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Title: Approval of the 2022 Bond Program Underwriting Team

Sponsors: Nicolette Bateson

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Attachments: 1. 6A0 Underwriter Team Selection, 2. 2022-179 Attachment 1, 3. 2022-179 Attachment 2, 4. 6A3 GLWA Underwriter Cost Proposals Summary (4-27-22), 5. 6A4 2200290 Procurement Board Report

Date	Ver.	Action By	Action	Result
5/11/2022	1	Board of Directors Workshop Meeting	Approved	Pass
5/6/2022	1	Audit Committee	Recommended for Approval	Pass

Approval of the 2022 Bond Program Underwriting Team

Agenda of: May 11, 2022
Item No.: **2022-179**
Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Suzanne R. Coffey, P.E.
Interim Chief Executive Officer
Great Lakes Water Authority

DATE: May 11, 2022

RE: **Approval of the 2022 Bond Program Underwriting Team**

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer & Treasurer, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA):

- 1) Approves Siebert Williams Shank & Co. as Bookrunning Senior Managing Underwriter;
- 2) Approves Goldman Sachs as Co-Senior Managing Underwriter;
- 3) Authorizes a Takedown of \$2.50 per bond (plus reimbursable expenses);
- 4) Approves Citigroup, JP Morgan Securities LLC, Morgan Stanley & Co., Ramirez & Co., Loop Capital and Wells Fargo as Co-Managers;
- 5) and authorizes the Interim CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

GLWA's ten-year financial plan and the five-year capital improvement plan outline the need for a 2022 bond financing program. In addition, there are potentially favorable market conditions for a bond refunding. In prior GLWA financing programs, funding was also sought for the local water supply and local sewer disposal systems (Detroit Water & Sewerage Department, DWSD). For 2022, the management for the local water supply and local sewer disposal systems (Detroit Water & Sewerage Department, DWSD) has indicated that no additional bond proceeds beyond state revolving fund loans are requested by DWSD for at least the next two years.

The next step to begin the 2022 bond financing program is to select an underwriting team including a Book Running Senior Manager, Co-Senior Manager, and Co-Managers.

The Great Lakes Water Authority [Debt Management Policy <https://www.glwater.org/wp-content/uploads/2018/08/012716-FINAL_Debt_Management_Policy_GLWA_December-4pw.pdf>](https://www.glwater.org/wp-content/uploads/2018/08/012716-FINAL_Debt_Management_Policy_GLWA_December-4pw.pdf) (page 5) provides the following overall guidance related to the selection of the senior manager. See 2022-179 Attachment 1.

GLWA has achieved three financing programs since its inception on January 1, 2016. The underwriter pool has consisted of the following firms. See 2022-179 Attachment 2.

Given the changing market conditions, the GLWA administration would like to proceed with the proposed bond transaction sooner rather than later. While it is good to "refresh" the underwriter pool periodically, the timing, along with competing priorities, dictates that we assemble the team to being working on the transaction soon.

A few additional considerations as it relates to underwriter selection include the following.

1. The existing pool reflects excellence in the field of public sector utility finance who are very interested in working with GLWA.
2. Expanding underwriter expertise among multiple firms is a priority for GLWA. Citigroup has held the "bookrunning senior manager" role for the last three transactions. Accordingly, it is recommended that Citigroup be asked to participate as a co-manager in the next financing so that GLWA can expand the underwriter capacity among multiple firms over time.
3. That being said, continuity and experience as a co-manager are incredibly important to GLWA in a successor in the bookrunning senior manager role. For this reason, Goldman Sachs and Co. LLC, Siebert Williams Shank & Co., LLC and Wells Fargo Securities, who have all served as co-senior managers, were invited to a) submit proposals to GLWA for the bookrunning senior manager role as well as b) provide a 10-minute presentation based on that proposal to the Audit Committee at its regular meeting on April 22, 2022. Those presentations

were very informative as we consider the 2022 financing program.

4. All firms that have served on the financing team in the past were invited to submit letters of interest to serve as co-managers for the 2022 transaction. In addition to the pre-identified short-list, a letter of interest was also solicited from Loop Capital which has strong public finance team as well as an office in the City of Detroit. This addition is in alignment with the Section 4.6 of GLWA's Procurement Policy to support Economic Equity and Development.

JUSTIFICATION

For the book-running senior manager, all three firms are highly qualified. As a result, the scores are very close as outlined in the attached procurement report and below.

1. Siebert Williams Shank at 90 points is recommended for book running senior manager.
2. Goldman Sachs at 87.78 points is recommended for co-senior manager.
3. Wells Fargo at 86.67 points is recommended for addition to the co-manager pool.

For the co-manager pool, all eligible firms submitted a letter of interest and passed the background and due diligence review. It should be noted that GLWA's financial advisory team from PFM provided technical support and research for all proposals submitted. The recommended co-manager pool is Citigroup, JP Morgan Securities LLC, Morgan Stanley & Co., Ramirez & Co., Loop Capital, and Wells Fargo.

Proposed Underwriter Takedown: The Takedown Fee in a bond transaction is the compensation paid to the underwriter for selling the bonds. It is expressed as a dollar amount per \$1,000 of the par amount of the transaction. Best practices dictate that issuers strive for the best balance between the yield for each maturity and the takedown to achieve the lowest overall cost of financing. GLWA's Financial Advisor, PFM Financial Advisors completed a benchmarking analysis of the proposed fees and confirmed that all were within a competitive range (see attached). Historical takedowns paid by GLWA for uninsured bonds were \$2.75/bond (2016 transaction), \$2.50/bond (2018 transaction), and \$2.50/bond (2020 transaction). Siebert Williams Shank & Co., as the recommended Bookrunning Senior Manager, bid a takedown of \$2.50 per \$1,000 (plus reimbursable expenses).

BUDGET IMPACT

All fees related to the proposed transactions will be paid out of the proceeds of the bonds issued. The bond proceeds as shown in the financial plan are net of fees.

COMMITTEE REVIEW

At the Special Audit Committee meeting on May 6, 2022, the Audit Committee unanimously recommended the following for approval by the GLWA Board of Directors.

1. Approves Siebert Williams Shank & Co. as Bookrunning Senior Managing Underwriter;
2. Approves Goldman Sachs as Co-Senior Managing Underwriter;

3. Authorizes a Takedown Fee of \$2.50 per bond (plus reimbursable expenses);
4. Approves Citigroup, JP Morgan Securities LLC, Morgan Stanley & Co., Ramirez & Co., Loop Capital and Wells Fargo as Co-Managers;
5. and authorizes the Interim CEO to take such other action as may be necessary to accomplish the intent of this vote.