

Bulletin:

Great Lakes Water Authority, MI Ratings Unaffected By COVID-19 Pandemic

April 29, 2020

NEW YORK (S&P Global Ratings) April 29, 2020--S&P Global Ratings said that the COVID-19 pandemic has not affected its 'AA-' rating on the Great Lakes Water Authority (GLWA), Mich.'s senior-lien water supply system revenue bonds or its 'A+' rating on GLWA's second- and junior-lien water revenue bonds (See the full analysis on GLWA, published March 16, 2020 on RatingsDirect.).

Although some revenue volatility is likely for all its customer classes and delayed collections will be applicable to GLWA's retail customer class (which includes Detroit), we believe that the system's overall net revenues are unlikely to see significant declines related to COVID-19. While we continue to monitor these events, we do not currently expect them to affect the authority's ability to maintain budgetary balance and pay debt service costs. For more information, see our article, "COVID-19's Potential Effects In U.S. Public Finance Vary By Sector" (published March 5, 2020).

Our belief is supported by GLWA's diverse water system revenue base generated from communities that represent about 40% of Michigan's population, and its charge structure that is only 40% variable. We also have observed that the authority has been able to identify additional budgetary adjustments that, in our view, should be able to mitigate its currently estimated \$7.4 million revenue shortfall due to the effects of COVID-19.

As the pandemic's effects on future budgets are better understood, we will continue to incorporate into our rating analysis management's efforts to mitigate any revenue losses, including the ability to reprioritize capital projects without weakening environmental compliance, use of cash balances to stabilize operations, the future water charge structure to its member partners, and general operating expense adjustments.

This report does not constitute a rating action.

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