



Financial Services Audit Committee Communication

Date: March 16, 2018

To: Great Lakes Water Authority Audit Committee

From: Jon Wheatley, Public Finance Manager

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

Background: This presentation is a follow-up to the presentation given by PFM Financial Advisors (PFM) at the Great Lakes Water Authority (GLWA) Audit Committee meeting on January 19, 2018. GLWA is currently evaluating opportunities to better manage the existing debt portfolio and evaluating water and sewer bond refunding opportunities during the next several months. As part of the evaluation process, PFM is analyzing GLWA's draft FY 2017 financial metrics in comparison to other similar water and sewer utilities. The analysis also uses the draft FY 2017 GLWA metrics as inputs to the Standard and Poor's and Moody's rating agency scorecards to demonstrate how GLWA's metrics align.

Analysis: The PFM presentation also identifies the yield differential for the 'A' and 'AA' categories and the potential interest cost savings based on a hypothetical \$100 million bond issuance and for a \$2 billion capital programⁱ. As GLWA looks to increase its ratings, this yield differential related to the ratings increase means lower interest costs on its refunding opportunities and future capital program financings.

The draft FY 2019 and FY 2020 biennial budget and 5-year financial plan, which was presented to the Board at its meeting on January 24, 2018 and at the February 29, 2018 public hearing, reflect no potential refunding savings. Based upon potential refunding candidates this calendar year, and rates and assumptions presented in the PFM analysis, GLWA could see an average annual savings of about \$2.8 million and the water system \$2.7 million for the sewer system over the remaining term of the original bonds. For this reason, the GLWA staff will present water and sewer series ordinances for the proposed refunding bonds and related financing schedule to the Audit Committee in April 2018.

Budget Impact: None.

Proposed Action: Receive and file report.

ⁱ Note: GLWA's proposed FY 2019 through FY 2023 capital improvement program totals \$1.3 billion with a financial plan that contemplates up to \$780 million of new bond financing.