



Great Lakes Water Authority

Presentation to the Audit Committee Summary of 2020 Water System Financing Results

May 1, 2020



Executive Summary

The recent bond transactions for the Water System achieved a number of favorable results.

- Successfully refinanced \$366 million of Water System Bonds
 - Water system gross cashflow savings of \$103.1 million (\$66.5 million of present value savings, or 18.2%)
 - This represents the highest level of savings on a percentage basis GLWA has ever achieved on a transaction
- Issued \$85.6 million of new money water bonds for the Local System, achieving a very favorable yield of 2.98% for 30-year debt and generating nearly \$100 million for Local System capital improvement
- Rating upgrades were achieved from all three rating agencies continuing the Authority's history of rating success since the stand up
 - Senior lien ratings of AA-/A1/A+ for Water and for Sewer
 - Second lien ratings of A+/A2/A for Water and for Sewer
- Extensive outreach to investors, with an electronic roadshow, investor meetings, and one on one investor calls
 - Over 80 investors reached in the outreach process
 - Nearly 50 different institutional investors placed orders totaling \$614 million for the tax-exempt Series 2020A&B Bonds and more than 30 different institutional investors placed orders totaling over \$1.0 billion for the taxable Series 2020C Bonds
- Achieved all necessary bondholder consents on the DSRF springing amendment for the potential future elimination of the Water System Bond Reserve Funds once GLWA attains two AA category ratings (S&P achieved on the Water System)

Goals Set . . . Goals Met

The goals for the Series 2020 financing were achieved and provide the Authority with a strong base with which to weather the current COVID-19 crisis and achieve future financial goals.



Secure Rating Upgrades



Highlight Strong Financial Results and Expand the Investor Base for GLWA credits



Lock-in Favorable Interest Rates and Substantial Savings



Enhance GLWA's Financial Flexibility

Bond Rating Upgrades Attained Since GLWA's Stand Up

As part of the financing process, the Great Lakes Water Authority team sought and received rating improvements from all three rating agencies continuing a history of rating success since the stand up of the Authority.

Sewer System

Water System

S&P

S&P

| | | | |
|-------------|------------------|---------------------|-----------------|
| Senior Lien | A- (Stable) | 3 notch improvement | AA- (Stable) |
| Second Lien | BBB+ (Stable) | 3 notch improvement | A+ (Stable) |

| | | | |
|-------------|------------------|---------------------|-----------------|
| Senior Lien | A- (Stable) | 3 notch improvement | AA- (Stable) |
| Second Lien | BBB+ (Stable) | 3 notch improvement | A+ (Stable) |

Moody's

Moody's

| | | | |
|-------------|--------------------|---------------------|----------------|
| Senior Lien | Baa3 (Positive) | 5 notch improvement | A1 (Stable) |
| Second Lien | Ba1 (Positive) | 5 notch improvement | A2 (Stable) |

| | | | |
|-------------|--------------------|---------------------|----------------|
| Senior Lien | Baa3 (Positive) | 5 notch improvement | A1 (Stable) |
| Second Lien | Ba1 (Positive) | 5 notch improvement | A2 (Stable) |

Fitch

Fitch

| | | | |
|-------------|------------------|---------------------|----------------|
| Senior Lien | BBB (Stable) | 4 notch improvement | A+ (Stable) |
| Second Lien | BBB- (Stable) | 4 notch improvement | A (Stable) |

| | | | |
|-------------|------------------|---------------------|----------------|
| Senior Lien | BBB (Stable) | 4 notch improvement | A+ (Stable) |
| Second Lien | BBB- (Stable) | 4 notch improvement | A (Stable) |

Comprehensive Marketing Outreach



Although a traditional in person roadshow as not possible in light of the COVID-19 crisis, Citi and Siebert utilized an internet roadshow presentation and one-on-one investor calls to educate investors and explain the transaction.

Marketing Outreach

1. Preliminary Official Statement Posted (March 10th)
2. Internet Roadshow (March 10th – April 30th)
 - 81 investors viewed the electronic roadshow
3. Preliminary Official Statement Supplement Posted (April 27th)
 - Provided additional information to potential investors with respect to the impact of COVID-19 on the Authority’s operations and financial performance
4. One-on-One Calls with Investors (March 10th – April 30th)
 - Multiple individual one-on-one calls with key investors to address their questions ahead of pricing

Results

- Over \$617 million of orders were received for the tax-exempt Series 2020A&B Bonds and \$1.0 billion of orders for the taxable Series 2020C Bonds
- 48 distinct institutional investors placed orders on the Series 2020A&B Bonds and 31 distinct institutional investors placed orders on the taxable Series 2020C Bonds
 - Existing holders added to positions
 - New investors came in to buy the System’s bonds for the 1st time
 - Variety of account types participated including asset managers, mutual funds, insurance companies, SMAs, and relative value funds
- “Top Tier” investors, including the some of the largest bond funds and insurance companies in the municipal market, came in for significant orders

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 10, 2020

NEW ISSUE - BOOK ENTRY ONLY See “Ratings” herein.

In the opinion of Bond Counsel, subject to compliance with certain covenants, under existing law and except as described under “TAX MATTERS” herein, interest on the Series 2020A Bonds and the Series 2020B Bonds is excluded from gross income for federal income tax purposes and interest on the Series 2020C Bonds and the Series 2020D Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. The Series 2020B Bonds and the interest thereon are exempt from taxation by the State of Michigan or by any taxing authority within the State of Michigan, except estate taxes and taxes on gross realized from the sale, payment or other disposition of the Series 2020 Bonds. See “TAX MATTERS.”

\$ 454,510,000*
GREAT LAKES WATER AUTHORITY
 Water Supply System Revenue and Revenue Refunding Bonds
 Series 2020

| | |
|--|---|
| \$ 58,375,000* Water Supply System Revenue Senior Lien Bonds Series 2020A | \$ 38,085,000* Water Supply System Revenue Second Lien Bonds Series 2020B |
| \$ 428,855,000* Water Supply System Revenue Refunding Senior Lien Bonds Series 2020C (Federally Taxable) | \$ 46,495,000* Water Supply System Revenue Refunding Second Lien Bonds Series 2020D (Federally Taxable) |

Dated: Date of Delivery Due as shown on inside cover page

The Water Supply System Revenue and Revenue Refunding Bonds set forth above (the “Series 2020 Bonds”) will be issued by the Great Lakes Water Authority (the “Authority”) or “GLWA” pursuant to the Bond Ordinance (as defined herein) of the Authority to (i) refund certain Refunded Bonds (as defined herein), (ii) pay costs of capital improvements to the Local Water System (as defined herein) and (iii) pay certain costs of issuance of the Series 2020 Bonds. The Series 2020 Bonds are payable from the Pledged Assets (as defined herein) pledged as security therefor under the Bond Ordinance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS.”

The Authority operates the regional water supply and sewage disposal systems previously operated by the City of Detroit (the “City”). The Authority assumed all of the outstanding debt of the City relating to the regional and local water supply and sewerage disposal systems and acquired all of the revenues of those systems as of January 1, 2016. See “THE GREAT LAKES WATER AUTHORITY.”

The Series 2020 Bonds will be issued in fully registered form in denominations of \$1,000 or any integral multiple thereof and will be registered in the name of Citi & Co., as a member of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2020 Bonds. Bondholders will not receive certificates representing their ownership interest in the Series 2020 Bonds purchased. See “THE SERIES 2020 BONDS - Book Entry-Only System.”

The Series 2020 Bonds will bear interest at the rates and mature on the dates as set forth on the inside cover hereof. Interest on the Series 2020 Bonds will accrue from the date of delivery thereof and will be payable January 1 and July 1, commencing July 1, 2020.

The Series 2020 Bonds are subject to optional and mandatory redemption prior to maturity. See “THE SERIES 2020 BONDS - Optional Redemption” and “Mandatory Redemption.”

The Trustee for the Series 2020 Bonds is U.S. Bank National Association.

The Series 2020 Bonds are issued under Act 238 and Act 94 (each as defined herein). The Series 2020 Bonds are not a general obligation of the Authority and do not constitute indebtedness of the Authority within any constitutional or statutory limitation, but are payable, both as to principal and interest solely from the Pledged Assets of the Water System (as defined herein). The payment of the principal of and interest on the Series 2020 Bonds is secured by a statutory lien on the Pledged Assets as described herein.

By purchasing the Series 2020 Bonds, the original and all subsequent purchasers of the Series 2020 Bonds shall be deemed to have consented to the Reserve Fund Amendment (as defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Reserve Fund Amendment.”

The Series 2020 Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice, and subject to approval of legality by Bond Counsel to the Authority, Dickinson Wright PLLC, Detroit, Michigan. Certain legal matters will be passed upon by Kniskern Bock LLP, Washington, D.C., counsel to the Underwriters. It is expected that the Series 2020 Bonds in book-entry form will be available for delivery against payment thereof through the facilities of The Depository Trust Company (“DTC”) on or about March __, 2020.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Goldman Sachs and Co. LLC
 Ramirez & Co., Inc.
 Dated: March __, 2020
 *Preliminary and subject to change.

Great Lakes Water Authority
 Investor Presentation

\$454,510,000* Water Supply System Revenue and Revenue Refunding Bonds, Series 2020

\$39,375,000* Water Supply System Revenue Senior Lien Bonds, Series 2020A
 \$38,085,000* Water Supply System Revenue Second Lien Bonds, Series 2020B
 \$328,855,000* Water Supply System Revenue Refunding Senior Lien Bonds, Series 2020C (Federally Taxable)
 \$46,495,000* Water Supply System Revenue Refunding Second Lien Bonds, Series 2020D (Federally Taxable)

\$706,675,000* Sewage Disposal System Revenue Refunding Bonds, Series 2020

\$540,215,000* Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2020A (Federally Taxable)
 \$166,460,000* Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2020B (Federally Taxable)

*Preliminary and subject to change.



Summary of Financing Results

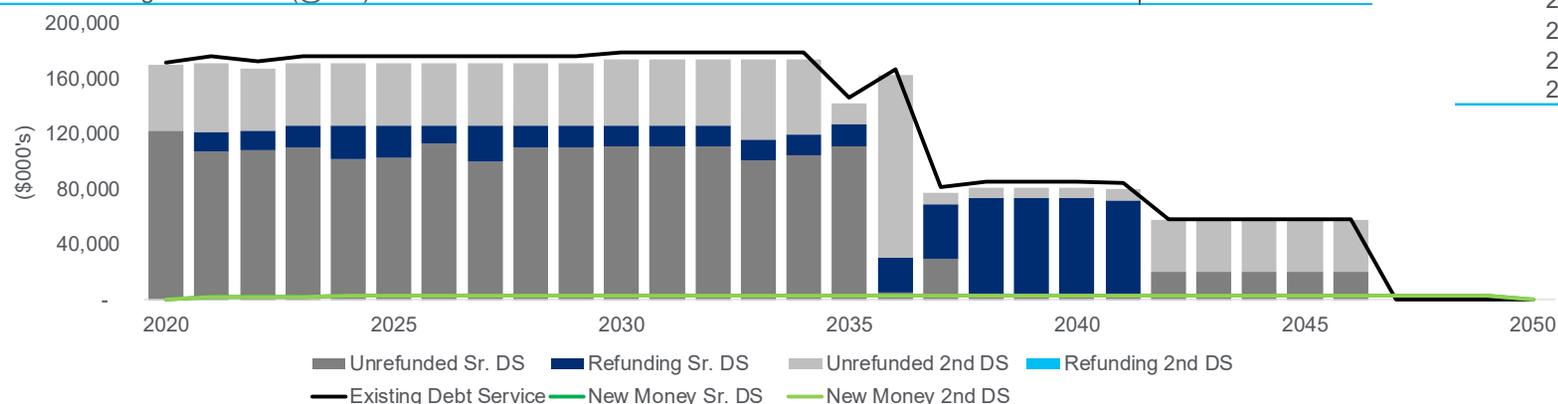
The Series 2020 Bonds were sold at an attractive all-in interest rate and produced a significant amount of debt service savings for the Water System while also funding Local System projects.

- Issued \$463 million of total bonds including \$85.6 million of tax-exempt new money bonds for Local System capital improvements and \$377.5 million of taxable refunding bonds to achieve debt service savings
 - Bond yield of 2.98% for the tax-exempt Series 2020A&B Bonds
 - Bond yield of 3.36% for the taxable Series 2020C Bonds
 - Overall cost of funds, including costs of issuance, was an attractive 3.48%
- Issued \$85.6 million of new money water bonds for the Local System, achieving a very favorable interest costs for 30-year debt and generating nearly \$100 million for Local System capital improvement
- \$103 million in debt service savings generated to provide future financial flexibility
 - Savings structured for approximately level annual savings with a slight emphasis for near-term years
- Increased debt service coverage levels on the Water System
- Released \$10.5 million of Bond Reserve Funds to reduce the amount of refunding bonds issued
- Achieved all necessary bondholder consents on the DSRF springing amendment for the potential future elimination of the Water System Bond Reserve Funds once GLWA attains two AA category ratings (S&P achieved on the Water System)

Series 2020 Financing Results and Cash Flow Savings

Through a combination of refunding structure optimization and aggressive pricing, the refunding was able to achieve \$103 million of total debt service savings for the Water System.

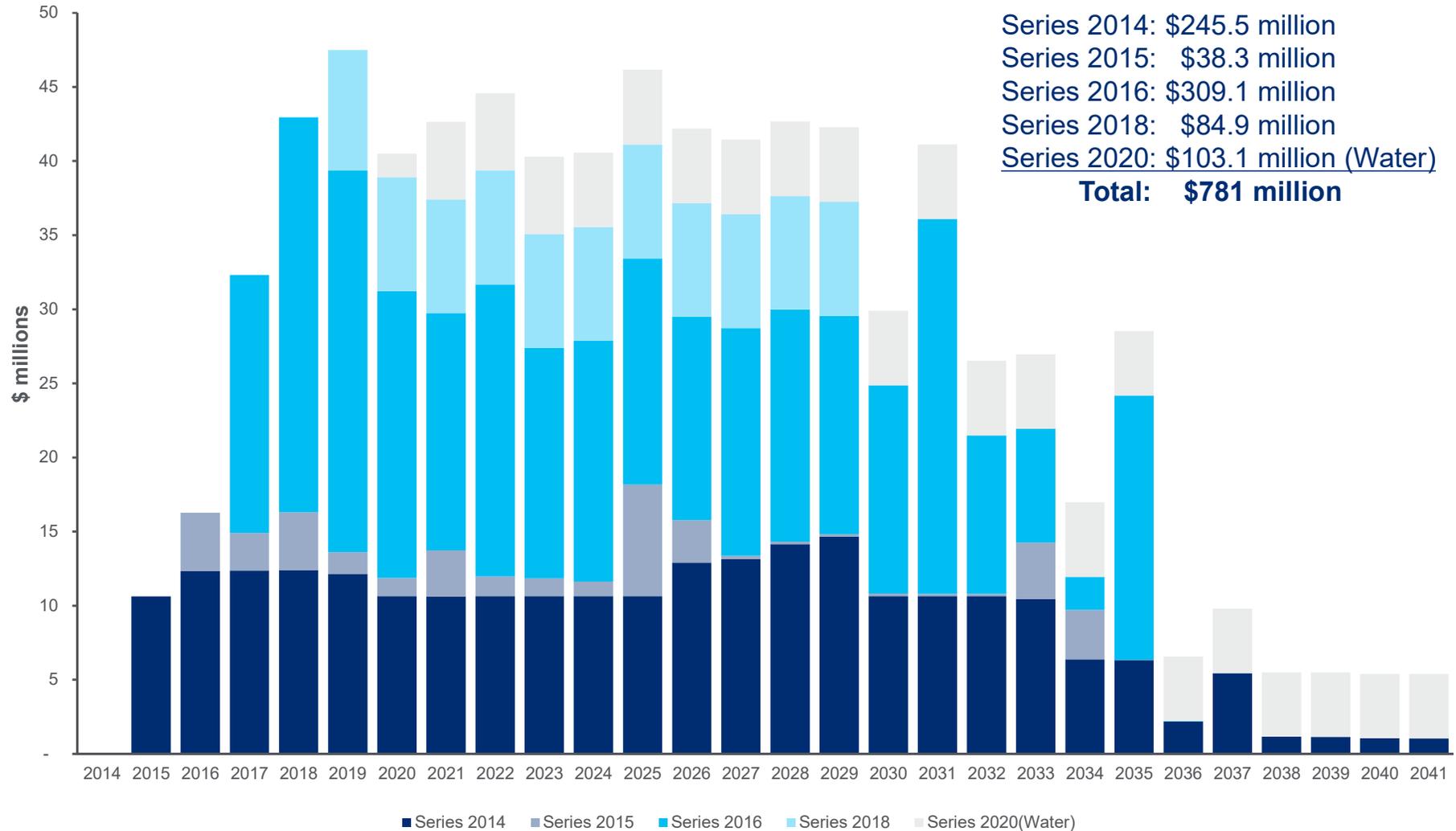
| | Series 2020A Sr. Lien Tax-Exempt | Series 2020B 2nd Lien Tax-Exempt | Series 2020C Sr. Lien Taxable | Aggregate Series 2020 Issuance | Fiscal Year | Refunding Savings (\$000's) |
|---|--|--|-------------------------------------|--------------------------------------|----------------|-----------------------------------|
| Sources | | | | | Total | 103,080 |
| Par | 42,445,000 | 43,135,000 | 377,515,000 | 463,095,000 | 2020 | 1,591 |
| Premium | 7,554,692 | 6,851,324 | - | 14,406,016 | 2021 | 5,229 |
| Debt Service Fund Release | - | - | 7,954,734 | 7,954,734 | 2022 | 5,225 |
| Debt Service Reserve Fund Release | - | - | 10,548,456 | 10,548,456 | 2023 | 5,229 |
| Total Sources | 49,999,692 | 49,986,324 | 396,018,190 | 496,004,207 | 2024 | 5,034 |
| Uses | | | | | 2025 | 5,036 |
| Deposit to Escrow Fund | - | - | 394,014,099 | 394,014,099 | 2026 | 5,034 |
| Deposit for New Money | 49,774,335 | 49,757,320 | - | 99,531,655 | 2027 | 5,030 |
| Deposit to Debt Service Reserve Fund | - | - | - | - | 2028 | 5,036 |
| Costs of Issuance (inc. UW Disc.) | 225,357 | 229,004 | 2,004,091 | 2,458,453 | 2029 | 5,032 |
| Total Uses | 49,999,692 | 49,986,324 | 396,018,190 | 496,004,207 | 2030 | 5,034 |
| Call Provisions and Refunding Statistics | | | | | 2031 | 5,034 |
| Call Provisions | 10 Year Par Call | 10 Year Par Call | 10 Year Par Call | | 2032 | 5,033 |
| Refunded Principal | | | 366,025,000 | | 2033 | 5,034 |
| Cashflow Savings | | | 103,077,566 | | 2034 | 5,036 |
| Net PV Savings (@ 3%) | | | 66,489,475 | | 2035 | 4,345 |
| Net PV Savings % Ref. Par (@ 3%) | | | 18.17% | | 2036 | 4,349 |
| | | | | | 2037 | 4,347 |
| | | | | | 2038 | 4,346 |
| | | | | | 2039 | 4,345 |
| | | | | | 2040 | 4,349 |
| | | | | | 2041 | 4,349 |



Note: For purposes of this analysis reserve releases are treated as an upfront adjustment (reduction) to PV savings

History of Debt Service Savings Achieved Since 2014

Through the leadership of the Authority's management team, the financing team has been able to achieve nearly \$781 million of debt service savings for the systems since the tender and refunding transaction in 2014.



Next Steps for the Sewer System Refunding

- The finance team continues to monitor market conditions for an opportunity to price the Sewer System refunding transaction
 - Due to the longer period until the call date on the majority of Sewer System refunding candidates, current market conditions did not allow for the Authority to meet its desired savings targets
- Should market conditions improve, a process similar to the one utilized for the Water System would likely be utilized for the Sewer System
 - Post a Supplement to the Sewer System Preliminary Official Statement explaining the impact of the COVID-19 crisis on the Sewer System's operations and financial performance
 - Distribute supplement to investors
 - Hold one-on-one conference calls with key investor accounts to answer any questions
 - Price the Sewer System Bonds