



Budget & Charges Briefing

GLWA Board of Directors
October 8, 2025

Key Takeaways

1. Economic outlook: moderate adjustments; uncertainty remains after era of historic increases
2. No new charges methodology impacts this year; declining water demand is under watch
3. Achievements in controlling budget and charges; future foreseeable opportunities becoming limited
4. What does the next ten years look like? Managing aging infrastructure and evaluating new infrastructure for intense weather events drive ten-year (and beyond)
5. Bottom line: GLWA focus on proactive planning for key challenges supports preferred approach of smoothing out charge increases and maintaining lens on affordability



Budget & Charges Timeline

Overall Budget & Charges Timing

- 💧 Tuesday, September 9, 2025 – Capital Planning Committee – CIP Spend Update
- 💧 Monday, September 29, 2025 – Internal Deadline for Operations & Maintenance Cost Center Budget Request
- 💧 **Wednesday, October 8, 2025 – Board of Directors Workshop Meeting**
 - 💧 Economic Outlook Task Force Update
 - 💧 Budget and Charges Briefing
- 💧 Tuesday, October 21, 2025 – Capital Planning Committee – CIP Version 1.0
- 💧 Thursday, November 6, 2025 – Charges 101: Foundations of GLWA Charge Setting
- 💧 **Thursday, November 13, 2025 - Charges Rollout #1 & #2 – CIP and Units of Service**
- 💧 Thursday, November 30, 2025 – Pencils Down to Compile Proposed Materials
- 💧 Tuesday, December 9, 2025 – Capital Planning Committee – CIP Version 2.0
- 💧 Friday, December 19, 2025 – Audit Committee - Proposed Budget and Charges Strategy

Overall Budget & Charges Timing

- ◆ **Thursday, January 15, 2026 – Charges Rollout #3 – Proposed Charges and Introduction of Proposed Budget**
- ◆ Friday, January 16, Tuesday January 20 and Wednesday January 21, 2026 – Member Partner One-on-One Meetings (Monday, January 19, 2026- Martin Luther King Jr. Day observed)
- ◆ **Thursday, January 22, 2026 – Charges Rollout #4 – Feedback on Charges and Further Review of Proposed Budget**
- ◆ Wednesday, January 28, 2026 (Tentative) – Board Meeting Presentations
 - ◆ Proposed FY 2027 and 2028 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan
 - ◆ Proposed FY 2027 Charges
 - ◆ Proposed FY 2027-2031 Capital Improvement Plan Presentation

Overall Budget & Charges Timing

- 💧 Wednesday, February 25, 2025 (Tentative) – Board Meeting
 - 💧 Public Hearing FY 2027 & FY 2028 Biennial Budget
 - 💧 Public Hearing FY 2027 Schedule of Revenues and Charges
 - 💧 Proposed Adoption of FY 2027 & FY 2028 Biennial Budget (subject to public comment)
 - 💧 Proposed Approval of the FY 2027 Schedule of Revenues and Charges (subject to public comment)
 - 💧 Proposed Approval of FY 2027–2031 Capital Improvement Plan
- 💧 Monday, July 1, 2026 – Effective date of budget, charges, and capital plan

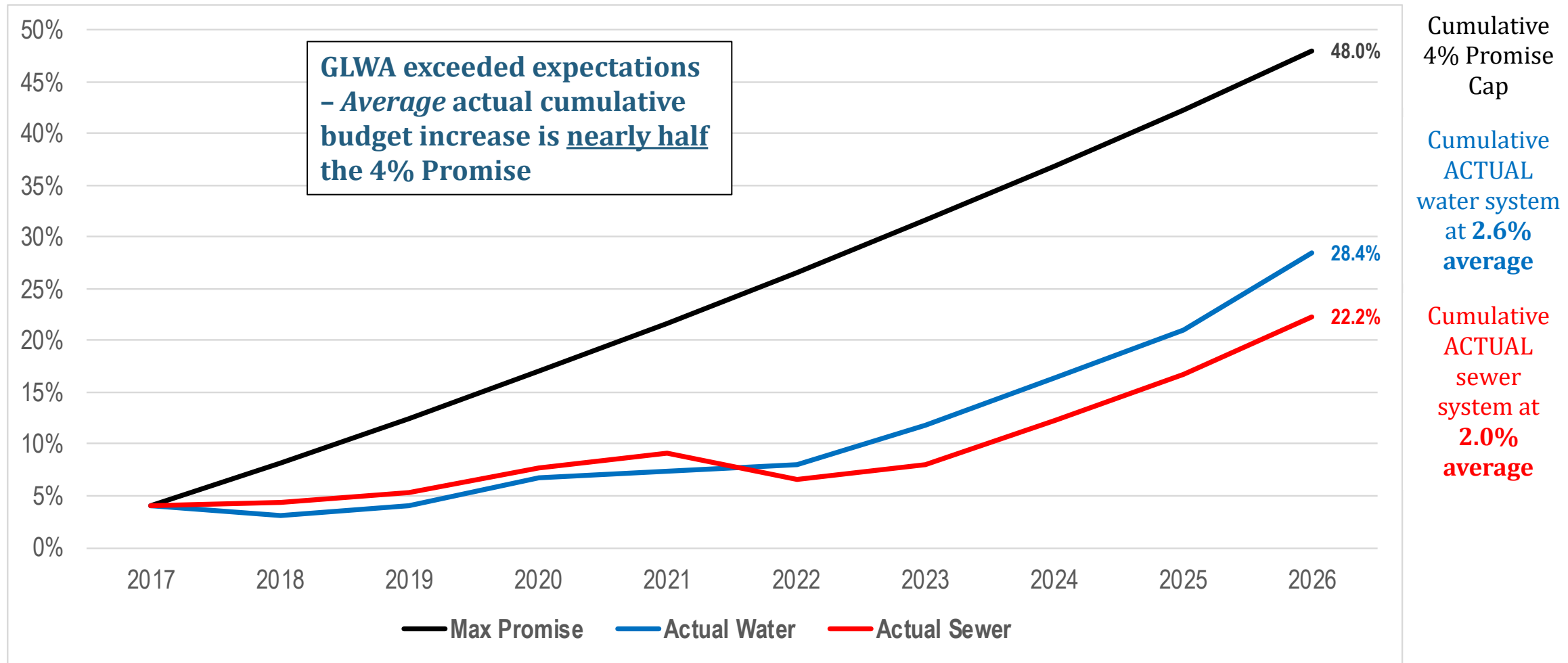


Economic Outlook



Controlling Budget & Charges

Cumulative Budget Well Under the 4% Promise



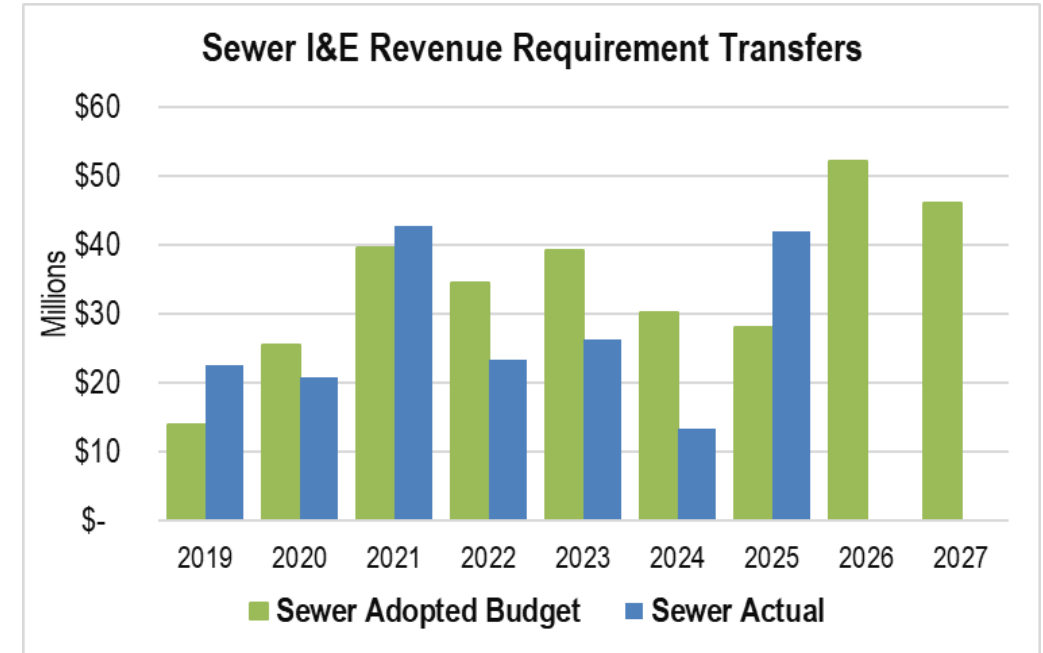
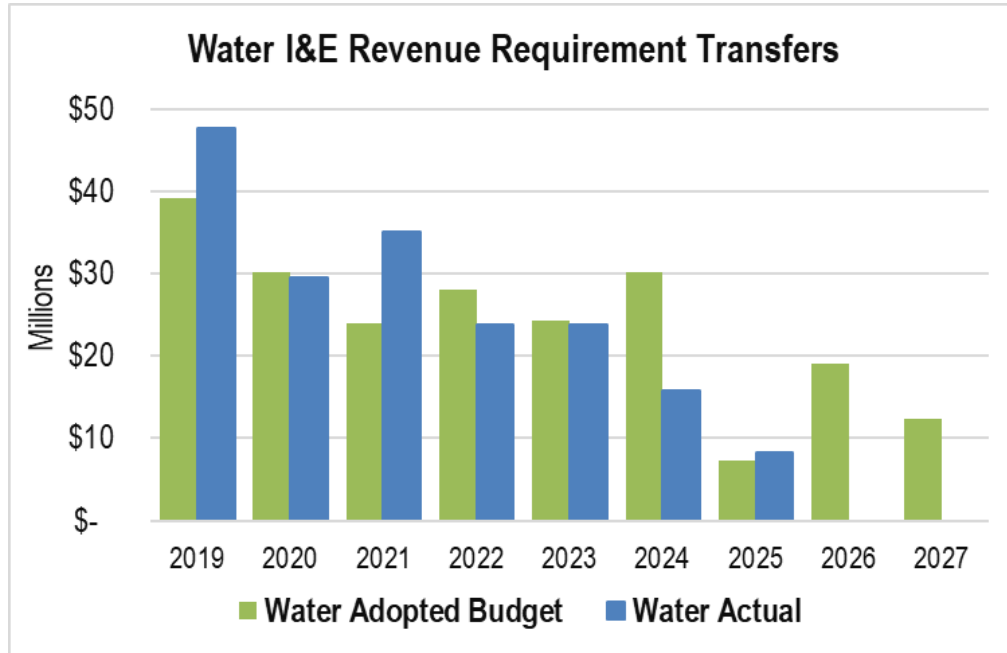
Cumulative Charges Well Under the 4% Promise

- ◆ Significant Charge Stability
- ◆ Ten-year actual Average Annual Charges Increase
 - ◆ Water: 2.9%
 - ◆ Wastewater: 2.4%
- ◆ FY 2026
 - ◆ First year after 4% Promise
 - ◆ Range of increase communicated years in advance to member partners & other stakeholders

Average System Charge Adjustments

Year	Water	Sewer
2017	4.5%	8.3%
2018	1.8%	-0.7%
2019	1.8%	0.1%
2020	0.6%	0.8%
2021	3.2%	2.0%
2022	1.5%	0.6%
2023	3.7%	2.4%
2024	2.8%	2.8%
2025	3.3%	3.0%
2026	5.9%	4.5%
Ten-Year Average	2.9%	2.4%

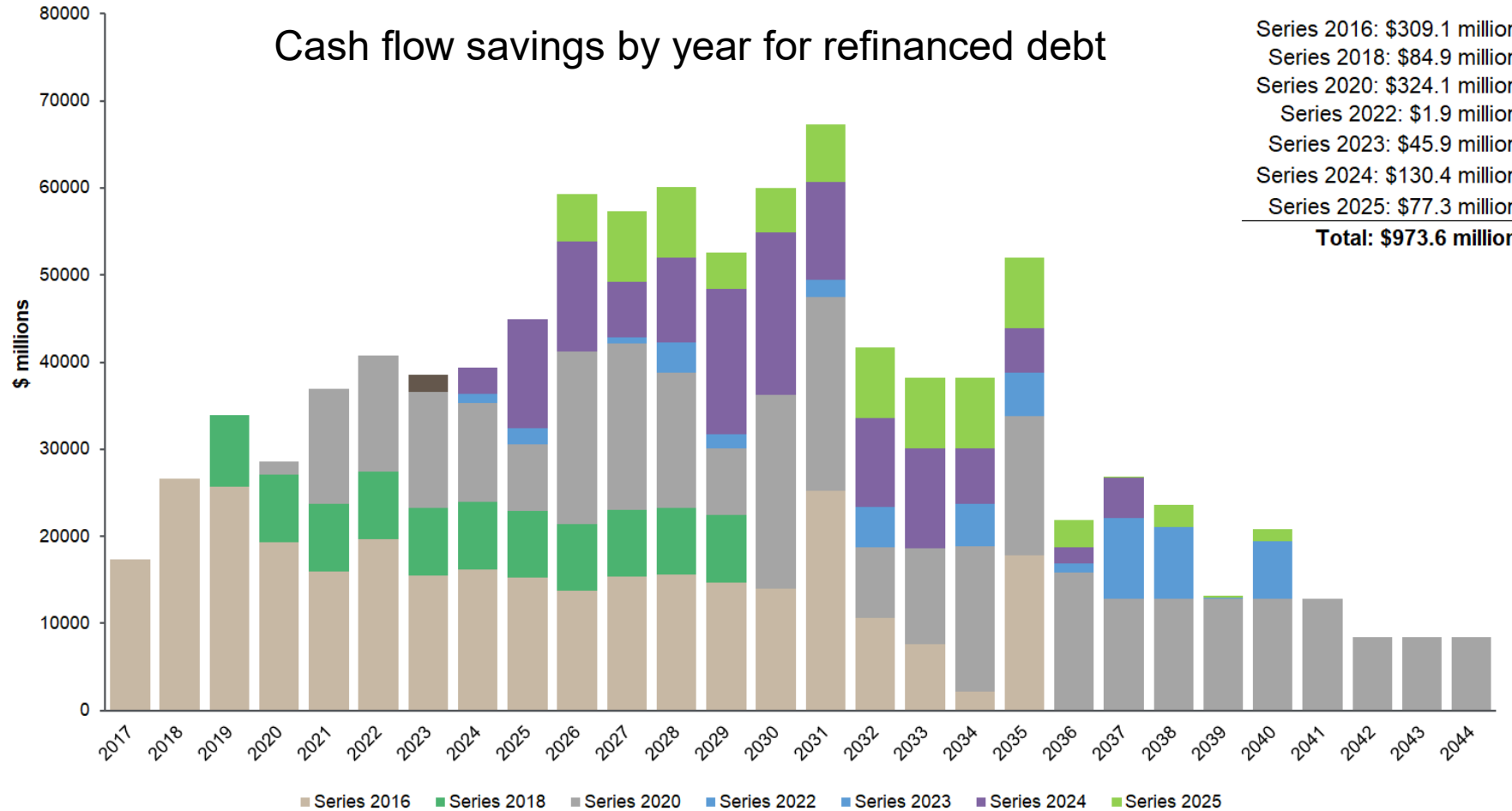
I&E Transfer History



- ♦ 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.

Source: Great Lakes Water Authority Annual Financial Reports

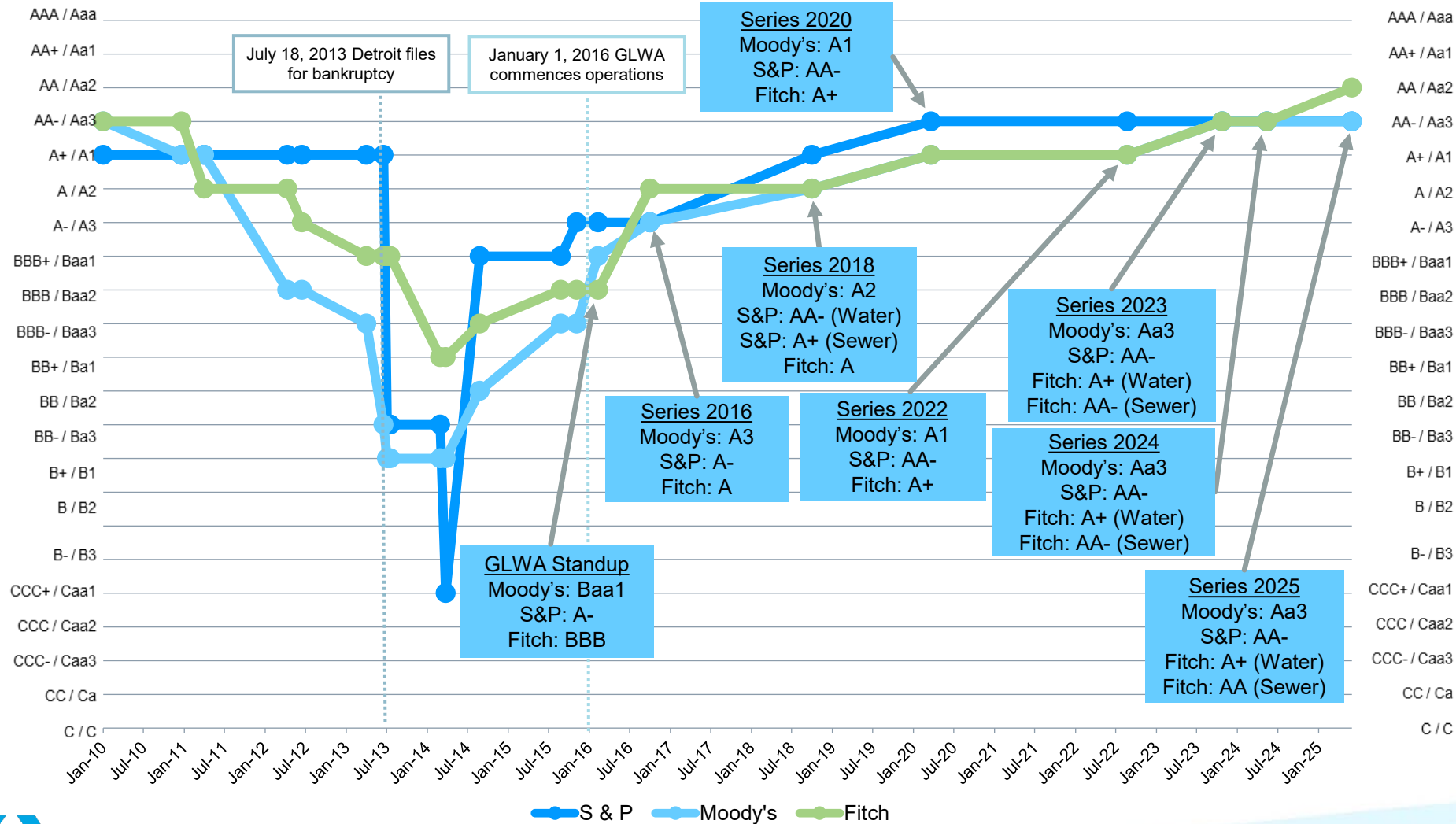
Proactively Manage Debt to Secure Savings



- 💧 GLWA has achieved nearly \$974 million in savings from future cash flow debt service requirements since the stand-up of GLWA
- 💧 Strategies have included taxable refunding, non-taxable refunding, and tender transactions
- 💧 Outstanding debt is monitored for optimal refunding opportunities
- 💧 Note that the structure of outstanding debt results in potentially less refunding opportunities for several years

History of Senior Lien Water and Sewer Ratings

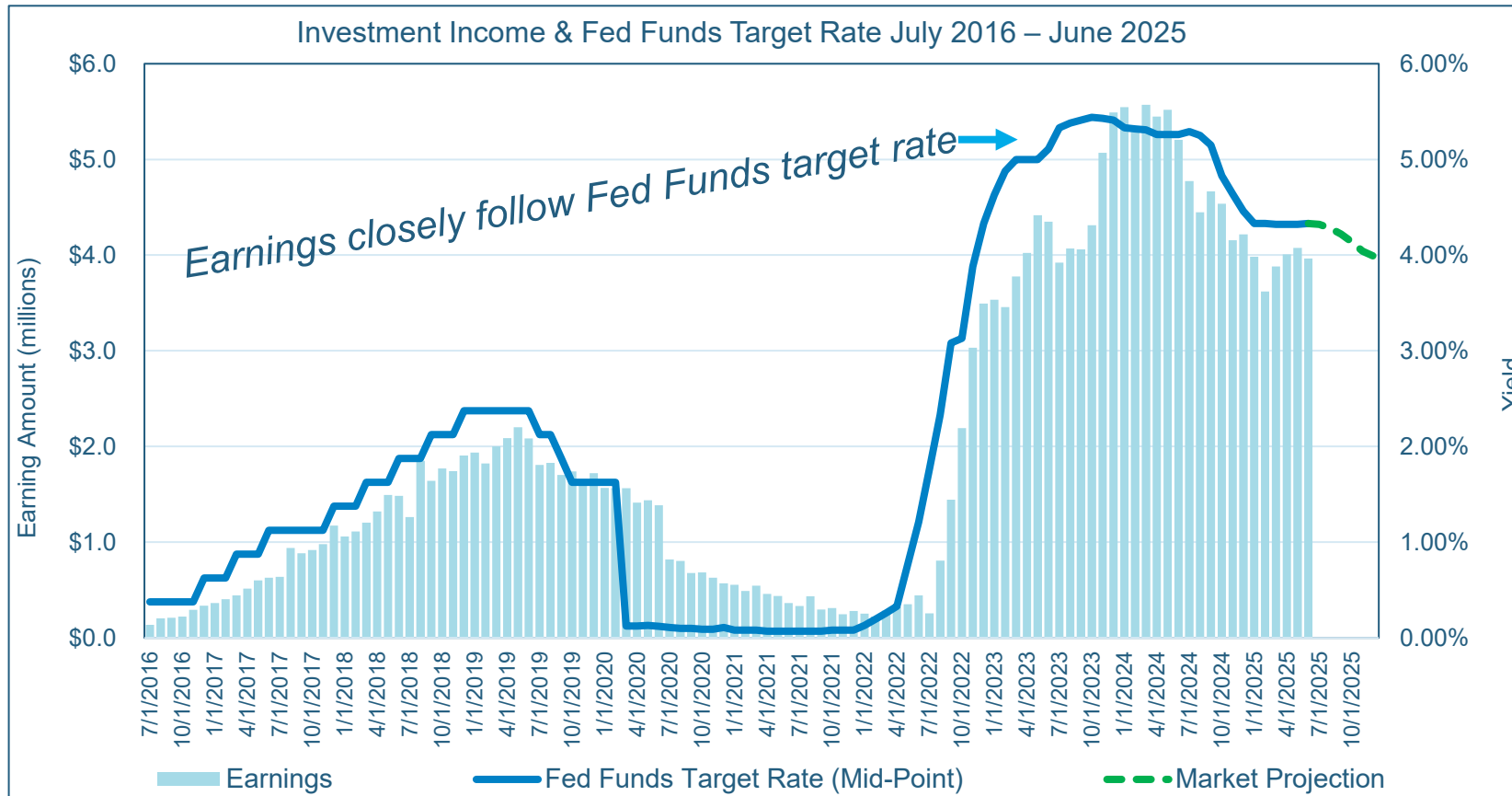
GLWA Senior Lien Ratings History (DWSD Prior to January 1, 2016)



- 💧 Ratings are important because they open the door to an expanded investor base
- 💧 Ratings can decline quickly, but increases occur slowly
- 💧 Key metrics
 - 💧 Debt Service Coverage
 - 💧 Days Cash on Hand
 - 💧 Steady Revenue Growth
 - 💧 How the system is managed - including identification and management of risks in increasingly important

Optimize Investment Revenue

Monthly Investment Income & Fed Funds Rate



- Professional investment management program optimizes the rate of return on investments
- Based on liquidity needs such as debt service, *50% or more of the portfolio is for obligations that are 12 months or less*
- The outcome of a short-term portfolio duration is a heavy impact by changes in the Federal Funds target rate
- Looking forward:* Although the pace of Fed rate cuts has been slower than expected, they have begun making cuts and are expected to continue doing so through the remainder of the year. While investment earning offset a significant portion of charges increase in recent years, that trend may weaken.

Seek New Revenue Sources – Grant Activity

◆ Four phases of the grant process

◆ The **pre-award phase** (grant application process and/or prior to the signing of the grant agreement)

◆ Presently, this consists of **4 programs totaling \$2.2 million potential funding**

◆ The **award phase** (agreement executed; GLWA is meeting the administrative, financial, and programmatic reporting requirements)

◆ Presently, this consists of **14 grants with \$73.9 million in funding**

◆ The **post award** phase (final reporting requirements, auditing, and closeout)

◆ There currently **8 grants in this phase totaling \$3.0 million in funding received**

◆ The **award completion** phase tracks (historic grant activity for reporting purposes)

◆ Since FY 2020, GLWA successfully completed **24 grants and received \$36.4 million in funding**

◆ The **programs not awarded** category reflects programs that GLWA was not awarded, or alternatively, programs that will not continue to be pursued by GLWA as they did not align well with GLWA needs

◆ Since FY 2020, this consists of **13 grant applications totaling \$565.4 million in funding**

◆ GLWA continues to expand efforts to pursue and track grant funding opportunities.

◆ Over **\$115 million** in grants being actively managed since FY 2020 (Phase 1 thru 4)

◆ In addition, GLWA pursued over \$565 million in grants

◆ Every dollar that comes from grants improves the system while supporting affordability

Recent News - FY2026 CWSRF Funding Status

CIP Project #	Project Name / Description	Application Amount (millions)	Award Amount (Preliminary) (millions)	Anticipated Loan Closing
211005.2	5859-01 Pump Station #2 VFD Replacement	\$ 20.00	\$ 20.00	5/7/2026
216008	5839-01 Rehabilitation of Screened Final Effluent (SFE) Pump Station	104.27	104.27	2/9/2026
213006	6024-01 WRRF Improvements to the Sludge Feed System for Solids Processing	26.55	26.55	6/4/2026
270006	6025-01 CSO Facilities Improvements II	23.58	14.39	5/7/2026
273001	6023-01 Hubbell Southfield CSO Facility Improvements	67.48	67.49	6/4/2026
CWSRF Total		\$ 241.88	\$ 232.70	

Note: The difference between the Application Amount and Award Amount is due to components of the project scope identified as ineligible for funding.

- 💧 The recently released Clean Water State Revolving Fund Loans (CWSRF) Draft Intended Use Plan (IUP) indicates that all projects submitted by GLWA will be fundable
- 💧 Preliminary award of \$232.70M includes 23.40M of loan forgiveness
- 💧 Final CWSRF IUP is expected in October 2025

FY 2026 CWSRF Project Submission History

Project Name / Description	Project Plan Submittal Date	FY 2023		FY 2024		FY 2025		FY 2026 - Draft		Draft IUP Date
		Funded	Score	Funded	Score	Funded	Score	Fundable	Score	
5859-01 Pump Station #2 VFD Replacement	6/1/2022	No	40	No	40	No	40	Yes	40	9/8/2025
5839-01 Rehabilitation of Screened Final Effluent (SFE) Pump Station	6/1/2022	No	40	No	40	No	40	Yes	40	9/8/2025
6024-01 WRRF Improvements to the Sludge Feed System for Solids Processing	5/1/2025	-	-	-	-	-	-	Yes	40	9/8/2025
6025-01 CSO Facilities Improvements II	5/1/2025	-	-	-	-	-	-	Yes	40	9/8/2025
6023-01 Hubbell Southfield CSO Facility Improvements	5/1/2025	-	-	-	-	-	-	Yes	40	9/8/2025

Project Teams demonstrate flexibility to secure lower cost financing as funding outcomes and timelines not predictable

- 💧 Scoring criteria subject to review and revision every three years at state level
- 💧 Changes in federal administration can also impact program guidelines and funding availability
- 💧 Timeframe from project plan submittal to funding determination can be difficult to predict
- 💧 GLWA proactively submits projects in anticipation of current and future opportunities

SRF Program Optimization

- ◆ GLWA optimizes use of the SRF program
 - ◆ Regular communication with EGLE supports a strong partnership
 - ◆ Careful review of project selection
 - ◆ Internal review of policies and procedures to ensure compliance with state and federal regulation (Build America, Buy America (BABA), Davis Bacon Act)
- ◆ NEW! EGLE approval of GLWA change to retainage process

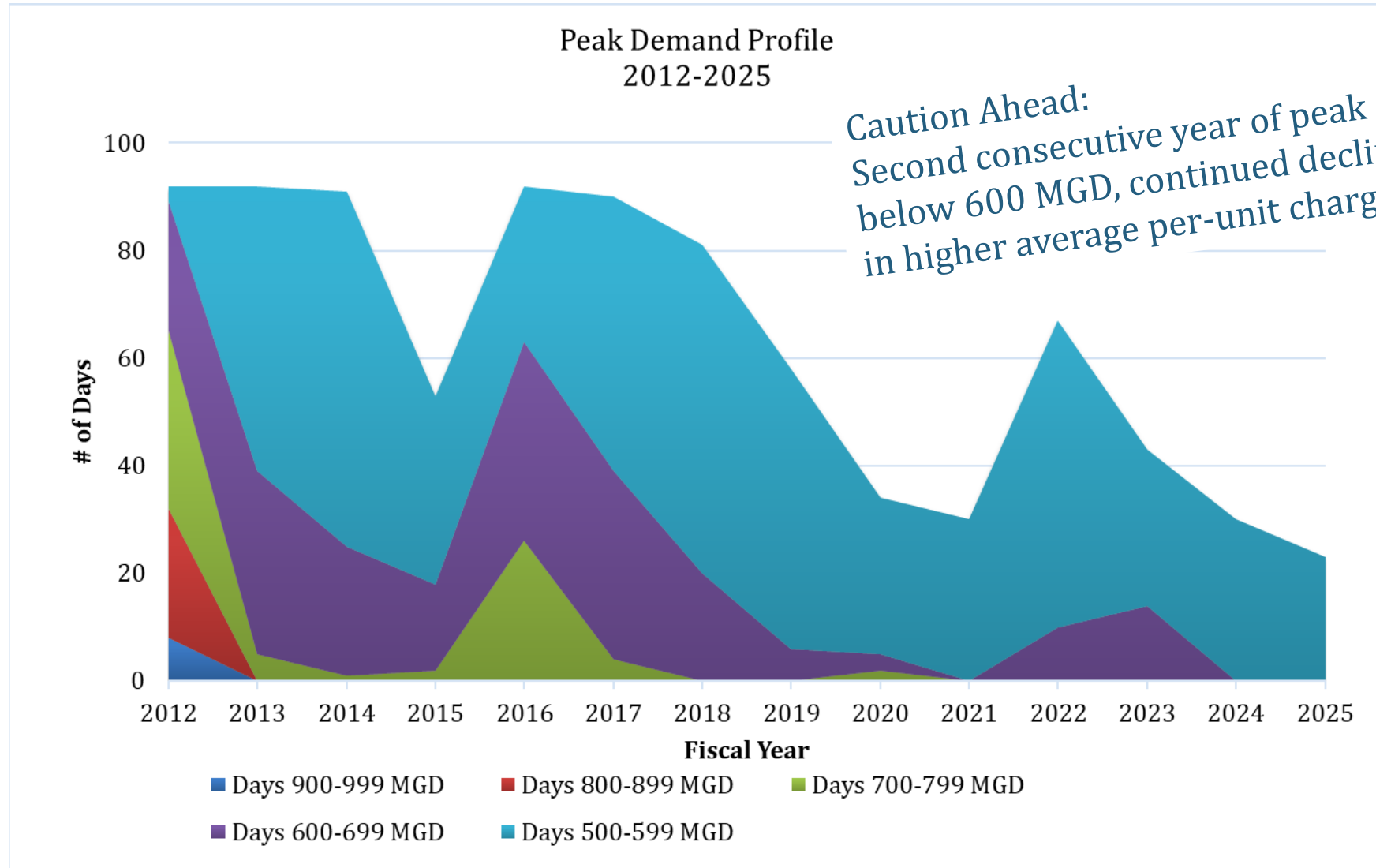


Charges Updates

Charges Matters

- 💧 Water Contract Reopeners are scheduled to take place in calendar year 2026 (for FY 2028 charges).
 - 💧 Max Day and Peak Hour demand values will be updated for Fiscal Year 2028, beginning July 1, 2027.
 - 💧 A subgroup of the Water Analytical Work Group is currently reviewing the contract methodology to determine if a change to establishing demands is warranted in the upcoming contract reopener process.
- 💧 Sewer Shares are scheduled to be updated with the FY 2026 annual flow balance (for FY 2028 charges).
 - 💧 Pursuant to the 2024 Settlement Agreement, transition of Highland Park from the Detroit Plus (D+) class to the Metered (M) class is expected.
- 💧 It is expected that the City of Mount Clemens will connect to the GLWA system early in calendar year 2027. They will be included in the contract reopener in 2026.

Declining Water Demands





Ten Year Financial Plan Update

Ten Year Financial Plan

- ◆ Present financial projection was presented to the Audit Committee on June 6, 2025 (on website: [Ten Year Financial Projection for the current FY 2025 and the ten years FY 2026 through FY 2035](#))
- ◆ Evolving topics since June 2025
 - ◆ Debt payments adjusted for June 30, 2025 new money bond and refunding transaction
 - ◆ Investment earning rate forecast decreased by 1% due to rate volatility
 - ◆ Capital expenditures updated to current working CIP Draft 1 for FY 2027 – FY 2031
 - ◆ New money debt needs adjusted based on current capital financing needs
 - ◆ SRF debt activity updates for all active loans – and pending new award approvals
 - ◆ Paygo funding analysis- modeling up to 40% by 2033 in the water system and 2031 in the sewer system, to control debt payments as a percentage of revenue requirements
 - ◆ No change to O&M expense *assumption* for FY 2026-2030 (increases varied based on detail analysis), 2% increase thereafter – *this section of the budget is currently under development*

Financial Plan Guidelines

- 💧 Working towards improving our debt service coverage ratio which has dropped since GLWA's inception and increasing our days cash available to 600 over the next ten years
- 💧 Internally, next 30 to 45 days, finalizing internal budget requests for Operation and Maintenance expenses and realigning with that plan
- 💧 GLWA has utilized biennial budgeting published within a five-year financial plan that aligns with a ten-year forecast since inception
- 💧 This preferred practice forces reality in financial management to understand trends and the impact of decisions
- 💧 The goal is predictable and stable outcomes

Water - June 2025 to Current Working Draft

GLWA Water System Forecast - Summary of Updates made through September 2025								
Line No		2026	2027	2028	2029	2030	5 Year Total 2026 - 2030	Variance Increase (Decrease)
<u>Debt Service - Regional System</u>								
1	Financial Projection FY 2026 Budget	\$ 179,082,200	\$ 193,207,100	\$ 211,409,400	\$ 225,814,600	\$ 238,691,200	\$ 1,048,204,500	
2	Working Version FY 2027 Budget	\$ 177,832,200	\$ 194,471,300	\$ 214,502,200	\$ 228,915,400	\$ 242,357,700	\$ 1,058,078,800	\$ 9,874,300
<u>Capital Improvement Plan</u>								
3	Financial Projection FY 2026 Budget	\$ 183,064,000	\$ 233,120,000	\$ 285,942,000	\$ 230,461,000	\$ 150,642,000	\$ 1,083,229,000	
4	Working Version FY 2027 Budget	\$ 195,289,000	\$ 277,274,000	\$ 333,737,000	\$ 227,589,000	\$ 186,974,000	\$ 1,220,863,000	\$ 137,634,000
<u>Capital Spend Ratio</u>								
5	Financial Projection FY 2026 Budget	100%	100%	100%	95%	95%		
6	Working Version FY 2027 Budget	100%	95%	90%	100%	100%		
<u>Capital Improvement Financing Plan</u>								
7	Financial Projection FY 2026 Budget	\$ 185,000,000	\$ 235,000,000	\$ 290,000,000	\$ 220,000,000	\$ 145,000,000	\$ 1,075,000,000	
8	Working Version FY 2027 Budget	\$ 200,000,000	\$ 265,000,000	\$ 305,000,000	\$ 230,000,000	\$ 190,000,000	\$ 1,190,000,000	\$ 115,000,000
<u>New Money Bond Issues</u>								
9	Financial Projection FY 2026 Budget	\$ 222,000,000	\$ 290,000,000	\$ 209,000,000	\$ 138,000,000	\$ 124,000,000	\$ 983,000,000	
10	Working Version FY 2027 Budget	\$ 237,000,000	\$ 302,000,000	\$ 227,000,000	\$ 168,000,000	\$ 78,000,000	\$ 1,012,000,000	\$ 29,000,000
<u>SRF Loan Draws</u>								
11	Financial Projection FY 2026 Budget	\$ 1,369,200	\$ -	\$ -	\$ -	\$ -	\$ 1,369,200	
12	Working Version FY 2027 Budget	\$ 7,457,500	\$ -	\$ -	\$ -	\$ -	\$ 7,457,500	\$ 6,088,300
<u>Use of I&E funds for CIP</u>								
13	Financial Projection FY 2026 Budget	\$ 9,250,000	\$ 11,750,000	\$ -	\$ 11,000,000	\$ 7,250,000	\$ 39,250,000	
14	Working Version FY 2027 Budget	\$ -	\$ -	\$ -	\$ -	\$ 19,000,000	\$ 19,000,000	\$ (20,250,000)

Sewer - June 2025 to Current Working Draft

GLWA Sewer System Forecast - Summary of Updates made through September 2025								
Line No		2026	2027	2028	2029	2030	5 Year Total 2026 - 2030	Variance Increase (Decrease)
<u>Debt Service - Regional System</u>								
1	Financial Projection FY 2026 Budget	\$ 220,884,500	\$ 241,502,900	\$ 251,565,000	\$ 259,295,900	\$ 265,602,000	\$ 1,238,850,300	
2	Working Version FY 2027 Budget	\$ 216,442,400	\$ 236,551,800	\$ 247,640,800	\$ 258,330,800	\$ 262,486,300	\$ 1,221,452,100	\$ (17,398,200)
<u>Capital Improvement Plan</u>								
3	Financial Projection FY 2026 Budget	\$ 193,221,000	\$ 291,841,000	\$ 337,800,000	\$ 261,115,000	\$ 187,625,000	\$ 1,271,602,000	
4	Working Version FY 2027 Budget	\$ 269,254,000	\$ 280,901,000	\$ 312,648,000	\$ 257,620,000	\$ 188,294,000	\$ 1,308,717,000	\$ 37,115,000
<u>Capital Spend Ratio</u>								
5	Financial Projection FY 2026 Budget	90%	80%	84%	96%	100%		
6	Working Version FY 2027 Budget	90%	90%	89%	91%	97%		
<u>Capital Improvement Financing Plan</u>								
7	Financial Projection FY 2026 Budget	\$ 175,000,000	\$ 235,000,000	\$ 285,000,000	\$ 255,000,000	\$ 190,000,000	\$ 1,140,000,000	
8	Working Version FY 2027 Budget	\$ 245,000,000	\$ 255,000,000	\$ 280,000,000	\$ 235,000,000	\$ 185,000,000	\$ 1,200,000,000	\$ 60,000,000
<u>New Money Bond Issues</u>								
9	Financial Projection FY 2026 Budget	\$ 101,000,000	\$ 125,000,000	\$ 111,000,000	\$ 83,000,000	\$ 57,000,000	\$ 477,000,000	
10	Working Version FY 2027 Budget	\$ 67,000,000	\$ 126,000,000	\$ 132,000,000	\$ 72,000,000	\$ 54,000,000	\$ 451,000,000	\$ (26,000,000)
<u>SRF Loan Draws</u>								
11	Financial Projection FY 2026 Budget	\$ 52,936,600	\$ 99,745,500	\$ 103,800,000	\$ 93,684,600	\$ 50,700,000	\$ 400,866,700	
12	Working Version FY 2027 Budget	\$ 98,481,500	\$ 128,848,700	\$ 96,404,400	\$ 55,393,900	\$ 56,412,700	\$ 435,541,200	\$ 34,674,500
<u>Use of I&E funds for CIP</u>								
13	Financial Projection FY 2026 Budget	\$ 26,250,000	\$ 35,250,000	\$ 57,000,000	\$ 51,000,000	\$ 57,000,000	\$ 226,500,000	
14	Working Version FY 2027 Budget	\$ 36,750,000	\$ 38,250,000	\$ 56,000,000	\$ 47,000,000	\$ 55,500,000	\$ 233,500,000	\$ 7,000,000



Wastewater System Outlook and Financial Demands

Wastewater System - Key Takeaways

1. Operational Demands Across the Wastewater System
2. Asset conditions found during Capital Improvement Projects
3. Hidden Infrastructure Needs and the importance of Financial Resilience
4. Building Workforce Capacity and advancing talent Strategy through continues competitive posture
5. Wastewater Long-Term Financial Outlook and Emerging Funding Needs

2024 Consolidated Annual Report Summary

205.5 Billion Gallons of Wastewater (2024)

Sanitary Wastewater



WRRF Treated
156.9 BG (76.3%)

Wet Weather



48.6 BG (23.7%)

Total Rainfall



36.6 inches

BASED ON US EPA CRITERIA



99%

TOTAL ANNUAL VOLUME
CAPTURED AND TREATED



WRRF Treated
(41.5 BG)



CSO Treated
(5.1 BG)



CSO Untreated
(2.1 BG)

Wastewater Resource Recovery Facility Production

Very Low Flow (183 Days)

- Difficult operations, limited operational flexibility, extended detention times, challenges in maintaining healthy bacteria for treatment

Dry Weather Flow (146 Days)

- Flexible and efficient operations

Entering Wet Weather (18 Days)

- Majority of the assets in the wastewater system in operations

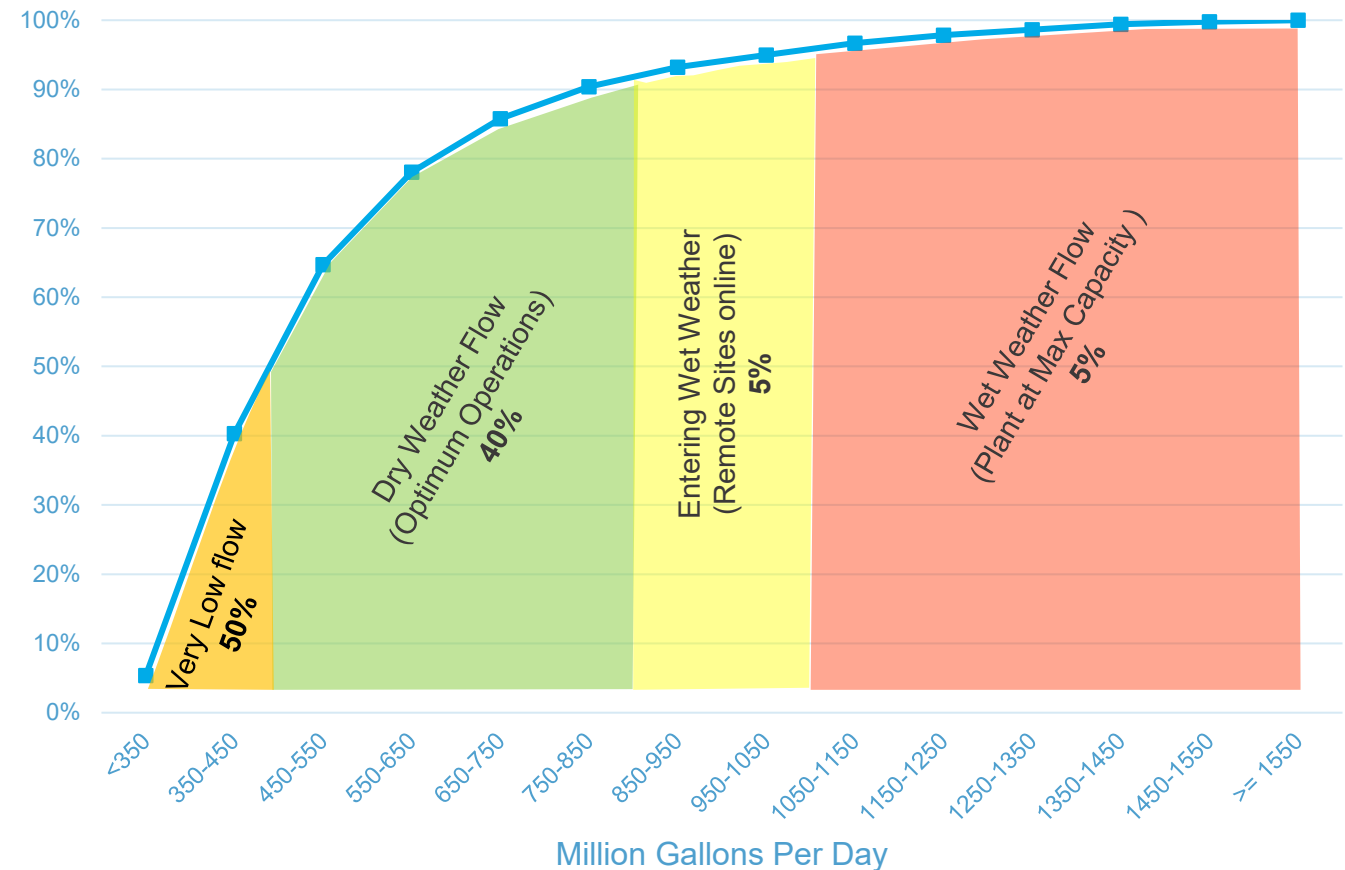
Wet Weather Flow (18 Days)

- All wastewater assets are online and operating in maximum condition



*Number of days normalize to annual flow (365)

WRRF Influent Flow Cumulative Distribution



July - 2019 through June - 2024

The effluent flow, excluding internal recycling within the plant, contributes to the overall permit calculation of 1700 MGD

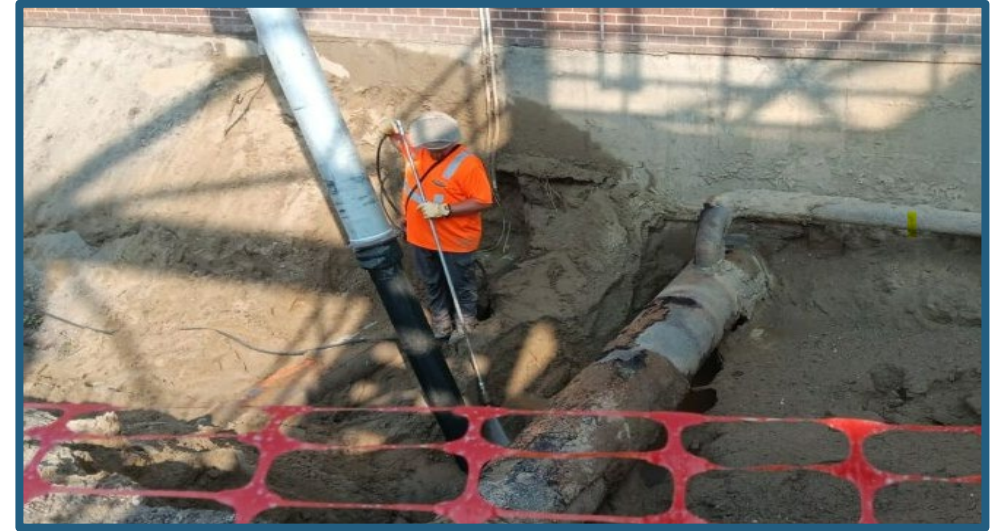
Pump Station No. 2 Rack and Grit Capital Project

Pump Station No. 2 Rack and Grit CIP No. CIP 211007

This project upgrades the bar screens to finer screens and installs an improved grit processing system at Pump Station No. 2 (PS2) at the Water Resource Recovery Facility.

While executing the project blower discharge piping exhibiting poor condition was found.

- This included a corroded 20" air line.
- The above ground pipe also had corrosion.
- The damaged found posed **loss of grit removal** if left unaddressed.



WRRF Structural Improvement Capital Project

- Compromised structural elements and impacting operation areas
- Poses potential safety concerns, structural failure and operational disruptions
- Delaying a resolution can increase repair cost
- Evidence of potential greater issues



The Uncovered Scum Line at PC No. 13



- Approximately 10 -15 feet of the scum line has been excavated to expose the leak.
 - Pressure washing the area to clean up and locate the leak, the pressure washer easily penetrated the pipe wall from the severity of the corrosion.
 - The second half of the exposed length of the pipe.
 - The exposed length in its entirety
- It is assumed that the scum lines for PC Nos. 14, 15, and 16 are in roughly the same condition and that PC Nos. 17 and 18 are in a degraded condition due to the age of the different clarifiers.*

Estimated PC13 Replacement 480 ft of 4-inch ductile iron Cost: \$459,412

Total Potential cost of repair for all clarifiers with same age = \$2.7 M

Wastewater Operating Services

Professional Licenses and Certifications

There are **141+** licenses/certifications held amongst the **337** Team Member organization.

- ✓ The most Wastewater Certifications in the State of Michigan in one organization (**94**).
- ✓ Other professional certifications (**40+**)
- ✓ Post-grad doctorate degrees (**7**)

**Some team members hold multiple licenses/certifications*



Funding Challenges of the Future

