



Audit Committee Meeting
Friday, May 6, 2022 at 9:00 a.m.
www.glwater.org

[Join Zoom Meeting](#)

Meeting ID: **835 1081 0013** Passcode: **419107**

US Toll-free: **888 788 0099** or **877 853 5247**

AGENDA

1. CALL TO ORDER
2. ROLL CALL
3. APPROVAL OF AGENDA
4. APPROVAL OF MINUTES
5. PUBLIC PARTICIPATION
6. OLD BUSINESS
 - A. *Action Item: 2022 Bond Program Underwriting Team Recommendation*
(page 2)
7. NEW BUSINESS
8. REPORTS
9. COMMUNICATIONS
10. LOOK AHEAD
 - A. Next Audit Committee Meeting: May 27, 2022 at 8:00 a.m.
11. OTHER MATTERS
12. ADJOURNMENT



Financial Services Audit Committee Communication

Date: May 6, 2022

To: Great Lakes Water Authority Audit Committee

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

Re: 2022 Bond Program Underwriting Team Recommendation

Background & Analysis: See attached draft Board of Directors action item letter.

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

1. Approve Siebert Williams Shank & Co. to serve as Bookrunning Senior Managing Underwriter
2. Approve Goldman Sachs to serve as Co-Senior Managing Underwriter
3. Authorize Takedown of \$2.50 per bond (plus reimbursable expenses)
4. Approve the following firms to serve as Co-Managers:
Citigroup,
JP Morgan Securities LLC,
Loop Capital,
Morgan Stanley & Co.,
Ramirez & Co., Inc., and
Wells Fargo
5. and authorizes the Interim CEO to take such other action as may be necessary to accomplish the intent of this vote.

DRAFT for Audit Committee Review Only

..Title

Approval of the 2022 Bond Program Underwriting Team

..Body

Agenda of: May 11, 2022

Item No.: **2022-___**

Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: May 11, 2022

RE: Approval of the 2022 Bond Program Underwriting Team

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer & Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA):

1) Approves Siebert Williams Shank & Co. as Bookrunning Senior Managing Underwriter;

2) Approves Goldman Sachs as Co-Senior Managing Underwriter;

3) Authorizes a Takedown of \$2.50 per bond (plus reimbursable expenses);

4) Approves Citigroup, JP Morgan Securities LLC, Morgan Stanley & Co., Ramirez & Co., Loop Capital and Wells Fargo as Co-Managers;

5) and authorizes the Interim CEO to take such other action as may be necessary to accomplish the intent of this vote.

DRAFT for Audit Committee Review 5.6.2022

BACKGROUND

GLWA's ten-year financial plan and the five-year capital improvement plan outline the need for a 2022 bond financing program. In addition, there are potentially favorable market conditions for a bond refunding. In prior GLWA financing programs, funding was also sought for the local water supply and local sewer disposal systems (Detroit Water & Sewerage Department, DWSD). For 2022, the management for the local water supply and local sewer disposal systems (Detroit Water & Sewerage Department, DWSD) has indicated that no additional bond proceeds beyond state revolving fund loans are requested by DWSD for at least the next two years.

The next step to begin the 2022 bond financing program is to select an underwriting team including a Book Running Senior Manager, Co-Senior Manager, and Co-Managers.

The Great Lakes Water Authority [Debt Management Policy](#) (page 5) provides the following overall 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.

- continued -

DRAFT for Audit Committee Review 5.6.2022

GLWA has achieved 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

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 additional considerations as it relates to underwriter selection include the following.

DRAFT for Audit Committee Review 5.6.2022

1. The existing pool reflects excellence in the field of public sector utility finance who are very interested in working with GLWA.
2. Expanding underwriter expertise among multiple firms is a priority for GLWA. Citigroup has held the “bookrunning senior manager” 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 expand the underwriter capacity among multiple firms over time.
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. For this reason, Goldman Sachs and Co. LLC, Siebert Williams Shank & Co., LLC and Wells Fargo Securities, who have all served as co-senior managers, were invited to a) submit proposals to GLWA for the bookrunning senior manager role as well as b) provide a 10-minute presentation based on that proposal to the Audit Committee at its regular meeting on April 22, 2022. Those presentations were very informative as we consider the 2022 financing program.
4. All firms that have served on the financing team in the past were invited to submit letters of interest to serve as co-managers for the 2022 transaction. In addition to the pre-identified short-list, 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.

JUSTIFICATION

For the book-running senior manager, all three firms are highly qualified. As a result, the scores are very close as outlined in the attached procurement report and below.

1. Siebert Williams Shank at 90 points is recommended for book running senior manager.
2. Goldman Sachs at 87.78 points is recommended for co-senior manager.
3. Wells Fargo at 86.67 points is recommended for addition to the co-manager pool.

For the co-manager pool, all eligible firms submitted a letter of interest and passed the background and due diligence review. It should be noted that GLWA’s financial advisory team from PFM provided technical support and research for all proposals submitted. The recommended co-manager pool is Citigroup, JP Morgan Securities LLC, Morgan Stanley & Co., Ramirez & Co., Loop Capital, and Wells Fargo.

DRAFT for Audit Committee Review 5.6.2022

Proposed Underwriter Takedown: The Takedown Fee in a bond transaction is the compensation paid to the underwriter for selling the bonds. It is expressed as a dollar amount per \$1,000 of the par amount of the transaction. Best practices dictate that issuers strive for the best balance between the yield for each maturity and the takedown to achieve the lowest overall cost of financing. GLWA's Financial Advisor, PFM Financial Advisors completed a benchmarking analysis of the proposed fees and confirmed that all were within a competitive range (see attached). Historical takedowns paid by GLWA for uninsured bonds were \$2.75/bond (2016 transaction), \$2.50/bond (2018 transaction), and \$2.50/bond (2020 transaction). Siebert Williams Shank & Co., as the recommended Bookrunning Senior Manager, bid a takedown of \$2.50 per \$1,000 (plus reimbursable expenses).

BUDGET IMPACT

All fees related to the proposed transactions will be paid out of the proceeds of the bonds issued. The bond proceeds as shown in the financial plan are net of fees.

COMMITTEE REVIEW

The outcome of the GLWA Audit Committee on April 22, 2022 is the following recommendation for approval by the GLWA Board.

1. Approves Siebert Williams Shank & Co. as Bookrunning Senior Managing Underwriter;
2. Approves Goldman Sachs as Co-Senior Managing Underwriter;
3. Authorizes a Takedown Fee of \$2.50 per bond (plus reimbursable expenses);
4. Approves Citigroup, JP Morgan Securities LLC, Morgan Stanley & Co., Ramirez & Co., Loop Capital and Wells Fargo as Co-Managers;
5. and authorizes the Interim CEO to take such other action as may be necessary to accomplish the intent of this vote.

Great Lakes Water Authority
Underwriter Proposal Summary
Summary of Fee Proposals


(Expenses Based on Revised Submissions 4/27/2022)

	Average Takedown (\$/bond) (1)	Est. Takedown (\$ (1)	Management Fee (\$/bond)	Est. Management Fee (\$)	Est. Expenses (\$ (2)	Total Fees Including Expenses (\$/bond)	Est. Total Fees (\$)
Wells Fargo	2.25	659,000	-	-	29,000	2.35	688,000
Goldman Sachs	2.50	733,000	-	-	41,000	2.64	774,000
Siebert Williams Shank & Co.	2.50	733,000	-	-	43,000	2.65	776,000

Notes:

- (1) Estimated takedowns rounded to nearest thousand and are based on estimated base case financing. Assumes issued without bond insurance.
(2) Estimated expenses rounded to nearest thousand and exclude Underwriter's Counsel.
(3) All firms proposed same takedowns for insured or uninsured bonds.
(4) Base case financing assumed as par of 293.065m (Assumes proceeds of: 175.8m for Water; 137.8m for Sewer; 17.985m in Sewer Refunded Par)
Assumed amortization shown below:

1	21,460,000
2	4,360,000
3	4,575,000
4	4,805,000
5	5,045,000
6	5,295,000
7	5,560,000
8	5,840,000
9	6,130,000
10	6,440,000
11	6,760,000
12	7,100,000
13	7,455,000
14	7,825,000
15	8,215,000
16	8,630,000
17	9,060,000
18	9,515,000
19	9,990,000
20	10,490,000
21	11,010,000
22	11,565,000
23	12,140,000
24	12,750,000
25	13,385,000
26	14,055,000
27	14,760,000
28	15,495,000
29	16,270,000
30	17,085,000

 GLWA Great Lakes Water Authority	Procurement Form (FOR)		
	Effective Date: 5/1/2019	Document #: FSA_PRO_FOR_0039	Revision Date: 1/18/2022
Document Title: Procurement Board Report-RFP		Document Owner/Department: Procurement Team	

Date: May 3, 2022
To: Brian Baker, Audit Committee Chairman
From: Daniel Edwards, Procurement Manager
Re: Procurement Report

General Information			
Contract Number:	2200290	Project Owner:	Kim Garland, Financial Services Chief of Staff
Contract Title:	Senior Manager Underwriter Services		
Vendor:	Siebert Williams Shank & Co., LLC		
Budget:	Choose an item. N/A – Vendor paid through bond proceeds		


Procurement Method			
Pre-Qualified Vendors – Invitation to Quote (ITQ) Request for Proposal (RFP) Qualification Based Selection (QBS) – Evaluation Committee			
Advertised:	3-30-2022	Addendums released:	1
Buyer:	Joan Salwasser	Downloaded by:	3
Response due date:	4-14-2022	Responses received:	3

Description	Proposed Cost
Take Down Fee -	\$2.50/Bond
Reimbursable Expenses -	TBD

Benchmarking was completed by comparing the proposals for this project. This analysis confirmed that rates are in competitive range. The rate comparisons and allowances (if any) are illustrated in the attached cost tabulation.


Evaluation Committee: (Designation – Organization)
A – GLWA – Chief Financial Officer/Treasurer
B – GLWA – Financial Services Chief of Staff
C – PFM - Financial Advisor

Vendor (Highest to lowest score)	Score
Siebert Williams Shank & Co., LLC	90.00
Goldman Sachs	87.78
Wells Fargo Securities	86.67

Procurement Form (FOR)			
	Effective Date: 5/1/2019	Document #: FSA_PRO_FOR_0039	Revision Date: 1/18/2022
			Revision#: 1
Document Title: Procurement Board Report-RFP		Document Owner/Department: Procurement Team	

Vendor (Highest to Lowest Score)	Score	B.I.D. Plan (Pass/ Fail)	State of Michigan Presence (Yes/No)	GLWA Territory (Yes/No)	Economically Disadvantaged Territory (Yes/No)	Certifications
Siebert Williams Shank & Co., LLC	90.00	Pass	Yes	Yes	Yes	City of Detroit; NY&NJMSDC; WBENC
Goldman Sachs	87.78	Pass	No	No	No	N/A
Wells Fargo Securities	86.67	Pass	No	No	No	N/A

Business Inclusion and Diversity (B.I.D.)	
<input checked="" type="checkbox"/> B.I.D. program required	<input type="checkbox"/> B.I.D. program not required
<input checked="" type="checkbox"/> The recommended vendor for award submitted a B.I.D. plan per the requirements under this solicitation.	
<input type="checkbox"/> The recommended vendor for award did not submit a B.I.D. plan per the requirements under this solicitation.	
The recommended vendor is acknowledged for the following B.I.D. criteria:	
<input checked="" type="checkbox"/> Business presence in State of Michigan	
<input checked="" type="checkbox"/> Business presence in GLWA service territory area (list the territory)	
<input checked="" type="checkbox"/> Business presence in economically disadvantaged GLWA service territory area (list the territory)	

	Procurement Form (FOR)		
	Effective Date: 5/1/2019	Document #: FSA_PRO_FOR_0039	Revision Date: 1/18/2022
Document Title: Procurement Board Report-RFP		Document Owner/Department: Procurement Team	

Other Data Requested by GLWA Board Members for Recommended Vendor

Minority Business Enterprise (MBE): Yes
 Small Business Enterprise (SBE): No
 Woman Business Enterprise (WBE): Yes
 Disadvantaged Business Enterprise (DBE): No
 Detroit Based Business (DBB): Yes
 Other:

Sub-Contractor(s) List: N/A

Vendor Response Survey: N/A

Litigation

This vendor is not currently nor has been previously involved in any litigation with the GLWA.

Financials

A financial risk assessment was performed by the GLWA via Dun & Bradstreet and was determined that the selected vendor has the financial capacity to perform the tasks under this contract. This information is available for the Board of Directors to review upon request.