



FOR IMMEDIATE RELEASE

September 8, 2022

Media Contact:

Michelle Zdrodowski / M: 313-618-0552 / michelle.zdrodowski@glwater.org

Ashleigh Chatel / M: 734-626-4252 / ashleigh.chatel@fleishman.com

GLWA RECEIVES POSITIVE RATINGS OUTLOOKS, EXECUTES SUCCESSFUL BOND TRANSACTION TO SECURE FUNDING FOR REGIONAL WATER AND WASTEWATER SYSTEM IMPROVEMENTS; GARNERS MONEY-SAVING REFUNDING

- *Positive rating outlooks from two rating agencies*
- *Successful bond transaction will provide \$450 million in new funding for regional water and wastewater system needs*
- *Low fixed rate borrowing costs assist GLWA as it continues to focus on long-term strategy for system resiliency and affordability*
- *New investor participation is characteristic of stable operations and strong leadership*

DETROIT – On August 30, 2022, the Great Lakes Water Authority (GLWA) executed a successful bond transaction at favorable rates to fund \$450 million in capital improvements for the regional water and wastewater systems, as well as secured \$2 million in cashflow savings by refinancing eligible wastewater system bonds.

Positive Rating Agency Outlook Actions

In advance of the bond transaction, GLWA earned positive rating outlooks from two of three rating agencies, as well as an affirmation of a “AA” category rating from the third rating agency:

- Fitch Ratings moved the outlook to Positive from Stable for the wastewater system and affirmed outstanding water and wastewater systems debt at A+ Senior/A Second Lien;
- Moody’s Investors Service moved the outlook to Positive from Stable for both the water and wastewater system and affirmed outstanding debt at A1 Senior/A2 Second Lien;
- Standard & Poor Global Ratings affirmed its outstanding water and wastewater system debt at AA- Senior/A+ Second Lien with a Stable outlook.

Commentary within the Moody’s credit opinion noted, *“The outlook is positive because the Authority has strong management and stable operations and its underlying service area continues to improve, particularly in the City of Detroit, as well as across Wayne (A3 positive),*

Oakland (Aaa stable) and Macomb (Aa1 stable) Counties.”

“I am pleased to see the positive recognition of the efforts put forth by the GLWA management team by rating agencies, as well as highlights of the positive economic trends we see in the region,” said Jaye Quadrozzi, Chairperson, GLWA Board of Directors.

Bond Sale Aligns with Overall Financial Strategy focused on Affordability and Stability

The bond transaction focused on securing \$225 million to replenish funding for capital improvement projects for both the water and wastewater systems (total of \$450 million). Since January 2021, GLWA has utilized cash reserves to fund its capital program. Utilizing this pay-as-you-go approach over the last 20 months was an intentional effort outlined in the Authority’s 10-year financial plan to decrease the overall debt burden and improve affordability.

“This strategy to shift from maximum use of debt, along with overall cost controls, is how GLWA has managed to maintain average system charge adjustments at 1.8 percent over the previous five years (2016–2022) for the water system and less than one percent (0.3 percent) for the wastewater system as noted in the Authority’s [2021 Year In Review Report](#),” said Nicolette N. Bateson, Chief Financial Officer and Treasurer, GLWA.

These tax-exempt bonds were issued with a true interest cost of 4.44 percent for the water system and 4.57 percent for the wastewater system. Despite recent market volatility, these bonds are being issued during an era of historically low rates. Over the past 32 years, benchmark rates have only been lower 34 percent of the time.

GLWA also took advantage of market conditions to refund nearly \$18 million in outstanding wastewater bonds. The refinancing of this debt resulted in nearly \$2 million in cashflow savings. Added to prior GLWA transactions, the Authority has garnered more than \$720 million in cashflow savings from refunding transactions since January 1, 2016, as a result of an opportunistic refinancing program that has taken advantage of market conditions and GLWA’s improved credit.

“By actively managing GLWA’s debt portfolio with our financial advisor we were able to secure savings and potentially lower future charge increases,” said Kim Garland, Financial Services Area Chief of Staff, GLWA. “We continue to explore opportunities for future savings.”

Strong Investor Interest

Strong investor interest resulted in a successful bond transaction, even on a challenging day of volatility within the financial markets. The transaction attracted orders from 37 unique institutional investors, including 14 investors that did not participate in GLWA’s 2020 bond transaction. In addition, retail orders were placed on behalf of several individual retail investors.

“GLWA is very appreciative of the opportunities to engage with investors,” stated Bateson. “We see the growing base of investors as a sign that GLWA’s financial stability is well recognized through the transparency of our financial and operational information, as well as accessibility of the management team.”

Since GLWA’s bonds were sold at a premium, the par value of the bonds for both systems totaled approximately \$418 million. In aggregate, \$574 million in orders were received for the \$418 million in par bonds, meaning investor demand exceeded available bonds in aggregate by 1.4 times.

Securing Funding is Vital to Ensuring System Resiliency

“Securing this funding allows GLWA to remain focused on our top priority, which is improving resiliency in the regional system in order to ensure we continue to provide reliable service to our member partner communities,” stated Suzanne R. Coffey, P.E., Chief Executive Officer, GLWA. “At the core of this transaction is our commitment to fair and equitable charges via best-in-class stewardship of the financial and system assets under our management.”

Water system projects in GLWA’s Capital Improvement Plan (CIP) include transmission system improvements such as the construction of a 14 Mile Transmission Main Loop; rehabilitation, repair and improvements of booster pumping stations and reservoirs throughout the Authority’s service area; raw water intake tunnel improvements; and improvements at GLWA’s Springwells, Northeast, Water Works Park and Lake Huron Water Treatment Plants. Wastewater system projects include rehabilitation of the Woodward and Conner Creek sewers, as well as the Detroit River and Northwest Interceptors; improvements to the Water Resource Recovery Facility (WRRF); improvements to Combined Sewer Overflow facilities; and rehabilitation, repair and improvements to various pump station facilities throughout the Authority’s service area.

For a complete list of projects within GLWA’s FY2023-2027 CIP, please click [here](#).

###

About the Great Lakes Water Authority (GLWA)

The Great Lakes Water Authority (GLWA) is the provider-of-choice for drinking water services to nearly 40 percent and efficient and effective wastewater services to nearly 30 percent of Michigan’s population. With the Great Lakes as source water, GLWA is uniquely positioned to provide those it serves with water of unquestionable quality. GLWA also has the capacity to extend its service beyond its 88 member partner communities. As part of its commitment to water affordability, the Authority offers a Water Residential Assistance Program to assist low-income households in participating member communities throughout the system. GLWA’s board includes one representative each from Oakland, Macomb and Wayne counties, two representatives from the city of Detroit and one appointed by the Michigan governor to represent customer communities outside of the tri-county area.