



## Financial Services Audit Committee Communication

**Date:** October 18, 2019

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

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

**Re:** Update: Potential Refunding Transactions

**Background:** The Great Lakes Water Authority has been monitoring declining interest rates with the support of PFM Financial Advisors. They have provided an update to the refunding analysis that was reviewed by the Audit Committee at its meeting on July 19, 2019. Since that presentation, interest rates on municipal debt have dropped to historic lows. Although GLWA does not have any currently callable water or sewer bonds, PFM has prepared a refunding analysis assuming a taxable, advanced refunding approach and a tax-exempt, forward delivery approach.

**Next Steps:** Since the time to complete a refunding transaction may take three to five months, it is recommended that GLWA position itself to execute a transaction if the market conditions remain favorable. In order to start the transaction process, GLWA will need to assemble its financing team consisting of bond counsel, financial advisor, underwriter and feasibility consultant. This team will work closely with GLWA on developing a strategy and time schedule for preparing its disclosure documents, rating agency presentations and investor outreach efforts in order to have a successful outcome to GLWA's proposed refunding transaction. While some of the professional services are within existing contracts, others are not as it was not anticipated until very recently that GLWA would be considering any market transactions for another 18 +/- months as provided to the Audit Committee earlier in the year. The table below presents the status of each professional service contract.

Service	Firm	Recommendation
Bond Counsel	Dickinson Wright	Existing contract expires March 31, 2021. Working with the vendor to determine that the remaining dollar amount on the contract is sufficient. The fee is transaction based.

Service	Firm	Recommendation
Financial Advisor	PFM Financial Advisors	Existing contract expires March 19, 2020. Working with vendor to determine that the dollar amount remaining on contract is sufficient. The fee is <i>not</i> transaction based (which is a best practice for advisor services).
Underwriter	A pool was approved by the GLWA Board on June 20, 2018.	Consistent with the Board's action on June 20, 2018, a request for updated underwriter proposals from the pre-approved underwriting pool will be solicited. This is scheduled to occur after the Audit Committee meeting on October 18, 2019. The fees are transaction based.
Feasibility Consultant	None under contract for non-State Revolving Fund loans	Recommend amendment to The Foster Group contract for the amount referenced during vendor contract negotiations in early 2019 of \$100,000 per system with all expenses included. The fee is transaction based.

**Budget Impact:** The proposed FY 2020 water and sewer budgets do not include the potential impacts of any refunding bond savings or expenses. Transaction based expenses are only incurred if a transaction occurs.

**Proposed Action:** Direct the GLWA management team to a) proceed with the next steps to explore the refunding opportunity, b) proceed with assembling of a financing team to inform the refunding decision, and c) recommend an amendment to The Foster Group contract for feasibility consultant services not to exceed \$200,000.