



FOR IMMEDIATE RELEASE

November 28, 2023

Media Contact:

Michelle Zdrodowski / M: 313-618-0552 / michelle.zdrodowski@glwater.org

Ashleigh Chatel / M: 734-626-4252 / ashleigh.chatel@fleishman.com

GLWA NOW IN AA-RATED CATEGORY BY ALL THREE BOND RATINGS AGENCIES, EXECUTES SUCCESSFUL BOND TRANSACTION TO SECURE FUNDING FOR REGIONAL WATER AND WASTEWATER SYSTEM IMPROVEMENTS; GARNERS MONEY-SAVING REFUNDING

- *GLWA is now AA-rated credit category by all three bond rating agencies*
- *Successful bond transaction will provide \$250 million in new funding for regional water and wastewater system capital improvements*
- *Innovative tender refunding generates \$46 million of cash flow savings (\$29 million of present value savings)*

DETROIT – The Great Lakes Water Authority (GLWA) this month executed a successful bond transaction at favorable rates to fund \$250 million in capital improvements for the regional water and wastewater systems, as well as secured \$46 million in cashflow savings (\$29 million of present value savings) by refinancing eligible regional system bonds.

Positive Bond Rating Agency Actions

In advance of the bond transaction, GLWA earned upgrades into the ‘AA’ category from two of three bond rating agencies, as well as an affirmation of its “AA” rating from the third bond rating agency:

- Moody’s Investors Service moved GLWA’s senior lien debt into a new level of investment grade rating at ‘Aa3’ (up from ‘A1’) for both the water and sewer systems;
- Fitch Ratings moved GLWA’s senior lien debt for the sewer system to ‘AA-’ (up from ‘A+’) and affirmed its A+ rating for the water system; and
- Standard & Poor Global Ratings affirmed its outstanding senior lien water and sewer system debt at ‘AA-’.

Rationale for the upgrades is outlined in the reports from each rating agency. Moody’s credit opinion noted, “GLWA has effectively balanced its hefty capital needs with an affordable rate structure, stable operating performance, consistent debt service coverage and good liquidity for systems since its inception in 2016.”

“GLWA now having achieved the “AA” ratings category by all three ratings agencies is recognition of our utility’s long-term strategy for affordability and system resiliency, and a testament to the hard work of every team member at GLWA,” said Freman Hendrix, Chairperson, GLWA Board of Directors.

Bond Sale Supports Capital Projects to Improve System Reliability, Redundancy & Resiliency

The bond transaction focused on securing \$150 million in new money to replenish funding for water system capital improvement projects and \$100 million in new money to replenish funding for wastewater system capital improvements (total of \$250 million).

The new money tax-exempt bonds were issued with a true interest cost of 4.64 percent for both the water and wastewater systems. GLWA was able to secure necessary capital funding at historically attractive levels that takes risk off the table for the future.

“The funding from this bond sale will provide strong support for our Capital Improvement Plan (CIP) in the near term, allowing our water and wastewater teams to undertake a broad cross section of projects which are focused on reliability, redundancy and resiliency in three main areas: asset renewals, optimization, and innovation,” said Suzanne R. Coffey, P.E., GLWA Chief Executive Officer.

Regional Water System CIP projects are driven by 1) The Water System Master Plan’s right-sizing approach for optimal water treatment capacity; 2) “surgical” renewal and replacement of treatment, pumping and transmission assets; and 3) maintaining treatment at the Northeast Water Treatment Plant to build resiliency in water system operations.

Regional Wastewater System CIP projects are driven by 1) investment in GLWA’s existing infrastructure to ensure reliable conveyance of wastewater while right sizing the regional systems assets; 2) Wastewater Master Plan projects that ensure system readiness for today and into the future; 3) renewable resources that can be harvested from wastewater and repurposed for treatment; and 4) wet weather mitigation and reducing untreated discharges.

For a complete list of projects within GLWA’s FY2024-2028 CIP, please click [here](#).

Innovative Tender Refunding Results in Significant Savings

Because of a market opportunity to buy back bonds at an attractive price and reduce regional system debt service, GLWA invited the holders of \$1.04 billion of previously issued water and sewer bonds to sell their bonds back to the Authority. Holders of \$361.6 million of bonds accepted GLWA’s offer, representing a participation rate of 35 percent, which exceeded expectations as that level is well above the average level of similar transactions over the past year. GLWA sold \$267 million of refunding bonds to pay for the purchase, in conjunction with the new money. Ultimately, the tender and refunding transaction will reduce GLWA debt service by \$46 million through 2040, representing a present value to GLWA of \$29 million. The transaction underscores GLWA’s commitment to pursuing innovative financing strategies to reduce its debt service costs for member partners.

Timing of Bond Sale and Tender Refunding Supports Affordability of Services

GLWA has aggressively pursued opportunities to generate savings from the outstanding debt portfolio, when available. Since 2016, GLWA has pursued debt refunding transactions that have generated over \$765 million of cashflow savings. These substantial savings directly impact the affordability of charges and the amount of funding that is available for new capital projects that are necessary for building resiliency in the regional systems. As a part of this transaction, GLWA generated cash flow savings of \$46 million that will be realized through 2040. These cash flow savings offset a portion of the cost of the new borrowing in support of critical capital projects and supports the continued affordability of services.

Strong Investor Interest

On the heels of its ratings upgrades, GLWA engaged in a comprehensive investor outreach. This outreach, combined with a strong day within the financial markets, attracted orders from 80 unique institutional investors. In addition, retail orders were placed on behalf of several individual retail investors.

“GLWA is very appreciative of the opportunities to engage with investors,” stated Nicolette N. Bateson, GLWA Chief Financial Officer and Treasurer. “We see the growing base of investors as a sign that GLWA’s financial stability is well recognized through the transparency of our financial and operational information, as well as accessibility of the management team.”

Since GLWA’s bonds were sold at a premium, the par value of the bonds for both systems totaled approximately \$513 million. In aggregate, \$8.1 billion in orders were received for the \$513 million in bonds, meaning investor demand exceeded available bonds in aggregate by 14.7 times, allowing GLWA to significantly reduce the preliminary pricing yields and reduce total debt service for this 30-year debt.

###

About the Great Lakes Water Authority (GLWA)

The Great Lakes Water Authority (GLWA) is the provider-of-choice for drinking water services to nearly 40 percent and efficient and effective wastewater services to nearly 30 percent of Michigan’s population. With the Great Lakes as source water, GLWA is uniquely positioned to provide those it serves with water of unquestionable quality. GLWA also has the capacity to extend its service beyond its 88 member partner communities. As part of its commitment to water affordability, the Authority offers a Water Residential Assistance Program to assist low-income households in participating member communities throughout the system. GLWA’s board includes one representative each from Oakland, Macomb and Wayne counties, two representatives from the city of Detroit and one appointed by the Michigan governor to represent customer communities outside of the tri-county area.