



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>		