



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% |
| 2027 Preliminary Proposed | 6.96% | 5.98% |
| 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

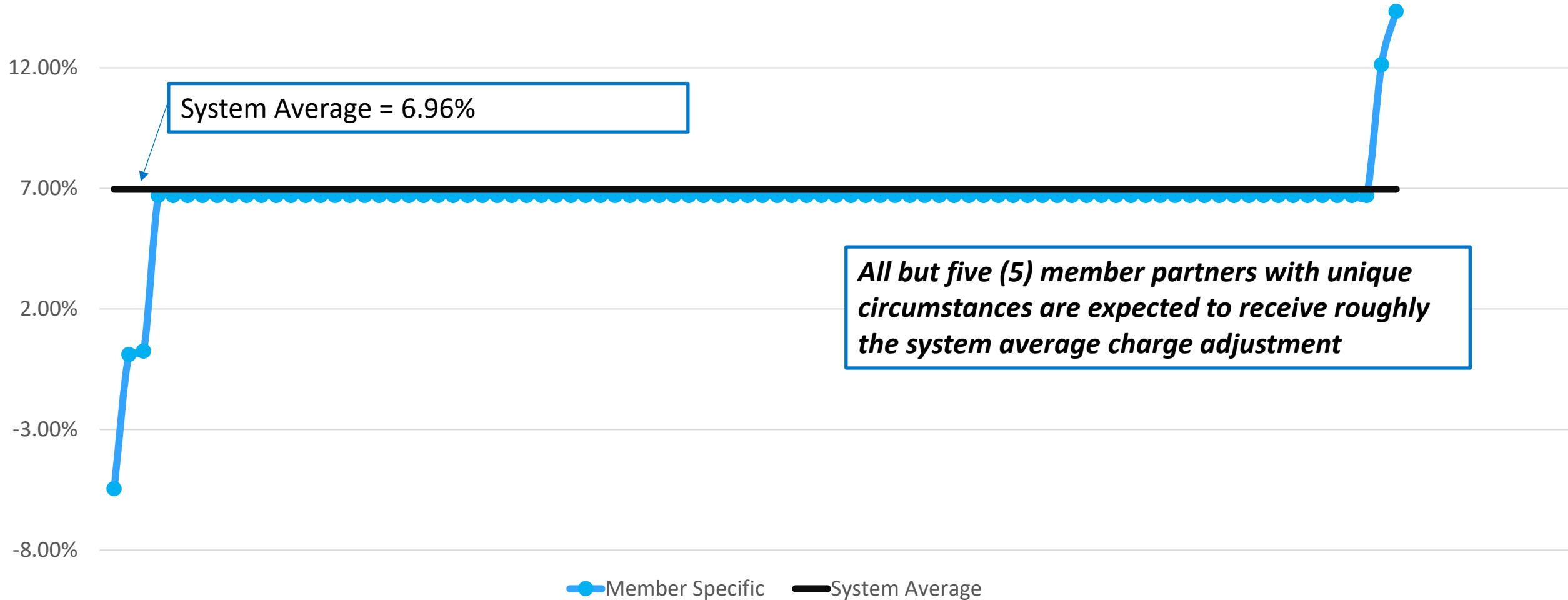
Water Supply System

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 | 5.60% |
| Change Attributable to Non-Charge Revenue (primarily decrease in investment earnings) | | | (B) \$3,829 | 0.97% |
| Change Attributable to Sales Volumes | | | (D) \$1,530 | 0.39% |
| Average System Charge Adjustment | | | \$27,443 | 6.96% |

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.

| | FY 2027 | FY 2027 | Variance | Variance |
|---|------------------|------------------|-----------------|---------------|
| Detroit Water | 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% |
| <i>All \$ amounts are in \$1,000s</i> | | | | |
| <i>Preliminary Proposed as of 01/07/2026. Subject to final review of individual member partner charge sheets.</i> | | | | |

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, Genessee County Drain Commission (GCDC) and the Karegnondi Water Authority (KWA).
 - Under this agreement, the GLWA receives rights to the raw water that Flint has through the KWA. In exchange, GLWA provides a credit to the City of Flint equal to the corresponding annual KWA debt service that Flint is obligated to pay.
 - The debt service, and therefore the amount of the credit, varies each year.
 - The benefit of this arrangement is that redundancy of service can be provided to GLWA Member Partners along the main that goes to the City of Flint (including Flint) without incurring significant capital investment.

| | FY 2027 | FY 2027 | Variance | Variance |
|---|-----------------|-----------------|---------------|---------------|
| Flint Water | 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% |
| <i>All \$ amounts are in \$1,000s</i> | | | | |
| <i>Preliminary Proposed as of 01/07/2026. Subject to final review of individual member partner charge sheets.</i> | | | | |

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

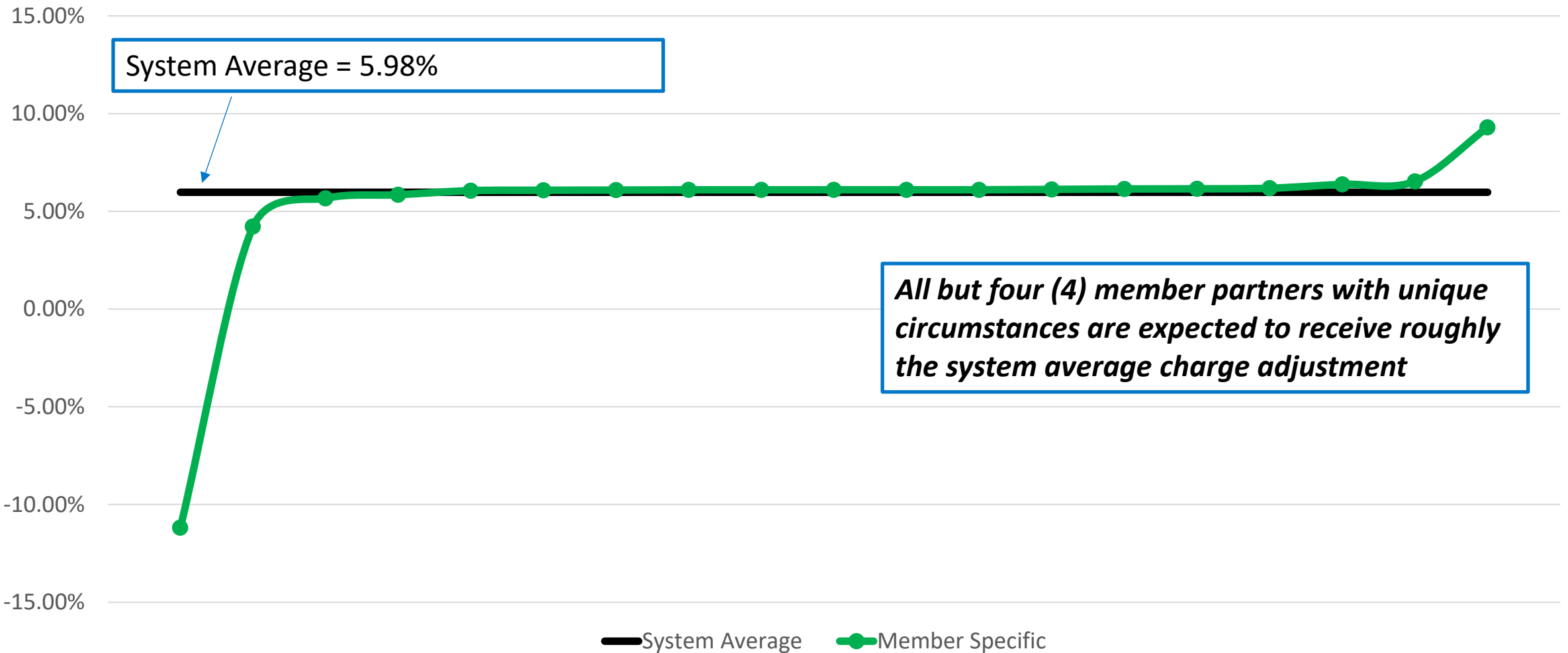
Sewage Disposal System

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 <i>(Based on Budget)</i> | 5.00% | | | |
| Baseline Revenue <i>(Revenue from FY26 charges (A) \$529,904 minus adjustment of (D) \$252)</i> | \$529,652 | | | |
| Change in Annual Revenue Requirement | | | (C) \$27,268 | 5.15% |
| Change Attributable to Non-Charge Revenue <i>(primarily decrease in investment earnings)</i> | | | (B) 4,141 | 0.78% |
| Change Attributable to Member Partner Adjustments | | | (D) 252 | 0.05% |
| Average System Charge Adjustment | | | \$31,661 | 5.98% |

All dollar values are in \$1,000

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.

| | FY 2027 | FY 2027 | Variance | Variance |
|---|-------------------|-------------------|------------------|--------------|
| Detroit Sewer | 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% |
| <i>All \$ amounts are in \$1,000s</i> | | | | |
| <i>Preliminary Proposed as of 01/07/2026. Subject to final review of individual member partner charge sheets.</i> | | | | |

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%.

