



PRELIMINARY PROPOSED FY 2027 OPERATING BUDGET

BOWC Finance Committee

February 4, 2026

Budget Considerations

The DWSD Executive Team considered these factors in developing the Budget:

- ✓ **Affordability** – keep rate increases below 4% and support Water Conservation initiatives
- ✓ Compassionate and responsive **Customer Service**
- ✓ Operations that support and preserve **Public Health**; meet or exceed all Federal, State and Local Regulations
- ✓ Employee and Asset **Safety**
- ✓ Water and Sewer **Upgrades** (including Lead Service Line Replacement)
- ✓ **Employee Focus** – training, retention and recruitment

Current Budget Environment and Highlights

- The Proposed FY 2027 Operating Budget was developed with the goal to keep rate affordable and at the same time not compromise on service level initiatives. The Budget incorporates expenditures required to operate DWSD's Systems (Water and Sewer) for FY 2027.
- These expenditures become the basis for determining the Revenues required to operate and is termed as "Revenue Requirement". Total System-wide Revenue Requirement increased by 5.0% or \$26 million.
- Departmental or Direct expenses increased by 5.0% or \$5.6 million and Non-Departmental or indirect expenses also increased by 5.0% or \$20.5 million over FY 2026. Revenue Financed Capital is projected at \$2.5 million, a reduction of \$0.09 million over FY 2026.
- The increase in Revenue Requirement of \$26 million in FY 2027 is primarily due to increases in GLWA's Wholesale Charges (\$17.3 million or 66.5%), Bad Debt (\$3.5 million or 13.5%), Personnel expenses (\$4.8 million or 18.5%).
- Personnel costs increase is due to addition of net 15 new positions. These new additions are primarily for Operations and are critical to improving DWSD's service level and backlog reduction.
- The Total Systemwide Revenue Requirement of \$547.4 million is offset by non-rate revenue of \$26.4 million resulting in a rate revenue requirement of \$521.0 million. This represents a 5.2% initial rate revenue increase over FY 2026 on a System-Wide basis.
- The final rate revenue increases (and eventually the rates for FY 2027) will be determined after completion of the Volume Data analysis and will be presented to the Committee in the March meeting when FY 2027 rates will be proposed.

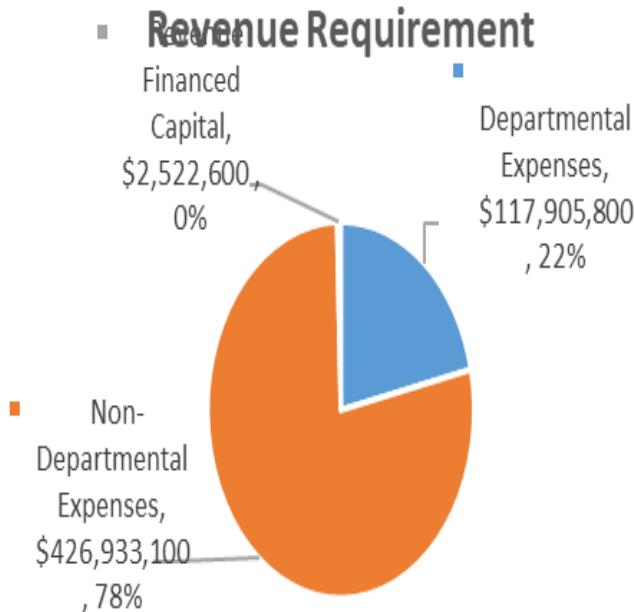


Revenue Requirement - Systemwide

Water & Sewer Funds Combined	Approved Budget FY 2026	Proposed Budget FY 2027	Change	% Change
Revenue Requirement (Total Expenses)	\$ 521,313,800	\$ 547,361,500	\$ 26,047,700	5.0%
What Makes up Revenue Requirement				
Departmental Expenses	112,288,300	117,905,800	5,617,500	5.0%
Non-Departmental Expenses	406,412,100	426,933,100	20,521,000	5.0%
Revenue Finance Capital	2,613,400	2,522,600	(90,800)	-3.5%
Total Revenue Requirement	\$ 521,313,800	\$ 547,361,500	\$ 26,047,700	5.0%
How Revenue Requirement is Financed				
Retail Revenue	\$ 508,850,200	\$ 534,963,100	\$ 26,112,900	5.1%
Non-Retail Revenue:	12,463,600	12,398,400	(65,200)	-0.5%
Total Revenue Requirement	\$ 521,313,800	\$ 547,361,500	\$ 26,047,700	5.0%
Revenue Requirement by Fund				
Water Fund Total Revenue Requirement	\$ 149,172,400	\$ 155,874,300	\$ 6,701,900	4.5%
Sewer Fund Total Revenue Requirement	\$ 372,141,400	\$ 391,487,200	\$ 19,345,800	5.2%
Total Revenue Requirement by Fund	\$ 521,313,800	\$ 547,361,500	\$ 26,047,700	5.0%

- Three components make up the Revenue Requirement and reflect the projected annual expense budget required to operate the System as a whole.
- Revenue Requirement is financed by Retail and Non-Retail Revenues.
- Water Fund Revenue Requirement increased by 4.5% while Sewer Fund Revenue Requirement increased by 5.2 % with an overall Systemwide Revenue Requirement increase of 5.0%.

Revenue Requirement - Systemwide



- This slide summarizes the projected share of each of the three components of Revenue Requirement.
- Departmental or direct expenses (generally controllable by DWSD) of \$117.9 million represents 22% of the total Revenue Requirement.
- Non-Departmental or indirect expenses (expenses over which DWSD has no or very little control) of \$426.9 million make up 78% of the total Revenue Requirement.

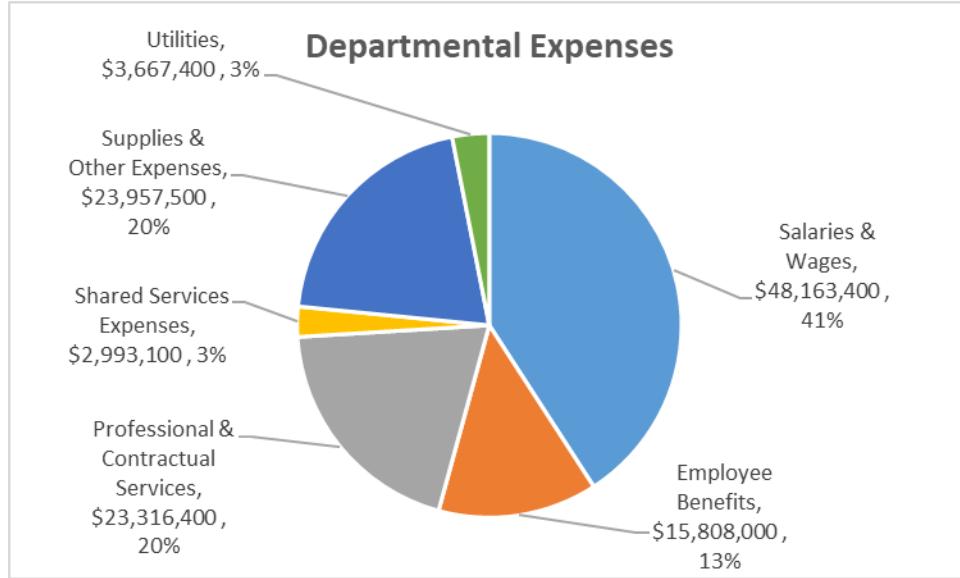


Departmental Expenses - Systemwide

Water & Sewer Funds Combined	Approved Budget FY 2026	Proposed Budget FY 2027	Change	% Change
Departmental Expenses				
Salaries & Wages	\$ 45,046,300	\$ 48,163,400	\$ 3,117,100	6.9%
Employee Benefits	14,122,800	15,808,000	1,685,200	11.9%
Professional & Contractual Services	23,753,300	23,316,400	(436,900)	-1.8%
Shared Services Expenses	2,374,100	2,993,100	619,000	26.1%
Supplies & Other Expenses	23,246,200	23,957,500	711,300	3.1%
Utilities	3,745,600	3,667,400	(78,200)	-2.1%
Total Departmental Expenses	\$ 112,288,300	\$ 117,905,800	\$ 5,617,500	5.0%

- Departmental expenses increased by 5.0% or \$5.6 million over FY 2026.
- Majority of the increase is in Personnel costs due to addition of 15 new FTEs, the implementation of the new Compensation Study results and increase in fringe benefit rates.
- New FTEs are to strengthen service level effort and reducing backlog of service requests.

Departmental Expenses - Systemwide



- This slide summarizes the share of the various departmental expenses in the Revenue Requirement structure.
- Personnel costs consisting of Salaries & Wages and Benefits make up 54% of the total Departmental expenses budget. Professional and contractual services and other operating expenses make up 40% of the total Departmental expenses budget.
- Headcount is projected to increase by net 15 FTEs and is primarily to support DWSD's strategic initiatives to provide better service delivery and to also to catch up on backlog of service deliverables.



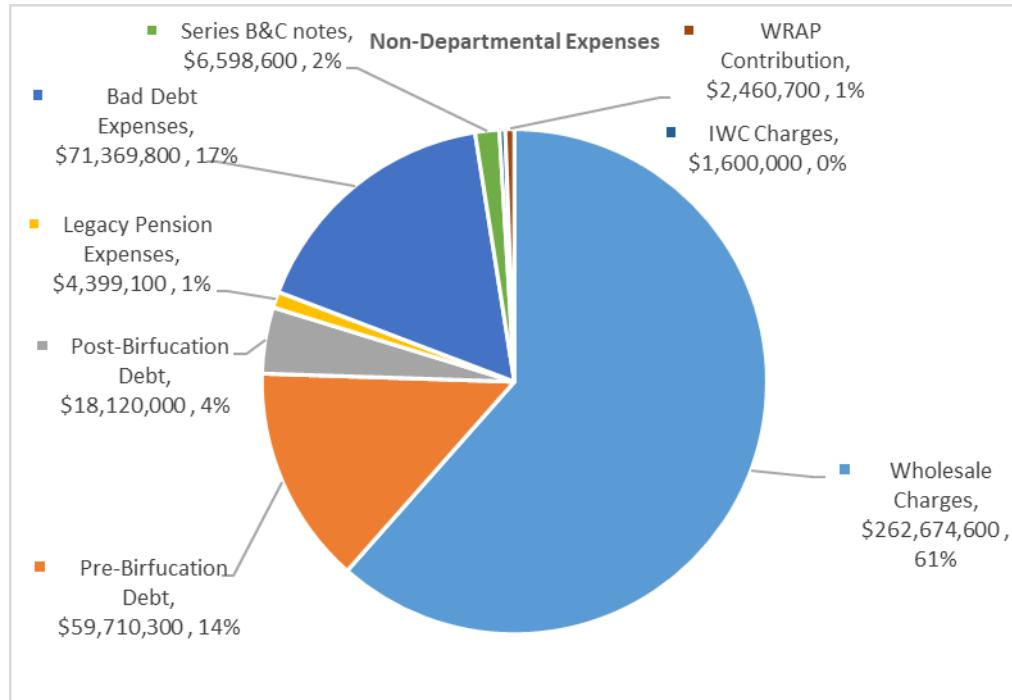
Non-Departmental Expenses - Systemwide

Water & Sewer Funds Combined	Approved Budget FY 2026	Proposed Budget FY 2027	Change	% Change
Non-Departmental Expenses				
Wholesale Charges	\$ 245,353,200	\$ 262,674,600	\$ 17,321,400	7.1%
Pre-Birthfication Debt Service	59,710,300	59,710,300	-	-
Post-Birthfication Debt Service	17,733,400	18,120,000	386,600	2.2%
Legacy Pension Expenses	4,399,100	4,399,100	-	0.0%
Bad Debt Expenses	67,862,900	71,369,800	3,506,900	5.2%
Series B&C Notes Debt Service	7,380,300	6,598,600	(781,700)	-10.6%
Industrial Waste Charges (IWC)	1,600,000	1,600,000	-	-
Water Retail Assistance Program (WRAP)	2,372,900	2,460,700	87,800	3.7%
Total Non-Departmental Expenses	\$ 406,412,100	\$ 426,933,100	\$ 20,521,000	5.0%

- Non-Departmental expenses increased by \$20.5 million or 5.0% over FY 2026.
- Wholesale Charges increase of \$17.3 million or 7.1% is due increase in GLWA's Revenue Requirements.
- Bad Debt increased by \$3.5 million or 5.2% due to increase in Revenue Requirement. There is no change to Bad Debt percentage charged to Revenue Requirement compared to FY 2026.



Non-Departmental Expenses - Systemwide



- This slide summarizes the share of each non-departmental or indirect expense in the Revenue Requirement structure.
- These expenses represent costs over which DWSD has no or little control.
- Wholesale Charges are based on GLWA's Revenue Requirement and makes up 61% of total Non-Departmental or indirect costs.
- Pre and Post Bifurcation debt are fixed commitments for DWSD and accounts for 18% of the total.
- Bad Debt is the 3rd largest cost category and accounts for 17% of the total Non-Departmental or indirect costs.



What Funds Revenue Requirement?

Water & Sewer Funds Combined	Approved Budget FY 2026	Proposed Budget FY 2027	Change	% Change
What Makes up Retail Revenue				
Rate Revenue				
Commodity Sales	\$ 244,608,300	\$ 256,850,000	\$ 12,241,700	5.0%
Service Charges	43,134,000	45,291,000	2,157,000	5.0%
Drainage Revenue	205,371,800	216,509,200	11,137,400	5.4%
Fireline Revenue	2,292,100	2,331,100	39,000	1.7%
Total Rate Revenue	\$ 495,406,200	\$ 520,981,300	\$ 25,575,100	5.2%
Non-Rate Revenue				
Permits, Fees, Etc.	\$ 13,444,000	\$ 13,981,800	\$ 537,800	4.0%
Total Non-Rate Revenue	\$ 13,444,000	\$ 13,981,800	\$ 537,800	4.0%
Total Retail Revenue	\$ 508,850,200	\$ 534,963,100	\$ 26,112,900	5.1%
What Makes up Non-Retail Revenue				
Shared Services Revenue	2,500,000	2,993,100	493,100	19.7%
IWC Charges	1,600,000	1,600,000	-	-
GLWA Share of Legacy Costs	8,363,600	7,805,300	(558,300)	-6.7%
Total Non-Retail Revenue	\$ 12,463,600	\$ 12,398,400	\$ (65,200)	-0.5%
Total Revenue Requirement	\$ 521,313,800	\$ 547,361,500	\$ 26,047,700	5.0%

- Revenue Requirement is funded by **Retail Revenue** (Rate Revenue and Non-Rate Revenue) and **Non-Retail Revenue** (Shared Services Revenue and GLWA's share of Legacy costs).

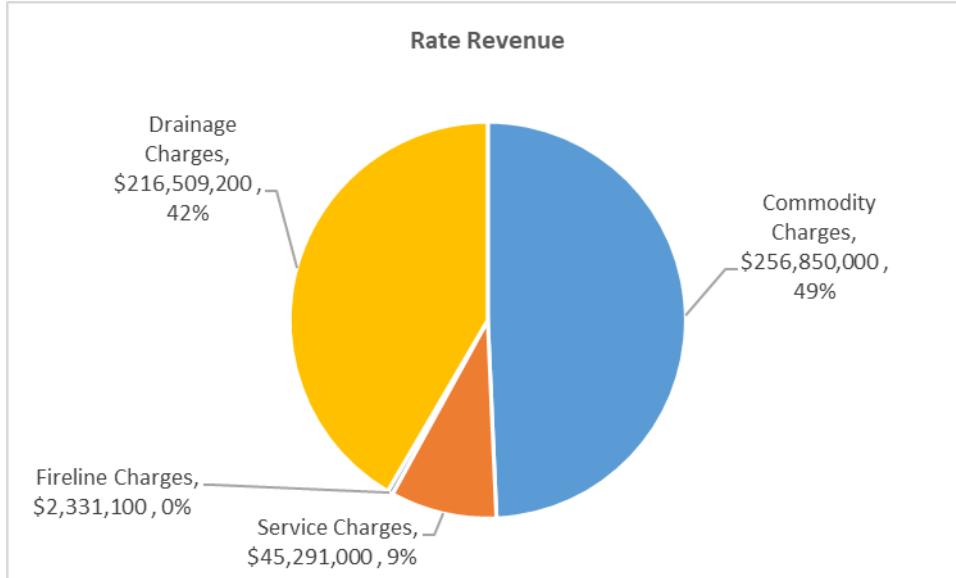


Components of Rate Revenue Requirement

Water & Sewer Funds Combined	Approved Budget FY 2026	Proposed Budget FY 2027	Change	% Change
Rate Revenue Requirement				
Commodity Charges	\$ 244,608,300	\$ 256,850,000	\$ 12,241,700	5.0%
Service Charges	43,134,000	45,291,000	2,157,000	5.0%
Fireline Charges	2,292,100	2,331,100	39,000	1.7%
Drainage Charges	205,371,800	216,509,200	11,137,400	5.4%
Total Rate Revenue Requirement	\$ 495,406,200	\$ 520,981,300	\$ 25,575,100	5.2%
Rate Revenue Requirement by Fund				
Water Fund Rate Revenue Requirement	\$ 140,140,100	\$ 146,449,000	\$ 6,308,900	4.5%
Sewer Fund Rate Revenue Requirement	355,266,100	374,532,300	19,266,200	5.4%
Total Rate Revenue Requirement by Fund	\$ 495,406,200	\$ 520,981,300	\$ 25,575,100	5.2%
Rate Revenue Requirement				
Total Revenue Requirement	\$ 521,313,800	\$ 547,361,500	\$ 26,047,700	5.0%
Less: Shared Services Revenue	(2,500,000)	(2,993,100)	(493,100)	0.20
Less: GLWA's share of Pension	(8,363,600)	(7,805,300)	558,300	-6.7%
Less: IWC Charges	(1,600,000)	(1,600,000)	-	0.0%
Less: Non-Rate Revenue	(13,444,000)	(13,981,800)	(537,800)	4.0%
Total Rate Revenue Requirement	\$ 495,406,200	\$ 520,981,300	\$ 25,575,100	5.2%

- This chart breaks down Rate Revenue Requirement by revenue categories.
- Both Water and Sewer Fund Rate Revenue requirements are projected to increase by 4.5% and 5.4% respectively, with a System-Wide increase of 5.2%.
- This increase in Rate Revenue Requirement is offset by the projected increase in Volume data for Water, Fireline, Sewer and Drainage Charges.

Components of Rate Revenue Requirement



- This slide represents the share of each Rate Revenue source that is required to fund the Revenue Requirement.
- Commodity Charges make up 49% of total Rate Revenue Requirement.
- Service Charges make up 9% of the total Revenue Requirement.
- Drainage Charges make up 42% of the total Rate Revenue Requirement.



Summary of Revenues and Expenses - Water Fund

Water Fund	Approved Budget FY 2026	Proposed Budget FY 2027	Change	% Change
Revenue Requirement				
Retail Revenue				
Commodity Sales	\$ 111,097,500	\$ 116,098,900	\$ 5,001,400	4.5%
Service Charges	26,750,500	28,019,000	1,268,500	4.7%
Firelines	2,292,100	2,331,100	39,000	1.7%
Permits, Penalties and Other Revenue	5,124,000	5,329,000	205,000	4.0%
Total Retail Revenue	\$ 145,264,100	\$ 151,778,000	\$ 6,513,900	4.5%
Non-Retail Revenue				
GLWA Share of Legacy Costs	\$ 2,730,800	\$ 2,559,000	\$ (171,800)	-6.3%
Shared Services	1,177,500	1,537,300	359,800	30.6%
Total Non-Retail Revenue	\$ 3,908,300	\$ 4,096,300	\$ 188,000	4.8%
Total Revenue Requirement	\$ 149,172,400	\$ 155,874,300	\$ 6,701,900	4.5%
Revenue Requirement				
Departmental (Direct) Expense				
Administration	\$ 824,000	\$ 934,300	\$ 110,300	13.4%
Operations	28,666,100	29,027,100	361,000	1.3%
Compliance	14,822,400	15,718,300	895,900	6.0%
Finance	6,549,000	7,791,700	1,242,700	19.0%
Total Departmental (Direct) Expense	\$ 50,861,500	\$ 53,471,400	\$ 2,609,900	5.1%
Non-Departmental (Indirect) Expense				
Revenue Financed Capital	96,806,600	101,057,100	4,250,500	4.4%
Total Revenue Requirement	\$ 149,172,400	\$ 155,874,300	\$ 6,701,900	4.5%



Summary of Revenues and Expenses - Sewer Fund

Sewer Fund	Approved Budget FY 2026	Proposed Budget FY 2027	Change	% Change
Revenue Requirement				
Retail Revenue				
Commodity Sales	\$ 133,510,800	\$ 140,751,100	\$ 7,240,300	5.4%
Service Charges	16,383,500	17,272,000	888,500	5.4%
Drainage Fees	205,371,800	216,509,200	11,137,400	5.4%
Permits, Penalties and Other Revenue	<u>8,320,000</u>	<u>8,652,800</u>	<u>332,800</u>	<u>4.0%</u>
Total Retail Revenue	\$ 363,586,100	\$ 383,185,100	\$ 19,599,000	5.4%
Non-Retail Revenue				
GLWA Share of Legacy Costs	\$ 5,632,800	\$ 5,246,300	\$ (386,500)	-6.9%
IWC Charges	1,600,000	1,600,000	-	0.0%
Shared Services	<u>1,322,500</u>	<u>1,455,800</u>	<u>133,300</u>	<u>10.1%</u>
Total Non-Retail Revenue	\$ 8,555,300	\$ 8,302,100	\$ (253,200)	-3.0%
Total Revenue Requirement	\$ 372,141,400	\$ 391,487,200	\$ 19,345,800	5.2%
Revenue Requirement				
Departmental (Direct) Expense				
Administration	\$ 925,600	\$ 1,049,100	\$ 123,500	13.3%
Operations	30,595,400	33,889,200	3,293,800	10.8%
Compliance	20,683,000	20,745,900	62,900	0.3%
Finance	<u>9,222,800</u>	<u>8,750,200</u>	<u>(472,600)</u>	<u>-5.1%</u>
Total Departmental (Direct) Expense	\$ 61,426,800	\$ 64,434,400	\$ 3,007,600	4.9%
Non-Departmental (Indirect) Expense				
Revenue Financed Capital	309,605,500	325,876,000	16,270,500	5.3%
Total Revenue Requirement	\$ 372,141,400	\$ 391,487,200	\$ 19,345,800	5.2%

Combined Water and Sewer FTEs



Water & Sewerage
Department

Cost Center	Approved Budget FY 2026 FTE	Proposed Budget FY 2027 FTE	Increase (Decrease)
Operation & Maintenance (O&M)			
Chief Exec Officer	5	5	-
BOWC	1	1	-
Deputy Director	1	1	-
Facility Operation	16	16	-
Storm Water Management	28	28	-
Fleet Operation	22	24	2
Maintenance & Repairs	243	245	2
Meter Operation	74	79	5
General Counsel	7	7	-
Organization Developmentmt	17	13	(4)
Information Technology	38	39	1
Security	31	37	6
Public Affairs	8	8	-
Customer Service	96	98	2
Chief Financial Officer	3	3	-
Finance (Controller)	15	16	1
Procurement	26	27	1
Treasury	4	3	(1)
Budget	3	3	-
Billing & Collection	18	18	-
Internal Audit	2	2	-
Total for O&M	658	673	15
Improvement & Extension (I&E)			
Field Engineering	72	72	-
Lead Service	25	25	-
Total for I&E	97	97	-
Grand Total (O&M and I&E)	755	770	15

- FTEs increase by net 15 headcount for Operating budget and no change in the I&E Budget.
- Increase in FTEs is primarily in Operations Cost Centers.
- This strategy of increasing headcount for Operations is in keeping with DWSD's strategic initiative to enhance service levels and reduce backlog in service deliveries.

Customer Impact of FY 2027 Budget

These value-added benefits will occur through the proposed Budget:

- **Clean 600 miles of Sewer** to provide capacity to the current design standards -- clean entire system in a five-year cycle.
- **Inspect and clean 8,000 Catch Basins** to reduce street flooding.
- **Replace at least 3,500 Lead Service Lines – 8,000 lines if additional State and/or Federal funding is received** – with a goal to remove all lines within 10 years – over 12,000 have been replaced since 2018.
- **Paint 5,000 Fire Hydrants** which reduces corrosion.
- Complete the **Far West project's detention basins and sewers to remove 100 million gallons of rainwater and snowmelt annually** from the combined Sewer System and construct and complete design of several other stormwater projects.
- Continue to provide and procure resources to support Water Affordability through the **Lifeline Plan** and an effective payment plan through **EasyPay** to the benefit of our customers in keeping water services on while **improving the collection rate**.



Next Steps

- DWSD will present the Final Proposed FY 2027 Operating Budget to the Finance Committee on March 4, 2026. Date will be adjusted if a Special Finance Committee meeting is deemed necessary to review and approve the Final Proposed FY 2027 Operating Budget.
- The Volume data and the Proposed Water, Sewer and Drainage Rates will also be presented to the Finance Committee on March 4, 2026 or on the Special Finance Committee meeting, if deemed necessary.
- DWSD Finance will seek the Finance Committee's approval of the FY 2027 Final Proposed Operating Budget and the Rates for FY 2027 on March 4, 2026 (or on the Special Committee meeting date) and will also seek the Committee's recommendation of the Operating Budget and the Rates to the full Board of Water Commissioners for approval on March 18, 2026.
- City Council review of DWSD's FY 2027 Operating Budget and Rates is expected in the 3rd week of March 2026.
- Water, Sewer and Drainage Rates for FY 2027 becomes effective on July 1, 2026.
- The budget presented here is preliminary and is subject to change before the final proposed budget is presented to the Committee on March 4, 2026 or on the Special Committee meeting date, as applicable.



THANK YOU!

Detroit Water & Sewerage Department

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