

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
MARCH 19, 2019**

**ITEM 3**

**SUBJECT**

CONSIDERATION OF A PROPOSED RESOLUTION FOR THE APPROVAL, AUTHORIZATION AND DIRECTION OF THE EXECUTION OF CERTAIN DOCUMENTS AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS FOR THE BENEFIT OF AND WITH RESPECT TO THE ADMINISTRATION AND FUNDING OF THE DRINKING WATER STATE REVOLVING FUND (DWSRF) IN CONNECTION WITH THE ISSUANCE BY THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK) OF UP TO \$100 MILLION AGGREGATE PRINCIPAL AMOUNT OF ITS BONDS

**DISCUSSION**

In 2002, 2012, 2016, 2017, and 2018, IBank sold Clean Water State Revolving Fund (CWSRF) bonds on behalf of the State Water Resources Control Board (State Water Board). As of December 31, 2018, the principal balance (par value) of CWSRF debt outstanding is \$1,240,765,000.

To date, IBank has not sold bonds for the Drinking Water State Revolving Fund (DWSRF) on behalf of the State Water Board.

The Division of Financial Assistance (DFA) regularly forecasts the need for State Revolving Fund (SRF) bonds for both the CWSRF and DWSRF programs based on their cash flows. DFA has been working with IBank, the State Treasurer's Office, and its financial advisor and underwriters to prepare documents necessary to sell the Series 2019 SRF bonds (\$100 million par value) for the DWSRF program to meet the future cash needs of that program. Although the cash flow needs of the DWSRF are dynamic, the current forecast indicates that the DWSRF may need additional cash in 2019. Funding current and near-term projects by issuing additional SRF bonds can be done at an acceptable cost to the State Water Board.

The purpose of this proposed resolution is to authorize and direct on behalf of the State Water Board and in its name, the Executive Director and designee(s) of the State Water Board (Authorized Signatories) to execute and deliver documents to the appropriate entities and take other associated actions necessary to sell the Series 2019 bonds at market rates. IBank will act as the conduit issuer of the Series 2019 bonds on behalf of the State Water Board. The sale will be underwritten by the underwriting firms of Piper Jaffray & Co., Morgan Stanley & Co. LLC, Backstrom McCarley Berry & Co. and George K. Baum & Company or such other investment banking firm(s) selected by the IBank and approved by the State Water Board. The California State Treasurer's Office (Treasurer) will serve as the Agent for Sale and Trustee for the Series 2019 bonds.

## **POLICY ISSUE**

Should the State Water Board approve the proposed resolution to authorize the execution of documents and authorize the associated actions necessary for IBank to issue up to \$100,000,000 par value of Series 2019 bonds on behalf of the State Water Board to be used to provide funds for the DWSRF program?

## **FISCAL IMPACT**

The costs of issuing the Series 2019 bonds will be paid from the proceeds of the bonds.

State Water Board staff costs associated with the transaction will be covered by the administrative accounts currently available to pay staff costs.

The cost of borrowed capital will be paid from past retained earnings and future earnings. The effect on the financing capacity of the DWSRF due to the cost of borrowing additional capital will be evaluated on an ongoing basis as part of completing or updating the DWSRF's annual Intended Use Plan.

## **REGIONAL BOARD IMPACT**

There will be no Regional Water Quality Control Board impact.

## **HUMAN RIGHT TO WATER ANALYSIS**

The issuance of the Series 2019 bonds will support the human right to water. Selling the Series 2019 bonds will provide more cash with which to fund current and near-term DWSRF projects that support the Division of Drinking Water's efforts to ensure that all Californians have safe and affordable drinking water.

## **STAFF RECOMMENDATION**

Approve the proposed resolution to authorize the execution of documents and authorize the associated actions necessary for IBank to issue up to \$100,000,000 par value of SRF bonds on behalf of the State Water Board to be used to provide funds for the DWSRF program.

<p>State Water Board action on this item will assist the Water Boards in reaching Goals 4 and 6 of the <i>Strategic Plan Update: 2008-2012</i> to comprehensively address water quality protection and restoration, and the relationship between water supply and water quality, and describe the connections between water quality, water quantity, and climate change, throughout California's water planning processes and enhance consistency across the Water Boards, on an ongoing basis, to ensure our processes are effective, efficient, and predictable, and to promote fair and equitable application of laws, regulations, policies, and procedures.</p>
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