

**STATE WATER RESOURCES CONTROL BOARD
BOARD MEETING - DIVISION OF FINANCIAL ASSISTANCE
JANUARY 5, 2016**

ITEM 5

SUBJECT

CONSIDERATION OF A PROPOSED RESOLUTION AUTHORIZING THE SALE OF UP TO ONE BILLION TWO HUNDRED MILLION DOLLARS (\$1,200,000,000 PAR VALUE) OF NEW REVENUE BONDS FOR THE CLEAN WATER STATE REVOLVING FUND (CWSRF)

DISCUSSION

The Division of Financial Assistance (Division) regularly assesses the need to leverage the CWSRF based on the program's cash flow forecasts. The forecasts are based on a variety of dynamic factors, with federal grant levels and the timing of project disbursements being the most significant factors. Federal grant levels vary yearly, and disbursement projections are continually updated by the Division to ensure that cash flow forecasts are as accurate as possible.

Although cash flow forecasts are dynamic, the current level of commitments along with foreseeable new commitments indicate that the CWSRF will need additional cash in 2016 and 2017. Based on these conditions, the Division wants to be prepared to sell new revenue bonds to increase available cash and meet current and near term commitments.

In 2002, the CWSRF sold \$300,000,000 par value of bonds, and completed a refunding bond sale in 2012 to refinance the \$91,800,000 remaining balance. The Division anticipated further leveraging of the CWSRF in 2012, and as part of the refunding, the State Water Resources Control Board (State Water Board) authorized the Division to sell an additional \$300,000,000 worth of bonds in [Resolution No. 2012-0025](#). The State Water Board also approved an updated Master Indenture for the CWSRF in anticipation of future bond sales.

While the authority in Resolution 2012-0025 remains in effect, it should be updated to reflect current conditions. Therefore, the Division seeks to renew and update the authority granted in Resolution No. 2012-0025 to better reflect the current status of the CWSRF. Additional bonds may be sold in multiple sales, but would be sold only if each sale is approved by the State Water Board and cash flow conditions warrant.

POLICY ISSUE

Should the Board reauthorize the sale of additional, new money bonds, and authorize the sale of up to \$1,200,000,000 par value in new bonds for the CWSRF?

FISCAL IMPACT

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

The cost of underwriting the bond sales will be paid from the proceeds of the bonds.

The cost of borrowed capital will be paid from past retained earnings and reduced 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 Intended Use Plan.

REGIONAL BOARD IMPACT

There will be no direct Regional Board impact. Selling additional bonds will allow the CWSRF to finance additional water quality projects that support the Regional Board's efforts.

RECOMMENDATION

The Board should reauthorize the sale of additional, new money bonds, and authorize the sale of up to \$1,200,000,000 par value in new bonds for the CWSRF.

State Water Board action on this item will assist the Water Boards in reaching Goals 1, 2, 3, and 4 of the Strategic Plan Update: 2008-2012 to implement strategies to fully support the beneficial uses for all 2006-listed water bodies by 2030; improve and protect groundwater quality in high-use basins by 2030; increase sustainable local water supplies available for meeting existing and future beneficial uses by 1,725,000 acre-feet per year, in excess of 2002 levels, by 2015, and ensure adequate flows for fish and wildlife habitat; and 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.

DRAFT

STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2016-

AUTHORIZING THE SALE OF UP TO ONE BILLION TWO HUNDRED MILLION DOLLARS
(\$1,200,000,000 PAR VALUE) OF NEW REVENUE BONDS FOR THE CLEAN WATER
STATE REVOLVING FUND (CWSRF)

WHEREAS:

1. The CWSRF program's cash flow forecasts indicate a need for new money bonds in 2016 and 2017;
2. The Division of Financial Assistance has been working with a financial advisor, the California Infrastructure and Economic Development Bank (I-Bank), and the Division of Administrative Services to determine the need for additional bonds; and
3. The I-Bank has the authority to sell CWSRF bonds on behalf of the State Water Resources Control Board (State Water Board) pursuant to Article 6, Chapter 2, Division 1, Title 7 of the Government Code.

THEREFORE BE IT RESOLVED THAT:

The State Water Board:

1. Reauthorizes the sale of additional, new money bonds, and authorizes the sale of up to \$1,200,000,000 par value in new bonds for the CWSRF, as necessary.

CERTIFICATION

The undersigned Clerk to the Board does hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the State Water Resources Control Board held on January 5, 2016.

Jeanine Townsend
Clerk to the Board