February 5, 2024

Memorandum

To: *Great Lakes Water Authority ("GLWA")*
Nicolette Bateson, Chief Financial Officer/Treasurer

From: *PFM Financial Advisors LLC ("PFM")*
Eric Brown, Managing Director

RE: Underwriting Syndicate for Upcoming Refunding

As we have discussed, GLWA has an opportunity in the current market to generate present value savings through a tax-exempt current refunding for bonds that will become eligible for a tax-exempt refunding 90 days in advance of July 1, 2024 call date. Although the finance team has monitored these bonds for refunding for well over a year, current levels of savings have been significantly enhanced by recent declines in interest rates.

GLWA has recognized the benefits of proceeding quickly with a refunding transaction to capture refunding savings and the efficiencies that could be achieved with the use of the same underwriting syndicate that was engaged with respect to the recently issued Series 2023 bonds. PFM believes that a reappointment of this syndicate that resulted from a previous procurement in 2022 is a solution that could help achieve these goals. The exit of Citigroup from the municipal finance business will necessitate a modest tweak to this prior syndicate structure, and you have asked PFM to prepare a proposed syndicate structure that retains the status quo but adjusts for this departure. PFM provides this memorandum to memorialize the proposal and rationale.

In the Series 2023 transaction, the underwriting syndicate consisted of a bookrunning senior manager, a co-senior manager, and six co-managers. In addition, the Series 2023 transaction included a Lead Dealer-Manager and Co-Dealer Manager role as a result of the tender transaction. The Series 2023 structure, including each firm's role and liability, is shown below.

Series 2023 Underwriting Syndicate Structure
Bookrunning Senior Manager (55%) – Siebert Williams Shank & Co. LLC
Co-Senior Manager (30%) – Goldman Sachs & Co. LLC
Co-Managers (15%) – Citigroup, J.P. Morgan, Loop Capital Markets, Morgan Stanley, Ramirez & Co., Inc., Wells Fargo Securities

Lead Dealer-Manager (55%) – Goldman Sachs & Co. LLC
Co-Dealer-Manager (45%) – Siebert Williams Shank & Co. LLC

With the removal of Citigroup, the remaining underwriting syndicate will consist of a bookrunning senior manager, a co-senior manager, and five co-managers. Although a slightly smaller group, PFM believes that the remaining members of the syndicate will be able to continue to provide the broadest possible distribution of GLWA bonds to investors ranging from large institutional investors to local retail investors and is representative of a team with experience broadly distributing GLWA bonds as necessary to achieve the lowest possible interest cost. The remaining members of the team continue to represent an appropriate mixture of large national firms, firms with a local presence, and minority owned businesses. These remaining syndicate members have significant experience in utility financings and together have sufficient capacity to underwrite any GLWA financing. As such, we do not see a need to replace Citigroup within the syndicate at this time. The Citigroup share of the liabilities would be reallocated among the remaining co-managers.

With the removal of Citigroup, the structure of the proposed Series 2024 underwriting syndicate is as follows:

Proposed Series 2024 Underwriting Syndicate Structure
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., Wells Fargo Securities

The contemplated refunding transaction does not include a tender component. Therefore, the dealer-manager role is not a role that PFM anticipates will be necessary for the Series 2024 transaction.

PFM would recommend underwriter compensation of $2.50/bond plus actual expenses, consistent with the underwriter compensation on the recent Series 2023 bonds and each transaction since 2018. This level of compensation resulted from a competitive bid process and is lower than underwriter compensation in 2016, as shown below. PFM believes that this is a fair market fee that remains reflective of the current market and appropriately balances the intent to achieve low issuance costs while still providing sufficient incentive for the underwriters to take risk, with the goal of achievement of the lowest overall cost for GLWA. PFM does not recommend payment of a management fee.

Recent GLWA Bond Sales - Underwriter Compensation		
Series	Uninsured Takedown ($/$1000)*	Management Fee ($/$1000)
Proposed Series 2024	2.50	0.00
Series 2023	2.50	0.00
Series 2022	2.50	0.00
Series 2020	2.50	0.00
Series 2018	2.50	0.00
Series 2016	2.75	0.00