority
Resolution 2025-383
RE: Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds

By Board Member: _____

Whereas The Great Lakes Water Authority (the "Authority") is authorized to issue revenue bonds pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended ("Act 94") for the purpose of paying all or part of the costs of purchasing, acquiring, constructing, improving, enlarging, extending and repairing the Water System as defined in the Regional Water Supply System Lease, dated June 12, 2015, between the City of Detroit and the Authority; and

Whereas The Authority intends to issue one or more series of revenue bonds for the purposes hereinafter set forth; and

Whereas Section 33 of Act 94 requires the publication of a notice of intent to issue bonds at least 45 days prior to the issuance of such bonds.

Now, Therefore Be It:

Resolved That the Chief Financial Officer and Treasurer is hereby instructed to cause the publication of a notice of intent to issue bonds with respect to the hereinafter-described bonds once in the *Detroit Free Press* or the *Detroit News*, so as to be prominently displayed therein, and it is hereby found that each such newspaper has general circulation in the territory of the Authority;

And Be it Further

Resolved That the notice of intent to issue bonds shall be in substantially the following form with such necessary or desirable changes as may be approved by the Chief Financial Officer and Treasurer, her approval to be conclusively evidenced by the publication of the notice of intent to issue bonds:

NOTICE OF INTENT TO ISSUE WATER SUPPLY SYSTEM
REVENUE BONDS BY THE GREAT LAKES WATER AUTHORITY

TO THE ELECTORS OF THE CHARTER COUNTY OF MACOMB, THE COUNTY OF OAKLAND AND THE CHARTER COUNTY OF WAYNE:

NOTICE IS HEREBY GIVEN, that the Great Lakes Water Authority (the "Authority"), a municipal authority organized and existing under the provisions of Act No. 233, Public Acts of Michigan, 1955, as amended, intends to issue its water supply system revenue bonds in one or more series in the aggregate principal amount of not to exceed $400,000,000 for the purpose of paying all or part of the cost of acquiring and constructing facilities, replacements, extensions, improvements and repairs to the City of Detroit's water supply system (the "Water System"), which Water System is described and defined in the Regional Water Supply System Lease dated June 12, 2015, between the City of Detroit (the "City") and the Authority (the "Lease"). As set forth in the Lease, the Water System consists of (i) the Regional Water System, which is that portion of the Water System that provides water service to wholesale customers thereof and to individual customers within and outside the City ("Retail Water Customers") that receive water service directly from the hereinafter described Local Water System up to the point of connection to the Local Water System and (ii) the Local Water System, which is that portion of the Water System that provides service directly to Retail Water Customers. Pursuant to the Lease, the City has leased the Regional Water System to the Authority for a period of forty (40) years and the Authority is authorized to issue revenue bonds under Act No. 94, Public Acts of Michigan, 1933, as amended ("Act 94") for the foregoing purposes.

The bonds of each series will mature in not to exceed forty (40) years after the original issuance date of the respective series of bonds, and will bear interest at rates to be determined upon the sale thereof but in no event to exceed such rates as may be permitted by law.

SOURCE OF PAYMENT OF REVENUE BONDS

The bonds will be issued under and pursuant to the provisions of Act 94 and a resolution or ordinance of the Board of Directors of the Authority and will be payable from the net revenues of the Water System and any improvements, enlargements and extensions thereto, and a statutory lien on said revenues will be established by said resolution or ordinance. The Authority will covenant and agree to fix and maintain, or cause to be fixed and maintained, at all times while any of the bonds shall be outstanding such rates and charges for service furnished by the Water System as shall be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the Water System and of the principal of and interest on the bonds when due, and to provide for such other expenditures, accounts and funds for the Water System as are required by the resolution or ordinance authorizing the issuance of bonds.

RIGHT TO PETITION FOR REFERENDUM

This notice is given, by order of the Board of Directors of the Authority, to and for the benefit of the electors of the Charter County of Macomb, the County of Oakland and the Charter County of Wayne (collectively, the "Authority District") in order to inform them of their right to petition for a referendum upon the question of the issuance of the aforesaid bonds. The bonds will be issued, without submitting such a question to a vote of the electors, unless within 45 days after the date of publication of this notice, a petition requesting a referendum upon such question, signed by not less than 15,000 of the registered electors residing in the Authority District shall have been filed with the Secretary of the Authority. The address of the Secretary of the Authority is 735 Randolph, Detroit, Michigan 48226. In the event that such a petition is filed, the bonds will not be issued unless and until the issuance thereof shall have been approved by the vote of a majority of the electors of the Authority District qualified to vote and voting thereon at a general or special election.

FURTHER INFORMATION

Further information relative to the issuance of said bonds, the Lease and the subject matter of this notice may be secured at the office of the Chief Financial Officer and Treasurer of the Great Lakes Water Authority, 735 Randolph, Room 1608, Detroit, Michigan 48226.

This notice is given pursuant to the provisions of Section 33 of Act 94.

Nicolette N. Bateson
Chief Financial Officer and Treasurer
Great Lakes Water Authority

And Be it Further

Resolved That it is hereby determined that the foregoing form of notice of intent to issue bonds and the manner of publication so directed are adequate notice to the electors of the constituent public corporations of the Authority and are well calculated to inform them of the intention of the Authority to issue the revenue bonds, the source of payment therefor, and the right of referendum on the revenue bonds;

And Be it Further

Resolved That all resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution be and the same hereby are rescinded.

Adopted by the Great Lakes Water Authority Board on: January 28, 2026
4938-3257-1768 v2 [63818-1]

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Nicholas Fedewa, CPA, Public Finance Manager

Re: 2026 Municipal Market Outlook and GLWA Debt Management Considerations

Background: PFM Financial Advisors LLC (PFM) serves as the Great Lakes Water Authority's (GLWA) municipal bond advisors. Annually, representatives of PFM provide the Audit Committee with an update on public finance matters in general as well as how those matters impact GLWA.

Analysis: Referencing the attached presentation titled "2026 Municipal Market Outlook and GLWA Debt Management Considerations", PFM will provide an overview of the current municipal market outlook, a discussion regarding potential financing and refinancing opportunities for GLWA's consideration, a rating agency update, and a recap of state revolving fund loan borrowing and proposed schedule for a 2026 transaction.

Proposed Action: Receive and file this report.

GLWA
Great Lakes Water Authority

pfm

2026 Municipal Market Outlook and GLWA Debt Management Considerations

December 19, 2025

PFM Financial Advisors LLC

555 Briarwood Circle
Suite 333
Ann Arbor, MI 48108

734.994.9710
pfm.com

Municipal Market Conditions

Key Market Themes in 2025

- Municipal bond volume has grown significantly, but municipal market continues to provide broad access to capital at nearly any size
  - Increase in volume is led by surge in megadeals that are >$1B
  - Higher rates have attracted strong investor inflows, providing ample support for increased issuance
- Long-term rates are elevated compared to recent history
- Despite elevated long-term rates, short-term rates have declined, leading to expectations of a steeper yield curve.
  - Variable rate debt is emerging as a strategic priority for many utilities
- Value of tax-exemption continues to remain high
  - Taxable-to-tax-exempt tender opportunities and Build America Bond refunding transactions have been areas of notable bond volume activity

© PFM

Long-Term Tax-Exempt Rates Near Historical Averages

30 Year History of AAA BVAL Rate Position
(December 12, 1995 to December 12, 2025)

Statistic	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year	25 Year	30 Year
12/12/2025	2.50%	2.45%	2.38%	2.38%	2.38%	2.49%	2.73%	3.28%	3.88%	4.06%	4.13%
Average	1.71%	1.91%	2.06%	2.20%	2.35%	2.65%	3.01%	3.45%	3.72%	3.88%	3.93%
Spread to Avg.	0.78%	0.54%	0.32%	0.17%	0.03%	-0.17%	-0.28%	-0.17%	0.16%	0.18%	0.20%
Minimum	0.05%	0.05%	0.10%	0.13%	0.16%	0.36%	0.58%	0.88%	1.08%	1.22%	1.27%
Spread to Min.	2.45%	2.40%	2.28%	2.25%	2.22%	2.13%	2.15%	2.40%	2.80%	2.84%	2.86%
Maximum	4.55%	4.91%	5.04%	5.09%	5.13%	5.23%	5.37%	5.75%	5.94%	6.01%	6.04%
Spread to Max.	-2.05%	-2.46%	-2.66%	-2.71%	-2.75%	-2.74%	-2.64%	-2.47%	-2.06%	-1.95%	-1.91%
Percent of Market Days Lower	64.77%	62.80%	57.96%	55.50%	51.71%	48.94%	44.77%	45.44%	51.56%	50.24%	50.02%

Source: Bloomberg; Rates as of December 12, 2025

Increased Volume in the Municipal Market Supported by Strong Inflows

U.S. Municipal **Issuance** Year over Year

Overall Municipal Market Volume (Supply)

Monthly Municipal Fund Flows (Demand)

Source: The Bond Buyer and ICI.

Tax-Exempt Yield Curve Has Steepened Significantly in 2025

Tax-Exempt Yield Curve from the Start of the Year, Early April, and Now

Date	2-Year Index (A)	30-Yr Index (B)	2 to 30-Year Spread (bps) (C)=(B)-(A)
1/2/2025 (Beginning of Year)	2.78%	3.80%	+102
4/9/2025 (Week after Liberation Day)	3.29%	4.80%	+151
12/12/2025 (Current)	2.45%	4.13%	+206

Source Bloomberg; Rates as of December 12, 2025. Index shown is the BVAL AAA Municipal Curve, also referred to as "BVAL". BVAL is a municipal bond index produced by Bloomberg that represents Bloomberg's best estimate for market yields of AAA-rated municipal bonds across different maturities.

Steeper Yield Curve Has Driven Increasing Municipal Short-Term Issuance

Short-Term Issuance Compared to 30-Year BVAL

Product (Billions)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 (Proj)
Variable Rate – Short (VRDBs)	$11.50	$15.20	$9.90	$9.80	$10.70	$7.70	$11.50	$12.20	$15.50	$14.6
Variable Rate – Long (Term Rate)	$4.90	$8.50	$12.80	$17.60	$9.70	$12.70	$16.10	$29.60	$33.80	$35.7
Floating Rate Notes	$4.10	$7.00	$5.90	$2.00	$1.20	$3.20	$2.90	$1.60	$2.20	--
Total Variable Rate	$20.50	$30.70	$28.60	$29.40	$21.60	$23.60	$30.50	$43.40	$51.50	$50.3
Fixed Rate Notes	$35.60	$48.20	$41.50	$46.00	$46.80	$33.30	$24.40	$27.30	$32.00	$31.5
Fixed Rate Bonds	$388.70	$369.60	$268.70	$350.90	$415.10	$426.30	$336.20	$309.30	$424.10	$391.0
Total Municipal Issuance	$444.80	$448.50	$338.80	$426.30	$483.50	$483.20	$391.10	$380.00	$507.60	$472.8
Variable Rate as % of Total Issuance	4.61%	6.85%	8.44%	6.90%	4.47%	4.88%	7.80%	11.42%	10.15%	10.64%

Source: LCM as of 10/31/2025. 2025 projection assumes that monthly issuance for December will match the year-to-date average. Short variable rate includes variable rate products with a put feature under 13 months.

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SIFMA is Highly Correlated with Fed Fund Rate, and Expected to Fall

SIFMA Index vs. Effective Fed Funds Rate Over Past 10 Years

CME FedWatch Tool -- Rate Probabilities by Meeting Date Aggregated with Current Target Rate Range Set by Federal Reserve								
Meeting Date	**2.25% - 2.50%**	**2.50% - 2.75%**	**2.75% - 3.00%**	**3.00% - 3.25%**	**3.25% - 3.50%**	**3.50 - 3.75%**	**3.75 - 4.00%**	**4.00 - 4.25%**
1/28/2026	--	--	--	--	24.4%	**75.6%**	--	--
3/18/2026	--	--	--	--	**57.6%**	42.4%	--	--
4/29/2026	--	--	--	--	**80.4%**	19.6%	--	--
6/17/2026	--	--	--	32.6%	**67.4%**	0.0%	--	--
7/29/2026	--	--	--	**60.4%**	39.6%	--	--	--
9/16/2026	--	--	--	**91.1%**	8.9%	--	--	--
10/28/2026	--	--	4.4%	**95.6%**	0.0%	--	--	--

Source: Federal Reserve Economic Database (FRED) as of December 12, 2025. CME Fedwatch Tool as of December 12, 2025

SIFMA – The Securities Industry and Financial Markets Association Municipal Swap Index is a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations with certain characteristics.

Municipal Market Catalysts and Outlook for 2026

- **Federal Government Policy**
  - Tariff policies that could change due to court decisions or contentious trade negotiations
  - Debt ceiling limit that coincides with mid-term elections in fall 2026
- **Federal Reserve**
  - Cut of 0.25% to Federal Funds rate in December
  - Details from meeting highlight fractures among members and cloud path forwards
  - Uncertainty around future of Federal Reserve Board composition
- **Labor Market**
  - Labor market shows signs of slowdown, but not rapid deterioration
  - Market will watch non-farm payrolls and unemployment
- **Inflation**
  - Inflation remains above targets
  - Fed continues to carefully watch data and seek confidence that inflation is moderating

Bond Yield Forecast
(As of December 12, 2025)

Average Forecasts	Current	Q4 25	Q1 26	Q2 26	Q3 26	Q4 26	Q1 27	Q2 27	Q3 27	Q4 27
US 30-Year	4.66 %	4.62 %	4.62 %	4.59 %	4.60 %	4.55 %	4.59 %	4.60 %	4.60 %	4.45 %
US 10-Year	4.06 %	4.05 %	4.04 %	4.04 %	4.06 %	3.95 %	3.99 %	3.99 %	3.99 %	3.88 %
US 5-Year	3.65 %	3.63 %	3.60 %	3.62 %	3.64 %	3.61 %	3.65 %	3.67 %	3.69 %	3.59 %
US 2-Year	3.50 %	3.44 %	3.38 %	3.34 %	3.33 %	3.30 %	3.32 %	3.33 %	3.32 %	3.24 %
US 3-Month Term SOFR	3.70 %	3.49 %	3.28 %	3.18 %	3.18 %	3.14 %	3.16 %	3.18 %	3.19 %	3.21 %
Fed Funds Rate - Upper Bound	3.80 %	3.63 %	3.43 %	3.29 %	3.25 %	3.18 %	3.17 %	3.17 %	3.16 %	3.12 %
Fed Funds Rate - Lower Bound	3.55 %	3.38 %	3.18 %	3.04 %	3.00 %	2.93 %	2.92 %	2.92 %	2.91 %	2.87 %

Source: Bloomberg; Federal Reserve press release dated December 10, 2025;

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Rating Agency Update

S&P Water & Sewer Sector Outlook for 2026

- **Stable Outlook for large systems**, revised from negative in 2025, reflecting an easing in federal regulatory policy, slowing rate of inflation for primary cost drivers, and strength of sector management
- **Negative Outlook for small systems,** due to outsize financial impacts of unbudgeted capital expenditures, limited access to economics of scale and capital markets, and limited management flexibility
- Regulatory costs are expected to continue to climb, albeit at a slower pace
- Increases in operating expenses are set to level out and become more predictable
- Rate structure is key to financial stability, with downgrades often caused by inability to recover rising operating costs in a timely manner
- Resilience efforts remain critical to offset credit risk associated with climate variability
- Technology is increasingly important to improve demand forecasting, asset management, and enhancing operational efficiency, but must be balanced with increased cyber risks
- Aging infrastructure and demographics will exacerbate operational and capital challenges

By the numbers | U.S. water utilities

Multi-notch downgrades
Nearly 100% small systems

74 of 99 negative outlooks are small systems

$2.6 bil. a year spent on water main breaks

33.3 tril. gallons of lost water annually

resulting in more than **$187 bil.** in lost revenue

$625 bil. EPA water infrastructure needs

$30 bil. 2021 Infrastructure Investment and Jobs Act investment

U.S. water utility revenue bond rating distribution

Source: S&P Report, "U.S. Water Utilities 2026 Outlook: Large And Small Systems Address Similar Challenges With Different Tools." dated December 9, 2025

Fitch Water & Sewer Sector Outlook for 2026

- **Neutral Outlook**, reflecting an operating environment for the upcoming year that is generally stable and no longer deteriorating compared to 2025
- Higher effective tariff rate is expected to work its way into' capital programs and contribute to increased spending, stressing financial performance
- Acute operating pressures in 2026 are not expected, as the pace of operating cost increases has normalized
- Interest rates are expected to remain stable or slightly lower, resulting in stable to decreasing financing costs
- Although operating costs have stabilized, resurgent inflation, increased supply costs or labor costs, a severe recession and/or higher long-term interest rates could shift the sector outlook to 'deteriorating'.
- Evolving regulatory environment and the effect of compliance strategies remain concerns in the sector, , particularly for emerging contaminants of concern and service lines
- There is a continued need to address aging infrastructure, which remains a long-term challenge for the sector
- While affordability has not materially eroded to date, stakeholders remain focused on affordability concerns as rate actions continue into 2026

Source: Fitch Report, "U.S. Water and Sewer Outlook 2026" dated December 10, 2025

Rating Agency Commentary on Factors that Could Change GLWA Ratings

Moody's Aa3	S&P AA-	Fitch A+ (Water); AA (Sewer)
Factors that Could Lead to an Upgrade		
• Growth in revenue that continues to outpace borrowing and moderates leverage of pledged resources • Steady improvement in asset condition while lowering debt-to-revenue ratio closer to 4x • Sustained trend of a debt service coverage ratio of at least 1.5x while maintaining around 500 days cash on hand	• GLWA meaningfully outperforms its historical financial trends while still funding its CIP generally as planned and presented in 2025, in a sustainable manner over a long-term horizon • Sustainable, long-term economic recovery in Detroit continues and has meaningful positive effects on its economic fundamentals and utility collection rates	• Greater certainty that upcoming planned capital spending has fully accounted for inflationary pressures and keeps leverage within current expectations • Sustained leverage below 11.0x (Water) or 10.0x (Sewer), assuming stability in the current revenue defensibility and operating risk assessments
Factors that Could Lead to a Downgrade		
• Material reduction to the water or sewer system's liquidity or debt service coverage ratios, with days cash on hand closer to 400 days or debt service coverage below 1.2x • Growth in leverage of the water or sewer system's net revenue (debt-to-revenue above 6x • Deterioration in asset condition	• Actual financial performance falls below historical trends • Significant deferral of capital projects that artificially increases liquidity but causes deferred maintenance • Erosion of processes that have evolved to help make the budget for both DWSD and GLWA more predictable while minimizing revenue fluctuations	• Sustained leverage approaching 13.0x (Water) or 12.0x (Sewer), assuming stability in the revenue defensibility and operating risk assessments • Weakening of DWSD credit fundamentals • Downward revisions to the system's Purchaser Credit Quality assessment • Material declines in liquidity that expose bondholders to timing risk

Sources: Moody's Report, "Great Lakes Water Auth, MI", May 30, 2025. S&P Reports, "Great Lakes Water Authority, Michigan; Water/Sewer", May 30, 2025. Fitch Reports, " Great Lakes Water Authority (Water System), Michigan" and "Great Lakes Water Authority (Sewer System), Michigan", dated May 29, 2025.

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New Money Financing Strategy in 2026

Projected Regional Capital Financing Needs Through FY 2030

Projections represent a working draft presented at the October 8, 2025 meeting of the Board of Directors. Borrowing forecasts are currently under review and subject to update.

Fiscal Year	2026	2027	2028	2029	2030	Total
Water System						
Capital Projects Spending (in Millions)	**$195**	$277	$334	$228	$187	**$1,220**
Bond Funding (in Millions)	**$237**	$302	$227	$168	$78	**$1,012**
SRF Loan Draws (in Millions)	**$7**	$ -	$ -	$ -	$ -	**$7**
Sewer System						
Capital Projects Spending (in Millions)	**$245**	$255	$280	$235	$185	**$1,200**
Bond Funding (in Millions)	**$67**	$126	$132	$72	$54	**$451**
SRF Loan Draws (in Millions)	**$98**	$129	$96	$55	$56	**$435**

Note: does not include spending for unidentified needs or borrowing on behalf of Local System.

Source: Water and Sewer System Forecast Current Working Draft as of September 30, 2025, as presented at October 8, 2025 meeting of the Board of Directors.

New Money Borrowing Strategy in 2026 and Beyond

Larger and more frequent borrowings present an opportunity to diversify funding mix and optimize borrowing costs by more actively managing debt portfolio

- GLWA is entering a period of extraordinary capital investment driven by aging infrastructure, regulatory requirements and inflationary cost increases
- Structurally higher interest rates represent a shift from past decade and present an additional challenge
- GLWA is well positioned to address these challenges given financial discipline that has supported deleveraging, improved credit ratings, and driven interest among investors
- GLWA should continue to integrate subsidized funding available from SRF program and explore other options to manage portfolio costs, such as WIFIA
- Key market-driven opportunity to integrate modest additional variable rate debt within policy limits
  - Complement fixed rate debt to lower portfolio cost of borrowing
  - Improve matching of assets and liabilities to manage risk of falling investment rates
  - Diversify investor mix
  - Add flexibility to debt structure

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Variable Rate Debt Considerations

- GLWA can increase variable rate exposure substantially within policy and rating agency limits
  - Legacy variable rate exposure on Sewer System of $239.5 million (9.0% of Sewer)
  - Debt Policy permits variable rate debt exposure of up to 20% (*after* netting short-term investments)
  - Rating agencies are comfortable with 20% or more floating rate debt
- GLWA credit stability and rating trajectory provide significant flexibility to access the benefits of variable rate market
- Many sector peers integrate variable rate debt into portfolios
  - Trend has been to increase exposure based on market conditions and borrowing needs

Peer Utility Variable Rate Exposure (Sorted by Total Debt)

Issuer	Variable Rate Debt (millions)	Total Debt (millions)	% Variable Debt
Denver Water	75	1,480	5.1%
Atlanta	-	2,620	-
Great Lakes Water Authority - Water	**-**	**2,629**	**-**
King County, WA	657	2,640	24.9%
Great Lakes Water Authority – Sewer	**239**	**2,663**	**9.0%**
Chicago	-	3,230	-
Philadelphia	125	3,260	3.8%
Dallas	375	3,400	11.0%
San Antonio Water System	581	3,725	15.6%
DC Water	522	3,835	13.6%
Metropolitan Water District of So. Cal	931	4,130	22.5%
Houston CUS	2,430	7,220	33.7%
San Francisco Public Utilities Commission	1,320	9,350	14.1%
New York Municipal Water Fin. Authority	5,150	33,110	15.6%

Source: GLWA information from 9/30/2025 Semiannual Debt Report; Others sourced from BofA Securities, financial statements, and disclosure documents. Chicago and San Francisco PUC are aggregated among several credits.

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Variable Rate Debt Can Be Used to Reduce Portfolio Cost

- Interest on long-dated variable rate debt is based on short-term interest rates, which are historically lower than long-term fixed interest rates
- Variable rate exposure can be managed as part of the full portfolio to optimize the benefit to an issuer
- Currently, short term debt is outperforming the fixed rate yield to maturity on a long-dated fixed rate bond by over 150bps

Current Variable Rates vs. Fixed Rates

Note: Interest Rates as of December 12, 2025; Daily VRDB pricing represents current pricing of SIFMA - 30bps + the estimated ongoing liquidity / dealer costs for a 3 year term (45bps); Soft Put pricing at BVAL +45 for a 3 year term; After 3 year term, liquidity would need to be required for VRDB or the soft put bond would need to be remarketed, which could change the pricing dynamics

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Comparison of Variable Rate Products Available to GLWA

	Daily Floating Rate		Intermediate	Fixed Rate
Product Overview	**Variable Rate Demand Bonds**	**SIFMA/SOFR Index Notes**	**Term Rate**	**Fixed Rate**
Interest Rate Reset Frequency	Daily or Weekly	Weekly, Monthly or Quarterly	Up to 10 Years	Never
Remarketing Frequency	Daily or Weekly	Up to 10 Years	Up to 10 Years	Never
Bank Liquidity	Required (or self liquidity)	Not required	Not required	Not required
Extension Feature; Nature of Put Feature	Term out of credit facility upon failed remarketing	Mandatory tender in 1-10 years; Hard put ***or*** soft put with amortization to term at a penalty rate	Mandatory tender in 1-10 years; Hard put ***or*** soft put with amortization to term at a penalty rate	None
Maximum Maturity	No limit	No limit	No limit	No limit
Call Flexibility	Yes, with notice	Callable on each remarketing date or up to 6 months prior	Callable on each remarketing date or up to 6 months prior	Typically, callable after year 10
Risks				
Interest Rate Risk	Ongoing	Ongoing	At issuance and remarketing only	At issuance only
Remarketing Risk	Ongoing	None	None	None
Issuer Credit Risk	Ongoing	At issuance and remarketing only	At issuance and remarketing only	At issuance only
Bank Liquidity Risk	Bank credit facility renewal required	None	None	None
Investor Base	Exceptionally Broad	Limited in Current Market	Broad	Broad

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Term Rate Bonds Could Provide Beneficial Alternative to Floating Debt

- Term Rate bonds offer an intermediate option between fixed rate debt and floating rate debt
- Key benefit is to take advantage of short end of the yield curve but gain budgetary certainty and limit impacts of short-term interest rate volatility
- While in a Term Rate Period, bonds bear interest at a fixed rate through the expiration of the Rate Period
- The interest rate paid during the Initial Period is determined during the initial pricing based upon the term of the Interest Period and investor evaluation of the creditworthiness of GLWA
- At the end of the Term Rate Period the bonds are intended to be remarketed in a subsequent Term Rate Period or another interest rate mode
- If the bonds are not remarketed or there is a failed remarketing, the bonds would bear interest at a Penalty Rate (e.g. 8.00%) until the bonds can be remarketed or the final maturity of the bonds

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Refinancing Opportunities

Nearly $1B in Debt Service Savings Achieved Since GLWA Standup

- Refinancing program has reduced debt service by approximately $60 million **annually** between FY2026 and FY2030

History of Debt Service Savings Since GLWA Standup

1: Totals may not add due to rounding
Note: Debt service savings is shown on a cash flow basis

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After 2026, GLWA will have Fewer Opportunities to Create Savings from the Debt Portfolio

Past and Future Refunding Opportunities

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Summary of Current Refunding Opportunities in 2026

Current Refunding

Up to $628mm (Water)

Up to $232mm (Sewer)

- Refunding candidates for Water System and Sewer System become callable on July 1, 2026
- $628 million of Water System candidates and $232 million of Sewer System candidates
- Under current conditions, all candidates generate significant net present value savings meeting debt policy minimums

Water System

Senior Lien

	Total Outstanding	Callable Outstanding	Call Date
Series 2016A	87,975	87,970	7/1/2026
Series 2016C	198,335	180,950	7/1/2026
	286,310	**268,920**	

Second Lien

	Total Outstanding	Callable Outstanding	Call Date
Series 2016B	163,805	163,800	7/1/2026
Series 2016D	196,990	195,310	7/1/2026
	360,795	**359,110**	

Sewer System

Senior Lien

	Total Outstanding	Callable Outstanding	Call Date
Series 2016B	33,770	33,390	7/1/2026
	33,770	**33,390**	

Second Lien

	Total Outstanding	Callable Outstanding	Call Date
Series 2016C	198,560	198,560	7/1/2026
	198,560	**198,560**	

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Summary of Current Refunding Targets and Economics

Water System: Current Refunding Summary							
Candidate					All Callable Maturities		
Series	Lien	Tax Status	Callable Par	Call Date	PV Savings ($000s)	PV Savings (%)	Par ($000s)
Series 2016A	Senior	Tax-Exempt	87,970	7/1/2026	4,708	5.35%	87,970
Series 2016C	Senior	Tax-Exempt	180,950	7/1/2026	16,959	9.37%	180,950
Total Senior			**268,920**		**21,667**	**8.06%**	**268,920**
Series	Lien	Tax Status	Callable Par	Call Date	PV Savings ($000s)	PV Savings (%)	Par ($000s)
Series 2016B	Second	Tax-Exempt	163,800	7/1/2026	7,560	4.62%	163,800
Series 2016D	Second	Tax-Exempt	195,310	7/1/2026	18,725	9.59%	195,310
Total Second			**359,110**		**26,285**	**7.32%**	**359,110**
Total Water System			**628,030**		**47,953**	**7.64%**	**628,030**

Sewer System: Current Refunding Summary							
Candidate					All Callable Maturities		
Series	Lien	Tax Status	Callable Par	Call Date	PV Savings ($000s)	PV Savings (%)	Par ($000s)
Series 2016B	Senior	Tax-Exempt	33,390	7/1/2026	4,404	13.19%	33,390
Total Senior			**33,390**		**4,404**	**13.19%**	**33,390**
Series	Lien	Tax Status	Callable Par	Call Date	PV Savings ($000s)	PV Savings (%)	Par ($000s)
Series 2016C	Second	Tax-Exempt	198,560	7/1/2026	23,567	11.87%	198,560
Total Second			**198,560**		**23,567**	**11.87%**	**198,560**
Total Sewer System			**231,950**		**27,971**	**12.06%**	**231,950**

Assumptions: Matched lien refunding with Delivery Date of June 1, 2026; SLGS escrow; Tax-Exempt refunding bonds issued with 5% coupons and a 10 year par call (1/1/2036); Issuance costs of $8/bond; Maturity by Maturity savings structure; Interest rates as of December 12, 2025; All figures present valued to June 1, 2025 using the corresponding tax-exempt yield

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Summary of Current Refunding Savings in Current Market

Refunding Candidates

- Includes all bonds callable in 2026

Current Market Savings Summary

- Water - $67.8 million in gross cashflow savings ($49.3 million present value)
- Sewer - $35.6 million in gross cashflow savings ($29.4 million present value)

Assumptions

- Interest rates and SLGS escrow as of December 12, 2025
- Accrued interest through delivery contributed to transaction
- Structured to create level savings, where possible, when compared to refunded bonds
- 5.00% coupon structure with par call on 1/1/2036
- PV at Arb. Yield of each respective series to 6/1/2026

	Water System	Sewer System
Delivery Date:	6/1/2026	6/1/2026
Call Date:	1/1/2036	1/1/2036
Final Maturity:	7/1/2046	7/1/2036
Refunding Par ($):	580,800,000	204,320,000
Refunded Par ($):	628,030,000	231,950,000
Sources ($)		
Par Amount	580,800,000	204,320,000
Premium	52,484,307	29,486,335
Accrued Interest	12,851,849	4,732,313
Total Sources	**646,136,156**	**238,538,648**
Uses ($)		
Escrow Deposit	641,480,329	236,900,551
COI / Underwriter's Discount	4,655,827	1,638,096
Total Uses	**646,136,156**	**238,538,648**
Statistics		
Arbitrage Yield (%):	3.61%	3.02%
True Interest Cost (%):	3.97%	3.12%
Weighted Average Life (yrs.):	11.12	8.66
NPV Savings ($):	**49,308,437**	**29,405,682**
NPV Savings (%):	**7.85%**	**12.68%**

DSIR Year	Water System Savings ($)	Sewer System Savings ($)
7/1/2026	2,570,370	946,463
7/1/2027	3,934,438	1,075,217
7/1/2028	4,346,938	1,102,300
7/1/2029	4,343,438	1,102,300
7/1/2030	4,338,188	5,577,300
7/1/2031	4,345,938	4,408,550
7/1/2032	4,340,688	1,057,050
7/1/2033	4,338,288	5,574,300
7/1/2034	2,577,675	5,577,300
7/1/2035	3,378,988	4,575,250
7/1/2036	2,853,750	4,572,750
7/1/2037	952,750	-
7/1/2038	952,250	-
7/1/2039	951,750	-
7/1/2040	951,250	-
7/1/2041	950,750	-
7/1/2042	4,345,250	-
7/1/2043	4,345,000	-
7/1/2044	4,341,250	-
7/1/2045	4,343,750	-
7/1/2046	4,341,750	-
Total	**67,844,445**	**35,568,779**

Preliminary, subject to change.

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Next Steps

Next Steps on Financing Alternatives

- Working group continues to review financing alternatives for capital program and potential applications for GLWA
- Financing alternatives workshop with Audit Committee to further explore variable rate debt and WIFIA program

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Preliminary 2026 Transaction Calendar

Timing	Event
December 19, 2025	■ Audit Committee Review of Notice of Intent Resolutions
January 28, 2026	■ Board Adoption of Notice of Intent Resolutions
March 27, 2026	■ Audit Committee Review of Series Ordinances and Resolutions
April 22, 2026	■ Board Adoption of Series Ordinances and Resolutions
April 2026	■ Rating Agency Meetings
May 2026	■ Post POS & Investor Presentation
Late May 2026	■ Bond Transaction Pricing
June 2026	■ Bond Transaction Closing

Note: Schedule is preliminary and subject to change.

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Appendix

Select Public Finance Acronyms

- **BVAL –** BVAL AAA Municipal Curve. BVAL is a municipal bond index produced by Bloomberg that represents Bloomberg's best estimate for market yields for AAA-rated municipal bonds across different maturities.
- **COI** – Cost of Issuance. The expenses paid by or on behalf of the issuer in connection with the sale and issuance of bonds..
- **DS** – Debt Service. The amount of money necessary to pay interest on outstanding bonds, the principal of maturing or redeemed bonds and any required contributions to a sinking fund for term bonds
- **DSIR** – Debt Service Installment Requirement. A defined term in the Master Bond Ordinances, this represents the debt service that must be set aside and budgeted within a bond year.
- **DSRF** – Debt Service Reserve Fund. A fund in which funds are placed to be applied to pay debt service if pledged revenues are insufficient to satisfy the debt service requirements.
- **FOMC –** Federal Open Market Committee. A key committee within the Federal Reserve System that oversees open market operations and makes key decisions about interest rates and the growth of the United States money supply.
- **Index Notes -** a bond where the interest rate is set periodically as a spread to a specified short-term interest rate index, rather than being determined through remarketing.
- **PV** – Present Value. The current value of a payment or stream of payments expected to be received in the future discounted at a given interest rate or rates.
- **SIFMA** – The Securities Industry and Financial Markets Association Municipal Swap Index is a 7-day high-grade market index comprised of tax-exempt Variable Rate Demand Obligations with certain characteristics.

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Select Public Finance Acronyms (cont'd)

- **SLGS** – US Treasury – State and Local Government Series. SLGS securities are offered for sale to issuers of state and local government tax-exempt debt to assist with compliance of yield restriction or arbitrage rebate provisions of the Internal Revenue Code.
- **SOFR -** SOFR stands for the Secured Overnight Financing Rate. SOFR is a broad, transaction-based overnight interest rate that measures the cost of borrowing cash overnight collateralized by U.S. Treasury securities in the repurchase market.
- **Term Rate Bond -** Has a fixed interest rate for a predefined term (typically 1-10 years), after which the bond is subject to mandatory tender and either converts to another interest-rate mode, resets for a new term, or is repaid.
- **UWD** – Underwriter's Discount. The difference between the amount the underwriter pays the issuer for the bonds and the price at which the underwriter sells the bonds to the public. Represents the compensation for the underwriting syndicate.
- **VRDB or VRDO –** Variable Rate Demand Bond or Variable Rate Demand Obligation. VRDBs (or VRDOs) are short-term debt securities that bear interest at a floating, or variable, rate adjusted at specified intervals (daily or weekly) through a remarketing process. Holders can redeem these securities at designated times.
- **WAM** – Weighted Average Maturity. A reflection of the rapidity with which the principal of a bond issue is expected to be paid.

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Variable Rate Debt: Policy Considerations

- GLWA's Debt Management Policy provides guidance on the issuance of variable rate debt:
- *GLWA will consider issuance of Variable Rate Debt when it improves matching of assets and liabilities, provides the potential for lower debt service costs over the term of the debt, adds flexibility to GLWA's capital structure, diversifies GLWA's investor base, or in other circumstances where supported by an analysis and recommendation from GLWA's Registered Municipal Advisor that evaluates and quantifies the risks and opportunities*
  - *(1) Limitation on Net Variable Rate Debt Exposure. The percentage of Net Variable Rate Debt may not exceed 20% of GLWA's total outstanding debt. Net Variable Rate exposure is calculated by excluding Variable Rate Debt hedged by Interest Rate Swaps in a synthetic fixed rate structure or by GLWA short-term assets earning variable interest income*
  - *(2) Adequate Safeguards Against Risk. GLWA will ensure that financing structures and/or budgetary safeguards are in place to mitigate adverse impacts from interest rate shifts and liquidity risks; such structures could include, but are not limited to, interest rate caps, offsetting short–term cash investments held at GLWA, Letters or Lines of Credit or other Liquidity Facilities, soft puts, and conservative budgeting practices based on historical fluctuations in interest activity and current market assumptions*

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U.S. Water Utilities 2026 Outlook: Large And Small Systems Address Similar Challenges With Different Tools

December 9, 2025

This report does not constitute a rating action.

Sector View: Mixed

- S&P Global Ratings' sector outlook for large and medium U.S. utilities has returned to stable from negative, reflecting an easing in federal regulatory policy, slowing rate of inflation for primary cost drivers, and demonstrated management acumen.
- Our sector outlook for small systems remains negative due to the outsize financial effects of unbudgeted capital expenditures and less access to economies of scale, market access, and management flexibility.
- All systems, regardless of size, remain exposed to rising capital investment requirements, driven by aging infrastructure, climate resilience needs, and compliance, which may influence affordability in the future.

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What we're watching | U.S. water utilities

Federal policy
Federal influence on regulations, grant funding, natural resource oversight, FEMA, and economic policies.

Infrastructure investment
Expanding capital programs to meet resilience needs and aging infrastructure, stresses from rising construction costs, labor shortages, and significant funding gaps.

Weather variability
The impact of hydrology and climate events on financial performance and capital planning.

Labor
Shortages due to the aging workforce, private sector competition, and lack of skilled construction labor.

Affordability
Rate-setting increasingly strained by rising capital demands and operating expenses, especially given variable population and demographic trends throughout the county.

Management capacity
Depth and effectiveness of management, including how policies and practices mitigate complex sector risks.

Source: S&P Global Ratings.
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Chart 1

By the numbers | U.S. water utilities

What's Behind Our Sector View

We expect regulatory costs will continue to climb, albeit at a slower pace. Although the regulatory environment has improved, challenges remain to meet requirements related to lead and copper, pathogens, microplastics, and nutrient removal. Following several years of expanding proposed and adopted regulations and aggressive implementation timelines, there has been a pause in the pace and magnitude of regulatory change. The current administration seems less likely to promulgate aggressive mandates, beyond what is currently contemplated on current water quality standards. The Environmental Protection Agency (EPA) announced that it will maintain the maximum contaminant limits (MCLs) for perfluorooctanoic acid (PFOA) and perfluorooctyl sulfonate (PFOS) but rescind the regulatory determinations for several other proposed but less-tested contaminants (as well as reconsideration of the Hazard Index standard). The MCLs under the current administration far surpass those of global peers (see chart 2).

In addition, the EPA extended the compliance deadline an additional two years, buying utilities time to build in rate increases. We view this approach as generally positive for the sector, given that the estimated cost of meeting the previous requirement was nearly $4 billion with a short timetable, which, for many, necessitated redirecting resources and delaying other projects to assess and reduce PFAS in the water supply. The influence of PFAS regulations on wastewater and biosolids remains uncertain. The current EPA administration has noted its intent to maintain the Comprehensive Environmental Response, Compensation, and Liability Act designation for

PFAS and PFOA but EPA Administrator Zeldin has noted the need for protective legislation for utilities as passive receivers of PFAS, which remains stalled in the legislature.

We expect federal funding will remain stable, in support of meeting the existing mandates, but we would view negatively any significant reductions to Water Infrastructure Finance and Innovation Act (WIFIA) or state revolving fund support. WIFIA closings have slowed, with the EPA closing three loans since the beginning of 2025, compared with 18 loans and 24 loans in the prior two years, respectively. However, in late November, the EPA announced $6.5 billion in WIFIA funding available for water systems, with an additional $550 million available to states as well as approval of five new WIFIA loans for projects in Florida, Illinois, Oregon, and Texas, which we view favorably. Stalled funding would be especially difficult for smaller utilities, given that they have weaker market access, and we continue to monitor this.

Chart 2

PFAS limits--domestic vs. global

Source: S&P Global Ratings. Numbers are averaged when there are different limits for PFOS and PFOA. PFAS--Polyfluoroalkyl substances. PFOS--Perfluorooctane sulfonate. PFOA--Perfluorooctanoic acid.
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While the general economy has historically had less effect on utility financial performance than weather patterns and regulations, we believe it could be influential on capital costs and rate-setting. Some unknowns exist regarding the effect of global manufacturing delays for chemicals, goods, and services as well as the influence of tariffs, but generally we expect economic performance will improve (chart 3). However, we expect shortages in construction labor will persist, reportedly the result of lack of skills, licensing, or related issues rather than immigration enforcement, but that remains uncertain. Construction cost escalation, whether material or labor related, might affect capital costs and thus financial performance, especially given the backlog of critical infrastructure investment required in the sector. This may be offset by recent federal policy rate cuts that could lower borrowing costs and provide some stability to utilities in the medium term. S&P Global Ratings Economics' current forecast suggests a 30% chance of recession. For further information, see "Economic Outlook U.S. Q1 2026: Steady As She Goes But On A Narrow Path," Nov. 24, 2025. However, even during past periods of economic stress, demand has remained relatively inelastic for utilities, given the essential nature of service. We haven't seen meaningful swings in delinquencies during economic downturns unless material remedies were disallowed (such as shutoffs or liens). That said, if discretionary income contracts while utility bills continue to rise, we could see greater affordability pressures affecting rate-setting flexibility, especially in areas with higher poverty rates or more vulnerable populations.

Chart 3

U.S. key economic indicators, 2023-2027

f--Forecast. Source: S&P Global Ratings, U.S. Census Bureau.
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Chart 4

Aggregate construction materials prices, 2006-2034

Q1 2018=100

Source: S&P Global Market Intelligence.
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Utilities face a new normal with respect to the underlying operating environment, but rate hikes have begun to catch up. We do not expect flat expenses in the near term but believe the pace of the increase will be lower and more predictable; of particular importance, these increases are now factored into the revenue requirement for most utilities. In addition, the more sophisticated utilities have altered their procurement and inventory practices to better respond to disruptions in supply chain conditions. This contrasts with 2022 and 2023 when utilities were caught somewhat flat-footed in responding to inflation and supply chain difficulties. In addition to inflationary pressure, we expect costs will rise to meet state or federal regulatory mandates but given extended federal timelines, some utilities may have a longer runway for implementation. Labor costs also remain elevated, given the persistent hiring struggles utilities

face for skilled labor and the need to compete with private sector alternatives. According to the American Water Works Assn. compensation survey, nearly half of utilities are adding employees and all reported pay raises. These escalations may be offset by stabilizing energy costs, as coal plants' lifespan extends and support rises for natural gas, which could temper energy prices. However, states with strict renewable targets might see disproportionate cost increases, given the reduction of Inflation Reduction Act incentives and an unwillingness to leverage traditional energy sources.

For the most recent fiscal year, 2024, operating expenses rose 8%, moderating from the previous year's increase of 11% while income rose 6% compared with 5% the year before. Fiscal 2024 showed improved financial performance from the previous period as rate increases took hold but remained softer than in the two previous years. We expect margins will keep improving for large and medium utilities while smaller utilities could remain more exposed to financial volatility, given less flexibility on procurement and inventory decisions, limited economies of scale, more limited management capacity, and greater risks of unbudgeted capital expenditures.

Five Sector Trends

1. Rate structure is a key characteristic for financial stability

Several downgrades in 2024 and 2025 were caused by utilities' inability to recover rising operating costs in a timely manner, much less achieve full cost recovery, which is critical to the long-term viability of a utility. Cost recovery includes operations and maintenance, capital requirements, debt service, and fully funding reserves. Furthermore, weather volatility continues to affect revenue performance, especially for utilities without revenue stabilizing charges. Several recent wet years, for example, dampened coverage levels across the west, especially for utilities that lacked fixed or passive revenue components. Conversely, utilities in the southwest that implemented conservation without offsetting drought surcharges also reported weakened metrics. While we don’t have a preferred rate structure, per our criteria, several structural characteristics support financial stability (see chart 5).

Chart 5

Benefits of different rate structures in U.S. water utilities

Source: S&P Global Ratings.
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Aligning rate structures with long-term capital, operational, and strategic needs improves credit quality, supporting a life-cycle approach to budgeting and capital management and addressing the differing risks inherent in utilities throughout different regions.

Affordability is a rising risk in the sector, with rates outpacing inflation and wage gains in the past decade. Although rates for the average ratepayer remain affordable, the more vulnerable quartile of the income spectrum faces significant affordability struggles: the average bill represents 2% of median household income but is three times higher for the lower quartile. This is meaningful, given that a normal single-digit rate hike equates to double-digit rate pressure on the bottom 20th percentile income. Given the historical trend of rate increases of about 5% per year for water and sewer service, national affordability struggles will remain a critical part of utility management. Further exacerbating the issue is the aging population and shrinking net population. Many utilities have been restructuring rates to address these concerns. Some have adopted customer assistance programs while others have moved to a more volumetric rate structure to reduce the fixed-cost burden on lower income users. There are benefits to a thoughtful affordability strategy, including reducing delinquencies and improving rate-setting flexibility. However, some approaches may have a cost, especially if transitioning to a fully volumetric approach, which can reduce budgetary predictability and revenue stability.

2. Resilience efforts are critical to offset credit risk associated with climate variability

Although the timing and magnitude of natural hazards are unknown, all regions are exposed to some degree of climate risk. Shifting weather patterns and more frequent and intense climate

events such as wildfire, droughts, and hurricanes, will require significant infrastructure hardening, risk management, and emergency preparedness. Operationally, severe weather can interrupt service, contaminate water supply, require higher levels of treatment, and damage assets. Aging infrastructure compounds the risk of disruption during severe climate events. Weak emergency preparedness and resilience efforts can expose a utility to both operational and health and safety risks and ultimately, lead to more likelihood of litigation and liabilities and weakened financial performance. However, greater climate risk doesn't preclude a utility from holding a high rating. Robust risk management policies, adaptive hardening, and strong liquidity can mitigate some climate risks.

The western U.S. consists of numerous highly rated utilities with significant exposure to drought and hydrological volatility. These entities share many common attributes, including prudent water supply and demand management, revenue recovery mechanisms, and ample liquidity. Consensus on the Colorado River operating guidelines, including curtailment levels during drought conditions, remains elusive, with the seven states missing yet another critical deadline on Nov. 11, which has been extended by the federal government to February. Supply uncertainty and unmitigated water scarcity have resulted in negative rating actions throughout the west and southwest, which we expect will continue. We expect utilities exposed to water stress will require alternative supply to meet population and economic development needs, which is typically magnitudes more expensive. Failure to maintain sufficient supply can result in acute liquidity risk and threaten the underlying economy, as we have seen in Texas due, in part, to Mexico's continued failure to meet its obligations under the Utilization of Waters of the Colorado and Tijuana Rivers and of the Rio Grande Treaty. We expect the current administration to continue to take steps to encourage compliance, including potentially increasing tariff levels. For more information, see "Ongoing Water Delivery Uncertainty Intensifies Credit Pressure On Utilities In The Rio Grande Basin," April 29, 2025.

Many climate and general event risks are addressed by the federal framework provided by the Americas Water Infrastructure Act, which requires water systems serving more than 3,300 people to complete a risk and resilience assessment (RRA) and emergency response plan (ERP). These frameworks continue to improve the resilience in the sector (see chart 6). Because the RRA must be continuously updated, most medium to large systems are keeping pace with prudent risk management. However, smaller systems are not required to complete these assessments, despite having equal climate (and cyber) exposure.

Chart 6

Wildfire risk management by California water utilities
In 2025, S&P Global Ratings surveyed publicly rated retail water utilities in California that it identifies as exposed to wildfire risks. Survey results found that approximately:

*Considering California Public Utilities Commission's High Fire Threat District (HFTD) mapping. Survey results as of July 31, 2025.
Note: Survey results include 52 publicly rated retail water utilities. Source: S&P Global Ratings.
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3. Technology is increasingly shaping the water and sewer utility sector, with implications for municipal credit quality

Utilities are adopting advanced data analytics and AI-driven tools to improve demand forecasting, asset management, and leak detection, enhancing operational efficiency and long-term capital planning. Smart meters and real-time monitoring support more stable cost recovery and revenue predictability, both critical to debt repayment capacity. At the same time, reliance on digital systems introduces cyber risk, which can disrupt billing, operations, and public confidence if not adequately managed through investment in security, insurance, and physical safeguards such as remote or automated shutoffs to protect public health and safety. For municipal bond investors, the sector's ability to balance innovation with cyber preparedness is becoming a key factor in assessing resilience and long-term credit strength.

Chart 7

AI opportunities for U.S. water utilities

IoT--Internet of Things. Source: S&P Global Ratings.
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AI is expected to influence demand and potentially financial performance at utilities, given the need for significant additional data center capacity, and the associated water and power required. We expect data centers to bolster tax collections, especially during the construction period, as well as increase utility demand, given the significant amounts of water used for cooling. Revenue generation likely will be at least partially offset by greater capital and operating costs. Rising consumption or higher peak use, for example, could strain supply in areas experiencing water stress, which will require more expensive, alternative water sources. Furthermore, distribution infrastructure might be required for many sites, as most are built outside the service footprint. Operating expenses for treatment and energy also will likely rise. We expect closed loop systems, dry cooling, and a greater reliance on recycled water will reduce usage and offer attractive solutions for many data centers.

Resource availability decisions, however, are likely to play a role in data center development, as demonstrated recently in Arizona, Missouri, and Nevada, where there were limitations on resource burden and in some cases project cancellation due to resource concerns. Although fewer than 20 states have well-defined guidelines to address natural resource strain, we expect guidelines and regulation will continue to develop. Technology and concentration risk is meaningful, given the relatively shorter lease terms for many projects and the potential for the technology to become obsolete, resulting in stranded assets. The risk of a "pipeline to nowhere" is especially pronounced when the initial incentive structure shifts the costs for development to the residential rate base, stressing affordability. Utilities that transfer that risk and cost for capacity and supply acquisition to a third party will be better positioned.

Chart 8

Top states for data center development

Source: datacentermap.com.

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4. Aging infrastructure and demographics will exacerbate the operational and capital challenges in the sector

A substantial percentage of utility assets are approaching the end of their useful life. Degrading assets influence operations, reducing efficiencies and raising costs. Aged assets also are less resilient with respect to natural hazards, increasing the likelihood of disruptions to service and total failure. Unplanned or accelerated capital expenditures contributed to several downgrades in 2025, and we expect this trend will continue. Asset management policies remain a focus of our operational management assessment, but fewer than a third of the systems have a formal asset management program, according to a national survey.

These risks are compounded by the aging workforce, which has critical institutional knowledge of the systems, and by the complexities associated with assets' rising age. While we believe the aging assets and workforce are significant risks to the sector, we think improvements in technology and data could be a big part of the solution, filling stubborn workforce vacancies and identifying critical maintenance needs. Attracting and retaining talent will remain a focus in the sector; in addition, leveraging the expertise of outside consultants is a growing trend for small and medium-size utilities, in particular. Engaging external consultants is often a credit positive, depending on the nature of the contract and the engagement from utility staff.

5. Smaller systems remain exposed to greater credit vulnerabilities due to higher financial volatility and weaker management practices

During the past two years, we lowered our ratings on more than 150 U.S. water and sewer utilities, the majority of which are small systems. Limited management practices, lower nominal liquidity, and weaker service territory characteristics have led to greater financial volatility, especially given the rising cost pressure vulnerabilities related to aging infrastructure, climate hazard exposures, and regulatory requirements. For more information, see "U.S. Small Utility Systems Face Big Challenges To Maintain Credit Quality," Sept. 10, 2025.

Ratings Performance

Negative rating actions significantly outpaced positive actions in 2025, continuing the trend observed since we changed our sector outlook to negative the previous June. Downgrades were more heavily concentrated in smaller systems, reflecting cost pressures and rising unbudgeted capital expenditures. Negative outlooks also continue to outpace positive outlooks, but the pace of negative rating actions slowed through the fourth quarter.

Chart 9

U.S. water utility revenue bond rating distribution

Source: S&P Global Ratings.

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Chart 10

U.S. water utilities outlook distribution

Source: S&P Global Ratings.

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U.S. Water and Sewer Outlook 2026

Outlook Revised to Neutral Despite Uncertainty

Fitch's Sector Outlook: Neutral

Fitch Ratings' 'neutral' outlook for the water and sewer sector reflects an operating environment for the upcoming year that is generally stable and no longer deteriorating. Nonetheless, we expect that much of the uncertainty that emerged in 2025 will carry into 2026. A higher effective tariff rate (ETR) is expected to work its way into utilities' capital programs and contribute to the increased spending trend. To date, most utilities have managed well in the current operating environment by increasing contingency budgets, adapting capital plans and reprioritizing projects, if needed, based on updated cost projections.

Rating Outlook Distribution

Rating Outlooks for the sector remain overwhelmingly Stable. A narrowing of financial margins could be realized in 2026 as capital programs continue to expand and additional debt is incurred, but Fitch expects limited rating changes in 2026, as most systems maintain adequate headroom to absorb the additional debt.

As of November 2025, 92% of water and sewer ratings assigned by Fitch maintained a Stable Rating Outlook. Approximately 5% have a Positive Rating Outlook or are on Rating Watch Positive, and 3% have a Negative Rating Outlook or are on Rating Watch Negative. Ratings trending positive are dominated by utilities with improving leverage profiles, despite incorporating higher capex and operating costs. Conversely, ratings trending negative are predominantly driven by utilities with rising leverage due to increasing capital programs and associated debt issuances without offsetting rate support.

What to Watch

- Capital spending to continue rising.
- Federal actions affecting state revolving fund financing, or the availability and access to disaster aid.
- Utilities managing uncertainty in the operating environment.
- The regulatory environment and effects on capital spending.
- Trends in service affordability.

Audra Dickinson, Senior Director

"Capital budgets have increased in recent years, driven by inflationary adjustments and labor disruptions. While those cost pressures have generally normalized, utilities are now managing to a higher ETR. In response, many utilities are more frequently reviewing asset management plans and reprioritizing projects when cost projections increase. Across the sector, many capital projects are discretionary and not driven by regulatory mandates, but delayed or canceled investment as a result higher than originally planned costs will exacerbate the sector's deferred maintenance needs. "

Water & Sewer- Rating Changes

Source: Fitch Ratings

Water & Sewer - Rating Outlooks

Source: Fitch Ratings

Core Credit Drivers: Water-Sewer

	Revenues			Expenditures				Financial Profile		
Subsector	Personal Income/ Affordability	Real-Estate Values	Demand/ Volumes	Labor Costs	Labor Availability	Non-Labor Operating Costs	Capital Input Costs	Leverage	Cost of Debt	Financial Reserves & Liquidity
Water-Sewer	↔	N.A.	↔	↔	↔	↔	↘	↘	↗	↔

N.A. – Not a material driver of credit quality in sector. ↑ Improving – High relevance. ↗ Improving – Moderate relevance. ↔ Neutral.
↘ Deteriorating – Moderate relevance. ↓ Deteriorating: High relevance.
Source: Fitch Ratings

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Operating Cost Burden

Operating Budgets Reflect Higher Cost of Supplies, Personnel

Fitch does not expect acute operating pressures in 2026, which should support continued rating stability for the sector. The upward trend of per unit costs is expected to continue, but the pace of operating cost increases has normalized. Utilities' operating budgets now reflect the recurring costs associated with recent cost-of-living adjustments and the sustained higher cost of chemicals and other supplies. For most utilities, revenue generation is driven by rate adjustments, which are generally coming in near the CPI, supporting higher operating expenses and preserving margins.

Interest Rate Pressures Continue to Ease

Fitch expects U.S. Fed policy rates to fall to 3.25% through 2026 from 4.0% in 2025, while long-term rates are expected to hold steady. This should result in stable to decreasing financing costs and contribute to moderating revenue requirements, particularly for utilities pursuing new construction. Stable to lower rates would also sustain refunding economics in 2026, continuing the trend of higher refunding issuance that began in 2024.

Debt issuance in 2025 largely kept pace with the record levels of issuance seen in 2024. Fitch expects issuance will likely be sustained in 2026 as utilities move forward with increased capital programs.

What to Watch — More Challenging Operating Cost Environment

Operating costs have stabilized. However, resurgent inflation, increased supply or labor costs, a severe recession and/or higher long-term interest rates could shift the sector outlook to 'deteriorating'.

Additional Key Sector Issues

- Increasing climate risk will remain a threat to the sector as utilities work to expand and improve the resiliency of water supply and other infrastructure, and contend with unforeseen expenses that can arise in the aftermath of severe weather events. Increasing concerns related to the availability of, and access to, disaster aid compound this risk.
- While supply availability is not a concern for most water providers, ongoing regional droughts will begin to have more immediate credit impacts if a utility's ability to meet ongoing demand becomes questionable.
- A slowdown in federal funding via state revolving fund (SRF) programs or through the Water Infrastructure Finance and Innovation Act loan program could result in utilities seeking alternate higher-cost funding sources, thereby increasing carrying costs and narrowing margins.
- A breach of critical utility assets from cyberattacks that halts service or requires ransomware payments could negatively affect utility financial performance and potentially result in widespread public and private sector shutdowns.

Operating Cost Burden

Source: Fitch Ratings

Five-Year Average Capex to Depreciation

Source: Fitch Ratings

National Public-Sector Annual Construction Spending

Source: U.S. Census Bureau

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Capital Investment

Capital Spending Supported by Rate Adjustments

Capital budgets have increased as the full impact of rebidding and updated cost estimates were incorporated into formal plans, and Fitch expects capital spending to remain robust in 2026. Despite increased spending, median leverage across the sector has declined slightly over the past two years as rate adjustments supported the higher spending and generated increased margins. As such, most utilities are well positioned for sustained levels of higher capital spending. The higher issuance volume in 2025 and expectations for 2026 could suggest an increased debt burden for many utilities in 2026. We expect the recent trend in rate adjustments to continue to offset increased spending, but inadequate support could weigh on credit quality.

While many utilities maintain flexibility within their capital programs to defer projects, this flexibility will be diminishing for those facing regulatory-driven requirements. However, even where project deferral is possible, the need to address aging infrastructure remains a long-term challenge for the sector.

What to Watch — Cost Increases and Labor Availability

A resurgence in inflationary pressures, a higher ETR than currently contemplated, and/or challenges in labor or contractor availability could shift the sector outlook to 'deteriorating'.

Federal Regulatory Policy and Financing

Utilities Implementing Regulatory Compliance Strategies

The evolving regulatory environment and the effect of compliance strategies, particularly for emerging contaminants of concern and service lines, remain a concern for the sector and are considered in the outlook. The U.S. Environmental Protection Agency's (EPA) finalized Lead and Copper Rule Improvements (LCRI) required utilities to inventory all service lines and publicly disclose the composition of service lines by October 2024. With that deadline passed, utilities are now focusing on returning to service lines of "unknown" material for further identification work, which represents an ongoing cost to utilities. Under current guidelines, lead service lines (LSLs) would need to be replaced within 10 years of the LCRI's effective date in 2027. Utilities are now updating capital programs and the accompanying cost estimates to implement replacement strategies.

Operating resources will eventually need to be identified for longer-term compliance. Previously, the EPA estimated LCRI compliance costs to, ultimately, be in the hundreds of millions annually. However, costs should generally remain manageable for the Fitch-rated portfolio, as most utilities have reported finding few to no LSLs in their service areas.

Recent announcements by the EPA suggest the testing and treatment requirements for per- and polyfluoroalkyl substances (PFAS) could change, potentially extending the 2029 deadline by which utilities have to implement solutions to reduce PFAS levels if monitoring shows the maximum contaminant levels (MCLs) or hazard index is exceeded. PFAS have been detected widely across the country, and the EPA estimates between 3,400 and 6,300 public utilities will need to reduce PFAS levels under the rule.

The EPA estimated the annual cost of compliance at $1.5 billion. While the cost will be significant for some utilities, the full magnitude of capital plan and cost implications will largely hinge upon a utility's existing treatment capabilities and water supply sources. With the final MCLs set at near non-detectable levels for two specific compounds, those utilities already treating for PFAS may need to upgrade their treatment capabilities further. Compliance strategies vary across utilities. While many are proceeding with treatment upgrades based on existing levels and timelines, others await further EPA guidance on expected deadline extensions. After implementation, those utilities that required new plant construction would be expected to see increased operating budgets to maintain the new treatment facilities over the longer term.

Uncertainty on Federal Financing Front

Fitch has long noted the importance of ongoing federal support for SRF loan programs, which have been a critical source of financing for utilities nationwide. The federal administration's currently proposed fiscal 2026 budget includes a drastic cut to SRF funding — approximately 90%. Even at historical funding levels, demand outpaced available funding. A final determination on SRF funding levels has yet to be made, but the potential reduction in this funding source would drive utilities to other higher-cost financing options.

While not typically a recurring revenue source for most utilities, reimbursement proceeds from the Federal Emergency Management Agency (FEMA) in the aftermath of natural disasters has helped utilities replenish and retain sound reserves. The restructuring or elimination of disaster aid reimbursements (whether via FEMA or different agencies) would not be expected to have a simultaneous sectorwide impact but, instead, have a more acute impact on a case-by-case basis as individual utilities recover after a natural disaster. Over time, Fitch believes utilities more susceptible to flooding, wildfires or hurricanes would be most at risk for credit deterioration.

What to Watch — Reversal or Amendment of Finalized Rules

An amendment of either the LCRI or final PFAS rule to extend the timelines for compliance, or a full reversal of the rules, would ease capital pressures on the sector. However, Fitch would not expect it to result in revising the sector's outlook to 'improving', as many utilities are already undertaking compliance strategies, particularly around PFAS. In such a scenario, the majority of costs would still lead to higher rates and/or debt issuance, resulting in delayed costs, but not cost avoidance.

What to Watch — Cybersecurity Regulations

While no formal regulation has been promulgated in relation to cybersecurity, it remains a topic of discussion — and potential vulnerability — for the sector. As such, Fitch expects that water and sewer utilities will eventually have to comply with certain cybersecurity practices. Shorter-term spending would likely focus on conducting cybersecurity assessments, but any identified vulnerabilities or successful breaches at a utility could result in unforeseen capex.

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Affordability of Service

Affordability Holds Steady, But Longer-Term Pressures Remain

The Fitch-rated portfolio, as a whole, maintains sound rate flexibility. Utility charges sectorwide rose at a faster pace than CPI growth for many years leading up to the pandemic, and an acceleration in rate adjustments resumed in 2023. Rates adopted in fiscal years 2024 and 2025 were generally closer to the CPI (which itself was higher than in pre-pandemic years), but sufficiently supported higher operating and capital costs. While affordability has not materially eroded to date, stakeholders remain focused on affordability concerns as rate actions continue into 2026, particularly for the most economically vulnerable.

A program to aid lower-income individuals, the Low Income Household Water Assistance Program (LIHWAP), was created as part of federal legislation in 2021, but funding expired at the end of 2023. Although bills were introduced in 2024 in both chambers of the U.S. Congress, neither progressed to the other chamber. Longer-term affordability concerns would only be mitigated by a permanently funded program.

What to Watch — Trends in Service Affordability

In the longer term, affordability remains a concern as utilities across the country look to increase capital spending to maintain, improve or replace assets. This will necessitate ongoing rate adjustments.

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Sector outlooks are a general forward-looking assessment of the underlying operational and business conditions of the sector compared to the previous calendar year. A 'neutral' outlook is an assessment that these conditions will remain mostly unchanged. Sector outlooks are distinct from Rating Outlooks.

Outlooks and Related Research

2026 Outlooks
Global Economic Outlook - December 2025
Further Cuts to Colorado River Water Use Could Increase Utility Costs (November 2025)
U.S. Water and Sewer - Peer Credit Analysis (September 2025)
U.S. Water and Sewer Data Comparator: 2025 (September 2025)
California Wildfire Challenges May Test US Public Finance Resilience (January 2025)

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MOODY'S RATINGS

SECTOR PROFILE

25 July 2025

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Water & Sewer Utilities - US

Medians - Revenue growth, liquidity and debt service coverage remain strong

Summary

Municipal water and sewer utilities benefited from steady net revenue growth, improved debt service coverage and robust liquidity, according to our medians data for fiscal[1] 2023. Continued strong financial results highlight utilities' ability to raise rates and the essentiality of their services. Even as operating and maintenance expenses increased sectorwide, debt service coverage increased and liquidity remained strong. While median asset life improved, aging assets remain a long-term issue, as do Environmental Protection Agency regulations which will require utilities to continue investing in capital. Data in this report is derived from more than 630 water and sewer utilities we rate; most are enterprises of a city or county. Other water and sewer systems are standalone authorities.

» **Revenue grew in fiscal 2023.** Sectorwide, more than half of water and sewer utilities that we rate had revenue growth of about 5.2% or greater. Preliminary data suggests this trend will continue, with all sectors showing higher revenue in 2024.

» **Operating and maintenance (O&M) costs grew sectorwide.** Water and sewer utilities saw median O&M increases of 9% from the prior year. O&M costs will further increase in 2024 as utilities contend with the expense of addressing aging infrastructure.

» **Net revenue improved significantly.** Net revenue rose by at least 11% for more than half of utilities, which helped systems further improve coverage. Net revenue will continue to grow in 2024, supported by active rate management.

» **Strong, stable debt service coverage provided a buffer against potential shocks.** After remaining flat since fiscal 2021, median coverage increased modestly to 2.4x in fiscal 2023, indicating good capacity to pay debt even under stressed scenarios. Coverage will remain strong even as preliminary 2024 data shows debt increasing sectorwide

» **Liquidity declined but remained strong across all utilities.**After a steady trend of increasing liquidity over the past few years, days cash on hand declined to a still strong 542 days. Liquidity will remain strong in fiscal 2024, though modest declines in cash on hand are likely as healthy revenue growth continues.

» **Leverage fell slightly.** The median debt-to-revenue ratio improved to a modest 2.0, driven by increases in revenue coupled with sectorwide declines in net funded debt. Leverage is likely to increase in 2024 as systems continue to address growing capital needs.

» **Reported asset condition remained stable.**Utilities continued to invest in infrastructure, with median useful life remaining solid at 28 years. Aging assets remain a widespread risk and will eventually require significant investment in replacements.

Revenue continued to grow, helped by independent rate-raising authority and essentiality of services

» Independent rate-setting authority, essentiality of services and fixed charges continued to underpin the strength of utilities' revenue. More than half of utilities we rate had revenue growth of 5.2% or higher in fiscal 2023.

» Following pandemic-related delays in rate adjustments, many utilities implemented larger-than-typical rate increases to account for these deferments and high inflation, which continued into fiscal 2023. Continued rate increases will be necessary to fund significant capital needs, though affordability for ratepayers will remain an issue for the sector.

Exhibit 1

Revenue improved for water, sewer and combined systems in fiscal 2023

Sources: Audited financial statements and Moody's Ratings

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

O&M expenses grew sectorwide, driven by inflation and cash funding of capital projects

» Operating and maintenance (O&M) expenses continued to rise after a brief plateau in fiscal 2022. Sectorwide, the median O&M expense increased 10% in fiscal 2023 compared with the prior year. Combined utilities saw growth in O&M costs of 14% while water utilities had an increase of 8.4%. Cost increases were more modest for sewer utilities, at 1.5%.

» Rising costs for construction materials and treatment chemicals driven by steep inflation and supply chain disruptions have led to particularly high costs for repairs and large capital projects for some utilities. Sharp expense increases can strain affordability and hinder capital investment.

Exhibit 2

Operations and maintenance (O&M) expenses grew sectorwide

Sources: Audited financial statements and Moody's Ratings

Continued annual net revenue growth highlights sector strength

» Net revenue improved in fiscal 2023 as growth in revenue, supported by rate increases, outpaced growing sectorwide expenses. Across the sector, net revenue rose by at least 11% over the prior year for more than half of utilities, providing additional capacity to cash-finance capital improvements or build liquidity. Median net revenue increased for sewer and water utilities, but declined modestly for combined utilities.

» Net revenue has consistently grown in recent years, highlighting the benefits of the sector's independent rate-raising ability, essentiality of services, and strong multiyear planning for future capital needs. Increased investment income has also contributed to growth in net revenue.

Exhibit 3

Net revenue improved sectorwide as revenue outpaced expenditures

Sources: Audited financial statements and Moody's Ratings

Strong debt service coverage continued to provide a buffer

» Sectorwide debt service coverage – annual net revenue divided by annual debt service – increased modestly to 2.4x. Coverage remained well in excess of standard rate covenants, which are usually between 1.0x and 1.5x annual debt service.

» Water and sewer utilities saw a median increase in coverage to 2.4x and 2.3x, respectively, up from 2.1x coverage in fiscal 2022. Median coverage for combined systems increased to 2.6x from 2.3x in the prior year.

» Very strong debt service coverage and liquidity provide utilities with a substantial ability to withstand shocks. Revenue continues to trend positively, but even under a stress scenario of a 10% decline in revenue the median coverage ratio for water and sewer utilities we rate would remain strong, at 2.2x, in fiscal 2023. This is a material increase from previously reported median coverage under a similar stress scenario.

Exhibit 4

Debt service coverage improved, exceeding 2.3x across the sector

Sources: Audited financial statements and Moody's Ratings

Liquidity remained strong despite growing operating expenses

» Sectorwide, liquidity remains robust – total cash grew by almost 6% for most utilities – providing flexibility to manage potential revenue swings, address unanticipated expenses, or fund certain capital projects.

» Despite increases in cash across the sector, increases in O&M expenses resulted in a modest decline in days cash on hand to a still robust 542 days. Median liquidity declined by 2.3% sectorwide in fiscal 2023. Sewer utilities continued to maintain the highest levels of cash, with liquidity of 641 days.

Exhibit 5

Liquidity remained strong, with the three system types maintaining more than a year of operating cash

Sources: Audited financial statements and Moody's Ratings

Leverage declined, signaling good borrowing capacity

» Net funded debt to revenue declined 4.8% sectorwide to 2.0x in fiscal 2023, driven by growth in revenue coupled with declines in debt. While median debt-to-revenue for water, sewer and combined utilities all declined modestly, available audits for fiscal 2024 indicate this metric may increase as systems contend with infrastructure needs.

» Careful management of debt provides utilities with good capacity to address their most pressing needs, though projected costs to address aging infrastructure, to remain in compliance with laws and regulations, and to mitigate growing environmental risks are significant.

» Environmental Protection Agency (EPA) regulations that limit the concentration of per- and polyfluoroalkyl substances (PFAS), also known as forever chemicals, and regulations requiring utilities to replace all lead service lines (LSLs) within 10 years will also result in the need to issue debt. While while we expect utilities to carry on with capital plans to ensure compliance with existing state and federal regulations, potential changes in federal requirements may reduce some of these requirements, especially regarding PFAS.

» Continued spending to address wastewater consent decrees will also contribute to increased debt issuance.

Exhibit 6
Leverage remained low in fiscal 2023

Sources: Audited financial statements and Moody's Ratings

Reported asset condition improved

» Median sectorwide asset condition – net fixed assets divided by depreciation expense – remained healthy at 28.3 years, a slight increase indicating that utilities continue to invest in their systems.

» Continued usage of fully depreciated system components, particularly pipes, is common in the sector, but typically not reflected in a utility's reported capital asset figures. The projected cost to replace aging infrastructure is significant and presents a major credit challenge for the sector.

Exhibit 7
Remaining useful life of assets remained largely stable

Sources: Audited financial statements and Moody's Ratings

Basis for medians

This report conforms to our US Municipal Utility Revenue Debt methodology published in March 2024. As such, the medians presented here are based on the key metrics outlined in the methodology and the associated scorecard. The appendix of this report provides additional metrics broken out by sector and rating category.

We use data from a variety of sources to calculate the medians, some of which have differing reporting schedules. The median family income data (see below) was derived from the 2023 US Census American Community Survey.

Medians for some rating levels, namely Aaa-, Baa-, and Ba-rated issuers (see below), are based on relatively small sample sizes. These medians may therefore be subject to substantial year-over-year variation.

Our ratings reflect our forward-looking opinion derived partly from forecasts of financial performance and qualitative factors, as opposed to strictly historical quantitative data. Our expectation of future performance, combined with the relative importance of certain metrics on individual utility ratings, account for the range of values that can be found within each rating category.

Key ratios

- Net revenue: operating revenue minus operating expenditures net of depreciation
- Debt service coverage: net revenue divided by annual debt service
- Days cash on hand: unrestricted cash and liquid investments multiplied by 365 and divided by operating and maintenance expenses (net of depreciation), expressed in days
- Debt to operating revenue: net long-term debt less debt service reserve funds divided by annual operating revenue
- Asset condition: net fixed assets divided by depreciation expense, expressed in years

Appendix A: Water, sewer and combined utilities

Exhibit 8

Medians for US water utilities

Fiscal 2019-2024

Selected Indicators	2019	2020	2021	2022	2023	2024*
Moody's Median Senior Revenue Rating					Aa3	
Median Family Income (% of US Median)	99%	100%	100%	98%	95%	n/a
Asset Condition: (Remaining Useful Life)	30	30	30	30	31	31
Debt to Operating Revenue	2.0	1.9	1.9	1.9	1.7	2.0
Annual Debt Service Coverage	2.2	2.3	2.3	2.1	2.4	2.4
Days Cash on Hand	426	468	500	506	495	459
System Size: (O&M, $000)	11,041	11,310	11,919	12,011	13,023	21,728
Net Revenue ($000)	10,696	10,292	10,776	10,441	10,684	17,542
Net Funded Debt ($000)	36,450	38,515	40,250	41,343	39,891	66,163
Total Revenue ($000)	19,319	20,045	22,213	20,272	21,431	41,964

*Fiscal 2024 data is preliminary.
Source: Moody's Ratings

Exhibit 9

Medians for US sewer utilities

Fiscal 2019-2024

Selected Indicators	2019	2020	2021	2022	2023	2024*
Moody's Median Senior Revenue Rating					Aa3	
Median Family Income (% of US Median)	100%	101%	101%	100%	100%	n/a
Asset Condition: (Remaining Useful Life)	29	29	28	28	28	28
Debt to Operating Revenue	2.5	2.5	2.4	2.4	2.3	2.4
Annual Debt Service Coverage	2.1	2.0	2.2	2.1	2.3	2.4
Days Cash on Hand	617	647	661	685	641	657
System Size: (O&M, $000)	13,825	14,646	14,714	16,404	16,648	26,949
Net Revenue ($000)	14,179	14,586	14,117	15,199	16,650	26,244
Net Funded Debt ($000)	60,981	63,200	59,662	76,835	72,618	119,060
Total Revenue ($000)	26,408	26,287	26,366	29,421	30,093	44,454

*Fiscal 2024 data is preliminary.
Source: Moody's Ratings

Exhibit 10

Medians for US combined water and sewer utilities

Fiscal 2019-2024

Selected Indicators	2019	2020	2021	2022	2023	2024*
Moody's Median Senior Revenue Rating					Aa3	
Median Family Income (% of US Median)	93%	93%	92%	93%	93%	n/a
Asset Condition: (Remaining Useful Life)	27	27	26	26	27	11
Debt to Operating Revenue	2.1	2.1	2.1	2.0	1.9	1.9
Annual Debt Service Coverage	2.3	2.4	2.4	2.3	2.6	2.8
Days Cash on Hand	461	456	486	511	496	527
System Size: (O&M, $000)	18,382	18,975	20,100	19,733	22,499	8,808
Net Revenue ($000)	13,902	14,961	15,129	16,041	15,811	29,934
Net Funded Debt ($000)	59,636	57,415	56,805	58,364	59,855	72,405
Total Revenue ($000)	31,619	32,498	33,103	33,946	35,242	43,755

*Fiscal 2024 data is preliminary.
Source: Moody's Ratings

Appendix B: Water utilities by rating category

Exhibit 11
Rating distribution for US water utilities
Fiscal 2023

Blue highlighted bar represented median water utility rating.
Source: Moody's Ratings

Exhibit 12
Medians for US water utilities by rating category
Fiscal 2023

Selected Indicators	Aaa	Aa	A	Baa	Ba
Count	11	141	51	3	0
Median Family Income (% of US Median)	123%	102%	82%	47%	NA
Asset Condition: (Remaining Useful Life)	37	31	25	30	NA
Debt to Operating Revenue	1.9	1.7	1.6	1.1	NA
Annual Debt Service Coverage	3.0	2.4	2.0	2.1	NA
Days Cash on Hand	416	509	468	391	NA
System Size: (O&M, $000)	107,622	20,603	4,618	3,458	NA
Net Revenue ($000)	109,034	14,145	3,345	888	NA
Net Funded Debt ($000)	354,565	57,326	12,384	2,705	NA
Total Revenue ($000)	208,417	32,553	7,587	2,571	NA

Source: Moody's Ratings

Appendix C: Sewer utilities by rating category

Exhibit 13

Rating distribution for US sewer utilities

Fiscal 2023

Blue highlighted bar represented median water utility rating.

Source: Moody's Ratings

Exhibit 14

Medians for US sewer utilities by rating category

Fiscal 2023

Selected Indicators	Aaa	Aa	A	Baa	Ba
Count	3	105	34	2	0
Median Family Income (% of US Median)	133%	104%	83%	92%	NA
Asset Condition: (Remaining Useful Life)	27	29	26	28	NA
Debt to Operating Revenue	2.4	2.2	2.5	7.1	NA
Annual Debt Service Coverage	3.2	2.3	1.9	1.8	NA
Days Cash on Hand	1600	667	570	342	NA
System Size: (O&M, $000)	120,991	21,116	8,705	133,785	NA
Net Revenue ($000)	151,820	21,644	4,864	211,429	NA
Net Funded Debt ($000)	645,018	89,237	18,812	2,197,817	NA
Total Revenue ($000)	242,725	36,561	13,160	321,590	NA

Source: Moody's Ratings

Appendix D: Combined utilities by rating category

Exhibit 15

Rating distribution for US combined water and sewer utilities
Fiscal 2023

Blue highlighted bar represented median water utility rating.
Source: Moody's Ratings

Exhibit 16

Medians for US combined water and sewer utilities by rating category
Fiscal 2023

Selected Indicators	Aaa	Aa	A	Baa	Ba
Count	14	191	75	4	2
Median Family Income (% of US Median)	113%	96%	84%	72%	89%
Asset Condition: (Remaining Useful Life)	25	28	26	26	28
Debt to Operating Revenue	1.6	1.8	2.6	6.0	7.1
Annual Debt Service Coverage	4.0	2.8	1.8	1.4	1.0
Days Cash on Hand	883	568	289	137	394
System Size: (O&M, $000)	121,407	28,775	9,795	34,097	785
Net Revenue ($000)	99,407	21,344	5,223	34,564	859
Net Funded Debt ($000)	336,884	72,783	34,022	302,613	11,525
Total Revenue ($000)	216,858	42,644	15,341	63,333	1,578

Source: Moody's Ratings

Endnotes

1 There are various year ends. Reference to years refers to the fiscal year of the issuers included in the calculation of the medians.

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GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

Re: CFO Report

Charges Outreach and Modeling Holds Member Partner Events

The Charges Outreach & Modeling Team participated in two Zoom events for member partners during the month of November. The first event, "Charges 101: Foundations of GLWA Charge-Making" was held on November 6, 2025 and the second meeting titled Charges Rollout 1 & 2 was hosted November 13, 2025.

During these events, Charges Outreach & Modeling Manager, Matt Lane, led member partners through the Charges 101 training, providing a high-level overview of the process for developing charges as well as a historical look at how rates and charges for DWSD and GLWA have evolved over the decades. Matt Lane along with Management Professional Guy Belew discussed the preliminary units of service analysis for FY 2027. Both events were well-attended and helped kick off the rollout process for upcoming fiscal year.

Procurement Continues to Explore Inclusive Opportunities Among Vendor Partners

On November 6, 2025, Procurement Manager, Michael Lasley and Management Professional, Tina Clinkscales, attended Diverse Connections, an Oakland County Purchasing Event. The event, which was co-hosted by Oakland County and the economic development group Oakland Thrive, was designed to help create new connections between buyers from public organizations and the vendors interested in doing business with them. Introductory remarks from Oakland County Executive Dave Coulter, Chief Diversity Officer Harry Weaver, and Deputy County Executive Sean Carlson, as well as officials from Oakland Thrive, opened the event and were followed by opportunities to network with buyers from government agencies, schools, universities, and local businesses. GLWA staffed a table alongside 30 buying organizations. The GLWA team had the chance to speak with over 150 vendors about how to register in the Euna Procurement Portal, submit a successful bid or proposal response to open opportunities, and fulfill the requirements of the Business Inclusion and Diversity (B.I.D.) program.

Also in November, Jeanette Drive, Procurement Manager of the B.I.D. program, attended the national Minority Supplier Development conference. The conference this year focused on navigating transformation and rapidly technological innovation in these economic times and how Minorty Business Enterprises (MBE) and their partners can manage risk and identify opportunities for growth. In addition to networking opportunities, attendees explored panels focused on inclusive procurement, impact sourcing and collaborations to strengthen supply chains to the benefit of organizations, partners and the communities they work within.

GLWA

Great Lakes Water Authority

Monthly Financial Report Binder

September 2025

Presented to the
Great Lakes Water Authority
Audit Committee on December 19, 2025

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Financial Report
Executive Summary Dashboard
for the Month Ended September 30, 2025

Key Financial Metrics

The table below provides key report highlights and flags the financial risk of a budget shortfall or need for year-end budget amendments as follows: No Risk (green) - Potential (yellow) - Likely (red)

Variances are monitored by the Great Lakes Water Authority (GLWA) management and operating and/or budget priorities are re-evaluated where appropriate. Amendments, if needed, are prepared no less than quarterly based on current information. Amendments are being proposed as of September 30, 2025 at the same meeting that this report is being presented. Those amendments will appear in future monthly financial reports.

Capital spending varies for both systems for different reasons. Water system under spending relates to delays in four projects as reported in a recent Key Performance Indicator Report (Legistar #2025-413). Sewer system capital spend is substantially above plan because of a recent increase in State Revolving Fund (SRF) loans awarded for projects that were approaching construction phase. In September 2025, GLWA was notified of 5 projects that received a total of $232.7 million in funding.

As of September 30, 2025					
Metric	FY 2026 Budget	FY 2026 Amended Budget	FY 2026 Actual	Variance from Financial Plan	Report Page Reference
Wholesale Water Billed Revenue ($M)	$104.1	$104.1	$104.0	0%	50
Wholesale Water Billed Usage (mcf)	4,058,000	4,058,000	4,156,000	2%	
Wholesale Sewer Billed Revenue ($M)	$74.8	$74.8	$74.8	0%	52
Wholesale Water Operations & Maintenance ($M)	$45.6	$45.6	$47.2	4%	4
Wholesale Sewer Operations & Maintenance ($M)	$59.0	$59.0	$57.5	-3%	
Investment Income ($M)	$9.4	$9.4	$13.1	39%	39
Water Prorated Capital Spend w/SRA* ($M)	$46.0	$46.0	$19.0	-59%	30
Sewer Prorated Capital Spend w/SRA* ($M)	$48.0	$48.0	$69.0	44%	31

*SRA refers to the capital spending ratio assumption which allows capital program delivery realities to align with the financial plan.

Master Bond Ordinance (MBO) Trust Net Receipts (page 53)

Net cash flow receipts remain positive for GLWA and DWSD Water and Sewer. This means that all legal commitments of the MBO trust and the lease payment are fully funded – and that positive cash flow is available for additional capital program funding in subsequent year(s). DWSD water reports a surplus of $6.8 million and DWSD sewer reports a surplus of $13.1 million of net receipts over disbursements through September 2025.

Budget to Actual Analysis (page 3)

- The total revenue requirements are on target through September 2025.
- The total overall Operations & Maintenance expenses are 25% of budget through September 2025 which is at the pro-rata benchmark of 25.0%.

Basic Financial Statements (page 10)

- The basic financial statements are prepared on a full accrual basis and reflect preliminary, unaudited results.
- Operating income for September 2025 is $40.19 million for the Water fund (35.9% of total revenues) and $39.7 million for the Sewage Disposal fund (30% of total revenues).
- Water net position increased by $25.6 million, and sewage disposal net position increased by $17.8 million for the year to date through September 2025.

Capital Improvement Plan Financial Summary (page 29)

- Water system costs incurred to date are below the 100% Capital Spend Ratio assumption.
- Sewer system costs incurred to date are above the 100% Capital Spend Ratio assumption.

Master Bond Ordinance Transfers (page 32)

- For September 2025, transfers of $47.5 million and $61.8 million were completed for the GLWA Water and Sewer funds, respectively.
- Also, for September 2025, transfers of $18.0 million and $21.9 million were completed for the DWSD Water and Sewer funds, respectively.

Cash Balances & Investment Income (page 39)

- Total cash & investments are $697.0 million for Water and $655.0 million in the Sewer fund.
- Total, combined, cumulative, FY 2026 investment income through September 2025 is $13.1 million.

DWSD Retail Revenues, Receivables & Collections (page 43)

- Water usage through September 30, 2025 is 98.41% and revenues are 96.76% of budget.
- Sewer usage through September 30, 2025 is 95.77% and revenues are 97.27% of budget.
- Combined accounts receivable balances for the Water and Sewer funds report an increase of $48.1 million over the prior year.
- Past dues over 180 days make up 75.4% of the total accounts receivable balance. The current bad debt allowance covers 96.2% of past dues over 60 days.

GLWA Wholesale Billing, Receivables & Collections (page 49)

- GLWA accounts receivable past due balance net of Dearborn is .5% of the total accounts receivable balance. Discussions remain underway between GLWA and Dearborn regarding the water balance in dispute.
- Average wholesale water collections of $28.9 million for the period of October 2024 through September 2025 are trending $1.1 million above the prior year.
- Average wholesale sewer collections of $24.3 million for the period of October 2024 through August 2025 are trending $1.5 million above the prior year.

Questions? Contact the Office of the Chief Financial Officer & Treasurer at CFO@glwater.org.

The Monthly Budget to Actual Analysis report includes the following three sections.

1. Revenue Requirements Budget Basis Analysis
2. Operations & Maintenance Budget – Major Budget Categories
3. Alignment of Operations & Maintenance Budget Priorities – Expense Variance Analysis

Revenue Requirements Budget Basis Analysis

GLWA's annual revenue requirements represent the basis for calculating Member Partner charges and aligns with the Master Bond Ordinance flow of funds categories. The budget basis is not the same as the full accrual basis used for financial reporting although the revenues and operations and maintenance expenses are largely reported on an accrual basis. The primary difference between the revenue requirements budget basis to the financial reporting basis is the treatment of debt service, legacy pension obligations, and lease related activities. The Revenue Requirements Basis is foundational to GLWA's daily operations, financial plan, and of most interest to key stakeholders.

Table 1A – Water Revenue Requirements Budget and ***Table 1B – Sewer Revenue Requirements Budget*** presents a year-over-year budget to actual performance report. The revenue requirements budget is accounted for in the operations and maintenance fund for each system. The tables in this analysis reflect actual amounts spent. If this analysis was on a master bond ordinance (MBO) basis, like that used for calculating debt service coverage, O&M "expense" would equal the pro-rata budget because 1/12 of the O&M budget is transferred monthly outside the MBO trust to an O&M bank account. This report is for September 2025 therefore the pro-rata benchmark is 25.0% (3 of 12 months of the fiscal year).

Wholesale charges presented in Table 1A differ from those presented in *Table 2 – Statement of Revenues, Expenses and Changes in Net Position* found in the *Basic Financial Statement* section of this report. Water Revenues presented in Table 1A for revenue requirement purposes are reduced by the monthly credit issued to the City of Flint for a license to raw water rights under the Flint Raw Water Contract as documented in Appendix A-2 of the Flint Water Agreement. Through September 30, 2025, these payments total $1.2 million for FY 2026.

Table 1A – *Water* Revenue Requirements Budget (year-over-year) – ($000)

Water System	FY 2025 Amended Budget	FY 2025 Activity Thru 9/30/2024	Percent Year-to-Date at 9/30/2024	FY 2026 Board Adopted Budget	FY 2026 Amended Budget	FY 2026 Activity Thru 9/30/2025	Percent Year-to-Date at 9/30/2025
Revenues							
Wholesale Charges	$ 347,758	$ 94,396	27.1%	$ 365,646	$ 365,646	$ 103,212	28.2%
Charges to Local System	27,095	6,774	25.0%	30,029	30,029	7,507	25.0%
Investment Earnings	15,818	4,183	26.4%	12,784	12,784	3,769	29.5%
Other Revenue	400	54	13.6%	303	303	144	47.4%
Total Revenues	$ 391,071	105,407	27.0%	$ 408,761	408,761	114,632	28.0%
Revenue Requirements							
Operations & Maintenance Expense	$ 182,227	$ 39,571	21.7%	$ 182,456	$ 182,456	$ 47,233	25.9%
Debt Service	161,945	44,776	27.6%	179,082	179,082	44,771	25.0%
General Retirement System Pension	1,653	571	34.5%	2,731	2,731	683	25.0%
Water Residential Assistance Program Contribution	1,877	487	25.9%	1,970	1,970	493	25.0%
Extraordinary Repair & Replacement Deposit	2,650	-	0.0%	320	320	-	0.0%
Regional System Lease	22,500	5,625	25.0%	22,500	22,500	5,625	25.0%
Working Capital Requirement	4,956	-	0.0%	600	600	-	0.0%
Improvement & Extension Fund Transfer Pending	13,263	1,818	13.7%	19,102	19,102	4,776	25.0%
Total Revenue Requirements	$ 391,071	92,848	23.7%	$ 408,761	408,761	103,579	25.3%
Net Difference		$ 12,559				$ 11,052	
Recap of Net Difference							
Revenue Variance		$ 7,639				$ 12,441	
Revenue Requirement Variance		4,920				(1,389)	
Net Difference		$ 12,559				$ 11,052	

Table 1B – Sewer Revenue Requirements Budget (year-over-year) – ($000)

Sewer System	FY 2025 Amended Budget	FY 2025 Activity Thru 9/30/2024	Percent Year-to-Date at 9/30/2024	FY 2026 Board Adopted Budget	FY 2026 Amended Budget	FY 2026 Activity Thru 9/30/2025	Percent Year-to-Date at 9/30/2025
Revenues							
Wholesale Charges	$ 287,387	$ 72,089	25.1%	$ 300,317	$ 300,317	$ 74,997	25.0%
Charges to Local System	205,925	51,481	25.0%	215,324	215,324	53,831	25.0%
Industrial Waste Control Charges	8,719	2,218	25.4%	9,150	9,150	2,310	25.2%
Pollutant Surcharges	5,434	1,055	19.4%	5,113	5,113	1,234	24.1%
Investment Earnings	20,605	5,716	27.7%	14,615	14,615	4,687	32.1%
Other Revenue	700	111	15.8%	443	443	115	26.0%
Total Revenues	$ 528,770	132,670	25.1%	$ 544,962	544,962	137,174	25.2%
Revenue Requirements							
Operations & Maintenance Expense	$ 235,192	$ 62,124	26.4%	$ 236,099	$ 236,099	$ 57,480	24.3%
Debt Service	217,449	57,919	26.6%	220,885	220,885	55,221	25.0%
General Retirement System Pension	3,719	1,212	32.6%	5,633	5,633	1,408	25.0%
Water Residential Assistance Program Contribution	2,542	663	26.1%	2,639	2,639	660	25.0%
Extraordinary Repair & Replacement Deposit	276	-	0.0%	-	-	-	0.0%
Regional System Lease	27,500	6,875	25.0%	27,500	27,500	6,875	25.0%
Working Capital Requirement	-	-	0.0%	-	-	-	0.0%
Improvement & Extension Fund Transfer Pending	42,094	7,035	16.7%	52,208	52,208	13,052	25.0%
Total Revenue Requirements	$ 528,770	135,828	25.7%	$ 544,962	544,962	134,695	24.7%
Net Difference		$ (3,158)				$ 2,478	
Recap of Net Difference							
Revenue Variance		$ 477				$ 933	
Revenue Requirement Variance		(3,635)				1,545	
Net Difference		$ (3,158)				$ 2,478	

Items highlighted in gold on Tables 1A (Water) and 1B (Sewer) are discussed below.

Revenues

1. ***Total Revenues***: For the *water* system, total revenues for FY 2026 are above the pro-rata benchmark; the *water* system is at 28.0%. For the *sewer* system, total revenues for FY 2026 are slightly above the pro-rata benchmark at 25.2%. Detailed schedules related to revenues are provided in the *Wholesale Billings, Collections, and Receivables* section of this financial report binder.
2. ***Investment Earnings:*** For the *water* system, investment earnings are above the pro-rata benchmark for FY 2026 at 29.5%. The *sewer* system is also above the pro-rata benchmark for FY 2026 at 32.1%. FY 2026 investment earnings are slightly lower than FY 2025 earnings due to the Federal Reserve moving monetary policy to a more neutral level. GLWA continues to refine cash flows and work with its investment advisor to identify strategies to maximize investment income while meeting the objectives of safety and liquidity.
3. ***Other Revenues:*** These are one-time and unusual items that do not fit an established revenue category. Both the *water* and *sewer* systems' actual amount will vary from budget due to the nature of the items recorded in this category.

Revenue Requirements - The revenue requirements for *both* systems are funded on a 1/12th basis each month in accordance with the Master Bond Ordinance (MBO). An exception is Extraordinary Repair & Replacement Fund deposit which is calculated based on minimum and maximum balance requirements set forth in the MBO and adjusted as needed to maintain compliance.

4. ***Operations & Maintenance Expense:*** Actual expenses for the *water* system are above the pro-rata benchmark for FY 2026 at 25.9%, and the *sewer* system O&M is below the pro-rata benchmark for FY 2026 at 24.3%.
5. ***Debt Service:*** For FY 2026, the *water* system and *sewer* system are in-line with the pro-rata benchmark at 25.0%. The activity is based on the debt payment schedules adjusted for the State Revolving Fund loans that are still being drawn down and may cause temporary variances pending realignment with budget.
6. ***Working Capital Requirement / Net Difference:*** The overall variance (net difference) reported represents the difference between revenues and revenue requirements. To the extent that there is a positive budget variance, staff perform a post-year end closing analysis. Based on this analysis and depending on working capital requirements, some or all of this variance may be transferred to the Improvement & Extension funds in the subsequent year.
7. ***Improvement & Extension (I&E) Fund Transfer Pending:*** The contribution to the I&E Fund is for improvements, enlargements, extensions, or betterment of the *water* and *sewer* systems.
8. ***Total Revenue Requirements:*** Total revenue requirements for the water system are above the pro-rata benchmark at 25.3%. Total revenue requirements for the sewer system are below the pro-rata benchmark at 24.7%.

Operations & Maintenance Budget – Major Budget Categories

The benchmark ratio as of September 30, 2025, is 25.0% (three months), with the total O&M budget right at the benchmark. When comparing FY 2026 to FY 2025 in ***Table 2 – Operations & Maintenance Budget – Major Budget Categories***, the overall spending in FY 2026 is above FY 2025 thru three months of operations, but still within the benchmark ratio.

In addition to the four major budget categories, an internal charge cost center for employee benefits is shown on the table below. If the number is positive, it indicates that the internal cost allocation rate charges to other cost centers is not sufficient. A negative number indicates a surplus in the internal cost center. A moderate surplus is preferred as it provides a hedge for mid-year benefit program cost adjustments (premiums adjust on January 1 each year) as well as managing risk as the program is partially self-insured.

Table 2 – Operations & Maintenance Budget – Major Budget Categories – ($000)

Service Area	FY 2025 Amended Budget	FY 2025 Activity Thru 9/30/2024	Percent Year-to-Date at 9/30/2024	FY 2026 Board Adopted Budget	FY 2026 Amended Budget	FY 2026 Activity Thru 9/30/2025	Percent Year-to-Date at 9/30/2025
A Water System Operations	$ 94,398	$ 25,377	26.9%	$ 101,501	$ 101,501	$ 25,420	25.0%
B Wastewater System Operations	145,040	37,765	26.0%	156,573	156,573	37,995	24.3%
C Centralized Services	135,244	30,137	22.3%	117,388	117,388	28,517	24.3%
D Administrative & Other Services	42,737	8,872	20.8%	43,094	43,094	11,761	27.3%
Employee Benefits	-	(456)	-100.0%	-	-	1,020	100.0%
Total O&M Budget	$ 417,419	$ 101,695	24.4%	$ 418,555	$ 418,555	$ 104,713	25.0%

Totals may be off due to rounding

Alignment of Operations & Maintenance Budget Priorities – Expense Variance Analysis

The purpose of ***Table 3 – Operations & Maintenance Expense Variance Analysis*** is to evaluate whether the actual spend rate within a natural cost category is in alignment with the budget. Given the effort to develop an accurate budget, a variance is a red flag of a *potential* budget amendment or misalignment of priorities. This table includes both the water and sewage disposal funds.

Table 3 –Operations & Maintenance Expense Variance Analysis – ($000)

Expense Categories	FY 2025 AMENDED BUDGET	FY 2025 ACTIVITY THRU 9/30/2024	Percent Year-to-Date at 9/30/2024	FY 2025 ACTIVITY THRU 6/30/2025	Percent Year-to-Date at 6/30/2025	FY 2026 AMENDED BUDGET	FY 2026 PRORATED AMENDED BUDGET (3 MONTHS)	FY 2026 ACTIVITY THRU 9/30/2025	Percent Year-to-Date 9/30/2025	FY 2026 Prorated Amended Budget Less FY 2026 Activity
Personnel Costs										
Salaries & Wages	$ 85,807	$ 18,391	21.4%	$ 84,979	21.6%	$ 86,633	$ 21,658	$ 24,463	28.2%	$ (2,804)
Workforce Development	2,363	638	27.0%	2,811	22.7%	3,747	937	572	15.3%	365
Overtime	9,605	6,072	63.2%	10,125	60.0%	8,911	2,228	2,724	30.6%	(496)
Employee Benefits	32,244	7,090	22.0%	30,773	23.0%	31,123	7,781	8,946	28.7%	(1,166)
Transition Services	8,516	2,024	23.8%	8,195	24.7%	8,491	2,123	2,136	25.2%	(13)
Employee Benefits Fund	-	(456)	-100.0%	-	0.0%	-	-	1,020	100.0%	(1,020)
Total Personnel Costs	*138,535*	*33,759*	24.4%	*136,883*	24.7%	*138,905*	*34,726*	*39,861*	28.7%	*(5,135)*
Utilities										
Electric	48,121	13,831	28.7%	46,578	29.7%	51,308	12,827	11,930	23.3%	897
Gas	7,000	1,548	22.1%	7,661	20.2%	7,113	1,778	1,690	23.8%	88
Sewage Service	2,980	318	10.7%	2,400	13.2%	2,455	614	601	24.5%	13
Water Service	11,602	1,940	16.7%	10,420	18.6%	12,203	3,051	3,082	25.3%	(31)
Total Utilities	*69,703*	*17,636*	25.3%	*67,059*	26.3%	*73,079*	*18,270*	*17,302*	23.7%	*967*
Chemicals	38,235	9,195	24.0%	34,385	26.7%	38,365	9,591	7,798	20.3%	1,793
Supplies & Other	45,294	11,184	24.7%	45,727	24.5%	45,211	11,303	10,673	23.6%	630
Contractual Services	134,053	31,069	23.2%	128,153	24.2%	120,208	30,052	30,441	25.3%	(389)
Capital Program Allocation	(4,582)	(598)	13.0%	(2,901)	20.6%	(3,431)	(858)	(791)	23.1%	(67)
Shared Services	(2,280)	(550)	24.1%	(2,583)	21.3%	(2,309)	(577)	(572)	24.8%	(6)
Intergovernmental Agreement	(1,540)	-	0.0%	(1,565)	0.0%	-	-	-	0.0%	-
Unallocated Reserve	-	-	0.0%	-	0.0%	8,526	2,132	-	0.0%	2,132
Total Expenses	$ 417,419	$ 101,695	24.4%	$ 405,160	25.1%	$ 418,555	$ 104,639	$ 104,713	25.0%	$ (74)

Totals may be off due to rounding

Total Expenses: In total, the overall O&M expenses are 25.0%, which is in line with the pro-rata benchmark of 25.0%. The Table 3 expense category commentary is provided below.

Personnel Costs: The total personnel costs are above the pro-rata benchmark; coming in at 28.7% through September 2025. Unallocated reserves include budgeted funds for annual wage adjustments that take effect in July each year that are unknown at the time the budget is adopted. These will be allocated to personnel costs with the first budget amendment.

Utilities: The overall category is below with the pro-rata benchmark; coming in at 23.7% through September 2025. Variances within this category, when they occur, are not unexpected as usage varies throughout the year.

- **Electric** is below the pro-rata benchmark, coming in at 23.3%. When compared to the prior fiscal year the year-to-date value represents an approximate $1.9 million reduction. This is primarily due to a reduction in the Power Supply Cost Recovery (PSCR) charge. The first three months of GLWA's fiscal year (July, August, and September) are typically peak months for the usage of electricity. June, the last month of GLWA's fiscal year, is typically a peak month as well.
- **Gas** comes in at 23.8%, which is below the benchmark of 25.0%. Variances are primarily related to a fluctuating cost of gas.
- **Sewage service** is lower than the benchmark, coming in at 24.5%. This is largely due to a change in the utility billing timing requiring a cost recognition methodology update. This methodology update was implemented during the first quarter.
- **Water service** is higher than the benchmark, coming in at 25.3%. This is largely due to a change in the utility billing timing requiring a cost recognition methodology update. This methodology update was implemented during the first quarter.

Chemicals: This category is lower than the benchmark; coming in at 20.3% through September 2025. Usage volumes for chemicals related to lead and copper rule compliance (that is, orthophosphate and ferric chloride) were lower than original estimates. Additionally, the moderate draught in Southeast Michigan resulted in a decrease in chemicals used to handle wet weather events (sodium hypochlorite).

Supplies & Other: This category is lower than the pro-rata benchmark; coming in at 23.6% through September 2025. Given that the nature of the items in this category, such as certain maintenance activities, are subject to one-time expenses that do not occur evenly throughout the year, variances are not unexpected.

Contractual Services: The overall category is slightly above the pro-rata benchmark; coming in at 25.3% through September 2025. Variances in this category, when they occur, are not unexpected as the usage of contracts varies throughout the year (projects scheduled to begin during the latter half of the year as well as contracts that are on an as needed basis). Budget amendments are processed for those projects in which the actual start dates have been delayed.

Capital Program Allocation: This category is lower than the benchmark; coming in at 23.1% through September 2025. The amount in the Capital Program Allocation account is shown as negative as this is a "contra" account which represents an offset to the Personnel Costs category.

Shared Services: This category is lower than benchmark; coming in at 24.8% through September 2025. The shared services reimbursement is comprised of both labor (tracked via BigTime) and expenses, such as annual fees for software licensing. Staff from both GLWA and DWSD have been working together to evaluate and refine the budget for the shared services agreements. Based on these evaluations, adjustments have been made to both the billings and accounting accruals to reflect the forecasted activity more accurately for FY 2026. In addition, it is important to note that some of the shared services agreements are not billed at a monthly rate of 1/12 of the annual budgeted amount and activity includes true-up billings from prior years. The amount in this account is shown as negative as this is a "contra" account which represents an offset to both the Personnel Costs and the Contractual Services categories.

Intergovernmental Agreements: This category did not have any activity through September 2025 and usually is not budgeted for in advance. As activity is incurred, budget amendments will be made to match the activity. The amount in this account is shown as negative as this is a "contra" account which represents an offset to the Contractual Services category.

The Basic Financial Statements report includes the following four tables.

1. Statement of Net Position - All Funds Combined
2. Statement of Revenues, Expenses and Changes in Net Position – All Funds Combined
3. Supplemental Schedule of Operations & Maintenance Expenses – All Funds Combined
4. Supplemental Schedule of Nonoperating Expenses – All Funds Combined

At a macro level GLWA has two primary funds for financial reporting purposes: *Water Fund* and *Sewage Disposal Fund*. These funds represent the combined total of four sub-funds for each system that are used internally to properly account for sources and uses of funds. Those sub-funds for each system are: *Operations & Maintenance Fund*, *Improvement & Extension Fund*, *Construction Fund, and Capital Asset Fund*.

The June 2025 comparative amounts are presented in a draft format. Adjustments related to fiscal year end 2025 audit affect the basic financial statements. The results of these adjustments will be presented in the audited annual report.

Statement of Net Position – All Funds Combined

Explanatory notes follow the Statement of Net Position shown in Table 1 below.

Table 1 – Statement of Net Position - All Funds Combined
As of September 30, 2025
($000)

	Water	Sewage Disposal	Total Business-type Activities	Comparative June 30, 2025
Assets				
Cash - unrestricted (a)	$ 174,253	$ 271,131	$ 445,384	$ 435,531
Cash - restricted (a)	78,823	81,177	160,000	631,066
Investments - unrestricted (a)	150,144	153,505	303,649	219,969
Investments - restricted (a)	273,953	169,355	443,308	259,388
Accounts Receivable	101,698	57,576	159,274	163,009
Due from (to) Other Funds (b)	18,441	(18,441)	-	-
Other Assets (c)	613,338	362,390	975,727	977,212
Capital Assets, net of Depreciation	1,191,175	1,800,481	2,991,656	3,048,416
Land	293,624	126,816	420,440	420,440
Construction Work in Process (e)	567,348	561,917	1,129,266	1,039,383
Total assets	3,462,796	3,565,908	7,028,704	7,194,414
Deferred Outflows (f)	23,891	46,942	70,833	71,631
Liabilities			-	
Liabilities - Liabilities-ST	235,113	264,497	499,610	538,933
Due to (from) Other Funds (b)	-	-	-	-
Other Liabilities (h)	2,236	5,857	8,093	7,500
Cash Held FBO DWSD (d)	33,707	48,419	82,126	57,578
Liabilities - Long-Term (i)	3,183,475	3,171,459	6,354,934	6,546,932
Total liabilities	3,454,531	3,490,233	6,944,763	7,150,943
Deferred Inflows (f)	82,905	92,806	175,710	179,444
Total net position (j)	$ (50,748)	$ 29,811	$ (20,937)	$ (64,342)

Totals may be off due to rounding

The Statement of Net Position reflects a maturing organization with an ongoing trend related to Net Position. The Authority's net position is a deficit but has been incrementally smaller each year. Please see note j below for further explanation.

Footnotes to Statement of Net Position

a. *Cash and Investments* are reported at book value. Investments at June 30, 2025 are reported at market value. The September 30, 2025 values differ from the Cash and Investment section of this Financial Report Binder due to timing of certain items recognized on a cash versus accrual basis.
b. *Due from Other Funds* and *Due to Other Funds* are shown at gross for sub-fund activity.
c. *Other Assets* primarily consist of the contractual obligation receivable from DWSD related to reimbursement of bonded indebtedness for local system improvements.
d. *Cash Held FBO Advance (for benefit of) DWSD* and *Cash Held FBO DWSD* represents the net difference between DWSD retail cash received from customers and net financial commitments as outlined in the Master Bond Ordinance.
e. *Construction Work in Process* represents the beginning balance of CWIP plus any construction spending during the fiscal year. The balance will fluctuate based on the level of spend less any capitalizations or write-offs.
f. *Deferred Inflow* and *Deferred Outflow* relate mainly to financing activity and GLWA's share of the legacy General Retirement System (GRS) pension obligation.
g. *Liabilities - Short-term* include accounts payable, retainage payable, GASB 96 and certain accrued liabilities. Some items, such as compensated absences and worker's compensation, are reviewed periodically but only adjusted in the interim if there is a material change.
h. *Other Liabilities* account for the cash receipts set aside for the Budget Stabilization Fund and the Water Residential Assistance Program.
i. *Liabilities – Long-term* include bonds payable, lease payable, GASB 96 and legacy General Retirement System pension liabilities.
j. *Net Position* is defined by accounting standards as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. A net deficit occurs when the liabilities and deferred inflows exceed assets and deferred outflows. The Sewage Disposal fund has a positive net position as of June 30, 2025. The Water fund has a net deficit which is getting smaller each year. The net position deficit was largely driven by the deficit in the net investment in capital assets due to the valuation of the assets as of the operational effective date on January 1, 2016 resulting in high depreciation expense.

Statement of Revenues, Expenses and Changes in Net Position – All Funds Combined

This statement, shown in Table 2, is presented in summary format. The accrual basis of revenues and operations and maintenance expense vary from the revenue requirement basis presented in the *Budget to Actual Analysis* and the *Wholesale Billings, Receivables & Collections* sections of the September 2025 Financial Report Binder. Prior year ending balances are provided in the June 30, 2025 column as a reference for comparative purposes. Explanatory notes follow this statement.

Water revenues presented below in Table 2 differ from those presented in *Table 1A – Water Revenue Requirement Budget* found in the *Budget to Actual Analysis* section of this report because water revenues presented in Table 1A for revenue requirement purposes are reduced by the monthly payment to the City of Flint for a license to raw water rights.

Table 2 – Statement of Revenues, Expenses and Changes in Net Position – All Funds Combined
For the Three Months ended September 30, 2025
($000)

	Water	Percent of Revenue	Sewage Disposal	Percent of Revenue	Total Business-Type Activities	Comparative June 30, 2025
Revenue						
Wholesale customer charges	$ 104,402	93.2%	$ 74,997	56.6%	$ 179,399	$ 636,667
Local system charges	7,507	6.7%	53,831	40.6%	61,338	233,020
Industrial waste charges	-	0.0%	2,310	1.7%	2,310	8,849
Pollutant surcharges	-	0.0%	1,234	0.9%	1,234	4,584
Other revenues	140	0.1%	114	0.1%	254	948
Total Revenues	**112,048**	**100.0%**	**132,487**	**100.0%**	**244,535**	**884,068**
Operating expenses						
Operations and Maintenance	47,233	42.2%	57,349	43.3%	104,582	402,118
Depreciation	23,326	20.8%	34,883	26.3%	58,209	242,487
Amortization of intangible assets	1,292	1.2%	511	0.4%	1,803	6,774
Total operating expenses	**71,851**	**64.1%**	**92,743**	**70.0%**	**164,594**	**651,379**
Operating Income	40,197	35.9%	39,744	30.0%	79,941	232,689
Total Nonoperating (revenue) expense	14,622	13.0%	21,914	16.5%	36,536	106,607
Increase/(Decrease) in Net Position	**25,575**	**22.8%**	**17,830**	**13.5%**	**43,406**	**126,082**
Net Position (deficit), beginning of year	(76,324)		11,981		(64,342)	(190,425)
Net position (deficit), end of year	$ (50,748)		$ 29,811		$ (20,937)	$ (64,342)

Totals may be off due to rounding

Water Fund

- ✓ The increase in Water Fund Net Position is $25.6 million.
- ✓ Wholesale water customer charges of $104.4 million account for 93.2% of Water System revenues.
- ✓ Operating expenses of $71.9 million represent 64.1% of total operating revenue. Depreciation is the largest operating expense at $23.3 million or 32.5% of operating expense.
- ✓ Amortization of intangible assets represents activity for raw water rights and subscription-based information technology arrangements (SBITA).
- ✓ Operating income after operating expenses (including depreciation) equals $40.2 million or 35.9% of operating revenue.
- ✓ The largest category within nonoperating activities is bonded debt interest expense of $22.6 million (this equates to the bonded debt interest expense less the offset from DWSD contractual obligation income).

Sewage Disposal Fund

- ✓ The increase in the Sewage Disposal Fund Net Position is $17.8 million.
- ✓ Wholesale customer charges of $75.0 million account for 56.6% of Sewer System revenues. Wholesale customer charges are billed one-twelfth each month based on an agreed-upon historical average "share" of each customer's historical flows which are formally revisited on a periodic basis. The result is no revenue shortfall or overestimation.
- ✓ Local system (DWSD) charges of $53.8 million account for 40.6% of total operating revenues. These are also billed at one-twelfth of the annual revenue requirement.
- ✓ Operating expenses of $92.7 million represent 70.0% of total operating revenue. Depreciation is the largest operating expense at $34.9 million or 37.6% of total operating expense.
- ✓ Amortization of intangible assets represents activity for a warehouse lease and subscription-based information technology arrangements (SBITA).
- ✓ Operating income after operating expenses (including depreciation) equals $39.7 million or 30.0% of operating revenue.
- ✓ The largest category within nonoperating activities is bonded debt interest expense of $25.6 million (this equates to the bonded debt interest expense less the offset from DWSD contractual obligation income).

Supplemental Schedule of Operations & Maintenance Expenses – All Funds Combined

This Supplemental Schedule of Operations & Maintenance Expenses (O&M) schedule is shown below in Table 3. This accrual basis of operations and maintenance expense may vary from the revenue requirement basis presented in the *Budget to Actual Analysis* section of the September 2025 Financial Report Binder. Explanatory notes follow this schedule.

Table 3 – Supplemental Schedule of Operations & Maintenance Expenses – All Funds Combined
For the Three Months ended September 30, 2025
($000)

	Water	Percent of Total	Sewage Disposal	Percent of Total	Total Business-Type Activities	Percent of Total
Operating Expenses						
Personnel						
Salaries & Wages	9,352	19.8%	17,819	31.1%	27,171	26.0%
Overtime	1,770	3.7%	954	1.7%	2,724	2.6%
Employee Benefits	7,377	15.6%	2,589	4.5%	9,966	9.5%
Total Personnel	$ 18,499	39.2%	$ 21,362	37.2%	$ 39,861	38.1%
Utilities						
Electric	7,502	15.9%	4,427	7.7%	11,930	11.4%
Gas	42	0.1%	1,649	2.9%	1,690	1.6%
Sewage	146	0.3%	455	0.8%	601	0.6%
Water	1	0.0%	3,080	5.4%	3,082	2.9%
Total Utilities	$ 7,691	16.3%	$ 9,612	16.8%	$ 17,302	16.5%
Chemicals	3,285	7.0%	4,513	7.9%	7,798	7.5%
Supplies and other	3,871	8.2%	6,671	11.6%	10,542	10.1%
Contractual services	14,816	31.4%	15,625	27.2%	30,441	29.1%
Capital Program allocation	(522)	-1.1%	(269)	-0.5%	(791)	-0.8%
Shared Services allocation	(407)	-0.9%	(164)	-0.3%	(572)	-0.5%
Operations and Maintenance Expenses	**$ 47,233**	**100.0%**	**$ 57,349**	**100.0%**	**$ 104,582**	**100.0%**

Totals may be off due to rounding

- ✓ Core expenses for water and sewage disposal systems are utilities (16.5% of total O&M expenses) and chemicals (7.5% of total O&M expenses).
- ✓ Personnel costs (38.1% of total O&M expenses) include all salaries, wages, and benefits for employees as well as staff augmentation contracts that fill a vacant position (contractual transition services).
- ✓ Contractual services (29.1%) includes:
    - Water System costs of sludge removal and disposal services at the Northeast, Southwest and Springwells Water Treatment Plants (approximately $3.2 million);
    - Sewage Disposal System costs for the operation and maintenace of the biosolids dryer facility (approximately $4.6 million); and
    - Centralized and administrative contractual costs allocated to both systems for information technology, building maintenace, field, planning and other services.
- ✓ The Capital Program Allocation, Intergovernmental Agreement and Shared Services Allocation are shown as negative amounts because they are ‘contra’ expense accounts representing offets to associated costs in other Operations and Maintenance expense categories.

Supplemental Schedule of Nonoperating Expenses – All Funds Combined

The Supplemental Schedule of Nonoperating Expenses – All Funds Combined is shown in Table 4. Explanatory notes follow this schedule.

Table 4 – Supplemental Schedule of Nonoperating Expenses – All Funds Combined
For the Three Months ended September 30, 2025

	Water	Sewage Disposal	Total Business-type Activities	Comparative June 30, 2025
Nonoperating (Revenue)/Expense				
Interest income contractual obligation	$ (7,255)	$ (3,599)	$ (10,854)	$ (38,291)
Investment earnings	(6,698)	(6,386)	(13,084)	(47,263)
Net (incr) decr in fair value of invstmt	(49)	(78)	(127)	(1,532)
Other nonoperating revenue	35	69	103	(18,212)
Interest Expense				
Bonded debt	29,876	29,169	59,045	230,256
Lease obligation	4,034	4,930	8,964	36,218
Other obligations	566	381	947	5,033
	34,476	34,480	68,957	271,507
Capital Contribution	(298)	-	(298)	(40,693)
Amortization, issuance costs, debt	(5,583)	(2,570)	(8,153)	(25,936)
(Gain) loss on disposal of capital assets	(8)	(3)	(11)	172
Water Residential Assistance Program	1	1	2	3,828
Legacy pension expense	-	-	-	3,026
Total Nonoperating (Revenue)/Expense	**$ 14,622**	**$ 21,914**	**$ 36,536**	**$ 106,607**

Totals may be off due to rounding

- ✓ Interest income on contractual obligation relates to the portion of the total GLWA debt obligation attributable to DWSD. This interest income offsets the total debt interest expense paid by GLWA on behalf of both entities monthly.
- ✓ Investment earnings in this report are reflected at book value. Any differences between the Basic Financial report and Cash and Investment section of this Financial Report binder are due to accrued interest.
- ✓ Net (increase) decrease in fair value of investments consists of market value of investments and realized gain/loss on sale of investments. FY 2024 market value adjustments for Water and Sewer total $621 thousand and $1.0 million, respectively. FY 2025 market value adjustments for Water and Sewer total $49 thousand and $78 thousand, respectively. Any difference is due to realized gain or loss on investments.
- ✓ Interest expense, the largest category of nonoperating expenses, is made up of three components:

- Bonded debt;
- Lease obligation for the regional assets from the City of Detroit; and
- Other obligations such as an obligation payable to the City of Detroit for an allocation BC Notes related to assumed DWSD liabilities; acquisition of raw water rights related to the KWA Pipeline.

✓ FY 2025 other non-operating income consists of debt forgiveness for the Sewage Disposal system.

✓ The FY 2026 and FY 2025 amortization, issuance costs, debt, is related to the amortization of bond premiums and defeasance of debt.

✓ The FY 2025 capital contribution in Nonoperating (revenue) expense represents ARPA ($2.8 million) grant revenue for the Water system and ($15.2 million) grant revenue and ($22.1 million) contribution from the Oakland Macomb Interceptor Drainage District (OMIDD) for the Sewage Disposal system.

Financial Activity Charts

Chart 1 – Capital Outlay – Water and Sewer System Combined

Capital Outlay represents purchases of equipment, software, and small facility improvement projects. It *excludes* any capital investment which is included in the monthly construction work-in-progress report related to the Capital Improvement Program. Some items span several months so the entire cost may not have been incurred yet. In addition, items are capitalized only if they meet GLWA's capitalization policy.

Through September 30, 2025, total capital outlay spend is $3.7 million. Following this chart is a sample list of projects and purchases from the total spend of $3.7 million.

Note: *Due to rounding totals may not equal 100%.*

Water Operations: Low lift elevator ($321k); steam generator replacement ($291k) and North Service Center variable frequency drive ($83k).

Wastewater Operations: Conner Creek elevator maintenance ($340k); ovation upgrade and cabinet replacement ($310k); WRRF fire detection system ($298k); WRRF incinerator freight elevator ($186k); ID fan power cells ($112k); scum hopper

pump ($78k); WRRF/CSO Process Camera ($74k) and Conner Road fire alarm system ($70k).

Centralized & Administrative Facilities: Trucks and vehicles ($685k); hardware and software ($267k) and permanent easement ($98k).

Chart 2 – Chemical Expenses – Water and Sewer System Combined

Chemical expenses are $7.8 million through September 30, 2025. The allocation is shown in the chart below and remains consistent with prior periods.

Note: *Due to rounding totals may not equal 100%.*

Chart 3 – Utility Expenses – Water and Sewer System Combined

Utility expenses are $17.3 million through September 30, 2025. The allocation is shown in the chart below and consistent with prior periods.

Note: *Due to rounding totals may not equal 100%.*

Financial Operations KPI

This key performance indicator shown in ***Chart 1 – Bank Reconciliation Completion Status*** below provides a measure of the progress made in the month-end close process which includes bank reconciliations with a completed status at month end. Through September 30, 2025, all bank accounts are reconciled.

Chart 1 – Bank Reconciliation Completion Status

Table 1 – Fiscal Year 2026 GL Cash Account Roll-forward

Total GL Cash accounts as of September 1, 2025	75
New GL Cash accounts since September 1, 2025	0
Inactivated GL Cash accounts since September 1, 2025	0
Total GL Cash accounts as of September 30, 2025	75

Financial Operations KPI - Liquidity

This key performance indicator shown in ***Chart 1 – Historical Schedule of Days Cash on Hand – Liquidity – Regional System*** and ***Table 1 – Schedule of Days Cash on Hand – Liquidity – Regional System*** below provides a measure of a utility's ability to meet expenses, cope with emergencies and navigate business interruptions. Liquidity is one of several key metrics monitored by bond rating agencies reflecting an organization's financial strength. The Authority's current goal is to maintain cash on hand above 500 days moving up to 600 days. Having a strong days cash has been instrumental in reaching our current bond credit rating.

Both GLWA Water and Sewer funds continue to exceed this target with Water at 637 and Sewer at 656 days cash on hand as of September 30, 2025. These balances remain strong for the regional system but did decrease in FY 2022 as I&E funds were used as planned to fund capital improvement projects. December 2023 and June 2025 revenue bond transactions replenished the construction bond funds reducing the emphasis on I&E funding. The FY 2026 projection is calculated based on values from the GLWA FY 2026 – 2030 Budget & Five-Year Plan.

Chart 1 – Historical Schedule of Days Cash on Hand – Liquidity – Regional System

Note: *The GLWA Annual Comprehensive Financial Reports are the source of all historic data referenced. Refer to these reports for detailed calculations by fiscal year.*

Table 1 – Schedule of Days Cash on Hand – Liquidity – Regional System

	June 30, 2025	September 30, 2025	Projected June 30, 2026
Water Fund			
Cash and Investments - Unrestricted	306,425,000	324,397,000	278,800,000
Operating Expense			
Operating Expense (a)	274,020,000	72,956,000	291,823,000
Less: Depreciation (a)	(94,928,000)	(25,558,000)	(102,233,000)
Less: Amortization of Intangible Asset (a)	(4,951,000)	(892,000)	(3,567,000)
Net Operating Expense	174,142,000	46,506,000	186,023,000
Operating Expense per Day	477,000	510,000	510,000
Days Cash			
Number of Days Cash	642	637	547
Sewage Disposal Fund			
Cash and Investments - Unrestricted	349,076,000	424,636,000	351,600,000
Operating Expense			
Operating Expense (a)	377,359,000	97,025,000	388,099,000
Less: Depreciation (a)	(147,559,000)	(38,000,000)	(152,000,000)
Less: Amortization of Intangible Asset (a)	(1,824,000)	-	-
Net Operating Expense	227,976,000	59,025,000	236,099,000
Operating Expense per Day	625,000	647,000	647,000
Days Cash			
Number of Days Cash	559	656	544
Combined			
Cash and Investments - Unrestricted	655,501,000	749,033,000	630,400,000
Operating Expense			
Operating Expense (a)	651,379,000	169,980,000	679,921,000
Less: Depreciation (a)	(242,487,000)	(63,558,000)	(254,233,000)
Less: Amortization of Intangible Asset (a)	(6,774,000)	(892,000)	(3,567,000)
Net Operating Expense	402,118,000	105,530,000	422,121,000
Operating Expense per Day	1,102,000	1,156,000	1,156,000
Days Cash			
Number of Days Cash	595	648	545

Totals may be off due to rounding

(a) Current year expenses are expressed as a proration of the annual budget for the purposes of this metric.

The monthly Budget to Financial Statements Crosswalk includes the following.

1. Crosswalk Budget Basis to Financial Reporting Basis
2. Explanatory Notes for Crosswalk

Purpose for Crosswalk: The Great Lakes Water Authority establishes a "Revenue Requirements" budget for the purposes of establishing charges for services. The financial report is prepared in accordance with Generally Accepted Accounting Policies for enterprise funds of a local government. Because the budget and the financial statements are prepared using different basis of accounting, the crosswalk reconciles the "Net Difference" to the "Increase/(Decrease) in Net Position" in Table 2 of the Basic Financial Statements in the monthly Financial Report.

The Authority has a Water Master Bond Ordinance and a Sewer Master Bond Ordinance (MBO). The Ordinances provide additional security for payment of the bonds. All revenues of the system are deposited into Revenue Receipts Funds which are held in trust by a trustee. The cash is moved to multiple bank accounts monthly based on 1/12th of the budget as defined in the MBO ("the flow of funds") for all revenue requirements except for the Debt Service monthly transfer. The Debt Service monthly requirement is computed by the trustee, U.S. Bank. The cash transfer for debt is net of investment earnings that remain in the debt service accounts to be used for debt service.

The budget is prepared on a modified cash basis. The revenue requirements are determined based upon the cash needed to meet the financial commitments as required by the Master Bond Ordinance.

- Operation & Maintenance (O&M) expenses are reported on an accrual basis
- B&C notes obligation is reported on a cash basis
- Debt Service Allocation is reported on a cash set aside basis to provide the cash for the debt payments on the due dates
- Lease payments are reported on a cash basis
- Water Residential Assistance Program are based on a percentage of budgeted revenue
- Regional System Improvement & Extension Fund Allocation are reported on a cash basis

Budget: In Table 1A and Table 1B of the Budget to Actual Analysis the 'Revenues' section is the accrual basis revenues that are available to meet the 'Revenue Requirements'. The 'Revenue Requirements' section budget column indicates the annual cash transfers to be made.

Financial Reporting: The Authority's financial statements are prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Authority maintains its records on the accrual basis of accounting to conform to GAAP. Revenues from operations, investments and other sources are recorded when earned. Expenses (including depreciation) are recorded when incurred.

Table 1 – Crosswalk Budget Basis to Financial Reporting Basis provides a reconciliation of the "Net Difference" in Table 1A and Table 1B in the Budget to Actual Analysis report to the "Increase/(Decrease) in Net Position" in Table 2 of the Basic Financial Statements in this monthly Financial Report. Explanatory notes follow the Crosswalk shown in Table 1 below.

Table 1 – Crosswalk Budget Basis to Financial Reporting Basis ($000)
For the Three Months Ended September 30, 2025

	Water	Sewer	Total
Net Revenue Requirement Budget Variance (a)	$ 11,052	$ 2,478	$ 13,530
Budgetary categories adjustments to financial reporting basis			
Pension delayed accounting election adjustments			
Current year pension transfers/payments recorded as deferral (c)	277	496	773
Debt service (f)	22,150	29,651	51,801
Accelerated pension B&C notes obligation portion (g)	254	571	825
Regional System lease (h)	1,591	1,945	3,536
GASB 87 & GASB 96 adjustments (h)	(17)	91	74
WRAP (i)	492	659	1,151
Extraordinary Repair & Replacement Fund transfers (j)	-	-	-
Improvement & Extension Fund transfers (j)	4,776	13,052	17,828
Nonbudgeted financial reporting categories adjustments			
Depreciation and amortization (k)	(24,618)	(35,394)	(60,012)
Amortization - debt related (k)	5,583	2,570	8,153
Other nonoperating income (k)	(39)	(69)	(108)
Other nonoperating expense (k)	-		-
Gain(loss) on disposal of capital assets (k)	8	3	11
Raw water rights obligation (l)	792	-	792
Investment earnings for construction fund (m)	2,927	1,699	4,626
Other	-	-	-
Interest on DWSD note receivable (n)	-	-	-
Investment earnings unrealized gain/loss (o)	49	78	127
Improvement & extension fund operating expenses (p)	-	-	-
Capital Contribution (q)	298	-	298
Net Position Increase/(Decrease) per Financial Statements (b)	$ 25,575	$ 17,830	$ 43,405

Table 2 - Explanatory Notes for Crosswalk

(a) Source: Budget to Actual Table 1A and Table 1B in Monthly Financial Report

(b) Source: Basic Financial Statements Table 2 in Monthly Financial Report

(c) Current year pension payments are an expense for budget purposes but not for financial reporting purposes.

(d) Prior year pension payments are accounted for in the current year financial statements.

(e) The administrative fee is part of the O&M Legacy Pension shown as an expense for budget purposes. For financial reporting purposes part of the administrative fee is considered prepaid based on the prior year General Retirement System audit information and therefore not an expense for the current year financial reporting. The prepaid portion is adjusted in June each year.

(f) Debt service (principal and interest payments) are shown as an expense for budget purposes. Most of the adjustment relates to principal payments which are not an expense for financial reporting purposes. A portion of the adjustment relates to interest expense variances on state revolving fund debt due to the timing of payment draws. The cash set aside basis for interest expense generally is the same as the accrual basis for financial reporting.

(g) This adjustment relates to the B&C note obligation payments. The principal and interest cash basis payments are treated as an expense for budget purposes. The principal portion is not an expense for financial reporting purposes. For financial reporting purposes interest is expensed on an accrual basis which is different from the cash basis.

(h) Payments for the warehouse lease and subscription-based information technology arrangements (SBITA) are expensed for budget purposes. For financial reporting purposes, the warehouse lease is recorded under GASB 87 and payments are treated as a reduction in the lease liability and interest expense (which is a nonoperating expense). The SBITA payments are recorded under GASB 96 and are treated as a prepaid subscription asset as the software is currently in the implemented phase.

(i) WRAP is shown as an expense for budget purposes. For financial reporting purposes the expense is not recognized until the funds have been transferred to the WRAP administrator. The adjustment shown is the amount of current year transfers that have not been transferred to the WRAP administrator. Note that there are funds from the prior year that have not been transferred to the WRAP administrator.

(j) The Extraordinary Repair & Replacement Fund and Improvement & Extension Fund transfers are shown as an expense for budget purposes but not for financial reporting purposes.

(k) Certain nonoperating income and expenses are reported in financial statements only.

(l) The water service contract with Flint includes a license for raw water rights which has been recorded as an asset and liability by the Authority. The contract provides for a credit to Flint as Flint satisfies its monthly bond payment obligation to KWA. This KWA credit is treated as a noncash payment of principal and interest on the liability recorded for the raw water rights. For budget, wholesale customer charges are net of the anticipated KWA credits to Flint as that is the cash that will be received and available to meet the budgeted revenue requirements. For financial reporting purposes the Flint wholesale charges are recorded as the total amount billed. When the KWA credit is issued, the receivable from Flint is reduced and the principal and interest payments on the liability for the raw water rights are recorded as a noncash transaction. Most of the adjustment shown relates to the principal reduction made for the credits applied which are not an expense for financial reporting basis.

(m) Investment earnings from the construction fund are not shown as revenue in the budget and are shown as revenue in the financial statements. Construction fund investment earnings are excluded from the definition of revenue for budget purposes as they are used for construction costs and are not used to meet the revenue requirements in the budget.

(n) Interest on a DWSD note receivable is budgeted as part of the Sewer improvement and extension fund and is transferred directly to that fund as payments are made. DWSD does not currently have a note receivable due to GLWA.

(o) Unrealized gains and losses are recorded annually as required for financial reporting purposes but do not reflect actual investment earnings and are not included in cash basis reporting.

(p) The Water Improvement and Extension fund and the Sewer Improvement and Extension fund reflect certain expenses relating to repairs paid for through the Water and Sewer Improvement and Extension funds, respectively. These are consolidated expenses for financial reporting purposes but are not reflected in the current Operations and Maintenance budget expenses.

(q) The FY 2026 capital contribution in Nonoperating (revenue) expense represents ARPA ($0.3 million) grant revenue for the Water system. This nonoperating revenue is reported only in the GAAP-basis financial statements.

The Monthly Capital Improvement Plan Financial Summary includes the following.

1. Water System Capital Improvement Plan Spend Incurred to date
2. Sewer System Capital Improvement Plan Spend Incurred to date

Capital Improvement Plan Financial Summary

Great Lakes Water Authority (GLWA) capital improvement projects generally span two or more years due to size and complexity. Therefore, the GLWA Board of Directors (Board) has adopted a five-year capital improvement plan (CIP). The CIP is a five-year, rolling plan which is updated annually and formally adopted by the GLWA Board of Directors. In addition, the Board of Directors adopts a capital spending ratio assumption (SRA) which allows the realities of capital program delivery to align with the financial plan. The SRA is an analytical approach to bridge the total dollar amount of projects in the CIP with what can realistically be spent due to limitations beyond GLWA's control and/or delayed for nonbudgetary reasons. Those limitations, whether financial or non-financial, necessitate the SRA for budgetary purposes, despite the prioritization established.

This report presents quarterly and monthly CIP spending against the prorated CIP in total and the CIP adjusted for the SRA. The prorated CIP is calculated by dividing the total fiscal year 2026 board-approved CIP plan by twelve equal months. It should be noted that for operational purposes, GLWA utilizes Primavera P6 for refined monthly projections for cash management and project management.

Capital spend reflects a noticeable variance from budgeted CIP for both the water and sewer funds. For the purposes of this metric, we compare actual spend with the Board-approved budget. For the purposes of managing the financial plan, budget amendments are made to align spending with resources available. The capital spend rate adjustment is 100% of the Board approved CIP planned spend for the water fund and 100% of the Board approved CIP planned spend for the sewer fund.

The State Revolving Fund (SRF) activity reported in Charts 1 and 2 has been revised to reflect changes in approved, GLWA SRF funding.

Chart 1 – Water System Capital Improvement Plan Spend Incurred to Date

As of September 2025, the water system incurred $19 million of construction costs to date. This spend represents 41% of the original, Board-approved CIP, and 41% of the Board-reviewed spend rate adjustment.

Economic factors affecting the CIP spend are considered by the Board quarterly at which time the Board may amend the planned spend rate adjustment.

Several projects were delayed early in the fiscal year which have resulted in actual expenses falling below original budget estimates. It is likely there will be an underspending in FY 2026 that will be shifted into FY 2027.

Chart 1 – Water System Capital Improvement Plan Spend Incurred to Date – Spend Rate Adjusted

Chart 2 – Sewer System Capital Improvement Plan Spend Incurred to Date

As of September 2025, the Sewer system incurred $69 million of construction costs to date. This spend represents 144% of the original, Board-approved CIP, and 144% of the Board-reviewed spend rate adjustment.

Sewer spending is substantially above plan because a significant increase in SRF funding for FY 2026 has allowed for the acceleration of certain projects originally anticipated later in the CIP and ten-year plan.

Chart 2 – Sewer System Capital Improvement Plan Spend Incurred to Date – Spend Rate Adjusted

	YTD Thru 7/31/25	YTD Thru 8/31/25	YTD Thru FY 2026 Q1
FY 2026 CIP	$16	$32	$48
Spend Rate Adjusted (100% CIP)	$16	$32	$48
Actual - O&M	$0	$0	$0
Actual - Revenue Bond	$16	$26	$40
Actual - SRF	$11	$25	$29

*SRF spend in the chart above reflects total costs associated with active SRF projects and may include some costs not reimbursed through the SRF program.

This report includes the following.

1. Master Bond Ordinance (MBO) Required Transfers to Accounts Held by GLWA
2. Master Bond Ordinance (MBO) Required Transfers to Accounts Held by DWSD

MBO Transfers to Accounts Held by GLWA

GLWA Transfers: The Treasury team completes required MBO transfers on the first business day of each month. These transfers are completed in accordance with the Great Lakes Water Authority (GLWA) and Detroit Water & Sewerage Department (DWSD) budgets as approved and adopted by the GLWA Board of Directors and DWSD Board of Water Commissioners annually.

Monthly transfers for Operations & Maintenance (O&M), Pension, and Water Residential Assistance Program (WRAP) are one-twelfth of the annual, budgeted amount. Budget stabilization should not require additional funding due to new, baseline funding levels established as part of the June 2018 Memorandum of Understanding but is included to reflect historical activity. If there are transfers to the Extraordinary Repair & Replacement (ER&R) fund they would be completed annually based on budget and year-end fund status.

Table 1 – GLWA FY 2026 Water MBO Transfers reflects the required transfers for FY 2026 completed through September 2025. MBO transfers for water totaling $47.5 million have been transferred to GLWA accounts.

Table 2 – GLWA FY 2026 Sewer MBO Transfers reflects the required transfers for FY 2026 completed through September 2025. MBO transfers for sewer totaling $61.8 million have been transferred to GLWA accounts.

Table 3 – GLWA MBO Transfer History reflects historical transfers for FY 2016 through FY 2026 to date.

Table 1 – GLWA FY 2026 Water MBO Transfers

WATER							
	Operations & Maintenance	Pension Sub Account	Pension Obligation	WRAP	Budget Stabilization (For Benefit of DWSD)	Extraordinary Repair & Replacement (ER&R)	Total Water
FY 2026							
July 2025	$ 15,204,667	$ -	$ 388,267	$ 242,950	$ -	$ -	$ 15,835,884
August 2025	$ 15,204,667	$ -	$ 388,267	$ 242,950	$ -	$ -	$ 15,835,884
September 2025	$ 15,204,667	$ -	$ 388,267	$ 242,950	$ -	$ -	$ 15,835,884
October 2025							
November 2025							
December 2025							
January 2026							
February 2026							
March 2026							
April 2026							
May 2026							
June 2026							
Total FY 2026	$ 45,614,001	$ -	$ 1,164,801	$ 728,850	$ -	$ -	$ 47,507,652

Table 2 – GLWA FY 2026 Sewer MBO Transfers

SEWER							
	Operations & Maintenance	Pension Sub Account	Pension Obligation	WRAP	Budget Stabilization (For Benefit of DWSD)	Extraordinary Repair & Replacement (ER&R)	Total Sewer
FY 2026							
July 2025	$ 19,674,892	$ -	$ 593,350	$ 338,833	$ -	$ -	$ 20,607,075
August 2025	$ 19,674,892	$ -	$ 593,350	$ 338,833	$ -	$ -	$ 20,607,075
September 2025	$ 19,674,892	$ -	$ 593,350	$ 338,833	$ -	$ -	$ 20,607,075
October 2025							
November 2025							
December 2025							
January 2026							
February 2026							
March 2026							
April 2026							
May 2026							
June 2026							
Total FY 2026	$ 59,024,676	$ -	$ 1,780,050	$1,016,499	$ -	$ -	$ 61,821,225

Table 3 – GLWA MBO Transfer History

GLWA MBO Transfer History

WATER

	Operations & Maintenance	Pension Sub Account	Pension Obligation	WRAP	Budget Stabilization (For Benefit of DWSD)	Extraordinary Repair & Replacement (ER&R)	Total Water
Total FY 2016	$ 71,052,000	$ 6,037,100	$ 10,297,200	$ 1,983,300	$ 2,326,900	$ 606,000	$ 92,302,500
Total FY 2017	111,879,600	6,037,200	10,297,200	2,077,200	360,000	-	130,651,200
Total FY 2018	121,562,604	6,048,000	10,695,696	2,159,400	-	-	140,465,700
Total FY 2019	121,562,604	6,048,000	10,695,696	2,061,000	-	-	140,367,300
Total FY 2020	126,840,204	6,048,000	10,695,683	1,980,804	-	-	145,564,691
Total FY 2021	134,127,300	6,048,000	10,695,700	2,324,200	-	-	153,195,200
Total FY 2022	143,933,800	6,048,000	10,695,700	2,376,600	-	-	163,054,100
Total FY 2023	156,747,700	6,048,000	10,695,700	2,611,800	-	2,200,000	178,303,200
Total FY 2024	168,873,100	-	2,568,700	2,710,200	50,000	2,836,000	177,038,000
Total FY 2025	182,227,100	-	2,820,700	2,763,800	(50,000)	2,144,000	189,905,600
Total FY 2026 (year to date)	45,614,001	-	1,164,801	728,850	-	-	47,507,652
Life to Date	$ 1,384,420,013	$ 48,362,300	$ 91,322,776	$ 23,777,154	$ 2,686,900	$ 7,786,000	$ 1,558,355,143

SEWER

	Operations & Maintenance	Pension Sub Account	Pension Obligation	WRAP	Budget Stabilization (For Benefit of DWSD)	Extraordinary Repair & Replacement (ER&R)	Total Sewer
Total FY 2016	$ 100,865,600	$ 10,838,400	$ 14,025,800	$ 2,523,400	$ 5,591,700	$ 779,600	$ 134,624,500
Total FY 2017	175,858,800	10,838,400	14,026,800	2,654,400	2,654,400	-	206,032,800
Total FY 2018	191,079,396	10,824,000	14,687,496	2,760,804	-	-	219,351,696
Total FY 2019	191,079,396	10,824,000	14,687,496	2,870,992	-	-	219,461,884
Total FY 2020	181,925,800	10,824,000	14,687,517	2,887,300	-	-	210,324,617
Total FY 2021	182,296,000	10,824,000	14,687,500	3,764,300	-	-	211,571,800
Total FY 2022	191,908,600	10,824,000	14,687,400	3,868,700	-	-	221,288,700
Total FY 2023	204,122,500	10,824,000	14,687,400	3,673,800	-	-	233,307,700
Total FY 2024	224,873,500	-	3,914,500	3,836,402	150,000	-	232,774,402
Total FY 2025	235,191,600	-	4,701,200	3,903,701	(150,000)	345,000	243,991,500
Total FY 2026 (year to date)	59,024,676	-	1,780,050	1,016,499	-	-	61,821,225
Life to Date	$ 1,938,225,868	$ 86,620,800	$ 126,573,159	$ 33,760,298	$ 8,246,100	$ 1,124,600	$ 2,194,550,824

MBO Required and Lease Payment Transfers to DWSD

DWSD Transfers: The GLWA Treasury team completes the required MBO transfers on the first business day of each month. These transfers are completed in accordance with the GLWA and DWSD budgets as approved and adopted by the GLWA Board of Directors and DWSD Board of Water Commissioners annually. Transfers are coordinated with other areas of GLWA Financial Services in advance of the first business day of each month. GLWA Treasury sends confirmation of transfers made to DWSD Treasury.

Monthly transfers for O&M and O&M Pension are one-twelfth of the annual, budgeted amount. The annual lease payment, as stated in the Water and Sewer Lease Agreements, is $22,500,000 for Water and $27,500,000 for Sewer. The monthly lease transfer is one-twelfth of the amount as stated in the Lease agreements unless otherwise designated by DWSD. Per Section 3.5 of the Lease, the Lease payment may be used for (a) bond principal and interest for Local System Improvements, (b) bond principal and interest for the City's share of common-to-all System Improvements, and (c) Local System improvements.

Table 4 – DWSD FY 2026 Water MBO Transfers reflects the required transfers for FY 2026 completed through September 2025. MBO transfers for Water totaling $18.0 million have been transferred to accounts held by DWSD.

Table 5 – DWSD FY 2026 Sewer MBO Transfers reflects the required transfers for FY 2026 completed through September 2025. MBO transfers for Sewer totaling $21.9 million have been transferred to accounts held by DWSD.

Table 6 – DWSD Water MBO and Lease Payment Transfer History reflects historical transfers for FY 2016 through FY 2026 to date.

Table 7 – DWSD Sewer MBO and Lease Payment Transfer History reflects historical transfers for FY 2016 through FY 2026 to date.

Table 4 – DWSD FY 2026 Water MBO Transfers

WATER				
	Operations & Maintenance	Pension	Lease Payment (I&E Fund)	Total Water
FY 2026				
July 2025	$ 4,140,333	$ -	$ 1,875,000	$ 6,015,333
August 2025	$ 4,140,333	$ -	$ 1,875,000	$ 6,015,333
September 2025	$ 4,140,333	$ -	$ 1,875,000	$ 6,015,333
October 2025				
November 2025				
December 2025				
January 2026				
February 2026				
March 2026				
April 2026				
May 2026				
June 2026				
Total FY 2026	$ 12,420,999	$ -	$ 5,625,000	$ 18,045,999

Table 5 – DWSD FY 2026 Sewer MBO Transfers

SEWER				
	Operations & Maintenance	Pension	Lease Payment (I&E Fund)	Total Sewer
FY 2026				
July 2025	$ 5,008,692	$ -	$ 2,291,667	$ 7,300,359
August 2025	$ 5,008,692	$ -	$ 2,291,667	$ 7,300,359
September 2025	$ 5,008,692	$ -	$ 2,291,667	$ 7,300,359
October 2025				
November 2025				
December 2025				
January 2026				
February 2026				
March 2026				
April 2026				
May 2026				
June 2026				
Total FY 2026	$ 15,026,076	$ -	$ 6,875,001	$ 21,901,077

Table 6 – DWSD Water MBO and Lease Payment Transfer History

WATER	Operations & Maintenance	Operations & Maintenance Pension	Lease Payment (I&E Fund)	Total Water
FY 2016 *				
MBO/Lease Requirement	$ 26,185,600	$ 4,262,700	$ 22,500,000	$ 52,948,300
Offset to Debt Service	-	-	(2,326,900)	(2,326,900)
Total MBO Transfer	26,185,600	4,262,700	20,173,100	50,621,400
FY 2017				
MBO/Lease Requirement	33,596,400	4,262,400	22,500,000	60,358,800
Offset to Debt Service	-	-	-	-
Total MBO Transfer	33,596,400	4,262,400	22,500,000	60,358,800
FY 2018				
MBO/Lease Requirement	35,059,704	4,272,000	22,500,000	61,831,704
Offset to Debt Service	-	-	(1,875,000)	(1,875,000)
Total MBO Transfer	35,059,704	4,272,000	20,625,000	59,956,704
FY 2019				
MBO/Lease Requirement	35,484,300	4,272,000	22,500,000	62,256,300
Offset to Debt Service	-	-	(3,972,200)	(3,972,200)
Total MBO Transfer	35,484,300	4,272,000	18,527,800	58,284,100
FY 2020				
MBO/Lease Requirement	34,662,400	4,272,000	22,500,000	61,434,400
Offset to Debt Service	-	-	(3,548,000)	(3,548,000)
Total MBO Transfer	34,662,400	4,272,000	18,952,000	57,886,400
FY 2021				
MBO/Lease Requirement	35,833,900	4,272,000	22,500,000	62,605,900
Offset to Debt Service	-	-	(8,278,300)	(8,278,300)
Total MBO Transfer	35,833,900	4,272,000	14,221,700	54,327,600
FY 2022				
MBO/Lease Requirement	29,989,000	4,272,000	22,500,000	56,761,000
Offset to Debt Service	-	-	(8,925,400)	(8,925,400)
Total MBO Transfer	29,989,000	4,272,000	13,574,600	47,835,600
FY 2023				
MBO/Lease Requirement	42,581,600	4,272,000	22,500,000	69,353,600
Offset to Debt Service	-	-	(2,922,100)	(2,922,100)
Total MBO Transfer	42,581,600	4,272,000	19,577,900	66,431,500
FY 2024				
MBO/Lease Requirement	44,776,800	-	22,500,000	67,276,800
Offset to Debt Service	-	-	-	-
Total MBO Transfer	44,776,800	-	22,500,000	67,276,800
FY 2025				
MBO/Lease Requirement	46,468,700	-	22,500,000	68,968,700
Offset to Debt Service	-	-	-	-
Total MBO Transfer	46,468,700	-	22,500,000	68,968,700
FY 2026(year to date)				
MBO/Lease Requirement	12,420,999	-	5,625,000	18,045,999
Offset to Debt Service	-	-	-	-
Total MBO Transfer	12,420,999	-	5,625,000	18,045,999
Life-to-Date				
MBO/Lease Requirement	377,059,403	34,157,100	230,625,000	641,841,503
Offsets	-	-	(31,847,900)	(31,847,900)
Total Water	**$ 377,059,403**	**$ 34,157,100**	**$ 198,777,100**	**$ 609,993,603**

* Note: FY 2016 lease transfer amounts shown do not incude prepayment on the lease amount for the 6 months period before bifurcation.

Table 7 – DWSD Sewer MBO and Lease Payment Transfer History

SEWER	Operations & Maintenance	Operations & Maintenance Pension	Lease Payment (I&E Fund)	Total Sewer
FY 2016 *				
MBO/Lease Requirement	$ 19,774,300	$ 2,861,800	$ 27,500,000	$ 50,136,100
Offset to Debt Service	-	-	(19,991,500)	(19,991,500)
Total MBO Transfer	19,774,300	2,861,800	7,508,500	30,144,600
FY 2017				
MBO/Lease Requirement	41,535,600	2,862,000	27,500,000	71,897,600
Offset to Debt Service	-	-	-	-
Total MBO Transfer	41,535,600	2,862,000	27,500,000	71,897,600
FY 2018				
MBO/Lease Requirement	60,517,992	2,856,000	27,500,000	90,873,992
Offset to Debt Service	-	-	(9,166,664)	(9,166,664)
Total MBO Transfer	60,517,992	2,856,000	18,333,336	81,707,328
FY 2019				
MBO/Lease Requirement	56,767,920	2,856,000	27,500,000	87,123,920
Offset to Debt Service	-	-	(4,415,000)	(4,415,000)
Total MBO Transfer	56,767,920	2,856,000	23,085,000	82,708,920
FY 2020				
MBO/Lease Requirement	62,343,500	2,856,000	27,500,000	92,699,500
Offset to address shortfall	(7,100,000)	-	-	(7,100,000)
Offset to Debt Service	-	-	(5,032,700)	(5,032,700)
Total MBO Transfer	55,243,500	2,856,000	22,467,300	80,566,800
FY 2021				
MBO/Lease Requirement	69,915,700	2,856,000	27,500,000	100,271,700
Offset to Debt Service	-	-	(3,257,200)	(3,257,200)
Total MBO Transfer	69,915,700	2,856,000	24,242,800	97,014,500
FY 2022				
MBO/Lease Requirement	61,301,000	2,856,000	27,500,000	90,735,453
Offset to Debt Service	-	-	(5,529,297)	(4,607,750)
Total MBO Transfer	61,301,000	2,856,000	21,970,703	86,127,703
FY 2023				
MBO/Lease Requirement	51,396,400	2,856,000	27,500,000	81,752,400
Offset to Debt Service	-	-	(4,388,300)	(4,388,300)
Total MBO Transfer	51,396,400	2,856,000	23,111,700	77,364,100
FY 2024				
MBO/Lease Requirement	55,705,700	-	27,500,004	83,205,704
Offset to Debt Service	-	-	-	-
Total MBO Transfer	55,705,700	-	27,500,004	83,205,704
FY 2025				
MBO/Lease Requirement	57,356,900	-	27,500,000	84,856,900
Offset to Debt Service	-	-	-	-
Total MBO Transfer	57,356,900	-	27,500,000	84,856,900
FY 2026(year to date)				
MBO/Lease Requirement	15,026,076	-	6,875,001	21,901,077
Offset to Debt Service	-	-	-	-
Total MBO Transfer	15,026,076	-	6,875,001	21,901,077
Life-to-Date				
MBO/Lease Requirement	551,641,088	22,859,800	281,875,005	855,454,346
Offsets	(7,100,000)	-	(51,780,661)	(57,959,114)
Total Sewer	**$ 544,541,088**	**$ 22,859,800**	**$ 230,094,344**	**$ 797,495,232**

* Note: FY 2016 lease transfer amounts shown do not incude prepayment on the lease amount for the 6 months period before bifurcation.

This report includes the following:

1. Monthly Cash Balances Compared to Investment Income
2. Cash Balance Detail

Monthly Cash Balances Compared to Investment Income

GLWA's investment holdings comply with the requirements of Public Act 20 of 1948, as amended and the GLWA Investment Policy. The cash balances shown in this report include bank deposits, money market funds, a local government investment pool, U.S. Treasuries, Federal Agencies, and commercial paper.

Cash and investment balances change each month based on Master Bond Ordinance (MBO) funding requirements, operational needs, capital spending pace, and mandatory debt payments. Investment income fluctuates monthly based on cash and investment balances as well as market conditions and investment strategy. For the month of September 2025, GLWA earned investment income of $4.3 million and cumulative FY 2026 earnings through September 2025 of $13.1 million. Total investment income reported includes earnings from revenue requirement funds as well as construction bond funds.

Chart 1 – Monthly Cash Balances Compared to Investment Income – Through September 2025

All amounts are unaudited unless otherwise noted.

$(Mils)	July	August	September
Water	707	667	697
Sewer	633	659	655
Total	1,340	1,326	1,352
Investment Income	4.3	4.5	4.3

GLWA continues to refine cash flows and work with its investment advisor to identify strategies to maximize future investment income while meeting the objectives of safety and liquidity.

Cash Balance Detail

Funds Held By GLWA: GLWA cash balances are held in accounts as defined by the Master Bond Ordinance. The accounts are funded by monthly transfers, as stipulated in the MBO, on the first business day of each month. The "operations and maintenance" (O&M) fund transfer amounts are based upon the annual O&M budget approved by the GLWA Board of Directors for the regional systems and by the Board of Water Commissioners for the Detroit Water & Sewerage Department (DWSD) local system budgets. The water and sewer funds held by GLWA and their purpose, as defined by the MBO, are listed below.

Funds Held Within Trust:

- Receiving – all retail and wholesale revenues collected which are distributed in subsequent month(s)
- Debt Service – funds set aside for debt service and debt reserve requirements
- Pension Obligation – funds set aside to meet GLWA's annual funding requirements for the legacy General Retirement System Pension Plan
- Water Residential Assistance Program (WRAP) – funds set aside to be used to provide financial assistance to qualified residents throughout the local and regional water system as directed by program guidelines
- Budget Stabilization – funds held by GLWA on behalf of DWSD that can be applied against shortfalls in retail revenues
- Emergency Repair & Replacement (ER&R) – funds set aside to pay the costs for major unanticipated repairs and replacements of the local and regional systems
- Improvement & Extension (I&E) – funds set aside to be used for the improvements, enlargements, and extensions of the regional system

Funds Held Outside Trust:

- Bond Proceeds – funds raised from debt issuance used for costs of repairs, construction, and improvements of the regional system
- Operations & Maintenance (O&M) – funds used to meet the operational and maintenance requirements of the regional system

- Other – retainage funds held on behalf of contractors and security deposit funds held on behalf of the City of Flint, and capital contribution funds provided by the Evergreen Farmington Sewer District recognized as related project work is completed

A chart depicting the follow of funds is online at glwater.org as well as the MBO documents.

Chart 2 – Cash Balances - Water Funds as of September 2025 - Shows the allocation of the balance among the different categories defined in the section above. The total cash balance for Water Funds as of September 2025 is $697 million. The allocation of balances among the I&E, bond proceeds, and debt service reserve funds reflects GLWA's commitment to funding capital improvements and meeting debt reserve requirements while simultaneously increasing I&E resources to fund pay-as-you-go capital funding to reduce long-term debt in the future.

GLWA completed a bond transaction of $231.8 million in June 2025 to support water system improvements. Those proceeds, along with I&E and SRF low-interest loans, will fund the capital program going forward.

Chart 2 – Cash Balances - Water Funds as of September 2025

Note: *Due to rounding totals may not equal 100%.*

Chart 3 – Cash Balances - Sewer Funds as of September 2025 - Shows the allocation of the balance among the different funds defined in the section above. The total cash balance for Sewer Funds as of September 2025 is $655 million. Like the Water Funds, the allocation of balances among the I&E, bond proceeds, and debt service reserve funds reflects GLWA's commitment to funding capital improvements and meeting debt reserve requirements while simultaneously increasing I&E resources to fund pay-as-you-go capital funding to reduce long-term debt in the future.

In conjunction with the Water Fund transaction, GLWA completed a bond transaction of $51.7 million in June 2025 to support sewage disposal system improvements. Those proceeds, along with I&E and SRF low-interest loans, will fund the capital program going forward.

Chart 3 – Cash Balances - Sewer Funds as of September 2025

***Note: Due** to rounding totals may not equal 100%.*

Retail Revenues, Receivables, and Collections: Pursuant to the terms of the lease agreement between the City of Detroit and the Great Lakes Water Authority (GLWA), the Detroit Water & Sewerage Department (DWSD) serves as GLWA's agent for billing activities for the City of Detroit retail customer class. All water and sewer service collections from DWSD customers are deposited in a trust account and are administered in accordance with the GLWA Master Bond Ordinance.

The Monthly Retail Revenues, Receivables, & Collections Report includes the following.

1. DWSD Retail Water Revenue Billings and Collections
2. DWSD Retail Sewer Revenue Billings and Collections
3. DWSD Retail Water and Sewer System Accounts Receivable Aging Report

Note: *Wholesale customer revenues are billed by the Great Lakes Water Authority.*

DWSD Retail Water Billings and Collections

Retail Billing Basis: DWSD bills retail customers monthly. Customers are billed throughout the month in cycles based on a meter reading schedule beginning with residential accounts and ending with commercial and industrial customers.

> ***Table 1 - DWSD Retail Billings*** shows the FY 2026 water usage and billed revenue which are provided by DWSD staff. As of September 30, 2025, the DWSD usage was 98.41% of the budget and billed revenue was 96.76% of budget.

DWSD Retail Water Collections: The collections represent payments made by DWSD retail customers. These receipts are deposited directly into a lockbox with a trustee for administration of the flow of funds defined by GLWA's Master Bond Ordinance.

> ***Table 2 - Retail Water Collections*** shows collections by month for the past 12 months compared to collections for the prior year as well as the calculated difference between the periods.

Table 1 – DWSD Retail Water Billing

	RETAIL WATER CUSTOMERS								
		FY 2026 - Original Budget		FY 2026 - Actual		FY 2026 - Variance		FY 2025 - Actuals	
	Month (1)	Volume Mcf	Revenue $	Volume Mcf	Revenue (2) $	Volume Mcf	Revenue $	Volume Mcf	Revenue $
1	July	244,000	12,892,300	236,214	12,041,875	(7,786)	(850,425)	226,703	11,590,136
2	August	263,000	13,853,800	272,574	14,148,381	9,574	294,581	240,621	12,171,324
3	September	251,000	13,253,400	237,179	12,513,086	(13,821)	(740,314)	238,868	12,205,143
4	October	216,000	11,549,800					216,527	11,222,004
5	November	212,000	11,324,500					212,832	11,115,046
6	December	203,000	10,882,100					212,252	11,100,382
7	January	198,000	10,646,500					190,716	10,661,000
8	February	212,000	11,339,300					222,769	11,469,800
9	March	207,000	11,091,000					229,724	11,649,351
10	April	208,000	11,145,700					222,774	11,403,695
11	May	198,000	10,642,800					209,658	10,767,180
12	June	216,000	11,518,900					219,077	11,249,137
	Total	2,628,000	140,140,100	745,968	38,703,343	(12,032)	(1,296,157)	2,642,521	136,604,198
	Subtotals YTD	*758,000*	*39,999,500*	*745,968*	*38,703,343*	*(12,032)*	*(1,296,157)*		
	Achievement of Budget			*98.41%*	*96.76%*				

(1) Figures are stated as "Service Months"; that is, July figures represent bills issued in August, etc.
(2) Retail revenues include miscellaneous revenues and penalties

Table 2 – DWSD Retail Water Collections

Water				
Month	**Current Year**	**Prior Year**	**Variance**	**Ratio**
October	12,110,080	9,884,937	2,225,143	22.51%
November	8,572,356	10,499,606	(1,927,250)	-18.36%
December	10,277,979	13,663,688	(3,385,709)	-24.78%
January	10,935,031	8,506,008	2,429,023	28.56%
February	9,632,511	8,996,740	635,771	7.07%
March	9,132,694	15,842,538	(6,709,844)	-42.35%
April	11,714,224	13,840,518	(2,126,294)	-15.36%
May	11,107,278	5,960,146	5,147,132	86.36%
June	10,096,555	9,045,195	1,051,360	11.62%
July	16,948,502	12,645,121	4,303,381	34.03%
August	10,140,353	10,203,737	(63,384)	-0.62%
September	11,666,527	10,837,378	829,148	7.65%
Rolling, 12-Month Total	132,334,088	129,925,612		
Rolling, 12-Month Average	11,027,841	10,827,134		

DWSD Retail Sewer Billings and Collections

Retail billing basis: DWSD bills retail customers monthly. Customers are billed throughout the month in cycles based on a meter reading schedule beginning with residential accounts and ending with commercial and industrial customers.

Table 3 - DWSD Retail Sewer Billings shows the FY 2026 sewer billed revenue which is provided by DWSD staff. As of September 30, 2025, the DWSD usage was at 95.77% of the budget and billed revenue was at 97.27% of budget.

DWSD Retail Sewer Collections: The collections represent payments made by DWSD retail customers. These receipts are deposited directly into a lockbox with a trustee for administration of the flow of funds defined by GLWA's Master Bond Ordinance.

Table 4 – DWSD Retail Sewer Collections shows collections by month for the past 12 months compared to collections for the prior year as well as the calculated difference between the periods.

Table 3 - DWSD Retail Sewer Billings

RETAIL SEWER CUSTOMERS								
	FY 2026 - Original Budget		FY 2026 - Actual		FY 2026 - Variance		FY 2025 - Actuals	
Month (1)	Volume	Revenue	Volume (2)	Revenue (3)	Volume	Revenue	Volume	Revenue
	Mcf	*$*	*Mcf*	*$*	*Mcf*	*$*	Mcf	*$*
July	204,000	30,924,900	192,183	28,662,775	(11,817)	(2,262,125)	173,084	26,350,527
August	198,000	30,551,600	203,783	31,930,819	5,783	1,379,219	195,207	28,301,325
September	213,000	31,445,600	193,046	29,790,797	(19,954)	(1,654,803)	198,474	28,536,169
October	182,000	29,612,100					181,932	28,141,699
November	180,000	29,458,600					171,499	28,166,266
December	176,000	29,233,100					192,915	28,831,326
January	156,000	28,015,300					140,835	26,273,695
February	181,000	29,507,800					182,920	28,075,547
March	174,000	29,074,500					184,249	28,353,310
April	173,000	29,059,800					176,337	27,741,237
May	172,000	28,967,700					178,327	27,806,874
June	179,500	29,415,100					181,839	28,059,145
Total	2,188,500	355,266,100	589,011	90,384,391	(25,989)	(2,537,709)	2,157,619	334,637,121
Subtotals YTD	*615,000*	*92,922,100*	*589,011*	*90,384,391*	*(25,989)*	*(2,537,709)*		
Achievement of Budget/Goal			*95.77%*	*97.27%*				

(1) Figures are stated as "Service Months"; that is, July figures represent bills issued in August, etc.
(2) Reflects billed volume based on actual usage except for residential customers where the billed volume differs from actual usage due to residential sewer volume caps implemented in FY 2023.
(3) Retail revenues include miscellaneous revenues and penalties

Table 4 – DWSD Retail Sewer Collections

Sewer				
Month	**Current Year**	**Prior Year**	**Variance**	**Ratio**
October	25,231,098	21,610,149	3,620,949	16.76%
November	23,609,169	25,951,736	(2,342,568)	-9.03%
December	23,914,649	23,249,973	664,676	2.86%
January	26,416,591	26,248,512	168,079	0.64%
February	24,116,823	24,230,304	(113,481)	-0.47%
March	23,871,283	26,438,687	(2,567,405)	-9.71%
April	25,340,397	23,532,381	1,808,016	7.68%
May	22,575,530	22,487,372	88,158	0.39%
June	23,278,350	20,945,929	2,332,421	11.14%
July	35,487,541	36,297,569	(810,027)	-2.23%
August	27,119,685	22,591,511	4,528,174	20.04%
September	28,474,877	22,367,425	6,107,452	27.31%
Rolling 12-Month Total	309,435,992	295,951,548		
Rolling, 12-Month Average	25,786,333	24,662,629		

DWSD Retail Water and Sewer Accounts Receivable Aging Report

The DWSD detailed accounts receivable aging is categorized by customer category.

Table 5 is a summary of the monthly sales, total receivables, bad debt allowance and net water and sewer receivables as of September 30, 2025, with comparative totals from June 30, 2025, June 30, 2024, and June 30, 2023. This table does not include past due accounts that have been transferred to the City of Detroit for collection as tax liens.

The table provides a comparison of days in accounts receivable calculated as net receivables divided by daily sales and confirms that over time, days in AR is held in check overall due to a consistent practice of adjusting the allowance for doubtful accounts monthly. To the extent this allowance is adjusted, and bad debt expense is recognized in the DWSD budget, it does not impact GLWA.

Table 6 is a summary of the total, current and non-current Water and Sewer receivables by category as of September 30, 2025, with comparative totals from September 30, 2024. This table does not include past due accounts that have been transferred to the City of Detroit for collection as tax liens.

The Total Balance and Total Bad Debt Allowance as of September 30, 2025, are reflective of the values in both the Table 5 Summary and Table 6 breakdown.

Table 5 – DWSD Retail Accounts Receivable Aging Report – <u>Summary</u>

Summary					
		Receivables			
Period Ending	**Monthly Sales**	**Total**	**Allowance**	**Net**	**Days in AR (1)**
June 30, 2023	39,443,000	327,023,000	(272,012,000)	55,011,000	42
June 30, 2024 (3)	39,029,000	324,867,000	(249,922,000)	74,944,000	58
June 30, 2025 (2)(4)	40,227,000	381,752,000	(310,878,000)	70,873,000	53
Sept 30, 2025	43,347,000	393,068,000	(327,310,000)	65,758,000	46

Totals may be off due to rounding

(1) Days in AR is calculated as net receivables divided by daily sales (monthly sales/30 days).

(2) The annual AR Tax Roll Transfer totaling $25,890,000 was made in October 2024.

(3) The June 30, 2024 monthly sales amount was updated in April 2025 reporting to include an increase of approximately $675,000 that was made subsequent to the original reporting.

(4) The June 30, 2025 year-end allowance amount was updated in July 2025 reporting to include an increase of approximately $153,000 that was made subsequent to the original reporting.

Table 6 – DWSD Retail Accounts Receivable Aging Report – Water & Sewer Combined

	Avg. Balance	Current	> 30 Days	> 60 Days	> 180 Days	A/R Balance
Residential	947.82	15,532,000	9,352,000	28,241,000	179,129,000	232,254,000
		6.7%	*4.0%*	*12.2%*	*77.1%*	*100.0%*
Commercial	1,284.04	7,591,000	2,534,000	5,992,000	20,926,000	37,043,000
		20.5%	*6.8%*	*16.2%*	*56.5%*	*100.0%*
Industrial	3,087.48	4,874,000	1,261,000	2,930,000	10,015,000	19,081,000
		25.5%	*6.6%*	*15.4%*	*52.5%*	*100.0%*
Tax Exempt	468.58	4,348,000	1,184,000	2,711,000	14,991,000	23,234,000
		18.7%	*5.1%*	*11.7%*	*64.5%*	*100.0%*
Government	2,547.27	3,925,000	1,840,000	2,627,000	11,994,000	20,386,000
		19.3%	*9.0%*	*12.9%*	*58.8%*	*100.0%*
Drainage	-	-	-	-	-	-
Subtotal - Active Accounts	**983.24**	**36,270,000**	**16,171,000**	**42,501,000**	**237,056,000**	**331,998,000**
		10.9%	*4.9%*	*12.8%*	*71.4%*	*100.0%*
Inactive Accounts	154.29	120,000	259,000	1,565,000	59,128,000	61,071,000
		0.2%	*0.4%*	*2.6%*	*96.8%*	*100.0%*
Total	**535.90**	**36,390,000**	**16,429,000**	**44,066,000**	**296,183,000**	**393,068,000**
% of Total A/R		*9.3%*	*4.2%*	*11.2%*	*75.4%*	*100.0%*
Water Fund	116.80	10,617,000	3,909,000	10,746,000	60,395,000	85,668,000
Sewer Fund	419.10	25,773,000	12,520,000	33,319,000	235,788,000	307,401,000
Total Sept 30, 2025 (a)	535.90	36,390,000	16,429,000	44,066,000	296,183,000	**393,068,000**
Water Fund- Allowance						(65,539,000)
Sewer Fund- Allowance						(261,772,000)
Total- Bad Debt Allowance						**(327,310,000)**
Comparative - Sep 2024 (b)	640.64	41,687,000	18,696,000	47,425,000	237,136,000	344,945,000
Difference (a) - (b)		(5,297,000)	(2,267,000)	(3,359,000)	59,047,000	48,124,000

The Monthly Wholesale Billings, Receivables, and Collections Report includes the following.

1. Wholesale Water Billings and Collections
2. Wholesale Sewer Billings and Collections
3. Wholesale Water & Sewer Accounts Receivable Aging Summary

Wholesale Water Billings and Collections

Wholesale Water Contracts: The Great Lakes Water Authority (GLWA) provides wholesale water service to 87 member-partners through a variety of service arrangements.

Service Arrangement Type	
Model Contract	85
Emergency	0
Older Contracts	2
Total	87

Note: *Services are provided to the Detroit Water & Sewerage Department (DWSD) via a Water and Sewer Services Agreement (WSSA). See the "Retail Revenues, Receivables, and Collections Report" section of this monthly report.*

Wholesale Water Billing Basis: Beginning with FY 2016, wholesale water charges were restructured to create a more stable revenue stream by using a historical rolling average to project customer volumes which accounts for 40% of the monthly charges and 60% of the annual customer revenue requirement as a monthly fixed charge.

> ***Table 1 - Wholesale Water Billings*** shows the FY 2026 water billed usage and revenues. As of September 30, 2025, the billed usage was at 102.42% of the original plan and billed revenue at 101.37% of the original plan. Billings and usage from the City of Flint *are* included as they were assumed in the FY 2026 Budget.

Wholesale Water Collections: The collections represent payments made by wholesale customers. These receipts are deposited directly into a lockbox with a trustee for administration of the flow of funds defined by GLWA's Master Bond Ordinance.

> ***Table 2 - Wholesale Water Collections*** shows collections by month for the past 12 months compared to collections for the prior year as well as the calculated difference between the periods. Current year collections are trending above the prior year for the twelve-month period ending September 30, 2025.

Table 1 – FY 2026 Wholesale Water Billings Report

WHOLESALE WATER CHARGES								
	FY 2026 Charges (2)		FY 2026 - Actual		FY 2026 - Variance		FY 2025 - Actuals	
Month (1)	Volume Mcf	Revenue $	Volume Mcf	Revenue (3) $	Volume Mcf	Revenue $	Volume Mcf	Revenue $
July	1,459,700	35,523,100	1,443,326	35,332,100	(16,374)	(191,000)	1,347,527	32,449,201
August	1,327,600	33,953,000	1,389,530	34,819,742	61,930	866,742	1,297,169	31,979,686
September	1,270,300	33,143,000	1,322,813	33,872,313	52,513	729,313	1,315,030	32,104,405
October	1,040,600	30,218,400					1,051,234	28,946,404
November	887,200	28,529,400					872,926	26,975,632
December	962,000	29,287,500					866,671	27,877,869
January	977,400	29,446,100					989,175	28,114,300
February	873,200	28,325,000					888,053	27,055,774
March	946,800	29,098,400					966,088	27,862,863
April	905,200	28,703,100					928,903	27,482,932
May	1,099,400	31,132,100					1,049,087	28,969,431
June	1,393,800	34,734,300					1,325,550	32,157,894
Total	13,143,200	372,093,400	4,155,669	104,024,155	98,069	1,405,055	12,897,411	351,976,391
Subtotals YTD	4,057,600	102,619,100	4,155,669	104,024,155	98,069	1,405,055		
Achievement of Original Plan			102.42%	101.37%				

(1) Figures are stated as "Service Months;" that is, July figures represent bills issued in August, etc.
(2) Charges are based on the approved FY 2026 water supply system charge schedule.
(3) Water Revenues differ from Table 1A within the budget to actual analysis section because amounts are reduced by the monthly payment to the City of Flint for a license to raw water rights under the Flint Raw Water Contract in Table 1A.

Table 2 - Wholesale Water Collections

Water				
Month	**Current Year**	**Prior Year**	**Variance**	**Ratio**
October	29,858,946	26,617,271	3,241,675	12.18%
November	29,728,772	35,490,010	(5,761,238)	-16.23%
December	33,080,276	28,246,829	4,833,447	17.11%
January	28,917,330	24,448,936	4,468,394	18.28%
February	25,874,160	29,100,065	(3,225,905)	-11.09%
March	26,649,141	24,740,554	1,908,587	7.71%
April	25,622,706	26,856,179	(1,233,473)	-4.59%
May	26,976,277	25,838,255	1,138,022	4.40%
June	25,164,355	24,182,036	982,319	4.06%
July	30,792,996	30,278,936	514,060	1.70%
August	23,138,830	25,054,796	(1,915,966)	-7.65%
September	40,509,372	31,569,804	8,939,568	28.32%
Rolling 12-Month Total	346,313,161	332,423,671		
Rolling, 12-Month Average	28,859,430	27,701,973		

Wholesale Sewer Billings and Collections

Wholesale Sewer Contracts: GLWA provides wholesale sewer service to 18 member-partners via multiple service arrangements.

Service Arrangement Type	
Model Contract	14
Emergency	0
Older Contracts	4
Total	18

Note: *Services are provided to the Detroit Water & Sewerage Department via a Water and Sewer Services Agreement (WSSA). See the "Retail Revenues, Receivables, and Collections Report" section of the monthly report.*

Wholesale Sewer Billing Basis: Beginning in FY 2015, the "sewer rate simplification" initiative was applied which provides for a stable revenue stream and predictability for our member partners. Wholesale sewer customers are billed a fixed monthly fee based upon the annual revenue requirement.

Table 3 - Wholesale Sewer Billings shows the FY 2026 sewer billed revenue. As of September 30, 2025, the billed revenue reflects 100.00% of the original plan.

Wholesale Sewer Collections: The collections represent payments made by wholesale customers. These receipts are deposited directly into a lockbox with a trustee for administration of the flow of funds defined by GLWA's Master Bond Ordinance.

Table 4 - Wholesale Sewer Collections shows collections by month for the past 12 months compared to collections for the prior year as well as the calculated difference between the periods.

The shift in wholesale sewer collection patterns is largely attributable to the timing of payments received. There are several large accounts whose payments swing between the end of the current month and the beginning of the next month. Current year collections are trending above the twelve-month period ending September 30, 2025.

Table 3 – FY 2026 Wholesale Sewer Billings Report

WHOLESALE SEWER CHARGES								
	FY 2026 Charges		FY 2026 - Actual		FY 2026 - Variance		FY 2025 - Actuals	
Month (1)	Volume (2)	Revenue	Volume (2)	Revenue	Volume (2)	Revenue	Volume	Revenue
	Mcf	$	Mcf	$	Mcf	$	Mcf	$
July	N/A	24,932,600	N/A	24,932,600	N/A	-	N/A	23,883,900
August	N/A	24,932,600	N/A	24,932,600	N/A	-	N/A	23,883,900
September	N/A	24,932,600	N/A	24,932,600	N/A	-	N/A	23,883,900
October	N/A	24,932,600	N/A		N/A		N/A	23,883,900
November	N/A	24,932,600	N/A		N/A		N/A	23,883,900
December	N/A	24,932,600	N/A		N/A		N/A	23,883,900
January	N/A	24,932,600	N/A		N/A		N/A	23,883,900
February	N/A	24,932,600	N/A		N/A		N/A	23,883,900
March	N/A	24,932,600	N/A		N/A		N/A	23,883,900
April	N/A	24,932,600	N/A		N/A		N/A	23,883,900
May	N/A	24,932,600	N/A		N/A		N/A	23,883,900
June	N/A	24,932,600	N/A		N/A		N/A	23,883,900
Total		299,191,200		74,797,800		-		286,606,800
Subtotals YTD		74,797,800		74,797,800		-		
Achievement of Original Plan				100.00%				

(1) Figures are stated as "Service Months," that is, July figures represent bills issued in August, etc.
(2) Not tracked as part of the wholesale sewer charges.

Table 4 - Wholesale Sewer Collections

Sewer				
Month	**Current Year**	**Prior Year**	**Variance**	**Ratio**
October	13,037,715	23,107,016	(10,069,301)	-43.58%
November	33,933,304	27,958,885	5,974,419	21.37%
December	23,958,644	21,351,498	2,607,146	12.21%
January	23,850,161	21,117,470	2,732,691	12.94%
February	23,509,614	27,856,400	(4,346,786)	-15.60%
March	24,230,161	23,460,900	769,261	3.28%
April	24,138,802	18,685,600	5,453,202	29.18%
May	23,965,586	28,363,300	(4,397,714)	-15.50%
June	24,053,386	23,300,100	753,286	3.23%
July	19,273,207	18,438,961	834,246	4.52%
August	28,754,028	13,987,797	14,766,231	105.57%
September	28,754,500	25,450,281	3,304,219	12.98%
Rolling 12-Month Total	291,459,108	273,078,208		
Rolling, 12-Month Average	24,288,259	22,756,517		

Wholesale Water & Sewer Accounts Receivable Aging Summary

GLWA operational invoices reflect 45-day payment terms. This allows Member Partners the ability to collect payment for services rendered under typical 30-day payment terms with an additional 15-day window to make payment to GLWA for wholesale services provided during that service period.

Table 5 - ***Wholesale Accounts Receivable Aging Summary*** is a summary of the total, current and non-current receivables by category as of September 30, 2025.

Table 6 - Wholesale Accounts Receivable Aging Summary, Net Dearborn is the same summary *without* the past due balances for Dearborn. Three water accounts comprise the past due balance of $237,645 reported of which $48,554 was paid in October and $121,128 in November. The Billing Team continues to work with the member partner on the remaining $67,963 unpaid balance.

All sewer accounts are current in September. The IWC past due balance reflects four accounts totaling $7,728 of which $1,721 was paid in October and $1,641 was paid in November. The Billing Team continues to work with the member partner on the remaining $4,367 unpaid balance. The Pollutant Surcharge past due balance consists of smaller account holders that GLWA staff continue to communicate with.

Table 5 - Wholesale Accounts Receivable Aging Summary

	Total	Current	1-45 Days	46-74 Days	75-104 Days	>105 Days
Water	52,668,626	44,185,436	233,849	64,167	132,129	8,053,046
Sewer	11,233,213	11,233,213	-	-	-	-
IWC	620,554	612,825	4,023	-	(662)	4,367
Pollutant	492,688	453,641	13,158	4,083	1,174	20,632
Total	65,015,081	56,485,115	251,030	68,250	132,641	8,078,045
	100.00%	86.88%	0.39%	0.10%	0.20%	12.42%

Table 6 - Wholesale Accounts Receivable Aging Summary, Net of Dearborn

	Total	Current	1-45 Days	46-74 Days	75-104 Days	>105 Days
Water	43,540,709	43,303,065	169,682	-	67,963	-
Sewer	11,233,213	11,233,213	-	-	-	-
IWC	620,554	612,825	4,023	-	(662)	4,367
Pollutant	492,688	453,641	13,158	4,083	1,174	20,632
Total	55,887,164	55,602,744	186,863	4,083	68,474	24,999
	100.00%	99.49%	0.33%	0.01%	0.12%	0.04%

Note: *percentages vary from 100% due to rounding.*

The Monthly Trust Receipts & Disbursements Report includes the following.

1. GLWA Trust Receipts & Disbursements – Net Cash Flows and Receipts
2. DWSD Trust Receipts & Disbursements – Net Cash Flows and Receipts
3. Combined System Trust Receipts & Disbursements – Net Cash Flows

GLWA Trust Receipts & Disbursements

Net Cash Flows and Receipts Basis: The trusts established pursuant to the Master Bond Ordinance (MBO) outline a flow of funds that governs the priority of the application of cash receipts from both the regional wholesale (i.e., Great Lakes Water Authority or GLWA) and local retail (i.e., Detroit Water & Sewerage Department or DWSD) activities which are further separated by the water system and the sewage disposal system.

This report provides an ongoing status of the net cash flows of both organizations (GLWA and DWSD) to fund their allocated share of Master Bond Ordinance requirements in accordance with the leases for the regional systems.

Table 1 – GLWA Net Cash Flows from Trust Receipts & Disbursements provides a summary of cash receipt collections and required MBO transfers by fiscal year. Fiscal year 2026 reflects three months of activity to date.

Water fund receipts exceeded required disbursements by 7% through September 30, 2025 compared to the four-year historical average ratio of required receipts exceeding disbursements by 5% since July 1, 2021.

Sewer fund receipts exceeded required disbursements by 11% through September 30, 2025 compared to the four-year historical average ratio of required receipts exceeding disbursements by 7% since July 1, 2021.

Chart 1 – GLWA 12-Month Net Receipts – Water outlines monthly cash receipt trends across two points of reference for the regional water system—current year and prior years. The black line at zero highlights the minimum goal for net receipts.

Chart 2 – GLWA 12-Month Net Receipts – Sewer outlines monthly cash receipt trends across two points of reference for the regional sewer system—current year and prior years. The black line at zero highlights the minimum goal for net receipts.

Table 1 – GLWA Net Cash Flows from Trust Receipts & Disbursements

		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Through September 30
	Water					
1	Receipts	338,117,694	363,335,474	374,252,221	379,199,823	104,184,858
2	MOU Adjustments	-	-	-	-	-
3	Adjusted Receipts	338,117,694	363,335,474	374,252,221	379,199,823	104,184,858
4	Disbursements	(316,495,360)	(349,186,375)	(353,639,121)	(367,467,244)	(97,184,742)
5	Receipts Net of Required	21,622,334	14,149,099	20,613,100	11,732,579	7,000,116
6	I&E Transfer	(26,622,862)	(9,898,100)	(28,618,500)	(8,289,600)	(5,000,000)
7	Net Receipts	(5,000,528)	4,250,999	(8,005,400)	3,442,979	2,000,116
8	*Ratio of Receipts to Required Disbursements (Line 3/Line 4)*	*107%*	*104%*	*106%*	*103%*	*107%*
	Sewer					
9	Receipts	471,979,297	498,888,416	506,731,576	508,344,972	136,863,267
10	MOU Adjustments	-	-	-	-	-
11	Adjusted Receipts	471,979,297	498,888,416	506,731,576	508,344,972	136,863,267
12	Disbursements	(450,701,751)	(473,516,238)	(477,450,794)	(481,372,746)	(123,188,625)
13	Receipts Net of Required	21,277,546	25,372,178	29,280,782	26,972,226	13,674,642
14	I&E Transfer	(37,651,788)	(26,766,200)	(12,468,000)	(11,455,000)	(31,570,300)
15	DWSD Shortfall Advance	-	-	-	-	-
16	Shortfall Repayment (principal)	8,296,578	-	-	-	-
17	Net Receipts	(8,077,664)	(1,394,022)	16,812,782	15,517,226	(17,895,658)
18	*Ratio of Receipts to Required Disbursements (Line 11/Line 12)*	*105%*	*105%*	*106%*	*106%*	*111%*
	Combined					
19	Receipts	810,096,991	862,223,890	880,983,797	887,544,795	241,048,125
20	MOU Adjustments	-	-	-	-	-
21	Adjusted Receipts	810,096,991	862,223,890	880,983,797	887,544,795	241,048,125
22	Disbursements	(767,197,111)	(822,702,613)	(831,089,915)	(848,839,991)	(220,373,367)
23	Receipts Net of Required	42,899,880	39,521,277	49,893,882	38,704,805	20,674,758
24	I&E Transfer	(64,274,650)	(36,664,300)	(41,086,500)	(19,744,600)	(36,570,300)
25	Shortfall Advance	-	-	-	-	-
26	Shortfall Repayment	8,296,578	-	-	-	-
27	Net Receipts	(13,078,192)	2,856,977	8,807,382	18,960,205	(15,895,542)
28	*Ratio of Receipts to Required Disbursements (Line 21/Line 22)*	*106%*	*105%*	*106%*	*105%*	*109%*

All amounts are unaudited unless otherwise noted.

Chart 1 – GLWA 12-Month Net Receipts – Water

Chart 2 – GLWA 12-Month Net Receipts – Sewer

DWSD Trust Receipts & Disbursements

Net Cash Flows and Receipts Basis: The trusts established pursuant to the Master Bond Ordinance (MBO) outline a flow of funds that governs the priority of the application of cash receipts from both the regional wholesale (i.e. Great Lakes Water Authority or GLWA) and local retail (i.e. Detroit Water & Sewerage Department or DWSD) activities which are further separated by the water system and the sewage disposal system.

This report provides an ongoing status of the net cash flows of both organizations (GLWA and DWSD) to fund their allocated share of Master Bond Ordinance requirements in accordance with the leases for the regional systems.

Table 2 – DWSD Net Cash Flows from Trust Receipts & Disbursements provides a summary of cash receipt collections and required MBO transfers by fiscal year. Fiscal year 2025 reflects three months of activity to date.

Water fund receipts exceeded required disbursements by 21% through September 30, 2025 compared to the four-year historical average ratio of required receipts exceeding disbursements by 9% since July 1, 2021.

Sewer fund receipts exceeded required disbursements by 17% through September 30, 2025 compared to the four-year historical average of required receipts exceeding disbursements by 5% since July 1, 2021.

Table 2 – DWSD Net Cash Flows from Trust Receipts & Disbursements

		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 Through September 30
	Water					
1	Receipts	101,964,963	123,766,624	123,818,287	127,313,152	38,761,121
2	MOU Adjustments	-		-	-	-
3	Adjusted Receipts	101,964,963	123,766,624	123,818,287	127,313,152	38,761,121
4	Disbursements	(94,495,601)	(117,666,100)	(117,290,591)	(119,923,334)	(31,945,182)
5	Receipts Net of Required	7,469,362	6,100,524	6,527,696	7,389,818	6,815,939
6	I&E Transfer	-	-	-	(8,000,000)	
7	Net Receipts	7,469,362	6,100,524	6,527,696	(610,182)	6,815,939
8	*Ratio of Receipts to Required Disbursements (Line 3/Line 4)*	*108%*	*105%*	*106%*	*106%*	*121%*
	Sewer					
9	Receipts	291,280,896	298,897,942	296,088,194	299,683,584	91,104,785
10	MOU Adjustments	-	-	-	-	-
11	Adjusted Receipts	291,280,896	298,897,942	296,088,194	299,683,584	91,104,785
12	Disbursements	(285,256,000)	(283,095,100)	(288,119,517)	(299,393,959)	(78,058,768)
13	Receipts Net of Required	6,024,896	15,802,842	7,968,677	289,624	13,046,018
14	I&E Transfer	-	-	-	-	-
15	Shortfall Advance from GLWA	-	-	-	-	-
16	Net Receipts	6,024,896	15,802,842	7,968,677	289,624	13,046,018
17	*Ratio of Receipts to Required Disbursements (Line 11/Line 12)*	*102%*	*106%*	*103%*	*100%*	*117%*
	Combined					
18	Receipts	393,245,859	422,664,566	419,906,481	426,996,735	129,865,906
19	MOU Adjustments	-	-	-	-	-
20	Adjusted Receipts	393,245,859	422,664,566	419,906,481	426,996,735	129,865,906
21	Disbursements	(379,751,601)	(400,761,200)	(405,410,108)	(419,317,293)	(110,003,950)
22	Receipts Net of Required	13,494,258	21,903,366	14,496,373	7,679,442	19,861,957
23	I&E Transfer	-	-	-	(8,000,000)	-
24	Shortfall Advance from GLWA	-	-	-	-	-
25	Net Receipts	13,494,258	21,903,366	14,496,373	(320,558)	19,861,957
26	*Ratio of Receipts to Required Disbursements (Line 20/Line 21)*	*104%*	*105%*	*104%*	*102%*	*118%*

All amounts are unaudited unless otherwise noted.

Chart 3 – DWSD 12-Month Net Receipts – Water outlines monthly activity trends across two points of reference for the local water system—current year and prior year. The black line at zero highlights the breakeven goal for net receipts.

Chart 4 – DWSD 12-Month Net Receipts – Sewer outlines monthly activity trends across two points of reference for the local sewer system—current year and prior year. The black line at zero highlights the breakeven goal for net receipts

Chart 3 – DWSD 12-Month Net Receipts – Water

Chart 4 – DWSD 12-Month Net Receipts – Sewer

Combined System Trust Receipts & Disbursements

Net Cash Flows and Receipts Basis: The trusts established pursuant to the Master Bond Ordinance (MBO) outline a flow of funds that governs the priority of the application of cash receipts from both the regional wholesale (i.e., Great Lakes Water Authority or GLWA) and local retail (i.e. Detroit Water & Sewerage Department or DWSD) activities which are further separated by the water system and the sewage disposal system.

Table 3 – Combined Net Cash Flows from Trust Receipts & Disbursements provides a summary of cash receipt collections and required MBO transfers by fiscal year. Fiscal year 2026 reflects three months of activity to date.

> Water fund net receipts exceeded required disbursements by 11% through September 30, 2025 compared to the four-year historical average ratio of required receipts exceeding disbursements by 6% since July 1, 2021.
>
> Sewer fund receipts exceeded required disbursements by 13% through September 30, 2025 compared to the four-year historical average ratio of required receipts exceeding disbursements by 6% since July 1, 2021.

Table 3 – Combined Net Cash Flows from Trust Receipts & Disbursements

		FY 2022	FY 2023	FY 2024	FY 2025	FY 2026 through September 30
	Water					
1	Receipts	440,082,657	487,102,098	498,070,508	508,868,741	142,945,979
2	MOU Adjustments	-	-	-	-	-
3	Adjusted Receipts	440,082,657	487,102,098	498,070,508	508,868,741	142,945,979
4	Disbursements	(410,990,961)	(466,852,475)	(470,929,712)	(487,390,578)	(129,129,924)
5	Receipts Net of Required Transfers	29,091,696	20,249,623	27,140,796	21,478,162	13,816,055
6	I&E Transfer	(26,622,862)	(9,898,100)	(28,618,500)	(16,289,600)	(5,000,000)
7	Net Receipts	2,468,834	10,351,523	(1,477,704)	5,188,562	8,816,055
8	Ratio of Receipts to Required Disbursements (Line 3/Line 4)	107%	104%	106%	104%	111%
	Sewer					
9	Receipts	763,260,193	797,785,358	802,819,770	808,374,074	227,968,052
10	MOU Adjustments	-	-	-	-	-
11	Adjusted Receipts	763,260,193	797,785,358	802,819,770	808,374,074	227,968,052
12	Disbursements	(735,957,751)	(756,611,338)	(765,570,311)	(780,766,706)	(201,247,393)
13	Receipts Net of Required Transfers	27,302,442	41,174,020	37,249,459	27,607,369	26,720,659
14	I&E Transfer	(37,651,788)	(26,766,200)	(12,468,000)	(11,455,000)	(31,570,300)
15	Shortfall Advance	-	-	-	-	-
16	Shortfall Repayment (principal)	8,296,578	-	-	-	-
17	Net Receipts	(2,052,768)	14,407,820	24,781,459	16,152,369	(4,849,641)
18	Ratio of Receipts to Required Disbursements (Line 11/Line 12)	104%	105%	105%	103%	113%
	Combined					
19	Receipts	1,203,342,850	1,284,887,456	1,300,890,278	1,317,242,815	370,914,031
20	MOU Adjustments	-	-	-	-	-
21	Adjusted Receipts	1,203,342,850	1,284,887,456	1,300,890,278	1,317,242,815	370,914,031
22	Disbursements	(1,146,948,712)	(1,223,463,813)	(1,236,500,023)	(1,268,157,284)	(330,377,317)
23	Receipts Net of Required Transfers	56,394,138	61,423,643	64,390,255	49,085,531	40,536,715
24	I&E Transfer	(64,274,650)	(36,664,300)	(41,086,500)	(27,744,600)	(36,570,300)
25	Shortfall advance	-	-	-	-	-
26	Shortfall Repayment	8,296,578	-	-	-	-
27	Net Receipts	416,066	24,759,343	23,303,755	21,340,931	3,966,415
28	Ratio of Receipts to Required Disbursements (Line 21/Line 22)	105%	105%	105%	104%	112%

All amounts are unaudited unless otherwise noted.

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Alicia Schwartz, Grants Manager

Re: Grants, Gifts, and Other Resources Report Through November 30, 2025

Highlights: The Grants, Gifts, and Other Resources Report highlights changes from the prior report in yellow. Of particular note this month are the following project updates.

- ✓ **2025-007 State Revolving Fund Clean Water Initiative/Strategic Water Quality Initiative 5980-01 West Chicago South Stormwater Improvements (DWSD Grant) –** Submitted reimbursement request for $3,043,694.
- ✓ **2023-023 I-94 Modernization Project (CIP Project 270001) –** Kick-off meeting held November 20, 2025.

Background: The Great Lakes Water Authority (GLWA) delegated authority to the Chief Executive Officer to oversee and report on activities identified in the GLWA Articles of Incorporation related to solicitation and receipt of grants, gifts, and other resources [1] as stated in Article 4 – Powers, Section B (4):

> (4) Solicit, receive, and accept gifts, grants, labor, loans, contributions of money, property, or other things of value, and other aid or payment from any federal, state, local, or intergovernmental government agency or from any other person or entity, public or private, upon terms and conditions acceptable to the Authority, or participate in any other way in a federal, state, local, or intergovernmental government program [2].

GLWA's Grants, Gifts, and Other Resources Delegation Policy is online at Grants, Gifts, and Other Resources Delegation Policy - GLWA (glwater.org).

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[1] Other resources as referenced above refer to labor, contributions of money, property, or other things of value from any other person or entity, public or private with the exception for loans, subject to provisions of the GLWA Board Debt Management Policy, and Intergovernmental agreements and other activities that are addressed in the GLWA Board Procurement Policy.
[2] Participation in any other way in a federal, state local, or intergovernmental government program includes participation in research projects at universities.

Analysis: The tables in each section of this report present GLWA grant activity by each phase. As a grant moves through each phase, it is shown in the corresponding table.

Table 1- Pre-award phase includes the process of applying for a grant and the period prior to the signing of the grant agreement between the awarding agency and GLWA.

Table 2 - Award phase reflects the period after the agreement is executed with the awarding agency. In this phase, GLWA becomes responsible for meeting the administrative, financial, and programmatic reporting requirements of the award.

Table 3 - Post award phase is the final stage of grant activity and includes final reporting requirements, auditing, and closeout. There are final financial and programmatic reports that must be submitted to formally close out the grant as defined in each grant agreement.

Table 4 - Programs not awarded or programs that GLWA will not continue to pursue.

Proposed Action: Receive and file this report.

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Table 1 – Pre-Award Phase Programs reflects open submissions for FY 2024, FY 2025, and FY 2026 to date. The programs listed under this section do not have a grant agreement between the awarding agency and GLWA at this time, but an application has been submitted, or the funds have been identified in legislation (i.e. earmarks).

Reference Number	Date Originally Awarded or Requested	Program Description	Type of Activity	Amount to be Provided	Compliance and/or Performance Requirements	Status
2024-009	3/9/2024	FY 2024 Environmental Protection Agency Community Grant – Pump Station #2 Rack & Grit (CIP Project 211007)	Federal Grant (Reimbursement Basis)	$959,752	Federal Audit Requirements	Earmark (20% Cost Share). Working with Project Manager to develop project workplan.
2024-009b	3/9/2024	FY 2024 Environmental Protection Agency Community Grant – Oakwood District Intercommunity Relief Sewer Modifications (CIP Project 222001)	Federal Grant (Reimbursement Basis)	$959,752	Federal Audit Requirements	Earmark (20% Cost Share) Submitted grant application October 20, 2025.
2025-001	12/19/2024	State and Local Cybersecurity Grant Program (SLCGP) - Cybersecurity Assessments	Federal Grant (Reimbursement Basis)	$80,000	Federal Audit Requirements	Application submitted by GLWA, under review by FEMA.
2025-002	12/19/2024	State and Local Cybersecurity Grant Program (SLCGP) - Cybersecurity Professional Training for IT/Security Staff	Federal Grant (Reimbursement Basis)	$191,194	Federal Audit Requirements	Application submitted by GLWA, under review by FEMA.

Table 2 Award Phase Programs reflect all open, awarded grants from FY 2021 through FY 2026.

Reference Number	Date Originally Awarded or Requested	Program Description	Type of Activity	Grant Amount	Compliance and/or Performance Requirements	Status
2023-003	12/19/2022	FY2023 Environmental Protection Agency Community Grant – PFAS Compounds remediations project	Federal Grant (Reimbursement Basis)	$3,452,972	Federal Audit Requirements	Received notification of award June 6, 2025.
2023-005	3/28/2023	Department of Energy – Hydrothermal Liquefaction Project	Federal Grant (Reimbursement Basis)	$1,000,000	Federal Audit Requirements	Reimbursement requests of $657,158 received through July 2025.
2023-013	8/06/2023	Federal Emergency Management Agency (FEMA), June 25-26 Flood, DR-4607 Project 714729 Outfalls (CIP Project 260201)	Federal pass-through State (Reimbursement Basis)	$247,650	Federal Audit Requirements	Reimbursement request of $247,650 submitted in February 2024. Project closeout in progress.
2023-014	8/28/2023	Federal Emergency Management Agency (FEMA), June 25-26 Flood, DR-4607 Project 664811 Conner Creek Sewer System (CIP Project 260204)	Federal pass-through State (Reimbursement Basis)	$1,910,621	Federal Audit Requirements	Reimbursement request of $1,910,621 submitted in February 2024. Project closeout in progress.
2023-015	10/3/2024	Federal Emergency Management Agency (FEMA), June 25-26 Flood, DR-4607 Project 670521 CAT-Z – Allocation of Management Costs	Federal pass-through State (Reimbursement Basis)	$90,541	Federal Audit Requirements	Reimbursement request of $90,541 submitted in November 2024. Project closeout in progress.
2023-019	3/3/2021	American Rescue Plan – State Revolving Fund (ARPA) Funded Project 7532-02 96 Inch Water Transmission Main Relocation Phase 2 EGLE (CIP Project 122004)	Federal pass-through State (Reimbursement Basis)	$11,751,730	Federal Audit Requirements	Total reimbursement request received to date $9.0M.
2023-023	8/30/2023	I-94 Modernization Project (CIP Project 270001)	MDOT Federal pass-through State (Reimbursement Basis)	$34,400,000	Federal Audit Requirements	Wade Trim has been selected as vendor. Kick-off held November 20, 2025
2024-005	12/15/2023	Fiscal Year 2023 Building Resilient Infrastructure and Communities (BRIC) Project Scoping/Feasibility	Federal pass-through State	$856,000	Federal Audit Requirements	$856,000 Grant awarded January 2025 – currently on hold.

Reference Number	Date Originally Awarded or Requested	Program Description	Type of Activity	Grant Amount	Compliance and/or Performance Requirements	Status
		Study (design and engineering only – no construction)	(Reimbursement Basis)			
2024-011	7/10/2024	Southeast Michigan Flood Study	Federal (Cost Share Only)	$0	Federal Audit Requirements	Cost Share Agreement – GLWA share $1.5M.
2024-014	6/7/2023	Focus Hope – Michigan Industry Cluster Approach (MICA 4.0)	Focus Hope (Nonprofit)	$43,000	None	$17,000 Received to date.
2025-004	5/1/2025	Scale-up of Hydrothermal Liquefaction with Supercritical Water Oxidation in an Integrated Biorefinery	Federal Grant (Cost Share)	$0	Federal Audit Requirements	Cost Share Agreement – GLWA share $250,000.
2025-005	9/6/2024	American Rescue Plan – State Revolving Funded Project 5840-01 Northwest Interceptor to Oakwood CSO Sewer (CIP Project 222001)	Federal pass-through State (Reimbursement Basis)	$20,000,000	Federal Audit Requirements	Submitted and received reimbursement request of $771,533. Total reimbursement received to date $14M.
2025-006	5/8/2025	Detroit Employment Solutions Corp (DESC) Apprentice Grant	DESC (Nonprofit)	Reimbursement of $5,000 per apprentice	None	1st renewal signed October 2025, provides $5,000 per apprentice. Total received to date $112,000.
2025-007	8/22/2024	State Revolving Fund Clean Water Initiative/Strategic Water Quality Initiative 5980-01 West Chicago South Stormwater Improvements (DWSD Grant)	Pass Through to DWSD	$14,011,908	Federal Audit Requirements	Submitted reimbursement request for $3,043,694. Total reimbursement received to date $4.5M.
2025-008	6/3/2025	Federal Emergency Management Agency (FEMA) COVID-19 DR-4494 Project 953011 - CAT-Z – Allocation of Management Costs	Federal pass-through State (Reimbursement Basis)	$100,398	Federal Audit Requirements	Reimbursement request of $100,398 submitted June 2025. Project closeout in progress.

Reference Number	Date Originally Awarded or Requested	Program Description	Type of Activity	Grant Amount	Compliance and/or Performance Requirements	Status
2025-009	8/27/2025	State Revolving Fund Drinking Water Initiative - Water Main Replacement & Lead Service Line Replacement (WS742) 7888-01 (DWSD Grant)	State of Michigan Grant	$2,949,704	State Audit Requirements	Received notification of award August 27, 2025

Table 3 – Post Award Phase Programs have been completed. GLWA reimbursement has been received in full, and the programs are in the process of being closed out, including any closeout reporting requirements.

Reference Number	Date Originally Awarded or Requested	Program Description	Type of Activity	Grant Amount	Compliance and/or Performance Requirements	Status
2023-002	6/6/2025	FY 2022 Environmental Protection Agency Community Grant – Detroit River Interceptor (CIP Project 222002)	Federal Grant (Reimbursement Basis)	$2,000,000	Federal Audit Requirements	Funds received as of September 25, 2025. Working with MSP to close out grant.
2023-006	2/22/2023	Federal Emergency Management Agency (FEMA), June Flood DR-4607 Project 660138 Seven Mile CSO	Federal pass through-State (Reimbursement Basis)	$46,996	Federal Audit Requirements	Funds received as of June 30, 2023. Working with MSP to close out grant.
2023-007	4/3/2023	Federal Emergency Management Agency (FEMA), June Flood DR-4607 Project 660076 Springwell Water Treatment Plant	Federal pass through-State (Reimbursement Basis)	$180,000	Federal Audit Requirements	Funds received as of June 30, 2023. Working with MSP to close out grant.
2023-008	4/3/2023	Federal Emergency Management Agency (FEMA), June Flood DR-4607 Project 668336 Fairview PS Protective Measures (CIP Project 232001)	Federal pass through-State (Reimbursement Basis)	$180,000	Federal Audit Requirements	Funds received as of June 30, 2023. Working with MSP to close out grant.
2023-009	4/3/2023	Federal Emergency Management Agency (FEMA), June 25-26 Flood, DR-4607 Project 660133 – Obligated $80,129 Puritan Fenkell CSO	Federal pass-through State (Reimbursement Basis)	$80,129	Federal Audit Requirements	Funds received June 20,2025. Working with MSP to close out grant.
2023-010	4/10/2023	Federal Emergency Management Agency (FEMA), June 25-26 Flood, DR-4607 Project 660118 – Obligated $180,000 WRRF	Federal pass-through State (Reimbursement Basis)	$180,000	Federal Audit Requirements	. Funds received June 20,2025. Working with MSP to close out grant.
2023-011	8/29/2022	Federal Emergency Management Agency (FEMA) June 25-26 Flood, DR-4607 Project 668672 - System Wide Emergency Protective Measures	Federal pass-through State (Reimbursement Basis)	$43,031	Federal Audit Requirements	Funds received June 20,2025. Working with MSP to close out grant.

Reference Number	Date Originally Awarded or Requested	Program Description	Type of Activity	Grant Amount	Compliance and/or Performance Requirements	Status
2023-012	4/3/2023	Federal Emergency Management Agency (FEMA), June 25-26 Flood, DR-4607 Project 660110 – Obligated $319,911 Fairview PS (CIP Project 232001)	Federal pass-through State (Reimbursement Basis)	$319,911	Federal Audit Requirements	Funds received as of March 6, 2025. Working with MSP to close out grant.

Table 4 –Programs not awarded or Programs that GLWA will not continue to pursue. There is no Table 4 presented this month because there was no activity in the month of November.

GLWA
Great Lakes Water Authority

Financial Services
Audit Committee Communication

Date: December 19, 2025

To: Great Lakes Water Authority Audit Committee

From: Kim Garland, CPA, Deputy Chief Financial Officer

Re: Quarterly Economic Outlook Task Force Update

Background & Analysis: In July 2021, the Great Lakes Water Authority (GLWA) began conversations with vendors, analysts, supply chain experts, and others to better understand the potential impact of global and economic conditions on GLWA's capital and operating budgets. In September 2021, Public Sector Consultants (PSC) was engaged to work with the GLWA Procurement team, the GLWA Capital Improvement Planning team, and other stakeholders to conduct an economic analysis and identify impacts on the annual capital improvement plan.

This effort became the Economic Outlook Task Force (EOTF) which has gone on to assist GLWA in many ways. One outcome was the identification of key indicators relevant to our sector and the region to better prepare for economic impacts on GLWA operational and financial scenario planning. GLWA and its PSC partners provide updates throughout the year to assist in monitoring and responding to ongoing economic changes.

Included with this memo is the December 2025 EOTF Update providing a summary of economic activity through the 3rd quarter of 2025. This update will be presented by the PSC senior advisory team.

Proposed Action: Receive and file this report.

Note: Page 8 of this report has been updated as of 12.17.2025.

Economic Outlook Task Force Update
GLWA Budget Workshop
December 2025

Public Sector Consultants

PSC

Executive Summary: 2025 Q3 in Review

While 2025 has been characterized by uncertainty, Q3 was particularly surprising as access to data became limited and constrained. With data delays persisting, it is too early to summarize 2025 but we can infer the following:

- **Economy:** The labor market data has been particularly delayed with the month of October potentially being unrecoverable. The latest information released November 20, 2025, shows that unemployment rose to 4.4%, up from 4.1% a year earlier.
- **Infrastructure Costs:** Construction Materials Produce Prices Index appears steady though is hovering just beneath all-time highs and has shown slight upward movement potentially impacted by tariffs.
- **Budgetary Pressures:** Uncertainty of funding due to ongoing budget negotiations at both federal and state level. Amount of investment from higher levels of government has declined, causing competition for fewer dollars.
- **Risks:**
  - Borrowing costs remain high, in spite of the third Federal Reserve rate cut of 2025
  - Artificial Intelligence costs and risks

National Economy: Key Trends

Federal Reserve

- December meeting announced third rate cut of 2025 to 3.5-3.75%
- Three members of the Board of Governors voted against this action, indicating lack of confidence in decision
- Indications that further cuts are uncertain

Washington D.C.

- Inconsistent Executive Orders causing confusion around federal funds and compliance
- Extended federal shut down has caused slow recovery in return to office
- Reductions to federal workforce have caused delays in response in some offices

Infrastructure

- Rising costs in part due to tariffs being enacted, which face legal challenges
- Lower levels of investment straining capital budgets
- Cybersecurity risks heightening and cyber insurance becoming more costly

Construction Materials: Producer Price Index

Construction Materials prices appear to have stabilized in comparison to the sharp increase in 2020; 2025 has experienced modest increases which seem to have leveled off.

20 YR

5 YR

1 YR*

Source: Bureau of Labor Statistics, Producer Price Index, updated November 25, 2025
*Note the different vertical axis for 1YR

Priority Materials: Producer Prices

Prices for priority materials are increasing faster than broader inflation which is hovering around 3%, with the exception of cement.

Percent Change	10YR	5YR	1YR
Iron and Steel Pipes and Tubes	86%	48%	6%
Chlorine	43%	28%	4%
Aggregates	82%	53%	6%
Cement	60%	38%	2%
Electrical Switch Gear/Board	82%	66%	11%
Elect Equipment	68%	56%	8%

PSC Source: Bureau of Labor Statistics, Producer Price Index, update November 25, 2025

Wages: Total Compensation

The Employment Cost Index (ECI) measures change in labor cost to employers. The decline in the Detroit and September seems to be driven by a reduction in benefits as wages have held pace at 3.3-3.5%.

The Employment Cost Index (ECI) uses a fixed "basket" of labor to produce a pure cost change, free from the effects of workers moving between occupations and industries and includes both the cost of wages and salaries and the cost of benefits.

Source: Employment Cost Index, Bureau of Labor Statistics (BLS); updated December 10, 2025

Growth in Compensation by Sector

Note: This data has not been updated due to the federal government shutdown. While all sectors have increased through a combination of higher labor costs and more jobs, Construction has increased the fastest.

Source: Compensation of employees by NAICS industry, Bureau of Labor Statistics (BLS); updated August 8, 2025. 2025 Q3 Data should be released December 22, 2025.

Southeast Michigan Inflation Forecast

Our 2025 Forecast has been proven accurate at 2.9% with the latest inflation data suggesting a potential increase to 3%. The Federal Reserve will struggle to combat inflation while also supporting the labor market in 2026, and thus we have revised all our expectations upwards.

Looking Ahead to 2026: Key Drivers to Watch

- Continued uncertainty around key economic drivers and the longevity of US Tariff policy hinging on a Supreme Court ruling
- Federal Reserve Interest Rate decisions have indicated lower than normal confidence, hinting at pauses in rate changes in 2026
- Expanding investments in Artificial Intelligence may change the labor market through shifting values of certain skillsets, and Data Centers will put pressure on utilities
- Potential for labor costs to rise slower or even decline if the labor market continues to soften
- Spotlight on healthcare subsidies will have important impact in benefit costs
- Local economy facing heightened pressures due to federal policy changes (EV tax credits, tariffs), although blue collar jobs expected to be more resilient to AI impacts

Procurement Pipeline

Great Lakes Water Authority (313) 964-9157 www.glwater.org **December 2025 - Volume 76**

Welcome to the December edition of *The Procurement Pipeline*, a monthly newsletter designed to provide updates on doing business with the Great Lakes Water Authority (GLWA).

FY 2025 Annual Procurement Report

Each year, GLWA produces a report detailing all procurement activity for the last fiscal year. In addition to providing a searchable database of all contracts on the Euna Procurement Portal, the FY 2025 Annual Procurement Report demonstrates GLWA's commitment to transparency in public procurement by providing detailed information on GLWA purchasing and spending. Key report highlights for FY 2025, which spans July 2024 through June 2025, are included below.

- ✓ Procurements awarded totaled $729 million;
- ✓ Procurement executed 4,713 new purchase orders;
- ✓ The total payment to vendors was $621 million; and
- ✓ 95% of all purchases awarded were connected to a formal contract.

The report also demonstrates how GLWA is a significant contributor to the regional economy of our service area, including information on awarded contracts and purchase orders by their geographical location.

- ✓ GLWA spent $650.4 million within the State of Michigan representing 89% of the total awarded contracts and purchase orders.
- ✓ GLWA spent $644.5 million within GLWA's service area representing 88% of the total awarded contracts and purchase orders.
- ✓ GLWA awarded a cumulative total of $611.3 million to vendors operating in the following Michigan cities: Auburn Hills, Taylor, Detroit, Livonia, and Sterling Heights.

In addition, two appendices conclude the report providing information on combined suppliers awarded by procurement as well as combined suppliers paid by invoice. Both appendixes include the contract number, supplier name, and the total amount of the contract.

GLWA's mission is to exceed our member partners' expectations by providing water of unquestionable quality as well as efficient and effective wastewater services – but also, and importantly, to promote and support economic growth in the region we serve through our strategic and fully transparent sourcing practices.

Virtual Vendor Introduction Meetings

If you are interested in learning more about doing business with GLWA, contact us at GLWAVendorOutreach@glwater.org to schedule a virtual vendor introduction meeting. Topics include information on submitting a competitive bid or proposal to any GLWA solicitation.

Keeping up with GLWA

Our Chief Executive Officer (CEO) Monthly Report provides a wealth of information and news about important initiatives within GLWA's service territory that impact GLWA, its member partners, and the public. To read the November 2025 Monthly Report, please click here.

What's Coming Down the Pipe?

Current Solicitations: Register in GLWA's Euna Procurement Portal for new solicitations and contract award information.

Upcoming Procurements: Next Three to Nine Months—See newsletter page 2.

Visit GLWA online!

To see the GLWA vendor homepage, please visit www.glwater.org or contact us via email at procurement@glwater.org.

Upcoming Solicitations December 2025

Category	CIP #	Description/Project Title	Budget Estimate
Water System (next four to nine months)			
Construction	132016	North Service Center Pumping Station Improvements	$108,322,551
Construction	122021	Grosse Pointe Woods & Harper Woods 24" Transmission	$17,000,000
Construction	122020	Concord and Nevada Flow Control Valves	$7,000,000
Construction	122023	Adams Road Transmission Main	$8,400,000
Construction	111012	Lake Huron Water Treatment Plant Flocculation	$60,000,000
Construction	132015	Newburgh Road Booster Pumping Station Improvements	$70,000,000
Wastewater Systems (next four to nine months)			
Construction	211009	EB-20 Substation Replacement and Primary Area Gas Detection System Upgrade	$7,000,000
Design	270009	Site Improvements at Baby Creek, Belle Isle and St. Aubin	$1,500,000
Enterprise (next three months)			
Software Subscription and Implementation	O&M	Complaint Management Software Subscription and Implementation	$200,000
Water System (next three months)			
Professional Services	O&M	Water Master Plan	$1,500,000
Construction	111001	Lake Huron Water Treatment Plant – LH-401 Switchgear and Low Lift Improvements	$125,000,000
Design-Build		Reservoir Rehabilitation Phase III	$51,830,000
Professional Services	116101	Design/ Inspection of Raw Water Tunnels	$4,242,000
Wastewater (next three months)			
Design	270002	Meldrum Sewer Diversion and VR-15 Improvements	$2,000,000
Construction	261001	Critical Repairs to Secondary Clarifiers and B-Houses	$4,360,000
Construction	232002	Conner Creek Sanitary Pump Station	$167,000,000
Construction	260206	Rehabilitation of 7 Mile Sewer System	$9,800,000
Projects moved to Procurement Team (Preparing for solicitation on Euna Procurement)			
Professional Services	O&M	Crane Rental	$853,125
Professional Services	O&M	Staffing Services	$500,000
Professional Services	O&M	Crane Inspection Services	$156,000
Construction	122016	Downriver Transmission Main Loop: Inkster Road 42" Main	$54,900,000
Construction	122020	Concord Nevada Flow Control Valves	$7,000,000
Construction	273001	Hubbell Southfield CSO Facility Improvements	$54,853,991.00
Professional Services	O&M	Mechanical, Plumbing and HVAC Repair Services	$170,000
Professional Services	O&M	Incinerator Fuel Train System Inspections and Safety Check	$55,200

Vendors should continue to monitor Euna for solicitation updates.

Acronyms		
WRRF: Water Resource Recovery Facility	**CSO:** Combined Sewer Overflow	**WTP:** Water Treatment Plant