



Audit Committee Special Meeting
Friday, January 9, 2026 at 8:00 a.m.
www.glwwater.org

Join Zoom Meeting

Meeting ID: **826 6933 8789** Passcode: **981688**

US Toll-free: **877 853-5247** or **888 788-0099**

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
 - A. December 19, 2025 (Page 1)
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
7. NEW BUSINESS
 - A. Proposed Revenue Requirement & Charges and Review Proposed (Page 7) FY 2027 and 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan
 - B. Proposed FY 2027 Charges (Page 37)
8. REPORTS
9. COMMUNICATIONS
10. LOOK AHEAD
 - A. Next Audit Committee Meeting: January 30, 2026, at 8:00 a.m.
11. OTHER MATTERS
12. ADJOURNMENT



Great Lakes Water Authority

Meeting Minutes - Draft

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

Audit Committee

Friday, December 19, 2025

8:00 AM

Zoom Telephonic Meeting

Join Zoom Meeting:

<https://glwater.zoom.us/j/86472163574?pwd=lgkZNGn08v8bJ4cnJk8BHUZzBmu3mN.1>

Join by Telephone

US Toll-Free:

877 853 5247; or 888 788 0099

Meeting ID: 864 7216 3574 Passcode: 884245

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: Jaye Quadrozzi

Support By: Gary Brown

Action: Approved

The motion carried by a unanimous vote.

4. Approval of Minutes

A. 2025-411 Minutes of December 3, 2025

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [4A Minutes - December 3, 2025 Audit Committee Special Meeting](#)

Chairperson Baker requested a Motion to Approve the December 3, 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

None

7. New Business

A. [2025-421](#) Proposed Revenue Requirement & Charges and Review Proposed FY 2027 and 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [7A Memo Proposed Revenue Requirement & Charges and Review](#)

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Received and Filed

The motion carried by a unanimous vote.

Note: A Special Meeting of the Audit Committee has been scheduled for Friday, January 9, 2026, at 8:00 a.m. for review of the Proposed Revenue Requirement & Charges and review of the Proposed FY 2027 and 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan.

B. [2025-422](#) Proposed FY 2027 Charges Analysis

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [7B Memo Proposed FY 2027 Charges Analysis](#)

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Received and Filed

The motion carried by a unanimous vote.

C. [2025-414](#) **FY 2026 First Quarter Budget Amendments through September 30, 2025 and Proposed Budget Resolution**

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [7C0 FY 2026 1st Quarter Budget Amendment Report](#)
[7C2 FY 2026 1st Quarter Budget Amendment Report](#)
[7C3 FY 2026 1st Quarter Budget Amendment Resolution](#)

Motion By: Jaye Quadrozzi

Support By: Gary Brown

Action: Recommended for Approval to the Board of Directors

Agenda of January 28, 2026

The motion carried by a unanimous vote.

D. [2025-384](#) **Resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds**

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [7D1 Notice of Intent to Issue Sewage Disposal System Revenue Bonds](#)
[7D3 Resolution Regarding Publication of Notice of Intent to Issue Bonds Sewer 2025](#)

Motion By: Jaye Quadrozzi

Support By: Gary Brown

Action: Recommended for Approval to the Board of Directors

Agenda of January 28, 2026

The motion carried by a unanimous vote.

E. [2025-383](#) **Resolution Authorizing Publication of Notice of Intent to Issue Water Supply System Revenue Bonds**

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [7E1 Notice of Intent to Issue Water Supply Revenue Bonds](#)
[7E3 Resolution Regarding Publication of Notice of Intent to Issue Bonds Water 2025](#)

Motion By: Jaye Quadrozzi

Support By: Gary Brown

Action: Recommended for Approval to the Board of Directors

Agenda of January 28, 2026

The motion carried by a unanimous vote.

F. [2025-415](#) 2026 Municipal Market Outlook and GLWA Debt Management Considerations

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [7F1 AC Memo - Municipal Bond Market Update](#)
[7F2 - PFM Series 2026 Presentation to Audit Committee](#)
[7F3 - 12.9.25 S&P US Water Utilities 2026 Outlook](#)
[7F4 - 12.10.25 Fitch US Water and Sewer Outlook 2026](#)
[7F5 - 7.25.25 Moody's Report - US Water and Sewer Utilities](#)

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Received and Filed

The motion carried by a unanimous vote.

8. Reports

A. [2025-416](#) CFO Report

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [8A1 CFO Report December 2025](#)

Motion By: Jaye Quadrozzi

Support By: Gary Brown

Action: Received and Filed

The motion carried by a unanimous vote.

B. [2025-417](#) September 2025 Monthly Financial Report

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [8B September 2025 Monthly Financial Report](#)

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Received and Filed

The motion carried by a unanimous vote.

C. [2025-418](#) Gifts, Grants & Other Resources Report Through November 30, 2025

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [8C1 Grants Gifts and Other Resources Report](#)

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Received and Filed

The motion carried by a unanimous vote.

D. [2025-419](#) Quarterly Economic Outlook Task Force Update

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [8D1 EOTF Report Cover Memo](#)

[8D2 EOTF 2025 Q3 Update rev. 12.17.2025](#)

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Received and Filed

The motion carried by a unanimous vote.

9. Communications

A. [2025-420](#) The Procurement Pipeline for December 2025

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [9A The December 2025 Procurement Pipeline](#)

No Action Taken

10. Look Ahead

A Special Meeting of the Audit Committee has been scheduled for Friday, January 9, 2026, at 8:00 a.m.

The regular Audit Committee Meeting is scheduled for Friday, January 30, 2026, at 8:00 a.m.

11. Other Matters

There were no other matters.

12. Adjournment

Chairperson Baker requested a Motion to Adjourn.

Motion By: Jaye Quadrozzi

Support By: Gary Brown

Action: Approved

The motion carried by a unanimous vote.

There being no further business, the meeting was adjourned at 9:27 a.m.



Financial Services Audit Committee Communication

Date: January 9, 2026

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.

This budget also comes at a time when the realities of significantly increasing capital improvement needs are on the horizon for both the water and sewer system.

Analysis: See attached presentation.

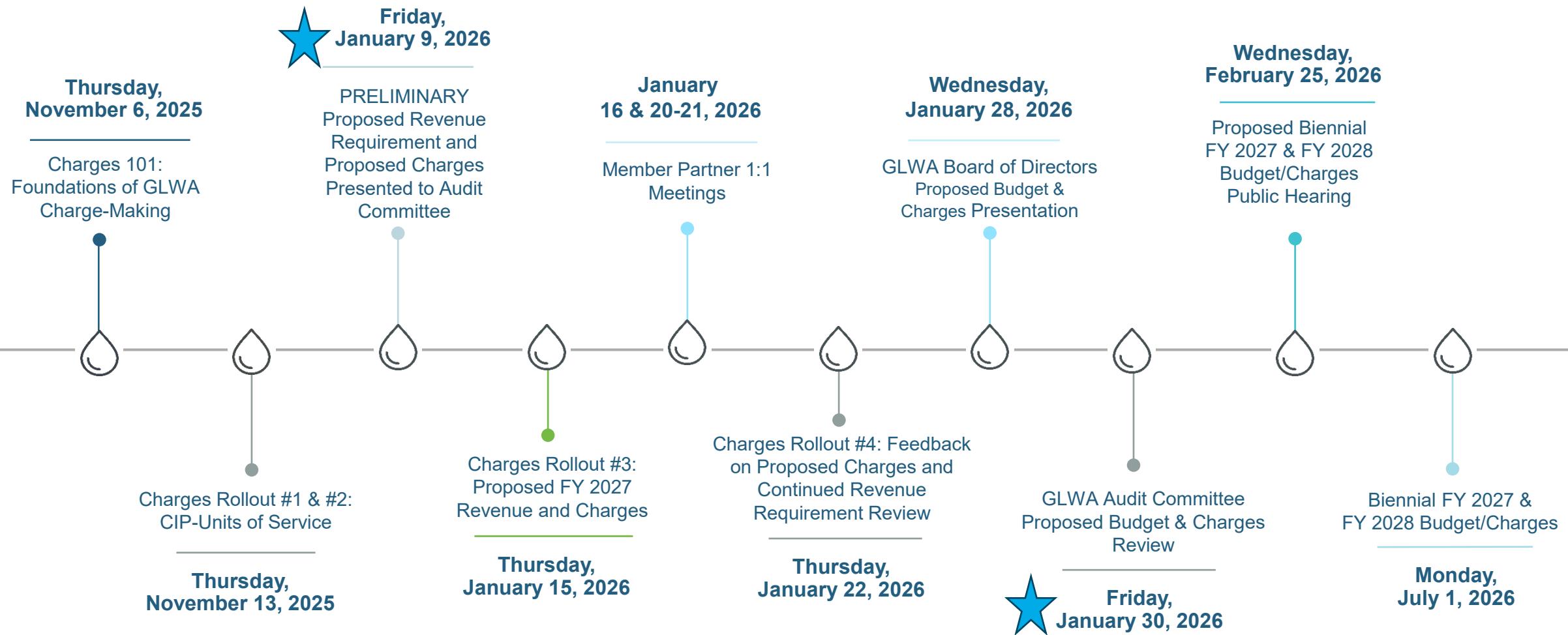
Recommended action: Receive and file.



Proposed FY 2027 and 2028 Biennial Budget and Financial Plan Update

**Audit Committee
January 9, 2026**

FY 2027 Charges Rollout Timeline





Executive Summary

Key Takeaways

- ◆ Long-term financial plan evolution
 - ◆ Water: less of an increase for FY 2027 but increased for FY 2028
 - ◆ Sewer: same as last financial plan through FY 2030
- ◆ Headline: Investment earnings down by approximately \$4 million for each system (\$8 million in total) driven by declining economic conditions that impacts all public investment portfolios
- ◆ Debt reflects June 2025 bond refunding transaction and Draft #2 CIP for both systems; for sewer only, includes recently awarded Clean Water State Revolving Fund resources
- ◆ Water budget and financial plan provide for \$7.5 million to ramp up the for Linear System Integrity Program (LSIP); it is a start but far less than the needed build up to \$75 million by Year 10

Key Takeaways - continued

- ◆ Adjusted targeted use of I&E funds for construction
 - ◆ Water: Less use on I&E for water projects to build financial stability
 - ◆ Sewer: Increased use of I&E to achieve a balance of debt vs. cash
 - ◆ Reminder: Investment earnings on I&E Funds are returned to the operating fund to offset charges
- ◆ Detailed analysis underway for January 30, 2026 budget review session – final reductions entered this week (and in this deck)
 - ◆ Staffing plan has net zero increase and full-time equivalent budget scaled back; labor shortages in key areas remain; recruitment continues with expanded process to reprogram resources for successful candidates
 - ◆ Increased needs for technology improvements across all areas
 - ◆ Impact of increasing demands on field services cannot be ignored given magnitude of water main breaks in recent years

Water System – Focusing on FY 2027

Budget Summary		Water \$	Water %
Resources			
Charges		\$ 422	98%
Other Revenues		9	2%
Total		<u>\$ 431</u>	100%
Uses			
Operating		\$ 198	46%
Capital		210	49%
Lease		23	5%
Total		<u>\$ 431</u>	100%
Charges Increase			
		<u>\$ 26</u>	100%
Uses Increase			
Loss of other revenue	\$	4	15%
Operating Expense		11	42%
Capital Program		11	42%
Total		<u>\$ 26</u>	100%
<i>\$ shown in millions</i>			

Highest level summary observations:

- Water revenue is 98% dependent on end user charges – requiring sensitivity to public health and affordability concerns
- Operating expenses (46%) are the base costs for staff, utilities, and chemicals to provide service 24/7
- A healthy sign - nearly half the uses of budgetary resources (49%) are investment in capital – improving reliability for current and future generations (yet more is needed as we are near a peak of watermain assets that are meeting or exceeding useful life)
- The charge increase covers decreased investment earnings due to national economic conditions

Sewer System – Focus on FY 2027

Budget Summary	Sewer \$	Sewer %
Resources		
Charges	\$ 561	98%
Other Revenues	11	2%
Total	<u>\$ 572</u>	100%
Uses		
Operating	\$ 246	43%
Capital	298	52%
Lease	28	5%
Total	<u>\$ 572</u>	100%
Charges Increase		
	<u>\$ 31</u>	100%
Uses Increase		
Loss of other revenue	\$ 4	13%
Operating Expense	1	3%
Capital Program	26	84%
Total	<u>\$ 31</u>	100%

\$ shown in millions

Highest level summary observations:

- Sewer service is 98% dependent on end user charges – requiring sensitivity to affordability and environmental concern for all
- Operating expenses (43%) are the base costs for personnel, utilities, chemical to provide service 24/7
- A healthy sign - over half the uses of budgetary resources (52%) are investment in capital – improving reliability for current and future generations (yet more is needed as increased intensity and variability of weather events and change in contaminants are received for treatment)
- The charge increase covers decreased investment earnings due to national economic conditions with most of the remainder (84%) dedicated to capital programs to maintain, improve, modernize facilities

Financial Plan Assumptions

- ◆ Revenue Requirement (Budget)
 - ◆ Water 5.4% FY 2027, 7.0% FY 2028, 6% for all remaining years
 - ◆ Sewer 5% for all years except FY 2031 projected 4.5%
- ◆ Targeted use of I&E funds for construction
 - ◆ Water
 - ◆ None for FY 27–29; FY 2030 at 10%; FY 2031 @ 15%
 - ◆ Sewer
 - ◆ FY 2027 at 15%; FY 2028- 2029 at 20%; FY 2030 @ 30%; FY 2031 @ 40%
 - ◆ Reminder: Investment earnings in I&E are transferred back to operating fund to offset pressure on charges
- ◆ **New!** Water I&E capital outlay includes \$7.5 million each year for the ramp up of the Linear System Integrity Program (LSIP) to address peak in water mains reaching useful life; this is a modest amount compared the need to ramp up to \$75 million in year 10

History of Forecasted Budget Adjustments in the Ten Year Financial Projections

- The COVID era resulted in persistent, high double digit cost increases
- GLWA saw the leading indicators and launched the Economic Outlook Task Force (EOTF)
- The reality of these permanent cost increases began appearing in GLWA forecasts in 2023

Budget Adjustment - Water

FY 2027 - 01.09.2026 Current Plan

FY 2026 - 06.12.2025 Published Ten Year Projection

FY 2026 - 10.09.2024 Board Workshop

FY 2025 - 09.13.2023 Board Workshop

FY 2027 FY 2028 FY 2029 FY 2030 FY 2031

5.4%	7.0%	6.0%	6.0%	6.0%
6.0%	6.0%	6.0%	6.0%	6.0%
7.5%	7.5%	7.5%	6.0%	6.0%
7.5%	7.5%	7.5%	6.0%	6.0%

Budget Adjustment - Sewer

FY 2027 - 01.09.2026 Current Plan

FY 2026 - 06.12.2025 Published Ten Year Projection

FY 2026 - 10.09.2024 Board Workshop

FY 2025 - 09.13.2023 Board Workshop

5.0%	5.0%	5.0%	5.0%	4.5%
5.0%	5.0%	5.0%	5.0%	4.5%
5.5%	5.5%	5.5%	4.0%	4.0%
5.5%	5.5%	5.5%	3.5%	3.5%

The evolution of the financial plan reflects:

- 1) *the economic impact on investment return assumptions, and*
- 2) *Smoothing out annual budget increases rather than variability from year to year*



Water System

Schedule 1 - Biennial Budget – Water System Revenue Requirement

Water System Revenue Requirement	FY 2025	FY 2026		FY 2027			FY 2028		
	Actual	Adopted Budget	Projected	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
Revenues									
Total Revenue from Charges	370,294,117	395,674,900	395,674,900	421,587,500	25,912,600	6.5%	452,297,900	30,710,400	7.3%
Investment Earnings									
Unrestricted	5,852,555	4,654,800	4,404,900	3,171,000	(1,483,800)	-31.9%	3,067,400	(103,600)	-3.3%
I&E Fund Unrestricted	6,257,059	4,868,800	4,525,400	3,410,900	(1,457,900)	-29.9%	3,096,900	(314,000)	-9.2%
Restricted for Debt Service	4,346,719	3,260,100	2,834,800	2,175,500	(1,084,600)	-33.3%	2,257,700	82,200	3.8%
Total Investment Earnings	16,456,333	12,783,700	11,765,100	8,757,400	(4,026,300)	-31.5%	8,422,000	(335,400)	-3.8%
Other Operating Revenue	503,708	302,800	302,800	500,000	197,200	65.1%	300,000	(200,000)	-40.0%
Total Revenues	\$ 387,254,158	\$ 408,761,400	\$ 407,742,800	\$ 430,844,900	\$ 22,083,500	5.4%	\$ 461,019,900	\$ 30,175,000	7.0%
Revenue Requirements									
Operations & Maintenance Expense	\$ 175,405,631	\$ 182,456,000	\$ 183,909,400	\$ 193,563,400	\$ 11,107,400	6.1%	\$ 200,736,600	\$ 7,173,200	3.7%
Debt Service	162,019,744	179,082,200	177,686,400	192,202,900	13,120,700	7.3%	212,359,600	20,156,700	10.5%
General Retirement System Pension	1,653,300	2,730,800	2,730,800	2,559,000	(171,800)	-6.3%	2,415,300	(143,700)	-5.6%
Water Residential Assistance Program Contribution	1,876,500	1,970,000	1,970,000	2,099,900	129,900	6.6%	2,251,700	151,800	7.2%
Extraordinary Repair & Replacement Deposit	2,144,000	320,000	320,000	104,800	(215,200)	-67.3%	614,300	509,500	486.2%
Regional System Lease	22,500,000	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Working Capital Requirement	-	600,000	-	1,100,000	500,000	83.3%	5,900,000	4,800,000	436.4%
Improvement & Extension Fund Transfer Pending	8,315,700	19,102,400	18,626,200	16,714,900	(2,387,500)	-12.5%	14,242,400	(2,472,500)	-14.8%
Total Water System Revenue Requirements	\$ 373,914,875	\$ 408,761,400	\$ 407,742,800	\$ 430,844,900	\$ 22,083,500	5.4%	\$ 461,019,900	\$ 30,175,000	7.0%

The headline of this year's budget is a 31.5% decrease in investment earnings based on changes in the economy - the impact is shifting pressure to charges despite cost containment efforts.

Revenues: The forecast in last year's FY 2027 adopted budget showed charges revenues at \$420M and investment earnings at \$13M. The negative swing in investments earnings of \$4M equates to over a 1% increase in revenue from charges.

Due to this effect on charges the proposed budget increase was decreased from 6% to 5.4%. Revenue from charges is 6.5% compared to the 6.2% from last year's FY 2027 budget.

Actual charge increase to member partners will vary based on the cost of service study which includes the effect of changes in the units of service.

Schedule 1 - Five Year Plan– Water System Revenue Requirement

Water System Revenue Requirement	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues								
Total Revenue from Charges	370,294,117	395,674,900	395,674,900	421,587,500	452,297,900	479,108,300	506,656,600	538,054,300
Investment Earnings								
Unrestricted	5,852,555	4,654,800	4,404,900	3,171,000	3,067,400	3,462,500	4,103,700	4,043,300
I&E Fund Unrestricted	6,257,059	4,868,800	4,525,400	3,410,900	3,096,900	3,190,200	3,751,500	3,570,200
Restricted for Debt Service	4,346,719	3,260,100	2,834,800	2,175,500	2,257,700	2,635,100	3,215,900	3,156,800
Total Investment Earnings	16,456,333	12,783,700	11,765,100	8,757,400	8,422,000	9,287,800	11,071,100	10,770,300
Other Operating Revenue	503,708	302,800	302,800	500,000	300,000	300,000	300,000	300,000
Total Revenues	\$ 387,254,158	\$ 408,761,400	\$ 407,742,800	\$ 430,844,900	\$ 461,019,900	\$ 488,696,100	\$ 518,027,700	\$ 549,124,600
Revenue Requirements								
Operations & Maintenance Expense	\$ 175,405,631	\$ 182,456,000	\$ 183,909,400	\$ 193,563,400	\$ 200,736,600	\$ 206,578,400	\$ 210,149,100	\$ 215,194,500
Debt Service	162,019,744	179,082,200	177,686,400	192,202,900	212,359,600	226,833,700	240,238,500	244,989,500
General Retirement System Pension	1,653,300	2,730,800	2,730,800	2,559,000	2,415,300	2,384,200	2,353,100	2,322,000
Water Residential Assistance								
Program Contribution	1,876,500	1,970,000	1,970,000	2,099,900	2,251,700	2,385,100	2,522,200	2,678,400
Extraordinary Repair & Replacement Deposit	2,144,000	320,000	320,000	104,800	614,300	331,800	-	-
Regional System Lease	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000
Working Capital Requirement	-	600,000	-	1,100,000	5,900,000	5,100,000	5,100,000	3,700,000
Improvement & Extension Fund Transfer Pending	8,315,700	19,102,400	18,626,200	16,714,900	14,242,400	22,582,900	35,164,800	57,740,200
Total Water System Revenue Requirements	\$ 373,914,875	\$ 408,761,400	\$ 407,742,800	\$ 430,844,900	\$ 461,019,900	\$ 488,696,100	\$ 518,027,700	\$ 549,124,600
Change in Annual Revenue Requirement								
				5.40%	7.0%	6.0%	6.0%	6.0%

The overall forecasted increase in the revenue requirement for the five-year plan remains in the 6% range despite increasing cost pressure.

Please note that water system capital needs, particularly the scope and magnitude identified by the linear system integrity program (LSIP), are not totally reflected in this financial plan. The roadmap for advancing that program, presented at the [Board of Directors Workshop in October 2025](#), is underway while funding opportunities are also being explored. That being said, the plan was reworked to provide an additional \$7.5 million per year for LSIP.

Schedule 4A - Five Year Plan– Water Improvement & Extension Fund

Water Improvement & Extension Fund	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Inflows								
Transfers in from Water Operations Fund								
Revenue Transfers	\$ 8,315,700	\$ 19,102,400	\$ 18,626,200	\$ 16,714,900	\$ 14,242,400	\$ 22,582,900	\$ 35,164,800	\$ 57,740,200
Transfer in from Water Construction Fund								
Working Capital Adjustment (1)	-	-	-	-	-	-	-	-
Investment Earnings	6,257,059	4,868,800	4,525,400	3,410,900	3,096,900	3,190,200	3,751,500	3,570,200
Total Inflows	14,572,759	23,971,200	23,151,600	20,125,800	17,339,300	25,773,100	38,916,300	61,310,400
Outflows								
Capital outlay	8,883,041	11,691,400	11,691,400	24,976,300	21,012,200	18,706,900	16,540,900	16,180,400
Transfers out to Water Operations Fund								
Investment Earnings	4,803,139	4,868,800	4,525,400	3,410,900	3,096,900	3,190,200	3,751,500	3,570,200
Transfer out to Water Construction Fund								
Revenue Financed Capital	171,562	9,250,000	-	-	-	-	19,000,000	12,750,000
Total Outflows	13,857,742	25,810,200	16,216,800	28,387,200	24,109,100	21,897,100	39,292,400	32,500,600
Net Inflow (Outflow) - Use of I&E Funds	\$ 715,017	\$ (1,839,000)		6,934,800	(8,261,400)	(6,769,800)	3,876,000	(376,100)
Beginning Net Position			147,797,600	154,732,400	146,471,000	139,701,200	143,577,200	143,201,100
Projected Ending Net Position			\$ 154,732,400	\$ 146,471,000	\$ 139,701,200	\$ 143,577,200	\$ 143,201,100	\$ 172,010,900

Investment earnings are transferred to the water operating fund to offset pressure on charges.

Capital outlay is for equipment purchases that have a life greater than a year. It also includes an additional \$7.5 million per year for the LSIP program

Transfers to the Water Construction Fund are to reduce the reliance on debt for capital improvements.

Schedule 5A - Five Year Plan– Water Construction Fund

Water Construction Fund	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Inflows								
Transfers in from Water I&E Fund								
Revenue Financed Capital	\$ 171,562	\$ 9,250,000	\$ -	\$ -	\$ -	\$ -	\$ 19,000,000	\$ 12,750,000
Transfers in from Water Operations Fund								
Bond Proceeds	231,833,814	222,000,000	202,000,000	304,000,000	228,000,000	168,000,000	69,000,000	131,000,000
State Revolving Loans	56,270,485	1,369,200	6,742,400	-	-	-	-	-
Grants and Capital Contributions	3,348,636	2,300,000	2,197,100	1,154,900	-	-	-	-
Investment Earnings	5,248,342	5,565,100	4,099,500	4,237,700	4,388,400	3,783,400	3,328,700	2,059,100
Total Inflows	296,872,839	240,484,300	215,039,000	309,392,600	232,388,400	171,783,400	91,328,700	145,809,100
Outflows								
Capital Program	156,209,178	185,000,000	185,000,000	265,000,000	305,000,000	230,000,000	190,000,000	85,000,000
Transfers out to Water Operations Fund								
Bond Cost of Issuance	1,812,585	1,665,000	1,515,000	2,280,000	1,710,000	1,260,000	517,500	982,500
Transfers out to Water I&E Fund								
Working Capital Adjustment (1)	-	-	-	-	-	-	-	-
Total Outflows	158,021,763	186,665,000	186,515,000	267,280,000	306,710,000	231,260,000	190,517,500	85,982,500
Net Inflow (Outflow) - Use of Construction Funds	\$ 138,851,076	\$ 53,819,300		28,524,000	42,112,600	(74,321,600)	(59,476,600)	(99,188,800)
Beginning Net Position				270,178,200	298,702,200	340,814,800	266,493,200	207,016,600
Projected Ending Net Position				\$ 298,702,200	\$ 340,814,800	\$ 266,493,200	\$ 207,016,600	\$ 107,827,800
Capital Improvement Plan		\$ 183,064,000	\$ 183,743,000	\$ 302,768,000	\$ 372,646,000	\$ 246,750,000	\$ 186,818,000	\$ 82,080,000
Capital Spending Ratio		100%	100%	87%	81%	93%	100%	100%
Capital Financing Plan		\$ 185,000,000	\$ 185,000,000	\$ 265,000,000	\$ 305,000,000	\$ 230,000,000	\$ 190,000,000	\$ 85,000,000

Investment Earnings are restricted and remain in the construction fund.

Capital Program is for the delivery of the projects outlined in the capital improvement plan.

CIP Growth Driven By Cost Increases

GLWA Water System Forecast - Summary of Updates made through December 2025								
Line No		2026	2027	2028	2029	2030	5 Year Total 2026 - 2030	Variance Increase (Decrease)
<u>Capital Improvement Plan</u>								
1	Financial Projection FY 2026 Budget	\$ 183,064,000	\$ 233,120,000	\$ 285,942,000	\$ 230,461,000	\$ 150,642,000	\$ 1,083,229,000	
2	CIP Draft #1 October 2025	\$ 195,289,000	\$ 277,274,000	\$ 333,737,000	\$ 227,589,000	\$ 186,974,000	\$ 1,220,863,000	\$ 137,634,000
3	CIP Draft #2 January 2026	\$ 183,743,000	\$ 302,768,000	\$ 372,646,000	\$ 246,750,000	\$ 186,818,000	\$ 1,292,725,000	\$ 209,496,000
<u>Capital Improvement Financing</u>								
4	Financial Projection FY 2026 Budget	\$ 185,000,000	\$ 235,000,000	\$ 290,000,000	\$ 220,000,000	\$ 145,000,000	\$ 1,075,000,000	
5	CIP Draft #1 October 2025	\$ 200,000,000	\$ 265,000,000	\$ 305,000,000	\$ 230,000,000	\$ 190,000,000	\$ 1,190,000,000	\$ 115,000,000
6	CIP Draft #2 January 2026	\$ 185,000,000	\$ 265,000,000	\$ 305,000,000	\$ 230,000,000	\$ 190,000,000	\$ 1,175,000,000	\$ 100,000,000
<u>New Money Bond Issues</u>								
7	Financial Projection FY 2026 Budget	\$ 222,000,000	\$ 290,000,000	\$ 209,000,000	\$ 138,000,000	\$ 124,000,000	\$ 983,000,000	
8	CIP Draft #1 October 2025	\$ 237,000,000	\$ 302,000,000	\$ 227,000,000	\$ 168,000,000	\$ 78,000,000	\$ 1,012,000,000	\$ 29,000,000
9	CIP Draft #2 January 2026	\$ 202,000,000	\$ 304,000,000	\$ 228,000,000	\$ 168,000,000	\$ 69,000,000	\$ 971,000,000	\$ (12,000,000)
<u>SRF Loan Draws</u>								
10	Financial Projection FY 2026 Budget	\$ 1,369,200	\$ -	\$ -	\$ -	\$ -	\$ 1,369,200	
11	CIP Draft #1 October 2025	\$ 7,457,500	\$ -	\$ -	\$ -	\$ -	\$ 7,457,500	\$ 6,088,300
12	CIP Draft #2 January 2026	\$ 6,742,400	\$ -	\$ -	\$ -	\$ -	\$ 6,742,400	\$ 5,373,200
<u>Use of I&E funds for CIP</u>								
13	Financial Projection FY 2026 Budget	\$ 9,250,000	\$ 11,750,000	\$ -	\$ 11,000,000	\$ 7,250,000	\$ 39,250,000	
14	CIP Draft #1 October 2025	\$ -	\$ -	\$ -	\$ -	\$ 19,000,000	\$ 19,000,000	\$ (20,250,000)
15	CIP Draft #2 January 2026	\$ -	\$ -	\$ -	\$ -	\$ 19,000,000	\$ 19,000,000	\$ (20,250,000)

Water Ten Year Plan – Key Datapoints

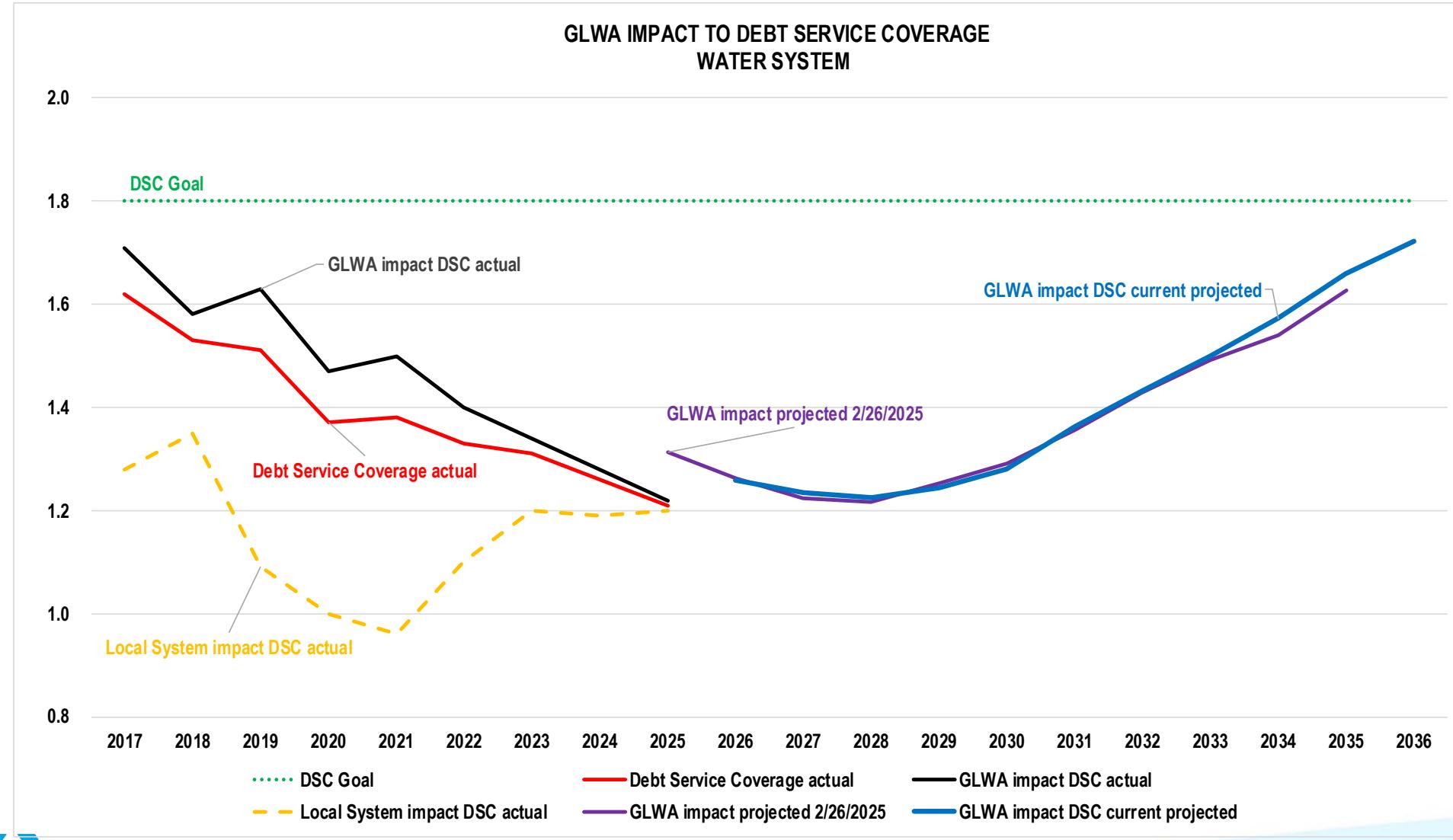
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
	Actual											Projected									
Regional System Cumulative Average Annual Budget Increase																					
If 4% Promise was utilized for all years	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Actual & Preliminary Updated Forecast	4.0%	1.5%	1.3%	1.6%	1.4%	1.3%	1.6%	1.9%	2.1%	2.5%	2.8%	3.1%	3.4%	3.5%	3.7%	3.8%	4.0%	4.1%	4.2%	4.3%	
Regional System Annual Budget/Charges Increase																					
Regional Actual Budget Adjustment	4.0%	-0.9%	1.0%	2.5%	0.6%	0.7%	3.5%	4.0%	4.0%	6.1%											
Regional Projected Budget Adjustment											5.4%	7.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
Regional Actual Charge Adjustment	4.5%	1.8%	1.8%	0.6%	3.2%	1.5%	3.7%	2.8%	3.3%	5.9%											
Regional Projected Charge Adjustment *											6.96%	7.3%	5.9%	5.7%	6.2%	6.4%	6.1%	6.1%	6.0%	6.0%	
Other Key Datapoints	Actual											Projected									
Debt Service Coverage (GLWA impact)	1.71	1.58	1.63	1.47	1.50	1.40	1.34	1.28	1.22	1.26	1.23	1.23	1.24	1.28	1.36	1.43	1.50	1.57	1.66	1.72	
Regional Days Cash	959	1,066	1,058	1,086	1,043	632	573	640	642	591	548	528	530	529	572	575	551	563	608	609	
Paygo Financing (millions)											\$ -	\$ -	\$ -	\$ 19	\$ 13	\$ 57	\$ 94	\$ 96	\$ 102	\$ 88	
New Money Bonds needed (millions)											\$ 202	\$ 304	\$ 228	\$ 168	\$ 69	\$ 131	\$ 140	\$ 143	\$ 152	\$ 131	\$ 137
Capital Projects Spend Forecast (millions)											\$ 185	\$ 265	\$ 305	\$ 230	\$ 190	\$ 85	\$ 190	\$ 235	\$ 240	\$ 255	\$ 220

FY 2027 cumulative average budget increase well under 4% benchmark.

FY 2036 cumulative average budget increase approximates 4% benchmark.

*Final charge adjustment will be based on cost of service study

Ten Year Plan – Water Debt Service Coverage Chart



Peak period of construction activity and increased costs for essential chemicals merited easing on budget at the expense of debt coverage in the short-term.

Credibility and resiliency require a long-term commitment to rebuilding debt service coverage.

Forecast moves GLWA water system incrementally closer to Debt Service goal, but it will take more than 10 years.



Sewer System

Schedule 2 - Biennial Budget – Sewer System Revenue Requirement

Sewer System Revenue Requirement	FY 2025	FY 2026		FY 2027			FY 2028		
	Actual	Adopted Budget	Projected	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
Revenues									
Total Revenue from Charges	507,048,961	529,904,200	529,904,200	561,313,300	31,409,100	5.9%	590,041,900	28,728,600	5.1%
Investment Earnings									
Unrestricted	10,167,329	5,087,300	5,513,700	3,969,200	(1,118,100)	-22.0%	3,839,400	(129,800)	-3.3%
I&E Fund Unrestricted	6,347,085	5,451,500	5,319,600	3,985,100	(1,466,400)	-26.9%	4,032,400	47,300	1.2%
Restricted for Debt Service	5,128,850	4,076,400	3,239,900	2,512,100	(1,564,300)	-38.4%	2,501,200	(10,900)	-0.4%
Total Investment Earnings	21,643,264	14,615,200	14,073,200	10,466,400	(4,148,800)	-28.4%	10,373,000	(93,400)	-0.9%
Other Operating Revenue	685,291	442,600	442,600	450,000	7,400	1.7%	450,000	-	0.0%
Total Revenues	\$ 529,377,516	\$ 544,962,000	\$ 544,420,000	\$ 572,229,700	\$ 27,267,700	5.0%	\$ 600,864,900	\$ 28,635,200	5.0%
Revenue Requirements									
Operations & Maintenance Expense	\$ 229,753,981	\$ 236,098,700	\$ 237,552,000	\$ 237,763,400	\$ 1,664,700	0.7%	\$ 248,410,600	\$ 10,647,200	4.5%
Debt Service	217,295,589	220,884,500	216,273,800	233,854,700	12,970,200	5.9%	242,444,800	8,590,100	3.7%
General Retirement System Pension	3,718,800	5,632,800	5,632,800	5,246,300	(386,500)	-6.9%	4,923,200	(323,100)	-6.2%
Water Residential Assistance Program Contribution	2,541,501	2,638,500	2,638,500	2,794,800	156,300	5.9%	2,937,800	143,000	5.1%
Extraordinary Repair & Replacement Deposit	345,000	-	-	-	-	0.0%	-	-	0.0%
Regional System Lease	27,500,000	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Working Capital Requirement	-	-	-	1,500,000	1,500,000	0.0%	4,700,000	3,200,000	213.3%
Improvement & Extension Fund Transfer Pending	42,093,700	52,207,500	54,822,900	63,570,500	11,363,000	21.8%	69,948,500	6,378,000	10.0%
Total Sewer System Revenue Requirements	\$ 523,248,571	\$ 544,962,000	\$ 544,420,000	\$ 572,229,700	\$ 27,267,700	5.0%	\$ 600,864,900	\$ 28,635,200	5.0%

The headline of this year's budget is a 28.4% decrease in investment earnings based on changes in the economy - the impact is shifting pressure to charges despite cost containment efforts.

Revenues: The forecast in last year's adopted budget for FY 2027 showed charges revenues at approximately \$556M and investment earnings at \$15M. The negative swing in investments earnings of approximately \$4M equates to nearly 1% of an increase in revenue from charges increasing from 5.0% from last year to 6.06%. Actual charge increase to member partners will vary based on the cost of service study.

Requirements: The proposed budget for FY 2027 is at 5.0% which is nearly identical to last year's FY 2027 biennial budget of \$572.2 million.

Schedule 2 - Five Year Plan– Sewer System Revenue Requirement

Sewer System Revenue Requirement	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues								
Total Revenue from Charges	507,048,961	529,904,200	529,904,200	561,313,300	590,041,900	619,079,200	648,200,800	677,758,700
Investment Earnings								
Unrestricted	10,167,329	5,087,300	5,513,700	3,969,200	3,839,400	4,254,900	5,004,200	4,904,400
I&E Fund Unrestricted	6,347,085	5,451,500	5,319,600	3,985,100	4,032,400	4,324,300	5,465,200	5,930,900
Restricted for Debt Service	5,128,850	4,076,400	3,239,900	2,512,100	2,501,200	2,822,000	3,370,800	3,275,600
Total Investment Earnings	21,643,264	14,615,200	14,073,200	10,466,400	10,373,000	11,401,200	13,840,200	14,110,900
Other Operating Revenue	685,291	442,600	442,600	450,000	450,000	450,000	450,000	450,000
Total Revenues	\$ 529,377,516	\$ 544,962,000	\$ 544,420,000	\$ 572,229,700	\$ 600,864,900	\$ 630,930,400	\$ 662,491,000	\$ 692,319,600
Revenue Requirements								
Operations & Maintenance Expense	\$229,753,981	\$236,098,700	\$237,552,000	\$ 237,763,400	\$248,410,600	\$258,225,200	\$266,566,400	\$271,219,700
Debt Service	217,295,589	220,884,500	216,273,800	233,854,700	242,444,800	252,042,200	257,721,800	261,596,400
General Retirement System Pension	3,718,800	5,632,800	5,632,800	5,246,300	4,923,200	4,853,200	4,783,200	4,713,300
Water Residential Assistance								
Program Contribution	2,541,501	2,638,500	2,638,500	2,794,800	2,937,800	3,082,200	3,227,100	3,374,200
Extraordinary Repair & Replacement Deposit	345,000	-	-	-	-	-	378,900	-
Regional System Lease	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000
Working Capital Requirement	-	-	-	1,500,000	4,700,000	5,200,000	4,800,000	4,200,000
Improvement & Extension Fund Transfer Pending	42,093,700	52,207,500	54,822,900	63,570,500	69,948,500	80,027,600	97,513,600	119,716,000
Total Sewer System Revenue Requirements	\$ 523,248,571	\$ 544,962,000	\$ 544,420,000	\$ 572,229,700	\$ 600,864,900	\$ 630,930,400	\$ 662,491,000	\$ 692,319,600
Change in Annual Revenue Requirement				5.00%	5.0%	5.0%	5.0%	4.5%

The overall forecasted increase in the revenue requirement for the five year plan remains in the 5% range despite increasing cost pressure.

Please note however, that certain long-term sewer system capital needs (estimated at \$1.75 billion over 20 years), particularly the scope and magnitude identified in the presentation to the [Board of Directors Workshop in October 2025](#) are not reflected in this plan. While the factors driving those improvements are underway, funding opportunities are also being explored.

Schedule 4B - Five Year Plan– Sewer Improvement & Extension Fund

Sewer Improvement & Extension Fund	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Inflows								
Transfers in from Sewer Operations Fund								
Revenue Transfers	\$ 42,093,700	\$ 52,207,500	\$ 54,822,900	\$ 63,570,500	\$ 69,948,500	\$ 80,027,600	\$ 97,513,600	\$ 119,716,000
Transfer in from Sewer Construction Fund								
Working capital adjustment (1)	1,942,016	-	-	-	-	-	-	-
Grants and Capital Contributions	-	-	-	-	-	-	-	-
Investment Earnings	6,347,085	5,451,500	5,319,600	3,985,100	4,032,400	4,324,300	5,465,200	5,930,900
Total Inflows	50,382,801	57,659,000	60,142,500	67,555,600	73,980,900	84,351,900	102,978,800	125,646,900
Outflows								
Capital outlay	9,038,304	11,779,500	11,779,50	15,431,100	15,322,600	13,268,000	13,372,300	12,941,300
Capital spending other (net operating expenses)	-	-	-	-	-	-	-	-
Transfers out to Sewer Operations Fund								
Investment Earnings	4,794,375	5,451,500	5,319,600	3,985,100	4,032,400	4,324,300	5,465,200	5,930,900
Transfer out to Sewer Construction Fund								
Revenue Financed Capital	955,262	26,250,000	36,000,000	38,250,000	56,000,000	47,000,000	55,500,000	72,000,000
Total Outflows	14,787,941	43,481,000	53,099,100	57,666,200	75,355,000	64,592,300	74,337,500	90,872,200
Net Inflow (Outflow) - Use of I&E Funds	\$ 35,594,860	\$ 14,178,000		7,043,400	9,889,400	(1,374,100)	19,759,600	28,641,300
Beginning Net Position				173,729,100	180,772,500	190,661,900	189,287,800	209,047,400
Projected Ending Net Position				\$ 180,772,500	\$ 190,661,900	\$ 189,287,800	\$ 209,047,400	\$ 237,688,700
								\$ 272,463,400

Investment earnings are transferred to the sewer operating fund to offset pressure on charges.

Capital outlay is for equipment purchases that have a life greater than a year

Transfers to the Sewer Construction Fund are to reduce the reliance on debt for capital improvements.

Schedule 5B - Five Year Plan– Sewer Construction Fund

Sewer Construction Fund	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Inflows								
Transfers in from Sewer I&E Fund								
Revenue Financed Capital	\$ 955,262	\$ 26,250,000	\$ 36,000,000	\$ 38,250,000	\$ 56,000,000	\$ 47,000,000	\$ 55,500,000	\$ 72,000,000
Transfers in from Sewer Operations Fund								
Bond Proceeds	51,717,480	101,000,000	26,000,000	76,000,000	65,000,000	39,000,000	33,000,000	60,000,000
State Revolving Loans	83,533,191	52,936,600	102,632,900	159,595,800	140,710,700	121,598,800	89,140,500	73,212,000
Grants and Capital Contributions	15,260,416	23,191,650	33,623,000	10,157,500	6,624,500	-	-	-
Investment Earnings	3,840,499	3,936,400	1,767,600	2,019,200	2,248,800	2,270,600	2,259,800	2,148,100
Total Inflows	155,306,848	207,314,650	200,023,500	286,022,500	270,584,000	209,869,400	179,900,300	207,360,100
Outflows								
Capital Program	174,702,592	175,000,000	240,000,000	255,000,000	280,000,000	235,000,000	185,000,000	180,000,000
Transfers out to Sewer Operations Fund								
Bond Cost of Issuance	1,710,095	757,500	195,000	570,000	487,500	292,500	247,500	450,000
Transfers out to Sewer I&E Fund								
Working Capital Adjustment (1)	1,942,016	-	-	-	-	-	-	-
Total Outflows	178,354,703	175,757,500	240,195,000	255,570,000	280,487,500	235,292,500	185,247,500	180,450,000
Net Inflow (Outflow) - Use of Construction Funds	\$ (23,047,855)	\$ 31,557,150		(40,171,500)	30,452,500	(9,903,500)	(25,423,100)	(5,347,200)
Beginning Net Position			149,360,300	109,188,800	139,641,300	129,737,800	104,314,700	98,967,500
Projected Ending Net Position			\$ 109,188,800	\$ 139,641,300	\$ 129,737,800	\$ 104,314,700	\$ 98,967,500	\$ 125,877,600
Capital Improvement Plan	\$ 193,221,000	\$ 262,279,000	\$ 287,641,000	\$ 330,945,000	\$ 274,411,000	\$ 195,686,000	\$ 179,678,000	
Capital Spending Ratio	90%	90%	88%	84%	85%	94%	100%	
Capital Financing Plan	\$ 175,000,000	\$ 240,000,000	\$ 255,000,000	\$ 280,000,000	\$ 235,000,000	\$ 185,000,000	\$ 180,000,000	

Investment Earnings are restricted and remain in the construction fund.

Capital Program is for the delivery of the projects outlined in the capital improvement plan.

CIP Growth Driven By Cost Increases

GLWA Sewer System Forecast - Summary of Updates made through December 2025								
Line No		2026	2027	2028	2029	2030	5 Year Total 2026 - 2030	Variance Increase (Decrease)
<u>Capital Improvement Plan</u>								
1	Financial Projection FY 2026 Budget	\$ 193,221,000	\$ 291,841,000	\$ 337,800,000	\$ 261,115,000	\$ 187,625,000	\$ 1,271,602,000	
2	CIP Draft #1 October 2025	\$ 269,254,000	\$ 280,901,000	\$ 312,648,000	\$ 257,620,000	\$ 188,294,000	\$ 1,308,717,000	\$ 37,115,000
3	CIP Draft #2 January 2026	\$ 262,279,000	\$ 287,641,000	\$ 330,945,000	\$ 274,411,000	\$ 195,686,000	\$ 1,350,962,000	\$ 79,360,000
<u>Capital Improvement Financing</u>								
4	Financial Projection FY 2026 Budget	\$ 175,000,000	\$ 235,000,000	\$ 285,000,000	\$ 255,000,000	\$ 190,000,000	\$ 1,140,000,000	
5	CIP Draft #1 October 2025	\$ 245,000,000	\$ 255,000,000	\$ 280,000,000	\$ 235,000,000	\$ 185,000,000	\$ 1,200,000,000	\$ 60,000,000
6	CIP Draft #2 January 2026	\$ 240,000,000	\$ 255,000,000	\$ 280,000,000	\$ 235,000,000	\$ 185,000,000	\$ 1,195,000,000	\$ 55,000,000
<u>New Money Bond Issues</u>								
7	Financial Projection FY 2026 Budget	\$ 101,000,000	\$ 125,000,000	\$ 111,000,000	\$ 83,000,000	\$ 57,000,000	\$ 477,000,000	
8	CIP Draft #1 October 2025	\$ 67,000,000	\$ 126,000,000	\$ 132,000,000	\$ 72,000,000	\$ 54,000,000	\$ 451,000,000	\$ (26,000,000)
9	CIP Draft #2 January 2026	\$ 26,000,000	\$ 76,000,000	\$ 65,000,000	\$ 39,000,000	\$ 33,000,000	\$ 239,000,000	\$ (238,000,000)
<u>SRF Loan Draws</u>								
10	Financial Projection FY 2026 Budget	\$ 52,936,600	\$ 99,745,500	\$ 103,800,000	\$ 93,684,600	\$ 50,700,000	\$ 400,866,700	
11	CIP Draft #1 October 2025	\$ 98,481,500	\$ 128,848,700	\$ 96,404,400	\$ 55,393,900	\$ 56,412,700	\$ 435,541,200	\$ 34,674,500
12	CIP Draft #2 January 2026	\$ 102,632,900	\$ 159,595,800	\$ 140,710,700	\$ 121,598,800	\$ 89,140,500	\$ 613,678,700	\$ 212,812,000
<u>Use of I&E funds for CIP</u>								
13	Financial Projection FY 2026 Budget	\$ 26,250,000	\$ 35,250,000	\$ 57,000,000	\$ 51,000,000	\$ 57,000,000	\$ 226,500,000	
14	CIP Draft #1 October 2025	\$ 36,750,000	\$ 38,250,000	\$ 56,000,000	\$ 47,000,000	\$ 55,500,000	\$ 233,500,000	\$ 7,000,000
15	CIP Draft #2 January 2026	\$ 36,000,000	\$ 38,250,000	\$ 56,000,000	\$ 47,000,000	\$ 55,500,000	\$ 232,750,000	\$ 6,250,000

Sewer Ten Year Plan – Key Datapoints

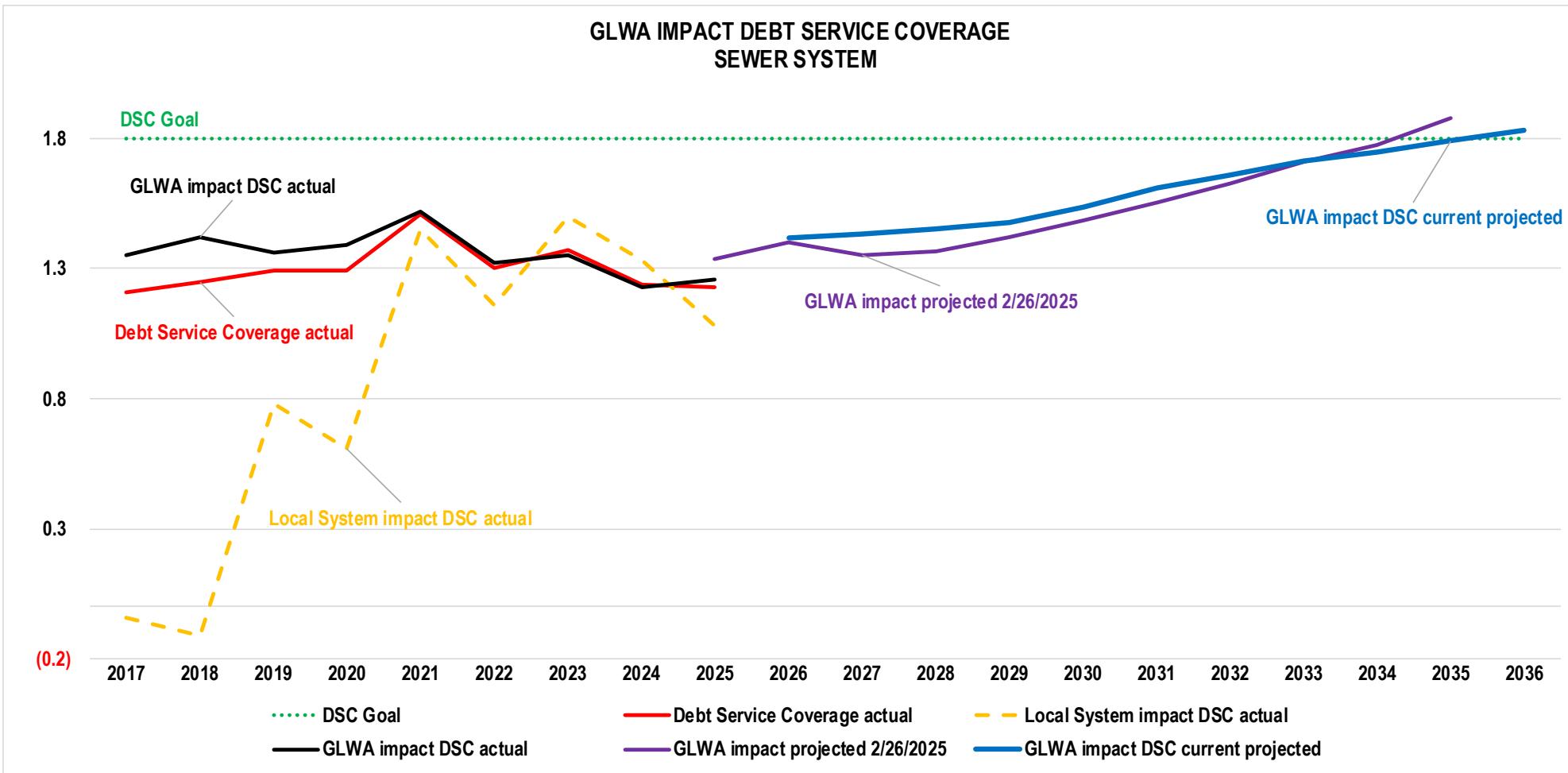
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
	Actual											Projected									
Regional System Cumulative Average Annual Budget Increase																					
If 4% Promise was utilized for all years	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Actual & Preliminary Updated Forecast	4.0%	2.1%	1.8%	1.9%	1.8%	1.1%	1.1%	1.5%	1.7%	2.0%	2.3%	2.5%	2.7%	2.9%	3.0%	3.1%	3.2%	3.2%	3.3%	3.3%	
Regional System Annual Budget/Charges Increase																					
Regional Actual Budget Adjustment	4.0%	0.3%	1.0%	2.2%	1.3%	-2.3%	1.3%	4.0%	4.0%	4.67%											
Regional Projected Budget Adjustment											5.0%	5.0%	5.0%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.0%	
Regional Actual Charge Adjustment	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.6%	2.4%	2.8%	3.0%	4.5%											
Regional Projected Charge Adjustment *											5.98%	5.1%	4.9%	4.7%	4.6%	4.9%	4.6%	4.6%	4.6%	4.0%	
Other Key Datapoints	Actual										Projected										
Debt Service Coverage (GLWA impact)	1.35	1.42	1.36	1.39	1.52	1.32	1.35	1.23	1.26	1.42	1.43	1.45	1.48	1.54	1.61	1.66	1.72	1.75	1.79	1.83	
Regional Days Cash	495	432	495	593	664	574	521	571	559	553	570	550	565	593	636	623	614	603	601	610	
Paygo Financing (millions)											\$ 36	\$ 38	\$ 56	\$ 47	\$ 56	\$ 72	\$ 54	\$ 46	\$ 64	\$ 102	\$ 112
New Money Bonds needed (millions)											\$ 26	\$ 76	\$ 65	\$ 39	\$ 33	\$ 60	\$ 68	\$ 95	\$ 152	\$ 167	\$ 133
Capital Projects Spend Forecast (millions)											\$ 240	\$ 255	\$ 280	\$ 235	\$ 185	\$ 180	\$ 135	\$ 115	\$ 160	\$ 255	\$ 280

FY 2027 cumulative average budget increase well under 4% benchmark.

FY 2036 cumulative average budget increase still lower than 4% benchmark.

*Final charge adjustment will be based on cost of service study

Ten Year Plan – Sewer Debt Service Coverage Chart



Increased costs for essential chemicals merited easing on budget at the expense of debt coverage in the short-term.

Credibility and resiliency require a long-term commitment to rebuilding debt service coverage.

GLWA Sewer system is forecasted to meet that goal by end of 10-year planning phase.



Water & Sewer Systems Combined

Schedule 3 - Biennial Budget – Water and Sewer Combined Revenue Requirement

Water & Sewer System Combined Revenue Requirement	FY 2025	FY 2026		FY 2027			FY 2028		
	Actual	Adopted Budget	Projected	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
Revenues									
Total Revenue from Charges	877,343,078	925,579,100	925,579,100	982,900,800	57,321,700	6.2%	1,042,339,800	59,439,000	6.0%
Investment Earnings									
Unrestricted	16,019,884	9,742,100	9,918,600	7,140,200	(2,601,900)	-26.7%	6,906,800	(233,400)	-3.3%
I&E Fund Unrestricted	12,604,144	10,320,300	9,845,000	7,396,000	(2,924,300)	-28.3%	7,129,300	(266,700)	-3.6%
Restricted for Debt Service	9,475,569	7,336,500	6,074,700	4,687,600	(2,648,900)	-36.1%	4,758,900	71,300	1.5%
Total Investment Earnings	38,099,597	27,398,900	25,838,300	19,223,800	(8,175,100)	-29.8%	18,795,000	(428,800)	-2.2%
Other Operating Revenue	1,188,999	745,400	745,400	950,000	204,600	27.4%	750,000	(200,000)	-21.1%
Total Revenues	\$ 916,631,674	\$ 953,723,400	\$ 952,162,800	\$ 1,003,074,600	\$ 49,351,200	5.2%	\$ 1,061,884,800	\$ 58,810,200	5.9%
Revenue Requirements									
Operations & Maintenance Expense	\$405,159,612	\$418,554,700	\$421,461,400	\$ 431,326,800	\$12,772,100	3.1%	\$449,147,200	\$17,820,400	4.1%
Debt Service	379,315,333	399,966,700	393,960,200	426,057,600	26,090,900	6.5%	454,804,400	28,746,800	6.7%
General Retirement System Pension	5,372,100	8,363,600	8,363,600	7,805,300	(558,300)	-6.7%	7,338,500	(466,800)	-6.0%
Water Residential Assistance									
Program Contribution	4,418,001	4,608,500	4,608,500	4,894,700	286,200	6.2%	5,189,500	294,800	6.0%
Extraordinary Repair & Replacement Deposit	2,489,000	320,000	320,000	104,800	(215,200)	-67.3%	614,300	509,500	486.2%
Regional System Lease	50,000,000	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
Working Capital Requirement	-	600,000	-	2,600,000	2,000,000	333.3%	10,600,000	8,000,000	307.7%
Improvement & Extension Fund Transfer Pending	50,409,400	71,309,900	73,449,100	80,285,400	8,975,500	12.6%	84,190,900	3,905,500	4.9%
Total Water & Sewer System Combined Revenue Requirements	\$ 897,163,446	\$ 953,723,400	\$ 952,162,800	\$ 1,003,074,600	\$ 49,351,200	5.2%	\$ 1,061,884,800	\$ 58,810,200	5.9%

Looking at GLWA as a whole, the combined revenue requirements decreased for FY 2027 from 5.4% to 5.2%.

Schedule 3 - Five Year Plan– Water and Sewer Combined Revenue Requirement

Water & Sewer System Combined Revenue Requirement	Actual	Adopted Budget	Projected	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues								
Total Revenue from Charges	877,343,078	925,579,100	925,579,100	982,900,800	1,042,339,800	1,098,187,500	1,154,857,400	1,215,813,000
Investment Earnings								
Unrestricted	16,019,884	9,742,100	9,918,600	7,140,200	6,906,800	7,717,400	9,107,900	8,947,700
I&E Fund Unrestricted	12,604,144	10,320,300	9,845,000	7,396,000	7,129,300	7,514,500	9,216,700	9,501,100
Restricted for Debt Service	9,475,569	7,336,500	6,074,700	4,687,600	4,758,900	5,457,100	6,586,700	6,432,400
Total Investment Earnings	38,099,597	27,398,900	25,838,300	19,223,800	18,795,000	20,689,000	24,911,300	24,881,200
Other Operating Revenue	1,188,999	745,400	745,400	950,000	750,000	750,000	750,000	750,000
Total Revenues	\$ 916,631,674	\$ 953,723,400	\$ 952,162,800	\$1,003,074,600	\$1,061,884,800	\$1,119,626,500	\$1,180,518,700	\$1,241,444,200
Revenue Requirements								
Operations & Maintenance Expense	\$405,159,612	\$418,554,700	\$421,461,400	\$431,326,800	\$449,147,200	\$464,803,600	\$476,715,500	\$486,414,200
Debt Service	379,315,333	399,966,700	393,960,200	426,057,600	454,804,400	478,875,900	497,960,300	506,585,900
General Retirement System Pension	5,372,100	8,363,600	8,363,600	7,805,300	7,338,500	7,237,400	7,136,300	7,035,300
Water Residential Assistance								
Program Contribution	4,418,001	4,608,500	4,608,500	4,894,700	5,189,500	5,467,300	5,749,300	6,052,600
Extraordinary Repair & Replacement Deposit	2,489,000	320,000	320,000	104,800	614,300	331,800	378,900	-
Regional System Lease	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Working Capital Requirement	-	600,000	-	2,600,000	10,600,000	10,300,000	9,900,000	7,900,000
Improvement & Extension Fund Transfer Pending	50,409,400	71,309,900	73,449,100	80,285,400	84,190,900	102,610,500	132,678,400	177,456,200
Total Water & Sewer System Combined Revenue Requirements	\$ 897,163,446	\$ 953,723,400	\$ 952,162,800	\$1,003,074,600	\$1,061,884,800	\$1,119,626,500	\$1,180,518,700	\$1,241,444,200
<i>Change in Annual Revenue Requirement</i>								
				5.2%	5.9%	5.4%	5.4%	5.2%

Looking at GLWA as a whole, the five year plan combined revenue requirements range between 5.2% and 5.9%.

Balancing the use of Improvement & Extension Funds is a strategy to gradually reduce the annual debt service as a percentage of the total revenue requirement. The outcome is preserving financial capacity through a multigenerational lens.

Next Steps

- ❖ Charges Rollout
 - ❖ Next two weeks
- ❖ January 28, 2026 Board Presentation
 - ❖ Presentation with referral back to Audit Committee
- ❖ January 30, 2026 Audit Committee
 - ❖ Budget category review
 - ❖ Analysis of budget risks and mitigation strategies



Financial Services Audit Committee Communication

Date: January 9, 2026

To: Great Lakes Water Authority Audit Committee

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

Re: Proposed FY 2027 Charges Analysis

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 scenario beyond GLWA's control. 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: See attached presentation.

Recommended action: Receive and file.



Great Lakes Water Authority

- ▶ **FY 2027 Preliminary, Proposed Water and Sewer Revenue Requirements & Charges**

Presented to GLWA Audit Committee, Special Meeting January 9, 2026

Key Takeaways

- The content of this slide deck is based upon inputs and analysis as of January 7, 2026. Given the complexity of GLWA's budget and related charges assumptions, final reviews and subsequent stakeholder feedback may impact amounts in this presentation. **Accordingly, this slide deck provides preliminary, proposed charges analysis.**
- FY 2027 proposed charges reflect GLWA's and Member Partners' efforts in achieving stability in charges. Any deviation from system averages are due to assumption/data anomalies for a few communities based on known circumstances rather than the charge allocation methodology.
- Adjustments in charges persist despite stability in allocation methods. Charge adjustments this year were largely driven by decreased investment earnings due to the economy as well as increased operating and capital costs.
- The charge allocation approach has remained consistent - although several numbers moved this year, the method used to calculate charges stayed constant.
- Most communities remain close to the system-wide average, with a small number of communities showing different changes due to unique, documented circumstances.

FY 2027 Charges Metrics

Water Supply System

- Revenue Requirements (Total Budget) Adjustment: 5.40%
- Revenues from Charges (Charges Budget): 6.55%
- Wholesale Average Charge Adjustment: 6.54%
- *Average System Charge Adjustment: 6.96%*

Sewage Disposal System

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

Definitions of the above terms on the next page.

Average System Charge Adjustments		
Year	Water	Sewer
2018	1.80%	-0.70%
2019	1.80%	0.10%
2020	0.60%	0.80%
2021	3.20%	2.00%
2022	1.50%	-0.60%
2023	3.70%	2.40%
2024	2.75%	2.75%
2025	3.25%	3.00%
2026	5.90%	4.50%
<i>2027 Preliminary Proposed</i>	<i>6.96%</i>	<i>5.98%</i>
10-Year Average	3.15%	2.02%

Charge Adjustment Definitions

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

Water System

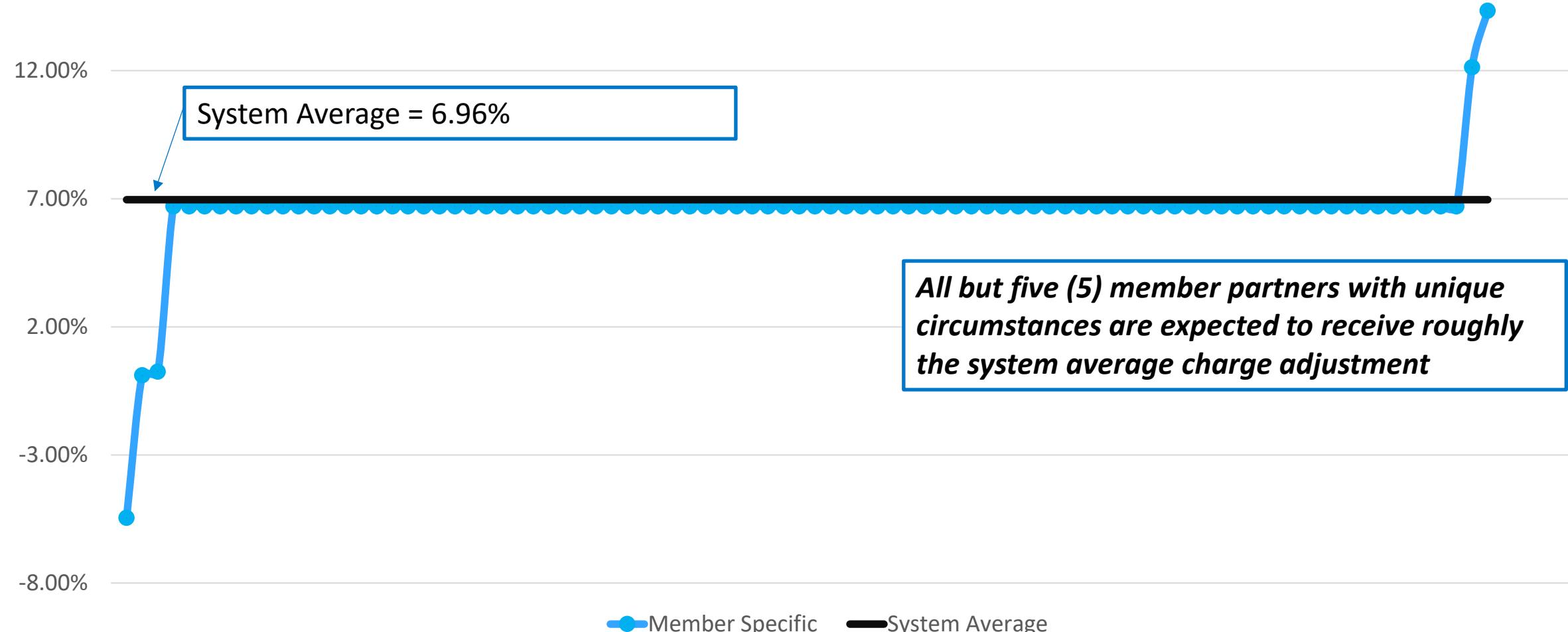
Water Supply System

Summary of Preliminary FY 2027 Revenue Requirement and Charge Adjustment

Description	Budget (1,000s)		Variance	
	Approved 2026	Preliminary 2027	\$	%
Revenues from Charges	(A) \$395,675	\$421,588	\$25,913	6.55%
Investment Earnings and Other Operating Revenues	13,087	9,257	(B) (3,829)	-29.26%
Total Revenues	\$408,761	\$430,845	(C) \$22,084	5.40%
Total Revenue Requirements	\$408,761	\$430,845	\$22,084	5.40%
<u>Charge Adjustment</u>				
Adjustment Index (Based on Budget)	5.40%			
Baseline Revenue (Revenue from FY26 charges (A) \$395,675 minus sales volume variance (D) \$1,530)	\$394,145			
Change in Annual Revenue Requirement	(C) \$22,084			
Change Attributable to Non-Charge Revenue (primarily decrease in investment earnings)	(B) \$3,829			
Change Attributable to Sales Volumes	(D) \$1,530			
Average System Charge Adjustment	\$27,443			

All dollar values are in \$1,000

FY 2027 Proposed Water Charge Adjustment Summary



Unique this Year: Greenwood Township (DTE)

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

Unique this Year – City of Highland Park

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

Unique this Year- City of Dearborn

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

Annual Reminder – Detroit - Base vs. Effective Charge Adjustment

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

Detroit Water	FY 2027	FY 2027	Variance	Variance
	Proforma	Proposed	(\$)	(%)
Revenue Requirement	\$ 49,990	\$ 53,593	\$ 3,603	7.21%
Flint/KWA Adjustment	739	779	40	5.48%
Wholesale Requirement	50,729	54,372	3,644	7.18%
DWSD Ownership Credit	(20,700)	(20,700)	-	0.00%
Revenue Requirement	\$ 30,029	\$ 33,672	\$ 3,644	12.13%

All \$ amounts are in \$1,000s
Preliminary Proposed as of 01/07/2026. Subject to final review of individual member partner charge sheets.

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

- The revenue requirement increase of 7.21% before the KWA adjustment and the DWSD ownership credit is consistent with the increase to the proforma revenue for all Member Partners
- After the credit of \$20.7 million, the net wholesale revenue requirement variance reported is 12.31%.

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

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

Flint Water	FY 2027	FY 2027	Variance	Variance
	Proforma	Proposed	(\$)	(%)
Revenue Requirement	\$ 10,851	\$ 11,634	\$ 782	7.21%
DWSD Ownership Adjustment	643	654	11	1.78%
Wholesale Requirement	11,494	12,288	794	6.90%
Flint/KWA Credit	(5,959)	(5,959)	-	0.00%
Revenue Requirement	\$ 5,535	\$ 6,329	\$ 794	14.34%

All \$ amounts are in \$1,000s
Preliminary Proposed as of 01/07/2026. Subject to final review of individual member partner charge sheets.

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

- The revenue requirement increase of 7.21% before the DWSD ownership adjustment and the KWA credit is consistent with the increase to the proforma revenue for all Member Partners
- After the credit of \$5.9 million, the net wholesale revenue requirement variance reported is 14.34%

Sewer System

Sewage Disposal System

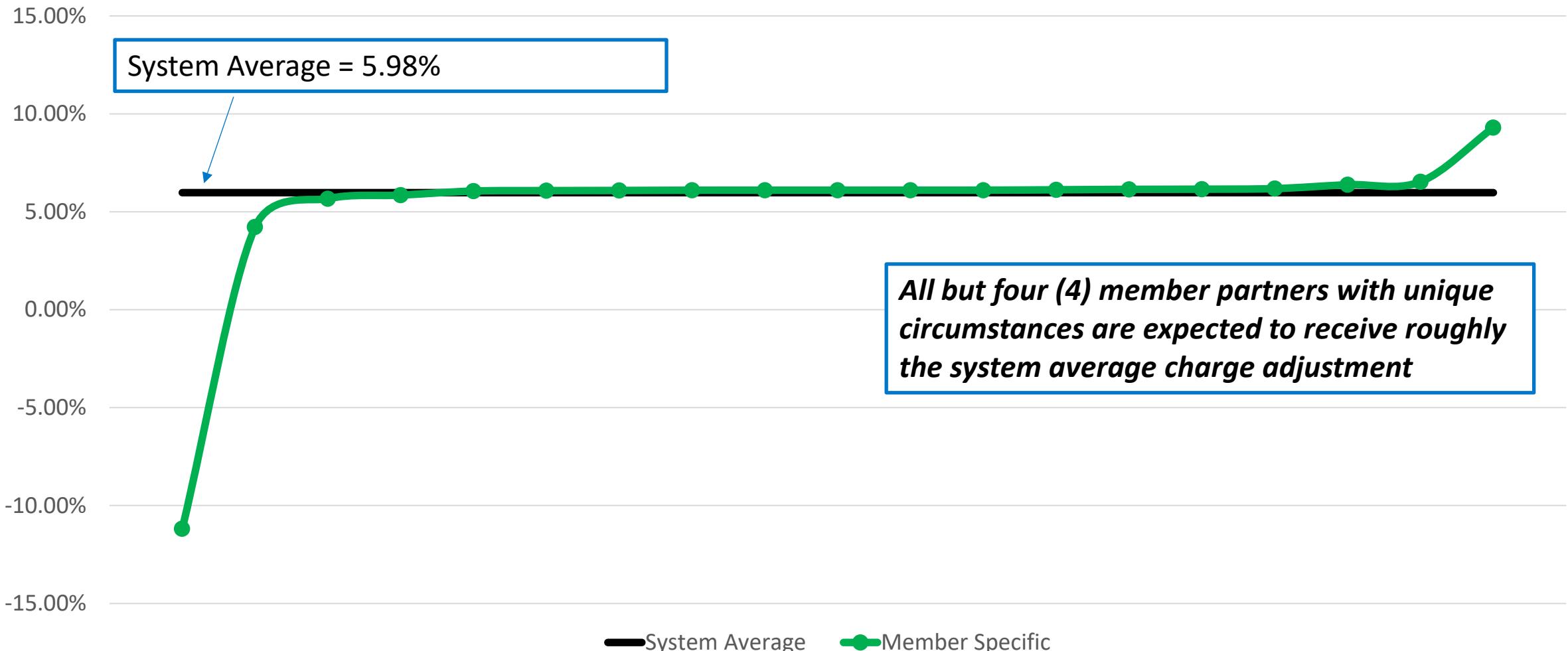
Summary of Preliminary FY 2027 Revenue Requirement and Charge Adjustment

Description	Budget (\$1,000s)		Variance	
	Approved 2026	Preliminary 2027	\$	%
Revenues from Charges	(A) \$529,904	\$561,313	\$31,409	5.93%
Investment Earnings and Other Operating Revenues	15,058	10,916	(B) (4,141)	-27.50%
Total Revenues	\$544,962	\$572,230	(C) \$27,268	5.00%
Total Revenue Requirements	\$544,962	\$572,230	\$27,268	5.00%
<u>Charge Adjustment</u>				
Adjustment Index (Based on Budget)	5.00%			
Baseline Revenue (Revenue from FY26 charges (A) \$529,904 minus adjustment of (D) \$252)	\$529,652			
Change in Annual Revenue Requirement	(C) \$27,268			
Change Attributable to Non-Charge Revenue (primarily decrease in investment earnings)	(B) 4,141			
Change Attributable to Member Partner Adjustments	(D) 252			
Average System Charge Adjustment	\$31,661			

All dollar values are in \$1,000

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FY 2027 Proposed Sewer Charge Adjustment Summary



Unique this Year - City of Highland Park

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

Unique this Year - City of Grosse Pointe

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

Annual Reminder – Detroit – Base vs. Effective Charge Adjustment

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

Detroit Sewer	FY 2027	FY 2027	Variance	Variance
	Proforma	Proposed	(\$)	(%)
Revenue Requirement	\$ 221,122	\$ 234,869	\$ 13,747	6.22%
Green Infrastructure Adjustment	(282)	(282)	-	0.00%
Wholesale Requirement	220,839	234,587	13,747	6.22%
DWSD Ownership Credit	(5,516)	(5,516)	-	0.00%
Revenue Requirement	\$ 215,323	\$ 229,071	\$ 13,747	6.38%

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

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

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

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

