



Financial Services Audit Committee Communication

Date: June 19, 2020

To: Great Lakes Water Authority Audit Committee

From: Nicolette Bateson, CPA
Chief Financial Officer & Treasurer

Re: Recap: June 2020 Sewer System Bond Refunding Transaction

Background: Over the course of the past year, the Great Lakes Water Authority has monitored a trend of decreasing interest rates to determine if there were financially feasible bond refunding opportunities to secure a lower annual debt service requirement

Analysis: Based on favorable market conditions, on Thursday, June 4, 2020 a successful bond pricing occurred with a closing on Tuesday, June 16, 2020. Key highlights include the following.

- 1. Refunding Savings:** Successfully refinanced \$657 million of taxable Sewer System Bonds resulting in gross cashflow savings of \$221 million (\$123 million of present value savings, or an impressive 18.7%) at a very favorable all-in borrowing cost of 3.0%.
- 2. Outstanding investor participation:** Over \$4.3 billion in orders for the total of \$687.5 million in bonds (6.3x oversubscribed). This resulted in a mid-day re-pricing and allowed us to achieve even greater savings for the refunding.
- 3. Recent Ratings Upgrades Not Impacted by COVID-19:** The recent rating agency upgrades occurred prior to the declaration of emergency as it relates to COVID-19 in Michigan. Pre-pricing updates to rating agencies focused on efforts taken to address the impact of COVID-19. A resulting bulletin was issued by Standard & Poor's which noted GLWA's "efforts to mitigate any revenue losses, including the ability to reprioritize capital projects without weakening environmental compliance, potential use of cash balances to stabilize current operations, while planning for rebuilding them in subsequent fiscal years if needed, the future sewer charge structure to its member partners, and general operating expense adjustments".

The following items are also attached.

- ✓ *Presentation to the Audit Committee Summary of 2020 Sewer System Financing Results* prepared by Citigroup, Siebert Williams Shank & Co. and PFM Financial Advisors (Attachment 1).
- ✓ Standard and Poor's Global Ratings bulletin dated June 3, 2020 titled, "*Great Lakes Water Authority, MI Ratings Unaffected By COVID-19 Pandemic.*" (Attachment 2)

The final official statement for the [Sewage Disposal System Revenue Refunding, Series 2020 Official Statement](#) on the Investor Relations Page of GLWA's website.

Proposed Action: Receive and file report.