## Legislation Text

**File #:** 2018-874, **Version:** 1

## Resolution Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Refunding Bonds in an Amount not to Exceed $225,000,000 (Ordinance 2018-02)

Agenda of:    August 8, 2018
Item No.:    **2018-874**
Amount:    $225,000,000
**TO:**    The Honorable
        Board of Directors
        Great Lakes Water Authority

**FROM:**    Sue F. McCormick
          Chief Executive Officer
          Great Lakes Water Authority

**DATE:**      August 3, 2018

**RE:**    Resolution Approval of Series Ordinance Authorizing Issuance and Sale of Water Supply System Revenue Refunding Bonds in an Amount not to Exceed $225,000,000 (Ordinance 2018-02)

### MOTION

Upon recommendation of Sue F. McCormick, Chief Executive Officer, The Board of Directors (Board) of the Great Lakes Water Authority (GLWA), **approves and adopts the attached 2018 Water Series Ordinance, in the form presented at this meeting, and the Chairperson and the Secretary are authorized to authenticate the attached 2018 Water Series Ordinance in the form approved**; and be it Further that an affirmative vote of at least 5 members of the Authority Board is necessary for the passage of this Resolution.

### BACKGROUND

In order for the Great Lakes Water Authority ("GLWA") to proceed with the refunding of various outstanding water supply system bonds for the purpose of achieving annual debt service savings, the GLWA Board must approve the included resolution approving the Series Ordinance. There is no new money as part of this water refunding bond issue.

The Series Ordinance sets forth the guidelines for the Refunding Bonds and authorizes the Chief Executive Officer and the Chief Financial Officer to execute the final terms of the Bonds, paying issuance costs and signing of the Bond Purchase Agreement, within the parameters set forth in the Series Ordinance.  The final par amount of the Refunding Bonds will be determined at the time of pricing and is based on current bond market pricing levels, issuance costs and the par amount of the bonds to be refunded as determined by the savings level achieved.  _While the approval of the resolution gives GLWA the authorization to issue refunding bonds, GLWA does not have to proceed with the refunding if_

*market conditions become less favorable when it comes time to price the bonds.*

**Key Provisions:**

- Not to Exceed Par Amount: $225 million

- Maximum Coupon Rate: 5.25%

- Minimum Purchase Price: 99% of principal amount of bonds

- Maximum Underwriter Discount: 0.40% of principal amount of bonds

- Present Value Savings: Equal to or greater than 5.00% of principal amount of bonds to be refunded

**Additional Provisions:**

Similar to the 2016 water and sewer bond ordinances approved by the GLWA Board, Ordinance No. 2018-02 also contains the "springing amendment" provision in Section 21- *Amendments to Ordinance.* As noted on page 20, this section gives GLWA the ability to reduce or eliminate the bond reserve requirement for the senior lien bonds when at least 2 of the 3 national rating agencies rate the senior lien bonds in the AA category, provided that the reduction in the reserve requirement would not negatively affect the outstanding ratings. The amendments will become effective upon the deemed consent of at least 51% of the holders of the outstanding senior lien bonds. GLWA will add this springing amendment to each future series ordinance to obtain the 51% consent level. The current level of water consents achieved is 32.9% for senior lien bonds and 57.8% for second lien bonds, before the issuance of the bonds herein.

## BUDGET IMPACT

Savings as a result of the proposed Water Refunding Bonds will be included as part of the FY 2020 financial plan.

## COMMITTEE REVIEW

This matter was reviewed by the GLWA Audit Committee at its meeting on July 20, 2018. Minor changes have been made to the Water Series Ordinance from the version presented at that meeting. A marked-up version of the Water Series Ordinance is included so that the changes can be seen.

## SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.