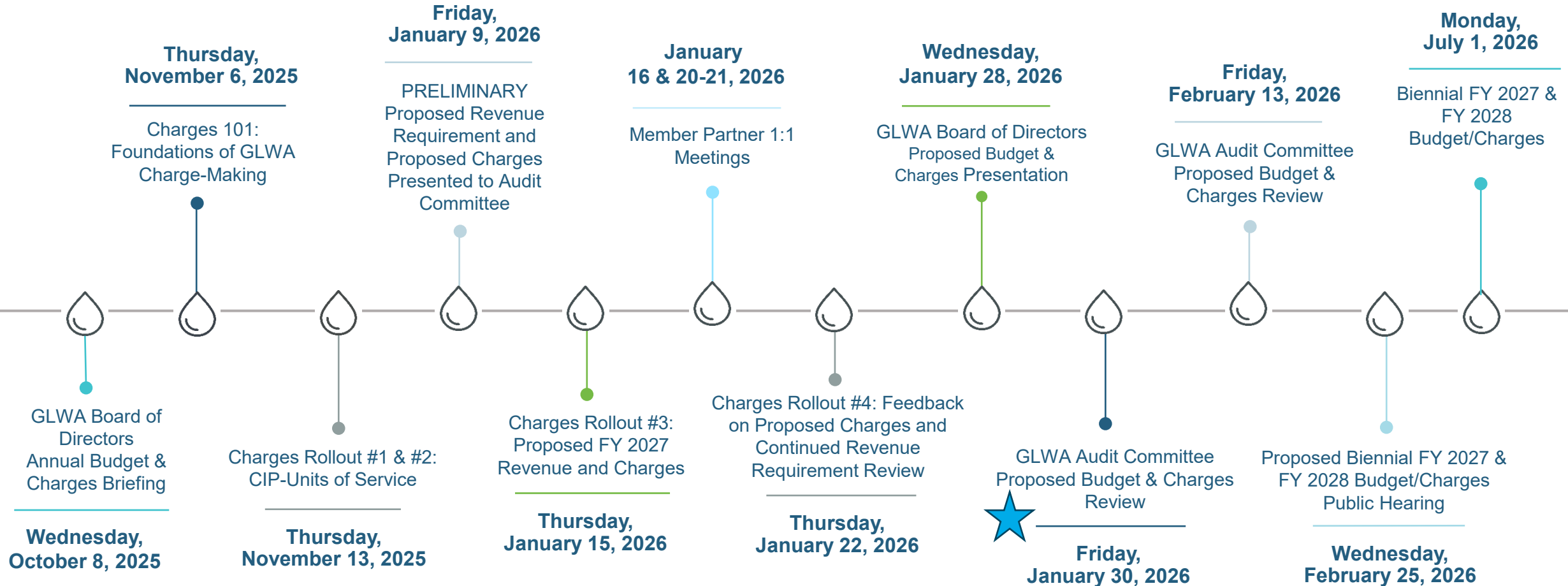




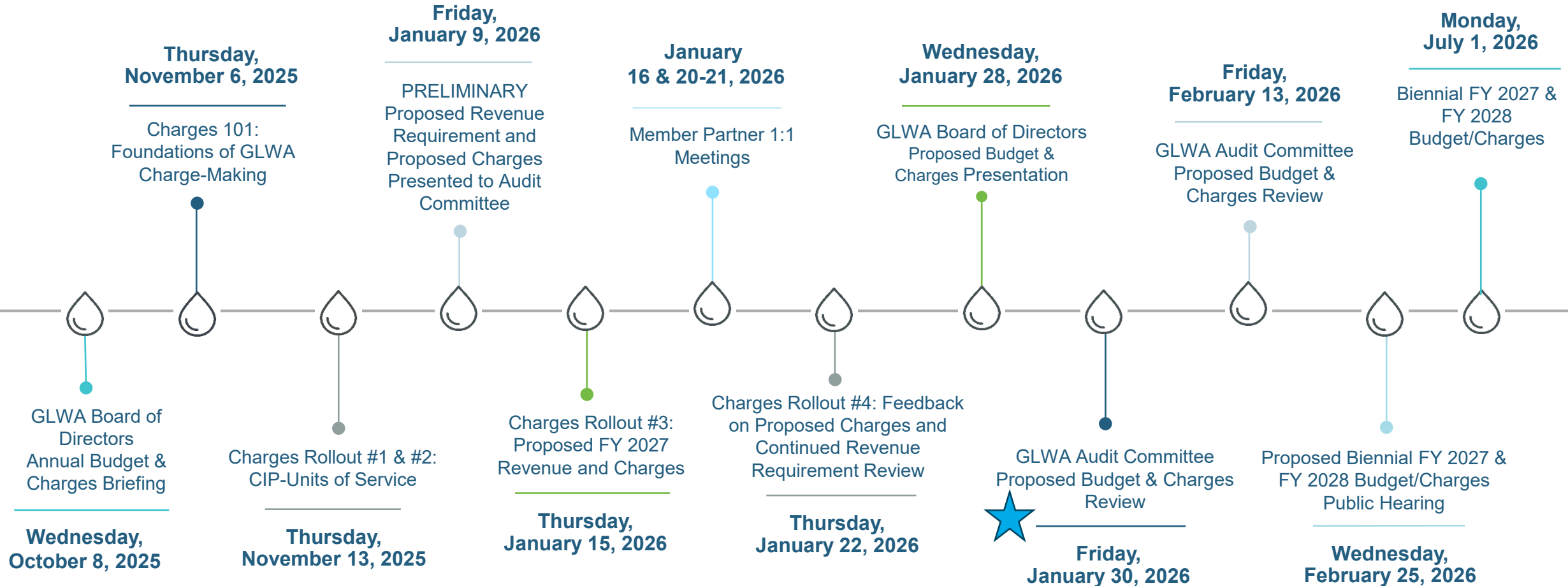
FY 2027 & FY 2028 Biennial Budget and Five-Year Plan, Proposed FY 2027 Charges and Long-Term Financial Plan

Audit Committee
January 30, 2026

Budget & Charges Timeline



Budget & Charges Timeline



Continued Budget Review

- ◆ Special Meeting on February 13, 2026
- ◆ GLWA continues to be running dual Adaptive Insights and excel budget models while the former continues to be implemented.
- ◆ In developing the budget document for the January 30, 2026 meeting, the Excel templates failed to import data properly. This caused significant data validation as well as several starts and stops for troubleshooting, testing, and reconciling.
- ◆ It appears the template issue has been fixed this week and the team will be focused on preparing the budget document – and the additional analysis requested.
- ◆ Unfortunately, this also impacted staff time to complete supplemental analysis.

One Pagers



FY 2027 Operations & Maintenance Budget Analysis One Pager Series As Proposed January 30, 2026

The proposed operations and maintenance (O&M) budget accounts for 43% (\$431.3M) of the total revenue requirement budget of \$1.0 billion. Compared to the FY 2026 Adopted Budget, this is an increase of almost \$12.8M (3.1%). The following is a discussion of the proposed O&M budget highlights for FY 2027. Note: amounts presented in millions (M).

Staffing & Personnel - Overall the staffing plan number of positions (1,352) did not change. Across multiple areas, five apprentices graduated who were promoted to regular team member status filling vacancies in key operational areas. Since not all positions are filled, the "full-time equivalent" count is 1,194 which is a vacancy rate of 12%. Medical plan costs increased an average of 11.5%.

Water Operations - increase of \$2.2M (2.1%) Personnel increased (\$3.6M) for merit, market adjustments, and skills level progressions are included. Contractual Services decreased (\$2.8M) primarily due to the new sludge removal and hauling contract. Chemicals (bulk) are stable due to lower forecast volume of orthophosphate and stabilized market prices. Unallocated reserves (\$1.3 M) and other items (\$0.1M) also increased. Unallocated reserves are included in the budget to address cost increases or other contingencies throughout the year.

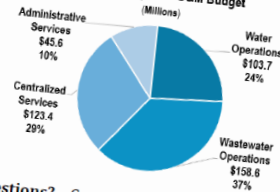
Wastewater Operations - increase of \$2.1 M (1.3%) An increase in Contractual Services (\$2.3M) is due to transferring the asset maintenance and reliability program for sewer operations from centralized Field Services; boiler operation services; and, a vendor price increase for operating the Biosolids Dryer Facility. Although staffing positions decreased by 10, personnel costs increased (\$1.6M) due to merit, market adjustments and skills level

progressions. Chemicals decreased significantly (\$4.1M) due to reduced forecast volume of chemicals used to control phosphorus and lower market prices. Unallocated reserve increased (\$1.8M) and other items increased (\$0.5M).

Centralized Services¹ - increase \$6.0M (5.1%) Personnel costs increased (\$2.4M) due to merit, market adjustments and skills level progressions. The increase in Supplies & Other (\$1.4M) is for wireless access points for the water plants to support technology and communication needs. Contractual Services net increase (\$0.5M) is due to capital projects for shared facilities, an update to the Water Master Plan, and technology for secure off-site backup services. These increases are offset by the sewer asset maintenance and repair costs transferred to the Wastewater Operations. Unallocated reserve increased (\$1.7 M).

Administrative Services² - increase of \$2.5 M (5.8%) Personnel cost increased (\$1.5M) due to merit and market adjustments. Unallocated reserves increased (\$0.7M). Contractual services increased (\$0.3M) due to legal resources needed to mitigate risk & safeguard the organization as well as an increase in insurance costs.

FY 2027 Proposed O&M Budget (Millions)



Questions? Contact the Office of the Chief Financial Officer at cfo@glwater.org

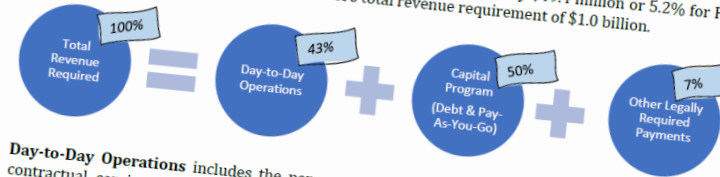
¹ Includes the System Resiliency, Planning Services, Systems Control, Facility and Fleet Operations; Field Service Operations; Energy, Research & Innovation; Transformation; Information Technology; and Security & Integrity/HazMat.

² Includes the Board of Directors, Chief Executive Officer, Chief Administrative & Compliance Officer (includes Risk Management & Safety), General Counsel, Public Affairs, Organizational Development, and Financial Services.

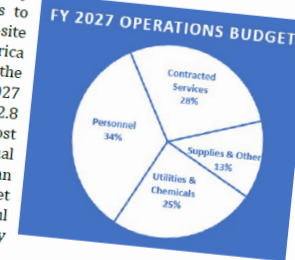


One Pager Series FY 2027 Revenue Requirement As Proposed January 30, 2026

The total budget for a water utility, like the Great Lakes Water Authority (GLWA), is referred to as the "revenue requirement." It tells us how much revenue / cash is required to operate and maintain the systems for a given year. The total revenue requirement increased by \$49.4 million or 5.2% for FY 2027. Three major categories makeup GLWA's total revenue requirement of \$1.0 billion.



Day-to-Day Operations includes the personnel, specialty contractual services, utilities, chemicals, and supplies to operate five water treatment plants, the largest single-site Water Resource Recovery Facility (WRRF) in North America and all of the systems, processes, and controls to manage the vast regional water and sewer network. The total FY 2027 Operations & Maintenance Budget is \$431.3 million, up \$12.8 million over the previous year. This growth is from cost increases for utilities, chemicals, insurance and contractual provisions. New this year is the start of the water master plan update and increased technology security measures. A net apprenticeship program where graduates filled key



Capital Program costs include making payments on bonded debt, balanced with cash funding, to prevent GLWA from maxing out its borrowing capability for future generations. Because many of our assets are underground, it is hard to envision the scope of all capital needs. For perspective, consider that there are over 800 miles of transmission main that move treated drinking water from five water treatment plants to the local systems' distribution network and there are also over 200 miles of trunk sewers and interceptors that return wastewater to the WRRF. The combined total of 1,000 miles equals the driving distance from Detroit to Jacksonville, Florida. The FY 2027 Capital Program-related revenue requirement is \$506 million, an increase of \$35 million.

Other Legally Required costs increased \$1.5 million to \$65.4 million. This includes the lease payment to the City of Detroit Water & Sewerage Department (DWSD) (\$50 million restricted for DWSD debt and capital program needs), legacy pension payments to the City of Detroit General Retirement System (\$7.8 million), a half of one percent of revenues for the Water Residential Assistant Program (WRAP) (\$4.9 million), and a working capital requirement (\$2.7 million).

Revenue Required from charges increased 6.2%. The average system charge increase to Member Partners of 6.83% for water and 5.98% for sewer is achieved with offsetting investment income and other (although to a lesser extent with an approximately \$4 million decrease for each system).

Questions? Contact the Office of the Chief Financial Officer at cfo@glwater.org

Infographics

MAKING SENSE OF YOUR DOLLARS

Every dollar paid to GLWA for **Water Services** provides for...

FY 2027 Water System Budget Infographic

44.9% OPERATIONS AND MAINTENANCE 44.9¢ ON THE DOLLAR

The cost for people, utilities, chemicals, and services to deliver water of unquestionable quality around-the-clock, every day of the year.

44.6% DEBT SERVICE 44.6¢ ON THE DOLLAR

Physical improvements to GLWA's regional water system and its assets are financed with debt. Debt service principal and interest are funded monthly.

5.2% REGIONAL SYSTEM LEASE 5.2¢ ON THE DOLLAR

This money goes to the Detroit Water and Sewerage Department (DWSD) to pay for GLWA's lease of the regional water system. DWSD uses those funds for improvements to the local system and to pay debt related to capital improvements.

3.9% REVENUE FINANCED CAPITAL 3.9¢ ON THE DOLLAR

To lower the debt burden, GLWA sets aside money each year from revenues to pay for capital improvements in future years. This pay-as-you-go approach eliminates the need to pay interest on debt in future years and improves financial resiliency.

0.6% CLOSED PENSION 0.6¢ ON THE DOLLAR

GLWA inherited a portion of the city of Detroit's pension plan expense for employees and retirees that maintained the water system before GLWA was formed. Over time, the annual payment will decrease.

0.5% WRAP (WATER RESIDENTIAL ASSISTANCE PROGRAM) 0.5¢ ON THE DOLLAR

Half a percent of GLWA's revenue goes straight to funding WRAP, making it the only sustainably-funded assistance program in the country. WRAP provides not only financial assistance, but also conservation education and minor plumbing repairs and replacements.

0.3% TRUST FUND WORKING CAPITAL & OTHER 0.3¢ ON THE DOLLAR

The amount required to maintain sufficient liquidity in the Master Bond Ordinance Trust Receiving and other funds, and the Extraordinary Repair & Replacement Reserve Fund.

Source: Proposed FY 2027 Budget as of January 30, 2026



MAKING SENSE OF YOUR DOLLARS

Every dollar paid to GLWA for **Wastewater Services** provides for...

FY 2027 Wastewater System Budget Infographic

41.5% OPERATIONS AND MAINTENANCE 41.5¢ ON THE DOLLAR

The cost for people, utilities, chemicals, and services to deliver effective and efficient wastewater services around-the-clock, every day of the year.

40.9% DEBT SERVICE 40.9¢ ON THE DOLLAR

Physical improvements to GLWA's regional wastewater system and its assets are financed with debt. Debt service principal and interest are funded monthly.

11.1% REVENUE FINANCED CAPITAL 11.1¢ ON THE DOLLAR

To lower the debt burden, GLWA sets aside money each year from revenues to pay for capital improvements in future years. This pay-as-you-go approach eliminates the need to pay interest on debt in future years and improves financial resiliency.

4.8% REGIONAL SYSTEM LEASE 4.8¢ ON THE DOLLAR

This money goes to the Detroit Water and Sewerage Department (DWSD) to pay for GLWA's lease of the regional wastewater system. DWSD uses those funds for improvements to the local system and to pay debt related to capital improvements.

0.9% CLOSED PENSION 0.9¢ ON THE DOLLAR

GLWA inherited a portion of the city of Detroit's pension plan expense for employees and retirees that maintained the wastewater system before GLWA was formed. Over time, the annual payment will decrease.

0.3% TRUST FUND WORKING CAPITAL & OTHER 0.3¢ ON THE DOLLAR

The amount required to maintain sufficient liquidity in the Master Bond Ordinance Trust Receiving and other funds, and the Extraordinary Repair & Replacement Reserve Fund.



Source: Proposed FY 2027 Budget as of January 30, 2026

MAKING SENSE OF YOUR DOLLARS

Every dollar paid to GLWA for combined **Water and Wastewater Services** provides for...

FY 2027 Water and Wastewater Combined Budget Infographic

43.0% OPERATIONS AND MAINTENANCE 43.0¢ ON THE DOLLAR

The cost for people, utilities, chemicals, and services to deliver water of unquestionable quality and effective and efficient wastewater services around-the-clock, every day of the year.

42.5% DEBT SERVICE 42.5¢ ON THE DOLLAR

Physical improvements to GLWA's regional water and wastewater system assets are financed with debt. Debt service principal and interest are funded monthly.

8.0% REVENUE FINANCED CAPITAL 8.0¢ ON THE DOLLAR

To lower the debt burden, GLWA sets aside money each year from revenues to pay for capital improvements in future years. This pay-as-you-go approach eliminates the need to pay interest on debt in future years and improves financial resiliency.

5.0% REGIONAL SYSTEM LEASE 5.0¢ ON THE DOLLAR

This money goes to the Detroit Water and Sewerage Department (DWSD) to pay for GLWA's lease of the regional water and wastewater systems. DWSD uses those funds for improvements to the local system and to pay debt related to capital improvements.

0.8% CLOSED PENSION 0.8¢ ON THE DOLLAR

GLWA inherited a portion of the city of Detroit's pension plan expense for employees and retirees that maintained the regional system before GLWA was formed. Over time, the annual payment will decrease.

0.5% WRAP (WATER RESIDENTIAL ASSISTANCE PROGRAM) 0.5¢ ON THE DOLLAR

Half a percent of GLWA's revenue goes straight to funding WRAP, making it the only sustainably-funded assistance program in the country. WRAP provides not only financial assistance, but also conservation education and minor plumbing repairs and replacements.

0.2% TRUST FUND WORKING CAPITAL & OTHER 0.2¢ ON THE DOLLAR

The amount required to maintain sufficient liquidity in the Master Bond Ordinance Trust Receiving and other funds, and the Extraordinary Repair & Replacement Reserve Fund.



Source: Proposed FY 2027 Budget as of January 30, 2026

Individual System Increases - Clarification

Water Charge Increase 6.83%

43%

Water System Revenue Requirement	FY 2027		
	Proposed Budget	Dollar Variance	Percent Variance
Revenues			
Revenues from Charges			
Wholesale Customers	\$ 387,988,500	\$ 22,342,400	6.1%
Charges to Local System	33,603,600	3,574,800	11.9%
Total Revenue from Charges	421,592,100	25,917,200	6.6%
Investment Earnings			
Unrestricted	3,171,000	(1,483,800)	-31.9%
I&E Fund Unrestricted	3,410,900	(1,457,900)	-29.9%
Restricted for Debt Service	2,175,500	(1,084,600)	-33.3%
Total Investment Earnings	8,757,400	(4,026,300)	-31.5%
Other Operating Revenue	495,400	192,600	63.6%
Total Revenues	\$ 430,844,900	\$ 22,083,500	5.4%
Revenue Requirements			
Operations & Maintenance Expense	\$ 193,563,400	\$ 11,107,400	6.1%
Debt Service	192,202,900	13,120,700	7.3%
General Retirement System Pension	2,559,000	(171,800)	-6.3%
Water Residential Assistance Program Contribution	2,099,900	129,900	6.6%
Extraordinary Repair & Replacement Deposit	104,800	(215,200)	-67.3%
Regional System Lease	22,500,000	-	0.0%
Working Capital Requirement	1,100,000	500,000	83.3%
Improvement & Extension Fund Transfer Pending	16,714,900	(2,387,500)	-12.5%
Total Water System Revenue Requirements	\$ 430,844,900	\$ 22,083,500	5.4%

Sewer Charge Increase 5.98%

57%

Sewer System Revenue Requirement	FY 2027		
	Proposed Budget	Dollar Variance	Percent Variance
Revenues			
Revenues from Charges			
Wholesale Customers	\$ 317,383,200	\$ 17,066,400	5.7%
Charges to Local System	229,070,400	13,746,000	6.4%
Industrial Waste Control Charges	9,673,600	523,300	5.7%
Pollutant Surcharges	5,198,600	85,900	1.7%
Total Revenue from Charges	561,325,800	31,421,600	5.9%
Investment Earnings			
Unrestricted	3,969,200	(1,118,100)	-22.0%
I&E Fund Unrestricted	3,985,100	(1,466,400)	-26.9%
Restricted for Debt Service	2,512,100	(1,564,300)	-38.4%
Total Investment Earnings	10,466,400	(4,148,800)	-28.4%
Other Operating Revenue	437,500	(5,100)	-1.2%
Total Revenues	\$ 572,229,700	\$ 27,267,700	5.0%
Revenue Requirements			
Operations & Maintenance Expense	\$ 237,763,400	\$ 1,664,700	0.7%
Debt Service	233,854,700	12,970,200	5.9%
General Retirement System Pension	5,246,300	(386,500)	-6.9%
Water Residential Assistance Program Contribution	2,794,800	156,300	5.9%
Extraordinary Repair & Replacement Deposit	-	-	0.0%
Regional System Lease	27,500,000	-	0.0%
Working Capital Requirement	1,500,000	1,500,000	100.0%
Improvement & Extension Fund Transfer Pending	63,570,500	11,363,000	21.8%
Total Sewer System Revenue Requirements	\$ 572,229,700	\$ 27,267,700	5.0%

Combined Weighted Average 6.34%

100%

Water & Sewer System Combined Revenue Requirement	FY 2027		
	Proposed Budget	Dollar Variance	Percent Variance
Revenues			
Revenues from Charges			
Wholesale Customers	\$ 705,371,700	\$ 39,408,800	5.9%
Charges to Local System	262,674,000	17,320,800	7.1%
Industrial Waste Control Charges	9,673,600	523,300	5.7%
Pollutant Surcharges	5,198,600	85,900	1.7%
Total Revenue from Charges	982,917,900	57,338,800	6.2%
Investment Earnings			
Unrestricted	7,140,200	(2,601,900)	-26.7%
I&E Fund Unrestricted	7,396,000	(2,924,300)	-28.3%
Restricted for Debt Service	4,687,600	(2,648,900)	-36.1%
Total Investment Earnings	19,223,800	(8,175,100)	-29.8%
Other Operating Revenue	932,900	187,500	25.2%
Total Revenues	\$1,003,074,600	\$ 49,351,200	5.2%
Revenue Requirements			
Operations & Maintenance Expense	\$ 431,326,800	\$12,772,100	3.1%
Debt Service	426,057,600	26,090,900	6.5%
General Retirement System Pension	7,805,300	(558,300)	-6.7%
Water Residential Assistance Program Contribution	4,894,700	286,200	6.2%
Extraordinary Repair & Replacement Deposit	104,800	(215,200)	-67.3%
Regional System Lease	50,000,000	-	0.0%
Working Capital Requirement	2,600,000	2,000,000	333.3%
Improvement & Extension Fund Transfer Pending	80,285,400	8,975,500	12.6%
Total Water & Sewer System Combined Revenue Requirements	\$1,003,074,600	\$ 49,351,200	5.2%



FY 2027 Proposed Service Charges

Matt Lane, GLWA and Erik Johnson, Willdan

Audit Committee

January 30, 2026

FY 2027 Proposed Schedule of Charges



FY 2027 Proposed Schedule of Charges

January 30, 2026

As presented to the GLWA Audit Committee 1/30/2026

Subject to board approval after the public hearing scheduled for February 25, 2026

Available at:

- GLWA Website: [FY 2027 Proposed Charges](#)
- Outreach Portal: outreach.glwater.org
- Direct request: charges@glwater.org

Charge Methodology is Stable

- 💧 The charge methodology determines how charges are allocated among Member Partners.
- 💧 FY 2027 proposed charges reflect GLWA's and Member Partners' efforts in achieving stability in charge methodology for multiple years.
- 💧 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.
- 💧 Most communities remain close to the system-wide average, with a small number of communities showing different changes due to unique, documented circumstances.
- 💧 Note for next year: water system contract reopeners and sewer system flow balance updates will re-allocate each Members Partner's respective shares.

Member Partner Engagement

◆ Events

- ◆ January 13, 2026 – “Preliminary” Proposed Calculation Worksheets were *emailed* to each Member Partner with a cover letter from CEO highlighting key considerations
- ◆ January 15, 2026 – Charges Rollout #3 via Zoom
- ◆ January 16, 20, and 21, 2026 – One-on-One Member Partner Meetings
- ◆ January 22, 2026 – Charges Rollout #4 via Zoom
- ◆ January 26, 2026 - Proposed Calculation Worksheets were mailed and emailed to each Member Partner along with a cover letter from CEO

◆ Outcome

- ◆ 90 Member Partner participants from 55 unique communities participated in Rollout #3 and #4 in total
- ◆ One-on-One Meetings - 12 with Water Member Partners of which 3 are also Wastewater Member Partners
- ◆ Rollout #4 covered topics from one-on-one meetings
- ◆ Every Member Partner has received two written communications within two weeks
- ◆ All presentations were posted on Outreach Portal; Link emailed to Member Partner

Budget vs. Charges Increase

💧 While the budget increase is 5.4% for water; average system charge adjustment is 6.83%

💧 Similarly, budget for sewer system is 5% increase while average system charge adjustment is 5.98%

FY 2027 Proposed Charges		
Category	Water Supply	Sewage Disposal
Revenue Requirements (Total Budget) Adjustment	5.40%	5.00%
Revenues from Charges (Charges Budget)	6.55%	5.93%
Wholesale Average Charge Adjustment	6.41%	5.68%
Average System Charge Adjustment ★	6.83%	5.98%

💧 The **charge** revenue increase is higher than the **budget** increase because there is a greater reliance on charges for FY 2027 due to decreased investment earnings

💧 Note: the rate of return on public investment portfolios, like GLWA's, are down as a result of federal rate cuts

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

Charge Adjustment Definitions

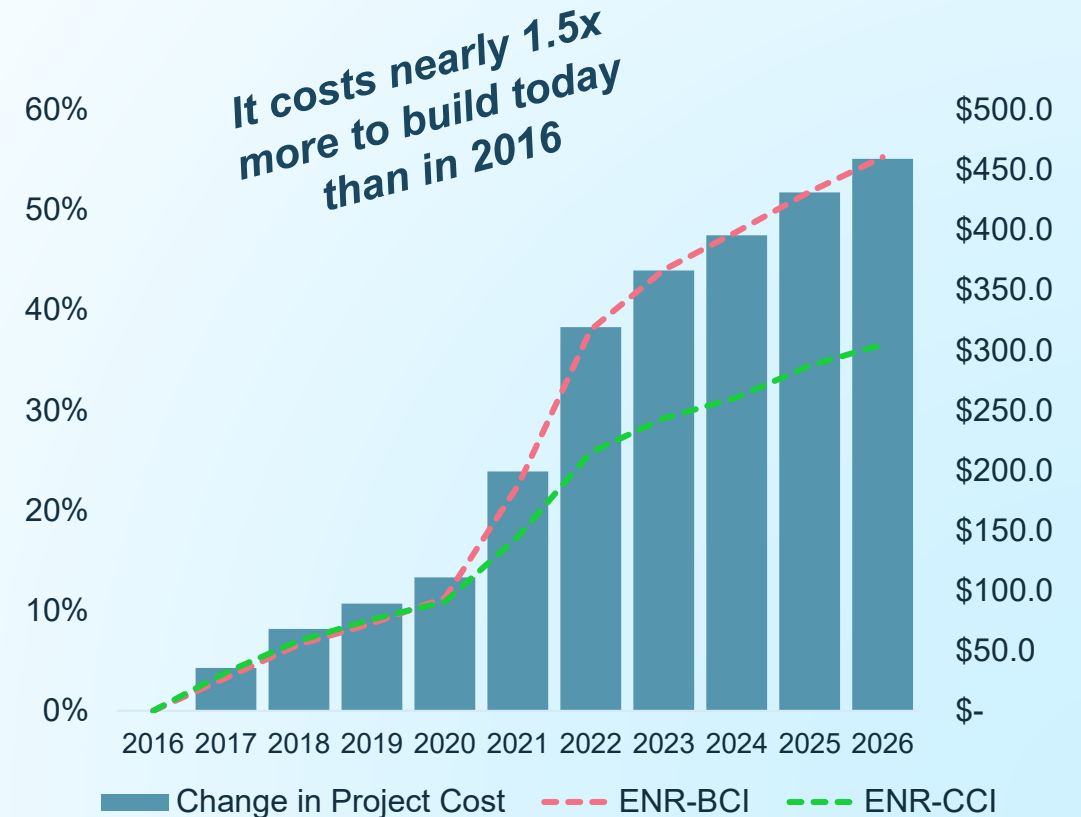
- 💧 Revenue Requirements (Total Budget) Adjustment: This is the increase in the overall total budget including all line items of revenues and financial commitments.
- 💧 Revenues from Charges (Charges Revenue): This represents the year over year dollar amount increase, shown as a percentage, in “Charges 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

Willdan Group - Service Sector Overview

- ◆ Willdan Group provides financial, rate, and capital planning for communities nationwide with over 30 years of experience.
- ◆ Across the sector, water and sewer utility rates have consistently outpaced inflation with national averages increasing between 3.5% and 5.0% annually
 - ◆ Since 2016, combined rates have increased by approximately 56%
- ◆ Key drivers include
 - ◆ Addressing system maintenance needs
 - ◆ Meeting regulatory mandates
 - ◆ Improving system resiliency

Willdan's Observations – Sector Cost Challenges

- Multiple factors drive charge adjustments, but the biggest are Capital costs, Operating costs, Labor costs
- Utility age also impacts revenue requirements - older legacy providers in the East and Midwest are often maintaining old assets and addressing deferred maintenance without the benefit of growth
- \$1M project cost in 2016, now costs \$1.46M, almost a 1.5x increase in construction (ENR)
- Chart notes the (Building Cost Index) BCI and Construction Cost Index (CCI) as tracked by the (Engineering News Record) ENR





Water System

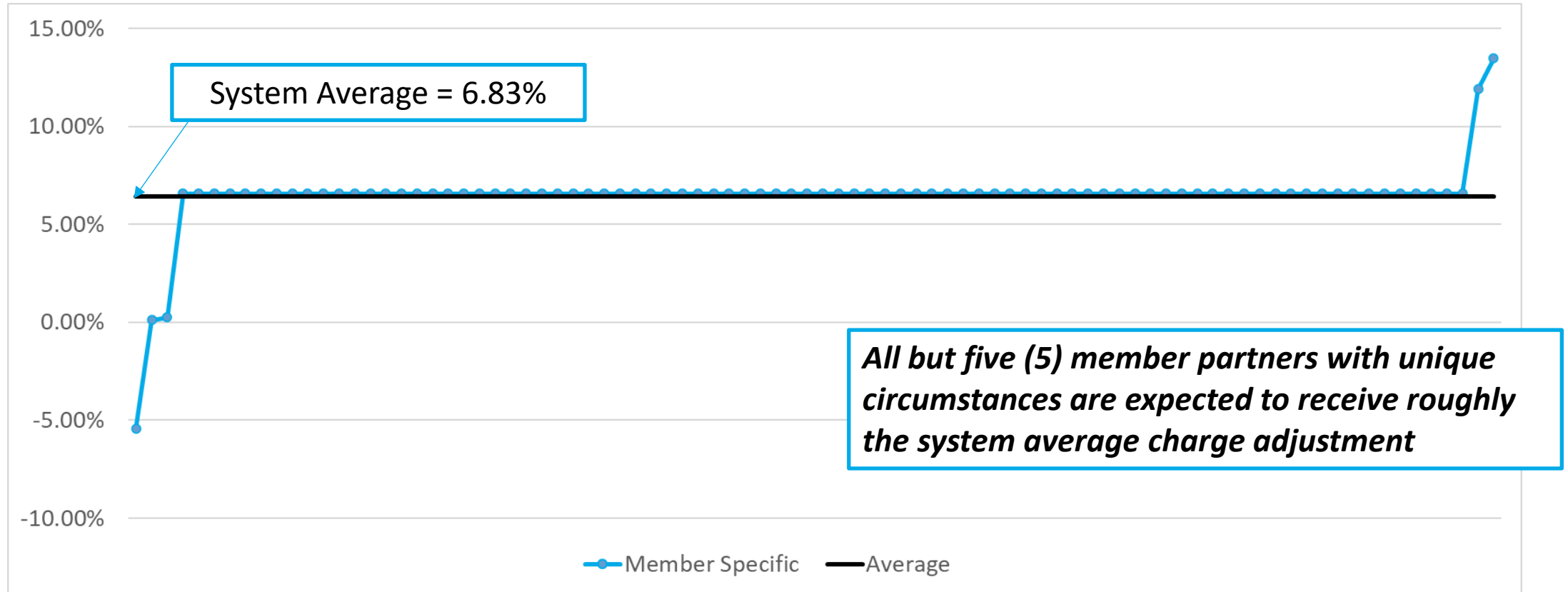
Water Supply System

Summary of Preliminary FY 2027 Revenue Requirement and Charge Adjustment

Budget Adjustment	Budget (1,000s)		Budget Adjustment	
	Approved 2026	Preliminary 2027	\$	%
Total Revenue Requirements (Budget)	\$408,761	\$430,845	(B) \$22,084	5.40%
Less: Investment Earnings and Other Operating Revenues	13,087	9,257	(C) -3,829	-29.26%
= Revenue from Charges	(A) \$395,675	\$421,588	\$25,913	6.55%

Charge Adjustment			
Percentages below are calculated as a percentage of Pro Forma Revenue			
Pro Forma Revenue		\$394,633	
FY 2026 charges revenue (A) \$395,675 minus sales volume variance (D) \$1,042			
Change in Annual Revenue Requirement	(B)	\$22,084	5.60%
Change Attributable to Non-Charge Revenue (primarily decrease in investment earnings)	(C)	3,829	0.97%
Change Attributable to Sales Volumes	(D)	1,042	0.26%
Average System Charge Adjustment		\$26,954	6.83%

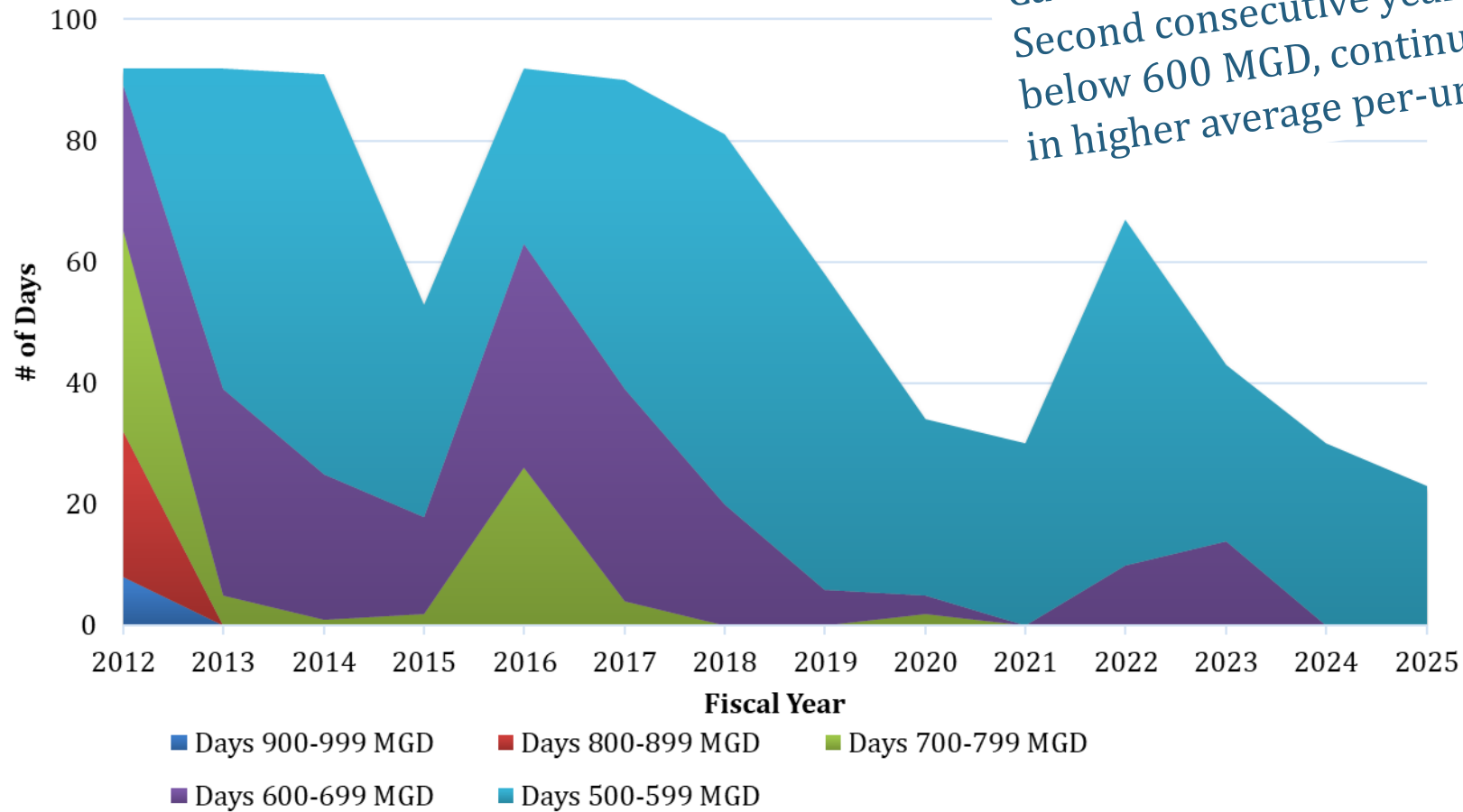
FY 2027 Proposed Water Charge Adjustment Summary



Declining Water Demands

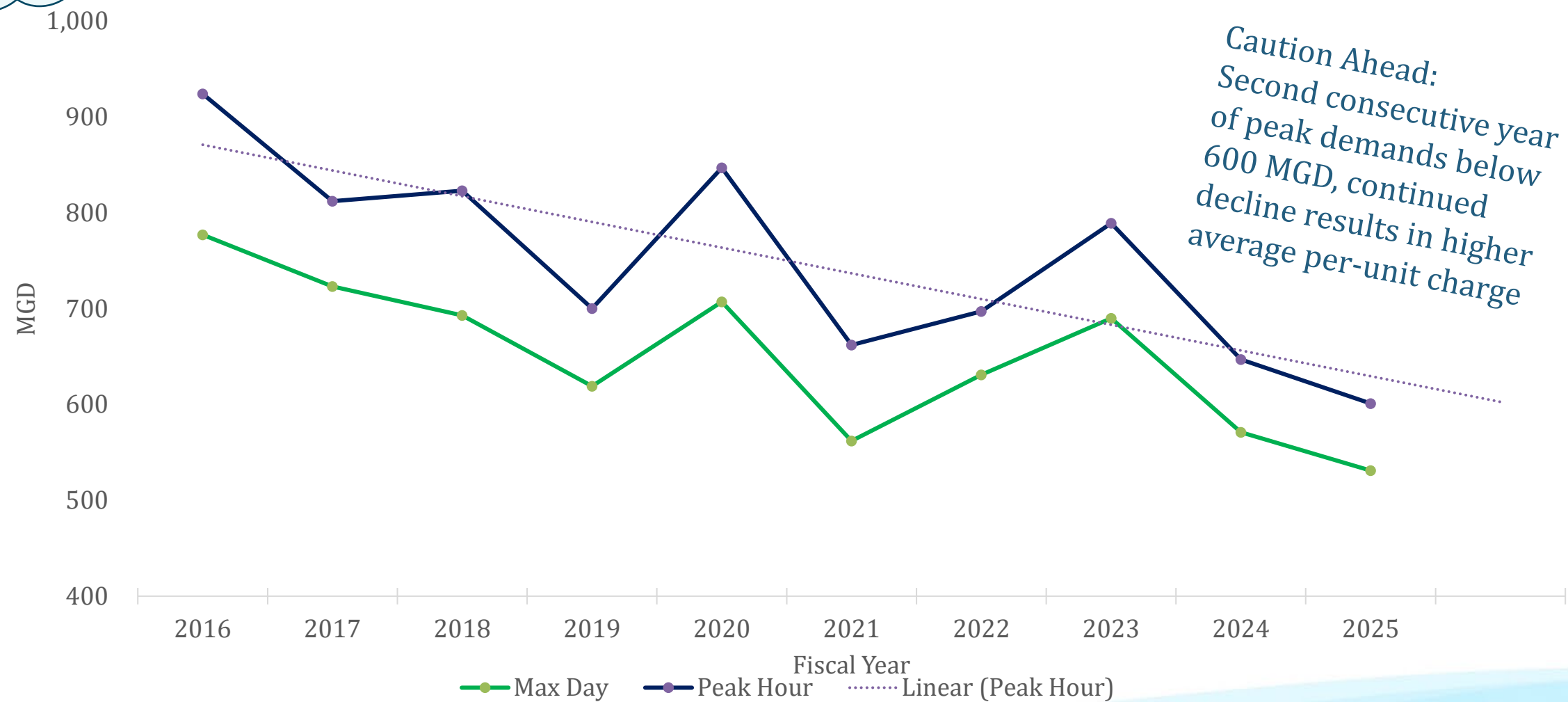
Declining
Water
Demand

Peak Demand Profile
2012-2025



Declining
Water
Demand

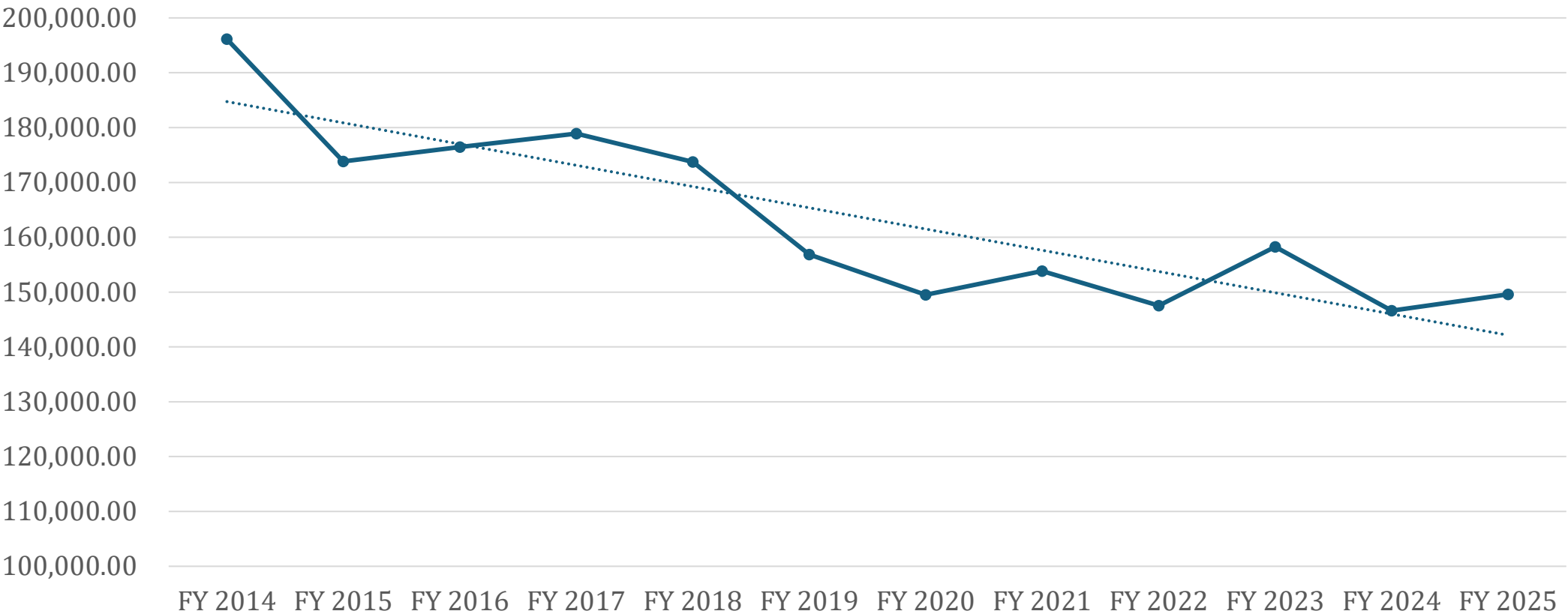
System Max Day and Peak Hour Values 2016-2025



Caution Ahead:
Second consecutive year
of peak demands below
600 MGD, continued
decline results in higher
average per-unit charge



Annual Wholesale Pumpage 2016-2025 (Million Gallons)





Water Sales Decline ...

- 💧 FY 2019 - Basis for Charges Sales Volume ~18,827,840 Mcf
 - 💧 141,000 million gallons
- 💧 FY 2027 - Basis for Charges Sales Volume ~17,194,135 Mcf
 - 💧 129,000 million gallons
 - 💧 Variance of ~1,633,705 Mcf, 12,000 million gallons, or ~8.7%
- 💧 FY 2027 - Charges Revenue (same \$ amount) \$421,587,500
- 💧 Illustration of “Per Unit” Impact
 - 💧 FY 2019 = \$22.39
 - 💧 FY 2027 = \$24.52
 - 💧 Difference = \$2.13 or 9.50%

Reduced sales volumes make each unit of water more costly

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, modified sets of units of service for both water and sewer have 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 Water System 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 Proforma	FY 2027 Proposed	Variance (\$)	Variance (%)
Detroit Water				
Revenue Requirement	\$ 49,990	\$ 53,525	\$ 3,535	7.07%
Flint/KWA Adjustment	739	779	40	5.47%
Wholesale Requirement	50,729	54,304	3,575	7.05%
DWSD Ownership Credit	(20,700)	(20,700)	-	0.00%
Revenue Requirement	\$ 30,029	\$ 33,604	\$ 3,575	11.91%
<i>All \$ amounts are in \$1,000s</i>				
<i>Preliminary Proposed as of 01/21/2026. 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 7.07% 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 11.91%.

Annual Reminder - City of Flint - Base vs. Effective Water System 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.

Flint Water	FY 2027 Proforma	FY 2027 Proposed	Variance (\$)	Variance (%)
Revenue Requirement	\$ 11,313	\$ 12,113	\$ 800	7.07%
DWSD Ownership Adjustment	669	681	12	1.78%
Wholesale Requirement	11,983	12,794	812	6.77%
Flint/KWA Credit	(5,959)	(5,959)	-	0.00%
Revenue Requirement	\$ 6,023	\$ 6,835	\$ 812	13.48%
<i>All \$ amounts are in \$1,000s</i>				
<i>Preliminary Proposed as of 01/21/2026. 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 7.07% 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 13.48%



Sewer System

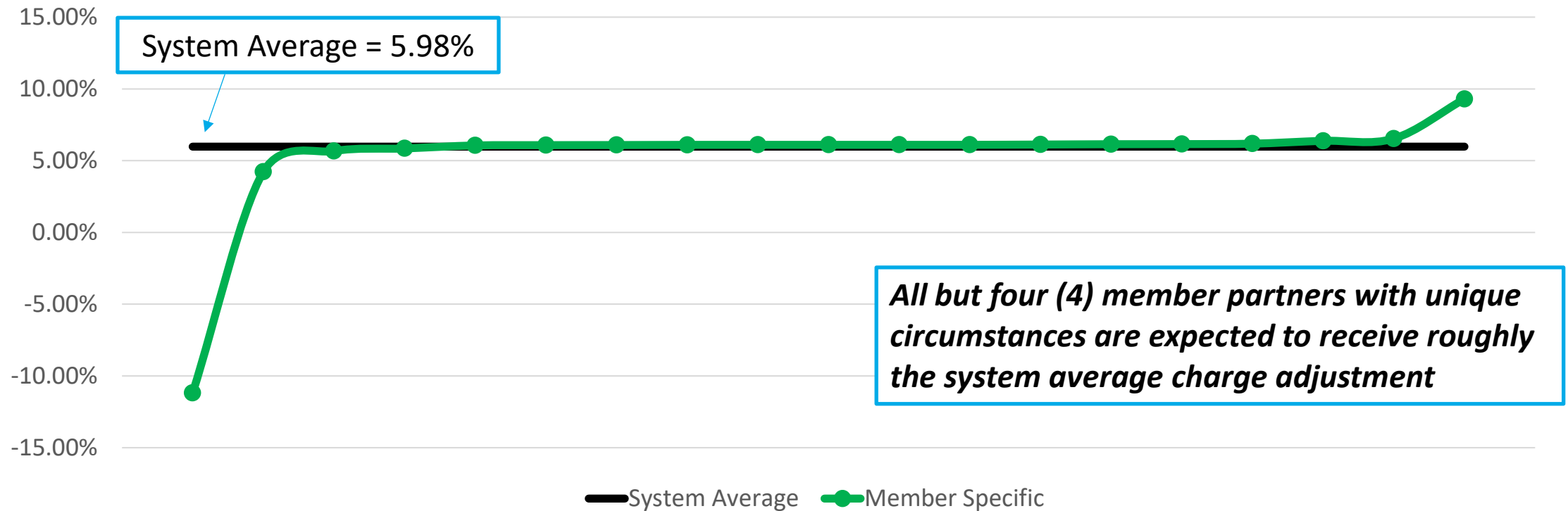
Sewage Disposal System

Summary of Preliminary FY 2027 Revenue Requirement and Charge Adjustment

Budget Adjustment	Budget (1,000s)		Variance	
	Approved 2026	Preliminary 2027	\$	%
Total Revenue Requirements (Budget)	\$544,962	\$572,230	(B) \$27,268	5.00%
Less: Investment Earnings and Other Operating Revenues	15,058	10,916	(C) -4,141	-27.50%
= Revenue from Charges	(A) \$529,904	\$561,313	\$31,409	5.93%

Charge Adjustment			
Percentages below are calculated as a percentage of Pro Forma Revenue			
Pro Forma Revenue			
<i>FY 2026 charges revenue (A) \$529,904 minus sales volume variance (D) \$251</i>		\$529,653	
Change in Annual Revenue Requirement	(B)	\$27,268	5.15%
Change Attributable to Non-Charge Revenue <i>(primarily decrease in investment earnings)</i>	(C)	4,141	0.78%
Change Attributable to Sales Volumes	(D)	251	0.05%
Average System Charge Adjustment		\$31,660	5.98%

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 Proforma	FY 2027 Proposed	Variance (\$)	Variance (%)
Detroit Sewer				
Revenue Requirement	\$ 221,123	\$ 234,869	\$ 13,746	6.22%
Green Infrastructure Adjustment	(282)	(282)	-	0.00%
Wholesale Requirement	220,840	234,587	13,746	6.22%
DWSD Ownership Credit	(5,516)	(5,516)	-	0.00%
Revenue Requirement	\$ 215,324	\$ 229,071	\$ 13,746	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%.

For context and reference, the following slides from Charges Rollout #4 are provided for information only.



**Charges Rollout # 4 Slides past
here**

Strategy Timeline – Board of Directors Briefings

- ◆ September 24, 2025 – *Part 1: GLWA Linear System Integrity Program Update*
 - ◆ 2017 - 2020: Condition assessment and targeted renewal was developed
 - ◆ 2021 - 2025: Initiated contract with LSIP Program Manager, HDR of Michigan to update risk-based prioritization approach, develop program framework, governance and processes, and begin high resolution condition assessments and renewal
- ◆ October 8, 2025 – *Part 2: GLWA Water Transmission Main Renewal Strategy*
 - ◆ Transmission main risk matrix is used to prioritize management
 - ◆ Evolution to a more comprehensive “Water Transmission Main Renewal Strategy” is being developed
 - ◆ 16% of mains are beyond their useful life; 16% of mains are candidates for decommissioning
 - ◆ Long-term, annual funding is the biggest challenge

Water Transmission Main Renewal Funding

- Now that the scope and amount have been quantified, a meaningful funding discussion journey can begin
- Once the Board of Directors was briefed, the ten-year plan was updated in November/December 2025 to provide funding for the team to begin the renewal strategy
- Far more funding is needed – with the asset strategy developed – for a 20+ year program of \$1.2 billion (in 2026 dollars) – more stakeholders need to be engaged

	Fiscal Year (Millions)										Cumulative Shortfall
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	
Ramp Up Needed	\$ 7.5	\$ 15.0	\$ 22.5	\$ 30.0	\$ 37.5	\$ 45.0	\$ 52.5	\$ 60.0	\$ 67.5	\$ 75.0	\$ 412.5
Included in Capital Outlay	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	75.0	142.5
Funding to be Determined	\$ -	\$ 7.5	\$ 15.0	\$ 22.5	\$ 30.0	\$ 37.5	\$ 45.0	\$ 52.5	\$ 60.0	\$ -	\$ 270.0

Water Transmission Main Renewal Bonding

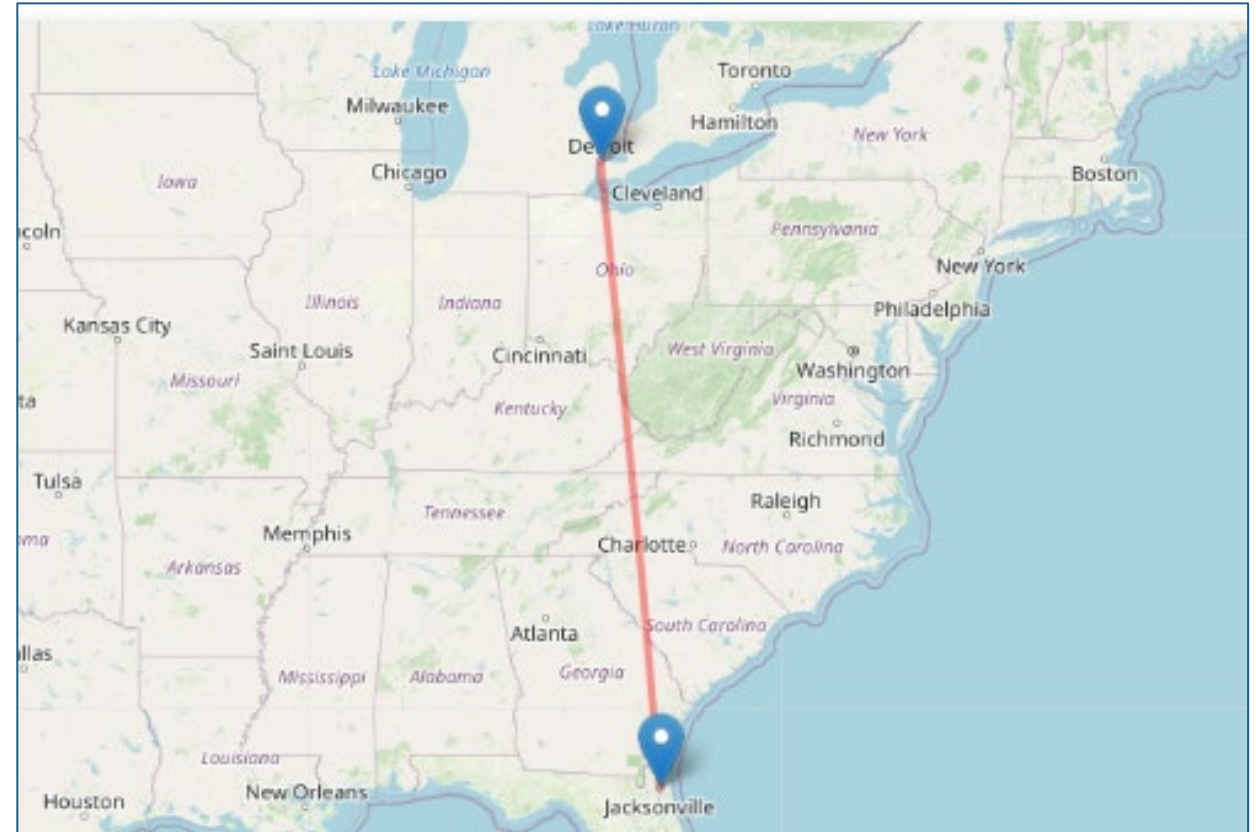
- Why not borrow to fund? There are several challenges.
 - Water system bonding capacity – the debt service coverage for the water system has weakened since 2019 due to increased operating costs and capital program costs (now just hovering above the 1.2x Debt Service Coverage minimum that is legally allowed)
 - Bonds need to be repaid – the annual debt service increases charge pressure
 - \$75 million bond become \$148 million with debt service over 30 years
 - Average annual debt service would be \$4.9 million which equates to over 1% charge increase – and that is just for one year of funding for the mature program

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
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

Stakeholder Conversations: Magnitude of Water Transmission Main Strategy

Transmission Main Management Category	Miles
To Be Transferred or Decommissioned	161.7
Prestressed Concrete Cylinder Pipe (PCCP)	416.6
All Others (Including Metallic)	233.8
Total Miles of Transmission Main	812.1

- 💧 The Comprehensive Water Transmission Main Renewal Strategy addresses over 800 miles of pipe – roughly the same distance from Detroit, Michigan to Jacksonville, Florida
- 💧 No one-size-fits-all solution – the strategy optimizes resources with prioritized projects and reducing service disruption



Stay Tuned for More Updates

- 💧 Water Transmission Main Renewal may be a good candidate for WIFIA funding
 - 💧 A lower cost source of borrowing
 - 💧 This is not a “fix” – but one tool in the toolbox to potentially ramp up the program
 - 💧 Note: state revolving fund criteria does not align well with GLWA’s water system metrics – and that funding source is strained
- 💧 This system was not initially built with user fees alone; need for public policy to address aging infrastructure
 - 💧 We also know that many of our Member Partners and communities across the state are facing same / similar aging infrastructure and funding issues
 - 💧 Without new resources, already strained affordability challenges for some expand to all

2. Operating Budget Highlights

- 💧 Total operating budget increase is \$12.8 million or 3.1%
- 💧 Net zero increase in staffing
 - 💧 Based on maturing organization that will always have a certain % vacant
 - 💧 Recruiting continues for vacancies – especially for hard to fill frontline operations and life cycle project managers for capital program delivery
- 💧 GLWA proactively manages its operating costs including utilities, chemicals, and contracted services
 - 💧 In depth briefing to the Board of Directors annually– most recently on October 8, 2025
 - 💧 Cross-functional teams established that collaborate on managing costs and support ways to explore and implement cost savings measures
- 💧 Tables on next slide followed by commentary

Schedule 9 - Biennial Budget– Operation & Maintenance Expense Water and Sewer Combined

Expense Category	FY 2025	FY2026			FY 2027			FY 2028
	Actual	Adopted Budget	Amended Budget	Activity as of 09.30.2025	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget
2.1 Salaries &Wages	\$ 84,978,969	\$ 86,632,900	\$ 91,086,600	24,462,602	\$ 95,548,000	\$ 8,915,100	10.3%	\$ 98,924,700
2.2 Workforce Development	2,811,306	3,746,800	3,777,300	571,889	2,426,200	(1,320,600)	-35.2%	2,821,700
2.3 Overtime	10,124,643	8,911,500	8,911,500	2,724,141	9,641,700	730,200	8.2%	9,689,600
2.4 Employee Benefits	30,773,271	31,122,900	31,867,400	8,946,539	33,876,700	2,753,800	8.8%	35,504,100
2.5 Transition Services	8,194,544	8,491,400	8,491,400	2,136,222	6,428,600	(2,062,800)	-24.3%	6,451,100
Total Personnel Costs	136,882,733	138,905,500	144,134,200	38,841,393	147,921,200	9,015,700	6.5%	153,391,200
3.1 Electric	46,578,129	51,308,100	51,308,100	11,929,850	49,878,300	(1,429,800)	-2.8%	50,793,100
3.2 Gas	7,661,062	7,112,600	7,112,600	1,690,388	9,061,400	1,948,800	27.4%	8,952,600
3.3 Sewage Service	2,400,210	2,455,300	2,455,300	600,595	2,312,200	(143,100)	-5.8%	2,353,300
3.4 Water Service	10,419,880	12,202,800	12,202,800	3,081,520	11,158,300	(1,044,500)	-8.6%	10,157,400
Total Utility Costs	67,059,281	73,078,800	73,078,800	17,302,353	72,410,200	(668,600)	-0.9%	72,256,400
4.1 Chemicals	34,385,124	38,364,600	37,189,000	7,798,289	34,306,700	(4,057,900)	-10.6%	35,027,300
4.2 Supplies &Other	45,727,329	45,211,200	45,516,000	10,672,770	48,086,100	2,874,900	6.4%	50,210,400
4.3 Contractual Services	128,153,081	120,208,200	124,266,400	30,440,750	120,455,600	247,400	0.2%	120,979,500
5.1 Capital Program Allocation	(2,900,581)	(3,430,600)	(3,430,600)	(790,824)	(3,419,000)	11,600	-0.3%	(1,871,700)
5.2 Shared Services	(2,582,655)	(2,309,100)	(2,263,800)	(571,650)	(2,374,800)	(65,700)	2.8%	(2,469,700)
5.5 Intergovernmental Agreement	(1,564,690)	-	-	-	-	-	N/A	-
7.0 Unallocated Reserve	-	8,526,200	2,971,500	-	13,940,800	5,414,600	63.5%	21,623,800
Total Other Categories	201,217,608	206,570,500	204,248,500	47,549,335	210,995,400	4,424,900	2.1%	223,499,600
Grand Total	\$ 405,159,622	\$ 418,554,800	\$ 421,461,500	\$ 103,693,081	\$ 431,326,800	\$ 12,772,000	3.1%	\$ 449,147,200

Schedule 9 - Five Year Plan – Operation & Maintenance Expense Water and Sewer Combined

Expense Category	Actual	Adopted Budget	Amended Budget	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
2.1 Salaries & Wages	\$ 84,978,969	\$ 86,632,900	\$ 91,086,600	\$ 95,548,000	\$ 98,924,700	\$ 102,505,800	\$ 102,505,800	\$ 102,505,800
2.2 Workforce Development	2,811,306	3,746,800	3,777,300	2,426,200	2,821,700	3,305,000	3,305,000	3,305,000
2.3 Overtime	10,124,643	8,911,500	8,911,500	9,641,700	9,689,600	9,696,900	9,696,900	9,696,900
2.4 Employee Benefits	30,773,271	31,122,900	31,867,400	33,876,700	35,504,100	37,243,600	37,533,900	37,824,000
2.5 Transition Services	8,194,544	8,491,400	8,491,400	6,428,600	6,451,100	6,496,700	6,496,700	6,496,700
Total Personnel Costs	136,882,733	138,905,500	144,134,200	147,921,200	153,391,200	159,248,000	159,538,300	159,828,400
3.1 Electric	46,578,129	51,308,100	51,308,100	49,878,300	50,793,100	51,725,600	52,670,400	53,433,400
3.2 Gas	7,661,062	7,112,600	7,112,600	9,061,400	8,952,600	8,721,500	8,890,200	9,056,200
3.3 Sewage Service	2,400,210	2,455,300	2,455,300	2,312,200	2,353,300	2,395,100	2,437,500	2,480,800
3.4 Water Service	10,419,880	12,202,800	12,202,800	11,158,300	10,157,400	11,197,000	11,217,000	11,237,300
Total Utility Costs	67,059,281	73,078,800	73,078,800	72,410,200	72,256,400	74,039,200	75,215,100	76,207,700
4.1 Chemicals	34,385,124	38,364,600	37,189,000	34,306,700	35,027,300	35,335,400	35,706,200	36,055,000
4.2 Supplies & Other	45,727,329	45,211,200	45,516,000	48,086,100	50,210,400	50,185,900	52,059,400	51,800,100
4.3 Contractual Services	128,153,081	120,208,200	124,266,400	120,455,600	120,979,500	121,152,900	122,551,000	125,041,300
5.1 Capital Program Allocation	(2,900,581)	(3,430,600)	(3,430,600)	(3,419,000)	(1,871,700)	(1,985,100)	(2,039,500)	(2,887,100)
5.2 Shared Services	(2,582,655)	(2,309,100)	(2,263,800)	(2,374,800)	(2,469,700)	(2,571,300)	(2,675,600)	(2,769,300)
5.5 Intergovernmental Agreement	(1,564,690)	-	-	-	-	-	-	-
7.0 Unallocated Reserve	-	8,526,200	2,971,500	13,940,800	21,623,800	29,398,600	36,360,600	43,138,100
Total Other Categories	201,217,608	206,570,500	204,248,500	210,995,400	223,499,600	231,516,400	241,962,100	250,378,100
Grand Total	\$ 405,159,622	\$ 418,554,800	\$ 421,461,500	\$ 431,326,800	\$ 449,147,200	\$ 464,803,600	\$ 476,715,500	\$ 486,414,200

Schedule 10 – Biennial Budget - Operation & Maintenance Expense by Service Area

Operating Area	FY 2025	FY2026			FY 2027			FY 2028
	Actual	Adopted Budget	Amended Budget	Activity as of 09.30.2025	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget
A - Water	\$ 93,191,198	\$ 101,500,800	\$ 101,500,800	\$ 25,420,214	\$ 103,653,900	\$ 2,153,100	2.1%	\$ 107,568,700
B - Wastewater	149,113,827	156,572,600	156,572,600	37,994,551	158,646,800	2,074,200	1.3%	166,667,700
C - Centralized Services	122,871,663	117,387,600	120,259,500	28,517,228	123,428,800	6,041,200	5.1%	127,248,200
D - Administrative Services	39,982,930	43,093,800	43,128,600	11,761,089	45,597,300	2,503,500	5.8%	47,662,600
Grand Total	\$ 405,159,619	\$ 418,554,800	\$ 421,461,500	\$ 103,693,081	\$ 431,326,800	\$ 12,772,000	3.1%	\$ 449,147,200

Schedule 10 – Five Year Plan - Operation & Maintenance Expense by Service Area

Operating Area	Actual	Adopted Budget	Amended Budget	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
A - Water	\$ 93,191,198	\$ 101,500,800	\$ 101,500,800	\$ 103,653,900	\$ 107,568,700	\$ 110,313,200	\$ 113,107,900	\$ 115,999,300
B - Wastewater	149,113,827	156,572,600	156,572,600	158,646,800	166,667,700	173,419,700	178,439,200	180,844,400
C - Centralized Services	122,871,663	117,387,600	120,259,500	123,428,800	127,248,200	131,130,800	133,701,000	136,725,000
D - Administrative Services	39,982,930	43,093,800	43,128,600	45,597,300	47,662,600	49,939,900	51,467,400	52,845,500
Grand Total	\$ 405,159,619	\$ 418,554,800	\$ 421,461,500	\$ 431,326,800	\$ 449,147,200	\$ 464,803,600	\$ 476,715,500	\$ 486,414,200

2. Operating Budget Highlights

- ◆ Operational budgets increase for Water Operations (A) is 2.1% and Sewer Operations (B) is 1.3%
- ◆ Centralized Services (C) grew by 5.1%, or \$6.0 million due to the following.
 - ◆ Beginning in with FY 2026 amended budget, expenditures for shared facilities with the Detroit Water and Sewerage Department are budgeted in Facility Operations for \$1.5 million
 - ◆ GLWA is a tenant so improvements are operating not capital expense
 - ◆ Budget risk: future year improvements pending are not in plan
 - ◆ Information Technology costs increased to secure off-site backup services, plus the budget for operations team member device replacements for \$2.1 million

2. Operating Budget Highlights

(continued)

💧 Centralized Services *(continued)*

- 💧 The Water Master Plan update is scheduled to begin in FY 2027, concluding in FY 2029 at \$1.0 million annually
- 💧 Administrative Services (D) grew by 5.8% or \$2.5 million due to the following:
 - 💧 General Counsel increased 27.0% or \$1.0 million, mainly due to increase outside counsel support contingencies
 - 💧 Enterprise Risk Management Insurance Fund increased 8.7% or \$0.5 million due to risk experience and a hardening market

2. Operating Budget Highlights

(continued)

- ◆ A review of the unallocated reserve based on forecast personnel requirements, unknown inherent risks in the operating budget, and contingent risk assessment resulted in the following adjustments (*):
 - ◆ Water Operations (A) increased 62.0% or \$1.3 million
 - ◆ Sewer Operations (B) increased 55.3% or 1.8 million
 - ◆ Centralized Services (C) increased 70.7% or 1.7 million
 - ◆ Administrative Services (D) increased 77.8% or \$0.7 million
- ◆ Unallocated reserve is where annual wage adjustments are funded as well as source for funding vacant positions

(*) These values are included in the increases previously noted for each area



Debrief: Member Partner One-on-One Topics of General Interest

Matt Lane, GLWA

One-on-One Session Debrief

- ◆ Charges Outreach & Modeling team met with 12 Member Partners
 - ◆ *12 Water Member Partners*
 - ◆ *3 of which were also Wastewater Member Partners*
- ◆ GLWA appreciates this deeper level of engagement that brought in other Member Partner personnel
- ◆ Consistent with prior years, there were many common themes
- ◆ A recap of questions and answers of common interest from Rollout Meeting #3 and One-on-One meetings follow this slide

One-on-One Debrief Topics

1. What is the Working Capital Reserve budget line? How is it calculated?
2. Improvement & Extension Transfer Timing
3. Capital Improvement Projects (e.g. LSIP)
 - a) Can this be debt funded?
 - b) What is in the current budget? How does it relate to financial plan?
4. Comparing Approved FY 2026 to Proposed FY 2027 Charge for Member Partner Budgets
5. Detroit Ownership Adjustment – Where does it come from and how does it work?

Topics Covered *(continued)*

6. Flint KWA Credit – Where does it come from and how does it work?
7. How can 2nd tier customers obtain the 1st tier charge sheets?
8. Contract Reopener Update
 1. How do I prepare?
 2. How do I provide info about “excused flow volumes”
9. Was the same charge methodology applied to me as the other Member Partners?

Topics Covered *(continued)*

- 10. Was a Capital Improvement Plan (CIP) Cost Allocation Report issued?
- 11. I am new to rate setting? Any suggestions?

1. “What is the Working Capital Requirement?”

- ◆ GLWA’s financial plan daylights the “working capital reserve” as a separate line on the “Revenue Requirements”.
 - ◆ Other utilities may refer to this as an “operating reserve”.
- ◆ The essence is that current liabilities (such as vendor invoices) are paid out from the bank before current assets (such as payments due from Member Partners) becomes cash received.
- ◆ GLWA’s cashflow forecasts are updated with crossfunctional input – including engineering and operating teams - because all expenses do not occur evenly throughout the year.

1. AWWA M1 Manual – Cashflow Capital Reserves

(continued)

RESERVES

Establishing and maintaining adequate reserves is an important financial management practice of a water utility. Reserves typically include operating reserves, capital/construction/depreciation reserves, and bond reserves. Reserves, particularly operating reserves, have traditionally been maintained to address cash-flow needs and the lag between expenses incurred and revenues received.

In recent years, utilities have been challenged financially by two emerging trends. First, utilities have experienced declining per capita use. In addition, many water utilities have been faced with water supply shortages and, in some cases, severe droughts, leading to voluntary or mandatory reductions in use. Both of these trends have led to reduced sales and revenues that, in turn, have prompted utilities' desire for greater revenue stability from their rates.

Reserve funds can address short-term fluctuations in revenue levels until such time that rates may be adjusted to address utilities' reduced sales volumes, if implemented correctly. However, in using this approach, utilities need to establish and maintain reserve levels above those established for "normal" cash-flow fluctuations. This additional amount of reserves should be established in relation to the potential volatility of rate revenues of the particular utility. Much like a water reservoir, if these reserve funds are drawn down in a particular rate-setting period, their replenishment should be funded in a following rate-setting period. Unlike a water reservoir, the refilling of financial reserves requires commitment to fiscal stability on the part of utility managers and governing boards.

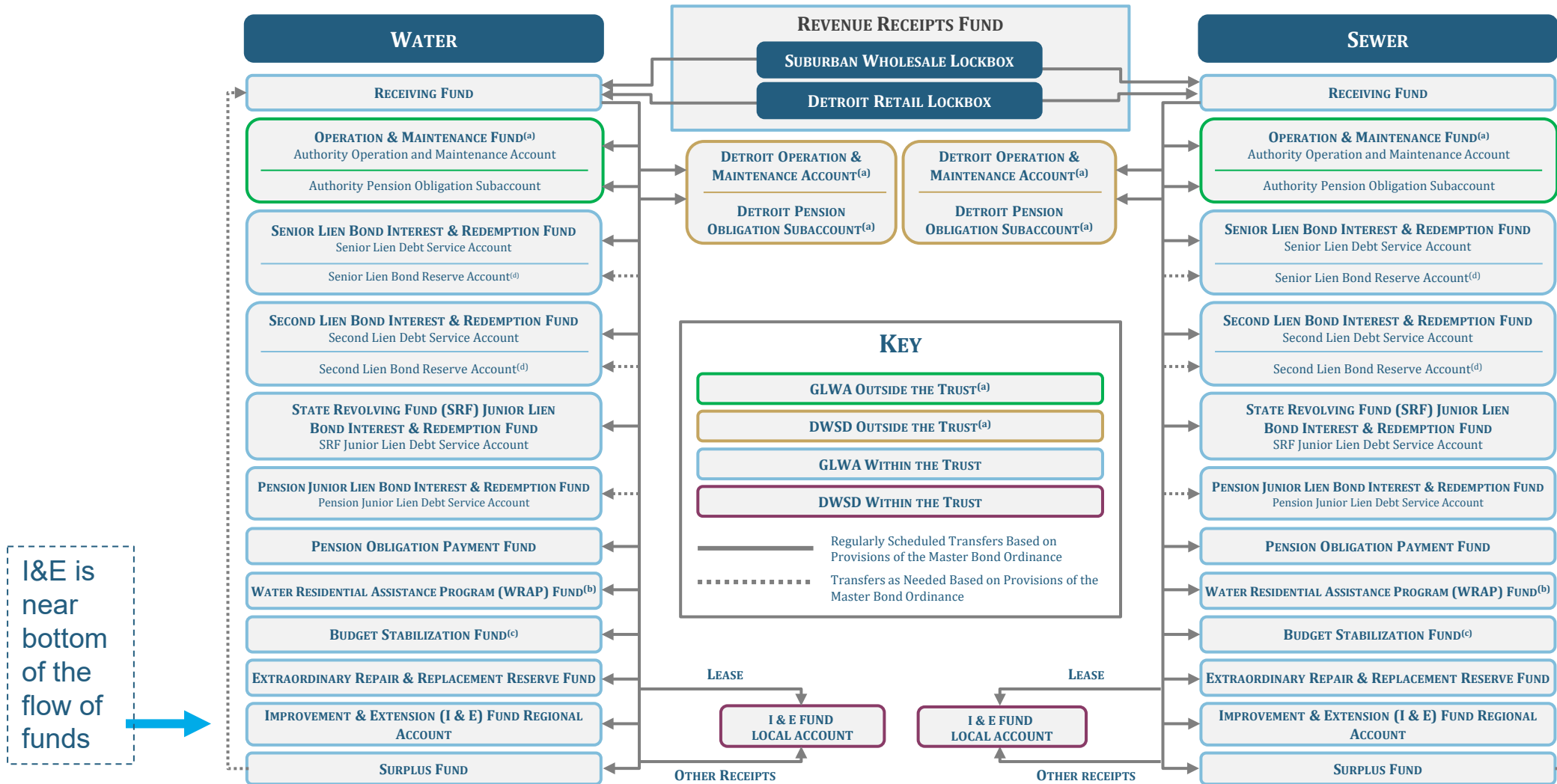
American Water Works Association (AWWA) manuals, like *M1 Principles of Water Rates, Fees, and Charges*, provide guidance on how cashflow impacts rate setting

Source: M1 Manual Principles of Water Rates, Fees, and Charges, 2017 Edition - Page 90

1. Cash Management – Required Legal Framework (continued)

All of GLWA's and DWSD's payments for services go into a Trust managed by a Trustee on for the benefit of bondholders.

Operating expenses are disbursed to the operating bank account in 12 equal installments throughout the year.



^(a) Except for these funds, all other funds are held in Trust by the Trustee.

^(b) Disbursing fund for WRAP.

^(c) For the Detroit Local Systems per Section 515 of the Master Bond Ordinance.

1. “How is Working Capital Calculated?” *(continued)*

- ◆ GLWA establishes benchmarks for sufficient balances in the Operations (O&M) checking account and the Receiving account for cashflow needs.
 - ◆ *As budgeted expenses increase, the benchmark increases.*
- ◆ The goal is to prevent a cashflow shortfall – *which could result in selling investments at a loss to meet cashflow needs.*
- ◆ This line also ensures that the Improvement & Extension (I&E) Fund Transfer *Pending* line item is not overstated.
 - ◆ Years ago, I&E was the operational “go to” for working capital needs because it generally could be restored by the end of the fiscal year.
 - ◆ Now that engineering and operating teams are performing very close to budget, there is no slack that can be recovered within a fiscal year.

1. “How is the Working Capital Calculated?”

(continued)

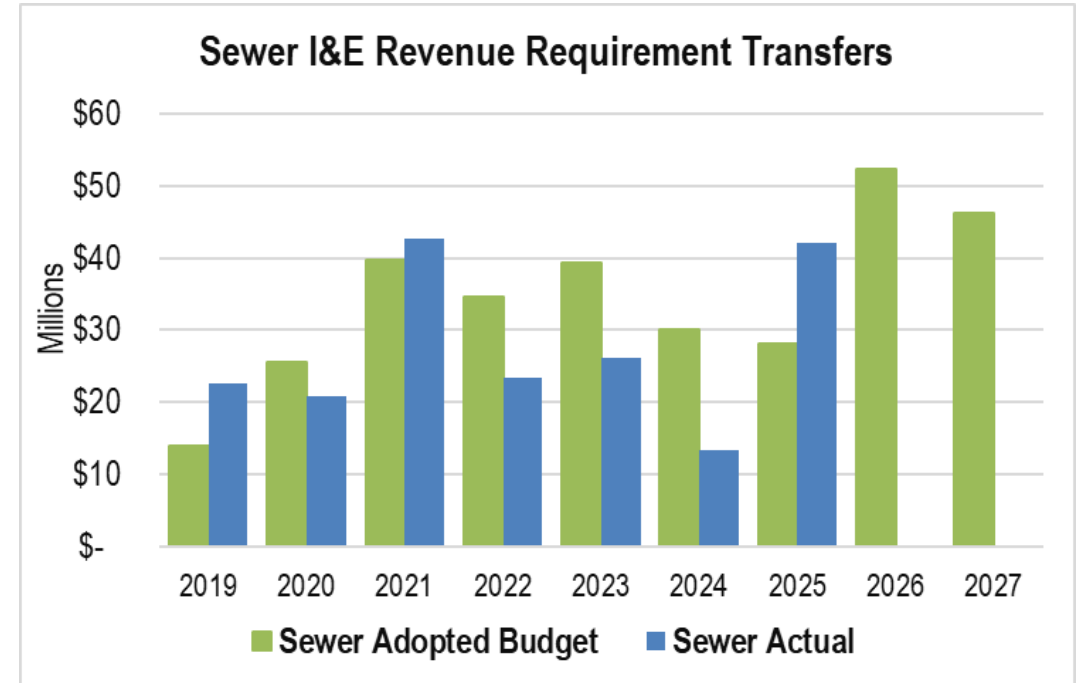
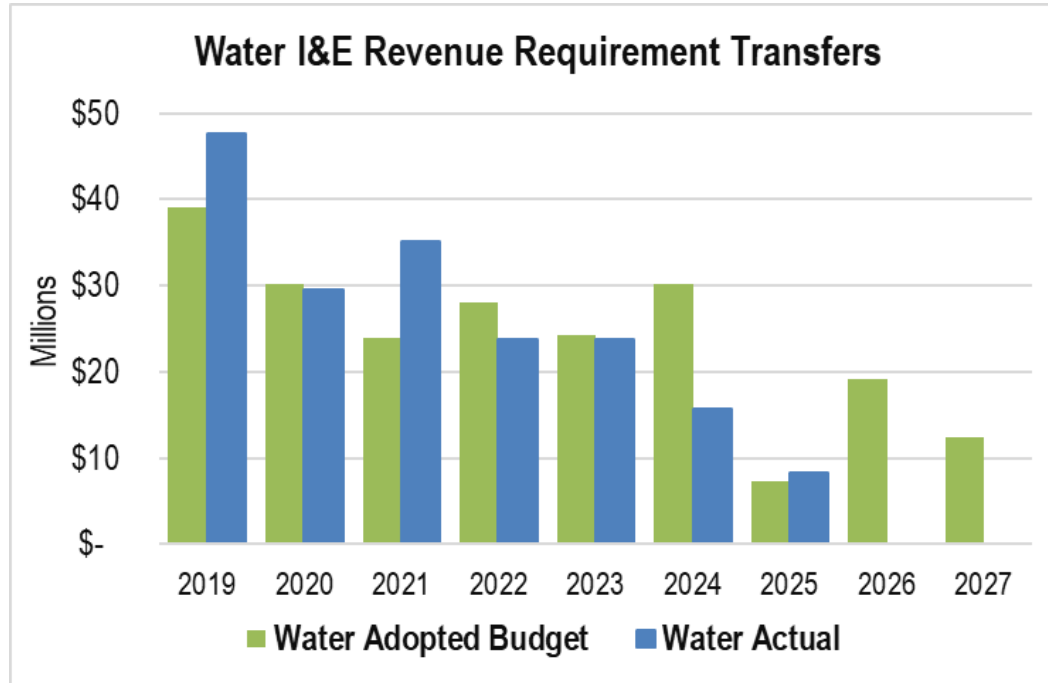
- ◆ The O&M checking account is considered to be outside the trust. It receives a monthly transfer from the receiving fund based on $1/12^{\text{th}}$ of the O&M expense budget. Investment earnings stay in this account. *The benchmark is set at three months of O&M expenses.*
- ◆ The Receiving bank account is where all the receipts are deposited. It is at the top of the flow of funds and disburses $1/12$ of each of the revenue requirements on a monthly basis to the appropriate bank accounts. *The benchmark for the Receiving bank account is one month of O&M expenses and two months of non-discretionary expenses.*
 - ◆ Non-discretionary expenses include Debt Service, the Detroit General Retirement System (GRS) Pension, WRAP and the Lease payment.

2. Improvement & Extension Transfer Timing

- 💧 The Improvement & Extension is the last item to be funded as outlined by the Master Bond Ordinance (MBO).
- 💧 This is due to the cashflow management – for illustration:
 - 💧 June 2025 – Services are provided to Member Partners
 - 💧 July 2025 – Bills for services are sent to Member Partners
 - 💧 August/September 2025 – Payments are made to the MBO Trust
 - 💧 October 2025 – Monthly reconciliations and determination of sufficiency of liquid assets, ongoing investment decisions, cashflow forecast, and evaluation of funds available for FY 2025 I&E transfer pending

2. History of I&E Budget to Actual Transfers

(continued)



- ◆ Years with positive Operations & Maintenance (O&M) budget variance provided increase in contributions to Improvement & Extension (I&E) (paygo) capital funding. The opposite is true in years with unforeseeable mid-year increases.
- ◆ Improvement in FY 2025 for sewer is due to increase in investment earnings from original budget and debt service savings from May 2024 refunding that was not anticipated when the FY 2025 budget was adopted.

3. Capital Improvement Projects - LSIP

- 💧 Capital Improvement Projects (e.g. LSIP)
 - 💧 Can this be debt funded?
 - 💧 What is in the current budget? How does it relate to financial plan?
- 💧 See slides in first part of today's presentation

4. Comparing Approved FY 2026 to Proposed FY 2027 Charge for Member Partner Budgets

- 💧 Sewer System (1st Tier) – Very straightforward – the charge is largely fixed; the calculation sheet should be a good budget number
- 💧 Water System – a little more complex (60% fixed and 40% variable)
 - 💧 The pro-forma calculation for charges is a technically correct way to isolate and compare the **charge** increase from year to year (eg holds units constant)
 - 💧 But Your community's forecasted units of service has likely changed (up or down) in addition to the budget and other factors impacting your fixed and commodity (variable) charge from GLWA
 - 💧 If in doubt, the total charge on the FY 2027 calc sheet is a good budget source
 - 💧 Exceptions: you are aware of new/departing large business, watermain breaks, other situations that impact the number of units you consume

5. Detroit Ownership Adjustment

- ◆ *Water - Detroit Ownership Adjustment:* Per Section 5.6 (b) of the Regional Water Supply System Lease, in connection with the determination of charges applicable to the Retail Water Customers in the City, the City shall receive a credit in the amount of \$20,700,000, representing the return on equity to the City for the Water System in recognition of the City's ownership of the Water System.
- ◆ *Sewer - Detroit Ownership Adjustment:* Per Section 5.6 (b) of the Regional Sewage Disposal System Lease, in connection with the determination of charges applicable to the Retail Sewer Customers in the City, the City shall receive a credit in the amount of \$5,516,000, representing the amount due to the City pursuant to a settlement relating to the Sewer System in recognition of the City's ownership of the Sewer System.
- ◆ These credits are also included in the Water and Sewer Services Agreement under Section 3.1(a)(iii) for Water Services and Section 3.2(a)(iii) for Sewer Services

6. Flint KWA Credit

Where does it come from and how does it work?

- ◆ In December 2017, GLWA, the city of Flint, the Genesee County Drain Commissioner's Office (GCDC), the state of Michigan and the Karegnondi Water Authority (KWA) finalized an agreement that would allow GLWA to provide the city of Flint with drinking water. It also ensures there is system redundancy for GLWA's member partners by leveraging existing public investments.
- ◆ The *Flint KWA Debt Service Adjustment*: A credit to the City of Flint for its debt service payment obligations on Karegnondi Water Authority (KWA) bonds for the building of its raw water intake and supply line in exchange for a license to GLWA of the raw water rights on 17.46 MGD of the 18 MGD purchased by Flint as part of the KWA bond obligation.
- ◆ The credits to the wholesale billing are under Section 12.05 of the Water Service Contract with Flint.
- ◆ More information of the agreements can be found on the GLWA website

[Operations and Finance Investor Information – GLWA](#)

6. GLWA/Flint/KWA – Cooperative Agreement

(continued)

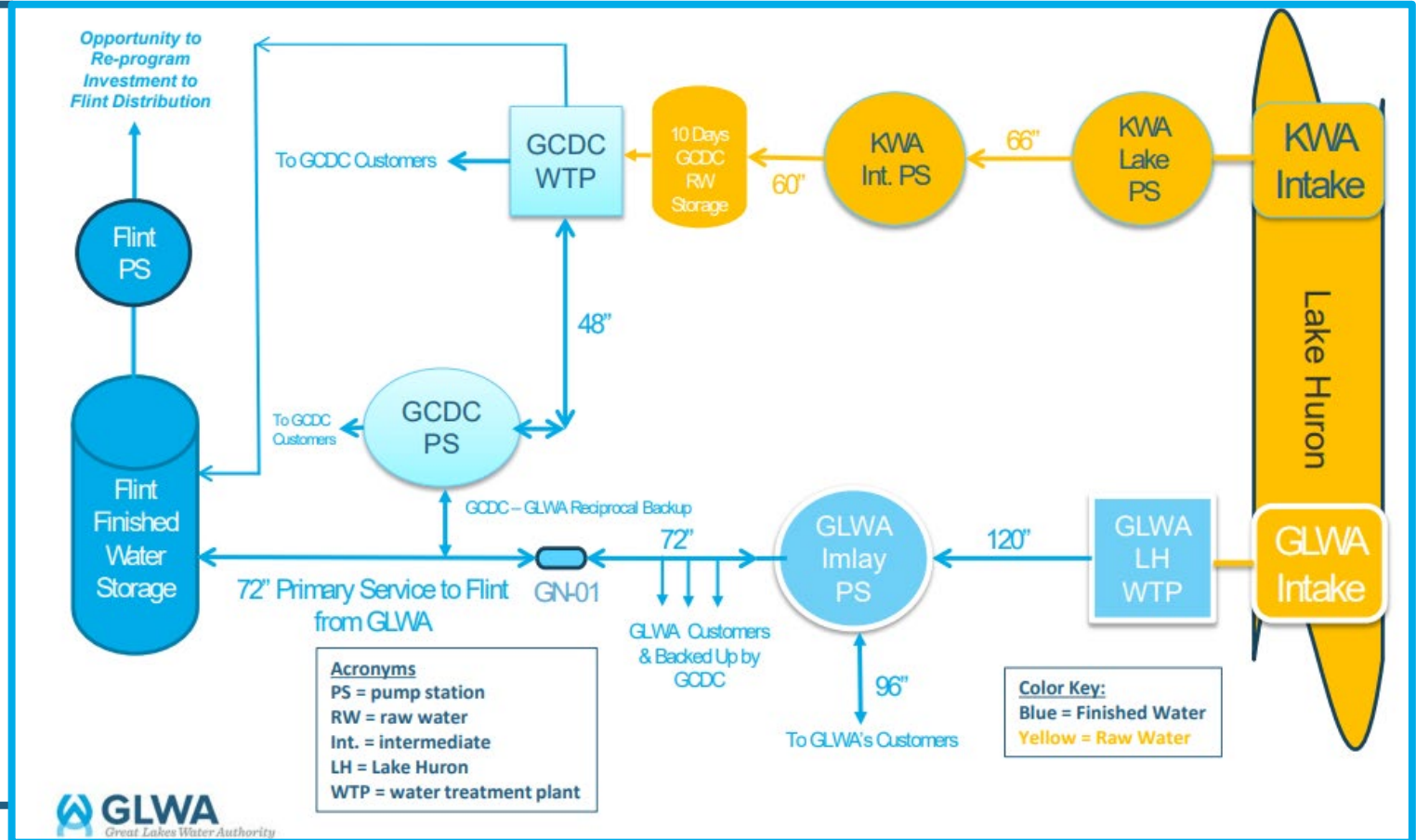


STATEMENT: Flint Source Water Decision Tuesday, April 18, 2017

Today, the city of Flint announced its intention to remain with the Great Lakes Water Authority (GLWA) for its treated drinking water under a 30-year water supply model contract. Together, in collaboration with the state of Michigan, the Genesee County Drain Commissioner's Office (GCDC) and the Karegnondi Water Authority (KWA), Flint residents can be assured that they will continue to receive water of unquestionable quality, at a significant cost savings.

As a result of this cooperative agreement, GLWA is partnering with the KWA and the GCDC for back-up service for the city of Flint, as well as for customers of the GCDC. Through this partnership, redundancy will also be created for all of GLWA's member communities west of our Imlay City Pump Station through the leveraging of already made public investments – which is an ongoing goal of GLWA throughout its system. This will address a long-standing redundancy issue for our customer communities in this region, and save the Authority approximately \$600 million in comparison to prior estimates. This redundancy means that these member communities will be more secure in their water service should an emergency or issue with the GLWA system arise.

GLWA will also provide a credit to the city of Flint in like amount to debt paid for KWA bonds (approximately \$7 million annually), as long as the city keeps current on its debt service payments. As a result, GLWA will receive the rights to the raw water that Flint has through the KWA. Flint will also receive approximately \$1.8 million in savings annually for the 30-year model contract, as compared to the non-contracted charges they otherwise would have incurred. In addition, Flint anticipates it will be able to redirect its priority funding previously slated for water treatment plant improvements to the city's water distribution system – including Mayor Weaver's "Fast Start" initiative to replace all of the lead service lines in Flint.



Source: [GLWA Website](http://www.glwa.net)



7. How can a 2nd tier customer obtain the 1st tier charge sheet?

- 💧 GLWA serves many communities through its 1st tier Member Partners
- 💧 2ND tier customers often request Member Partner charge sheets while preparing their budgets
- 💧 GLWA recommends obtaining rate information directly from the 1st tier service provider, for two main reasons:
 - 💧 GLWA Wholesale Charges are (usually) only a portion of the rates passed on to 2nd tier customers
 - 💧 The 1st tier Member Partner must complete their own budget processes before determining what portion, if any, of the charge increase gets passed on through the rates

8. Contract Reopener Update

- 💧 Contract reopener meetings begin in February 2026
- 💧 Results of reopener process will be implemented with *FY 2028 Charges*
- 💧 GLWA Contract Team requests Member Partners to review WAMR for any high use data for the peak seasons of 2022-2025
 - 💧 Look for signs of water main breaks or major fires
 - 💧 Make WAMR review requests and submit documentation by **January 31, 2026**
WaterContractExceedance@glwater.org

9. Was the same charge methodology applied to me as the other Member Partners?

- ◆ Yes. The same methodology, with few unique exceptions, is applied uniformly for all Member Partners.
- ◆ Charges are based on two detailed inputs
 - ◆ Revenue Requirements (Budget)
 - ◆ Units of Service (Average Day, Max Day, Peak Hour)
- ◆ Member Partner cost responsibility is based on proportional shares
- ◆ All Member Partners contribute proportionately to contractual adjustment

10. Was a Capital Improvement Plan Cost Allocation Report Issued?

- ◆ Yes. The FY 2027-FY 2031 Capital Improvement Plan Discussion Draft #1 Cost Allocation Report was published as of November 12, 2025 for both Water and Wastewater projects
- ◆ Both are available on the Outreach Portal
 - ◆ Water: [Linked Here](#) and Wastewater: [Linked Here](#)
- ◆ An updated report for Discussion Draft #2 is in process
- ◆ As presented at the Board Capital Planning Committee on December 9, 2025, three projects were added to the CIP (see next page)

10. Draft #2 Updates for Cost Allocation Report

(continued)

FY 2027-2031 CIP DISCUSSION DRAFT 2 MODIFICATIONS



NEW IN DRAFT #2

New emergency projects: (to be scored by the scoring Committee next year if warranted)

CIP #	Title	Project Manager	Start Date	End Date	Budget FY 26	Budget FY 27-31	PM Score
216013	WRRF Utility Power Replacement	Chris Nastally	01/01/2026	12/29/2028	\$1,243,893	\$9,487,357	98.6
170608	14 Mile Road Emergency Response & Condition Assessment	Olivia Olsztyn-Budry	08/26/2025	04/30/2026	\$17,200,000	\$0	98.1
170609	Pipe Group 394, 42-inch, Marquette, Garden City Condition Assessment	Olivia Olsztyn-Budry	01/01/2026	04/30/2028	\$337,244	\$2,389,756	31.9

Source: [Board Capital Planning Committee on December 9, 2025](#)

11. I am new to rate setting-any suggestions?

- ◆ GLWA and Willdan Financial Services (Willdan) held a local rate-setting workshop on September 18, 2025
- ◆ GLWA and Willdan are in the planning phase of a second local rate-setting workshop in the next couple of months (late February, early March) – time, date and location TBD
- ◆ Interested? Have suggestions? Have a rate-setting concern you would like to focus on in the workshop? Feel free to reach out Charges@glwater.org

Appendix

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 provides for \$7.5 million annually to ramp up for the Linear System Integrity Program (LSIP); it is a start but far less than the needed to 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
- ◆ Operating cost reductions entered up through last week which are reflected 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 – Focus on FY 2027

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

\$ shown in millions

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>	<u>100%</u>
Uses		
Operating	\$ 246	43%
Capital	298	52%
Lease	28	5%
Total	<u>\$ 572</u>	<u>100%</u>
Charges Increase	<u>\$ 31</u>	<u>100%</u>
Uses Increase		
Loss of other revenue	\$ 4	13%
Operating Expense	1	3%
Capital Program	26	84%
Total	<u>\$ 31</u>	<u>100%</u>

\$ 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