



Financial Services Audit Committee Communication

Date: April 22, 2022

To: Great Lakes Water Authority Audit Committee

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

Re: 2022 Bond Program Underwriting Team Recommendation

Background: GLWA staff recommended an underwriter selection process for the upcoming 2022 bond transaction at the March 25, 2022 Audit Committee meeting. This process, as approved on that date by the Audit Committee, required a request for proposal (RFP) and interview process to establish the senior managers and a simpler letter of interest process for the remaining underwriting syndicate of co-managers. The Audit Committee also approved a short-list of firms for the RFP for the senior manager roles to those that have previously served as co-senior managers. That short-list is: Goldman Sachs and Co. LLC, Wells Fargo Securities, and Siebert Williams Shank & Co., LLC. The Audit Committee further approved a short list of firms to submit letters of interest for co-managers to include all firms that have served on a GLWA financing team in the past.

Senior Managers

GLWA Procurement facilitated the process of developing and posting the RFP for the senior manager roles with the agreed-upon minimum short-list qualifications of (1) being part of the current underwriting pool, (2) having served in a co-senior manager role on a GLWA transaction and, (3) having never served as the bookrunning senior manager on a GLWA transaction. A summary of the procurement outcomes to date are found in the attached Procurement Report.

The Audit Committee will employ a simple evaluation process based upon (1) the written responses to the proposals, which included recommended financing plan and structure, rating agency strategy and investor marketing strategy, and (2) ten-minute oral interviews held with the three underwriting firms as part of this meeting. The proposed commission takedown fee and total fees are summarized in the attached Procurement Report.

Co-Managers

GLWA also received letters of interest submissions for the co-manager underwriting syndicate. Letters of Interest were requested from those firms within the current GLWA underwriter pool to confirm their continued interest in participating in the upcoming bond

transaction as co-managers. In addition to the pre-identified short-list, for the Audit Committees' consideration, a letter of interest was also solicited from Loop Capital which has strong public finance team as well as an office in the City of Detroit. This addition is in alignment with the Section 4.6 of GLWA's Procurement Policy to support Economic Equity and Development. All firms invited to submit letters of interest did provide successful responses. That list of firms is below.

- ✓ Citigroup Global Capital Markets, Inc.
- ✓ J.P. Morgan
- ✓ Loop Capital Markets
- ✓ Morgan Stanley
- ✓ Ramirez & Co., Inc.

Analysis: GLWA staff and GLWA's financial advisor, PFM Financial Advisors LLC, have reviewed the RFPs and letters of interest received. All firms continue to meet GLWA requirements regarding service and financial capabilities, adherence to laws and regulations, and no conflicts of interest.

The RFPs have been distributed to the Audit Committee for their review prior to the oral presentations from the three senior manager eligible firms at the Audit Committee on April 22, 2022. Based upon the three RFPs and related presentations the Audit Committee will determine which firm will serve as the Bookrunning Senior Managing Underwriter, Co-Senior Managing Underwriter, and as a Co-Manager.

Proposed Action: Audit Committee recommends that the GLWA Board of Directors:

1. Approve *{insert firm from RFP list}* to serve as Bookrunning Senior Managing Underwriter
2. Approve *{insert firm from RFP list}* to serve as Co-Senior Managing Underwriter
3. Authorize a Takedown Fee of *{TBD}* per bond (plus expenses)
4. Approve the following firms to serve as Co-Managers:
 - Citigroup,
 - JP Morgan Securities LLC,
 - Loop Capital,
 - Morgan Stanley & Co.,
 - Ramirez & Co., and
 - {insert firm from RFP list}*.