



Audit Committee Meeting
Tuesday, February 24, 2026 at 8:00 a.m.
www.glwater.org

[Join Zoom Meeting](#)

Meeting ID: **840 3294 7441** Passcode: **086387**

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. February 13, 2026 (Page 1)
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
 - A. Proposed Modifications - FY 2027 Charges & Related Budget (Page 5)
Impact
7. NEW BUSINESS - None
8. REPORTS - None
9. COMMUNICATIONS – None
10. LOOK AHEAD
 - A. Next Audit Committee Meeting: February 27, 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

Friday, February 13, 2026

8:00 AM

Zoom Telephonic Special Meeting

Join Zoom Meeting:

<https://glwater.zoom.us/j/89537111648?pwd=dNtX5oe27aj2azqQt2teSkcljZlVaX.1>

Join by Telephone

US Toll-Free:

877 853 5247; or 888 788 0099

Meeting ID: 895 3711 1648 Passcode: 944643

1. Call To Order

Chairperson Baker called the meeting to order at 8:00 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. [2026-053](#) Minutes of January 30, 2026

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [4A January 30, 2026 Audit Committee Meeting Minutes.pdf](#)

Chairperson Baker requested a Motion to Approve the January 30, 2026 Audit Committee Meeting Minutes.

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Approved

The motion carried by a unanimous vote.

5. Public Comment

There were no public comments.

6. Old Business

- A. [2026-054](#) *Discussion:* Proposed FY 2027 & FY 2028 Biennial Budget and Proposed FY 2027 Schedule of Charges

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [6A1 FY 2027 & FY 2028 Biennial Budget Discussion.pdf](#)
[6A2 FY 2027 & 2028 Budget, FY 2027 Charges & Plan 2.13.2026](#)
[6A3 FY 2027 Operating Budget Book 2.11.2026 4pm-1 Highlights](#)

No Action Taken - Discussion Only

- B. [2026-055](#) **Resolution Adopting the FY 2027 & FY 2028 Biennial Budget**

Sponsors: Nicolette Bateson

Indexes: Finance

Attachments: [6B1 AC Memo - Budget Adoption Resolution.pdf](#)
[6B3 Budget Resolution with support.docx](#)

No Action Taken

C. [2026-056](#) Resolution Regarding Approval of FY 2027 Schedule of Service Charges

Sponsors: Nicolette Bateson

Indexes: Finance

- Attachments:** [6C1 AC Memo 2026-014 Charges Adoption Resolution 1.30.2026.pdf](#)
[6C3 2026-014 Resolution Legistar-Charges 1.30.2026.docx](#)
[6C4 Proposed FY 2027 Schedule of Water Charges 012626.pdf](#)
[6C5 Proposed FY 2027 Schedule of Sewer Charges 012626.pdf](#)
[6C6 Industrial Service Charges-Sewer-012626.pdf](#)

Director Brown made a Motion, Supported by Director Quadrozzi, to recommend to the full Board approval of average charge increases at 5.5% (Water) and 4.5% (Sewer).

Motion By: Gary Brown

Support By: Jaye Quadrozzi

Action: Recommended for Approval to the Board of Directors

Agenda of February 25, 2026

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: February 27, 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 9:23 a.m.



Financial Services Audit Committee Communication

Date: February 24, 2026

To: Great Lakes Water Authority Audit Committee

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

Re: Proposed Modifications - FY 2027 Charges & Related Budget Impact

Background: The Proposed Revenue Requirement & Charges and Review Proposed FY 2027 and 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan was introduced to the Audit Committee on January 9, 2026. Matters related to the proposed budget and charges have been discussed at five public meetings and four Member Partner meetings. This level of dialog underscores the seriousness and importance of effectively managing a system with hefty capital needs balanced with affordability.

Analysis: The “wholesale average system charge adjustment” is consistently the key data point utilized by stakeholders and the media when discussing charge adjustment percentages. That data point is therefore referenced for this analysis.

Significant discussion and scenario analysis have occurred since the Board of Directors meeting on January 28, 2026 and the Audit Committee meeting on February 13, 2026. The table on the next page of this memo presents four milestones and related charge percentages outcomes and estimated dollar amounts.

The last iteration (labeled “D”) realigns the charge adjustments between the water and sewer system. This approach recognizes the need to invest in water system capital needs – particularly to address the likelihood of transmission main failures – which is among one of the most impactful levels of service concerns felt by the people and businesses in the communities we serve.

Given the due date of the public hearing in a few days, budget line-item adjustments and Member Partner specific charge calculations will not be available that reflect these updates. For that reason, a proposed action, not unlike prior years, would be to **direct the administration to adjust the budget and charges to achieve wholesale average system charge adjustments of no more than 5.8% for the water system and 4.27% for the sewer system.**

In summary, the resulting charge proposal achieves the following.

- ✓ Achieves nearly \$13 million in savings for Member Partners from original proposal
 - Approximately \$4 million for water and \$9 million for sewer
- ✓ Reduces the wholesale average system charge adjustment
 - Water system – from 6.83% to 5.8%
 - Sewer system – from 5.98% to 4.27%

Water System	Charge Percentage	Estimated \$ Reduction (millions)
Wholesale Average System Charge Adjustment		
1) As proposed January 9, 2026 "A"	6.83%	
2) Align budget with forecasted debt savings "B"	-0.93%	\$ (3,653)
Revised Average System Charge Adjustment "B"	5.90%	
3) Audit Committee Review February 13, 2026 "C"	-0.40%	(1,587)
Revised Average System Charge Adjustment "C"	5.50%	(5,240)
4) Prioritize Water System February 20, 2026 "D"	0.30%	1,172
Total Average System Charge Adjustment	5.80%	\$ (4,068)
Net Decrease in Charge Adjustment (A to D)		-1.03%
Sewer System		
Wholesale Average System Charge Adjustment		
1) As proposed January 9, 2026 "A"	5.98%	
2) Align budget with forecasted debt savings "B"	-1.08%	\$ (5,571)
Revised Average System Charge Adjustment "B"	4.90%	
3) Audit Committee Review February 13, 2026 "C"	-0.40%	(2,068)
Revised Average System Charge Adjustment "C"	4.50%	(7,639)
4) Requested Realignment February 20, 2026 "D"	-0.23%	(1,168)
Total Average System Charge Adjustment	4.27%	\$ (8,807)
Net Decrease in Charge Adjustment		-1.71%
Total Systemwide Estimated Dollar Reduction in Charges		\$ (12,875)
<i>"D" Note: variance of \$4,000 (\$1,172 less \$1,168) is due to allocation to Industrial Waste Control, Pollutant Surcharge, and rounding</i>		



Proposed Modifications - FY 2027 Charges & Related Budget Impact

Audit Committee
February 24, 2026

Budget Presentations & Review Sessions

- ◆ During the course of January 2026 through today, many budget and charges scenarios have been evaluated. The goal was to achieve a lower charge increase balanced with short-term, and long-term implications of any decision.
- ◆ Presented today is Scenario D
 - ◆ Achieves nearly \$13 million in savings for Member Partners from original proposal
 - ◆ Approximately \$4 million for water and \$9 million for sewer
 - ◆ Reduces the wholesale average system charge adjustment
 - ◆ Water system – from 6.83% to 5.8%
 - ◆ Sewer system – from 5.98% to 4.27%

Proposal Summary

Water System	Charge Percentage	Estimated \$ Reduction (millions)
Wholesale Average System Charge Adjustment		
1) As proposed January 9, 2026 "A"	6.83%	
2) Align budget with forecasted debt savings "B"	<u>-0.93%</u>	\$ (3,653)
Revised Average System Charge Adjustment "B"	5.90%	
3) Audit Committee Review February 13, 2026 "C"	<u>-0.40%</u>	(1,587)
Revised Average System Charge Adjustment "C"	5.50%	(5,240)
4) Prioritize Water System February 20, 2026 "D"	0.30%	1,172
Total Average System Charge Adjustment	5.80%	\$ (4,068)
Net Decrease in Water Charge Adjustment (A to D)		<u>-1.03%</u>

Sewer System	Percentage	Estimated \$ Reduction (millions)
Wholesale Average System Charge Adjustment		
1) As proposed January 9, 2026 "A"	5.98%	
2) Align budget with forecasted debt savings "B"	<u>-1.08%</u>	\$ (5,571)
Revised Average System Charge Adjustment "B"	4.90%	
3) Audit Committee Review February 13, 2026 "C"	<u>-0.40%</u>	(2,068)
Revised Average System Charge Adjustment "C"	4.50%	(7,639)
4) Requested Realignment February 20, 2026 "D"	-0.23%	(1,168)
Total Average System Charge Adjustment	4.27%	\$ (8,807)
Net Decrease in Sewer Charge Adjustment		<u>-1.71%</u>

Total Systemwide Estimated Dollar Reduction in Charges \$12.875 million from original proposed budget and charges as of January 9, 2026

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

Appendix - Updated Revenue Requirement Schedules Based on Scenario D

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									
Revenues from Charges									
Wholesale Customers	\$ 343,199,317	\$ 365,646,100	\$ 365,646,100	\$ 384,435,600	\$ 18,789,500	5.1%	\$ 406,033,200	\$ 21,597,600	5.6%
Charges to Local System	27,094,800	30,028,800	30,028,800	33,087,600	3,058,800	10.2%	36,139,800	3,052,200	9.2%
Total Revenue from Charges	370,294,117	395,674,900	395,674,900	417,523,200	21,848,300	5.5%	442,173,000	24,649,800	5.9%
Investment Earnings									
Unrestricted	5,852,555	4,654,800	4,404,900	3,171,000	(1,483,800)	-31.9%	3,056,800	(114,200)	-3.6%
I&E Fund Unrestricted	6,257,059	4,868,800	4,525,400	3,414,900	(1,453,900)	-29.9%	3,091,200	(323,700)	-9.5%
Restricted for Debt Service	4,346,719	3,260,100	2,832,700	2,150,500	(1,109,600)	-34.0%	2,221,100	70,600	3.3%
Total Investment Earnings	16,456,333	12,783,700	11,763,000	8,736,400	(4,047,300)	-31.7%	8,369,100	(367,300)	-4.2%
Other Operating Revenue	503,708	302,800	302,800	498,500	195,700	64.6%	300,000	(198,500)	-39.8%
Total Revenues	\$ 387,254,158	\$ 408,761,400	\$ 407,740,700	\$ 426,758,100	\$ 17,996,700	4.4%	\$ 450,842,100	\$ 24,084,000	5.6%
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	177,503,100	189,086,400	10,004,200	5.6%	205,529,200	16,442,800	8.7%
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	2,079,700	109,700	5.6%	2,201,400	121,700	5.9%
Extraordinary Repair & Replacement Deposit	2,144,000	320,000	320,000	104,800	(215,200)	-67.3%	616,300	511,500	488.1%
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	-	600,000	-	0.0%	5,300,000	4,700,000	783.3%
Improvement & Extension Fund									
Transfer Pending	8,315,700	19,102,400	18,807,400	16,264,800	(2,837,600)	-14.9%	11,543,300	(4,721,500)	-29.0%
Total Water System Revenue Requirements	\$ 373,914,875	\$ 408,761,400	\$ 407,740,700	\$ 426,758,100	\$ 17,996,700	4.4%	\$ 450,842,100	\$ 24,084,000	5.6%
Charge Adjustment Calculation									
Proforma Revenue - What FY 2027 Revenue from Charges would be using FY 2027 projected volume and FY 2026 Fixed and Commodity Charges				<u>\$ 394,633,101</u>					
Charge Adjustment									
Attributable to Change in Annual Revenue Requirement				\$ 17,996,700		4.56%			
Attributable to Non-Charge Revenue (Decrease in Investment Earnings & Other Operating Revenue)				3,851,600		0.98%			
Attributable to decreased in projected Sales Volume in FY 2027				1,041,799		0.26%			
Charge Adjustment (Average System Charge Increase)				\$ 22,890,099		5.80%			

Schedule provides proforma crosswalk from "Total Revenues" to "Charge Adjustment"

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									
Revenues from Charges									
Wholesale Customers	\$ 287,690,760	\$ 300,316,800	\$ 300,316,800	\$ 312,376,800	\$ 12,060,000	4.0%	\$ 326,593,700	\$ 14,216,900	4.6%
Charges to Local System	205,924,800	215,324,400	215,324,400	225,270,000	9,945,600	4.6%	235,235,000	9,965,000	4.4%
Industrial Waste Control Charges	8,849,415	9,150,300	9,150,300	9,508,000	357,700	3.9%	9,935,600	427,600	4.5%
Pollutant Surcharges	4,583,986	5,112,700	5,112,700	5,415,500	2,800	0.1%	5,345,600	230,100	4.5%
Total Revenue from Charges	507,048,961	529,904,200	529,904,200	552,270,300	22,366,100	4.2%	577,109,900	24,839,600	4.5%
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%	3,841,600	(143,500)	-3.6%
Restricted for Debt Service	5,128,850	4,076,400	3,240,100	2,513,800	(1,562,600)	-38.3%	2,518,900	5,100	0.2%
Total Investment Earnings	21,643,264	14,615,200	14,073,400	10,468,100	(4,147,100)	-28.4%	10,199,900	(268,200)	-2.6%
Other Operating Revenue	685,291	442,600	442,600	443,800	1,200	0.3%	450,000	6,200	1.4%
Total Revenues	\$ 529,377,516	\$ 544,962,000	\$ 544,420,200	\$ 563,182,200	\$ 18,220,200	3.3%	\$ 587,759,800	\$ 24,577,600	4.4%
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	2,749,800	111,300	4.2%	2,873,400	123,600	4.5%
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	100.0%	4,700,000	3,200,000	213.3%
Improvement & Extension Fund Transfer Pending	42,093,700	52,207,500	54,823,100	54,568,000	2,360,500	4.5%	56,907,800	2,339,800	4.3%
Total Sewer System Revenue Requirements	\$ 523,248,571	\$ 544,962,000	\$ 544,420,200	\$ 563,182,200	\$ 18,220,200	3.3%	\$ 587,759,800	\$ 24,577,600	4.4%
Charge Adjustment Calculation									
Proforma Revenue - What FY 2027 Revenue from Charges would be using FY 2026									
Fixed Monthly Charges and volume and loading projections for Industrial Waste Control and Pollutant Surcharges									
				\$ 529,653,000					
Charge Adjustment									
Attributable to Change in Annual Revenue Requirement									
					\$ 18,220,200	3.44%			
Attributable to Non-Charge Revenue (Decrease in Investment Earnings & Other Operating Revenue)									
					4,145,900	0.78%			
Attributable to decreased in projected Sales Volume in FY 2027 (No change in Member Partners allocation-amount reflects change due to projected Industrial Waste Control volume and Pollutant Surcharges volume and loadings)									
					251,200	0.05%			
Charge Adjustment (Average System Charge Increase)									
					\$ 22,617,300	4.27%			

Schedule provides proforma crosswalk from "Total Revenues" to "Charge Adjustment"



Schedule 3 - Biennial Budget – Water and Sewer Combined Revenue Requirement (Informational Only)

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									
Revenues from Charges									
Wholesale Customers	\$ 630,890,077	\$ 665,962,900	\$ 665,962,900	\$ 696,812,400	\$ 30,849,500	4.6%	\$ 732,626,900	\$ 35,814,500	5.1%
Charges to Local System	233,019,600	245,353,200	245,353,200	258,357,600	13,004,400	5.3%	271,374,800	13,017,200	5.0%
Industrial Waste Control Charges	8,849,415	9,150,300	9,150,300	9,508,000	357,700	3.9%	9,935,600	427,600	4.5%
Pollutant Surcharges	4,583,986	5,112,700	5,112,700	5,115,500	2,800	0.1%	5,345,600	230,100	4.5%
Total Revenue from Charges	877,343,078	925,579,100	925,579,100	969,793,500	44,214,400	4.8%	1,019,282,900	49,489,400	5.1%
Investment Earnings									
Unrestricted	16,019,884	9,742,100	9,918,600	7,140,200	(2,601,900)	-26.7%	6,896,200	(244,000)	-3.4%
I&E Fund Unrestricted	12,604,144	10,320,300	9,845,000	7,400,000	(2,920,300)	-28.3%	6,932,800	(467,200)	-6.3%
Restricted for Debt Service	9,475,569	7,336,500	6,072,800	4,664,300	(2,672,200)	-36.4%	4,740,000	75,700	1.6%
Total Investment Earnings	38,099,597	27,398,900	25,836,400	19,204,500	(8,194,400)	-29.9%	18,569,000	(635,500)	-3.3%
Other Operating Revenue	1,188,999	745,400	745,400	942,300	196,900	26.4%	750,000	(192,300)	-20.4%
Total Revenues	\$ 916,631,674	\$ 953,723,400	\$ 952,160,900	\$ 989,940,300	\$ 36,216,900	3.8%	\$1,038,601,900	\$ 48,661,600	4.9%
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	393,776,900	422,941,100	22,974,400	5.7%	447,974,000	25,032,900	5.9%
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	4,829,500	221,000	4.8%	5,074,800	245,300	5.1%
Extraordinary Repair & Replacement Deposit	2,489,000	320,000	320,000	104,800	(215,200)	-67.3%	616,300	511,500	488.1%
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	-	2,100,000	1,500,000	250.0%	10,000,000	7,900,000	376.2%
Improvement & Extension Fund									
Transfer Pending	50,409,400	71,309,900	73,630,500	70,832,800	(477,100)	-0.7%	68,451,100	(2,381,700)	-3.4%
Total Water & Sewer System Combined Revenue Requirements	\$ 897,163,446	\$ 953,723,400	\$ 952,160,900	\$ 989,940,300	\$ 36,216,900	3.8%	\$1,038,601,900	\$ 48,661,600	4.9%
Charge Adjustment Calculation-Combined									
Proforma Revenue - What FY 2027 Revenue from Charges would be using FY 2027 projected volume and FY 2026 Fixed and Commodity Charges				\$ 924,286,101					
Charge Adjustment									
Attributable to Change in Annual Revenue Requirement				\$ 36,216,900		3.92%			
Attributable to Non-Charge Revenue (Decrease in Investment Earnings & Other Operating Revenue)				\$ 7,997,500		0.87%			
Attributable to decreased in projected Sales Volume in FY 2027				\$ 1,292,999		-0.14%			
Average Weighted Combined Charge Adjustment				\$ 45,507,399		4.92%	average weighted		

Schedule provides proforma crosswalk from "Total Revenues" to "Charge Adjustment"