



GLWA
Great Lakes Water Authority

Great Lakes Water Authority

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

June 19, 2020



Executive Summary

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

- Successfully refinanced \$657 million of outstanding Sewer System Bonds
 - Sewer system net cashflow savings of \$221 million (\$123 million of present value savings, or 18.7%)
- 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 marketing process
 - Nearly 90 different institutional investors placed orders over \$4.3 billion for the \$687.5 million in bonds offered (6.3x oversubscribed) allowing for a significant tightening of spreads
 - Included multiple international investors based in Canada, Britain, Norway and Taiwan and represents the first international investor participation in a GLWA bond sale
- Since 2014, the GLWA management team, either through GLWA or the predecessor debt obligor DWSD, has executed five refunding transactions (for the water and sewer system combined) that reached the **milestone of \$1 billion in debt service savings**

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



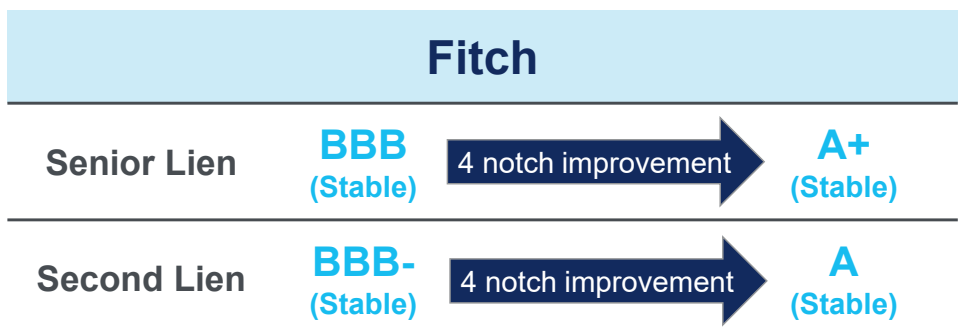
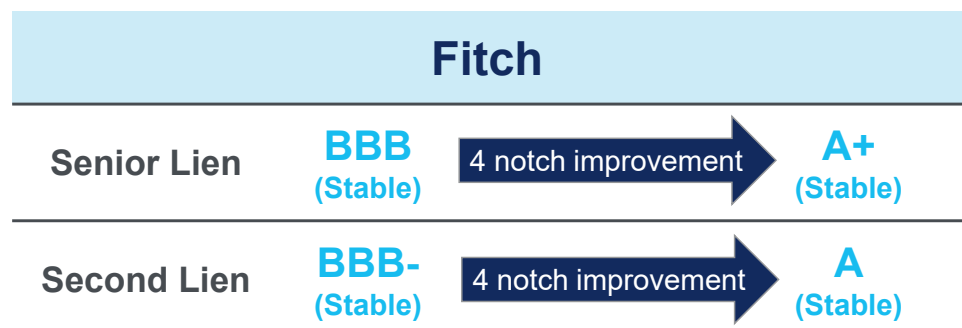
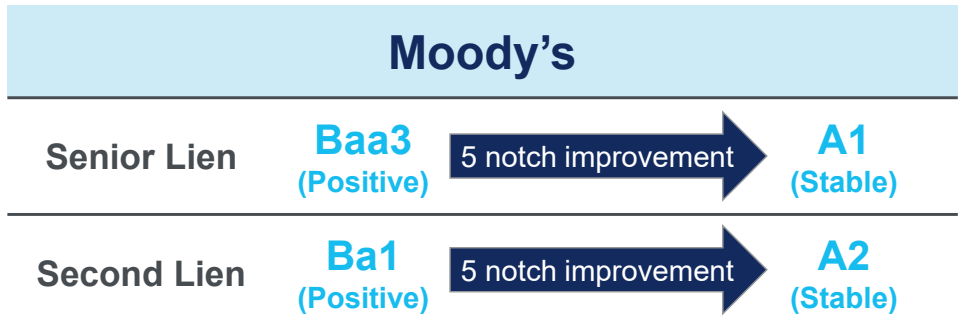
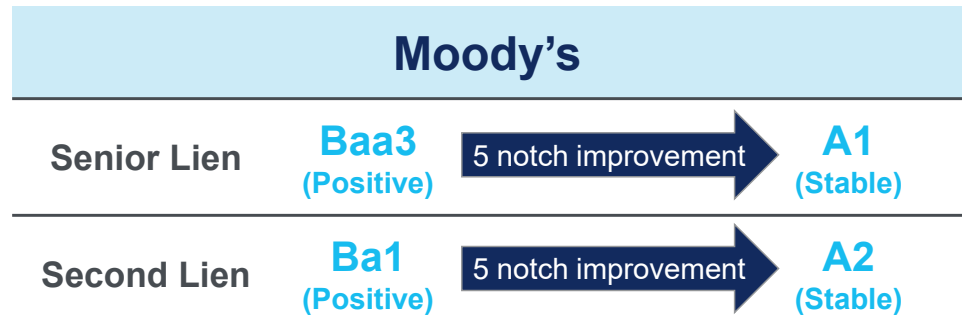
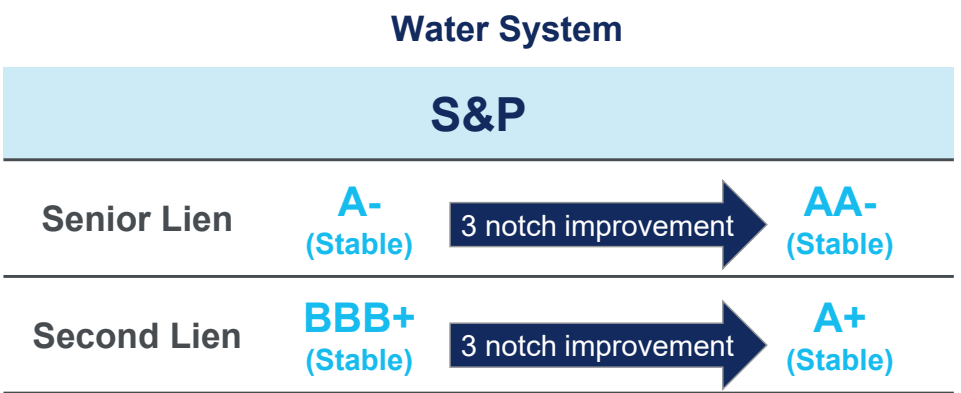
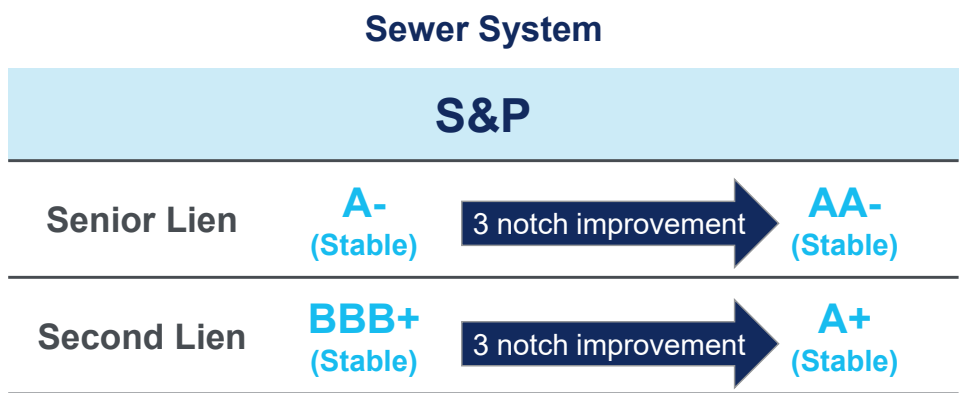
Lock-in Favorable Interest Rates and Substantial Savings



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.



Comprehensive Marketing Outreach

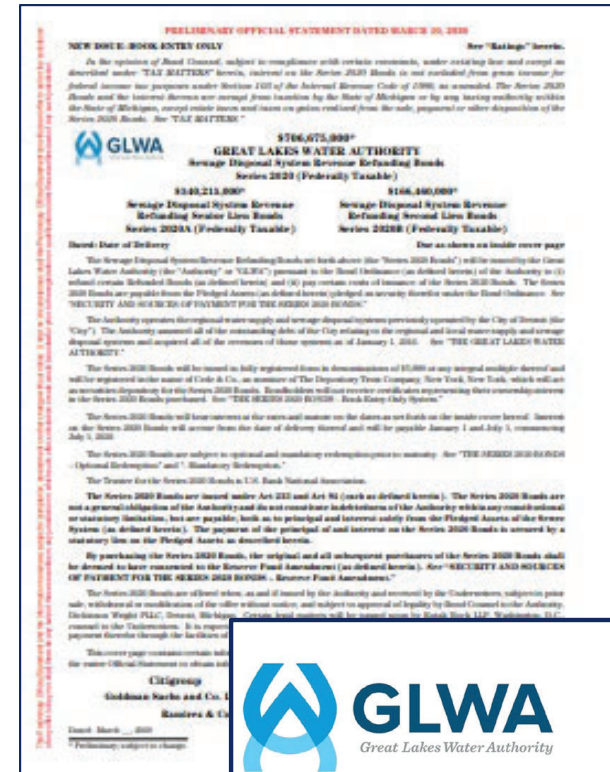
Although a traditional in person roadshow as not possible in light of the COVID-19 crisis, Citi and Siebert utilized an internet roadshow presentation and one-on-one investor calls to educate investors and explain the transaction.

Marketing Outreach

1. Preliminary Official Statement Posted (March 10th)
2. Internet Roadshow (March 10th – June 4th)
 - 84 distinct investors viewed the electronic roadshow
3. Preliminary Official Statement Supplement Posted (June 1st)
 - 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 (June 2nd – June 3rd)
5. Multiple individual one-on-one calls with key investors to address their questions ahead of pricing

Results

- Over \$4.3 billion of orders were received for the taxable Series 2020A&B Bonds (6.3x oversubscribed)
- Nearly 90 distinct institutional investors placed orders on the Series 2020A&B 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
 - International investors from Canada, Norway, Britain and Taiwan also participated; the first international participation in GLWA's sales
- "Top Tier" investors, including the some of the largest bond funds and insurance companies in the municipal market, came in for significant orders



Great Lakes Water Authority Investor Presentation

\$454,215,000* Water Supply System Revenue and Revenue Refunding Bonds, Series 2020

\$39,375,000* Water Supply System Revenue Senior Lien Bonds, Series 2020A
\$39,685,000* Water Supply System Revenue Senior Lien Bonds, Series 2020B
\$320,955,000* Water Supply System Revenue Refunding Senior Lien Bonds, Series 2020C (Federally Taxable)
\$44,495,000* 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)
\$168,460,000* Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2020B (Federally Taxable)

*Preliminary and subject to change.

Summary of Financing Results

The Sewage System Series 2020 Bonds produced a significant amount of savings for GLWA that brings the total across both Water and Sewage Systems to **over \$1 billion in debt service savings since 2014.**

- Issued \$687.5 million of total bonds including \$594.9 million of Senior Lien Bonds and \$92.5mm of Second Lien Bonds to achieve \$221 million in debt service savings
 - Present Value Savings was \$122.9 million (or 18.7% of the refunded par amount)
 - Overall cost of funds, including costs of issuance, was an attractive 3.04%
 - In addition to targeting a good market to issue debt in, GLWA also utilized insurance from Assured Guaranty on a portion of the Second Lien Bonds to further lower the cost of funds
- The \$221 million in savings were structured to significantly reduce the prior aggregate Maximum Annual Debt Service of the Sewage System from \$223.7 million to \$206.5 million
 - In addition to the annual debt service smoothing, the structure also generated \$24 million in cash flow savings over the next three years
 - Increased debt service coverage levels on the Sewage System
- Released \$33.6 million from the Bond Reserve Funds to reduce the amount of refunding bonds issued and increase future cash flow savings
- Achieved all necessary bondholder consents on the DSRF springing amendment for the potential future elimination of the Sewage System Bond Reserve Funds once GLWA attains two AA category ratings

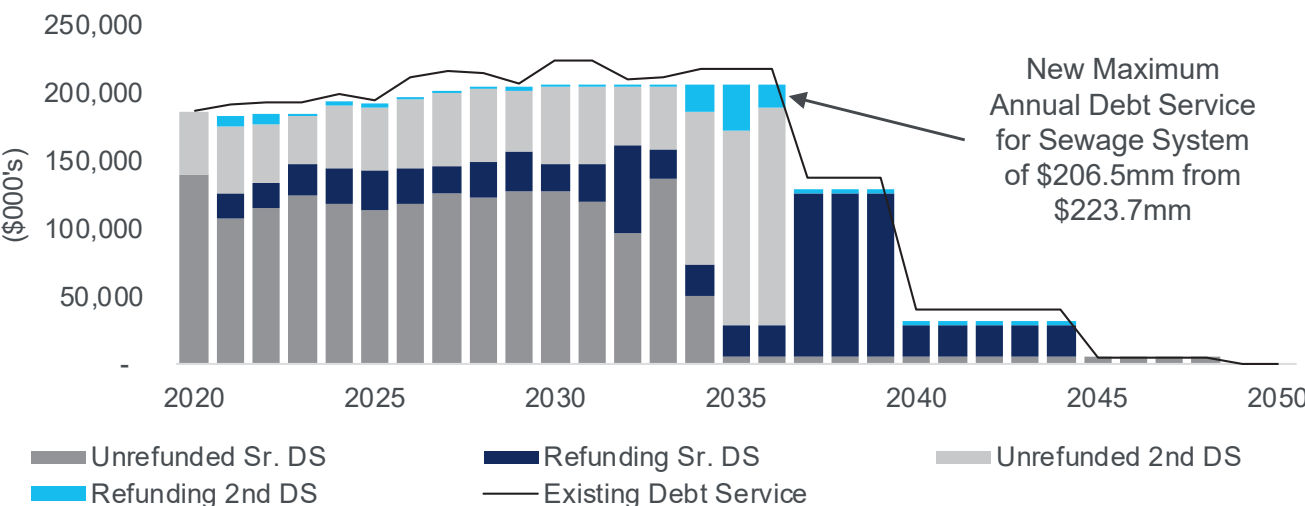
Series 2020 Financing Results and Cash Flow Savings

Through a combination of refunding structure optimization and aggressive pricing, the refunding was able to achieve \$221 million of total debt service savings for the Sewage System.

	Series 2020A Sr. Lien Taxable	Series 2020A 2nd Lien Taxable	Aggregate Series 2020 Issuance
Sources			
Par	594,930,000	92,525,000	687,455,000
Debt Service Fund Release	14,641,931	2,169,625	16,811,556
Debt Service Reserve Fund Release	8,454,576	25,142,779	33,597,356
Total Sources	618,026,507	119,837,404	737,863,912
Uses			
Deposit to Escrow Fund	615,473,376	118,896,293	734,369,669
Insurance Premium	-	537,493	537,493
Costs of Issuance (incl. UW Discount)	2,553,132	403,618	2,956,750
Total Uses	618,026,507	119,837,404	737,863,912
Refunding Statistics			
Refunded Principal	570,460,000	86,785,000	657,245,000
Cash Flow Savings	161,792,310	59,247,445	221,039,756
Net PV Savings (@ 3%)	103,976,431	18,904,434	122,880,865
Net PV Savings % of Ref. Par (@ 3%)	18.23%	21.78%	18.70%

Debt Service Savings			
Fiscal Year	Sr. Lien Savings	2nd Lien Savings	Aggregate Savings
Total	161,792,310	59,247,445	221,039,756
2021	5,551,321	2,527,137	8,078,458
2022	5,549,641	2,599,621	8,149,262
2023	5,545,431	2,599,621	8,145,052
2024	3,822,857	2,599,621	6,422,478
2025	10,223	2,599,621	2,609,844
2026	12,216,504	2,599,621	14,816,126
2027	11,469,967	2,599,621	14,069,588
2028	7,786,783	2,599,621	10,386,405
2029	14,102	2,599,621	2,613,723
2030	14,594,830	2,599,621	17,194,452
2031	14,507,536	2,599,621	17,107,157
2032	446,556	2,599,621	3,046,177
2033	3,329,506	2,599,621	5,929,127
2034	3,111,294	8,504,621	11,615,915
2035	3,059,870	8,512,593	11,572,462
2036	2,993,203	8,507,640	11,500,843
2037	8,471,808	-	8,471,808
2038	8,471,988	-	8,471,988
2039	8,473,782	-	8,473,782
2040	8,475,103	-	8,475,103
2041	8,469,982	-	8,469,982
2042	8,469,278	-	8,469,278
2043	8,475,368	-	8,475,368
2044	8,475,377	-	8,475,377

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 **over \$1 billion of debt service savings** for the Systems since the tender and refunding transaction in 2014.

