



## Financial Services Audit Committee Communication

**Date:** July 20, 2018

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

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

**Re:** Resolution Regarding Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue and Revenue Refunding Bonds an Amount Not to Exceed \$325,000,000 (Ordinance 2018-03)

**Background:** In order for the Great Lakes Water Authority (“GLWA”) to proceed with issuance of new sewage disposal system bonds and the refunding of various outstanding water bonds for the purpose of achieving annual debt service savings, the GLWA Board must approve a resolution approving the Series Ordinance.

The Series Ordinance sets forth the guidelines for the New Money and Refunding Bonds and authorizes the Chief Executive Officer or the Chief Financial Officer to execute the final terms of the Bonds, paying issuance costs and signing of the Bond Purchase Agreement, within the parameters set forth in the Series Ordinance.

New Money Portion- The authorized amount for the New Money Bonds in Section 3, page 4 is for an aggregate principal amount not to exceed \$100,000,000. As you will recall, the Board authorized a Notice of Intent at its March 8, 2017 meeting which set the borrowing limit for GLWA sewage disposal system bonds at \$275 million. This is the third series of sewer bonds from that Notice of Intent. Previous authorizations include an amount not to exceed \$45,000,000 for the Detroit River Interceptor project and the Central Offload Facility project, which are scheduled to close in September 2018 as well as the Rouge River Outfall disinfection project in the amount of \$38,450,000 which closed in June 2017.

Refunding Portion- The authorized amount for the Refunding Bonds in Section 3, page 4 is for an aggregate principal amount of not to exceed \$225,000,000. The final par amount of the Refunding Bonds will be determined at the time of pricing and is based on current bond market pricing levels, issuance costs and the par amount of the bonds to be refunded as determined by the savings level achieved. *While the approval of the resolution gives GLWA the authorization to issue refunding bonds, GLWA does not have to proceed with the refunding if market conditions become less favorable when it comes time to price the bonds.*

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**Key Provisions:**

- Not to Exceed Par Amount: \$225 million
- Maximum Coupon Rate: 5.25%
- Minimum Purchase Price: 99% of principal amount of bonds
- Maximum Underwriter Discount: 0.40% of principal amount of bonds
- Present Value Savings: Equal to or greater than 5.00% of principal amount of bonds to be refunded

**Additional Provisions:** Similar to the 2016 water and sewer bond ordinances approved by the GLWA Board, Ordinance No. 2018-03 also contains the “springing amendment” provision in Section 21- *Amendments to Ordinance*. As noted on page 20, this section gives GLWA the ability to reduce or eliminate the bond reserve requirement for the senior lien bonds when at least two of the three national rating agencies rate the senior lien bonds in the AA category, provided that the reduction in the reserve requirement would not negatively affect the outstanding ratings. The amendments will become effective upon the deemed consent of at least 51% of the holders of the outstanding senior lien bonds. GLWA will add this springing amendment to each future series ordinance to obtain the 51% consent level. The currently level of sewer consents achieved is 6.7% for senior lien bonds and 39.2% for second lien bonds, before the issuance of the bonds herein.

**Budget Impact:** None at this time.

**Proposed Action:** Audit Committee recommends that the Great Lakes Water Authority Board approve the resolution Approval of Series Ordinance Authorizing Issuance and Sale of Sewage Disposal System Revenue and Revenue Refunding Bonds an Amount Not to Exceed \$325,000,000 as presented, at its regular meeting on August 8, 2018.