



Proposed FY 2026 and FY 2027 Biennial Budget Request

Great Lakes Water Authority Board of Directors
Wednesday, January 22, 2025

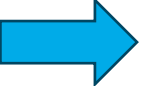
Content

1. Ten Key Takeaways
2. Proposed FY 2026 and FY 2027 Biennial Budget Request
3. FY 2026 - FY 2035 Ten Year Financial Plan Update as of January 6, 2025
4. Debrief: Member Partner One-on-One Meetings
5. Economic Backdrop

Overall Budget & Charges Timing

- ◆ Tuesday, September 10, 2024 – Capital Planning Committee –CIP Spend Update
- ◆ Monday, September 30, 2024 – Internal Deadline for Operations & Maintenance Cost Center Budget Request
- ◆ **Wednesday, October 9, 2024– Board of Directors Workshop Meeting**
 - ◆ **Economic Outlook Task Force Update**
 - ◆ **Budget and Charges Briefing**
- ◆ Tuesday, October 15, 2024 – Capital Planning Committee – CIP Version 1.0
- ◆ **Thursday, October 17, 2024- Charges Rollout #1 – CIP Version 1.0**
- ◆ **Tuesday, November 12, 2024- Charges Rollout #2 - Units of Service**
- ◆ Thursday, November 30, 2024 – Pencils Down to Compile Proposed Materials
- ◆ Tuesday, December 10, 2024 – Capital Planning Committee – CIP Version 2.0

Overall Budget & Charges Timing

- ◆ Monday, January 6, 2025 – Audit Committee - Proposed Budget and Charges Strategy
- ◆ **Thursday, January 9, 2025 – Charges Rollout #3 – Proposed Charges and Introduction of Proposed Budget**
- ◆ Monday, January 13, 2025 through Wednesday, January 15, 2025 – Member Partner One-on-One Meetings
- ◆ **Thursday, January 16, 2025 – Charges Rollout #4 – Feedback on Charges and Further Review of Proposed Budget**
- ◆  Wednesday, January 22, 2025 – Board Meeting Presentations
 - ◆ Proposed FY 2026 and 2027 Biennial Budget (Revenue Requirement) and Five-Year Financial Plan
 - ◆ Proposed FY 2026 Charges
 - ◆ Proposed FY 2026-2030 Capital Improvement Plan Presentation

Overall Budget & Charges Timing

- ◆ *Friday, January 24, 2025 (date may change) – Audit Committee – Continued Review of Proposed Budget and Charges*
- ◆ **Based on Contract, Monday, January 27, 2025 - Mail Notice to Member Partners of Public Hearing to be held on February 26, 2025**
- ◆ **Wednesday, February 26, 2025 – Board Meeting**
 - ◆ Public Hearing FY 2026 & FY 2027 Biennial Budget
 - ◆ Public Hearing FY 2026 Schedule of Revenues and Charges
 - ◆ Proposed Adoption of FY 2026 & FY 2027 Biennial Budget (subject to public comment)
 - ◆ Proposed Approval of the FY 2026 Schedule of Revenues and Charges (subject to public comment)
 - ◆ Proposed Approval of FY 2026–2030 Capital Improvement Plan
- ◆ **Monday, July 1, 2025 – Effective date of budget, charges, and capital plan**



GLWA

Great Lakes Water Authority

1 – Ten Key Takeaways

Ten Key Takeaways

- 1. FY 2026 Proposed Charges Increases:** Proposed charge increase for most Member Partners is 7.39% for the water system and 5.34% for the sewer system to overcome several years of cost increases. Despite this increase, *GLWA's average cumulative charge increase continues to be well below 4% with 2.9% for water and 1.7% for sewer.*
- 2. Methodology:** No methodology changes or shares updates this year. Changes in charges are driven by economic reality.
- 3. Across-the-Board Adjustments:** Since there was no methodology change this year, nearly every Member Partner received the same charge adjustment.

Key Takeaways

4. **High Double Digit Cost Increases Since 2020:** *Non-discretionary* chemicals, utilities, and services increased nearly 55% since 2020.
5. **Proposed Budget Supports New Initiatives of Wide Scale Benefit to the Region: Corrosion Control & Resiliency**
 - a. **Corrosion Control:** While there is no lead in GLWA's water and no lead pipes in GLWA's transmission system, GLWA recently launched a corrosion control strategy to provide added protection to Member Partners' local system (estimate cost \$6 million).
 - b. **Resiliency:** The newly formed GLWA Resiliency Group successfully launched a multi-year flood mitigation study in partnership with the U.S. Army Corps of Engineers. Southeast Michigan has experienced repeated widespread flooding, and five flooding-related FEMA Federal Disaster Declarations since 2000. This has resulted in economic burden and social hardship across our region. The project is partially grant funded.

Ten Key Takeaways

- 6. Legal Constraints from Prior Years Deferred Needed Charge Increases:** Well-intended 4% Promise budget limitation could not have foreseen the depth of the economic impact of a pandemic on GLWA.
- 7. Infrastructure Improvements are Largely Funded by Debt and Cash Reserves:** This means that over 44 cents for water and 40 cents for sewer of every dollar is required for mandatory debt payments.
- 8. Addressing Deferred Maintenance was a Key Objective in Establishing the Regional Authority:** Unfortunately, budget constraints have slowed the pace of maintenance. The cost of that equipment and services becomes more costly each year.

Ten Key Takeaways

9. Solid Financial Footing Translates to Lower Cost of Borrowing – and Lower Charge Increases in the Future: GLWA is now an AA rated utility (remember the bonds sunk to non-investment grade during the City’s Chapter 9).

- a. *Nearly \$900 million* in cash flow savings has been achieved by restructuring debt.
- b. The proposed FY 2026 charge increase is an important signal to bond rating agencies and investors to maintain financial stability – especially with potential refunding opportunities this year.

10. Proposed Budget Leverages Technology and Talent:

- a. The proposed budget supports the linear system integrity program, new asset management technology, and a smart ball technology to best manage limited resources.
- b. Expanding apprenticeship and intern programs address hard-to-fill positions.

GLWA Water Budget & Charges - Utility Indices

Historical Annual "Water System Budget & Charge" Adjustments

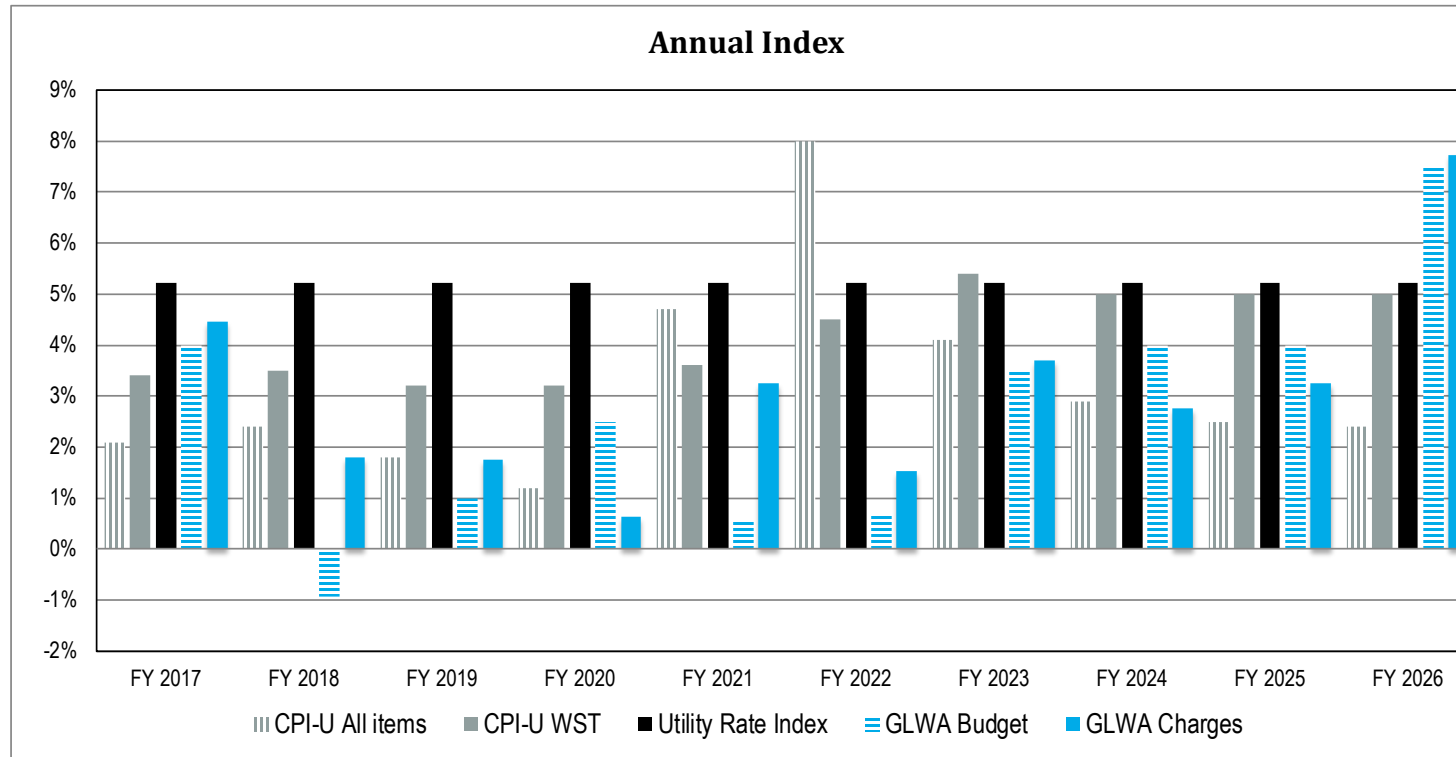
	Annual Index									
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
(a) CPI-U All items	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%	2.5%	2.4%
(b) CPI-U WST	3.4%	3.5%	3.2%	3.2%	3.6%	4.5%	5.4%	5.0%	5.0%	5.0%
(c) Utility Rate Index	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%
GLWA Budget	4.0%	-0.9%	1.0%	2.5%	0.6%	0.7%	3.5%	4.0%	4.0%	7.5%
GLWA Charges	4.5%	1.8%	1.8%	0.6%	3.2%	1.5%	3.7%	2.75%	3.25%	7.73%

(a) FY 2017 - FY 2024 Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year). FY 2025 and FY 2026 estimated based on Public Sector Consultants Economic Task Force Phase 1 Report presented to the Board of Directors on October 9, 2024.

(b) Bureau of Labor Statistics, CPI-U, Water and sewer and trash collection services in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2025 and FY 2026 based on FY 2024

(c) Black & Veatch 2024 50 Largest Cities Rate Survey Average rate of change water bills 2001-2024. The average was used for all years.

(a) CPI-U All items
(b) CPI-U WST
(c) Utility Rate Index
GLWA Budget
GLWA Charges



Despite the level of the proposed budget and charges adjustment, GLWA is materially positive over time compared to economic and utility sector indices

GLWA Water Budget and Charges Adjustments Compared to Utility Indices

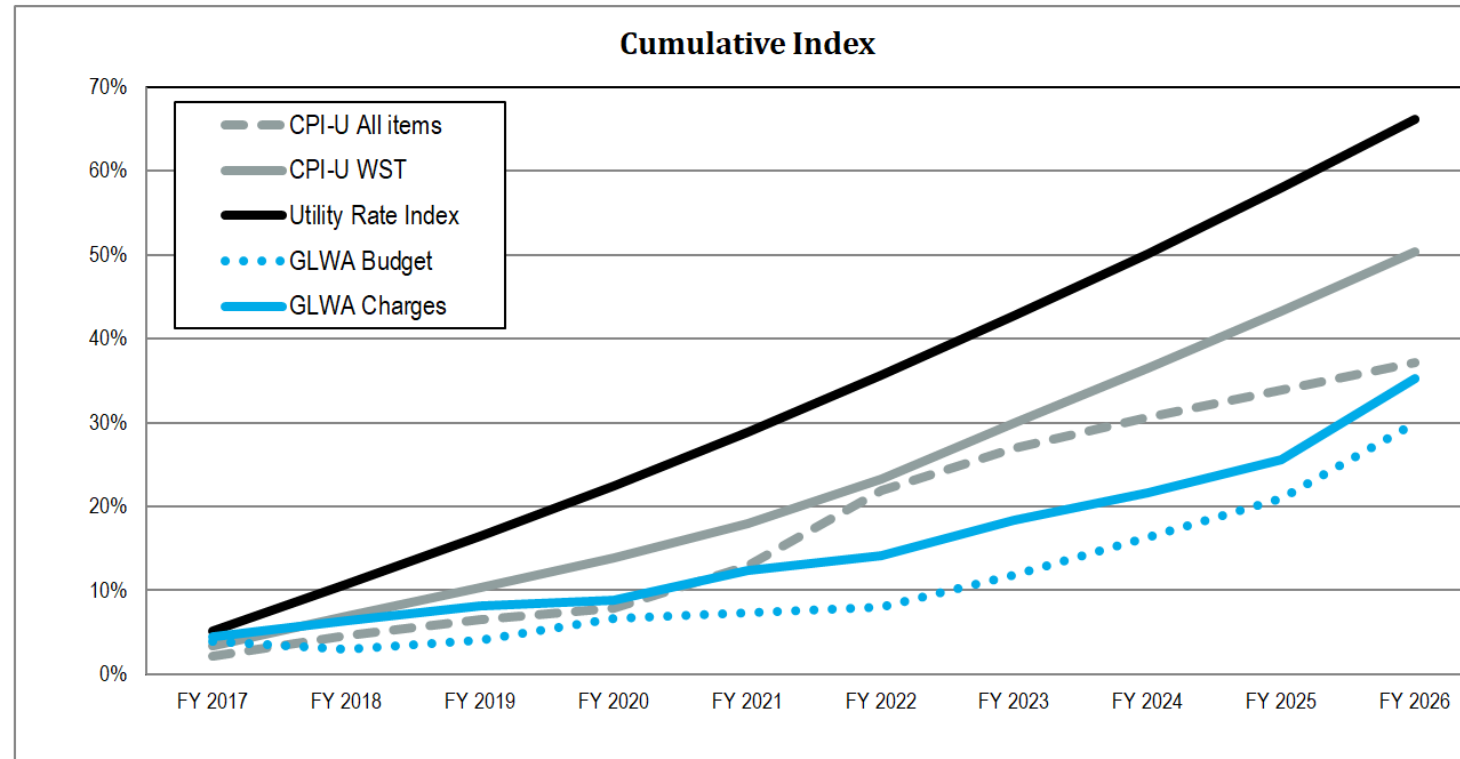
Cumulative Historical "Water System Budget & Charge" Adjustments

	Cumulative Index									
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
(a) CPI-U All items	2.1%	4.6%	6.5%	7.8%	12.9%	21.9%	27.0%	30.7%	34.0%	37.2%
(b) CPI-U WST	3.4%	7.0%	10.4%	13.9%	18.0%	23.3%	30.0%	36.4%	43.3%	50.4%
(c) Utility Rate Index	5.2%	10.7%	16.5%	22.5%	28.9%	35.6%	42.7%	50.1%	57.9%	66.2%
GLWA Budget	4.0%	3.0%	4.1%	6.7%	7.3%	8.0%	11.8%	16.3%	20.9%	30.0%
GLWA Charges	4.5%	6.3%	8.2%	8.9%	12.4%	14.1%	18.3%	21.6%	25.5%	35.2%

(a) FY 2017 - FY 2024 Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year). FY 2025 and FY 2026 estimated based on Public Sector Consultants Economic Task Force Phase 1 Report presented to the Board of Directors on October 9, 2024.

(b) Bureau of Labor Statistics, CPI-U, Water and sewer and trash collection services in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2025 and FY 2026 based on FY 2024

(c) Black & Veatch 2024 50 Largest Cities Rate Survey Average rate of change water bills 2001-2024. The average was used for all years.



Despite the level of the proposed budget and charges adjustment, GLWA is materially positive over time compared to economic and utility sector indices

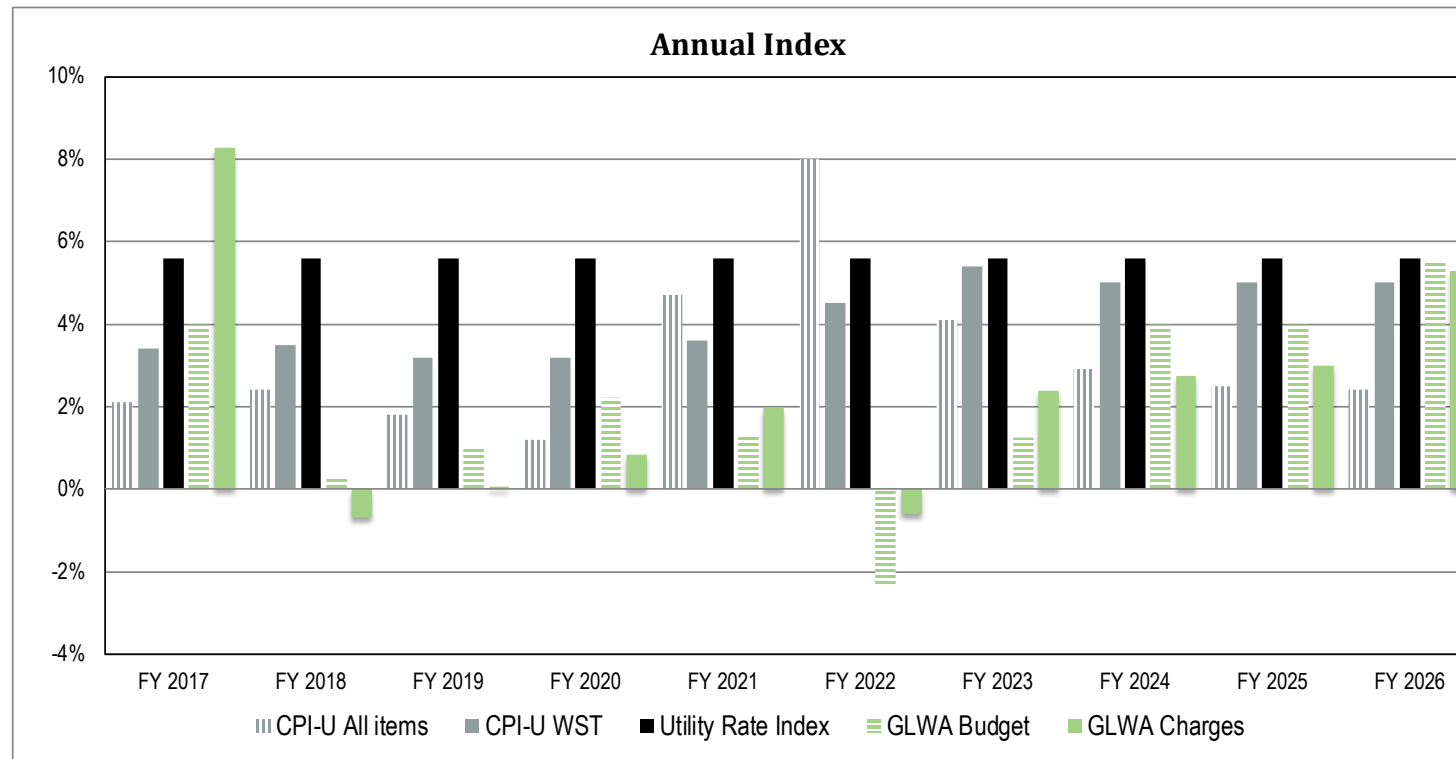
GLWA Sewer Budget and Charges Adjustments Compared to Utility Indices

- (a) FY 2017 - FY 2024 Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year). FY 2025 and FY 2026 estimated based on Public Sector Consultants Economic Task Force Phase 1 Report presented to the Board of Directors on October 9, 2024.
- (b) Bureau of Labor Statistics, CPI-U, Water and sewer and trash collection services in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2025 and FY 2026 based on FY 2024
- (c) Black & Veatch 2024 50 Largest Cities Rate Survey Average rate of change water bills 2001-2024. The average was used for all years.



Historical Annual "Sewage Disposal System Budget & Charge" Adjustments

	Annual Index									
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
(a) CPI-U All items	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	4.1%	2.9%	2.5%	2.4%
(b) CPI-U WST	3.4%	3.5%	3.2%	3.2%	3.6%	4.5%	5.4%	5.0%	5.0%	5.0%
(c) Utility Rate Index	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%	5.6%
GLWA Budget	4.0%	0.3%	1.0%	2.2%	1.3%	-2.3%	1.3%	4.0%	4.0%	5.5%
GLWA Charges	8.3%	-0.7%	0.1%	0.8%	2.0%	-0.6%	2.4%	2.75%	3.0%	5.3%



Despite the level of the proposed budget and charges adjustment, GLWA is materially positive over time compared to economic and utility sector indices

GLWA Sewer Budget and Charges Adjustments Compared to Utility Indices

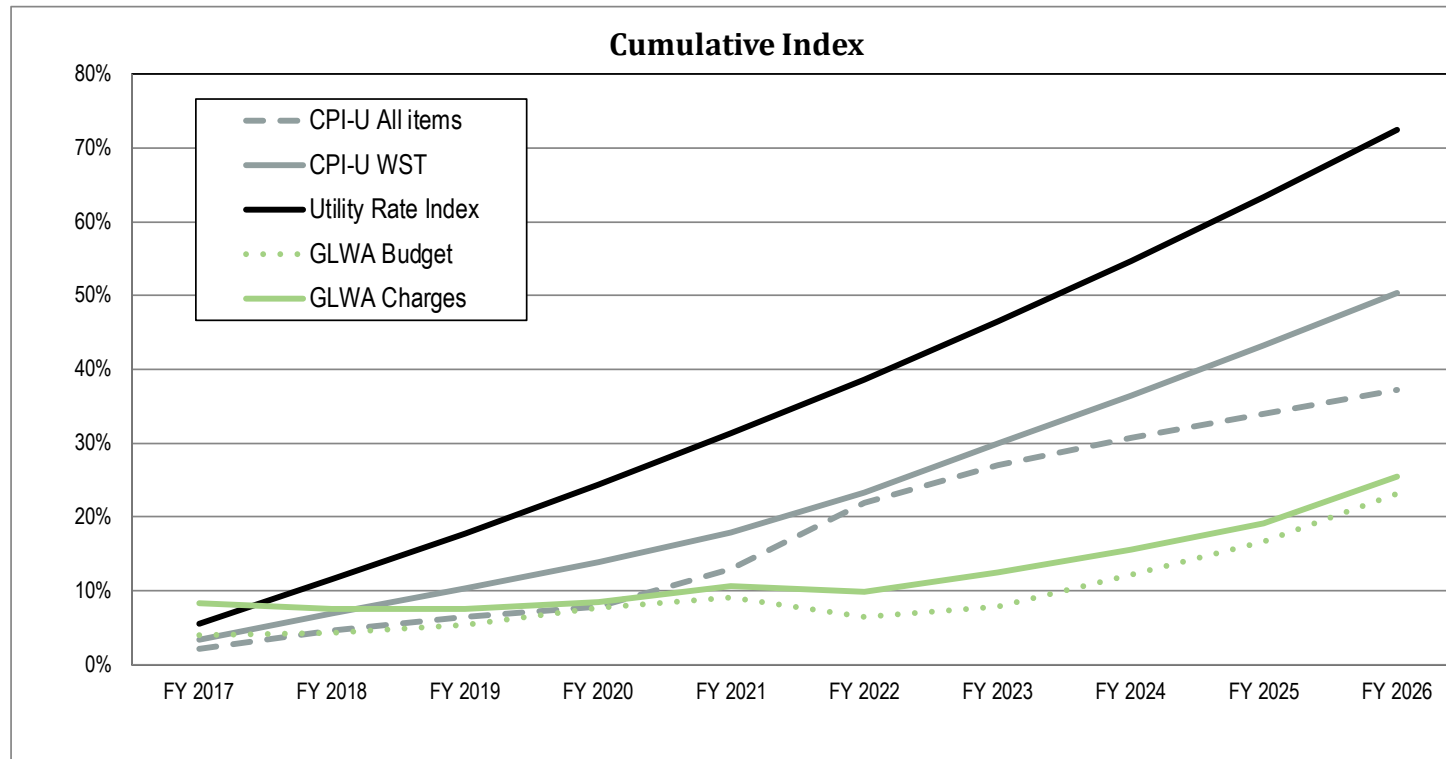
Cumulative Historical "Sewage Disposal System Budget & Charge" Adjustments

(a) FY 2017 - FY 2024 Bureau of Labor Statistics, CPI-U, All items in U.S. city average, all urban consumers, not seasonally adjusted (calendar year). FY 2025 and FY 2026 estimated based on Public Sector Consultants Economic Task Force Phase 1 Report presented to the Board of Directors on October 9, 2024.

(b) Bureau of Labor Statistics, CPI-U, Water and sewer and trash collection services in U.S. city average, all urban consumers, not seasonally adjusted (calendar year), FY 2025 and FY 2026 based on FY 2024

(c) Black & Veatch 2024 50 Largest Cities Rate Survey Average rate of change water bills 2001-2024. The average was used for all years.

	Cumulative Index									
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
(a) CPI-U All items	2.1%	4.6%	6.5%	7.8%	12.9%	21.9%	27.0%	30.7%	34.0%	37.2%
(b) CPI-U WST	3.4%	7.0%	10.4%	13.9%	18.0%	23.3%	30.0%	36.4%	43.3%	50.4%
(c) Utility Rate Index	5.6%	11.5%	17.8%	24.4%	31.3%	38.7%	46.4%	54.6%	63.3%	72.4%
GLWA Budget	4.0%	4.3%	5.4%	7.7%	9.1%	6.5%	7.9%	12.2%	16.7%	23.1%
GLWA Charges	8.3%	7.5%	7.6%	8.5%	10.6%	9.9%	12.6%	15.7%	19.1%	25.4%



Despite the level of the proposed budget and charges adjustment, GLWA is materially positive over time compared to economic and utility sector indices

How Has GLWA Absorbed These Increases and Stayed within 4% Promise?

Three key factors that allowed GLWA to *defer* passing along multiple years of double digit increases in commodities (such as chemicals and utilities) and construction costs.

1. At the onset of the COVID era, GLWA's large spend for chemicals and construction costs were under multiple year contracts. With fixed pricing in place, the impact of increases in costs was not realized until after those contracts expired. New contracts reflect current pricing.
2. The investment rate of return for GLWA's fixed income portfolio has experienced materially favorable performance for the past two years. That is about to change. Revenues from investment earnings, reduce the need to increase charges. However, investment rates of return are cyclical. A lower rate of return is expected beginning in FY 2025 which increases pressure on charges.
3. Some maintenance and capital projects were deferred. While the public does not physically see aging water utility infrastructure as one would with roads and bridges, the need to consistently and continuously repair, upgrade and/or replace the infrastructure exists. New technology and programs such as the Linear System Integrity Program allow for targeted, smart investment in infrastructure, yet it also identifies where further work is needed along with an indicator of urgency.

How Has GLWA Absorbed These Increases and Stayed within 4% Promise?

- ◆ Commitment to ten year plan that is a roadmap to achieving desirable credit metrics. This supports a lower cost of borrowing. Bond refunding savings keeping charges low and fend off budget pressures.
 - ◆ In FY 2024, active management of GLWA's debt portfolio resulted in nearly \$176 million in future annual cash flow sales from bond refinancing transactions in November 2023 and May 2024.
 - ◆ As we received good news on debt savings, the costs for the corrosion control strategy emerged. While there is no lead in GLWA's water and no lead pipes in GLWA's transmission system, increasing the orthophosphate dosage was deemed the best course of action for the region.
- ◆ Cross functional teams focus on better understanding costs so that we can control them. Collectively, the total costs of commodities in FY 2025 are anticipated to be approximately 55% higher than FY 2020. This cross functional team made progress, including natural gas costs containment, and continues to explore further opportunities and education.
- ◆ GLWA's engineering teams have been on the forefront of seeing escalated project bid costs. Their negotiation skills and willingness to revisit a project approach, or in some cases rebid, demonstrates a commitment to making sure that GLWA extracts the highest value for the resources that our Member Partners have entrusted us to manage.



2 - Proposed FY 2026 and FY 2027 Biennial Budget Request as of January 6, 2025

1A - Water System Biennial Revenue Requirement

	FY 2024	FY 2025	FY 2026			FY 2027		
Water System Revenue Requirement	Actual	Adopted Budget	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
Revenues								
Revenues from Charges								
Suburban Wholesale Customers	\$ 326,367,836	\$ 347,758,000	\$ 371,898,700	\$ 24,140,700	6.9%	\$ 398,806,200	\$ 26,907,500	7.2%
Local System Charges	25,537,200	27,094,800	30,622,600	3,527,800	13.0%	34,554,700	3,932,100	12.8%
Total Revenue from Charges	351,905,036	374,852,800	402,521,300	27,668,500	7.4%	433,360,900	30,839,600	7.7%
Other Operating Revenue	901,919	400,000	300,000	(100,000)	-25.0%	300,000	-	0.0%
Investment Earnings								
Unrestricted	13,343,940	6,692,200	7,884,400	1,192,200	17.8%	7,872,900	(11,500)	-0.1%
Restricted for Debt Service	4,992,455	3,182,100	3,302,100	120,000	3.8%	3,523,600	221,500	6.7%
Total Investment Earnings	18,336,395	9,874,300	11,186,500	1,312,200	13.3%	11,396,500	210,000	1.9%
Total Revenues	\$ 371,143,350	\$ 385,127,100	\$ 414,007,800	\$ 28,880,700	7.5%	\$ 445,057,400	\$ 31,049,600	7.5%
Revenue Requirements								
Operations & Maintenance Expense	\$ 161,037,183	\$ 169,625,000	\$ 182,456,000	\$ 12,831,000	7.6%	\$ 193,475,700	\$ 11,019,700	6.0%
Debt Service	160,622,417	175,300,800	185,983,000	10,682,200	6.1%	203,033,000	17,050,000	9.2%
General Retirement System Pension	1,505,500	2,283,300	1,622,200	(661,100)	-29.0%	1,450,400	(171,800)	-10.6%
Water Residential Assistance Program Contribution	1,851,600	1,947,800	2,004,100	56,300	2.9%	2,157,500	153,400	7.7%
Extraordinary Repair & Replacement Deposit	2,836,000	-	1,244,500	1,244,500	100.0%	892,200	(352,300)	-28.3%
Regional System Lease	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	6,200,000	1,600,000	(4,600,000)	-74.2%	1,100,000	(500,000)	-31.3%
Improvement & Extension Fund Transfer Pending	15,767,900	7,270,200	16,598,000	9,327,800	128.3%	20,448,600	3,850,600	23.2%
Annual Water System Revenue Requirements	\$ 366,120,600	\$ 385,127,100	\$ 414,007,800	\$ 28,880,700	7.5%	\$ 445,057,400	\$ 31,049,600	7.5%

The revenue requirement schedule is the basis for charges.

In last year's FY 2026 Biennial Budget that was adopted by the Board of Directors, the expected revenue increase was **7.2%** for suburban wholesale and **13.4%** for the local system.

Through careful planning, the **preliminary** increase is lower for suburban wholesale at **6.9%** and **13.0%** for the local system.

The differential in the percentages between suburban and local is due to a higher *effective* rate for the local system after a \$20.7M annual credit.

Final charges calculations will provide the actual proposed charge for each Member Partner that may vary from above amounts.

1C - Sewer System Revenue Requirement

Sewer System Revenue Requirement	FY 2024	FY 2025	FY 2026			FY 2027		
	Actual	Adopted Budget	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
Revenues								
Revenues from Charges								
Suburban Wholesale Customers	\$ 267,200,190	\$ 287,517,600	\$ 301,556,600	\$ 14,039,000	4.9%	\$ 317,570,900	\$ 16,014,300	5.3%
Local System Charges	196,569,600	205,924,800	217,909,900	11,985,100	5.8%	229,996,100	12,086,200	5.5%
Industrial Waste Control Charges	8,617,495	8,719,300	9,213,500	494,200	5.7%	9,711,900	498,400	5.4%
Pollutant Surcharges	4,088,519	5,434,400	5,742,400	308,000	5.7%	6,053,000	310,600	5.4%
Total Revenue from Charges	476,475,804	507,596,100	534,422,400	26,826,300	5.3%	563,331,900	28,909,500	5.4%
Other Operating Revenue	(827,846)	700,000	450,000	(250,000)	-35.7%	450,000	-	0.0%
Investment Earnings								
Unrestricted	16,344,105	10,494,500	10,331,200	(163,300)	-1.6%	11,369,800	1,038,600	10.1%
Restricted for Debt Service	6,824,701	1,861,500	4,081,400	2,219,900	119.3%	4,338,300	256,900	6.3%
Total Investment Earnings	23,168,806	12,356,000	14,412,600	2,056,600	16.6%	15,708,100	1,295,500	9.0%
Total Revenues	\$ 498,816,764	\$ 520,652,100	\$ 549,285,000	\$ 28,632,900	5.5%	\$ 579,490,000	\$ 30,205,000	5.5%
Revenue Requirements								
Operations & Maintenance Expense	\$222,673,733	\$228,934,000	\$242,124,500	\$13,190,500	5.8%	\$250,889,700	\$8,765,200	3.6%
Debt Service	229,316,502	226,279,400	222,402,500	(3,876,900)	-1.7%	243,463,300	21,060,800	9.5%
General Retirement System Pension	3,096,800	4,846,300	3,648,800	(1,197,500)	-24.7%	3,262,300	(386,500)	-10.6%
Water Residential Assistance Program Contribution	2,503,104	2,651,700	2,661,100	9,400	0.4%	2,804,900	143,800	5.4%
Extraordinary Repair & Replacement Deposit	-	-	364,900	364,900	100.0%	-	(364,900)	-100.0%
Regional System Lease	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Receiving Fund Working Capital Requirement	-	2,300,000	-	(2,300,000)	-100.0%	3,100,000	3,100,000	100.0%
Improvement & Extension Fund Transfer Pending	13,399,600	28,140,700	50,583,200	22,442,500	79.8%	48,469,800	(2,113,400)	-4.2%
Annual Sewer System Revenue Requirements	\$ 498,489,739	\$ 520,652,100	\$ 549,285,000	\$ 28,632,900	5.5%	\$ 579,490,000	\$ 30,205,000	5.5%

The revenue requirement schedule is the basis for charges.

In last year's adopted FY 2026 Biennial Budget, the expected revenue increase was 5.4% for suburban wholesale and 5.6% for the local system.

Through careful planning, the **preliminary** increase is lower for suburban wholesale at 4.9% and approximately the same at 5.8% for the local system.

The differential in the percentages between suburban and local is due to a higher effective rate for the local system after a \$5.5M annual credit.

Final charges calculations will provide the actual proposed charge for each Member Partner that may vary from above amounts.

1E – Combined Water & Sewer Biennial Budget

Combined Water & Sewer System Revenue Requirement	FY 2024	FY 2025	FY 2026			FY 2027		
	Actual	Adopted Budget	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
Revenues								
Revenues from Charges								
Suburban Wholesale Customers	\$ 593,568,026	\$ 635,275,600	\$ 673,455,300	\$ 38,179,700	6.0%	\$ 716,377,100	\$ 42,921,800	6.4%
Local System Charges	222,106,800	233,019,600	248,532,500	15,512,900	6.7%	264,550,800	16,018,300	6.4%
Industrial Waste Control Charges	8,617,495	8,719,300	9,213,500	494,200	5.7%	9,711,900	498,400	5.4%
Pollutant Surcharges	4,088,519	5,434,400	5,742,400	308,000	5.7%	6,053,000	310,600	5.4%
Total Revenue from Charges	828,380,840	882,448,900	936,943,700	54,494,800	6.2%	996,692,800	59,749,100	6.4%
Other Operating Revenue	74,073	1,100,000	750,000	(350,000)	-31.8%	750,000	-	0.0%
Investment Earnings								
Unrestricted	29,688,045	17,186,700	18,215,600	1,028,900	6.0%	19,242,700	1,027,100	5.6%
Restricted for Debt Service	11,817,156	5,043,600	7,383,500	2,339,900	46.4%	7,861,900	478,400	6.5%
Total Investment Earnings	41,505,201	22,230,300	25,599,100	3,368,800	15.2%	27,104,600	1,505,500	5.9%
Total Revenues	\$ 869,960,114	\$ 905,779,200	\$ 963,292,800	\$ 57,513,600	6.3%	\$ 1,024,547,400	\$ 61,254,600	6.4%
Revenue Requirements								
Operations & Maintenance Expense	\$383,710,916	\$398,559,000	\$424,580,500	\$26,021,500	6.5%	\$444,365,400	\$19,784,900	4.7%
Debt Service	389,938,919	401,580,200	408,385,500	6,805,300	1.7%	446,496,300	38,110,800	9.3%
General Retirement System Pension	4,602,300	7,129,600	5,271,000	(1,858,600)	-26.1%	4,712,700	(558,300)	-10.6%
Water Residential Assistance Program Contribution	4,354,704	4,599,500	4,665,200	65,700	1.4%	4,962,400	297,200	6.4%
Extraordinary Repair & Replacement Deposit	2,836,000	-	1,609,400	1,609,400	100.0%	892,200	(717,200)	-44.6%
Regional System Lease	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
Receiving Fund Working Capital Requirement	-	8,500,000	1,600,000	(6,900,000)	-81.2%	4,200,000	2,600,000	162.5%
Improvement & Extension Fund Transfer Pending	29,167,500	35,410,900	67,181,200	31,770,300	89.7%	68,918,400	1,737,200	2.6%
Annual Water & Sewer System Revenue Requirements	\$ 864,610,339	\$ 905,779,200	\$ 963,292,800	\$ 57,513,600	6.3%	\$ 1,024,547,400	\$ 61,254,600	6.4%

2A – Combined O&M Biennial Budget

Expense Category	FY 2024	FY 2025	FY 2026			FY 2027		
	Actual	Adopted Budget	Proposed	Dollar Variance	Percent Variance	Proposed	Dollar Variance	Percent Variance
2.1 Salaries & Wages	\$ 77,594,600	\$ 81,643,800	\$ 86,639,500	\$ 4,995,700	6.1%	\$ 91,967,900	\$ 5,328,400	6.2%
2.2 Workforce Development	1,949,200	2,105,000	3,792,800	1,687,800	80.2%	4,253,000	460,200	12.1%
2.3 Overtime	9,171,300	8,074,200	8,911,200	837,000	10.4%	8,991,200	80,000	0.9%
2.4 Employee Benefits	28,034,900	30,861,400	31,726,700	865,300	2.8%	34,017,600	2,290,900	7.2%
2.5 Transition Services	9,249,300	8,198,000	7,863,000	(335,000)	-4.1%	7,864,800	1,800	0.0%
Total Personnel Costs	125,999,300	130,882,400	138,933,200	8,050,800	6.2%	147,094,499	8,161,300	5.9%
3.1 Electric	49,805,500	49,020,700	51,308,100	2,287,400	4.7%	52,621,700	1,313,600	2.6%
3.2 Gas	7,211,200	7,000,000	7,112,600	112,600	1.6%	7,153,100	40,500	0.6%
3.3 Sewage Service	2,336,500	2,980,100	2,455,300	(524,800)	-17.6%	2,472,400	17,100	0.7%
3.4 Water Service	12,586,100	11,601,700	12,202,800	601,100	5.2%	12,446,800	244,000	2.0%
Total Utility Costs	71,939,300	70,602,500	73,078,800	2,476,300	3.5%	74,694,000	1,615,200	2.2%
4.1 Chemicals	31,075,400	34,834,900	38,364,600	3,529,700	10.1%	38,565,800	201,200	0.5%
4.2 Supplies & Other	43,058,700	43,024,600	45,248,600	2,224,000	5.2%	45,845,400	596,800	1.3%
4.3 Contractual Services	119,298,200	114,508,700	123,550,400	9,041,700	7.9%	126,235,400	2,685,000	2.2%
5.1 Capital Program Allocation	(2,847,300)	(4,581,800)	(3,739,600)	842,200	-18.4%	(4,669,000)	(929,400)	24.9%
5.2 Shared Services	(2,280,400)	(2,279,500)	(2,339,100)	(59,600)	2.6%	(2,417,000)	(77,900)	3.3%
5.5 Intergovernmental Agreement	(2,532,100)	(638,200)	-	638,200	100.0%	-	-	0.0%
6.0 Capital Outlay	-	-	-	-	0.0%	-	-	0.0%
7.0 Unallocated Reserve	-	12,205,400	11,483,800	(721,600)	-5.9%	19,016,300	7,532,500	65.6%
Total Other Categories	185,772,500	197,074,100	212,568,700	15,494,600	7.9%	222,576,900	10,008,200	4.7%
Grand Total	\$ 383,711,100	\$ 398,559,000	\$ 424,580,700	\$ 26,021,700	6.5%	\$ 444,365,400	\$ 19,784,700	4.7%

Capital Program Activities

- ◆ There are four capital related budgets
 - ◆ 5A – Water Improvement and Extension Fund
 - ◆ 5B – Sewer Improvement and Extension Fund
 - ◆ 5C – Water Construction Fund
 - ◆ 5D – Sewer Construction Fund
- ◆ Capital Improvement Plan FY 2026 – 2030
 - ◆ Discussion Draft 2 – Presented to GLWA Board Capital Planning Committee Meeting December 10, 2024

5A – Water Improvement and Extension Fund

Water Improvement & Extension Fund	Adopted Budget	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2027	FY 2027	FY 2028	FY 2029
Inflows						
Transfers in from Water Operations Fund						
Revenue Transfers	\$ 7,270,200	\$ 16,598,000	\$ 20,448,600	\$ 39,375,800	\$ 57,509,000	\$ 73,276,400
Investment Earnings	938,700	3,270,800	2,939,500	3,126,000	3,919,400	3,639,700
Total Inflows	8,208,900	19,868,800	23,388,100	42,501,800	61,428,400	76,916,100
Outflows						
Capital outlay	10,527,800	13,738,000	9,089,100	9,537,800	8,743,300	8,764,100
Transfers out to Water Operations Fund						
Investment Earnings	938,700	3,270,800	2,939,500	3,126,000	3,919,400	3,639,700
Transfer out to Water Construction Fund						
Revenue Financed Capital	15,000,000	9,250,000	11,750,000	14,500,000	11,000,000	7,250,000
Total Outflows	26,466,500	26,258,800	23,778,600	27,163,800	23,662,700	19,653,800
Net Inflow (Outflow) - Use of I&E Funds	\$ (18,257,600)	(6,390,000)	(390,500)	15,338,000	37,765,700	57,262,300
Beginning Cash Available		99,265,300	92,875,300	92,484,800	107,822,800	145,588,500
Projected Ending Cash Available		\$ 92,875,300	\$ 92,484,800	\$ 107,822,800	\$ 145,588,500	\$ 202,850,800

Investment earnings are transferred to the water operating fund to offset pressure on charges. The largest expenses are a) capital outlay (generally for equipment needed outside of capital projects) and b) transfer to the water construction fund to support the capital improvement fund).

5B – Sewer Improvement and Extension Fund

Sewer Improvement & Extension Fund	Adopted Budget	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2027	FY 2027	FY 2028	FY 2029
Inflows						
Transfers in from Water Operations Fund						
Revenue Transfers	\$ 28,140,700	\$ 50,583,200	\$ 48,469,800	\$ 61,996,700	\$ 84,471,400	\$ 100,479,800
Investment Earnings	1,076,000	5,243,900	5,915,100	7,070,800	4,629,300	4,536,400
Total Inflows	29,216,700	55,827,100	54,384,900	69,067,500	89,100,700	105,016,200
Outflows						
Capital outlay	12,071,300	14,089,800	14,416,000	16,092,400	8,563,300	8,563,200
Transfers out to Water Operations Fund						
Investment Earnings	1,076,000	5,243,900	5,915,100	7,070,800	4,629,300	4,536,400
Transfer out to Water Construction Fund						
Revenue Financed Capital	5,500,000	8,750,000	11,750,000	127,744,500	21,805,000	104,843,400
Total Outflows	18,647,300	28,083,700	32,081,100	150,907,700	34,997,600	117,943,000
Net Inflow (Outflow) - Use of I&E Funds	\$ 10,569,400	27,743,400	22,303,800	(81,840,200)	54,103,100	(12,926,800)
Beginning Cash Available		159,147,100	186,890,500	209,194,300	127,354,100	181,457,200
Projected Ending Cash Available		\$ 186,890,500	\$ 209,194,300	\$ 127,354,100	\$ 181,457,200	\$ 168,530,400

Investment earnings are transferred to the sewer operating fund to offset pressure on charges. The largest expenses are a) capital outlay (generally for equipment needed outside of capital projects) and b) transfer to the sewer construction fund to support the capital improvement fund).

5C – Water Construction Fund

Water Construction Fund	Adopted Budget	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2027	FY 2027	FY 2028	FY 2029
Inflows						
Transfers in from Water Improvement & Extension Fund						
Revenue Financed Capital	\$ 15,000,000	\$ 9,250,000	\$ 11,750,000	\$ 14,500,000	\$ 11,000,000	\$ 7,250,000
Transfers in from Water Operations Fund						
Bond Proceeds	271,562,500	350,000,000	-	350,000,000	-	200,000,000
State Revolving Loans	30,800,000	18,358,800	-	-	-	-
Grants and Capital Contributions	-	2,300,000	2,000,000	-	-	-
Investment Earnings	7,953,300	14,087,800	13,519,500	12,370,400	11,261,000	6,173,300
Total Inflows	325,315,800	393,996,600	27,269,500	376,870,400	22,261,000	213,423,300
Outflows						
Capital Program	210,000,000	185,000,000	235,000,000	290,000,000	220,000,000	145,000,000
Transfers out to Water Operations Fund						
Bond Cost of Issuance	-	2,625,000	-	2,625,000	-	1,500,000
Total Outflows	210,000,000	187,625,000	235,000,000	292,625,000	220,000,000	146,500,000
Net Inflow (Outflow) - Use of Construction Funds	\$ 115,315,800	206,371,600	(207,730,500)	84,245,400	(197,739,000)	66,923,300
Beginning Cash Available		331,408,443	537,780,043	330,049,543	414,294,943	216,555,943
Projected Ending Cash Available		\$ 537,780,043	\$ 330,049,543	\$ 414,294,943	\$ 216,555,943	\$ 283,479,243

Investment earnings are restricted and remain in the construction fund. The largest expense is delivery of projects as outlined in the capital improvement plan.

5D – Sewer Construction Fund

Sewer Construction Fund	Adopted Budget	Proposed Budget		Projected		
	FY 2025	FY 2026	FY 2027	FY 2027	FY 2028	FY 2029
Inflows						
Transfers in from Water Improvement & Extension Fund						
Revenue Financed Capital	\$ 15,000,000	\$ 8,750,000	\$ 11,750,000	\$ 127,744,500	\$ 21,805,000	\$ 104,843,400
Transfers in from Water Operations Fund						
Bond Proceeds	271,562,500	150,000,000	-	150,000,000	-	100,000,000
State Revolving Loans	30,800,000	66,931,100	84,170,600	95,000,000	91,887,500	72,500,000
Grants and Capital Contributions	-	21,676,000	-	-	-	-
Investment Earnings	7,953,300	6,319,700	5,196,700	4,838,800	4,385,800	2,442,100
Total Inflows	325,315,800	253,676,800	101,117,300	377,583,300	118,078,300	279,785,500
Outflows						
Capital Program	210,000,000	175,000,000	235,000,000	285,000,000	255,000,000	190,000,000
Transfers out to Water Operations Fund						
Bond Cost of Issuance	-	1,125,000	-	1,125,000	-	750,000
Total Outflows	210,000,000	176,125,000	235,000,000	286,125,000	255,000,000	190,750,000
Net Inflow (Outflow) - Use of Construction Funds	\$ 115,315,800	77,551,800	(133,882,700)	91,458,300	(136,921,700)	89,035,500
Beginning Cash Available		156,180,100	233,731,900	99,849,200	191,307,500	54,385,800
Projected Ending Cash Available		\$ 233,731,900	\$ 99,849,200	\$ 191,307,500	\$ 54,385,800	\$ 143,421,300

Investment earnings are restricted and remain in the construction fund. The largest expense is delivery of projects as outlined in the capital improvement plan.



**3 - FY 2026 - FY 2035 Ten Year
Financial Plan Update as of
January 6, 2025**

Importance of a Ten Year Plan

- ◆ Supports organizational resiliency by providing a roadmap to maintaining financial strength and acknowledging how decisions made today impact the future
- ◆ Smooths out impacts of peak financial needs of the capital improvement plan and fluctuating economic decisions
- ◆ Transparently communicates current and future needs– and how that impacts charges
- ◆ Provides a way to measure performance – was the plan achieved; and if not, why

Updates to the Financial Plan

- ◆ GLWA updates the financial plan regularly to stay aligned with other key financial decision points
 1. Annual budget and charges cycle
 2. Debt issuance
 3. Other events such as significant economic changes or capital decisions
- ◆ The plan is not created in a vacuum; internal cross-functional teams, external advisors, and key stakeholders provide input

Variations from the June 2024 Bond Transaction Financial Plan

- ◆ The current financial plan has higher O&M costs. Additional analysis is in process to reduce the O&M costs before the final charges are determined.
- ◆ The current financial plan includes more debt funding for capital improvements due to the higher O&M costs which results in less I&E funds being available for capital projects.
- ◆ The CIP timing has changed, requiring funding sooner in the current financial plan.
- ◆ The total five-year CIP plan for water is consistent with the last financial plan. The total five-year CIP plan for sewer has increased by approximately \$190 million.

The Importance of the Debt Service Coverage Ratio

- ◆ These variance result in a decrease in the debt service coverage from the previous plan.
- ◆ Rating agencies look at the debt service coverage when determining credit ratings. The Authority's credit ratings affect the interest rate on future debt financings.
- ◆ The Authority has maintained a healthy level of days cash which has offset the effect of a lower debt service coverage.
- ◆ The Authority received increased credit ratings in 2023 which allowed the Authority to reduce the reserve requirements to zero with the June 2024 bond refunding transaction.

Goal to Manage Debt to Reduce Interest Costs

- 💧 Bond refundings since GLWA's operational start in 2016 have reduced future debt service payments by \$896.5 million with a net present value savings of \$546.3M.
- 💧 These reductions are spread over many future years. They have been instrumental in keeping charges lower.
- 💧 The Authority is a very highly leveraged system, with debt service making up 45% of the total water system and 40% of the sewer system revenue requirements.
- 💧 The long-term goal is to reduce the amount of debt financing through the use of I&E Funds (annual set aside revenue for capital projects with shorter lives), thereby reducing the interest costs that are being incurred.

Rating Agency Concerns 1.15.2025 – Water Sector

S&P Global
Ratings

**U.S. Not-For-Profit Utilities 2025 Outlook: Rough
Water Likely Will Underscore Credit Trends**

January 15, 2025

RatingsDirect®

Sector View: Negative

- Rising costs will continue to pressure margins. Sector-specific capital and operating costs continue to outpace broad inflation measures and, in many cases, have not been fully passed through to ratepayers. Although some costs have abated relative to recent years, payroll growth, staffing shortages, construction costs, and higher baseline interest rates will continue to drive expenditure increases.
- Capital investment needs are accelerating. Aging infrastructure is one of the most pressing matters in the water utility sector, with many assets nearing or exceeding their useful lives. Asset failures have led to rapid liquidity deterioration, and regulatory and climate hazards will exacerbate capital needs and require proactive operational management.
- Affordability is a widening credit issue, especially for the most vulnerable portion of the population. The sector has historically been underpinned by strong rate-setting flexibility, but we have observed a greater reluctance to fully pass through costs to ratepayers. This has resulted in narrowing margins and weaker liquidity, which we expect will continue in 2025, given rising revenue requirements and economic headwinds from potential federal policy shifts.

Water Preliminary Ten-Year Forecast

- The Debt Service Coverage (DSC) Ratio chart includes DWSD data which is pending updated information.
- This is the DSC ratio that rating agencies look at when assigning ratings.
- Debt Service Coverage as calculated as revenues less expenses divided by debt service. The higher the number, the greater the financial strength to repay debt.

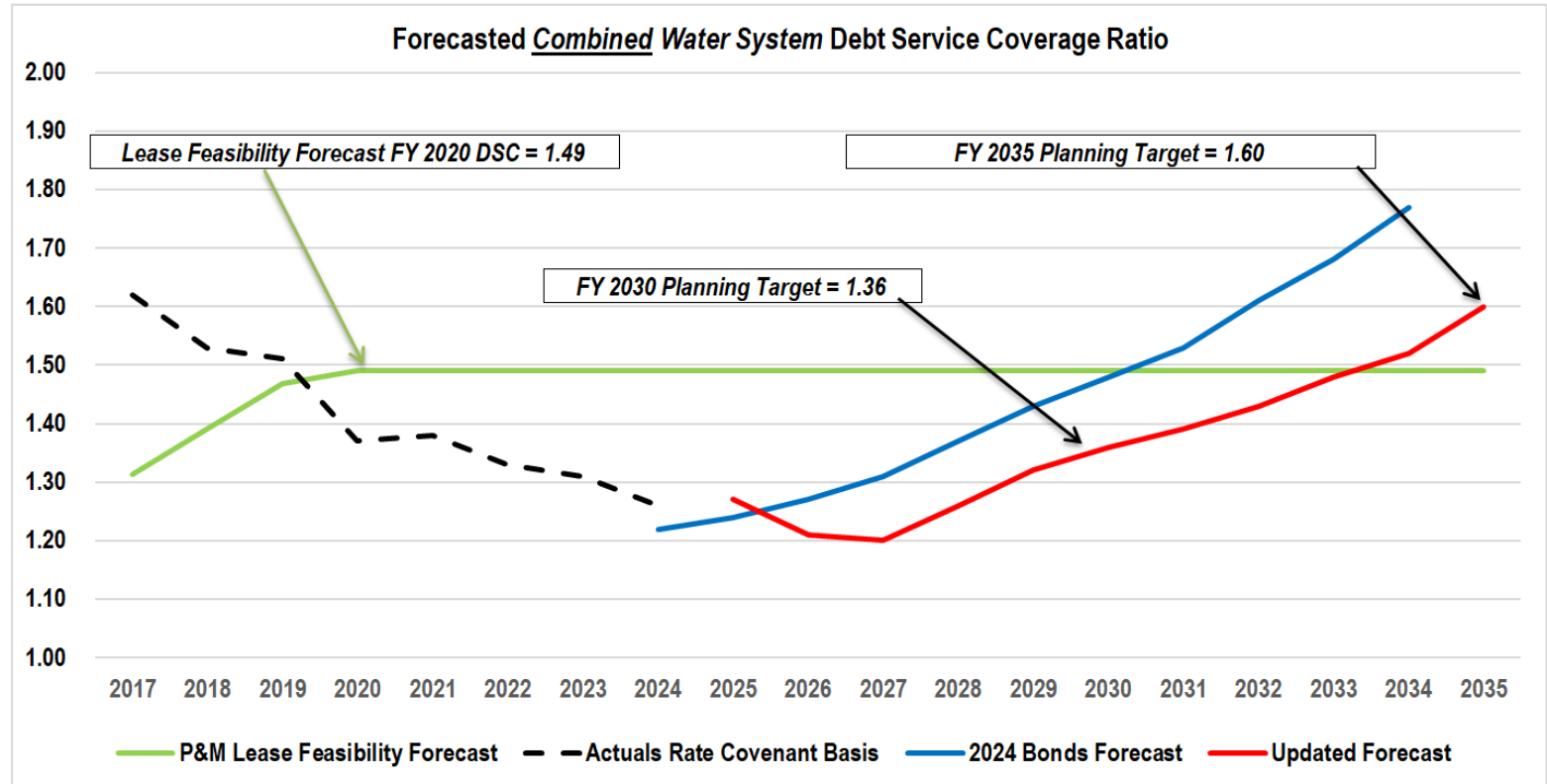


Table data includes only the GLWA Regional System

Regional System Cumulative Avg Annual Budget Increase

If 4% Promise Was Fully Implemented	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Actual & Preliminary Updated Forecast	4.0%	1.5%	1.3%	1.6%	1.4%	1.3%	1.6%	1.9%	2.1%	2.7%	3.1%	3.5%	3.8%	3.9%	3.9%	3.9%	4.0%	4.0%	4.0%	4.0%
Regional Actual Budget Adjustments	4.0%	-0.9%	1.0%	2.5%	0.6%	0.7%	3.5%	4.0%	4.0%											
Regional Forecasted Budget Adjustments										7.5%	7.5%	7.5%	7.5%	6.0%	4.0%	4.0%	5.0%	5.0%	4.0%	
Regional Actual Charges Adjustments	4.5%	1.8%	1.8%	0.6%	3.2%	1.5%	3.7%	2.8%	3.3%											
Regional Forecasted Charges Adjustments										7.4%	7.7%	7.4%	7.3%	6.8%	4.3%	3.8%	5.1%	5.0%	4.5%	
Regional Actual/Forecasted Days Cash	959	1,066	1,058	1,086	1,043	632	573	640	494	452	429	450	527	626	739	740	760	543	613	
New Money Bonds needed (millions)										\$ 300	\$ 350	\$ -	\$ 350	\$ -	\$ 200	\$ -	\$ 200	\$ -	\$ 150	\$ -
Capital Projects Spend Forecast (millions)										\$ 210	\$ 185	\$ 235	\$ 290	\$ 220	\$ 145	\$ 155	\$ 190	\$ 275	\$ 265	\$ 240



Water Preliminary Ten-year Forecast

GLWA Regional Water System												
	Adopted 2025	Forecasted										
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Revenues												
Revenue from Charges												
1 Wholesale Charges	\$ 347,758,000	\$ 347,758,000	\$ 371,898,700	\$ 398,806,200	\$ 426,954,800	\$ 456,619,300	\$ 486,327,500	\$ 506,135,500	\$ 524,573,300	\$ 550,028,900	\$ 576,556,500	\$ 601,327,200
2 Local System Charges	27,094,800	27,094,800	30,622,600	34,554,700	38,668,200	43,003,200	47,344,600	50,239,200	52,933,600	56,653,600	60,530,200	64,150,100
3 Total Revenue from Water Charges	374,852,800	374,852,800	402,521,300	433,360,900	465,623,000	499,622,500	533,672,100	556,374,700	577,506,900	606,682,500	637,086,700	665,477,300
Investment Earnings												
4 Unrestricted	6,692,200	10,181,800	7,884,400	7,872,900	8,430,200	9,643,800	7,678,400	7,360,800	8,784,200	8,966,000	9,374,000	6,940,600
5 Restricted	3,182,100	3,325,100	3,302,100	3,523,600	4,081,100	4,743,300	3,530,200	2,972,000	3,111,400	3,255,900	3,421,700	3,504,600
6 Total Investment Earnings	9,874,300	13,506,900	11,186,500	11,396,500	12,511,300	14,387,100	11,208,600	10,332,800	11,895,600	12,221,900	12,795,700	10,445,200
7 Other Operating Revenue	400,000	400,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
8 Total Revenues	385,127,100	388,759,700	414,007,800	445,057,400	478,434,300	514,309,600	545,180,700	567,007,500	589,702,500	619,204,400	650,182,400	676,222,500
Revenue Requirements												
9 Operations & Maintenance Expense	169,625,000	169,625,000	182,456,000	193,475,700	198,159,400	199,052,300	203,480,900	207,550,500	211,701,500	215,935,500	220,254,200	224,659,300
10 Debt Service - Regional System	175,300,800	165,476,100	185,983,000	203,033,000	213,374,400	226,385,500	237,042,700	244,543,200	249,621,300	257,002,300	265,002,300	263,821,000
11 General Retirement System Pension	2,283,300	1,653,300	1,622,200	1,450,400	1,306,700	1,275,600	1,824,100	1,793,000	1,761,900	1,730,700	1,699,600	1,546,900
Water Residential Assistance												
12 Program Contribution	1,947,800	1,876,500	2,004,100	2,157,500	2,318,000	2,487,200	2,656,600	2,769,500	2,874,700	3,019,800	3,171,100	3,312,300
Extraordinary Repair &												
13 Replacement Deposit	0	0	1,244,500	892,200	0	0	0	0	0	0	18,600	120,000
14 Regional System Lease	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000	22,500,000
15 Working Capital Requirement	6,200,000	12,000,000	1,600,000	1,100,000	1,400,000	5,100,000	4,400,000	3,300,000	2,900,000	3,400,000	3,500,000	2,000,000
Improvement & Extension Fund												
16 Transfer Pending	7,270,200	15,628,800	16,598,000	20,448,600	39,375,800	57,509,000	73,276,400	84,551,300	98,343,100	115,616,100	134,036,600	158,263,000
17 Total Revenue Requirements	385,127,100	388,759,700	414,007,800	445,057,400	478,434,300	514,309,600	545,180,700	567,007,500	589,702,500	619,204,400	650,182,400	676,222,500
Debt Service Coverage Projections - Rate Covenant Basis (Regional Water System)												
18 All Bonds, including SRF	1.23	1.32	1.25	1.24	1.31	1.39	1.44	1.47	1.51	1.57	1.62	1.71

Sewer Preliminary Ten-year Forecast

- The Debt Service Coverage (DSC) Ratio chart includes DWSD data which is pending updated information.
- This is the DSC ratio that rating agencies look at when assigning ratings.
- Debt Service Coverage as calculated as revenues less expenses divided by debt service. The higher the number, the greater the financial strength to repay debt.

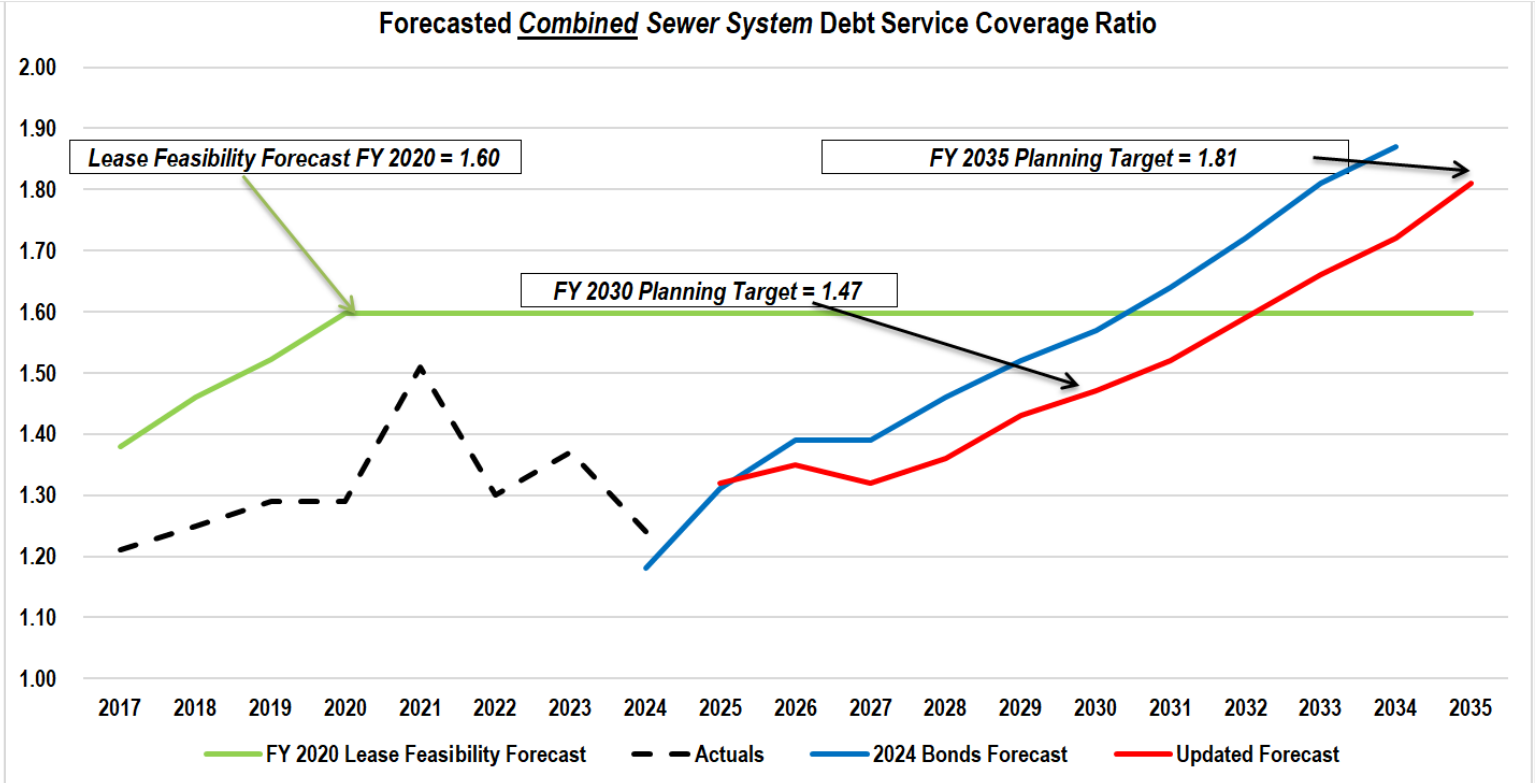


Table data includes only the GLWA Regional System

Regional System Cumulative Avg Annual Budget Increase

If 4% Promise Was Fully Implemented	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Actual & Preliminary Updated Forecast	4.0%	2.1%	1.8%	1.9%	1.8%	1.1%	1.1%	1.5%	1.7%	2.1%	2.4%	2.7%	2.9%	3.0%	3.0%	3.1%	3.1%	3.2%	3.2%	3.2%
Regional Actual Budget Adjustments	4.0%	0.3%	1.0%	2.2%	1.3%	-2.3%	1.3%	4.0%	4.0%											
Regional Forecasted Budget Adjustments										5.5%	5.5%	5.5%	5.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Regional Actual Charges Adjustments	8.3%	-0.7%	0.1%	0.8%	2.0%	0.6%	2.4%	2.8%	3.0%											
Regional Forecasted Charges Adjustments										5.7%	5.4%	5.3%	5.9%	4.7%	4.5%	3.8%	4.1%	3.9%	4.0%	4.0%
Regional Actual/Forecasted Days Cash	495	432	495	593	664	574	521	571	528	542	560	432	506	483	582	569	636	636	612	612
New Money Bonds needed (millions)										\$ 50	\$ 150	\$ -	\$ 150	\$ -	\$ 100	\$ -	\$ 50	\$ -	\$ -	\$ -
Capital Projects Spend Forecast (millions)										\$ 170	\$ 175	\$ 235	\$ 285	\$ 255	\$ 190	\$ 160	\$ 140	\$ 140	\$ 165	\$ 210



Sewer Preliminary Ten-year Forecast

GLWA Regional Sewer System													
	Adopted 2025	Forecasted											
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035		
Revenues													
Revenue from charges													
1	Wholesale Charges	287,517,600	287,517,600	301,556,600	317,570,900	334,037,700	353,369,400	369,590,100	385,937,700	400,445,900	416,491,000	432,465,900	449,705,400
2	Local System Charges	205,924,800	205,924,800	217,909,900	229,996,100	242,423,900	257,013,700	269,255,700	281,593,500	292,543,000	304,652,500	316,709,100	329,719,900
3	Industrial Waste Charges	8,719,300	8,719,300	9,213,500	9,711,900	10,224,400	10,826,000	11,330,800	11,839,600	12,291,100	12,790,500	13,287,700	13,824,200
4	Pollutant Surcharges	5,434,400	5,434,400	5,742,400	6,053,000	6,372,400	6,747,400	7,062,000	7,379,100	7,660,500	7,971,700	8,281,600	8,616,000
Total Revenue from													
5	Sewer Charges	507,596,100	507,596,100	534,422,400	563,331,900	593,058,400	627,956,500	657,238,600	686,749,900	712,940,500	741,905,700	770,744,300	801,865,500
Investment Earnings													
6	Unrestricted	10,494,500	10,807,600	10,331,200	11,369,800	13,000,800	11,206,600	9,200,000	7,185,500	8,823,100	8,805,900	10,035,000	10,237,700
7	Restricted	1,861,500	4,254,100	4,081,400	4,338,300	4,840,400	5,359,000	3,901,200	3,271,400	3,379,700	3,488,800	3,637,500	3,741,000
8	Total Investment Earnings	12,356,000	15,061,700	14,412,600	15,708,100	17,841,200	16,565,600	13,101,200	10,456,900	12,202,800	12,294,700	13,672,500	13,978,700
6	Other Operating Revenue	700,000	700,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
9	Total Revenues	520,652,100	523,357,800	549,285,000	579,490,000	611,349,600	644,972,100	670,789,800	697,656,800	725,593,300	754,650,400	784,866,800	816,294,200
Revenue Requirements													
10	Operations & Maintenance Expense	228,934,000	228,934,000	242,124,500	250,889,700	260,768,400	265,690,500	271,475,300	276,904,800	282,442,900	288,091,800	293,853,600	299,730,700
11	Debt Service - Regional System	226,279,400	219,057,100	222,402,500	243,463,300	249,692,500	255,714,600	260,026,100	264,429,500	266,425,600	268,161,400	273,187,500	272,547,000
12	General Retirement System Pension	4,846,300	3,718,800	3,648,800	3,262,300	2,939,200	2,869,200	3,836,500	3,766,600	3,696,600	3,626,600	3,556,600	3,340,400
Water Residential Assistance													
13	Program Contribution	2,651,700	2,541,500	2,661,100	2,804,900	2,952,800	3,126,400	3,272,100	3,418,900	3,549,200	3,693,300	3,836,800	3,991,600
Extraordinary Repair &													
14	Replacement Deposit	0	0	364,900	0	0	0	0	0	0	695,900	0	0
15	Regional System Lease	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000	27,500,000
16	Working Capital Requirement	2,300,000	0	0	3,100,000	5,500,000	5,600,000	4,200,000	3,600,000	3,300,000	3,200,000	3,900,000	2,900,000
Improvement & Extension Fund													
17	Transfer Pending	28,140,700	41,606,400	50,583,200	48,469,800	61,996,700	84,471,400	100,479,800	118,037,000	138,679,000	159,681,400	179,032,300	206,284,500
18	Total Revenue Requirements	520,652,100	523,357,800	549,285,000	579,490,000	611,349,600	644,972,100	670,789,800	697,656,800	725,593,300	754,650,400	784,866,800	816,294,200
Debt Service Coverage Projections - Rate Covenant Basis (Regional Sewer System)													
19	All Bonds, including SRF	1.29	1.34	1.38	1.35	1.40	1.48	1.54	1.59	1.66	1.74	1.80	1.90

Long-term Affordability of Services

- ◆ Balancing service level needs through reasonable operating and capital investments in the system supports long-term affordability
- ◆ Maturity of GLWA as we approach our tenth year is reflected in talented team members committed to making the system better for the region - and more cost effective for the long-term
- ◆ Efforts to control budgets and charges to low single digits while experiencing medium to high double digit cost increases results in proposed budget and charges above the 4% benchmark
 - ◆ However, may still be able to achieve staying within the 4% cumulative benchmark through 2030 based on current forecast
- ◆ That being said, there are forces beyond our control
 - ◆ Infrastructure supply chain resources continue to be a concern – people and materials
 - ◆ Increasing focus on information technology and data system management
 - ◆ Prudent financial planning supports resiliency when facing challenges
 - ◆ Avoid spikes in budgets and charges by focus on smoothing out annual adjustments when possible

Historical Average System Charge Adjustments

- GLWA's charge adjustments through 2025 have lagged behind inflation.
- GLWA has had significant cost increases in utilities and chemicals since 2022.
- A tight labor market and regional economy resulted in increased personnel costs in 2024 and 2025 to attract and retain team members.
- The bond refundings have significantly helped in keeping charges lower.
- Investment earnings offset increasing O&M expenses in 2023 and 2024. Charge increases will need to offset the reduction of investment income in 2026 due to changing market conditions.

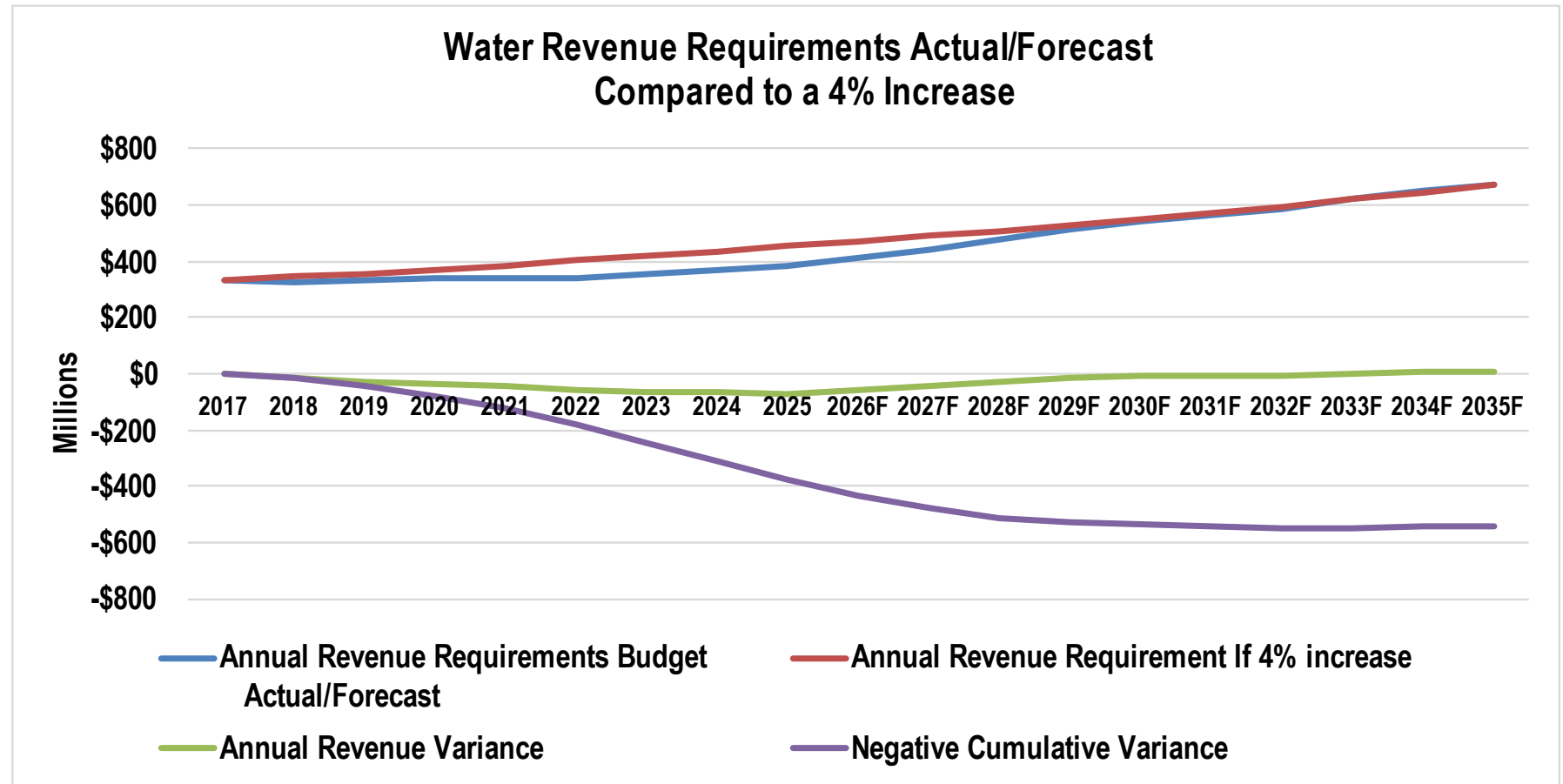
Average System Charge Adjustments		
Year	Water	Sewer
2018	1.8%	-0.7%
2019	1.8%	0.1%
2020	0.6%	0.8%
2021	3.2%	2.0%
2022	1.5%	-0.6%
2023	3.7%	2.4%
2024	2.75%	2.75%
2025	3.25%	3.0%
2026 Preliminary Proposed	7.73%	5.3%
9-Year Average	2.9%	1.7%

Annual CPI Data	
Year	CPI
2018	2.4%
2019	1.8%
2020	1.2%
2021	4.7%
2022	8.0%
2023	4.1%
2024	2.9%
Average	3.6%

Charges well under a cumulative 4% benchmark

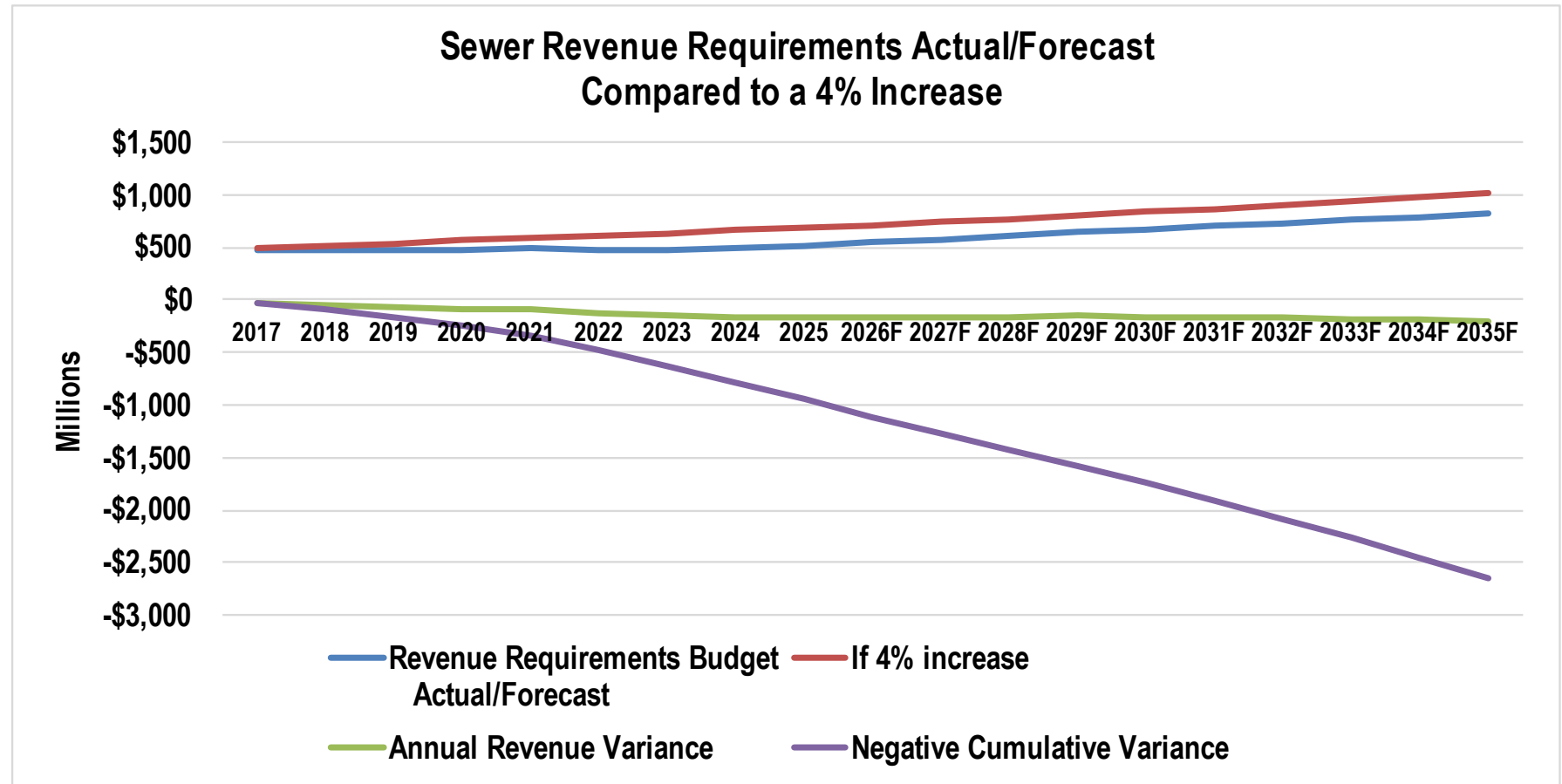
Cumulative Effect of Charge Increases Water

- The feasibility study supporting a regional authority performed by Plante & Moran used a 4% annual revenue increase.
- The cumulative effect of annual increases less than 4% means it will take longer to achieve initial expectations by nearly \$600 million.
- This result is lower debt service coverage ratio than the feasibility study projected.



Cumulative Effect of Charge Increases Sewer

- The feasibility study supporting a regional authority performed by Plante & Moran used a 4% annual revenue increase.
- The cumulative effect of annual increases less than 4% means it will take longer to achieve initial expectations by nearly \$2.5 billion.
- This result is lower debt service coverage ratio than the feasibility study projected.





4 - Debrief: Member Partner One-on-One Meetings

One-on-One Session Debrief:

💧 Charges Outreach & Modeling team met with 11 Member Partners

- 💧 *9 Water Member Partners*

- 💧 *2 Wastewater Member Partners*

💧 Common Questions:

- 💧 “Is everyone getting the same increase?”

- 💧 “Can we expect similar increases every year?”

- 💧 “What happened to the 4 percent promise?”

- 💧 “Did GLWA consider smoothing out the increase over time?”

- 💧 “Is the Highland Park bad debt impacting the charges this year?”

“Is everyone getting the same increase?”

- ◆ The overall effective percentage increase for Member Partners without unique circumstances is uniform at the current proposal
 - ◆ Water at 7.39% and Sewer at 5.34%
- ◆ Annually two Member Partners receive charges consistent with the methodology; but then have unique adjustments creating a net adjustment that is higher (lower denominator in the equation)
 - ◆ DWSD receives a fixed credit that was negotiated with the leases that established GLWA
 - ◆ City of Flint receives a variable credit that was negotiated for GLWA to reimburse the city for raw water rights in the Karegnondi Water Authority transferred to GLWA

Illustrative Example: City of Flint

	Proposed Charge	Net Charge After KWA Debt Credit
This Year	\$ 11,372,200	\$ 5,594,100
Last Year	10,531,300	4,752,800
	<u>\$ 840,900</u>	<u>\$ 841,300</u>
	<u>7.98%</u>	<u>17.70%</u>

“Can we expect similar increases every year?”

- 💧 The reason for forecasting is to understand how decisions made today impact the future. Forecasts are a planning and communication tool.
- 💧 A forecast was presented at Charges Rollout #3. The deferred ability to keep pace with inflation combined with an increase in capital improvement projects indicate challenges over the next few years.
- 💧 Ultimately, the Board of Directors determine the budget and charges.
- 💧 The forecasts are also a way that we demonstrate transparency in decision making.

Forecast as of January 26, 2025 - for Planning Purposes Only - Many Factors Can Affect These Forecasts

	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Water										
Budget	7.5%	7.5%	7.5%	7.5%	6.0%	4.0%	4.0%	5.0%	5.0%	4.0%
Charges	7.4%	7.7%	7.4%	7.3%	6.8%	4.3%	3.8%	5.1%	5.0%	4.5%
Sewer										
Budget	5.5%	5.5%	5.5%	5.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Charges	5.7%	5.4%	5.3%	5.9%	4.7%	4.5%	3.8%	4.1%	3.9%	4.0%

“What happened to the 4 percent promise?”

- ◆ GLWA’s founding documents provided that the annual increase in revenue requirements (budget) could not exceed 4 percent for the first 10 years of the authority’s operation. That sunsets with FY 2025.
- ◆ Early years of the regional authority allowed the budget (and charge) increase to be lower: good economy, savings from bond refunding, and materially positive budget variances during “stand up” phase.
- ◆ Then, the COVID era began in March 2020. This was almost immediately followed by a period of rapid high double digit increases in most cost categories. Along with the unintended constraints of the 4% Promise during that unforeseeable event, increases greater than 4% are needed to restore the founding financial goals set for the GLWA.

“What happened to the 4 percent Promise?”

Short Term Challenges – Long-term Recovery

DSC: Debt Service Coverage – key required measure for bond compliance and key indicator of financial health and sustainability; presented here for regional system only

Scenarios	Sewer	Water
Scenario 1 Objective – Continue 4% Promise past FY 2025 requirement	Year 5 DSC is 1.40 Bond OS Year 5 was 1.48	Not feasible – DSC goes below 1.25 by FY 2027 Bond OS was >1.3 throughout
Scenario 2 Objective – Desired minimum DSC of 1.5 by FY 2028; 1.8 by FY 2033	Requires 5% increase in FY 2026 thru 2028; 3% thereafter	Requires 8% increase in FY 2026 thru FY 2028; 4.5% thereafter
Scenario 3 Objective for Water only – Moderated annual budget increase	n/a – Scenario 2 achieves balance of reasonable annual budget increase and DSC goal	Requires 6% increase for entire forecast period; Reaches 1.75 by FY 2033

Snapshot from a November 2022 Board Presentation related to financial planning and the impact of the cost increases and supply chain constraints

First time that increases as high as 8% for water and 5% for sewer became evident for FY 2026.

“Did GLWA consider smoothing out the increase over time?”

- ◆ The forecast model that has been in place since the beginning of GLWA has smoothing as a key objective.
- ◆ As noted on the prior slide, the options to execute an optimal smoothing strategy were constrained by a combination of the 4% Promise with the unforeseen economic impact of the pandemic.

“Is the Highland Park bad debt impacting the charges this year?”

- ◆ No. The Highland Park charges dispute was resolved October 2023 with a Term Sheet agreement and final legal agreements being signed in April 2024.
- ◆ The City of Highland Park, State of Michigan and GLWA entered into an arrangement that should prevent bad debt expense from occurring in the future.
- ◆ As a result of the agreement, GLWA issued bad debt credits to Member Partners for all water system bad debt and a portion of the sewer bad debt expense from previous years.

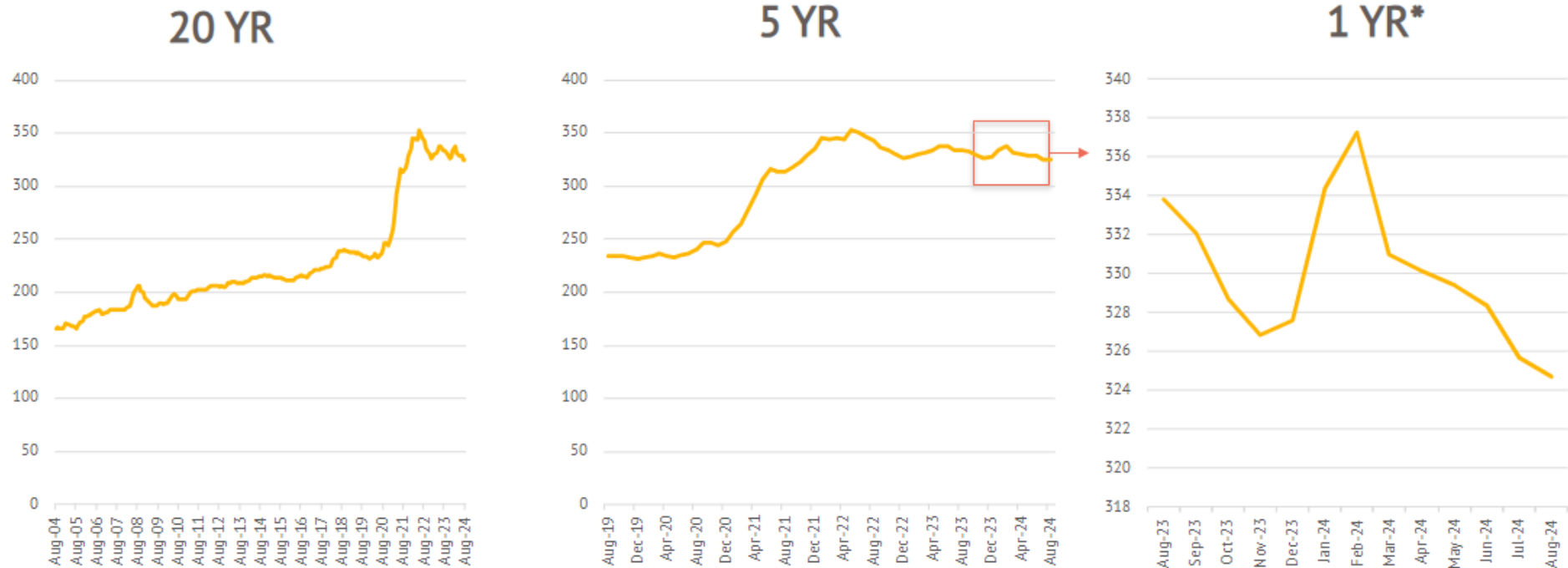
5 – Economic Backdrop

Economic Outlook Task Force Update

October 2024

Economic Backdrop Entering FY 2026

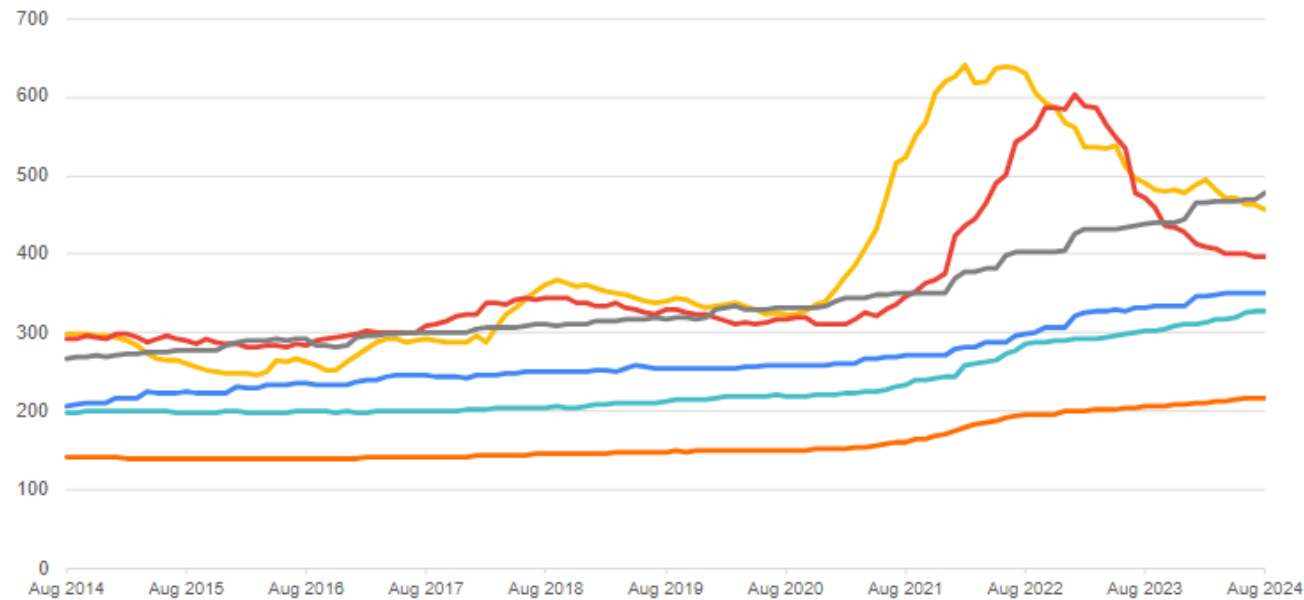
Construction Materials: Producer Price Index



Source File: Board of Directors Workshop October 9, 2024; analysis by Public Sector Consultants

Economic Backdrop Entering FY 2026

Priority Materials: Producer Prices

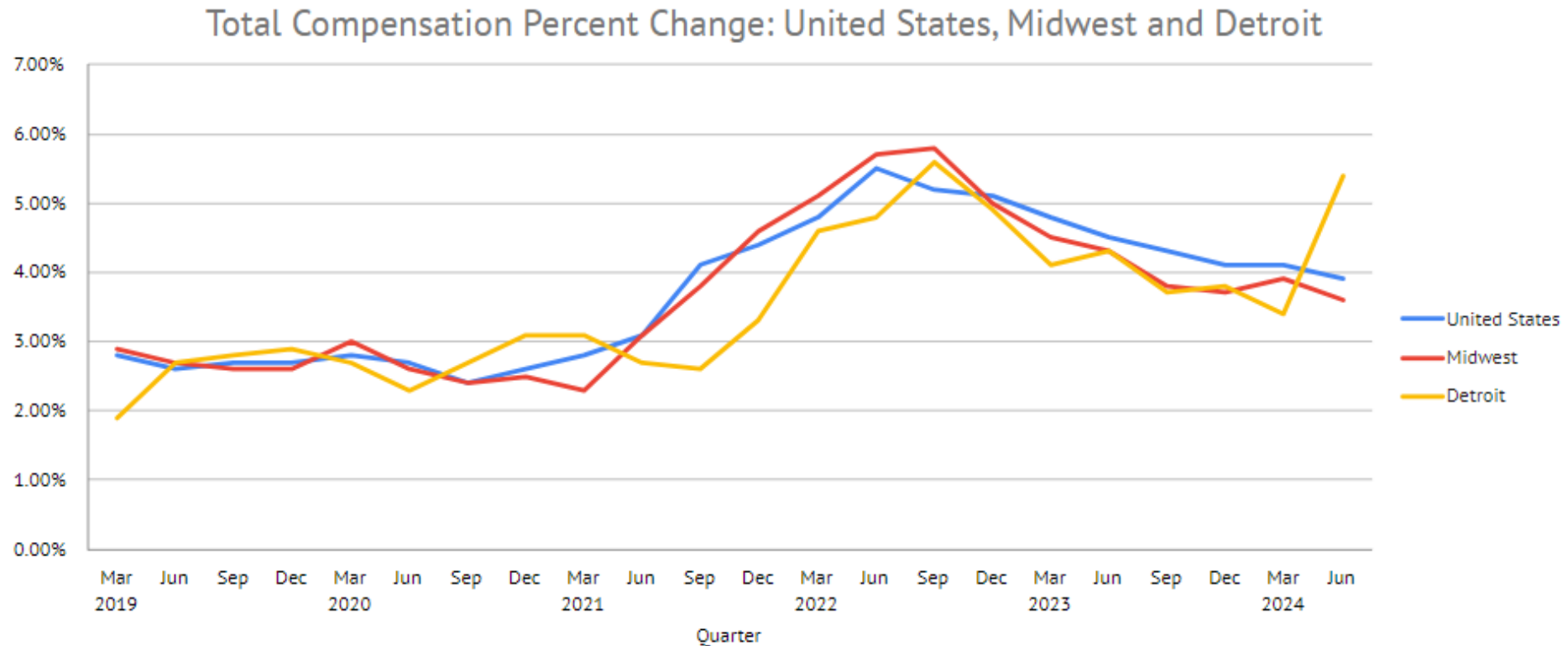


Percent Change	10YR	5YR	1YR
Iron and Steel Pipes and Tubes	53%	34%	-7%
Chlorine	35%	20%	-16%
Aggregates	78%	50%	9%
Cement	69%	37%	6%
Electrical Switch Gear/Board	65%	55%	8%
Elect Equipment	54%	46%	5%

Source File: Board of Directors Workshop October 9, 2024; analysis by Public Sector Consultants

Economic Backdrop Entering FY 2026

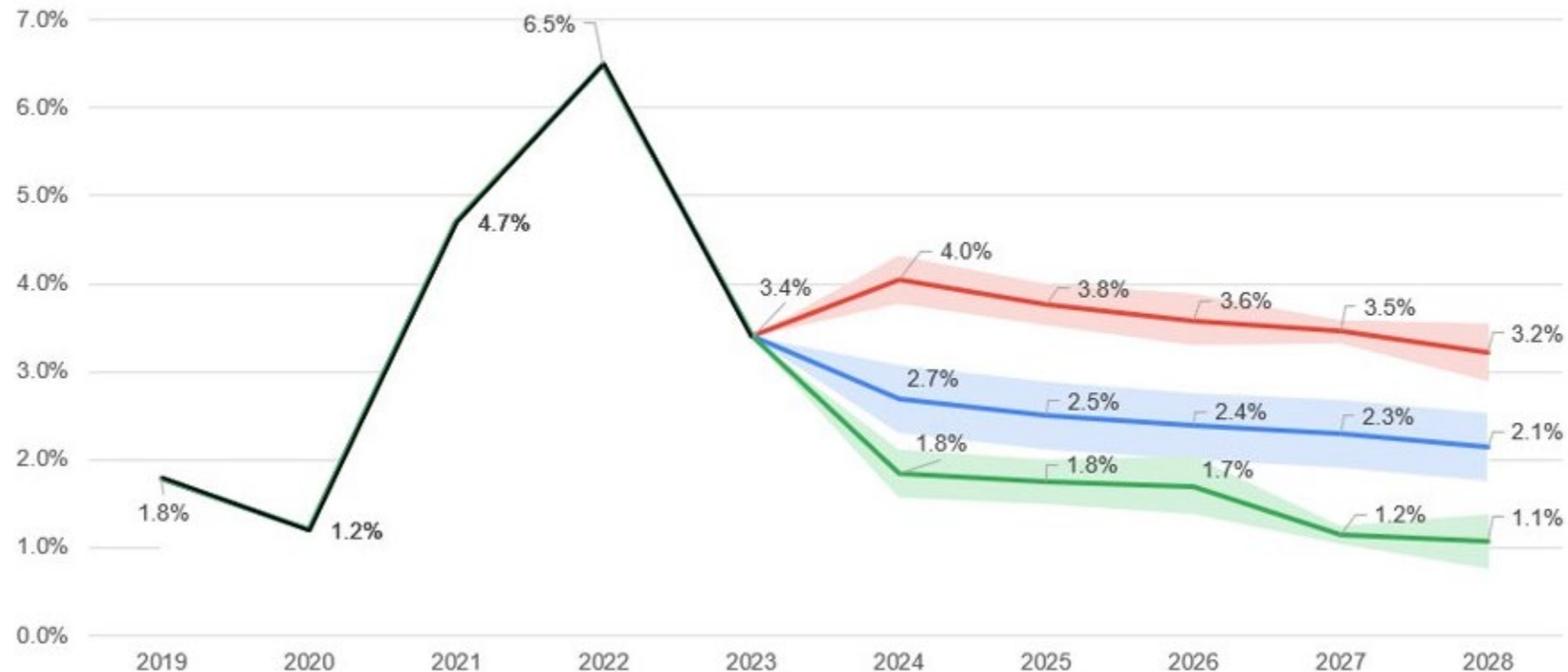
Wages: Total Compensation



Source File: Board of Directors Workshop October 9, 2024; analysis by Public Sector Consultants

Economic Backdrop Entering FY 2026

Southeast Michigan Inflation Forecast

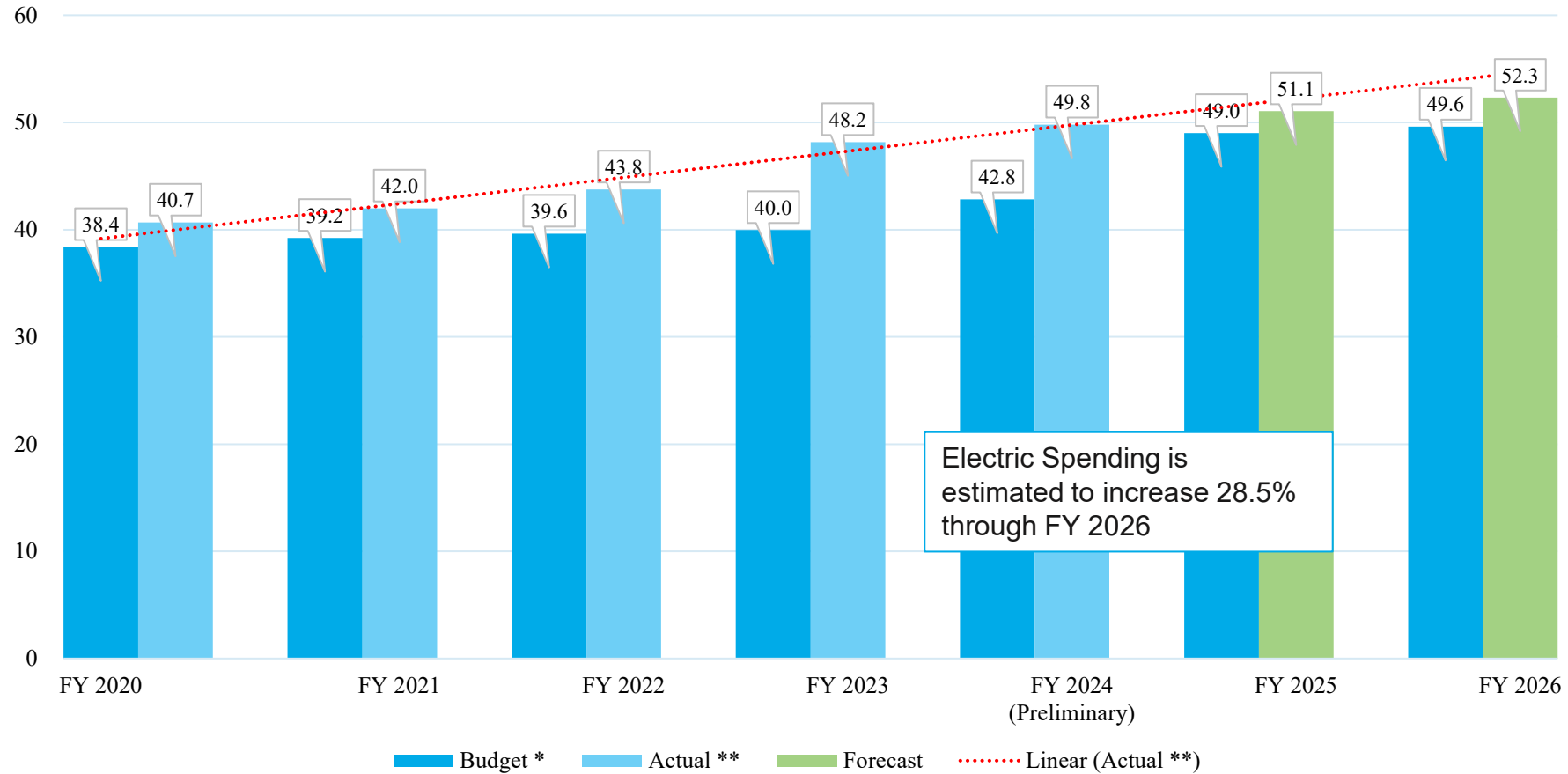


Source File: Board of Directors Workshop October 9, 2024; analysis by Public Sector Consultants

Cost Review Tactical Team Update October 2024

Electric – Executive Summary

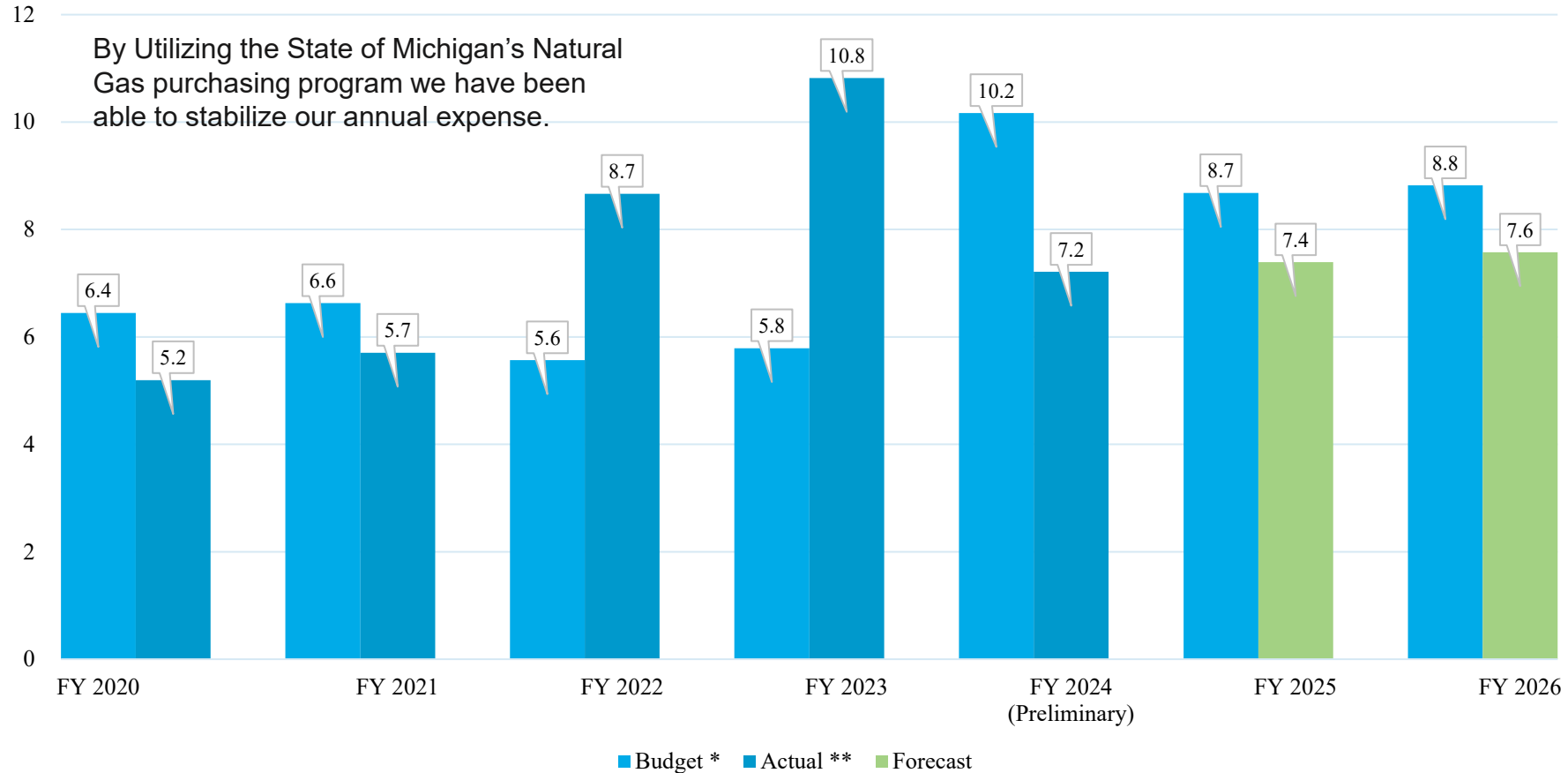
Annual System Wide Electricity Costs - \$ millions



Source File: Board of Directors Workshop October 9, 2024; analysis by GLWA Cost Review Tactical Team

Natural Gas – Executive Summary

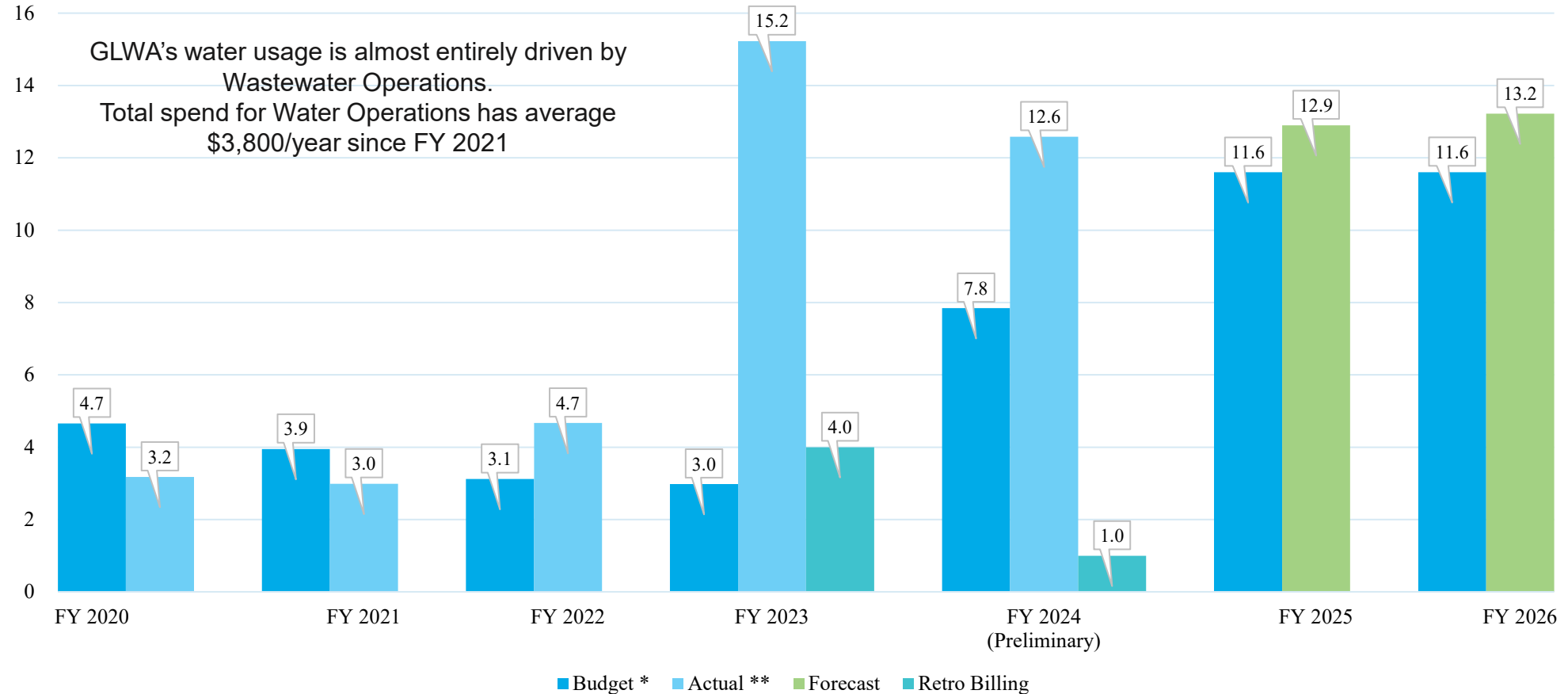
Annual System Wide Natural Gas Costs - \$ millions



Source File: Board of Directors Workshop October 9, 2024; analysis by GLWA Cost Review Tactical Team

Water – Executive Summary

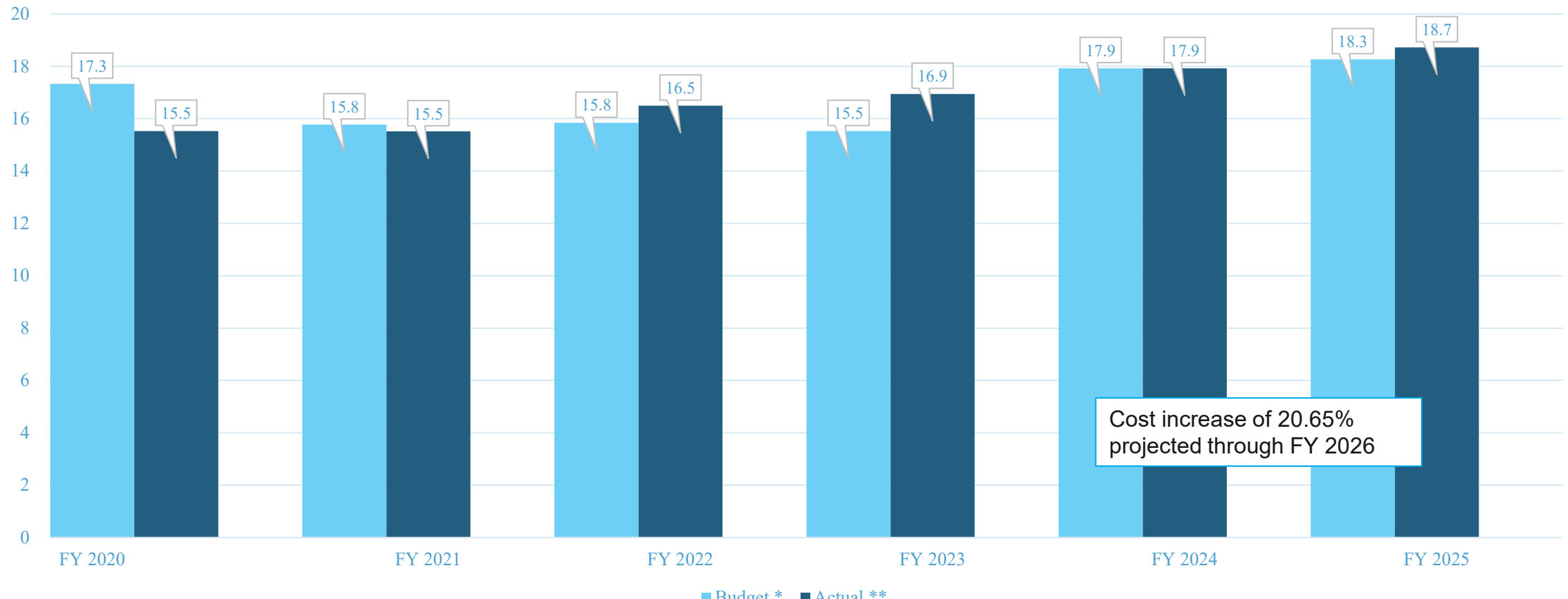
Annual System Wide Purchased Water Costs - \$ millions



Source File: Board of Directors Workshop October 9, 2024; analysis by GLWA Cost Review Tactical Team

Biosolids – Executive Summary

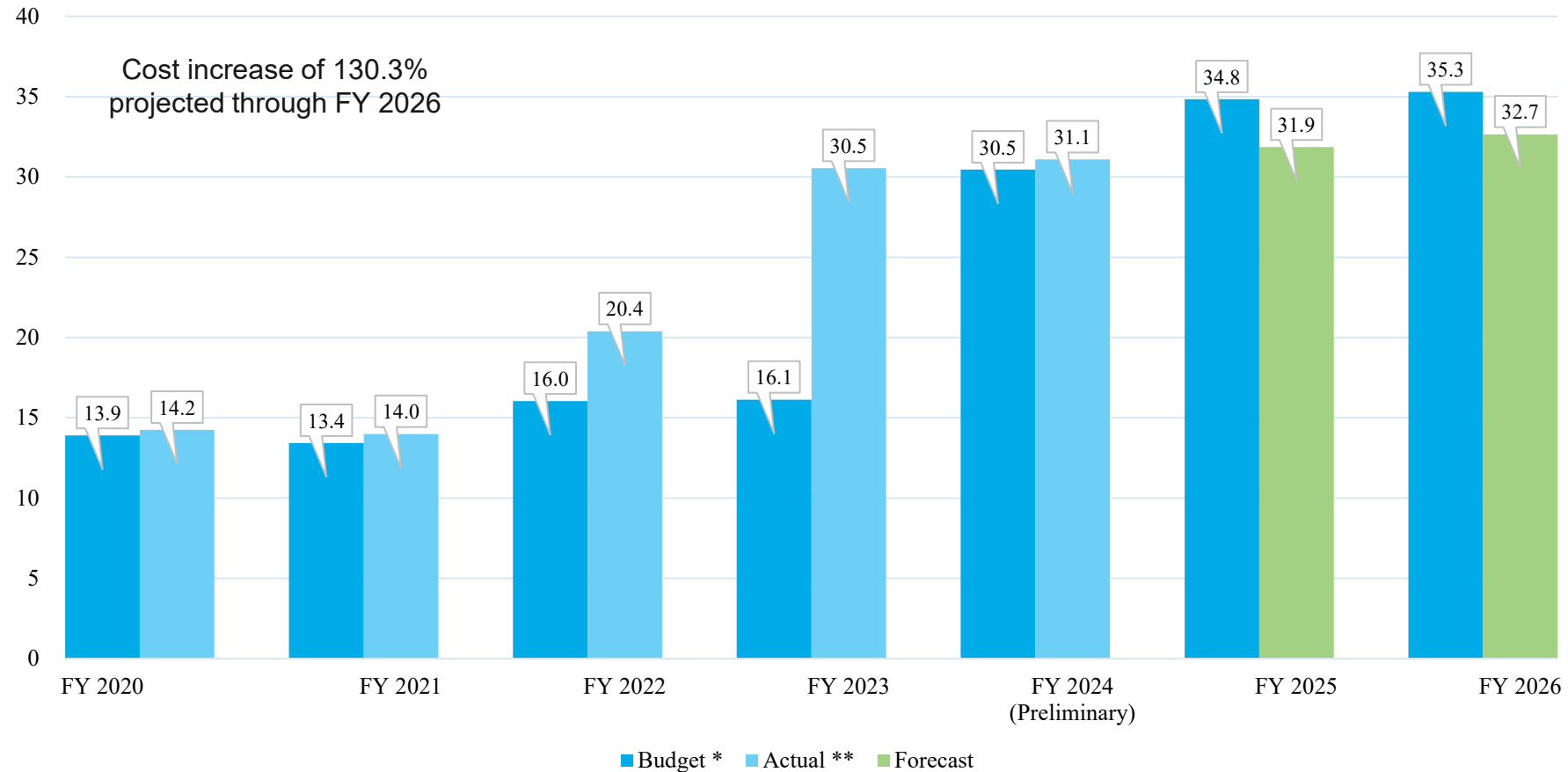
Annual System Wide Biosolids Disposal Costs - \$ millions



Source File: Board of Directors Workshop October 9, 2024; analysis by GLWA Cost Review Tactical Team

Chemical – Executive Summary

Annual System Wide Chemical Costs - \$ millions



Source File: Board of Directors Workshop October 9, 2024; analysis by GLWA Cost Review Tactical Team

Changes That Will Affect FY 2025 and Beyond

- ◆ Beginning in January 2025 new Federal Lead & Copper Rule Revisions (LCRR) will require budget amendments for the current fiscal year and increases to the budgets presented in the following slides
 - ◆ These changes will affect all water plant budgets and wastewater budget at the Water Resource Recovery Facility for primary processing
 - ◆ The budget increases are forecast to be significant
 - ◆ Water plants chemical budgets for orthophosphate may increase as much as \$4.7 million (36%)
 - ◆ Wastewater chemical budget for ferric chloride may increase as much as \$2.8 million (59%)
 - ◆ Additional considerations were outlined in a presentation to the GLWA Board of Directors on February 28, 2024, and noted on the following slide

Source File: Board of Directors Workshop October 9, 2024; analysis by GLWA Cost Review Tactical Team