



## Financial Services Audit Committee Communication

**Date:** January 19, 2018

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

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

**Re:** Annual Update & Financing Strategy with PFM (Part 1 of 2)

**Background:** Every January the Great Lakes Water Authority (GLWA) receives an annual market and financing opportunity update from its financial advisor, PFM Financial Advisors (PFM).

This year, this update will span two meetings. The first meeting on January 19, 2018 will address recent changes in laws that affect municipal finance and current market conditions and possible refunding opportunities. At the February Audit Committee meeting on February 16, 2018, PFM will present Part 2 of the Annual Update & Financing Strategy with a benchmarking analysis and a review of GLWA's financial metrics.

**Analysis:** PFM Financial Advisors (PFM) has provided an analysis of potential water and sewer bond refunding opportunities as well as updates to the current municipal bond market conditions and the effects of the federal tax bill that was signed on December 22, 2017. (See attached presentation.)

Based on current market conditions, PFM has identified possible refunding candidates of \$161.4 million of senior lien sewer bonds and \$178.7 million of second lien water bonds which are callable on July 1, 2018. The estimated net present value (NPV) savings are currently \$31.9 million (17.1%) for sewer and \$30.3 million (14.5%) for water, over the remaining life of the respective bond issues.

**Budget Impact:** Based on the draft FY 2019 and FY 2020 biennial budget and five-year financial plan which was presented to the Board at its meeting on January 10, 2018, no potential refunding savings were included in the projected debt service. If GLWA is successful in pricing the refunding bonds at the rates and assumptions presented in the PFM analysis, the sewer system could see an average annual savings of about \$2.8 million and the water system could see an average annual savings of about \$2.7 million over the remaining term of the original bonds.

**Proposed Action:** Receive and file report.