



# Debt Management Policy

## 1. BACKGROUND AND POLICY STATEMENT

The Great Lakes Water Authority (“GLWA”) is an independent Authority of the State of Michigan. GLWA was formed on November 26, 2014 by the City of Detroit (the “City”), the Charter County of Wayne, the County of Oakland, and the Charter County of Macomb (collectively, the “Incorporating Municipalities”), pursuant to Act No. 233, Public Acts of Michigan, 1955, as amended, in order to lease the Leased Sewer Facilities and the Leased Water Facilities and to operate the Regional Sewer System and the Regional Water System and maintain the Leased Sewer Facilities and the Leased Water Facilities pursuant to separate leases of the respective facilities, between the City and GLWA. Pursuant to the Lease, GLWA has assumed all the City’s obligations related to the Regional Water and Sewer Systems, including, but not limited to, the City’s obligations to pay debt service on all the City’s Department of Water and Sewerage (“DWSD”) Water and Sewer Bonds.

This Debt Management Policy (the “Policy”) shall guide the issuance and management of all bonds and other forms of indebtedness of the GLWA, together with any credit, liquidity, or other security instruments and agreements that may be executed in connection with the issuance of bonds and other forms of indebtedness. The Policy formally establishes parameters for issuing debt and managing a debt portfolio and considers GLWA’s specific capital improvement needs, ability to repay financial obligations, and the existing legal, economic, financial and debt market conditions.

## 2. PURPOSE

The purpose of this Debt Management Policy is to establish clear guidelines relating to the practices for debt management and to assist parties in understanding GLWA’s approach to debt management. The Policy is intended to guide current and future decisions related to debt issued by GLWA. GLWA has the right to waive or modify any of the policies included herein but waiver or modification requires approval of the GLWA Board (the “Board”).

## 3. DEFINITIONS

### 3.1. Acronyms

ACRONYM	DEFINITION
<b>BANs</b>	Bond Anticipation Notes
<b>BPA</b>	Bond Purchase Agreement
<b>City</b>	City of Detroit
<b>DSRF</b>	Debt Service Reserve Fund
<b>DWSD</b>	City of Detroit Water and Sewerage Department
<b>EMMA</b>	MSRB’s Electronic Municipal Market Access system
<b>GLWA</b>	Great Lakes Water Authority
<b>MOU</b>	The 2018 Memorandum of Understanding between GLWA and DWSD
<b>MSRB</b>	Municipal Securities Rulemaking Board
<b>SLGS</b>	Treasury Securities - State and Local Government Series
<b>WIFIA</b>	Water Infrastructure Finance Innovation Act
<b>WRAP</b>	Water Residential Assistance Program



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## 3.2. Terms

<b>TERM</b>	<b>DEFINITION</b>
<b>Advance Refunding</b>	Advance Refunding means a refinancing of a Bond or Note that occurs more than 90 days prior to the maturity date or call date of the Bond or Note being refinanced.
<b>Arbitrage</b>	The difference between the interest paid on the tax-exempt securities and the interest earned by investing the security proceeds in higher-yielding taxable securities. IRS regulations govern arbitrage on the proceeds from issuance of municipal securities.
<b>Bond Anticipation Notes (BANs)</b>	Notes which are paid from the proceeds of the issuance of long-term bonds. Typically issued for capital projects.
<b>Bond Counsel</b>	Legal counsel retained to (1) assist in the legal aspects of structuring and issuance of debt issues and 2) render an opinion as to the enforceability of the debt obligations and as to the tax-exempt status of interest on the debt obligations.
<b>Bond Fund</b>	Collectively, the Bond Interest and Redemption Funds.
<b>Bond Interest and Redemption Funds</b>	Each fund established for the payment of Debt Service for each series of bonds of the same Priority of Lien.
<b>Call Provisions</b>	The terms of the bond giving the issuer the right to redeem all or a portion of a bond prior to its stated date of maturity at a specific price.
<b>Capitalized Interest</b>	A portion of the proceeds of a bond issue which is set aside to pay interest on the same bond issue for a specific period of time, such as the construction period of the project.
<b>Commercial Paper</b>	Very short-term, unsecured promissory notes generally maturing within 270 days and usually backed by a line of credit with a bank or other credit facility.
<b>Competitive Sale</b>	A sale/auction of securities by an issuer in which underwriters or syndicates of underwriters submit sealed bids to purchase the securities. Contrasts with a negotiated sale.
<b>Continuing Disclosure</b>	Financial, operating and other information made available to investors, typically on EMMA, on an ongoing basis.
<b>Credit Enhancement</b>	Credit support purchased by an issuer to provide additional security for all or a portion of a bond issue. The most common credit enhancements consist of bond insurance, direct or standby letters of credit, and lines of credit.
<b>Debt Service</b>	With respect to bonds of each Priority of Lien, the amount scheduled to become due and payable annually on all outstanding bonds as (i) interest, exclusive of interest capitalized on such outstanding bonds and paid from the proceeds of a series of bonds or investment earnings on such capitalized interest, plus (ii) principal, plus (iii) mandatory redemption requirements.
<b>Debt Service Installment Requirements</b>	As of the first day of the month with respect to each priority of lien of outstanding bonds, the amounts calculated as described in the Master Ordinances.
<b>Debt Service Reserve Fund</b>	The fund in which moneys are placed and held which may be used to pay debt service if pledged revenues are insufficient to satisfy the Debt Service Requirements.
<b>Derivatives</b>	A financial product whose value is derived from some underlying asset value.
<b>Escrow</b>	A fund established to hold moneys or securities pledged and to be used solely



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	to pay debt service on an outstanding issue. Generally invested in US Government securities.
<b>Extraordinary Repair and Replacement Fund Requirement</b>	For any Fiscal Year, 15% of the budgeted Operation and Maintenance Expenses of the Regional Sewer System and the Local Sewer System or the Regional Water System and the Local Water System for such Fiscal Year, less any amount that is withdrawn in the Fiscal Year from the Extraordinary Repair and Replacement Reserve Fund for paying a major unanticipated repair or replacement to the Regional Sewer System, the Local Sewer System, the Regional Water System or the Local Water System pursuant to the Master Ordinances, but only in the Fiscal Year that such amount is withdrawn.
<b>Feasibility Consultant</b>	A firm of experts retained prepare a Feasibility Report for each bond issuance containing projections intended as “forward-looking statements” that demonstrate the ability of GLWA to meet its future planned obligations.
<b>Fiscal Year</b>	The Fiscal Year and operating year of GLWA begins on July 1 and ends on the following June 30, as it may be modified.
<b>Historical Net Revenues</b>	As defined in the Master Ordinances, (a) the Net Revenues of the Sewer System or the Water System for either (i) the immediately preceding Fiscal Year for which audited financial statements of GLWA are available, or (ii) any audited Fiscal Year ending not more than sixteen months prior to the date of delivery of the Additional Bonds then being issued pursuant to the Master Ordinances, as determined by GLWA, plus, at the option of GLWA, (b) an amount determined by the GLWA in accordance with the Master Ordinances to equal the effect of any change in the rates, fees and charges of the Regional Sewer System and the Local Sewer System or the Regional Water System and the Local Water System authorized at or prior to the date of sale of the Additional Bonds then being issued pursuant to the Master Ordinances, as if the Sewer System’s billings or the Water System’s billings during such Fiscal Year had been at the increased rates, plus, at the option of GLWA, (c) an amount determined by the GLWA in accordance with the Master Ordinances to equal one hundred percent of the estimated increase in Net Revenues projected to accrue as a result of (i) the acquisition of the repairs, extensions, enlargements and improvements to the Sewer System or the Water System projected to be paid in whole or in part from the proceeds of the Additional Bonds then being issued pursuant to the Master Ordinances and (ii) any acquisition, extension or connection which was made subsequent to the end of such Fiscal Year.
<b>Interest Rate Swap</b>	A contract between two parties to exchange interest rate payments at specified dates in the future over a specified term. One party under the swap contract normally makes payments based on a fixed rate while the other party makes payments based on a variable (floating) rate.
<b>Lease</b>	Collectively, the Regional Sewage Disposal System Lease and the Regional Water Supply System Lease, each dated June 12, 2015, between the City, as lessor, and GLWA, as lessee, of the Leased Sewer Facilities and the Leased Water Facilities, respectively, as amended from time to time.
<b>Lease Payment</b>	The annual payment required to be made by GLWA for the benefit of the City pursuant to the Lease, in consideration for the leasing of the Leased Sewer Facilities or the Leased Water Facilities to GLWA and the absolute and



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	irrevocable assignment and transfer to GLWA of the Revenues as provided in the Lease and to be applied by the GLWA as provided in the Master Ordinances.
<b>Leased Sewer Facilities</b>	Collectively, all the City's right, title and interest in and to that portion of the real and tangible personal property comprising a part of the Regional Sewer System and owned by the City and providing sewer service to the wholesale customers of the Regional Sewer System and Retail Sewer Customers up to the point of connection to the Detroit Local Sewer Facilities, all as more fully described in the Sewer System Lease
<b>Leased Water Facilities</b>	Collectively, all the City's right, title and interest in and to that portion of the real and tangible personal property comprising a part of the Water System and owned by the City and providing water service to both the wholesale customers of the Regional Water System and Retail Water Customers up to the point of connection to the Detroit Local Water Facilities all as more fully set forth in the Water System Lease.
<b>Letter of Credit or Liquidity Facility</b>	A bank credit facility wherein the bank agrees to lend a specified amount of funds for a limited term to fund a draw for a specified liquidity purpose or event.
<b>Local Sewer System</b>	That portion of the Sewer System that provides sewer service directly to Retail Sewer Customers, which on the Effective Date consists of the Detroit Local Sewer Facilities.
<b>Local Water System</b>	That portion of the Water System that provides water service directly to the Retail Water Customers, which on the Effective Date consists of the Detroit Local Water Facilities.
<b>Maximum Annual Debt Service</b>	With respect to any given Priority of Lien, the maximum Debt Service in any future Fiscal Year on Outstanding Bonds of such Priority of Lien and any Additional Bonds then being issued in accordance with Section 207 of the Master Ordinances. If any Additional Bonds (any of such, the "Refunding Bonds") are to be issued to refund Outstanding Bonds (the "Bonds to be Refunded"), the Debt Service to be used for determining Maximum Annual Debt Service shall be the Debt Service on the Refunding Bonds and not the Debt Service on the Bonds to be Refunded.
<b>Management Fee</b>	The portion of the Underwriter's Discount which is paid to the managing underwriter for the structuring phase of a transaction.
<b>Negotiated Sale</b>	A method of sale where the issuer chooses an underwriting syndicate with which to negotiate terms pursuant to which such underwriters will purchase and market the bonds.
<b>Net Revenue</b>	For any period of time, all Revenues received during such period of time, except for those Revenues transferred to the Operation and Maintenance Fund.
<b>Operation and Maintenance Expenses</b>	The reasonable expenses of administration, operation and maintenance of the Regional Sewer System or the Local Sewer System, or the Regional Water System or the Local Water System, as the case may be, but shall not include the Required Annual General Retirement System Payment.
<b>Original Issue Discount</b>	The amount by which the original par amount of an issue exceeds its public offering price at the time it is originally offered to an investor.
<b>Pay-As-You-Go</b>	An issuer elects to finance a project with existing free cash flow as opposed



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	to issuing debt obligations. Also known as “Revenue Financed Capital” or “Paygo”.
<b>Pledged Assets</b>	The (i) Net Revenues; (ii) funds and accounts established by or pursuant to the Master Ordinances except for the Operation and Maintenance Fund, the Construction Fund and the Rebate Fund and any account of any such fund; and investments of amounts or any income or gain realized therefrom credited to any fund, account or subaccount that is a Pledged Asset.
<b>Present Value</b>	The current value of a future cash flow assuming a certain Discount Rate.
<b>Priority of Lien</b>	With respect to any particular Bonds, all other Bonds having a lien on Pledged Assets on parity with such Bonds.
<b>Private Placement</b>	The direct placement of an issue with one or more investors as opposed to a sale that is publicly offered.
<b>Projected Debt Service Coverage</b>	Projected Net Revenues or Historical Net Revenues, as determined by the GLWA, divided by Maximum Annual Debt Service for such Priority of Lien and any higher Priority of Lien.
<b>Projected Net Revenues</b>	The Net Revenues of the Sewer System or the Water System for the then-current or next succeeding Fiscal Year, as determined by GLWA, which may include (a) in the case of Section 207 of the Master Ordinances for the purpose of determining the Additional Bonds Debt Service Coverage, one hundred percent of the estimated increase in Net Revenues projected to accrue as a result of the acquisition of the repairs, extensions, enlargements and improvements to the Sewer System and the Water System projected to be paid for in whole or in part from the proceeds of the Additional Bonds under Section 207 of the Master Ordinances, and (b) in the case of Section 604 of the Master Ordinances for the purpose of determining the Rate Covenant Debt Service Coverage, one hundred percent of the estimated increase in Net Revenues as a result of approved rate increases for the next succeeding Fiscal Year.
<b>Rate Covenant Debt Service Coverage</b>	A number equal to Projected Net Revenues for the Fiscal Year of calculation divided by the aggregate Debt Service Installment Requirements on Bonds for such Fiscal Year, net of funds on hand for accrued principal and interest, all for such Priority of Lien and any higher Priority of Lien.
<b>Rebate</b>	A requirement imposed by Tax Reform Act of 1986 whereby the issuer of tax-exempt bonds must pay the IRS an amount equal to its profit earned from investment of tax-exempt bond proceeds in taxable securities at rates exceeding the tax-exempt borrowing rate. The tax-exempt borrowing rate (or “bond yield”) is calculated pursuant to the IRS code together with all income earned on the accumulated profit pending payment.
<b>Regional Sewer System</b>	That portion of the Sewer System that provides sewer service to the wholesale customers thereof and Retail Sewer Customers up to the point of connection to the Local Sewer System, which on the Effective Date consists of the Leased Sewer Facilities.
<b>Regional Water System</b>	That portion of the Water System that provides water service to the wholesale customers thereof and Retail Customers up to the point of connection to the Local Water System, which on the Effective Date consists of the Leased Water Facilities.
<b>Required Debt</b>	Means (a) for Senior Lien Bonds, 1.20, (b) for Second Lien Bonds, 1.10, and





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<b>Service Coverage</b>	(c) for any Junior Lien Bonds other than Second Lien Bonds, 1.00.
<b>Selling Group</b>	The group of securities dealers who may participate in an offering not as underwriters – and who do not have any liability -- but rather who receive securities less the selling concession from the managing underwriter for distribution at the public offering price.
<b>Syndicate Policies</b>	The obligations placed on the underwriting group relating to the priority of orders, designation policies and other syndicate rules desired by GLWA and the Underwriters relating to the public offering of the bonds.
<b><u>Underwriting Syndicate</u></b>	<u>A group of Underwriters that purchases new issues of municipal securities from the Issuer and resells them to investors. The Underwriting Syndicate is organized for the purposes of sharing the risks of underwriting and to get broader distribution to potential investors.</u>
<b>Underwriter</b>	A dealer that purchases new issues of municipal securities from the Issuer and resells them to investors.
<b>Underwriter's Discount</b>	The difference between the price at which bonds are bought by the Underwriter from the Issuer and the price at which they are reoffered to investors.
<b>Variable Rate Debt</b>	Bonds which carry an interest rate that changes at intervals in relation to an index or a formula or other standard of measurement as stated in the bond documents.
<b>WRAP Fund</b>	The Water Residential Assistance Program Fund established pursuant to Section 502(a)(10), of the Master Ordinances, which is a fund independently administered on behalf of the Authority to provide assistance to indigent residential customers throughout the Water System and the Sewer System.
<b>Yield</b>	The annual rate of return on an investment, based on the purchase price of the investment, its coupon rate and the length of time the investment is held. Yield may, for certain purposes, be calculated in accordance with the IRS Code or other industry convention.

#### 4. AUTHORITY/RESPONSIBILITY

The Financial Services Area (FSA) Public Finance team within GLWA has responsibility for the application of this Policy to GLWA's debt program.

#### 5. GOALS & OBJECTIVES

This Policy is a tool designed to help ensure that current and future financial resources are adequate to meet GLWA's long-term planning objectives. In addition, the Policy helps to ensure that financings undertaken by GLWA satisfy certain clear objective standards which allow GLWA to protect its financial resources to meet its long-term capital needs. The adoption of clear and comprehensive financial policies enhances the internal financial management of GLWA.

Specifically, the policies outlined in this document are intended to assist in promoting cooperation and coordination with all stakeholders in the financing and delivery of capital projects and promoting sound financial management practices intended to maximize and best utilize future debt capacity by:

- Minimizing financing costs for capital projects and other debt issuances by seeking the lowest cost of capital reasonably available with the least amount of risk.



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- Establishing criteria to determine the appropriate use of available financing sources (i.e., long-term and short-term debt, fixed rate and variable rate debt, Pay-As-You-Go (PAYGO) financing, grants and other alternative forms of financing).
- Evaluating various debt issuance alternatives, including the amount and type of debt.
- Working to maintain adequate levels of working capital, reserves and cash-on-hand in order to avoid mismatches between available cash and cash outflows for capital expenditures as determined by cash flow analysis and projections.
- Designing capital funding solutions to provide maximum administrative and operating flexibility where possible.
- Designing capital funding solutions intended to minimize legal and financial risks to current and future budgets.
- Protecting and enhancing GLWA's credit ratings to maintain access, on the best available terms, to local, regional and national capital markets.
- Maintaining reasonable and justifiable levels of rates, fees and charges that best address the current and future needs of GLWA and all stakeholders.
- Improving the quality of decisions and parameters for justification of debt structures.
- Ensuring compliance with all laws, legal agreements, contracts, best practices and adopted policies related to debt issuance and management.

## 6. USES OF DEBT

Unless otherwise approved by GLWA's board, debt issuance will be used for the following purposes:

- (1) To finance the costs associated with the Authority's Capital Improvement Plan
- (2) To refund existing debt to obtain Debt Service savings and/or restructure certain terms of existing debt

## 7. TYPES OF DEBT

When GLWA determines that the use of debt is appropriate, the following criteria will be utilized to evaluate the type of debt to be issued.

### 7.1. Long-Term Debt

GLWA may issue long-term debt where it is deemed that capital improvements will not be financed from current revenues. Long-term borrowing is not intended to be used to finance current operations or normal maintenance. Long-term debt will be self-supporting and structured such that financial obligations generally do not exceed the expected useful life of the project. This long-term debt can be issued to State and Federal loan programs for water and wastewater issuers designed to provide attractive financing alternatives to public debt, such as the State Revolving Fund loan program administered by the Michigan Finance Authority.

### 7.2. State Revolving Fund Loans



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GLWA will seek to maximize its borrowing through available State Revolving Fund Loan programs, to the extent that subsidized interest rates provide significant debt service savings to GLWA and the amortization structure offered meets GLWA's needs. Such program participation generally involves Long-Term Debt with a fixed rate through the Michigan Finance Authority.

## 7.3. Short-Term Debt, including Bond Anticipation Notes (BANs) and Commercial Paper (CP)

Short-Term debt is typically designed to provide interim financing. Given the short duration, Short-Term debt exposes GLWA to interest rate risk and market access risk upon renewal. BANs, CP, and other short-term debt may be used:

- (1) To provide interim financing that is designed to reduce the frequency of bond sales (thereby reducing administrative burdens and costs of issuance), reduce negative arbitrage in the project fund, or otherwise reduce expected overall interest cost;
- (2) during times of high interest rates and when the expectation is that interest rates will stabilize in the future or trend downward;
- (3) When market conditions are such that Short-Term debt may be more readily received in the market than Long-Term debt; and
- (4) As an interim financing tool during the construction period for a project until the project(s) is placed into service and / or GLWA sells long-term debt or is reimbursed through a State Revolving Fund loan or WIFIA loan.

BANs may be issued to reduce the debt service during the construction period of a project or facility. The BANs may not mature more than the later of 3 years from the date of issuance or 60 days after the expected date of issuance of the long-term debt that will finance the project or facility.

## 7.4. Lease Purchase Debt

Lease purchase debt, including certificates of participation, may be considered as an alternative to long-term vendor leases. Such debt may be subject to annual appropriation. To reduce the cost of lease borrowing and to improve control over leases, GLWA may adopt a master lease program.

## 7.5. Variable Rate Debt

GLWA will consider issuance of Variable Rate Debt when it improves matching of assets and liabilities, provides the potential for lower debt service costs over the term of the debt, adds flexibility to GLWA's capital structure, diversifies GLWA's investor base, or in other circumstances where supported by an analysis and recommendation from GLWA's Registered Municipal Advisor that evaluates and quantifies the risks and opportunities.

- (1) *Limitation on Net Variable Rate Debt Exposure.* The percentage of Net Variable Rate Debt may not exceed 20% of GLWA's total outstanding debt. Net Variable Rate exposure is calculated by excluding Variable Rate Debt hedged by Interest Rate Swaps in a synthetic fixed rate structure or by GLWA short-term assets earning variable interest income.
- (2) *Adequate Safeguards Against Risk.* GLWA will ensure that financing structures and/or budgetary safeguards are in place to mitigate adverse impacts from interest rate shifts





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and liquidity risks; such structures could include, but are not limited to, interest rate caps, offsetting short-term cash investments held at GLWA, Letters or Lines of Credit or other Liquidity Facilities, soft puts, and conservative budgeting practices based on historical fluctuations in interest activity and current market assumptions.

## 7.6. ESG “Environmental, Social and Governance” Bonds

ESG or “Green Bonds” may be issued to fund qualified projects that have environmental and/or climate change mitigation or adaptation benefits.

Proceeds from these bonds should be earmarked for sustainability oriented green projects and allow investors to invest directly in bonds which finance environmentally beneficial projects. The Authority will comply with the following when issuing Green Bonds:

- (1) For each issuance of Green Bonds, the Authority will make a determination whether to self-certify the Bonds or retain an independent third party consultant to certify the Bonds.
- (2) The authority will only issue Green Bonds if, during the life of the Bonds, they in no way impede or restrict the ability to use the Green Bond-funded projects for other future business purposes that are not in keeping with “Green Bond” principles.

ESG bonds may also be issued as “Social” bonds to create positive social outcomes in communities. If the use of proceeds is designated as “Green” and/or “Social” the bonds are considered “Sustainability” bonds.

## 8. DEBT ISSUANCE PROCEDURES FOR NEW MONEY FINANCINGS

### 8.1 Prior to Issuance

Prior to issuing debt to fund new money projects, GLWA will establish the criteria to determine how the proposed sources of funding will impact current and future budgets and identify how the costs will be allocated.

- Identify Projects to be Funded

To the extent possible, GLWA should annually identify projects within its 5-year Capital Improvement Plans (“CIP”) and determine the funding source for each project. To develop a funding plan, GLWA should consider the following:

- (1) The timing and amount of each project to be funded;
- (2) and cost allocation impacts

- DWSD Specific Projects

Prior to issuing bonds for DWSD specific projects, an independent analysis will be performed by an outside or mutually agreed upon party to demonstrate the ability of the DWSD to repay the estimated debt service payments or meet the annual revenue financed capital allocation.

- Funding Sources



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GLWA will establish criteria to determine what funding sources, such as long-term and short-term debt, revenue financed capital (also known as “pay-as-you-go” or “paygo”), grants and other alternative forms of funding, best meet the budget requirements of GLWA.

## 9. DEBT ISSUANCE STRUCTURE FOR NEW MONEY FINANCINGS

GLWA will establish all terms and conditions relating to the issuance of debt. To the extent that GLWA issues debt to fund the DWSD capital program, GLWA will identify the portion of any borrowing that is allocable to the DWSD system. GLWA staff will work in coordination with DWSD on the bond structuring elements of any borrowing for the DWSD local system, and will assist in the ongoing administration of the debt allocation.

Unless otherwise authorized by the Board, the following will serve as structural guidelines for GLWA staff in carrying out this policy:

- (1) *Interest Rate Structure.* GLWA may make use of both Variable Rate Debt and Fixed-Rate debt in accordance with limitations set forth in this Policy.
- (2) *Term.* All capital improvements financed through the issuance of debt will be financed for a period not to exceed the useful life of the improvements, but in no event will the term exceed forty (40) years.
- (3) *Capitalized Interest.* Certain financings may benefit from the use of Capitalized Interest from the issuance date until GLWA has beneficial use and/or occupancy of the financed project. In such cases, the use of Capitalized Interest is permitted but may not be funded (capitalized) beyond three years (or a shorter period if further restricted by statute). Interest earnings may, at GLWA's discretion, be applied to extend the term of capitalized interest but in no event beyond the term statutorily authorized.
- (4) *Debt Service Structure.* Debt issuance will be planned to achieve relatively level debt service by system in aggregate across liens. GLWA will generally avoid the use of a deferred debt service structure except in those instances where:
  - a) a deferral of debt service serves to make existing overall debt service level; or,
  - b) an alternative structure (such as deferred principal) is deemed to be advantageous to GLWA's debt profile and cost of financing. For instance, market conditions and/or specific financing goals of GLWA may indicate a deferred debt service structure, for a specific upcoming transaction, may be optimal. (Debt service coverage constraints, for example, may in part drive this decision-making process). Any alternative structures must be approved by the GLWA Board upon recommendation by the Chief Financial Officer, with the advice of its Registered Municipal Advisor.
- (5) *Call Provisions.* To preserve flexibility and potential refinancing opportunities, in general, GLWA's securities will include a call feature, which is no later than 10.5 years from the date of delivery of the bonds unless otherwise recommended by GLWA's Registered Municipal Advisor and approved by Bond Counsel. GLWA will avoid the sale



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of non-callable bonds maturing beyond 10.5 years absent careful evaluation by GLWA with respect to the value of the call option.

- (6) *Coupon Structure.* GLWA may issue par, discount, and premium bonds. Discount and premium bonds will be evaluated including the impact on call option value.
- (7) *Debt Service Reserve Fund (the "DSRF").* GLWA will consider providing a DSRF as market conditions dictate, if a funded DSRF will reduce the overall borrowing cost of GLWA or is otherwise required by the Master Bond Ordinance. A DSRF can be established to support each individual series of bonds or as a common reserve that can support more than one series of bonds. Any DSRF may be funded with bond proceeds at the time of issuance, cash, Letter of Credit, or Surety Bonds, as permitted by law.
- (8) *Lien Selection.* GLWA will determine the most advantageous use of lien based on market conditions at time of sale, and in consultation with its Registered Municipal Advisor.
- (9) *Derivative Structures.* GLWA will not use derivatives unless (1) the specific transaction is approved by the GLWA Board upon recommendation by the Chief Financial Officer, with the advice of its Registered Municipal Advisor or (2) the Board approves a separate policy related to the management of such derivative structures. Such policy will establish the authority and parameters for any use of derivatives by GLWA.

## 10. REFINANCING OF OUTSTANDING DEBT

GLWA will refinance debt from time to time to achieve debt service savings as market opportunities arise or if it determines that it is beneficial for another compelling business reason. GLWA's Chief Financial Officer, with assistance from GLWA's Registered Municipal Advisor, will have the responsibility to analyze refunding or restructuring opportunities. GLWA will consider the following issues when analyzing possible refunding opportunities.

### 10.1. Refunding for Debt Service Savings

When a refinancing is undertaken to achieve debt service savings, GLWA will generally target a minimum Present Value savings threshold of 2.5% of the refunded bond principal amount. This threshold target may change based on market conditions and the opinion of the Registered Municipal Advisor. The Present Value savings threshold will be calculated net of all costs related to the refinancing and will be calculated on an aggregate basis. GLWA may accept a lower positive savings threshold to the extent that the refunded bonds mature within 3 years, do not have an economic call option or as otherwise approved by the Board.

Debt service savings will generally be structured on a level basis (approximately equal savings in each bond year) or proportional basis (savings in each bond year approximately proportionate to the amount of refunded debt service).

GLWA may also consider a structure which takes savings on an upfront or deferred basis, but these types of savings structures must be explicitly approved by GLWA's Chief Executive Officer in consultation with the Chief Financial Officer/Treasurer.

### 10.2. Alternative Methods to Achieve Debt Service Savings

Due to the federal tax law changes as of December 22, 2017, the ability of a municipal bond issuer to advance refund on a tax-exempt basis has been repealed. As part of evaluating future bonds to



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be refunded, GLWA will work with its Registered Municipal Advisor, on a case-by-case basis, to evaluate the cost benefit of various methods of refunding bonds that are not currently callable on a tax-exempt basis through alternative financing methods. These include, but are not limited to, taxable advance refunding bonds, tax-exempt forward delivery bonds, and refunding bonds issued in conjunction with a tender and/or exchange process.

## 10.3. Refunding for Debt Service Restructuring

A restructuring that does not generate debt service savings may be pursued but its use will be limited to meet unanticipated revenue fluctuations, meet unexpected construction cost increases, achieve cost savings, mitigate irregular debt service payments, release reserve funds or remove unduly restrictive bond covenants, unless otherwise approved by the Board.

## 10.4. Term of Refunding Issues

GLWA will generally refund bonds within the term of the originally issued debt. However, GLWA may consider maturity extension, when necessary to achieve a desired outcome, provided that such extension is legally permissible. GLWA may also consider shortening the term of the originally issued debt to realize greater savings. The remaining useful life of the financed facility and the concept of inter-generational equity should guide this decision.

## 10.5. Escrow Structuring

GLWA will utilize the least costly legally permissible securities available in structuring refunding escrows. A certificate will be provided by a third party agent, who is a registered investment advisor stating that the securities were procured through an arms-length, competitive bid process (in the case of Open Market Securities), that such securities were more cost-effective than State and Local Government Securities (SLGS), and that the price paid for the securities was reasonable within Federal guidelines. Under no circumstances may an underwriter, agent or Registered Municipal Advisor sell escrow securities to GLWA from its own account.

## 10.6. Arbitrage

GLWA will take all necessary steps to optimize escrows and to avoid negative arbitrage in its refundings. Any resulting positive arbitrage will be Rebated as necessary according to Federal guidelines.

## 11. METHOD OF ISSUANCE

GLWA will determine the method of issuance on a case-by-case basis, based on the method of sale it believes is the most appropriate and economically advantageous in light of financial, market, transaction-specific and GLWA-related conditions. Acceptable methods of sale may include a competitive sale, a negotiated sale, or a private placement. GLWA may also borrow from or issue through the SRF Program or pursue federal borrowing programs such as WIFIA funding.

## 12. TAX STATUS

Bond Counsel will determine the tax status of all issuances. Interest on the bonds may be designated as either tax-exempt or taxable.

### 12.1 Tax-Exempt



# Debt Management Policy

Interest on tax-exempt bonds is excluded from the gross income of its owners for federal income tax purposes and from Michigan income taxes, and as a result tax-exempt bonds can be sold at a lower true interest cost than taxable bonds. The Authority, along with bond counsel, will evaluate all projects to be funded to assess their eligibility to be funded by tax-exempt bonds. The Authority will make every effort to ensure that all tax regulations are complied with to ensure the bonds maintain their tax-exempt status throughout the life of the bonds.

## 12.2 Taxable

Certain municipal bonds are sold as taxable bonds because they are issued for purposes that the federal government deems do not provide a significant benefit to the public at large or involve private activity. In addition, certain tax laws such as the alternative minimum tax (“AMT”) reduced the tax exemption applicable to certain types of bonds and to certain taxpayers. Taxable bonds will be used whenever a project has the potential for private activity or other uses that may call into question the eligibility to use tax-exempt financing.

## 13. UNDERWRITER SELECTION AND SYNDICATE MANAGEMENT

### 13.1. Process and Cadence of Underwriting Syndicate Selection

For long term debt not issued through a State or Federal program such as the State Revolving Fund program, GLWA will appoint a syndicate of Underwriters (the “Underwriting Syndicate”) through a competitive procurement process as outlined in GLWA’s Procurement Policy. The Underwriting Syndicate will provide bond underwriting services for all negotiated transactions that take place during a three-year term, but the initial term may be extended by the Board as appropriate to maintain ongoing coverage. Exceptions to the use of the Underwriting Syndicate shall be reported to the Board.

### 13.1.13.2. Senior Manager Selection

GLWA will ~~select the~~appoint a book-running senior manager ~~for a proposed Negotiated Sale to the Underwriting Syndicate.~~ The selection criteria will include, but not be limited to, the following:

- The firm’s ability and experience in managing transactions similar to those contemplated by GLWA
- 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

### 13.2.13.3. Co-Senior Manager Selection

GLWA may consider the appointment of a co-senior manager to the Underwriting Syndicate.

### 13.3.13.4. Co-Manager Selection

Co-managers will be appointed to the Underwriting Syndicate and selected to complement the





# Debt Management Policy

distribution capabilities of the senior manager and co-senior manager, if applicable. The number of co-managers appointed to specific transactions will be a function of transaction size and the necessity to ensure maximum distribution of GLWA's bonds.

## 13.4.13.5. Selling Groups

GLWA may establish Selling Groups in certain transactions in order to broaden the reach to potential investors.

## 13.5.13.6. Underwriter's Counsel

In any negotiated sale of GLWA debt in which legal counsel is required to represent the Underwriter, the appointment will be made by the Senior Manager while also being acceptable to GLWA.

## 13.6.13.7. Underwriter's Discount

GLWA's Registered Municipal Advisor will evaluate the proposed Underwriter's Discount against comparable issues in the market. If there are multiple Underwriters in the transaction, the Chief Financial Officer will determine the allocation of liabilities and fees among the Underwriters, with input from GLWA's Registered Municipal Advisor.

All fees and allocation of liabilities will be determined prior to the sale date; a cap on Management Fee (if any), expenses and Underwriter's Counsel will be established and communicated to all parties by the Chief Financial Officer or GLWA's Registered Municipal Advisor. The senior managing underwriter will submit an itemized list of expenses charged to members of the underwriting group. Any additional expenses must be substantiated.

## 13.7.13.8. Syndicate Policies

For each negotiated transaction, the Chief Financial Officer will, with input and advice from GLWA's Registered Municipal Advisor, approve a Syndicate Policy that will describe the designation and priority policies governing the upcoming bond sale.

GLWA may seek to give certain classes of investors (such as Retail, Institutional or ESG Investors) priority during an order period in order to encourage best execution. GLWA will require the senior manager to allocate bonds in accordance with this priority policy as well as to seek to make reasonable and fair allocations of bonds to syndicate members and the selling group. In all cases, GLWA will require the senior manager to comply with MSRB regulations governing the priority of orders and allocations.

## 13.8.13.9. Transparency of Orders and Allocations.

Within 10 working days after the sale date, GLWA will require the senior manager to submit to the Chief Financial Officer and GLWA's Registered Municipal Advisor a detail of orders, allocations and other relevant information pertaining to GLWA's sale.

## 13.9.13.10. Evaluation of Underwriter Performance

GLWA will evaluate each bond sale after completion to assess the following: costs of issuance including underwriters' compensation, pricing of the bonds in terms of the overall interest cost and on a maturity-by-maturity basis, the distribution of bonds, and sales credits.

## 13.10.13.11. \_\_\_\_\_—Reporting to the Board



# Debt Management Policy

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Following each sale, the Chief Financial Officer or GLWA's Registered Municipal Advisor will provide a report to the Audit Committee on the results of the sale.

## 14. FINANCING TEAM PARTICIPANTS

### 14.1. Registered Municipal Advisor

GLWA will retain a Registered Municipal Advisor (or advisors) to provide GLWA with a comprehensive analysis of market and funding alternatives available to GLWA. The Registered Municipal Advisor(s) will advise on the structuring and execution of all debt and debt-related transactions and provide other services as defined by approved contracts.

### 14.2. Bond Counsel – Tax Status and Authorizing Resolution

GLWA will retain Bond Counsel to issue an opinion as to the legality and tax status of all debt obligations. GLWA may also seek the advice of Bond Counsel on other types of financing or on any other questions involving local, state or federal law. Bond Counsel is also responsible for the preparation of the resolution or ordinance authorizing the issuance of obligations, certain bond and closing documents necessary for the execution of the debt issuance, and the performance of other services as defined by contract approved by GLWA.

### 14.3. Disclosure Counsel (if desired by GLWA)

Disclosure Counsel performs legal services associated with the preparation of offering documents used by the Authority in its debt offerings to ensure that the offering document fairly, accurately and completely addresses the information presented in the offering document so that it is true and correct in all material aspects.

### 14.4. Feasibility Consultant

GLWA will retain a Feasibility Consultant to prepare a Feasibility Report for each bond issuance. The Feasibility Report will contain financial feasibility information including analyses of water supply and sewage disposal service charges, specific charge methodology, projections of revenues under existing charges, projection of future operation and maintenance expenses, a summary of the Regional Water and Sewage Capital Improvement Programs and the impact of projected revenue requirements on future revenues and charges for a minimum of a ten-year forecast period. The Feasibility Consultant and the Feasibility Report will be expected to be an integral part of the team (along with GLWA, the Registered Municipal Advisor and the Underwriter) interfacing with the rating agencies.

### 14.5. Conflicts of Interest

GLWA requires that its consultants and advisors provide objective advice and analysis, maintain the confidentiality of GLWA financial plans, and disclose any potential conflicts of interest.

### 14.6. Disclosure by Financing Team Members

All financing team members will be required to provide full and complete disclosure, relative to agreements with other financing team members and outside parties. The extent of disclosure may vary depending on the nature of the transaction. However, in general terms, no agreements will be permitted which could compromise the firm's ability to provide independent advice which is



# Debt Management Policy

solely in GLWA's best interests or which could reasonably be perceived as a conflict of interest.

## 15. COMPLIANCE WITH MASTER BOND ORDINANCES

GLWA adopted its Master Water Bond Ordinance and Master Sewer Bond Ordinance on October 7, 2015 (the "Master Ordinances") which set forth the security for its bonds and obligates GLWA by various covenants. It is GLWA's intention to fully comply with all provisions of its Master Ordinances. Two covenants in particular which impact GLWA's debt management are the Fixing and Revising Rates; Rate Covenant (Section 604) and the Additional Bonds (Section 207).

### 15.1. Rate Covenant

The Master Ordinances contain a covenant to fix, charge and collect, or cause to be fixed, charged and collected, rates, fees and charges for the use and operation of the Sewage Disposal or Water System. Such rates, fees and charges shall be fixed and revised from time to time as may be expected to be necessary to produce the greater of:

- (1) The amounts required:
  - a) To provide for the payment of Operation and Maintenance Expenses of the Sewage Disposal System or Water System; and
  - b) To provide for the payment of all Debt Service Installment Requirements coming due during the Fiscal Year of calculation; and
  - c) To provide for the creation and maintenance of reserves therefore as required by the Master Bond Ordinance; and
  - d) To provide for the payment of the Lease Payment; and
  - e) To provide for the deposit to the WRAP Fund; and
  - f) To repay any withdrawals from the Extraordinary Repair and Replacement Fund; and
  - g) To provide for such other expenditures and funds as the Master Ordinances may require; and
- (2) Amounts so that the Rate Covenant Debt Service Coverage shall not be less than the Required Coverage (as defined below); and
- (3) Amounts required by The Revenue Bond Act, Act 94 of 1933.
- (4) The coverage requirements for determining the Required Coverage under the Master Ordinances are the following percentages of Net Revenues divided by the aggregate Annual Debt Service requirements for such priority of lien and any higher priority of lien, and will not be less than the following:

<u>Priority of GLWA Bonds:</u>	<u>Percentage:</u>
Senior Lien GLWA Bonds	120%
Second Lien GLWA Bonds	110%
SRF Junior Lien GLWA Bonds and Pension Junior Lien GLWA Bonds	100%

### 15.2. Additional Bonds

Approved by the GLWA Board April 26, 2023



# Debt Management Policy

Before issuing new debt which will be paid from Net Revenues, GLWA must demonstrate compliance with the provisions of Section 207 of the Master Ordinances, entitled the “Additional Bonds.”

Under the Master Ordinances, GLWA may not incur any obligations payable from Pledged Assets except for GLWA Bonds, and no obligations of GLWA may be secured by a lien on Pledged Assets except as provided in the Master Ordinance.

## 15.3. Coverage Requirements for Additional Bonds

Under the Master Ordinances, prior to or concurrently with the issuance of GLWA Additional Bonds of any Priority of Lien, GLWA shall calculate a number equal to Projected Net Revenues in the then current or the next succeeding Fiscal Year, or Historical Net Revenues, all as determined by GLWA, divided by Maximum Annual Debt Service for such Priority of Lien and any higher Priority of Lien (the “Additional Bonds Debt Service Coverage”). GLWA may elect to determine Additional Bonds Debt Service Coverage on the basis of Projected Net Revenues or Historical Net Revenues. In determining Projected Net Revenues, GLWA shall engage the services of and be guided by a professionally qualified person, firm or corporation nationally recognized in the municipal water supply and/or the municipal sewage disposal industry and of favorable reputation for skill and experience in performing the duties of providing consulting services to municipal water supply systems or municipal sewage disposal systems comparable in size and function to the Water System or the Sewer System, including setting of rates and charges for the use of such systems (a “System Consultant”). In determining Historical Net Revenues, GLWA may engage the services of and be guided by a System Consultant if it is relying on audited financial statements without augmenting Net Revenues on the basis of changes in rates, fees or charges or repairs, extensions, enlargements, improvements, acquisitions, extensions or connections to the Water System or the Sewer System. In determining Historical Net Revenues, GLWA shall engage the services of and be guided by a System Consultant if it is augmenting Net Revenues on such a basis.

## 15.4. General Authority

Under the Master Ordinances, GLWA may issue GLWA Bonds of any Priority of Lien (the “GLWA Additional Bonds”) for repairs, extensions, enlargements, and improvements to the Regional Sewer System, the Local Sewer System, the Regional Water System or the Local Water System (including repaying amounts withdrawn from the Extraordinary Repair and Replacement Reserve Fund for the Regional Sewer System, the Local Sewer System, the Regional Water System or the Local Water System), and/or refunding all or a part of any Outstanding GLWA Bonds and paying the costs of issuing such GLWA Additional Bonds, including deposits, if any, to be made to any Reserve Account established or to be established for such GLWA Additional Bonds or any other GLWA Bonds, if, but only if GLWA shall certify that the Additional Bonds Debt Service Coverage for each Priority of Lien (regardless of the Priority of Lien of the GLWA Additional Bonds) is not less than the Required Coverage. The determination in a Series Ordinance that the Additional Bonds Debt Service Coverage for each Priority of Lien is not less than the Required Coverage shall be conclusive.

## 15.5. Alternate Test for Refundings

Under the Master Ordinances, GLWA may issue GLWA Bonds of any Priority of Lien, including a portion of a Series of GLWA Bonds, without regard to the above requirements for refunding all or part of GLWA Bonds then Outstanding and paying costs of issuing such GLWA Additional Bonds,



# Debt Management Policy

including deposits which may be made to any Reserve Account established or to be established for such GLWA Additional Bonds or any other GLWA Bonds if, but only if the combined Debt Service required to be set aside in the Bond Fund in the current Fiscal Year and each Fiscal Year thereafter until maturity on (A) the GLWA Additional Bonds and (B) giving effect to the refunding, all Outstanding unrefunded GLWA Bonds of equal and higher Priority of Lien, is less than the combined Debt Service required to be set aside in the Bond Fund in the current Fiscal Year and each Fiscal Year thereafter until maturity on all equal and higher Priority of Lien GLWA Bonds, without giving effect to the refunding.

## 16. CREDIT QUALITY AND CREDIT ENHANCEMENT

### 16.1. Credit Ratings

GLWA's debt management activities will be conducted in a manner consistent with maintaining and continuing to improve its credit ratings. At a minimum GLWA will seek to obtain investment grade credit ratings on all of its borrowings to the extent possible, consistent with GLWA's financing objectives. However, GLWA will also make all reasonable efforts to strive to achieve not less than "AA" category ratings from each rating agency that provides a rating on GLWA's outstanding debt. In general, GLWA will generally intend to use ratings from at least two rating agencies for its debt issuance in the capital markets. Under special circumstances, however, GLWA will consider certain financial transactions with fewer ratings or no ratings, if approved by the GLWA Board upon recommendation by the Chief Financial Officer, with the advice of its Registered Municipal Advisor.

### 16.2. Credit Enhancements

GLWA will consider the use of Credit Enhancement with regard to fixed rate and Variable Rate Debt on a case-by-case basis, evaluating the economic or market access benefits versus cost for each case. Only when clearly demonstrable savings can be shown may an enhancement be considered. GLWA may purchase municipal bond insurance when such purchase is deemed prudent and advantageous for its fixed rate debt issuance, as documented by GLWA's Registered Municipal Advisor or senior managing underwriter. GLWA will also consider overall bond insurance capacity as part of its consideration of utilization of credit enhancement for fixed rate bonds.

### 16.3. Variable Rate Credit Enhancements

For Variable Rate Debt transactions that require credit enhancement (such as variable rate demand bonds), GLWA will consider credit enhancement products such as a Letter of Credit, that are typically required by rating agencies to achieve the highest short-term ratings. GLWA will consider the cost and marketability implications of each variable rate product and supporting credit enhancement product prior to each transaction on a case-by-case basis. In addition, to manage business and counterparty risk, GLWA will consider a diversity of credit enhancement providers. Prior to entering into a Letter of Credit, Liquidity Facility or other Credit Enhancement, GLWA or its Registered Municipal Advisor will prepare and distribute a request for qualifications to qualified banks which includes terms and conditions that are acceptable to GLWA.

## 17. DOCUMENTATION





## Debt Management Policy

The completion of a debt transaction requires GLWA's financing team to develop, review, and adopt/execute numerous documents. While not exhaustive, the following list represents the key documents in a debt transaction:

- (1) *Authorizing Resolution*. A document approved by the Board that authorizes GLWA to issue the bonds subject to several financial and other parameters as set forth in the Master Ordinances as well as other Board resolutions and ordinances. Bond Counsel is the primary drafter of this document.
- (2) *Series Ordinance*. A document approved by the Board that supplements the terms of the Master Ordinance to incorporate the provisions of the additional debt being issued. Bond Counsel is the primary drafter of this document.
- (3) *Official Statement*. The offering document that is used to disclose details about the transaction as well as GLWA's financial and operating information. The document, in preliminary form (the Preliminary Official Statement), is used to assist in marketing the transaction to investors prior to pricing. Underwriter's Counsel (or a separate Disclosure Counsel, if retained by GLWA) is the primary drafter of this document.
- (4) *Bond Purchase Agreement (BPA)*. The contract between the Underwriter and GLWA sets forth the final terms, prices and conditions upon which the Underwriter purchases a new issue of municipal securities in a Negotiated Sale. Underwriter's Counsel is the primary drafter of this document.
- (5) *Continuing Disclosure Agreement*. When bonds are issued, the issuer enters into a continuing disclosure agreement for the benefit of the underwriter to meet the SEC's requirements, promising to provide certain annual financial information and material event notices to the public. In accordance with changes made in 2009 and 2018 to Rule 15c2-12, those filings must be made electronically at the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) web dissemination portal ([www.emma.msrb.org](http://www.emma.msrb.org)).  
  
Issuers are also able to provide periodic voluntary financial information to investors in addition to meeting the SEC Rule 15c2-2 responsibilities undertaken in their Continuing Disclosure Agreement through EMMA. It is important to note that issuers must disseminate any financial information to the market as a whole and cannot give any one investor certain information that is not readily available to all investors.
- (6) *Feasibility Report*. The Feasibility Consultant will provide a Feasibility Report to be published in conjunction with revenue bonds to be issued by the Authority. The Feasibility Report will be included in the Official Statement and will also be used by GLWA, the Municipal Advisor and the Underwriter in obtaining credit ratings for the offering.
- (7) *Investor Presentation*. GLWA will work with its Registered Municipal Advisor, the Underwriter and the Feasibility Consultant to prepare an Investor Presentation in conjunction with an issuance of debt if deemed to be desirable by the Underwriter. Such Investor Presentation may only contain facts presented in the Official Statement and will be designed to present the key elements of the credit and the offering to investors. Such Investor Presentation will be in electronic form only and will contain appropriate disclosures.



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## 18. COMMUNICATIONS AND DISCLOSURE

### 18.1. Rating Agencies

The Public Finance Manager will manage relationships with the rating analysts assigned to GLWA. The Public Finance Manager will respond to requests for information from rating agencies undertaking periodic “surveillance” reviews and will also work with the Chief Financial Officer, the Registered Municipal Advisor, the Feasibility Consultant and the Underwriter in the preparation of a rating presentation to be used in obtaining a rating for a bond issuance.

### 18.2. Investors, Bond Insurers, Liquidity Providers

The Public Finance Manager will manage relationships using both informal and formal methods to disseminate information. GLWA maintains a robust and dedicated “Investor Relations” page on its public website [www.glwater.org](http://www.glwater.org). This page includes the latest information on GLWA’s bond ratings as well as key formative GLWA documents such as the Master Bond Ordinance, all Bond Series Ordinances, Official Statements for each offering, and all of GLWA’s Foundational Documents. This page is an important tool for investors; the Public Finance Manager will maintain, update and make enhancements to this page as necessary.

### 18.3. Public Disclosure

GLWA recognizes that accurate and complete disclosure is imperative to maintaining the high credit quality of its debt. GLWA will comply with all state, federal and CDA-required disclosure obligations and will meet its disclosure obligations in a timely and thorough manner, as further described in Section 20. Additionally, the Authority will consider making voluntary filings on EMMA as it deems to be appropriate.

## 19. ONGOING DEBT ADMINISTRATION

The Chief Financial Officer is responsible for the investment of proceeds, as well as all post issuance and compliance activities.

### 19.1. Investment of Bond Proceeds

The Chief Financial Officer and GLWA Finance staff, after receipt of bond proceeds, will invest the funds based on the GLWA’s Investment Policy and federal tax regulations.

### 19.2. Project Compliance

- Arbitrage

GLWA does not pay federal income tax and generally GLWA’s bondholders do not pay federal income tax on interest earned from bonds issued by GLWA. With the investment of bond proceeds, the treatment of interest earned on the permitted investments during this period is governed by IRS arbitrage rules designed to eliminate any arbitrage incentive to:

- Issue more bonds than needed,
- Issue bonds earlier than needed, and
- Leave bonds outstanding longer than needed.



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- To accomplish the purpose of the bond issuance, GLWA must follow IRS rules governing the Yield restriction (when you may legally earn only the Arbitrage Yield from investing bond proceeds) and Arbitrage Rebate (when you must return the invested earnings above the Arbitrage Yield back to the IRS). The following guidelines apply:
  - The Tax Certificate for the transaction provides the relevant information.
  - GLWA may retain the services of a qualified arbitrage rebate agent to calculate any arbitrage due to the IRS on outstanding bond issuances with proceeds remaining.
  - Arbitrage consultant selected by an RFP or RFQ will be used to determine compliance and Rebates.
- Annual Review
 

GLWA will review expenditures and reimbursements to determine if any private business use in facilities that were constructed using tax-exempt debt, except as specifically disclosed prior to sale of debt or as subsequently opined by nationally recognized Bond Counsel, do not impact the tax-exempt status of the debt.
- Bond Proceeds
 

GLWA will track bond proceeds, ensuring expenditures are within the legally allowable construction period and other parameters to comply with legal requirements.
- Document Retention
 

GLWA will retain documents related to the debt issue for the life of an issue or the life of the Refunding of the issue plus three years.

## 20. CONTINUING DISCLOSURE COMPLIANCE

The Official Statement and the Continuing Disclosure Agreement for the transaction will detail what information is required to be disclosed and on what timeline. To meet these disclosure requirements:

- GLWA will use a Dissemination / Disclosure Agent who shall be named as responsible for the required reporting for each debt issue requiring Continuing Disclosure under Securities and Exchange Commission Rule 15(c)(2)(12).
- Dissemination of the required information is accomplished through the Electronic Municipal Market Access system (EMMA) of the Municipal Securities Rulemaking Board.
- Finance staff will monitor required reporting dates to ensure annual and periodic reporting requirements are satisfied.
- Bond Counsel shall be consulted to determine compliance and updates in Continuing Disclosure.
- Compliance status shall be reported annually to the Board at a public meeting.

## 21. REFINANCING OPPORTUNITIES MONITORING



# Debt Management Policy

- 21.1. The Chief Financial Officer, in conjunction with finance staff and with the Registered Municipal Advisor, will periodically monitor refinancing opportunities including unsolicited proposals from third parties regarding the refinancing of outstanding GLWA debt.
- 21.2. As refinancing opportunities are further defined and achieve financial targets, this information shall be reported to the Board.

## 22. BOARD ADOPTION DATES

BOARD ADOPTION DATE	DESCRIPTION OF CHANGE
12.09.2015	Original Version of Policy
12.18.2020	Review of Policy by GLWA, Bond Counsel and Municipal Advisor
04.26.2023	Debt Management Policy Amendment approved by GLWA Board
<a href="#">To be updated</a>	<a href="#">Pending Board Action</a>

## 23. FREQUENCY OF REVIEW AND UPDATE

Since the guidelines contained in the Policy require regular updating to maintain relevance and to respond to the changes inherent in the capital markets and the water and sewer industry, GLWA plans to revisit the Policy from time to time.