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Great Lakes Water Authority (Sewer) - Fitch New Issue Report

The ‘AA-‘ and ‘A+’ sewer revenue bond rating, along with the ‘a+’ Standalone Credit Profile, reflect the system’s very strong financial profile in the context of its very strong revenue defensibility and very strong operating risk profile, both assessed at ‘aa’. The system’s leverage, measured as net-adjusted debt to adjusted funds available for debt service (FADS), was very low at 9.2x in fiscal 2023. Leverage is projected to peak at 9.7x in fiscal 2024 in Fitch’s Analytical Stress Test (FAST) rating case, supporting the Positive Outlook. The revenue defensibility assessment considers Great Lakes Water Authority’s (GLWA, or the authority) ability to reallocate any shortfalls from a non-performing customer to its performing customers via a rate increase and the overall strength of such customers. While Fitch Ratings considers the credit quality of Detroit Water and Sewerage Department’s (DWSD) sewer system midrange, the authority’s other large wholesale customers have stronger credit profiles, resulting in a strong aggregate purchaser credit quality (PCQ). The operating risk profile considers the system’s very low operating cost burden, coupled with its favorable life cycle ratio, while recognizing continued robust capital plans.

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