

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)

STAFF REPORT¹

EXECUTIVE SUMMARY

Borrower:	State Water Resources Control Board ("State Water Board")	Par Amount Requested:	Not to exceed \$158,475,000
Borrower Description:	The State Water Board is a State entity within the California Environmental Protection Agency (CalEPA). Its mission is to preserve, enhance and restore the quality of California's water resources and drinking water for the protection of the environment, public health, and all beneficial uses and to ensure proper allocation and efficient use, for the benefit of present and future generations.		
Type of Bonds:	Tax-exempt Refunding Revenue Bonds (Green Bonds)(the "Bonds")		
Bonds Project:	<p>IBank will issue the Bonds, to refund all or a portion of the previously issued Clean Water State Revolving Fund Revenue Bonds, Series 2016 (Green Bonds) (the "2016 Bonds"), which were used to finance the California Clean Water State Revolving Fund Program ("CWSRF Program") Project Obligations.</p> <p>The State Water Board, through its CWSRF Program, provides financial assistance to local governments for public water systems for current and near-term clean water infrastructure improvement projects that address water pollution control throughout California.</p>		
Project Sites:	Statewide		
Plan of Finance:	The proceeds from the Bonds would be used to (1) refund the Outstanding 2016 Bonds, and (2) pay costs of issuance.		
Type of Issue:	Competitive sale (expected) in denominations of \$5,000 or any integral multiple of \$5,000 not exceeding the Par Amount Requested.		
Tax Status:	Tax-exempt		
Term:	Up to 10 Years		
Credit Enhancement:	None		
Credit Rating:	Expected Credit ratings of AAA by Fitch Ratings, Aaa by Moody's Investors Service, and AAA by Standard & Poor's.		
Estimated Sources of Funds²:		Estimated Uses of Funds:	
Tax-exempt Bonds Proceeds	\$123,910,000.00	Refunding Escrow Deposits	\$162,369,435.36
Net Premium	\$14,205,994.85	Costs of Issuance	\$1,080,630.85
Debt Service Fund	\$8,009,523.53	Underwriter's Discount	\$309,775.00
Bond Proceeds Fund	\$17,634,322.83		
TOTAL SOURCES	\$163,759,841.21	TOTAL USES	\$163,759,841.21

¹ The information concerning the State Water Board, the CWSRF Program and the Bonds has been provided by the State Water Board. This Report has been prepared in connection with the approval of the Bonds by IBank and does not constitute a recommendation by IBank to purchase the Bonds and should not be used by potential investors in connection with any investment decision with respect to the Bonds.

² The amounts of Sources and Uses of Funds are subject to change.

Financing Team: **Bond Counsel and Disclosure Counsel** - Hawkins, Delafield & Wood LLP
Underwriter - To be selected by the State Treasurer pursuant to a competitive sale
Municipal Advisor - Hilltop Securities Inc.
Agent for Sale, Trustee - State Treasurer's Office
IBank Outside Counsel - Stradling Yocca Carlson & Rauth LLP

Public Benefits: The proceeds of the Bonds will be used to refund all or a portion of the Outstanding 2016 Bonds and is expected to result in approximately 10% cost savings, generating net present value saving of approximately \$16 million. In turn this cost saving will enable the State Water Board to continue providing low-cost financial assistance to municipalities and other qualified entities for various projects under the CWSRF Program.

Date of Board Meeting: 2/25/2026	Resolution Number: 26-01	Prepared by: Dalibor Zivkovic
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Staff Recommendation:
Staff recommends approval of Resolution No. 26-01 authorizing the issuance of tax-exempt refunding revenue bonds in a par amount not to exceed \$158,475,000 for the benefit of the State Water Resources Control Board.

SUMMARY

The State Water Resources Control Board ("State Water Board") is requesting IBank to issue the California Infrastructure and Economic Development Bank Clean Water and Drinking Water State Revolving Fund Refunding Revenue Bonds, Series 2026 (Green Bonds) (the "Bonds").

The 2026 Bonds will be issued in connection with the Clean Water State Revolving Fund ("CWSRF") program as administered by the State Water Board. The purposes for which the Bonds are being issued are (i) to deposit a portion of the proceeds thereof into that certain escrow fund established pursuant to the Series 2016 Escrow Agreement to refund the Outstanding 2016 Bonds and (ii) to pay the Costs of Issuance of the Bonds.

CWSRF Series 2016 Bonds

The California Infrastructure and Economic Development Bank (the "IBank") issued \$410,735,000 Clean Water State Revolving Fund Revenue Bonds Series 2016 (Green Bonds) (the "2016 Bonds") on April 28, 2016 pursuant to (i) the Master Trust Indenture dated as of November 1, 2012 (the "Master Trust Indenture"); (ii) the 2016 Bonds Indenture, dated as of April 1, 2016, each between the IBank and the Treasurer of the State of California, as trustee (the "Trustee"); and (iii) the Master Payment and Pledge Agreement, dated as of November 1, 2012, between the IBank and the State Water Board for the purpose of financing a portion of the California Clean Water State Revolving Fund Program administered by the State Water Board which provides financial assistance to local governments for water pollution control projects.

The Series 2016 Bonds were used to (1) assist the State Water Board in providing financial assistance to local agencies in the State under the CWSRF; and (2) pay costs of issuance. The 2016 Bonds proceeds assisted local governments and other public entities in financing wastewater infrastructure projects statewide, including the planning, design and construction of wastewater treatment, nonpoint source, storm drainage, water recycling and estuary enhancement projects (Eligible Projects) eligible under the Federal Clean Water Act.

The current outstanding balance of the Series 2016 Bonds as of October 1, 2025 is \$158,475,000.

CWSRF Program

The CWSRF program was created under Title VI of the Federal Water Pollution Act of 1972, as amended (33 U.S.C. Sections 1251 *et seq.*) (the "Federal Clean Water Act"). To implement the Federal Clean Water Act, the State of California ("State") established the CWSRF program under supervision of the State Water Board pursuant to the Clean Water Act.

The Clean Water Program uses CWSRF funds for eligible projects and activities including, but not limited to wastewater and nonpoint source pollution management systems, estuary conservation and management, and decentralized wastewater treatment systems, stormwater or subsurface drainage water systems, security measures for public treatment facilities, and subsurface drainage water reuse or recycling. As of June 30, 2025, the State Water Board has funded CWSRF Project Obligations, some of which are up to 100% "principal forgiveness," in the total amount of approximately \$15.2 billion to 448 Recipients for 1,000 CWSRF Eligible Projects. Pursuant to the Master Payment and Pledge Agreement, the State Water Board has pledged to IBank 276 CWSRF Pledged Project Obligations from 141 Recipients with an outstanding aggregate amount as of June 30, 2025, of approximately \$5.663 billion ("the "Pledged Project Obligations").

The CWSRF Program receives Capitalization Grants from the U.S. EPA pursuant to an annual Capitalization Grant Agreement between the U.S. EPA and the State Water Board. Capitalization Grants are an 80/20 split and require the state to provide an amount equal to at least 20% of the total as "State

Match” and the federal government to provide the remainder. The State Water Board uses the Capitalization Grants to fund the activities of the CWSRF and provide low-cost loans to eligible Public Water Systems for financing the costs of infrastructure projects.

Other than Capitalization Grant Funding awarded as project grants, the CWSRF is intended to “revolve”; the loans’ repayable made with these funds revolve back into the CWSRF with additional interest earnings. Capitalization Grants are not part of the Pledged Assets. Since 1989 through June 30, 2025, the State Water Board has received \$4.24 billion in Capitalization Grants from the U.S. EPA for the CWSRF, and the State has provided State Match in total amount approximately \$870 million for the CWSRF. The State Water Board has provided the State Match by direct appropriations from State resources (including State general obligation bonds), short-term inter-department borrowings, and loan repayments from the State’s water reclamation program. The State Water Board and IBank have not issued bonds to fund the State Match. Capitalization Grants are not part of the Pledged Assets.

The State Water Board’s Prior IBank Issued Bonds

IBank has previously issued Bonds for the SWRCB’s CWSRF program, which operates separately from DWSRF and is focused on wastewater infrastructure, as follows:

Bond Series	Issuance Date	Issue Par Amount	Final Maturity	Outstanding Balance as of December 31, 2025
2016	4/28/2016	\$410,735,000	10/1/2035	\$158,475,000
2017	3/23/2017	\$450,000,000	10/1/2036	\$194,100,000
2018	3/18/2018	\$449,225,000	10/1/2048	\$287,870,000
2019	5/9/2019	\$83,920,000	10/1/2035	\$44,510,000
2023	1/31/2023	\$545,320,000	10/1/2047	\$527,260,000
2024	3/13/2024	\$272,950,000	10/1/2048	\$263,405,000
2025	12/18/2025	\$554,625,000	10/1/2050	\$554,625,000
	Total	\$2,766,775,000		\$2,030,245,000

BACKGROUND

The State Water Board

The State Water Board was created in 1967 by merging the State Water Rights Board and the State Water Quality Control Board, thus integrating water rights and water quality decision-making authority. The Drinking Water Program, and related DWSRF, was merged into the State Water Board in 2014. The mission of the State Water Board is to preserve, enhance, and restore the quality of California’s water resources and drinking water for the protection of the environment, public health, and all beneficial uses, and to ensure proper water resource allocation and efficient use, for the benefit of present and future generations. The State Water Board promotes safe and reliable drinking water through drought preparedness and water conservation measures; promoting water recycling projects; certifying drinking water treatment and distribution operators; supporting and promoting water system security; providing for small water system technical assistance; and mandating minimum standards for Public Water Systems (“PWS”) technical, managerial, and financial capacity. The State Water Board regulates over 7,200 PWS statewide.

The State Water Board and the nine Regional Water Quality Control Boards (Regional Water Boards) work together to protect California’s water resources. The State Water Board’s role in protecting water quality includes setting statewide policy, coordinating and supporting the Regional Water Boards’ efforts,

reviewing petitions contesting Regional Water Boards' actions, and administering several financial assistance programs. The State Water Board is also solely responsible for allocating surface water rights throughout the State and regulating drinking water systems.

The State Water Board's Division of Financial Assistance ("DFA") has primary responsibility for managing and administering the CWSRF Program and DWSRF Program. Five full-time salaried board members govern the State Water Board, each filling a different specialty position (See Attachment A, Governance and Management). Board members are appointed to four-year terms by the Governor and confirmed by the State Senate.

CLEAN WATER STATE REVOLVING FUND PROGRAMS CRITERIA

Recipients

Local governments and other qualified program participants are eligible borrowers ("Recipients") under the CWSRF. The State Water Board may determine the eligibility and priority of applicants by considering a variety of factors, including an applicant's ability to repay, the feasibility of the proposed project and the proposed project's potential to produce a demonstrable improvement in water quality.

Each Recipient of a Pledged Project Obligation must pledge or dedicate one or more sources of revenue toward repayment of its Project Obligation. The dedicated sources of revenue can include, but are not limited to, water, sewer, or recycled water rate revenue pledges or other contractual income of the Recipient.

Eligible Projects

The CWSRF Programs provide low-cost financing for planning, design, construction and implementation of critical public water systems for clean water infrastructure improvements necessary to mitigate clean water risks to human health and other types of water quality projects throughout the State eligible under the Federal Clean Water Act, the State Clean Water Act (CWSRF Program) and the State Water Board's Policy for Implementing the CWSRF ("Eligible Projects").

Financing Terms

The State Water Board enters into loan contracts, installment sale agreements and similar contracts ("Project Obligations") with Recipients to provide financing from the CWSRF Program. CWSRF Project Obligations, in general, are for a term not to exceed 30 years, with repayments typically commencing one year after the date of completion of construction of the Eligible Project. Recipients, typically, pay Project Obligation repayments in level annual installments throughout the Project Obligation term. Prepayments were historically allowed, but newer obligations require DFA's consent for prepayment. Project Obligation interest rates are fixed and capped at one-half of the true interest rate charged on the most recent issue of State general obligation bonds.

All Project Obligations also identify the revenues dedicated to or otherwise expected to be used to repay the Project Obligations, such as the gross or net revenues from the Recipient's drinking water system, and special assessments or capacity charges. Some Project Obligations are secured by a senior lien on dedicated revenues or other pledged assets, but other Project Obligations may be secured on a parity or subordinate basis (or for some older Project Obligations, no provision regarding priority may be provided). Project Obligations allow Recipients to issue additional debt with a parity lien on the pledged revenues or other assets securing or used to pay the Project Obligations, but in no such case is a lien on pledged revenues allowed senior to the Project Obligations.

PLAN OF FINANCE

IBank Term Sheet
The State Water Resources Control Board
Date: February 25, 2026

Bond Par Amount:	Up to \$158,475,000; in one or more tax-exempt series
Type of Offering:	Competitive sale
Initial Purchaser:	To be determined upon approval of the winning bid.
Credit Enhancement	None
Expected Credit Rating:	Credit ratings of AAA by Fitch Ratings, Aaa by Moody's Investors Service, and AAA by Standard & Poor's
Interest Rate*:	Any combination of fixed interest rates, depending on market conditions on the pricing date of the Bonds.
Maturity*:	Up to 10 years
Collateral:	Pledge of the Pledged Project Obligations
Transaction:	The Bonds are special, limited obligations payable solely from payments made by the Borrower under the Transaction Documents, and IBank shall not be directly, indirectly, or contingently or morally obligated to use any other moneys or assets of IBank for all or any portion of payment to be made pursuant to the Bonds.

**Interest Rate and Maturity are subject to change.*

Terms of the Bonds

IBank will issue the State Water Board's Bonds for the CWSRF Program pursuant to the Amended and Restated Master Trust Indenture, dated as of March 1, 2022 ("Master Trust Indenture"), and as supplemented in connection to the issuance of the Bonds. The Master Trust Indenture allows financing the CWSRF Program under the CWSRF Act. The Master Trust Indenture has been amended to facilitate the issuance of a Series of Bonds that includes a State Match Portion and to segregate repayments of Bond financed Pledged Project Obligations previously deposited in the Restricted Assets Fund into the Related Bond Proceeds Fund established for a Series of Bonds. The Bonds will not fund any State Match Portion. Repayments on Pledged Project Obligations that are not Bond financed will continue to be deposited in the Restricted Assets Fund. Under the Master Trust Indenture, no debt service reserve fund requirement will be established for the Bonds. The Bonds will be secured on parity with the State Water Board's all other bonds issued and to be issued under the Master Trust Indenture.

The Bonds will be sold at competitive bid pursuant to the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) and awarded to the bidder whose bid will result in the lowest true interest cost ("TIC") to the State Water Board. The terms and conditions of the competitive bid will be available via the Official Notice Inviting Bids.

The Bonds will be issued in fully registered form in denominations of \$5,000 and any integral multiple thereof. The Bonds interest payments will be on April 1 and October 1. The Bonds are not subject to redemption prior to their respective stated maturities.

The Bonds are being issued to refund the Series 2016 Bonds. a portion of the proceeds of the Bonds, together with other available moneys, will be deposited into an escrow fund (the "Series 2016 Escrow Fund") for the Series 2016 Bonds. Certain amounts deposited into the Series 2016 Escrow fund will be invested in direct, noncallable obligations of the United States Treasury and the remaining amounts will be held uninvested in cash. Amounts on deposit in the Series 2016 Escrow Fund will be used on May 1, 2026 to pay the redemption price of the Refunded Series 2016 Bonds and the accrued interest on these bonds.

Designation as Green Bonds

The State Water Board has decided to designate the Bonds as "Green Bonds" since the projects meet the standards of the Federal and the State Clean Water Acts. Identifying the Bonds as Green Bonds will provide investors the opportunity to invest directly in socially responsible bonds that support environmentally beneficial projects and help local governments and other public entities finance public water systems statewide, assisting communities to comply with the Federal and State Clean Water Act. The Bonds will not be certified or otherwise approved, audited, or monitored by any third-party service providers. This is consistent with the State Water Board's approach to the 2016, the 2017 and the 2018 Bonds for the CWSRF, the 2019 Bonds for the DWSRF Program, the 2023 Bonds, the 2024 Bonds and the 2025 Bonds for the CWSRF Program.

Limited Obligations

The Bonds are special limited obligations of IBank and the State Water Board, payable solely from, and secured by a pledge of State Water Board assets under the Master Trust Indenture, Series Indenture and the Master Payment and Pledge Agreement. The Bonds do not constitute an indebtedness of the State Water Board, IBank, the State or any instrumentality or political subdivision thereof within the meaning of any constitutional debt limitation or restriction nor are a pledge of the faith and credit or taxing power of the State or any instrumentality or political subdivision thereof. Neither the State Water Board nor IBank has any taxing power.

SECURITY AND SOURCES OF REPAYMENT FOR THE 2026 BONDS

The Bonds will be secured by a pledge of the Pledged Assets under the Master Payment and Pledge Agreement (excluding Board Reserved Rights and IBank Reserved Rights), the Pledged Revenues, and the funds and accounts established under the Master Trust Fund. The Bonds will be repaid from Pledged Revenues of the Pledged Project Obligations, including any prepayments, the principal and investment earnings on Investment Obligations as defined in the Master Trust Indenture, payments received from federal, or State sources related to Bonds issued under the Master Trust Indenture and any other amounts held under the Master Trust Indenture and designated as Pledged Revenues. Pledged Project Obligations consist of the Project Obligations that have been assigned and pledged as security for the benefit of the Bonds. There are 296 Pledged Project Obligations (276 CWSRF Pledged Project Obligations and 20 DWSRF Pledged Project Obligations) securing the payment of outstanding bonds following issuance of the Bonds. As of June 30, 2025, the outstanding aggregate principal amount of the CWSRF Pledged Project Obligations is approximately \$5.66 billion.

PUBLIC BENEFITS

The proceeds of the Bonds will be used to refund the Outstanding Series 2016 Bonds and is expected result in approximately 10% cost savings, generating net present value saving of approximately \$16 million. This cost savings will enable the State Water Board to continue providing low-cost financial assistance for eligible projects including, but not limited to, wastewater management systems, nonpoint source pollution management systems, and estuary conservation and management for clean water infrastructure improvement and to improve clean water quality throughout the State.

RECOMMENDATION

Staff recommends approval of Resolution No. 26-01 authorizing the issuance of tax-exempt refunding revenue bonds in a par amount not to exceed \$158,475,000 for the benefit of the State Water Resources Control Board.

ATTACHMENT A - GOVERNANCE AND MANAGEMENT

The State Water Board consists of five full-time salaried members, each filling a different specialty position. Board members are appointed to four-year terms by the Governor and confirmed by the State Senate. The current Board members are:

The State Water Board Members		
Name/Title	Specialty Position	Term Expires (January 15)
E. Joaquin Esquivel Chair	Public Member	2029
Dorene D'Adamo, Vice Chair	Public/Water quality expert	2026
Laurel Firestone Board Member	Attorney	2027
Nichole Morgan, Board Member	Civil Engineer/Supply	2029
Sean Maguire, Board Member	Sanitary Engineer	2028

The State Water Board Executive and CWSRF Program and DWSRF Program Management staff include:

Executive and Division Management	
Eric Oppenheimer	Executive Director
Joe Karkoski	Deputy Director, DFA
Michael Downey	Assistant Deputy Director, DFA
Michael A.M. Lauffer	Chief Counsel