



## Financial Services Audit Committee Communication

**Date:** May 22, 2018

**To:** Great Lakes Water Authority Audit Committee

**From:** Jon Wheatley, Public Finance Manager

**Re:** Update: Pre-approved Underwriter Pool Proposal Selection for the 2018 Financing Program

**Background:** At its meeting on June 27, 2016, as part of the underwriter selection process related to its inaugural 2016 bond transaction, the Great Lakes Water Authority (GLWA) Board of Directors (Board) approved the following list of ten (10) firms that were deemed qualified to act as senior managing underwriters for subsequent GLWA bond issuances.

- Barclays Capital, Inc.
- Citigroup Global Markets, Inc.
- Goldman Sachs & Co.
- JP Morgan Securities LLC
- Morgan Stanley & Co.
- Piper Jaffray & Co.
- PNC Capital Markets
- Ramirez & Co.
- Siebert Brandford Shank
- Wells Fargo Securities

Furthermore, the GLWA Board directed that in the event of a subsequent bond issuance, the Chief Procurement Officer shall:

*1) Convene an evaluation panel to interview and review the qualifications of each of the ten (10) firms listed below to serve as Bookrunning Senior Managing Underwriter or Co-Senior Managing Underwriter for that issuance; or*

*2) Issue a Request for Proposals (RFP) to select a Senior Managing Underwriter(s) for that transaction.*

**Justification:** Pursuant to Option 1 above, GLWA will seek updates to the proposals submitted by the underwriter pool pre-selected by the GLWA Board of Directors on June 27, 2016. This proposal update shall provide financing recommendations and information for the potential refunding of certain GLWA water and sewer system series of outstanding

bonds and new money for the sewer system of the Detroit Water and Sewer Department (DWSD). The refunding component generally contemplates the current refunding of selected GLWA series bonds that have call dates of July 1, 2018 but may also consider current taxable advance refunding of other savings candidates with 2019 (or later) call dates.

**Proposed Transactions:** The outstanding GLWA bonds for the water and sewer systems that are the focus of the refunding plan total approximately \$178 million for the water system approximately and approximately \$190 million for the sewer system. These include the current refunding of Series 2001C second lien bonds of the Water System, the current refunding of the senior lien 1998A, 1998B, and 2001 C2 Sewer System Bonds, as well as the potential taxable advance refunding of the senior lien Series 2001 C1 Sewer System Bonds. Additionally, GLWA has been notified by DWSD that it will need GLWA to issue approximately \$75 million of new money sewer bonds on its behalf.

**Proposed Process:** GLWA, through its Procurement Department, will send out the underwriter solicitations in the form of proposal update questionnaires to the list of 10 qualified underwriting firms. The firms will have almost 2 weeks to submit their responses to GLWA Procurement. After the responses are received, PFM (GLWA's financial advisor) will provide its analysis on the responses received. The written responses will also be scored by the evaluation panel. Oral interviews will be conducted with all underwriting firms that submit responses to the solicitation update questionnaire, in accordance with the Board's directive. Once the oral interviews are held and the final scoring is tabulated, GLWA management, along with its registered municipal advisor, Public Financial Management (PFM), will present the recommendation of the evaluation panel to the GLWA Audit Committee for further recommendation to the GLWA Board.

**Proposed Time Schedule:** Below is the proposed time schedule for the underwriter solicitation process.

<b>Underwriter Solicitation Time Schedule</b>	
<b>Category</b>	<b>Date</b>
Review Strategy at Audit Committee	May 22, 2018
Send out Underwriter Solicitation	May 23, 2018
Solicitation Responses Due	June 5, 2018
PFM to Provide Summary Analysis of Underwriter Responses	June 8, 2018
Meeting with Underwriters	June 12, 2018
Final Scoring of Responses and Oral Interviews	June 13, 2018
Audit Committee Review of Recommended Underwriting Team	June 15, 2018
Board Approval of Underwriting Team	June 27, 2018

**Proposed Action:** The Audit Committee approves the proposed approach for the underwriter solicitation as presented and consistent with the June 27, 2016 GLWA Board directive.