



Legislation Text

File #: 2019-205, Version: 1

Proposed Amendment to GLWA Contract CS-195 with The Foster Group for Feasibility Consultant Services related to proposed water and sewer revenue bond transactions, at a not-to-exceed amount of \$200,000

Agenda of: November 13, 2019

Item No.: **2019-205**

Amount: \$200,000

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: November 13, 2019

RE: Proposed Amendment to GLWA Contract CS-195 with The Foster Group for Feasibility Consultant Services related to proposed water and sewer revenue bond transactions, at a not-to-exceed amount of \$200,000

MOTION

Upon recommendation of Nicolette Bateson, Chief Financial Officer/Treasurer, the Great Lakes Water Authority Board of Directors (Board) authorizes the Chief Executive Officer (CEO) to **amend Contract No. CS-195 with The Foster Group for Feasibility Consultant Services related to the proposed water and sewer revenue bond transactions, at a not-to-exceed amount of \$200,000.00, and on or before the December 6, 2019 meeting of the Board's Audit Committee, staff shall present that Committee with a proposed timeline for the issuance and conduct of a competitive solicitation for future feasibility consultant service;** and also authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

The Great Lakes Water Authority has been monitoring declining interest rates with the support of PFM Financial Advisors (PFM). They have provided an update to the refunding analysis that was reviewed by the Audit Committee at its meeting on July 19, 2019. Since that presentation, interest rates on municipal debt have dropped to historic lows. Although GLWA does not have any currently callable water or sewer bonds, PFM prepared a refunding analysis assuming a taxable, advanced refunding approach and a tax-exempt, forward delivery approach and presented an updated analysis at the October 18, 2019 Audit Committee meeting.

Based upon the potential savings opportunities, the process has begun to assemble a financing team. A financing team consists of bond counsel, financial advisor, underwriter and feasibility consultant. This team will work closely with GLWA on developing a strategy and time schedule for preparing its disclosure documents, rating agency presentations and investor outreach efforts in order to have a successful outcome to GLWA's proposed refunding transaction. While some of the professional services are within existing contracts, others are not as it was not anticipated until very recently that GLWA would be considering any market transactions for another 18 +/- months as presented to the Audit Committee earlier in the calendar year.

Bond counsel and financial advisor are currently under contract. An updated request for proposal has been circulated among a previously Board-approved pool of underwriters. The remaining matter is retaining a feasibility consultant which is the matter being brought before the Board.

JUSTIFICATION

The current contract with The Foster Group was approved by the Board on June 12, 2019. It includes system feasibility consultant fees only for State Revolving Fund (SRF) bond transaction support at \$15,000 per transaction. Since it was previously thought that the next transaction would not be until the April 2021 timeframe, a competitive process for securing a feasibility consultant was scheduled for calendar year 2020. For this reason, the approved contract did not include services for Feasibility Consultant Services for market revenue bond transactions. Due to the aggressive time schedule to complete the proposed refunding transaction, an amendment to The Foster Group's current contract is recommended. The transaction-based fee for this service would be a not-to-exceed amount of \$100,000 per system with all expenses included, for a total not-to-exceed amount of \$200,000. It should be noted that GLWA and the Detroit Water & Sewerage Department (DWSD) are evaluating new money needs at this time due to low interest rates. The fee proposed by The Foster Group encompasses both refunding and new money options as well as the consolidated GLWA and DWSD analysis required.

BUDGET IMPACT

The proposed FY 2020 water and sewer budgets do not include the potential impacts of any refunding bond savings or expenses. Transaction based expenses are only incurred if a transaction occurs. Fees for bond transactions are charged to the bond issuance costs consistent with industry practice for all advisor fees that are transaction based.

COMMITTEE REVIEW

The Audit Committee has reviewed this matter at its meeting on October 18, 2019. The Audit Committee direct the GLWA management team to a) proceed with the next steps to explore the refunding opportunity, b) proceed with assembling of a financing team to inform the refunding decision, and c) recommended an amendment to The Foster Group contract for feasibility consultant services not to exceed \$200,000.

SHARED SERVICES IMPACT

The extent to which DWSD issues any new money bonds as part of the proposed transactions, DWSD would pay a pro rata share of the fees for revenue bonds issued on their behalf as a pass-through cost.