

**STATE WATER RESOURCES CONTROL BOARD  
BOARD MEETING SESSION – DIVISION OF FINANCIAL ASSISTANCE  
FEBRUARY 7, 2017**

**ITEM 4**

**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 \$450,000,000 AGGREGATE PRINCIPAL AMOUNT OF ITS BONDS

**DISCUSSION**

In 2002, the IBank acted as conduit issuer on behalf of the State Water Resources Control Board (State Water Board), issuing \$300,000,000 par value of CWSRF bonds, and completed a refunding bond sale in 2012 to “redeem” the \$91,800,000 remaining balance, prepaying the 2002 bonds and issuing new bonds with a shorter term and lower debt service. On January 4, 2016, the State Water Board authorized the issuance of up to an additional \$1.2 billion in CWSRF bonds. In April 2016, the IBank issued an additional \$410,735,000 par value of CWSRF bonds (the “2016 Bonds”). As of December 31, 2016, the State Water Board’s CWSRF debt balance was approximately \$428 million.

Considering the 2016 Bonds, the State Water Board has authorized the issuance of an additional \$789,265,000 par value of CWSRF bonds.

The Division of Financial Assistance (Division) regularly assesses the need for CWSRF bonds based on the program’s cash flow forecasts. Although the cash flow needs of the CWSRF are dynamic, the current commitments and foreseeable new commitments indicate that the CWSRF will need additional cash in 2017. Current market rates are favorable, and funding current and near term projects 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 2017 CWSRF bonds at current market rates. The IBank will act as the conduit issuer of the Series 2017 bonds on behalf of the State Water Board. The sale will be underwritten by the underwriting firms of Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Ramirez & Co., Inc., and the California State Treasurer’s Office will serve as the Trustee for the Series 2017 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 \$450,000,000 aggregate principal amount of Series 2017 CWSRF bonds on behalf of the State Water Board?

**FISCAL IMPACT**

The costs of selling the Series 2017 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 Intended Use Plan.

**REGIONAL BOARD IMPACT**

There will be no direct Regional Water Quality Control Board (Regional Water Board) impact. Selling the Series 2017 bonds will provide more cash with which to fund current and near term CWSRF projects that support the Regional Water Boards' efforts.

**STAFF RECOMMENDATION**

Approve the proposed resolution to authorize the execution of documents and authorize the associated actions necessary for the IBank to issue up to \$450,000,000 aggregate principal amount of CWSRF bonds on behalf of the State Water Board.

<p>State Water Board action on this item will assist the Water Boards in reaching Goals 1, 2, 3, and 4 of the <i>Strategic Plan Update: 2008-2012</i> 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.</p>
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## STATE WATER RESOURCES CONTROL BOARD RESOLUTION NO. 2017-

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 \$450,000,000 AGGREGATE PRINCIPAL AMOUNT OF ITS BONDS

### WHEREAS:

1. The United States of America, pursuant to the Federal Water Pollution Control Act, as amended by, among other laws and regulations, the Water Quality Act of 1987 (33 U.S.C. Section 1251 *et seq.*) (Clean Water Act), requires each state to establish a water pollution control revolving fund to be administered by an instrumentality of such state as a condition to receipt of CWSRF capitalization grants under the Clean Water Act;
2. The State of California (State) has, pursuant to Chapter 6.5 (commencing with Section 13475) of Division 7 of the California Water Code, as amended, established the State's CWSRF to be used for purposes of state law and the Clean Water Act;
3. The State Water Resources Control Board (State Water Board) is the State's principal state agency with primary responsibility for the coordination and control of water quality and has the responsibility to administer the CWSRF and to provide financial assistance to municipalities and other eligible applicants for the construction or implementation of eligible projects, all as set forth under state law;
4. Various local governmental agencies have submitted and are expected to submit to the State Water Board applications for financial assistance for eligible projects;
5. The funds necessary to provide such financial assistance are to be derived in part by the issuance by the IBank of its CWSRF Revenue Bonds, Series 2017 (Bonds), on behalf of the State Water Board, and the sale of the Bonds to Morgan Stanley & Co. LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Ramirez & Co., Inc., or such other investment banking firm(s) selected by the IBank and approved by the State Water Board, as representatives of the underwriters (Underwriters), pursuant to a bond purchase agreement (Bond Purchase Agreement) to be entered into by and among the Underwriters, the Treasurer of the State (Treasurer), as agent for sale, and the IBank, and approved by the State Water Board;
6. The Bonds are to be issued pursuant to the Master Trust Indenture, dated as of November 1, 2012 (Master Trust Indenture), as supplemented by the Series 2012 Indenture, dated as of November 1, 2012 (Series 2012 Indenture), the Series 2016 Indenture, dated as of April 1, 2016 (Series 2016 Indenture), and the Series 2017 Indenture, dated as of February 1, 2017 (Series 2017 Indenture), collectively referred to as the "Indenture," each by and between the IBank and the Treasurer, as trustee thereunder;

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7. The Bonds and any bonds heretofore and hereafter issued under the Indenture are to be further secured pursuant to the Master Payment and Pledge Agreement, dated as of November 1, 2012 (Master Payment and Pledge Agreement), between the IBank and the State Water Board;
8. Disclosure of certain financial information and operating data and certain enumerated events are to be provided to holders of the Bonds on an ongoing basis pursuant to the Continuing Disclosure Agreement, dated as of February 1, 2017 (Continuing Disclosure Agreement), between the State Water Board and the Treasurer, as dissemination agent; and
9. It is in the public interest and for the public benefit that the State Water Board enter into certain agreements and perform certain acts described herein.

## THEREFORE BE IT RESOLVED THAT:

1. The following documents are hereby approved and each of the Executive Director and designee(s) of the State Water Board (Authorized Signatories) is hereby authorized and directed on behalf of the State Water Board and in its name to execute and deliver to appropriate entities the following documents in substantially the form of the draft documents presented to this meeting, and the Clerk of the State Water Board is hereby authorized to attest to the signature of the officer signing such documents:
  - (a) The proposed form of the Continuing Disclosure Agreement;
  - (b) The proposed form of the Preliminary Official Statement relating to the Bonds (Preliminary Official Statement); and
  - (c) The proposed form of the Bond Purchase Agreement, including the exhibits thereto.
2. The proposed form of the Series 2017 Indenture is hereby approved, and the obligations of the State Water Board thereunder are hereby acknowledged and approved;
3. Each Authorized Signatory is hereby authorized and directed to execute such other agreements, documents, and certificates as may be necessary to achieve the purposes of this Resolution and the statutory programs herein mentioned. Such agreements, documents, and certificates may include, but are not limited to, the Tax Certificate. Each Authorized Signatory is hereby authorized to take any and all actions necessary or advisable to assist in issuing and selling the Bonds and carrying out the purposes of this Resolution;
4. The distribution by the Underwriters of the Preliminary Official Statement to prospective investors in the Bonds is hereby approved and authorized and any authorized officer of the State Water Board is authorized to execute and deliver a statement that the Preliminary Official Statement is a "deemed final" official statement (except for permitted omissions), by the State Water Board as of its date for purposes of Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934, as amended. Each Authorized Signatory is hereby authorized to execute the Preliminary Official Statement as the final official statement for the Bonds, with such additions thereto or changes therein as may be approved upon consultation with the State Water Board's counsel (Final Official Statement), and the execution of the Final Official Statement by the Authorized

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Signatory shall be conclusive evidence of the approval of any such additions and changes. The State Water Board hereby authorizes the distribution of the Final Official Statement by the Underwriters. The use and distribution by the Underwriters of the Preliminary Official Statement and Final Official Statement in connection with the offering and sale of the Bonds is hereby approved and authorized;

5. All actions heretofore taken by the officers and agents of the State Water Board with respect to the approval, issuance and sale of the Bonds are hereby approved, confirmed, and ratified; and
6. This Resolution shall take effect immediately upon its adoption.

## 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 Board held on February 7, 2017.

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Jeanine Townsend  
Clerk to the Board