

California Water and Wastewater Financing Authority

A legislative proposal to fund essential water and wastewater
projects for California



Agenda

Challenge

01

Financing Authority
Objectives

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Program Elements

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- The State of California requires \$100 Billion in local water and wastewater investments over next 20 years
- State Revolving Fund can support roughly \$1 Billion per year, leaving a large funding gap
- Smaller and lower income agencies do not have the same access to low cost financing
- Need for new financing vehicle that:
 - Lowers borrowing costs
 - Complements other programs such as SRF



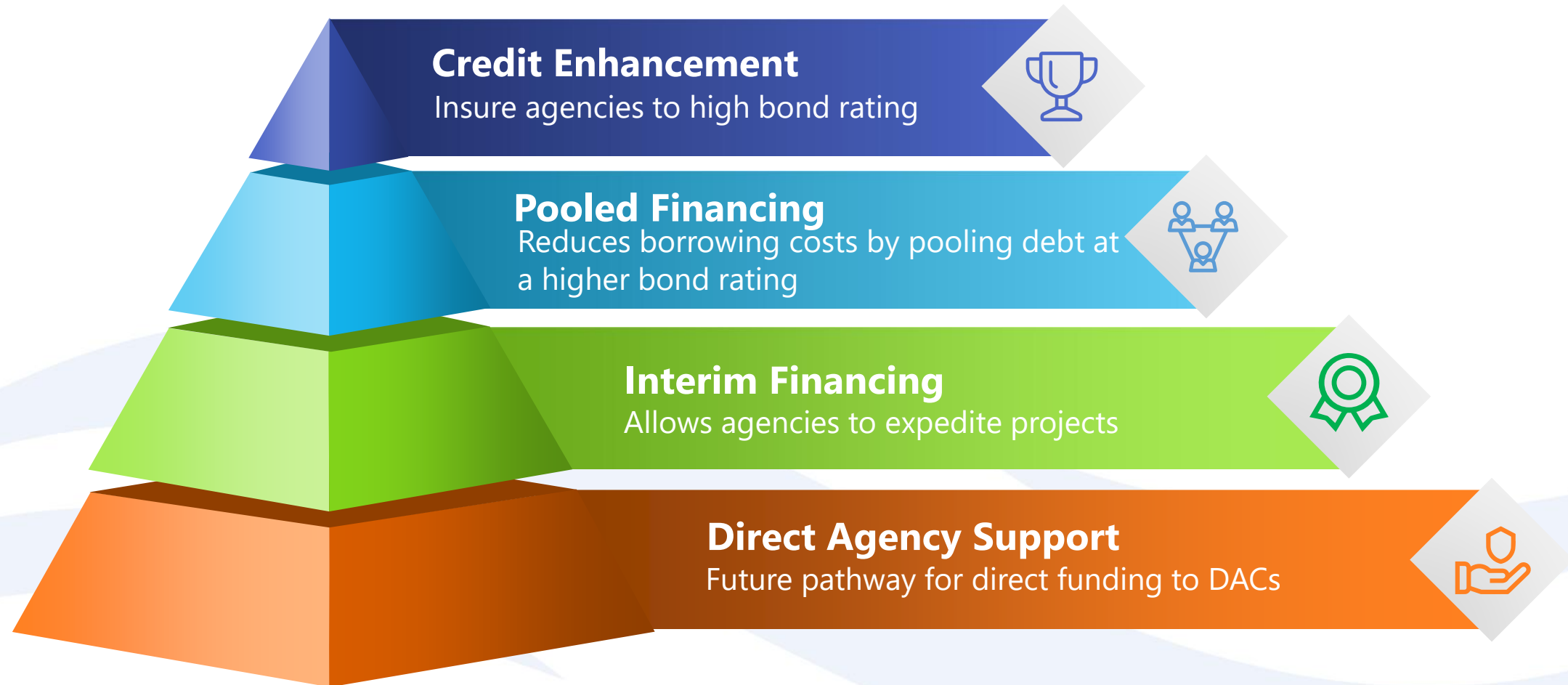
Small Agency Challenges



Smaller agencies, serving lower income areas, typically face increased infrastructure costs due to financing limitations:

- Lower credit ratings
- Small financing needs that require bank loans
- Lack of interim financing to begin critical infrastructure projects, often resulting in continued non-compliance with regulatory standards

Program Elements



Credit Enhancement



- A fund would be established to provide a “back stop” for borrowing by non-AAA rated agencies
- Credit Enhancement would allow agencies to receive loans at lower interest rates, reducing borrowing costs
- Recognizing current fiscal constraints, the financing authority could be established first and then funded at a later time
 - Federal funds could even be used



Pooled Financing



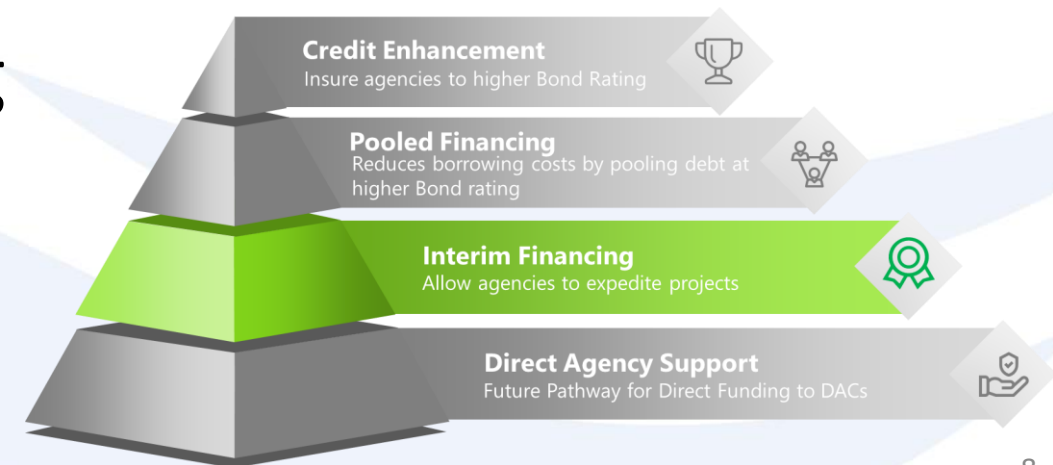
- Financing Authority would be authorized to issue debt
- Agencies would borrow through the Financing Authority
- Pooled debt would be issued a high bond rating, reducing borrowing costs
- Would allow smaller agencies, with smaller capital projects, to participate in bond financing rather than having to seek higher cost bank loans



Interim Financing



- Financing Authority would establish a commercial paper program or other shorter-term borrowing instrument
- Could provide short-term financing to agencies in order to expedite capital projects
- Small and larger agencies might participate rather than establishing their own lines of credit



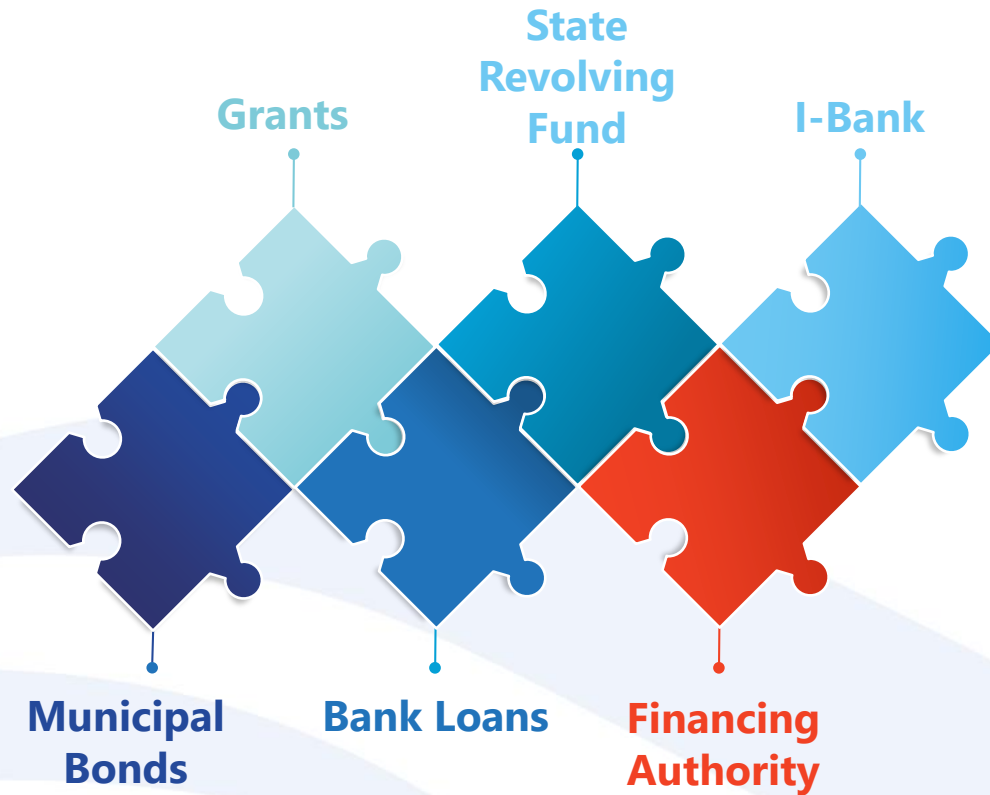
Direct Agency Support



- A fund could be established to offset loan repayments for disadvantage communities
- Could be funded by State or federal sources after Financing Authority has been established



A Critical Piece of the Puzzle



The Water and Wastewater Financing Authority will complement and be additive to other funding sources necessary to achieving critical environmental, health, and safety goals

