



Financial Services Audit Committee Communication

Date: March 25, 2022

To: Great Lakes Water Authority Audit Committee

From: Nicolette N. Bateson, CPA, Chief Financial Officer & Treasurer

Re: Calendar Year 2022 Financing Team Selection

Background: In order to fund the capital improvement program, the current long-term financial plan contemplates a bond transaction by the end of the current fiscal year. A key next step in that process is assembling a financing team. The team includes the financial advisor, bond counsel, and feasibility consultant. Those roles are currently under contract. The open decision is related to the underwriting syndicate, including the book running senior manager.

The Great Lakes Water Authority [Debt Management Policy](#) (page 5) provides the following guidance related to the selection of the senior manager.

Underwriter Selection

Senior Manager Selection. GLWA will select the senior manager for a proposed negotiated sale. The selection criteria will include, but not be limited to, the following:

- The firm's ability and experience in managing complex transactions
- Prior knowledge and experience with GLWA, if applicable
- The firm's willingness to risk capital and demonstration of such risk
- Quality and experience of personnel assigned to GLWA's engagement
- Financing plan presented
- Underwriting fees

Co-Manager Selection. Co-managers will be selected on the same basis as the senior manager. In addition to their qualifications, co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of GLWA's bonds.

Selling Groups. GLWA may establish selling groups in certain transactions in order to broaden the reach to potential investors.

GLWA has had three financing programs since its inception on January 1, 2016. The underwriter pool has consisted of the following firms.

Role	Sewage Disposal System Revenue Refunding Bonds 2016 (B&C) (\$421,295,000)	Sewage Disposal System Revenue & Refunding Bonds 2018 (A,B,C) (\$257,465,000)	Sewage Disposal System Revenue Refunding Bonds 2020 (A&B) (\$687,455,000)
Book Running Senior Manager	Citigroup	Citigroup	Citigroup
Co-Senior Manager	Goldman Sachs and Co. LLC	Wells Fargo Securities	Siebert Williams Shank & Co., LLC
Co-Managers		Goldman Sachs and Co. LLC	Goldman Sachs
	J.P. Morgan	J.P. Morgan	J.P. Morgan
	Morgan Stanley	Morgan Stanley	Morgan Stanley
	Ramirez & Co., Inc	Ramirez & Co., Inc	Ramirez & Co., Inc
	Siebert Williams Shank & Co., LLC	Siebert Cisneros Shank & Co., LLC	
	Wells Fargo Securities		Wells Fargo Securities

Analysis: Given the changing market conditions, the GLWA administration would like to proceed with the proposed bond transaction sooner rather than later. While it is good to “refresh” the underwriter pool periodically, the timing, along with competing priorities, dictates that we assemble the team to being working on the transaction soon.

A few considerations as we proceed.

1. GLWA administration meets with the firms listed above on a regular basis. That pool reflects excellence in the field of public sector utility finance who are very interested in continuing to work with GLWA.
2. In prior conversations with the Board, there was a strong preference to rotate the “bookrunning senior manager” role. Citigroup has held that role for the last three transactions. Accordingly, it is recommended that Citigroup be asked to participate as a co-manager in the next financing so that GLWA can meet the Board’s rotational objective among the underwriting firms.
3. That being said, continuity and experience as a co-manager are incredibly important to GLWA in a successor in the bookrunning senior manager role. It is therefore recommended that Goldman Sachs and Co. LLC, Siebert Williams Shank & Co., LLC and Wells Fargo Securities, who have all served as co-managers, be invited to a) submit proposals to GLWA for the bookrunning senior manager role as well as b) prepare a 10-minute presentation based on that proposal to present to the Audit Committee at its regular meeting on April 22, 2022. Based on the proposals submitted and the presentation, it is recommended that the Audit Committee make a recommendation to the Board of Directors for the May 11, 2022 Board meeting for Book Running

Senior Manager and Co-Senior Manager. The proposals should include the fee structure.

4. All firms that have served on the financing team in the past would be invited to submit letters of interest to serve as co-managers for the 2022 transaction.
5. Within 12 months after the close of the 2022 transaction, GLWA will solicit proposals to refresh the pool. It is anticipated that the vacant Public Finance Manager role will be filled by then (this position has been vacant since April 2021; an active recruitment process has been underway).

Recommendation: It is recommended that the Audit Committee adopt the approach outlined above for the selection of the Book Running Senior Manager and Co-Senior Manager for the 2022 bond transaction and authorize staff to proceed with soliciting the proposals and presentations.