

# MEMORANDUM



**TO:** VICTOR CARDENAS, CITY MANAGER  
**FROM:** JEFFREY HERCZEG, DIRECTOR OF PUBLIC WORKS  
**SUBJECT:** GLWA CONTRACT AMENDMENT  
**DATE:** APRIL 2, 2026

In June 2009, Novi entered a 30-year contract with the Great Lakes Water Authority (GLWA), then the Detroit Water and Sewerage Department, for wholesale purchase of drinking water. GLWA assumed control in 2016 and scheduled all wholesale customers to a 4-year review cycle for water service contracts. This allows opportunity for member partners to make any operational adjustments deemed appropriate and acceptable by GLWA.

Following construction of the West Park Storage Facility, Novi was able to reduce its Peak Hour and Maximum Day volumes (which are drivers in rate methodology) and saw an immediate reduction in rates and revenue requirement. The Max Day value refers to the amount of daily water usage permitted per the GLWA contract and Peak Hour value refers to the maximum allowed rate of flow over a specific one-hour period (selected by GLWA in peak summer season).

Since 2015, negotiated values have remained constant based on historical data and the expectation of steady volume increases from development. However, staff have continued to refine the use of our water storage with advances in system monitoring technology, and improved operational efficiencies. Additionally, the anticipated volumes from development have not been as impactful and/or are offset by low-flow fixtures. Public awareness about irrigation and best practices for water use are now the norm and regional demand is down across the board.

## Novi Data Summary

| A                               | B                                | C                          | D                        | E                        | F                                 | G         |
|---------------------------------|----------------------------------|----------------------------|--------------------------|--------------------------|-----------------------------------|-----------|
| Fiscal Year Ending <sup>1</sup> | Charge Volume (MCF) <sup>2</sup> | Annual Billed Volume (MCF) | Base Months Volume (MCF) | Peak Months Volume (MCF) | <i>Highest Demonstrated (MGD)</i> |           |
|                                 |                                  |                            |                          |                          | Max Day                           | Peak Hour |
| 2016                            | -                                | 304,312                    | 112,547                  | 191,764                  | 13.1                              | 16.4      |
| 2017                            | 263,000                          | 314,145                    | 112,698                  | 201,446                  | 13.3                              | 18.0      |
| 2018                            | 273,900                          | 307,280                    | 111,221                  | 196,060                  | 14.7                              | 17.0      |
| 2019                            | 294,700                          | 286,696                    | 114,259                  | 172,437                  | 12.6                              | 15.6      |
| 2020                            | 303,700                          | 295,764                    | 105,209                  | 190,554                  | 14.0                              | 14.5      |
| 2021                            | 295,500                          | 312,279                    | 110,276                  | 202,003                  | 11.3                              | 13.5      |
| 2022                            | 292,400                          | 299,416                    | 116,868                  | 182,548                  | 12.8                              | 14.9      |
| 2023                            | 292,600                          | 319,821                    | 114,775                  | 205,046                  | 11.9                              | 14.4      |
| 2024                            | 303,800                          | 291,204                    | 115,147                  | 176,057                  | 10.9                              | 14.9      |
| 2025                            | 298,600                          | 280,575                    | 105,387                  | 175,188                  | 9.5                               | 14.6      |

Based on the historical values above, the approach to setting Max Day and Peak Hour contract values has been very conservative to avoid overages and incurring other costs or penalties just for a minor reduction in rates. However, the 10-year data used to calculate the reduction is directly from GLWA, who supports the proposed amendment summarized in the table below.

#### Historical Contract Values and Proposed Amendment

| Amendment                                                | Maximum Day Flow (MGD) | Peak Hour Flow (MGD) |
|----------------------------------------------------------|------------------------|----------------------|
| Original Contract (2009)                                 | 18.6                   | 34.5                 |
| Amendment No. 1 (2011)                                   | 16.8                   | 24.5                 |
| Amendment No. 2 (2013)                                   | 17.5                   | 28.0                 |
| Amendment No. 3 (2013)                                   | 17.9                   | 28.6                 |
| Amendment No. 4 (2015)                                   | 19.0                   | 19.0                 |
| Amendment No. 5 (2018)                                   | 17.0                   | 19.0                 |
| Amendment No. 6 (2022)                                   | 17.0                   | 19.0                 |
| Amendment No. 7 (2026)<br>(currently proposed amendment) | 15.3                   | 16.5                 |

MGD – Million Gallons Per Day

Staff will bring forward the **Contract Amendment to the City Council Meeting on April 13, 2026**, for City Council consideration. The rate adjustment takes **effect July 1, 2027** (FY 27-28) and is anticipated to be a significant reduction in revenue requirements for the City. Since the actual reduction is based on all the other member contract negotiations (which will be completed by fall 2026) and their impact on GLWA revenue, staff can only estimate the reduction amount to be between **\$800K - \$1M per year**.