

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING SESSION –DIVISION OF FINANCIAL ASSISTANCE
DECEMBER 6, 2022**

ITEM 8

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 CLEAN WATER STATE REVOLVING FUND (CWSRF) AND IN CONNECTION WITH THE ISSUANCE BY THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK) OF UP TO \$650 MILLION AGGREGATE PAR AMOUNT OF ITS BONDS.

DISCUSSION

On January 5, 2016, the State Water Board authorized the issuance of up to \$1.2 billion par value in CWSRF bonds, and on October 3, 2017, increased this authorization to \$2.2 billion par value.

Since April 2016, the IBank has acted as the CWSRF's conduit bond issuer three times by issuing a total of \$1,309,960,000 par value of bonds. As of October 2, 2022, the State Water Board's CWSRF debt outstanding was \$900,785,000 par value.

The Division of Financial Assistance (DFA) regularly assesses the need for CWSRF bonds based on the program's cash flow forecasts and anticipated future commitments. The State Water Board makes funding commitments consistent with the CWSRF Policy and Intended Use Plan based on an estimated sustainable annual lending capacity, currently approximately \$600 million per year. The sustainable lending capacity assumes that regular bond sales will be necessary to achieve this level of new financing each year. Although the cash flow needs of the SRFs are dynamic, the CWSRF executed over \$2.0 billion in new loan agreements during State Fiscal Year 2021-22. These commitments and potential new commitments indicate that the State Water Board, through IBank as its conduit bond issuer, will need to sell additional bonds in 2023 for its CWSRF Program. Funding current and near-term projects by issuing additional bonds can be done at an acceptable cost to the State Water Board consistent with the State Water Board's SRF Debt Management Policy.

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 2023 CWSRF bonds at current market rates. The IBank will act as the conduit issuer of the Series 2023 bonds on behalf of the State Water Board. The sale is planned to be conducted as a competitive sale and the underwriting firm(s) will be selected by the IBank and

approved by the State Water Board. The California State Treasurer's Office will serve as the Agent for Sale and Trustee for the Series 2023 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 the IBank to issue up to \$650,000,000 aggregate principal amount (par value) of Series 2023 CWSRF bonds on behalf of the State Water Board?

FISCAL IMPACT

The costs of selling the Series 2023 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 CWSRF due to the cost of borrowing additional capital will be evaluated on an ongoing basis as part of completing or updating the CWSRF's annual Intended Use Plan.

REGIONAL BOARD IMPACT

There will be no direct Regional Water Quality Control Board (Regional Water Board) impact. Selling the Series 2023 bonds will provide more cash with which to fund current and near term CWSRF projects that support the Regional Water Boards' efforts.

STAFF RECOMMENDATION

Staff recommends that the State Water Board adopt the proposed resolution.