

Legislation Text

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Proposed Appointment of 2024 Bond Transaction Syndicate and Advisors and Related Fees

Agenda of: February 28, 2024

Item No.: **2024-070**

Amount: N/A

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: February 28, 2024

RE: **Proposed Appointment of 2024 Bond Transaction Syndicate
and Advisors and Related Fees**

MOTION

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

- 1) **Appoints the Series 2024 Underwriting Syndicate Structure with the following roles, fee splits, and firms:**
 - **Bookrunning Senior Manager (55%) - Siebert Williams Shank & Co. LLC**
 - **Co-Senior Manager (30%) - Goldman Sachs & Co. LLC**
 - **Co-Managers (15%) - J.P. Morgan, Loop Capital Markets, Morgan Stanley, Ramirez & Co., Inc., and Wells Fargo Securities;**
- 2) **Authorizes the fee for the underwriting syndicate at \$2.50/bond plus actual expenses;**
- 3) **Authorizes the work of The Foster Group to proceed within the current contract that ends June 30, 2024 recognizing that a contract extension to complete the transaction may be required which would be brought to the Board of Directors in March 2024;**
- 4) **Authorize a bond financing cost allowance up to \$110,000 to reimburse the Detroit Water & Sewerage Department for a feasibility consultant related to DWSD financial performance, accounts receivable**

activity, and related bond disclosure forecast matters; and,

- 5) Authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Great Lakes Water Authority (GLWA) has approximately \$390million of senior lien and \$45 million of second lien bonds for the water system and \$395 million of senior lien and \$45 million of second lien bonds for the sewage disposal system that are callable on July 1, 2024 and can potentially be refinanced for debt service savings.

GLWA has been advised by its financial advisor, PFM Financial Advisors LLC (PFM), that current market conditions may warrant pursuing a refunding transaction this spring rather than the previously anticipated summer / fall 2024 timeline.

Given intense GLWA staff demands, including the design, testing, and implementation of a new financial system with a go live on July 1, 2024, the most efficient path forward in assembling an underwriting and advisory team is to reappoint the team associated with the successful fall 2023 tender and refunding transaction. This will then allow this working group to immediately begin the quantitative analysis and tasks related to structure, strategy, and timing.

It should be noted that the impact on the FY 2025 budget is unknown at this time. However, the outcome of this potentially significant transaction would alleviate budget and charge pressures beyond FY 2025 as outlined in the ten-year forecast.

JUSTIFICATION

Assembling a bond financing team includes the parties below. Along with this list, we have provided information related to contract status.

1. Underwriting Syndicate - PFM has provided a memo (attached) which provides justification for the following recommendation below with associated roles, fee splits, and firms.
 - Bookrunning Senior Manager (55%) - Siebert Williams Shank & Co. LLC
 - Co-Senior Manager (30%) - Goldman Sachs & Co. LLC
 - Co-Managers (15%) - J.P. Morgan, Loop Capital Markets, Morgan Stanley, Ramirez & Co., Inc., and Wells Fargo Securities

PFM has also outlined underwriter compensation of \$2.50/bond plus actual expenses.

2. Financial Advisor - PFM was selected in 2023 pursuant to a competitive procurement process. Their contract is in place through June 30, 2028.
3. Bond Counsel - Dickinson Wright - current contract in place
4. Feasibility Consultant (GLWA) - The Foster Group is the feasibility consultant. The principal of that firm intends to retire this year. The contract expires June 30, 2024. The request for proposal for the successor firm is being released shortly. The Foster Group is available to extend the contract for this effort at the already agreed upon fees. This timing also supports internal knowledge transfer to in-source the ten-year plan to GLWA team members. A specific contract request will be brought to the Audit Committee and Board in March 2024 for this

effort as the bond closing and related post transaction due diligence period could extend past June 30, 2024. The fee is \$100,000 per system.

5. Auditors - Baker Tilly US, LLP - current contract is in place through June 13, 2025
6. Feasibility Consultant (DWSD) - This is an additional need related to bond transactions to support the internal Detroit Water & Sewerage Department (DWSD) and GLWA staff effort and to proactively address interests by rating agencies and investors related DWSD financial performance and disclosures, accounts receivable activity, and other forecast matters. The consultant providing the feasibility report would be DWSD's choice with 100% payment by GLWA since this is a GLWA refunding transaction. It is recommended that the fees be funded out of bond proceeds with an allowance up to \$110,000. A similar process has been in place for bond counsel appointed by DWSD.

BUDGET IMPACT

The fees associated with the transaction would be paid out of the bond proceeds except for incidental internal costs.

COMMITTEE REVIEW

The GLWA Audit Committee reviewed this matter on February 26, 2024. The Audit Committee unanimously recommended that the Board of Directors approve the Appointment of the 2024 Bond Transaction Syndicate and Advisors with fees as outlined in this memo.