



Legislation Text

File #: 2022-310, Version: 1

Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue and Revenue Refunding Bonds in a Principal Amount Not to Exceed \$735,000,000 (Ordinance 2022-06)

Agenda of: July 29, 2022
Item No.: **2022-310**
Amount: Not to Exceed \$735,000,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Chief Executive Officer
Great Lakes Water Authority

DATE: July 25, 2022

RE: Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue and Revenue Refunding Bonds in a Principal Amount Not to Exceed \$735,000,000 (Ordinance 2022-06)

MOTION

Upon recommendation of Nicolette N. Bateson, Chief Financial Officer\Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves the resolution regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue and Revenue Refunding Bonds in a Principal Amount Not to Exceed \$735,000,000 as presented**, and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

In order for the Great Lakes Water Authority ("GLWA") to proceed with the issuance of new money bonds to support regional capital plan improvements and refunding of various outstanding water supply system bonds for the purpose of achieving annual debt service savings, the GLWA Board must approve the included resolution approving the Series

Ordinance.

The Series Ordinance sets forth the guidelines for the New Money and Refunding Bonds and authorizes the Chief Executive Officer of the Chief Financial Officer to execute the final terms of the Bonds, paying issuance costs and signing of the Bond Purchase Agreement, within the parameters set forth in the Series Ordinance.

JUSTIFICATION

New Money Portion: The authorized amount for the New Money Bonds is for an aggregate principal amount not to exceed \$300,000,000 for the regional water system.

Refunding Portion: At this time, the financial metrics do not support a refunding transaction for the water supply system. In the event that market conditions change whereby refunding savings could be achieved that align with the GLWA debt policy, the series ordinance is in place for an estimated amount of potential refunding candidates. The authorized amount for the Refunding Bonds is presented for an aggregate principal amount of not to exceed \$435,000,000. The final par amount of the Refunding Bonds will be determined at the time of pricing and is based on current bond market pricing levels, issuance costs and the par amount of the bonds to be refunded as determined by the savings level achieved.

Key Provisions:

- Not to Exceed Par Amount: \$735 million (\$300 million for new money, \$435 million for refunding)
- Maximum Coupon Rate: 6.00%
- Minimum Purchase Price: 98% of principal amount of bonds
- Maximum Underwriter Discount: 0.40% of principal amount of bonds
- Present Value Savings: Equal to or greater than 5.00% of principal amount of bonds to be refunded

The amounts in the series ordinance differ from those presented by the feasibility consultant and bond consultants. This reflects the range of possible outcomes from the transaction in the current market. The higher values in the series ordinance allow for the possibility of improved market conditions and the opportunity for refunding savings. A summary of these differences was shared at the July 25, 2022 GLWA Audit Committee meeting is included with this letter as Attachment 1. *While the approval of the resolution gives GLWA the authorization to issue refunding bonds, GLWA does not intend to proceed with the refunding unless market conditions become favorable when it comes time to price the bonds in alignment with the GLWA Debt Policy.*

BUDGET IMPACT

No savings resulting from potential Water Refunding Bonds have not been included in the FY 2023 budget or ten-year financial plan. If savings are achieved as a result of the potential refunding, a budget amendment may be required for FY 2023 depending on the final pricing and savings structure on the bonds.

COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on July 25, 2022. The Audit Committee unanimously recommended that the GLWA Board approves the resolution regarding Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue and Revenue Refunding Bonds in a Principal Amount Not to Exceed \$735,000,000 as presented.